



United Nations

United Nations Office for Project Services

**Financial report and audited
financial statements**

for the year ended 31 December 2018

and

Report of the Board of Auditors

General Assembly

Official Records

Seventy-fourth Session

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United Nations Office for Project Services

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Report of the Board of Auditors



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Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Letters of transmittal

Letter dated 29 March 2019 from the Executive Director and the Chief Financial Officer and Comptroller of the United Nations Office for Project Services addressed to the Chair of the Board of Auditors

The United Nations Office for Project Services (UNOPS) hereby submits its annual financial statements for the year ended 31 December 2018.

We acknowledge that:

- Management is responsible for the integrity and objectivity of the financial information included in these financial statements.
- The financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and include certain amounts that are based on management's best estimates and judgments.
- Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that, overall, policies and procedures are implemented with an appropriate segregation of duties. UNOPS internal auditors continually review the accounting and control systems. Further improvements are being implemented in specific areas.
- Management provided the Board of Auditors and UNOPS internal auditors with full and free access to all accounting and financial records.
- The recommendations of the Board of Auditors and UNOPS internal auditors are reviewed by management. Control procedures have been revised or are in the process of being revised, as appropriate, in response to those recommendations.

We certify that, to the best of our knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the appended financial statements.

(Signed) Grete **Faremo**
Executive Director

(Signed) Marianne Roumain **De La Touche**
Chief Financial Officer/Comptroller

**Letter dated 24 July 2019 from the Chair of the Board of Auditors
addressed to the President of the General Assembly**

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Office for Project Services for the year ended 31 December 2018.

(Signed) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Opinion

We have audited the financial statements of the United Nations Office for Project Services (UNOPS), which comprise the statement of financial position (statement I) as at 31 December 2018 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UNOPS as at 31 December 2018 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled “Auditor’s responsibilities for the audit of the financial statements”. We are independent of UNOPS, in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and the auditor’s report thereon

The Executive Director of UNOPS is responsible for the other information, which comprises the financial report for the year ended 31 December 2018, contained in chapter III below, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

The Executive Director is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as the Executive Director determines to be necessary to enable the preparation of

financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director is responsible for assessing the ability of UNOPS to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless management intends either to liquidate UNOPS or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of UNOPS.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of UNOPS.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Draw conclusions as to the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of UNOPS to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause UNOPS to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of UNOPS that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the financial regulations and rules of UNOPS and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of UNOPS.

(Signed) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

(Signed) Rajiv **Mehrishi**
Comptroller and Auditor General of India
(Lead Auditor)

(Signed) Jorge **Bermúdez**
Comptroller General of the Republic of Chile

24 July 2019

Chapter II

Long-form report of the Board of Auditors

Summary

1. The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Office for Project Services (UNOPS) for the year ended 31 December 2018 and examined a range of managerial issues. The Board examined financial transactions and operations executed at UNOPS headquarters in Copenhagen, the Ethiopia country office and the Kenya operational hub and conducted a performance audit of the oneUNOPS enterprise resource planning system in Copenhagen.

Opinion

2. In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UNOPS as at 31 December 2018 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Overall conclusion

3. The financial position of UNOPS remains sound, and the reported surpluses continue to contribute to a significant operational reserve. UNOPS needs to formulate a strategy for the effective utilization of its increasing surpluses. The Board appreciated the fact that the financial statements were submitted by the due date again this year. The Board noted that certain manual adjustments are still carried out in the preparation of the financial statements. The Board is of the opinion that UNOPS should make further moves towards reducing human intervention in the process of preparing the statements. There were a few cases of shortcomings in project management and procurement for the partners, the lessons of which could further improve the delivery by UNOPS.

Key findings

Financial performance and management

4. UNOPS continued to deliver an overall surplus with respect to its operations. For the financial year 2018, its surplus was \$38.4 million (2017: \$28.0 million). Its operational reserves had increased by \$34.3 million to \$192.9 million as at 31 December 2018, exceeding by \$171.2 million the minimum level of \$21.7 million set by the Executive Board.

5. The overall financial health of UNOPS is sound. The current liabilities exceeded current assets in 2018, owing mainly to an increase in deferred revenue, which is the excess of cash received over the project revenue recognized.

6. The overall gross margin on project services declined from 10.8 per cent to 9.4 per cent on account of a relative reduction in margins related to projects on financial management and human resources administration. The net margin, however, improved compared with the previous year, owing mainly to exchange rate gains and steady finance income.

Inventory management

7. UNOPS was inconsistent in its inclusion of the transport, handling and other costs directly attributable to the acquisition of finished goods, materials and supplies when calculating purchase costs.

8. The internal control on the movement and valuation of inventory was weak. UNOPS headquarters had to rely on the submissions of field offices and assurance at the local level that all inventory items had been recorded correctly in the books of accounts.

Property, plant and equipment

9. UNOPS currently considers the useful life of assets in conjunction with the annual physical verification exercise but will initiate a separate exercise on the reassessment of the useful economic life of all asset groups for 2018. A draft process for the reassessment of useful economic life for all asset groups was formulated by UNOPS but had yet to be reviewed by stakeholders. The process is expected to be completed by the end of the third quarter of 2019 and will be documented in the process and quality management system accordingly.

10. The Board also noted that depreciation had not been correctly charged, as assets were not depreciated in 2018 or part of 2018 because of work package expiry and were subsequently depreciated in the following year when assets were transferred to a valid work package.

Growth and innovation reserve

11. UNOPS in 2018 made an investment of \$8.8 million in a social impact investing initiative ("S3I") from the operational reserve without establishing a growth and innovation reserve as required by regulation 22.02 (b) of its financial regulations and rules. The direct investment from the operational reserve without ring-fencing the resources through the establishment of a specific growth and innovation reserve and the formulation of a procedure for accounting and management for such reserve is not in line with the financial regulations.

Project management

12. The contract management module in oneUNOPS needs improvement. UNOPS does not have a unique numbering system for its procurement contracts. There was insufficient information regarding crucial aspects of contract management (liquidated damages, performance security, etc.), which could affect the efficiency of contract implementation. The system did not allow the recording of reasons for contract termination for specific purchase orders. Other important information, such as whether the purchase order was issued under emergency procurement procedures or not was also not available within the system. Besides, aberrations were noticed in project planning and management in sample cases, which were test-checked.

oneUNOPS enterprise resource planning system

13. The total additional cost of the new enterprise resource planning system incurred as at 1 January 2016 when the system went live was \$8.4 million against the business case estimate of \$8.0 million, and the benefits of the project were realized early, in 2016 instead of 2017 as scheduled. The Board, however, noticed instances of non-adherence to processes by UNOPS in system development and related documentation, which were associated with the completion of the project ahead of schedule. UNOPS acknowledged that the speed of implementation had had an impact

on its adherence to best practices with respect to quality assurance in the system/software development process.

14. A number of manual adjustments were seen to have been made in the trial balance to arrive at the final value for each of the account codes in the financial statements. In any case, inventory valuation and management, fund/treasury management, age-wise analysis of accounts receivable and segment reporting were kept outside of oneUNOPS.

15. As at 21 January 2019, 718 out of 1,223 change requests pertaining to the period 2016–2018 were to be evaluated, authorized, prioritized, planned, tested, implemented, documented and reviewed in accordance with the documented and approved change management procedures.

16. The segregation of duties matrix is incomplete, as UNOPS has not incorporated all prohibitions, which presents an inherent risk of violating business roles and authorities, leading to possible irregularities.

17. There was no information and communications technology (ICT) risk register containing all the identified ICT risks, including business continuity risks and information security risks, that could be monitored in a systematic manner. As at 21 January 2019, a formal information security risk management framework, recommended in the cybersecurity maturity assessment report, had not been established.

18. The business continuity plan does not include hardware procurement plans, facilities recovery, staff recovery, etc., as expected by recognized standards. The document also does not mention any recovery time/recovery point objectives. The plan has no mention of a testing schedule or training requirements.

19. The Project Management Manual, which incorporates several salient aspects and elements of Prince 2, took effect as from January 2019. In accordance with the Manual, the project management process was divided into various stages, but Prince 2 processes, such as the creation of project initiation documents, amendments to the schedule, cost and scope of projects, tolerances for quantifiable values against those parameters, the capturing of stage-planning, lesson details and the like were not fully incorporated into oneUNOPS.

Recommendations

20. While further detailed recommendations are set out in the present report, in summary, the Board recommends that UNOPS:

(a) **Take steps to generate the financial statements from the oneUNOPS enterprise resource planning system so as to obviate the need for manual adjustments and interventions;**

(b) **Ensure that costs are captured correctly and that the correct and complete valuation of inventory is made at year-end on the basis of specific reviews;**

(c) **Establish a growth and innovation reserve and document a detailed procedure for the use of funds in such reserve, as well as their accounting and management;**

(d) **Subject the property, plant and equipment to a systematic annual review to confirm their remaining useful life in line with IPSAS requirements;**

(e) **Assess relevant risks during the engagement acceptance process, with a realistic projection of timelines and the appropriate coordination of different**

vendors for the implementation of a particular project so that it is completed within the scheduled timeline;

(f) Ensure stricter compliance with the established procurement procedures and record reasons for deviating from them at the commencement of the process;

(g) Review comprehensively the pending change requests, classify them on the basis of priority and bring them before the ICT governance bodies for consideration so that the pending requests can be addressed comprehensively and within a definite time frame;

(h) Review the segregation of duties matrix and incorporate all role prohibitions and role conflicts prescribed and/or required by the business users;

(i) Establish and implement a formal ICT mandate, strategy and plan, with clearly defined roles and responsibilities, in the process and quality management system and establish a formal information security risk management and reporting framework, including a risk register, so as to monitor significant ICT risks, including business continuity and information security risks;

(j) Review and update the existing ICT business continuity plan and document disaster recovery procedures, testing schedules and training requirements and carry out tests to check their robustness;

(k) Incorporate the requirements of the Prince 2 methodology in oneUNOPS to enable UNOPS to manage its projects in terms of the requirements of its Project Management Manual.

Key facts	
\$942.48 million	Total revenue
\$923.67 million	Total expenses
\$19.62 million	Net finance income
\$38.43 million	Surplus for the year ended 31 December 2018
\$192.92 million	Operational reserves at 31 December 2018, against a minimum level of reserves of \$21.7 million as prescribed by the Executive Board
\$2.32 billion	Total assets
\$2.12 billion	Total liabilities

A. Mandate, scope and methodology

1. The United Nations Office for Project Services (UNOPS) helps people to build better lives and countries to achieve sustainable development. UNOPS is a demand-driven and self-financing organization without any contributions from Member States that relies on the revenue that it earns from the implementation of projects and the provision of high-quality transactional and advisory services. It provides services that contribute to peace and security, humanitarian and development operations of the United Nations system. UNOPS revenues are wholly dependent on fees generated by the provision of project services through three delivery practices: project management, procurement and infrastructure.

2. The Board of Auditors has audited the financial statements of UNOPS for the financial year ended 31 December 2018 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the financial regulations and rules of UNOPS, as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNOPS as at 31 December 2018 and its financial performance and cash flows for the year then ended, in accordance with IPSAS. This included an assessment as to whether the expenses recorded in the financial statements had been incurred for purposes approved by the UNOPS governing body and whether they had been properly classified and recorded in accordance with the UNOPS financial regulations and rules.

4. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

5. The Board also reviewed UNOPS operations under regulation 7.5 of the Financial Regulations and Rules of the United Nations, with a focus on the performance of oneUNOPS, the enterprise resource planning system of the Office. During the course of the audit, the Board visited UNOPS headquarters in Copenhagen, the Ethiopia country office in Addis Ababa and the Kenya operational

hub in Nairobi. The Board also took note of work carried out by the UNOPS Internal Audit and Investigations Group to provide coordinated audit coverage.

6. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The report was discussed with UNOPS management, whose views have been appropriately reflected.

B. Follow-up to previous recommendations

7. Up to the year ended 31 December 2017, 51 recommendations of the Board were outstanding. The status of implementation of those recommendations is presented in table II.1.

Table II.1
Status of implementation of recommendations

Status	Report of the Board of Auditors						Total
	A/68/5/ Add.10	A/69/5/ Add.11	A/70/5/ Add.11	A/71/5/ Add.11	A/72/5/ Add.11	A/73/5/ Add.11	
Open recommendations at the end of December 2017	2	1	7	9	20	12	51
Status of implementation in 2018							
(a) Fully implemented	2	1	7	6	11	4	31
(b) Under implementation	–	–	–	2	9	8	19
(c) Not implemented	–	–	–	–	–	–	–
(d) Overtaken by events	–	–	–	1	–	–	1
Recommendations open as of December 2018	–	–	–	2	9	8	19

Source: Analysis by the Board of Auditors.

8. The Board noted that the rate of implementation of recommendations, at 61 per cent, was higher than the 27 per cent implementation rate achieved during the previous year. The Board also noted that, of the 20 recommendations that were under implementation, 11 pertained to periods ranging from two to four years.

9. The Board appreciates the efforts undertaken by UNOPS to ensure a higher rate of implementation of the Board's recommendations. The Board encourages the Administration to ensure the implementation of its recommendations in a timely manner. Details regarding the progress made in the implementation of all previous recommendations are set out in the annex to chapter II.

10. The recommendations related to operational reserves, issues of sustainability in procurement and project management, the financial closure of projects and the innovation fund are some of the important recommendations that are still under implementation.

C. Financial performance and management

Financial results

11. The General Assembly, in its decision 48/501, established UNOPS as a separate, self-financing entity to provide capacity-building services, including project management, procurement and the management of financial resources. To cover its expenses, UNOPS charges its clients fees for services rendered. In 2018, UNOPS reported a surplus of \$38.43 million, representing 4.16 per cent of the expenditure of

\$923.67 million that it had incurred. The surplus had increased from \$28.97 million in 2017.

12. The surplus that UNOPS generates from its project activities is used to cover its central support costs. As shown in table II.2, since 2014 UNOPS has generated surpluses from its project activities ranging from \$66.30 million to \$89.73 million, the surplus for 2018 being \$88.13 million. During that period, the net surplus generated each year has included net finance income.

Table II.2

Analysis of surpluses reported by the United Nations Office for Project Services

(Thousands of United States dollars)

	2018	2017	2016	2015	2014
Surplus from project activities^a	88 130	89 731	86 701	87 168	66 299
Miscellaneous and non-exchange revenue	1 838	2 374	2 127	2 841	7 820
Non-project expenses ^b	(71 160)	(73 956)	(68 767)	(78 259)	(66 975)
Surplus from operations	18 808	18 149	20 061	11 750	7 144
Net finance income	19 619	10 817	11 219	2 585	2 779
Reported surplus	38 427	28 966	31 280	14 335	9 923

Source: UNOPS financial statements.

^a Direct project revenue less direct project expenditures.

^b Total expenditure less direct project expenditures.

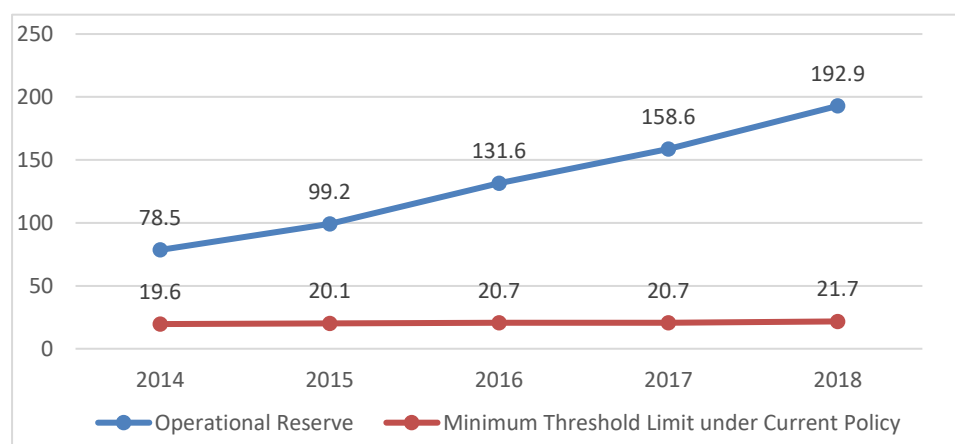
Operational reserves

13. In 2013, the Executive Board approved a policy to establish a minimum operational reserve, which is set at the equivalent of four months of the average management expenses for the previous three years. As at 31 December 2018, this equated to \$21.7 million. The reported operational reserves as at 31 December 2018 amounted to \$192.92 million (2017: \$158.64 million), nearly nine times the minimum targeted operational reserve, exceeding the minimum target by \$171.2 million (2017: \$137.9 million).

Figure II.I

Operational reserves as at 31 December 2018

(Millions of United States dollars)



Source: UNOPS financial statements.

14. The Board noted that UNOPS had not reassessed the required level of minimum operational reserves approved by the Executive Board in 2013. Furthermore, UNOPS had not formulated any strategy or road map for the effective utilization of the mounting surpluses.

Financial management

15. The Board has analysed the financial health of UNOPS using a range of key ratios, as set out in table II.3.

Table II.3
Financial ratios as at 31 December

	2018	2017	2016	2015	2014
Current ratio ^a					
Current assets: current liabilities	0.96	1.02	0.35	0.85	0.63
Total assets: total liabilities ^b					
Assets: liabilities	1.09	1.09	1.09	1.07	1.07
Cash ratio ^c					
Cash + short-term investments: current liabilities	0.91	0.95	0.29	0.82	0.56
Quick ratio ^d					
Cash + short-term investments + accounts receivable: current liabilities	0.95	1.01	0.35	0.84	0.62
Project surplus ^e (margin percentage ^f)					
Direct project revenue – direct project expenses	\$88.1 million (9.4 per cent)	\$89.7 million (10.8 per cent)	\$86.7 million (11 per cent)	\$87.2 million (12.8 per cent)	\$66.3 million (10.0 per cent)
Net surplus (margin percentage ^f)	\$38.43 million (4.08 per cent)	\$28.97 million (3.47 per cent)	\$31.3 million (3.96 per cent)	\$14.3 million (2.1 per cent)	\$9.9 million (1.5 per cent)

Source: UNOPS financial statements.

^a A high ratio indicates an entity's ability to pay off its short-term liabilities.

^b A high ratio is a good indicator of solvency.

^c The cash ratio serves as an indicator of an entity's liquidity by measuring the amount of cash, cash equivalents or invested funds there are in current assets to cover current liabilities.

^d The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

^e Direct project revenue and expenses relate to the project revenue/expenses reported in note 17 of the financial statements.

^f Margin percentage refers to project revenue/total revenue.

16. The Board noted that, in 2018, the current liabilities exceeded the current assets, owing mainly to an increase in deferred revenue, which is the excess of cash received over the project revenue recognized, and an increase in the long-term investments.

17. The overall gross margin on project services declined from 10.8 per cent to 9.4 per cent on account of the relative reduction in margins in respect of projects relating to financial management and human resources administration. The net margin, however, improved over the previous year owing mainly to exchange rate gains and steady finance income. The overall financial position of UNOPS remained sound during the year.

Preparation of financial statements and project classification

18. The UNOPS guidance note on project classification states that IPSAS draws a distinction between two contrasting revenue streams, those of "principal" and "agent", the difference depending upon the role played by UNOPS. When preparing

its corporate financial statements, UNOPS must, on the basis of exposure to risk, distinguish between and separately report on activities that UNOPS:

- (a) Undertakes in its own capacity (i.e. as principal);
- (b) Executes in response to clients' instructions (i.e. as agent).

19. It is thus crucial that when a project is established in the oneUNOPS Projects module, the project type be specified according to the role and associated responsibilities of UNOPS (primary analysis). The classification enables the Finance Group to further disaggregate each project's underlying expenses and activities into principal- and agent-based elements (secondary analysis). Appropriate project classification helps in automating corporate financial statements and ensuring the accuracy of fee posting. The proper classification of projects is critical for the fair presentation of the financial statements. The Board noticed that the classification had been initiated in the field office and depended on manual intervention outside of oneUNOPS for final recording, which carries the risk of human error. The Board also observed that there was no audit trail within oneUNOPS to check whether the Integrated Practice Advice and Support unit or the Finance Group during the secondary analysis reviewed the project classification done by the originating office.

20. In the course of the test check, the Board noticed that an amount of \$6,014,958 due to be refunded had not been classified correctly between principal (i.e. deferred revenue) and agent (i.e. cash held as agent). UNOPS accepted the observation and carried out a change to better reflect the nature of the underlying transactions.

21. The Board noticed that UNOPS had generated the financial statements using Excel, after having carried out various manual calculations outside of oneUNOPS in order to produce IPSAS-compliant statements. The extent of revenue required to be subjected to such calculation was \$852.51 million (out of \$942.47 million). Besides, some reclassifications, such as those relating to agency cash, provisions, investments, credit balances on accounts receivable, project revenue and miscellaneous revenue, had been carried out for presentation in the financial statements.

22. The Board recommends that UNOPS ensure that the review of project classification by the Integrated Practice Advice and Support unit or the Finance Group is captured in oneUNOPS to leave an appropriate audit trail.

23. The Board recommends that UNOPS take steps to generate the financial statements from the oneUNOPS enterprise resource planning system so as to minimize the need for manual adjustments and interventions.

24. UNOPS stated that it would explore options to embed the exercise of project classification in the enterprise resource planning system and agreed with the need to generate financial statements from oneUNOPS to significantly reduce the number of manual interventions required in preparing the financial statements.

Growth and innovation reserve

25. Under UNOPS financial regulation 22.02, a growth and innovation reserve can be established to fund investments in the future revenue-generating ability of UNOPS. Transfers to the reserve will be limited to 50 per cent of the excess operational reserves, over and above the level set by the Executive Board. The specific approval of the Board is required if the amount to be transferred exceeds 50 per cent of the excess operational reserves. The Board, in its previous audit report ([A/73/5/Add.11](#), chap. II, para. 20), observed that UNOPS had not established a growth and innovation reserve, despite having a huge surplus in its operational reserves. The Board noted that the growth and innovation reserve had not been established in 2018 and that the operational reserve continued to be the only reserve within UNOPS.

26. UNOPS stated that it would disclose the growth and innovation reserve in the notes to the financial statements for 2019. However, the Board notes that without establishing a growth and innovation reserve in accordance with financial regulation 22.02 (b), the disclosure of a growth and innovation reserve in the notes to the financial statements would not be sufficient.

27. The utilization of the operational reserve is restricted in financial regulation 22.02 (a) to compensation for shortfalls in revenue, uneven cash flow, fluctuations in project costs and other contingencies. The Board noted, however, that UNOPS had invested an amount of \$8.8 million in a social impact investing initiative (“S3I”)¹ project, namely, a 22-MW wind power plant located in Mexico out of the operational reserves. That investment was authorized by the Executive Director of UNOPS. The investment of funds directly out of operational reserves, without the creation of a separate growth and innovation reserve, was not in line with the UNOPS financial regulations.

28. UNOPS replied that the project had been approved by the Executive Director as a long-term investment from UNOPS reserves, as authorized by financial regulation 22.02 (b), and that it was within the financial power of the Executive Director and in alignment with the UNOPS strategic plan 2018–2021, which lists social impact investing as one of the organization’s priorities. UNOPS also added that, as required, it would seek the approval of the Executive Board if the investments in the initiative would exceed 50 per cent of the excess operational reserves.

29. The Board is constrained to note that the investment in social impact projects is not in accordance with the financial regulations and rules (regulation 22.02 (a)). Direct investment from operational reserves without ring-fencing the resources through the establishment of a specific growth and innovation reserve and formulating the procedure for the accounting and management of the same is not in line with the financial regulations.

30. The Board recommends that UNOPS establish a growth and innovation reserve and document a detailed procedure for the use of the funds in such reserve, as well as their accounting and management.

Inventory management

Purchase costs

31. Paragraph 19 of IPSAS 12 states that the costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and supplies. UNOPS, the Office’s enterprise resource planning system, had no inventory management module. The Board observed that the inventory valuation exercise had been carried out on the basis of data provided in various Excel sheets by the field units, which were later collated at headquarters. The freight costs were not collected separately as part of the inventory submission from offices.

32. The Board was informed that the identification of freight costs was done locally at field offices, on the basis of the nature of the purchase. All inventory submissions are required to be reviewed at the appropriate level (e.g. the Head of Support Services) prior to being submitted to the Finance Group. The Group then carries out sense-checks on the submissions, as well as detailed checks on high-value inventory items,

¹ Provides investors with opportunities to generate financial returns while ensuring that their contributions are making a positive social, environmental and economic impact.

in addition to checks on a sample of lower-value items. Freight costs are also considered in the Finance Group's checks.

33. During a sample check of the purchase cost of inventory, the Board noted that in 12 cases of 3 Peace and Security Centre offices, in Mali, Senegal and Somalia, the provisions of IPSAS 12 were not followed. UNOPS was inconsistent with respect to the inclusion of transport, handling and other costs directly attributable to the acquisition of finished goods, materials and supplies, freight, freight forwarder services, cargo or container ships, shipping and handling, cargo handling and the like when calculating purchase costs. The Board observed that costs amounting to \$192,766 directly attributable to the acquisition of inventory had not been taken into account.

34. The Board also got an indication in one case that the field offices had been using the purchase order value of the stock purchased, which might have been different from the invoiced amount because of various issues, including a change in the exchange rate at the time that the purchase order was raised and the actual receipt of the inventory.

35. UNOPS accepted the fact that freight costs had been omitted in the inventory submission owing to an oversight and that the invoiced amount should have been used in the submission.

36. The omission of transport, handling and other costs directly attributable to the acquisition in calculating the purchase costs of inventory and not considering the invoice value is indicative of weak system controls.

37. The Board recommends that UNOPS ensure that costs are correctly captured and that a correct and complete valuation of inventory is made at year-end on the basis of specific reviews.

Errors in valuation and specific identification

38. Paragraph 18 of IPSAS 12 states that the cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

39. During the test check of inventory valuation, the Board observed instances of errors in the valuation of inventory as follows:

(a) In two instances, the United States dollar value of inventory valued in two different currencies, the pound sterling and the euro, were used, resulting in an understatement of inventory by \$30,105;

(b) In one case there was a mismatch in the purchase order value and the value of stock purchased used for inventory valuation (a column in an inventory valuation worksheet). In that case, UNOPS stated that the office concerned had confirmed that this was a typographical error in the submission owing to an additional "9" having been typed in the amount column. This resulted in the overstatement of inventory by \$309,600.

40. The Board noted that internal controls on the movement and valuation of inventory were weak, as UNOPS headquarters had had to rely on the submissions of field offices and an assurance at the local level that all items of inventory had been recorded correctly in the books of accounts.

41. The Board observed that UNOPS had calculated the closing stock value using the purchase order value based on specific identification. UNOPS stated that if inventory items purchased under different purchase orders were pooled together, the first in, first out method was used. UNOPS stated that inventory items of the same

nature purchased under different purchase orders were stored in such a way that they were allocable to their original purchase orders through a unique identifier. That identifier is assigned by the respective field office rather than being generated by the enterprise resource planning system, so it could not be said to be unique in the context of the entire organization.

42. Second, because of the system followed by field offices, any like item of inventory can be given a different identifier, as it is purchase order-based and not item-based. UNOPS does not prepare and produce inventory status project-wise; rather, it collects inventory status from the field offices based on purchase orders. The advantages of central visibility of the inventory across UNOPS are thus not available for better management.

43. The Board had asked for the ageing analysis of the inventory, the details of which were not provided during the audit. UNOPS stated that there was no system for recording acquisition and consumption or of calculating closing stock in the oneUNOPS system.

44. The Board recommends that UNOPS explore the possibility of having a comprehensive inventory module in oneUNOPS that would facilitate accounting accuracy, uniformity in reporting arrangements and analysis to improve inventory management.

45. UNOPS accepted that inventory management needed to be improved and acknowledged the need for improved data validation controls to ensure the accuracy of data. UNOPS also stated that in the absence of an inventory module in oneUNOPS, changes were being made to the inventory valuation exercise in time for the next one, in 2019 to improve the quality of data collected.

Property, plant and equipment

Annual review of the useful life of assets

46. Paragraph 67 of IPSAS 17 states that the residual value and the useful life of an asset shall be reviewed at least at each annual reporting date. Paragraph 17 under note 3 to the financial statements states that property, plant and equipment are subject to a systematic annual review to confirm the remaining useful life and to identify any impairment.

47. The Board noted that UNOPS conducted biannual physical verification of its assets and that the assets were assessed against impairment indicators. However, the physical verification of assets and the assessment of impairment factors cannot be considered as a replacement for the annual review of useful life of assets as required by IPSAS 17.

48. UNOPS stated that it currently considered the useful life of assets in conjunction with the physical verification exercise. It would, however, initiate a separate exercise on the reassessment of the useful economic life of all asset groups for 2018. It further stated that while a draft process for the reassessment of useful economic life for all asset groups had been formulated, it had yet to be reviewed by stakeholders. The process was expected to be completed by the end of the third quarter of 2019 and it would be documented in the process and quality management system accordingly.

49. The Board therefore noted that a reassessment of useful life for all asset groups had not been conducted as at 31 December 2018. The Board also noted that there were 987 assets having zero useful life, out of which 653 were in good condition, 72 were damaged and the status of 262 was not available, as they had not been verified physically.

50. The Board recommends that UNOPS subject the property, plant and equipment to a systematic annual review to confirm the remaining useful life in line with IPSAS requirements.

51. UNOPS accepted the recommendation and stated that a separate exercise would be initiated to reassess the assigned useful economic life of all asset groups annually. The process would be documented in the process and quality management system and would be implemented every year.

Delayed recognition of assets and migration of asset data to oneUNOPS

52. Under paragraph 19 of IPSAS 17, an entity is required to apply the general asset recognition principle to all property, plant and equipment costs at the time they are incurred. Furthermore, in paragraph 30, it is stated that the cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by UNOPS.

53. UNOPS stated that asset creation was tracked in oneUNOPS from the purchase order stage to receipt and capitalization. The asset identifiers generated in oneUNOPS were reviewed by the Integrated Practice Advice and Support asset team and the Finance Group prior to capitalization. Furthermore, asset-related data were managed in oneUNOPS, reflected in the general ledger and incorporated in the respective project financials, and visibility had thus improved considerably. UNOPS also stated that it had placed controls in the purchase order module to ensure that all costs attributable to bringing assets to a satisfactory condition were captured and that asset cost was verified by the Integrated Practice Advice and Support asset team prior to capitalization.

54. The Board noted that 64 assets that had been in service from May 2016 to November 2017 had been capitalized for an amount of \$928,977 in 2018.

55. UNOPS stated that those assets had been identified in 2018, as they were located in hardship duty stations, including Ethiopia, Jordan, Somalia and South Sudan. In addition, on account of limited capacity in asset management and high personnel turnover in hardship duty stations, those assets had not been identified earlier. Depreciation of \$57,242 pertaining to those 64 assets related to prior years. Nevertheless, it was charged in 2018.

56. The Board noted that eight vehicles had been included in oneUNOPS only after they had been fully depreciated. The Board observed that additions amounting to \$19,766 in respect of three intangible assets with a gross opening value of nil that had been in service prior to 2018 had been accounted for by UNOPS in 2018. While the amortization of \$10,128 pertaining to those three assets related to prior years, it was charged in 2018. The three intangible assets had erroneously not been capitalized in the years in which they had been put to use, and in the 2018 physical verification exercise they had been identified for capitalization.

57. During a test check of a worksheet relating to property, plant and equipment, it was noted that there were five assets with a gross opening value of \$13,665 that had been in service since 2014 in respect of which cost adjustments amounting to \$3,285 had been accounted for in 2018.

58. UNOPS stated that the migration of data to oneUNOPS in respect of assets had occurred in the third quarter of 2017 and that cost variances noticed during the physical verification process in 2018 had been rectified.

59. During its audit of oneUNOPS, the Board noted that the quality of data migration could not be verified before the system went live owing to the absence of

a data migration plan/strategy documents, data sanitization/clean-up reports, data migration testing reports, review reports/sign-offs and specific criteria/checklists for compliance.

60. The Board recommends that UNOPS ensure the correct recording of asset data and review all migrated assets to guarantee the correct valuation and depiction of asset data within oneUNOPS.

61. UNOPS accepted the recommendation, while stating that additional measures had been put in place to minimize such errors.

Incorrect provision for depreciation

62. In paragraph 71 of IPSAS 17 it is stated that the depreciation of an asset shall not cease when the asset becomes idle.

63. During a test check, instances were noticed in which assets had not been depreciated in 2018 or part of 2018 owing to work package expiry that were subsequently depreciated in the next year when assets were transferred to a valid work package.

64. UNOPS stated that transaction processing in oneUNOPS required projects and work packages to remain valid and active. Hence, when an asset entry was associated with an expired work package, depreciation would be disrupted until such time that it was extended. In some instances, delays were encountered in extending work packages or in transferring assets to a valid work package. UNOPS further stated that a new validation in oneUNOPS had been developed and was being tested, which would automatically update the end periods of work packages to align them with the respective project closure end dates. In 2018, depreciation amounting to \$17,856 in respect of five assets had not been charged owing to work package expiry.

65. The Board recommends that suitable controls be put in place to ensure that assets are depreciated in line with the requirements of IPSAS 17 and that the depreciation of assets is not disrupted owing to work package expiry.

66. While accepting the recommendations, UNOPS stated that a solution was being tested and would be deployed in oneUNOPS in 2019, which would resolve disruptions in depreciation owing to work package expiry.

Segment reporting

67. According to paragraph 9 of IPSAS 18, a segment is a distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information for the purpose of evaluating the entity's past performance in achieving its objectives and for making decisions about the future allocation of resources.

68. According to paragraphs 53 and 54 of IPSAS 18, an entity shall disclose the total carrying amount of segment assets and segment liabilities for each segment. In note 24 of the financial statements, UNOPS disclosed that the allocation of the total assets and liabilities of UNOPS segments was not regularly reviewed by management. The accounting system was not adapted so as to generate segment information on assets and liabilities efficiently and reliably. UNOPS believed that such information was not meaningful to the users of the financial statements. Hence, it was not presented.

69. The Board noted that UNOPS had been providing that disclosure since the adoption of IPSAS in 2012. Meanwhile, oneUNOPS, the enterprise resource planning system, had gone live in 2016 and had since stabilized. UNOPS should extract details of segment assets and segment liabilities from oneUNOPS for segment reporting.

70. UNOPS stated that its internal reporting mechanism looked specifically at the performance side (i.e. revenue and delivery) and at activities by region. As such, given that all reporting to senior management on UNOPS performance was carried out at the regional level, it reported on geographical segments in the financial statements. UNOPS further stated that it was unable to segment assets and liabilities reliably, as they were at that time not recorded in the enterprise resource planning system by geographic location. The Board is of the view that UNOPS needs to take the appropriate steps to update its systems to report segment assets and liabilities reliably, as required under IPSAS 18.

71. The Board recommends that UNOPS disclose information related to segment assets and segment liabilities in the future financial statements in line with the requirements of IPSAS.

Disclosures through notes to financial statements

72. Pursuant to paragraph 47 of IPSAS 12, read with paragraph 42 on inventory, the financial statements shall disclose the carrying amount of inventory, its recognition as expense, write-downs and reversal, and so on.

73. UNOPS did not provide all of the disclosures² required in IPSAS 12 but did state that the quarterly submission template would be updated to ensure that all information required under IPSAS 12 would be collected from field offices for full inventory disclosure.

74. The Board recommends that UNOPS capture all the required information and disclose all the details of inventory as required under IPSAS 12 in the next financial statements.

D. Project management

75. UNOPS is a project implementing entity, almost all whose revenue come from project activities. As at the date of the audit, UNOPS was implementing 438 projects for clients (280 as agent and 158 as principal) entered into in 2018 or before. In addition, 707 projects (469 as agent and 238 as principal) were under various stages of closure prior to financial closure. UNOPS obtained 26 per cent of its project revenue from construction contracts (infrastructure) and procurement in 2018. UNOPS delivered infrastructure projects that included the construction, design or rehabilitation of 104 schools, 9 hospitals, 114 clinics and 1,514 km of roads in 2018. UNOPS aligns its project management practices with the Prince 2³ project management standards, underlining the importance of various stages in a project's lifespan.

76. The Board, during its audit at UNOPS headquarters, the country office of Ethiopia and the operational hub in Kenya, observed certain specific shortcomings in project management, which are discussed below.

Advance financing

77. The Executive Director of UNOPS is authorized to make partial disbursements pursuant to a project agreement prior to the receipt of project funds (regulation 12.03). In such situations, UNOPS charges the partner a fixed administrative fee of \$1,000

² Namely, the carrying amount, inventories recognized as an expense, the amount of any write-down or its reversal, the carrying amount of inventories pledged as security for liabilities, etc.

³ Prince 2 (Projects in Controlled Environments) is a structured project management method and practitioner certification programme.

for each advance financing request.⁴ The fee covers UNOPS costs for initiating, approving, inputting and monitoring the advance financing request.

78. Being a self-financing organization, UNOPS charges the partner the nominal interest it would have earned on the investment of the cash resources. The project manager is responsible for ensuring partner awareness and the appropriate updating of project documents. UNOPS would be eligible for interest for such advance financing. For cases of advance financing, the donor receives reduced interest, to the extent of advance financing, on overall funds made available by it to UNOPS for various projects.

79. The Board noted that in 2018, UNOPS had received an administrative fee in only 3 of 69 cases of advance financing. Furthermore, the interest rate to be applied to projects receiving advance financing had not been defined.

80. UNOPS replied that the fee administered in accordance with the advance financing guidance fully placed the authority to waive the fee on the approving officer. Other partners operating under recognized withdrawal/disbursement agreements and partners with partial advance financing agreements are exempted. As such, the fee is applicable to only a few cases.

81. The Board noted, however, that the advance financing guidance quoted by the Administration had been issued in November 2018, prior to which there had been no provision for a waiver of the administrative fee. The Board also noticed that 64 of the reported 69 cases pertained to a period prior to November 2018 and that no report regarding waiver of the administrative fee in advance financing cases was available with UNOPS.

82. Regarding interest recovery, the Board observed that UNOPS employs an interest distribution tool that does not cater to interest distribution for advance financing cases. The tool distributes interest on the basis of the interest eligibility of the project: (a) interest to be refunded to the client; (b) interest to be used for project activities; and (c) not eligible. Interest on advance financing is recoverable only in case of (a). This necessitates modification in the interest distribution tool so that interest due in advance financing cases is recovered.

83. The Board recommends that UNOPS properly document the cases of waiver of administrative fees.

84. The Board recommends that UNOPS modify the interest distribution tool to correctly allocate the interest on advance financing cases.

85. UNOPS accepted both recommendations and stated that a system for the proper documentation of waiver cases using office productivity tools would be in place by the end of 2019 and that the related information technology development for the posting of interest to projects that receive advance financing would be implemented by mid-2020.

Project planning

86. The proper planning of projects is the key to their smooth implementation. In the course of the audit, the Board noticed some instances of deficient planning, which are summarized below.

⁴ UNOPS operational instruction OI.FG.2018.04 on engagement financial management and reporting (revised AI/FPG/2012/01).

Insufficient risk assessment and coordination for a turnkey project

87. UNOPS was to implement a turnkey project for the supply, installation, testing and commissioning of high-temperature pharmaceutical and medical waste incinerators for eight branch offices of an agency of a government ministry. The project, which was financed by the Global Fund to Fight AIDS, Tuberculosis and Malaria, was to have been completed by June 2018. UNOPS was responsible for the procurement of incinerators as well as infrastructure (civil works) activities related to their installation.

88. UNOPS, on the basis of bids called through an e-sourcing platform, awarded a vendor (on 30 January 2018) a procurement contract for eight incinerators. The amount of the contract was \$10.45 million,⁵ and the work was to be completed by 30 June 2018. The vendor was 1 of the 10 respondents and the only technically qualified bidder. One of the reasons for qualification of the vendor was its commitment to complete the project within the specified period. The Board noticed that the bid amount quoted by the vendor was higher than the bid submitted by an unsuccessful bidder, which was deemed non-compliant only on account of the longer delivery period quoted.

89. On being awarded the work, the vendor requested advance payment of 80 per cent of the total amount, even though it was not permissible under the terms of the bid document. Considering the tight implementation schedule and the urgency of the project, UNOPS attempted to provide an advance to the vendor but was unsuccessful owing to the credit rating of the supplier's bank, which was below the standard used by UNOPS, and the order was cancelled on 22 February 2018.

90. Considering the urgency of the project, UNOPS resorted to direct contracting (in accordance with financial regulation 118.05 (a) (vi)) rather than following the formal method of solicitation.⁶ UNOPS considered direct contracting with the manufacturer of incinerators to be the preferable action, and the bid was issued, on 27 February 2018, without any change in the technical specifications or schedule of requirements. The contract for the supply, installation, testing and commissioning of high-temperature pharmaceutical and medical waste incinerators in eight branch offices/locations was awarded, in March 2018, to a manufacturer at a cost of \$9.92 million.⁷

91. A separate contract for the construction of an incinerator house and auxiliary buildings for incinerators in three branches/locations was awarded separately, on 25 June 2018, to a construction contractor at a cost of \$1.72 million. The construction contract was finalized three months after the agreement for the supply of incinerators by the manufacturer of incinerators. The timeline for the completion of the construction work was specified as 24 December 2018, or within six months of the date of the contract.

92. The Board observed that:

(a) The construction contract was not able to be completed within the stipulated time and that the contractor had requested an extension in December 2018. UNOPS had allowed an extension up to 24 March 2019 on account of: (i) design

⁵ Lot 1 (one incinerator with a capacity of 950–1,050 kg/hour): \$1.52 million; and lot 2 (seven incinerators with a capacity of 450–550 kg/hour): \$8.93 million.

⁶ According to financial rule 118.05 (a) (vi), the Executive Chief Procurement Officer or authorized personnel may determine, for a particular procurement activity, that using formal methods of solicitation is not in the best interests of UNOPS and its clients when a formal solicitation has not produced satisfactory results within a reasonable prior period.

⁷ Lot 1 (one incinerator with a capacity of 950–1,050 kg/hour): \$1.46 million; and lot 2 (seven incinerators with a capacity of 450–550 kg/hour): \$8.46 million.

changes in the foundation of the incinerator; (ii) one of the sites not having an access road for big trucks to reach and offload the material; and (iii) delays in shipment and customs clearance;

(b) The incinerators for only one of the three locations had been supplied within the contracted time (i.e. before 28 October 2018). The incinerators at two locations had been delivered in December 2018, but the civil construction work at those places had been completed only to the extent of 55 per cent at that time, the project completion date having been extended to March 2019. One of the remaining five sites had yet to be handed over by the partner to UNOPS, while the balance had been handed over to the construction company only by May 2019.

Thus, the project could not have been completed on account of the non-synchronization of procurement and construction components and the lack of a realistic assessment of risks associated with the project.

93. The Board noticed that a site assessment report of January 2018 had indicated that UNOPS could face challenges on one site, as land title deeds had not been secured, no environmental impact assessment had been conducted, road connectivity was insufficient and so on. Thus, the likely problems of the construction contract were known by UNOPS. The Board also noticed that UNOPS had adopted an aggressive strategy towards the procurement of incinerators, accepting a higher bid without having assessed the land availability for construction of the incinerator house and auxiliary buildings.

94. UNOPS stated that the local authority had been responsible for the delay in providing the land, providing the approach road leading to the site, customs clearance and the like, and that it had also faced practical problems, such as the agitation of local people.

95. The Board recommends that UNOPS assess relevant risks during the engagement acceptance process, realistically projecting timelines and appropriately coordinating the various vendors contracted for the implementation of a particular project so that it is completed within the scheduled timelines.

96. UNOPS acknowledged the recommendation and stated that it had had extensive discussions and had agreed internally and with the partner to systematically identify, assess and mitigate risks. Accordingly, a hub engagement review committee has been established within the UNOPS Ethiopia operational hub. The team will have standing members, and subject matter experts will be invited as required. In addition, the project governance structure will be established during project negotiation, and the responsibility matrix will be defined in the project agreement.

Non-compliance with established processes

97. Under UNOPS financial regulation 118.05 (a) (x), the Executive Chief Procurement Officer or authorized personnel may authorize the issuance of contracts relying on the prior selection of a contractor. The Procurement Manual (sect. 6.8.2) specifies that UNOPS may accept such preselection only from such funding sources as United Nations entities, international financial institutions such as the World Bank or the regional development banks, reputable intergovernmental organizations and the like.

98. UNOPS entered into an agreement with a government agency of a particular country for the procurement of 115 vehicles on 6 August 2018 for which the International Fund for Agricultural Development (IFAD) had allotted funding of \$3.84 million. Although UNOPS can accept preselection “only from funding sources”, which in this case was IFAD, it advised the agency to issue a preselection

letter to procure vehicles of a specific make, preference for which the agency had verbally informed UNOPS. The agency did not submit a preselection letter, and formal invitation to bid was issued on the e-sourcing system on 28 August 2018.

99. On the basis of the bid evaluation report, UNOPS recommended the vendor that quoted the lowest rate, \$3,423,320 for 115 vehicles. However, the agency objected to the vendor, and UNOPS cancelled the bid process. The agency, in November 2018, submitted a request for the preselection of a vehicle of a specific make, justifying the preselection on the grounds of durability, stability, high ground clearance, robustness, capacity, low fuel consumption, the availability of good after-sales service and affordable spare parts and standardization of vehicles across the country. UNOPS issued to another vendor, on 12 December 2018, a purchase order for the supply, by 31 December, of 113 vehicles of the specific make, which was fulfilled.

100. The Board noticed in that regard that:

(a) Vehicles of the specified make were more expensive. The winning bid (subsequently cancelled), matching all requirements, had been cheaper;

(b) The procurement amounted to the “preselection” of a make by the agency, which was not a “funding agency”.

101. UNOPS stated, in March 2019, that end user requirements such as fleet standardization, service availability and so on had been taken into consideration as value for money.

102. UNOPS further stated, in May 2019, that it was convinced that the selection of a company that was able to provide servicing locally in multiple locations would result in a significant cost savings for the end user and increase value for money in the long run. Standardization was a compelling argument to make when selecting a product.

103. The Board noted that the procurement amounted to a preselection, which was not in consonance with the established rules and procedures. The preference of a specific make, justified in the reply to the Board as an effort towards standardization, was absent at the time of the initial invitation to bid. The initial bid stipulated the requirement of warranty and vehicle maintenance service to be performed at the agency’s location in the capital city and throughout the country.

104. The Board recommends that UNOPS ensure stricter compliance with the established procurement procedures and record reasons for deviating from them at the commencement of the process.

105. UNOPS agreed with the recommendation.

Post facto approval of amendments to contracts

106. A machinery leasing and construction contractor had been awarded a contract for the leasing of heavy-duty equipment on 24 March 2017 for \$642,194 on the basis of emergency procurement procedures carried out on 19 March. The contract had initially been established for a two-month period ending on 24 May, but it was extended seven times thereafter, which included three cost extensions. The last extension was granted on 27 November 2018. As some of the extensions were post facto⁸ and retroactive,⁹ the contractor was working without any contract agreement

⁸ Proper award has not taken place but services have been rendered and goods have been received and, in some cases, one or more payments have already been made to the vendor.

⁹ Proper award has not taken place and the goods have been ordered or the provision of services has commenced, but the goods have not yet been delivered, nor have the services been rendered. In some cases, invoices have already been submitted.

during two periods (25 May–19 July 2017 and 1 October–26 November 2018), which was contrary to the interest of UNOPS. The final contract awarded amounted to \$2.73 million, reflecting an increase of 324 per cent over the amount initially awarded. This was an indication that proper coordination was missing between the client and UNOPS. It was also an indication of a failure to anticipate the requirements, resulting in the loss of an opportunity to ensure price advantages based on the scale of operations. This was evident, as the vendor on its own, in September 2017, reduced the unit cost by 25 per cent, considering the longevity of the contract.

107. The Board observed that in the same project, another contract was awarded to a different construction contractor for the lease of heavy equipment. In this case also, the contract had been amended seven times, including two post facto approvals. The initial contract agreement amount in that case was \$1.04 million, and the final amount with the seventh amendment was \$2.40 million (a 129 per cent increase in the contract amount).

108. The Board recommends that UNOPS improve project planning and avoid post facto or retroactive amendments to contracts so as to derive cost benefits instead of extending contracts through multiple amendments.

109. UNOPS noted the recommendation, stating that the client had not been clear as to the volume and the duration of the need, which had always been presented as short-term in nature. It also provided information about some of the interventions that have eliminated post facto awards in 2019, including clear guidance and instructions on effective contract management to prevent post facto and retroactive cases, the holding of weekly or biweekly project meetings to review procurement status reports and procurement strategies, and the like.

Contract management and data

110. UNOPS manages the risks related to the performance of contractors through such instruments as performance security, liquidated damages and so on. Those instruments are included in the solicitation document, in accordance with the provisions of the Procurement Manual.

111. UNOPS can request performance securities from the selected vendor in order to mitigate the risk of supplier non-performance and breach of contractual obligations (such as to deliver all equipment, render services and complete work pursuant to the contract). Securities and guarantees are normally issued in the form of an unconditional and irrevocable on-demand bank guarantee.

112. Liquidated damages can be provided for in the solicitation document and included in the final contract as a remedy towards compensatory damages to indemnify UNOPS for any loss suffered as a result of the breach.

113. UNOPS may terminate the contract at any time by providing written notice to the contractor in any case in which the mandate of UNOPS applicable to the performance of the contract or the funding of UNOPS applicable to the contract is curtailed or terminated, whether in whole or in part. In addition, unless otherwise provided by the contract, upon 60 days' advance written notice to the contractor, UNOPS may terminate the contract without having to provide any justification therefor.

114. In a review of the contracts entered into by UNOPS, the Board noted that:

(a) There were two different contracts with the same number, and it was informed that UNOPS did not have a uniform numbering system for its procurement contracts. There were different practices in place at the country offices, which

numbered contracts in line with the tender reference, with internally created contract identifiers or even with the underlying purchase order numbers;

(b) Details regarding the inclusion of provisions on performance security, liquidated damages in the solicitation documents and tenders were being obtained from the e-sourcing system of oneUNOPS, which was not linked at the award level with the contracts/purchase orders in the oneUNOPS system. UNOPS also did not have a system in place to trace whether the provision of performance security was included in the contract and deposited by the supplier;

(c) Regarding liquidated damages, out of 1,968 tenders awarded in 2018 for different types of projects, 624 included a provision for liquidated damages, and 134 tenders had no provision for liquidated damages. In 1,210 tenders, there was no information as to whether the provision for liquidated damages had been incorporated or not;

(d) The specific delivery/termination date was not available for all terminated contracts. In a limited study of 35 terminated contracts, the Board noticed that 4 of them either did not indicate or indicated impractical or apparently wrong dates for the delivery/termination of the contracts. The reasons for the termination of contracts were not mentioned in all cases. The Board was informed that oneUNOPS did not allow recording of the reasons for contract termination for specific purchase orders;

(e) Important information on whether a purchase order had been issued under emergency procurement procedures was also not available in the system.

115. The Board concluded that there was insufficient data regarding crucial aspects of contract management that could enhance the efficiency of implementation.

116. UNOPS stated that it had already identified the need to improve data in those areas and that various improvements would be implemented by June 2019 upon the release of the contract management module in oneUNOPS.

117. The Board recommends that UNOPS ensure that the contract management module in oneUNOPS, among other requirements, provides for:

(a) **A unique identification system for all its contracts;**

(b) **The nature of the solicitation, along with the inclusion of performance security, liquidated damages and the like;**

(c) **Details about the actual inclusion of provisions relating to performance security and liquidated damages in the final contract agreements;**

(d) **Relevant details, such as the date of and reasons for termination.**

118. UNOPS agreed with the recommendation and stated that it would be able to capture various details of contracts in a centralized manner as part of the planned contract management module of oneUNOPS.

E. oneUNOPS enterprise resource planning system

119. UNOPS took up the implementation of a tier 2 enterprise resource planning system on the basis of a study report issued in June 2012. At the time, UNOPS was serviced by the Atlas Partnership enterprise resource planning system, owned by the United Nations Development Programme. The Atlas solution serviced only 34 per cent of UNOPS requirements, with bespoke solutions meeting another 27 per cent. On 1 January 2016, the oneUNOPS enterprise resource planning system went live, replacing the Atlas system. oneUNOPS comprises 17 integrated business processes, including project management, human resources, finance, procurement and other

support functions. The Board examined systems development and functioning, including the functioning of the component modules of oneUNOPS.

Systems development

120. The Board reviewed the process of implementation of oneUNOPS in terms of COBIT¹⁰ 2019 to benchmark the process to international best practices. The Board also considered the requirements of the 2017 UNOPS Procurement Manual.

121. UNOPS signed a procurement contract in connection with oneUNOPS on 31 March 2014. Following development and customization, the system went live on 1 January 2016. The total additional cost of the new enterprise resource planning system incurred as from 1 January 2016 was \$8.40 million against the business case estimate of \$8.02 million. UNOPS achieved a net positive cash flow from the programme in 2016. The software development process is continuing.

122. The Board appreciates the efforts put in by UNOPS in going live in less than two years, compared with the three-year period planned in the enterprise resource planning business case. As confirmed in the benefit realization report on UNOPS enterprise resource planning implementation, prepared by an external consultant in July 2018, the financial benefits of the project were also realized in 2016 instead of 2017. The Board, however, noticed instances of non-adherence to the strategies and processes established by UNOPS in the development of the system. UNOPS acknowledged that the speed of implementation had had an impact on its adherence to best practices in terms of quality assurance in the system/software development process. Some of the issues noticed by the Board are summarized in the following paragraphs.

User requirements, testing and documentation

123. It was important to maintain adequate documentation regarding the implementation of the new system. The Board noticed the following shortcomings in process documentation:

(a) The system design documentation had been provided by the vendor, but the user and system requirement specification documents had not been organized properly. Traceability matrices to determine whether approved requirements had been carried out before going live had not been maintained. The Board also noticed that functional users had not been informed of the reasons for the non-consideration or non-prioritization of their requirements;

(b) Regarding user acceptance testing, structured feedback had been provided by way of workshops, facilitated walk-throughs and so on, but the suggested changes and their implementation had not been documented. Documents regarding the final test reports in respect of payroll, entitlements and assets functions/modules were not provided, although UNOPS mentioned that the tests had been conducted;

(c) Quality assurance associated with going live was carried out towards the end of 2015. The Board noted that the quality assurance strategy had been developed only in 2018, hence, at the time of going live, quality assurance was done without any referenced approach and without the benefit of the quality assurance strategy that was adopted later. Quality assurance was performed using non-dedicated resources, and

¹⁰ Originally known as Control Objectives for Information and Related Technology; an information technology governance framework and supporting toolset promoted by the Information Systems Audit and Control Association (ISACA) that allows managers to bridge the gap between control requirements, technical issues and business risks.

no documentation about the quality assurance process/reports are available from the “go-live” period.

124. UNOPS confirmed the observations of the Board and stated that although that had been the situation at the time of going live, the development process had subsequently been revamped to include a high degree of structure, robust analysis, system design, structured development processes, quality assurance, user acceptance testing, business sign-off and managed deployment.

125. The Board recommends that UNOPS review the need for completing the system development documentation for all functionalities of oneUNOPS, in line with its recently adopted strategies and practices, as well as international best practices.

126. UNOPS was of the opinion that the process should continue to be conducted going forward instead of its addressing a backlog of documentation.

127. The Board, however, holds that complete documentation (including the backlog) is relevant, as the software was an off-the-shelf product that had been customized and configured to the requirements of UNOPS.

Data migration

128. Data migration involves the movement and transformation of data from a legacy source system and format into a format that the new system can process. The data migration process generally includes a data migration plan/strategy, data sanitization/cleansing, data migration testing and review of reports to ensure data consistency across different modules. UNOPS migrated data from Atlas, Atlas HCM, Glocon and Leads systems into oneUNOPS in January 2016. The Board noted that no documentation regarding data migration was available. In fact, the decision to go live had been based on practical considerations and not on proper planning and benchmarking.

129. UNOPS stated that the data migration plans had been discussed and refined, mainly in consultation with the process coordinators. However, owing to the pressure and the focus on the launch, those items were not formally documented.

130. In the absence of the necessary documentation, the quality of data migration could not be verified by the Board. Concerns regarding data migration quality persist, however, as can be seen from the following example. The Board noted that oneUNOPS vendors were required to have a United Nations Global Marketplace identification number, which exists in the oneUNOPS vendor table. However, a test check of eight vendors indicated that for six of them, the Global Marketplace identifiers had not been captured in the UNOPS vendor table. UNOPS stated that the vendor list had not been created in oneUNOPS; rather, it had been migrated from Atlas. The Atlas enterprise resource planning platform did not have a field for the Global Marketplace number, hence that information was not captured for some migrated vendors. A project to integrate the databases more closely was ongoing. The Board observed that the vendor list in oneUNOPS ought to have been linked with the Global Marketplace database during data migration.

131. The Board recommends that UNOPS carry out a user sign-off review of the completeness of the data migration process to assess the risks and mitigate them.

132. UNOPS agreed to the recommendation.

Change management

133. The change management process should ensure that changes are recorded, evaluated, authorized, prioritized, planned, tested, implemented, documented and

reviewed in accordance with the documented and approved change management procedures. The extract containing the changes requested and implemented in UNOPS was logged in the Jira platform.¹¹ The Board observed that as of January 2019, 718 out of 1,223 change requests pertaining to the period 2016–2018 were pending (411 out of 861 change requests in 2018, 187 out of 227 in 2017 and 120 out of 135 in 2016).

134. UNOPS stated that the pending change requests consisted of an unfiltered list of user wishes that were not prioritized and many of which were either unfeasible or had a low business impact.

135. While acknowledging the response, the Board held that it was important to review, track and systemically prioritize the pending change requests.

136. The Board recommends that UNOPS comprehensively review the pending change requests, classify them on the basis of priority and bring them before the ICT governance bodies for consideration so that the pending requests can be addressed comprehensively and within a definite time frame.

System functioning

137. The smooth functioning of the enterprise resource planning system depends on the definition of user roles and access, the segregation of duties, information security, disaster recovery and business continuity planning and an appropriate ICT governance framework to oversee efficient implementation. The Board reviewed those aspects, and its observations are summarized below.

User roles and access

138. The Board reviewed the system of provisioning and de-provisioning user accounts in oneUNOPS in terms of such international best practices as International Organization for Standardization/International Electrotechnical Commission series 27001 and UNOPS operational instruction ICT.2018.02 on ICT security and access and process guidance – role assignment by system support and noticed that:

(a) In 3,550 cases, the account expiration date had been set for years 2099 and 2100. UNOPS stated that dates such as 31 December 2099 were in alignment with the individual contractor agreement policy in effect since 2018, which introduced “ongoing” individual contracts, or contracts without a predetermined expiration date. UNOPS also stated that deactivation in such cases was triggered only after the receipt of a notification. The Board notes that the unusually long expiration periods for some users exposes the system to the risk of unauthorized access;

(b) There was a case in which a user continued to access oneUNOPS beyond the period authorized upon separating from UNOPS. UNOPS replied that it had been an approved case of post facto contract issuance. The Board observed that the relaxation allowed access to individuals even during periods when they were not on an active contract. UNOPS agreed to impose a restriction on the use of user accounts after contract end dates;

(c) UNOPS did not have a policy of conducting user role reviews on a regular basis. UNOPS stated that such reviews had been undertaken normally in connection with changes in organizational structures. The Board observed that the absence of regular role reviews increased the risk of role conflicts and unauthorized access. UNOPS agreed to undertake regular user role reviews.

¹¹ Proprietary issue-tracking software.

139. **The Board recommends that UNOPS restrict user accounts for staff to their contract period or date of retirement, whichever is earlier. In respect of individual contractor agreements with indefinite contract periods, access rights may be provided after periodic review, renewable upon the receipt of feedback. UNOPS also should undertake user role reviews at regular intervals to check for role conflicts and to document syntax rules for allocating oneUNOPS identifiers.**

140. UNOPS agreed to the recommendations.

Segregation of duties

141. The Board reviewed the segregation of duties built into oneUNOPS and noticed that:

(a) UNOPS had developed a segregation of duties matrix describing prohibited role combinations. The Board came across seven cases with such prohibited role combinations. UNOPS accepted the aberrations and initiated mitigation measures;

(b) The segregation of duties matrix was incomplete, as UNOPS had not incorporated all prohibitions in the matrix, which presents an inherent risk of violation of business roles and authorities, leading to irregularities. UNOPS accepted that the matrix covered only 75 per cent of role conflicts. That includes the requirements of provisions in the UNOPS Procurement Manual, as well as its financial regulations and rules;

(c) Sixteen resource identifiers, currently inactive, had previously been granted multiple instances of delegation of authority in the areas of finance, engagement acceptance, procurement and procurement-individual contractor agreement, and human resources.

142. The Board noted a few cases of overlap of duties, which raised concern regarding internal controls:

(a) In the case of 5 records, the creator and the approver of accounts payable were identical;

(b) In 208 cases, the requester and the approver for procurement were identical;

(c) In 7 cases, the procurement requester, approver and procurement official were identical.

143. **The Board recommends that UNOPS review the segregation of duties matrix and incorporate all role prohibitions and role conflicts prescribed and/or required by the business users.**

144. UNOPS agreed to the recommendation.

Information security

145. The cybersecurity maturity assessment report, issued in November 2015, recommended that UNOPS establish a mandate and a set of responsibilities at the executive level to address cybersecurity issues. The Board noted that a formal information security mandate had not been established so far, in the absence of which there was a risk that not all significant ICT security organizational aspects had yet been addressed by the Office in a systematic manner. One of the suggestions in November 2015 had been to establish a Chief Information Security Officer position, and the Board noted that the Chief Information Security Officer had joined UNOPS only in February 2019.

146. The Board noted that there was no formal document on the ICT security strategy, which could have lent a systematic approach to ICT security and ensure its alignment with the strategic objectives of UNOPS. While high-level information security policy documents (operational directives and instructions) existed, there were no documented ICT security plans, processes and procedures. ICT security aspects were managed on a day-to-day basis at the operational level, and while there were practical protocols on handling violations of information security-related operational directives and instructions, there were no documented procedures for the same. The lack of standardization of processes and procedures leaves room for uncertainty and ambiguity, indicating insufficient management control and oversight of aspects of ICT security.

147. UNOPS covered aspects of information security in its assessments of vulnerabilities and risks at an operational level. The Board noted, however, that there was no ICT risk register containing all the identified ICT risks, including business continuity risks and information security risks, that could be monitored in a systematic manner. One of the key recommendations in the cybersecurity maturity assessment report of November 2015 was that UNOPS establish an organization-wide cyber risk management framework. However, the Board observed that even as at 21 January 2019, a formal information security risk management framework had not yet been established.

148. The Board noted that although the ICT team had implemented mandatory information security training for all ICT users, the trainees had not been assessed to verify the effectiveness of such training. The Board also noted that UNOPS ICT systems were essentially web-based and that end-point security was as crucial as network and data centre security. A user with inadequate information security awareness might inadvertently allow the security of the end-point device (personal computer, laptop or mobile device) to be compromised. It is essential that the awareness of the trained employees be assessed.

149. The Board recommends that UNOPS establish and implement a formal ICT mandate, strategy and plan with clearly defined roles and responsibilities in the process and quality management system. The Board also recommends the establishment of a formal information security risk management and reporting framework, including a risk register, so as to monitor significant ICT risks, including business continuity and information security risks.

150. UNOPS agreed to the recommendation.

Business continuity and disaster recovery planning

Business continuity plan

151. UNOPS ICT management developed a supplementary business continuity plan, dated October 2018, which mentions that the plan should be based on a risk assessment that considers potential losses due to the unavailability of service versus the cost of resumption of service in a variety of probable scenarios. The Board noted that no comprehensive ICT risk assessment, including business continuity risk assessment, had been done so far. The Board further observed that while the supplementary business continuity plan document included a table on critical applications and software, with their level of criticality and mitigation strategies, there was no specific documentation on business impact assessment or any involvement of business stakeholders. In that scenario, there was a risk that not all significant business continuity risks had been identified, assessed and appropriately treated.

152. The Board noted that the business continuity plan did not cover hardware procurement plans, facilities recovery, staff recovery and so on, which would be expected in line with recognized standards (e.g. COBIT). The document also did not mention any recovery time objectives¹² or recovery point objectives.¹³ The incident response for three¹⁴ scenarios included in the business continuity plan provided only a probable overview, leaving room for uncertainty. The Board also noted that the plan had no mention of a testing schedule or training requirements.

153. UNOPS responded that many of those aspects were thematically covered in supplementary documentation.

154. The Board noted that the purpose of the business continuity plan document was to establish a system that had a reasonable chance of implementation and that internal supplementary documentation might not serve that purpose. The Board also noted that such aspects as recovery time objectives and recovery point objectives were essential for the establishment of minimum recovery standards from the business owner's perspective, especially in the case of disruptions that had not been foreseen in the existing business continuity plan or disaster recovery procedures.

Testing of the disaster recovery plan

155. UNOPS in its business continuity plan policy recommends annual testing of the disaster recovery plan. The Board noted that no planned testing of the disaster recovery procedures had been carried out so far.

156. ICT management responded that the UNOPS data centres had been set up with full redundancy on every layer (power, network, computing, operating system, applications and database) and were capable of a failover to a different physical location within seconds.

157. The Board observed that while failover¹⁵ and failback¹⁶ were happening regularly as part of the day-to-day operations, a planned simulation exercise would shed light on unidentified risks, particularly in the context of the lack of a formal ICT business continuity risk assessment involving business unit owners. The disaster recovery testing will help UNOPS to review the practicality of the disaster recovery procedures mentioned in the business continuity plan and train the personnel (both ICT and non-ICT) to be aware of their roles and responsibilities.

158. The Board recommends that UNOPS review and update the existing ICT business continuity plan, document disaster recovery procedures, testing schedules and training requirements and carry out tests to check their robustness.

159. UNOPS agreed to the recommendations.

¹² The amount of time allowed for the recovery of a business function or resource after a disaster occurs. (Source: ISACA glossary.)

¹³ Determined on the basis of acceptable data loss in the event of a disruption of operations. It indicates the earliest point in time at which it is acceptable to recover the data. The recovery point objectives effectively quantify the permissible amount of data loss in case of interruption. (Source: ISACA glossary.)

¹⁴ Namely: (a) data centre operational, building inaccessible; (b) data centre down, building operational; and (c) data centre down, building inaccessible.

¹⁵ Switching to a redundant or standby computer server, system, hardware component or network upon the failure or termination of the previously active application, server, system, hardware component or network.

¹⁶ The process of restoring a system, component or service in a state of failover back to its original state before the failure.

Information and communications technology governance

160. The UNOPS operational instruction on ICT and digital systems management was promulgated in September 2018 for ICT governance. The ICT governance framework in UNOPS comprises the ICT Strategic Advisory Board, formed in October 2017, which has an advisory role, and the ICT Operational Governance Panel, formed in January 2018, which has an operational role. The Operational Governance Panel is expected to prioritize operational projects under the guidance of the Strategic Advisory Board.

161. The Board observed that the ICT Strategic Advisory Board was to meet quarterly in accordance with the operational instruction, but that it had met only twice in 2018. The ICT Operational Governance Panel analysed the proposals of different streams and prioritized their submission on the basis of cost, savings, time and status. The Operational Governance Panel was expected to consider risk criteria while setting priorities, but the Board noticed that risk had not been explicitly considered. Besides, the prioritization submitted by the Operational Governance Panel in June/July 2018 was considered for discussion by the Strategic Advisory Board only in January 2019.

162. The Board recommends that UNOPS strengthen the governance mechanism and improve the periodicity of Strategic Advisory Board meetings in accordance with the procedure laid down in the terms of reference and the operational instruction. Explicit risk documentation, including the estimated start and end times, savings, cost and so on need to be included in the proposals.

163. UNOPS agreed that governance should be subject to ongoing improvement and revision.

oneUNOPS modules

164. The Board reviewed the functioning of oneUNOPS in supporting and improving the efficiency of its functions, including engagement, acceptance, project management, finance and human resources management. The observations of the Board are summarized below.

Engagement acceptance module

165. The Board observed in its previous report ([A/73/5/Add.11](#), chap. II, paras. 37–42) that the documents required for review by the engagement acceptance committee were being submitted by email and were not being uploaded in the oneUNOPS enterprise resource planning system but rather were stored in an engagement acceptance committee tracking list – an offline utility. During the present audit, UNOPS stated that the opportunity and engagement acceptance stage with respect to oneUNOPS Projects was under development. Furthermore, the incorporation, within oneUNOPS, of the engagement acceptance committee process into the opportunity and engagement acceptance process was in progress, with the functionality expected to be released in April 2019.

166. The Board noted that an engagement could be amended for various reasons, for example, changes in cost, schedule and/or scope. The Board noted that in 4 out of 27 amendments, the amendment information was not captured. UNOPS stated that capture of the information was not mandatory in all cases. When the amendment pertained to issues other than cost, time and scope, there was no provision in the module to capture it. Furthermore, no management information system report was generated showing the consolidated position of all amendments relating to a particular engagement in oneUNOPS. In the absence of such a report, the complete details of amendments to a particular engagement cannot be generated in the end-to-end enterprise resource planning system.

167. **The Board recommends that UNOPS capture complete information for each engagement, including all amendments, in oneUNOPS and that a management information system report provide comprehensive details on all amendments.**

168. UNOPS agreed to the recommendation.

Project management module

169. In accordance with the strategic plan (2014–2017), UNOPS had planned to refine its project management procedures using Prince 2, a structured project management methodology. UNOPS had planned to connect Prince 2 with tranche 2,¹⁷ which was to be released by the end of 2015. The Board observed, however, that the Project Management Manual, which incorporates several salient aspects and elements of Prince 2, had been in effect only as from January 2019. In accordance with the Manual, the project management process had been divided into various stages,¹⁸ but the Board observed that the following Prince 2 processes had not been fully incorporated into oneUNOPS:

(a) The entire process of creating and finalizing project initiation documentation¹⁹ had not been mapped in oneUNOPS. UNOPS stated that the transitioning of project initiation documentation to an online environment was being explored;

(b) While oneUNOPS had a provision for capturing amendments relating to the schedule, cost and scope of projects, tolerances for quantifiable values against those parameters had not yet been established UNOPS stated that they would be embedded during the opportunity and engagement acceptance process in oneUNOPS Projects and that this had been submitted as a requirement;

(c) The stage plan in project management is a detailed plan used as the basis for project management control throughout a stage. oneUNOPS has a provision to capture the stage plan by uploading documents into various categories, but stage tolerances have yet to be set. UNOPS stated that oneUNOPS had a provision to update the baseline plan and quarterly plan for the project and that the project executive was responsible and accountable for approving it, including the tolerances²⁰ that had been established for the upcoming stage;

(d) Comprehensive requirements envisaged in the lesson logs Prince 2 (effects, causes and triggers and early warnings identified as risks, and recommendations for each event) had not been considered in the requirements of UNOPS. UNOPS stated that lesson logs had been defined in oneUNOPS Projects. While the Board appreciated the maintenance of lesson logs, it was considered important that the process of analysing, sharing and applying lessons learned to other projects be established, which has yet to be done.

¹⁷ In order to give a strategic focus, the enterprise resource planning system has been broken down into three overarching phases or tranches: tranche 1: covering the basics (laying the foundations); tranche 2: gaining differentiation (adding additional business processes and functionalities); and tranche 3: world-class service (building greater functionality by perfecting processes and systems).

¹⁸ Namely, opportunity, pre-engagement, initiation, managing and closing a project.

¹⁹ A set of documents that bring together the key information needed to start a project on a sound basis and that convey the information to all concerned with the project.

²⁰ Prince 2 enables appropriate governance by defining distinct responsibilities for directing, managing and delivering the project and clearly defining accountability at each level established through setting “tolerance” against such objectives as time, cost, quality, scope, risk and benefit. The controls are set up so that if the tolerances are forecast to be exceeded, they are immediately referred to the next layer of management for a decision on how to proceed.

170. **The Board recommends that UNOPS incorporate the requirements of Prince 2 methodology in oneUNOPS to enable UNOPS to manage its projects in terms of the requirements of its Project Management Manual.**

171. UNOPS agreed to the recommendations.

Finance module

172. UNOPS carries out all of its financial activities through the oneUNOPS finance module. Financial activities comprise four key processes: general ledger; accounts payable; accounts receivable; and bank reconciliation. The Board noted the following regarding the finance module in oneUNOPS: a number of manual adjustments²¹ were seen to have been made in the trial balance to arrive at the final value for each account code in the financial statements. Furthermore, inventory valuation and management, fund/treasury management, age-wise analysis of accounts receivable and segment reporting were kept outside of oneUNOPS. The automation of those areas would ensure greater transparency and credibility of financial data.

173. UNOPS stated that it was working with ICT to automate a number of reports²² that at the time had been prepared manually.

174. **The Board recommends that UNOPS automate the preparation of financial statements to ensure the credibility of financial information. UNOPS should also prioritize the implementation of treasury management and inventory valuation and management in oneUNOPS.**

175. UNOPS acknowledged the need for the automation of the financial statements.

Asset module

176. The Board verified the asset module, including asset accounting, in oneUNOPS in terms of operational instruction OI.FG.2018.02 on fixed and intangible asset management, UNOPS process instructions and IPSAS 17 and 31 and noticed that:

(a) Reviews of the amortization period and the amortization method for intangible assets, mandated under IPSAS 31, were not being carried out through oneUNOPS. UNOPS stated that it considered useful life in conjunction with physical verification and that a separate exercise on the reassessment of the useful economic life of all asset groups was being initiated;

(b) The residual value of assets was not being captured in oneUNOPS, which had implications for recording of the depreciation amount against the asset. UNOPS agreed to incorporate the functionality for the recording of the residual value of all assets at the time of capitalization;

(c) In accordance with the process on managing asset verification and certification, the quarterly closure of business assets by the Finance Group is

²¹ Manual closure of the trial balance by moving revenue/expenses to the relevant account code, reclassification of debit balances in deferred revenue to project receivables, reclassification of credit balances in accounts receivable/debit balances in accounts payable, reclassification of time deposits that meet the criteria of cash and cash equivalents, reclassification of deferred revenue as cash for projects in which UNOPS is acting as agent, reclassification of provisions, agent-principal analysis (manually calculated using the agent-principal expenditure report in oneUNOPS as source data), elimination of revenue and expenses for projects in which UNOPS is acting as agent, and any other adjustment for errors, if required.

²² Namely, an extended trial balance report to incorporate manual closure of trial balances, a report on agent eliminations for revenue and expenses, an agent-principal expenditure report, a report for deferred revenue to project receivables, a construction contracts report and a segment report.

supposed to be done through oneUNOPS. UNOPS confirmed that closure activities were being done manually and not through oneUNOPS.

177. The Board recommends that UNOPS review the reports in the asset module and automate the quarterly closure of business assets. UNOPS should also record the residual value of assets and the useful life of both tangible and intangible assets in oneUNOPS at each annual reporting date.

People module

178. The Board noticed the following instances of lapses in internal controls in the people module of oneUNOPS:

(a) Three instances of multiple resource (personnel) identifiers against the same individual, indicating a lack of validation controls in the master data. UNOPS agreed to investigate the reasons for the presence of multiple resource identifiers;

(b) The existence of active resources in the database even though they did not have an active contract with UNOPS, raising concern about the incorrect processing of dues. UNOPS employs a large volume of resources on contract (11,000 personnel on contract vis-à-vis 750 permanent staff). The Board noted that those resources had been created in the system by oneUNOPS Projects and the local human resources office. Once created, the resource became “open” in the resource master. At the time of the offer and acceptance of a contract, the resource entered an active line of employment. The Board’s review revealed the presence of “open” resource records in the resource master even when the resource had already been separated, had not yet been hired by the Office or had refused the offer. In all such cases, however, the resources remained open until manually closed. Besides, a single resource could have multiple contracts in UNOPS, with different entitlement terms and conditions, and thus employee contract management was transactional and dynamic in nature. An open resource without an active contract posed a significant risk. With the present manual check regarding the existence of a contract and the generic end dates for open resources, there remained a risk of incorrect payments to open resources without a contract. UNOPS stated that resources were active without having a contract, as it was a technical necessity to have an active resource before such resource could have a contract. The Board is concerned that the technical necessity risks the presence of “ghost” employees and incorrect processing;

(c) Allowance by the system of compensation for overtime over and above the mandated thresholds. UNOPS acknowledged the issue and stated that the People and Change Practice Group policy team was reviewing the matter. The Board noticed that in 133 instances, overtime allowance had been approved for the same person on the same day multiple times. UNOPS agreed that the system should not allow duplicate overtime requests.

179. The Board recommends that UNOPS review the risks of having open resources without an active contract in the resource master, examine the controls in place and introduce additional controls if needed to ensure that only those contract resources who have entered into an active line of employment are processed for entitlements.

F. Disclosures by management

Write-off of losses of cash, receivables and property

180. Management has informed the Board that, in 2018, it formally wrote off assets in the amount of \$1,816,563, including overspending of \$771,541,²³ revised fee rates with clients amounting to \$393,139, ineligible expenses charged to projects amounting to \$324,881 and client specifications not followed amounting to \$126,273. As at 31 December 2018, management had also reported provisions of \$11.83 million for bad and doubtful debts.

Ex gratia payments

181. UNOPS informed the Board that it had not made any ex gratia payments in 2018.

Cases of fraud and presumptive fraud

182. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements in such a way that it has a reasonable expectation of identifying material misstatements and irregularities (including those resulting from fraud). The audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

183. During the audit, the Board makes enquiries of management regarding its oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks of fraud that management has identified or that have been brought to its attention. The Board also enquires as to whether management has any knowledge of actual, suspected or alleged fraud. The Administration has informed the Board that there were 29 fraud cases in 2018. In addition, the Administration informed the Board that only 6 of those 29 cases had had a monetary impact of \$145,672 on UNOPS. In another case, an external third party had intercepted an email chain and diverted approximately \$481,541 (in non-UNOPS funds) to a fraudulent account instead of a legitimate UNOPS bank account.

G. Acknowledgements

184. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director and the Deputy Executive Director of UNOPS and the members of their staff.

(Signed) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

(Signed) Rajiv **Mehrishi**
Comptroller and Auditor General of India
(Lead Auditor)

(Signed) Jorge **Bermúdez**
Comptroller General of the Republic of Chile

24 July 2019

²³ Overspending occurs when UNOPS has incurred expenditure in excess of programme budgets agreed upon with clients and is therefore extracontractual.

Annex

Status of implementation of recommendations up to the year ended 31 December 2017

No.	Audit report year	Report reference	Recommendation of the Board	UNOPS response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
1	2012	A/68/5/Add.10 and A/68/5/Add.10/Corr.1 , chap. II, para. 44	<p>(a) Appoint a fraud risk owner, or senior risk officer, at a suitably senior level, to be accountable for the active management of fraud risks throughout UNOPS activities;</p> <p>(b) Perform a comprehensive UNOPS-wide fraud risk assessment to identify the major types of fraud risk that UNOPS faces;</p> <p>(c) Define UNOPS tolerance to different types of fraud risk and ensure that fraud controls are commensurate with that risk appetite.</p>	<ul style="list-style-type: none"> • Responsibility for UNOPS corporate risk management and the enterprise risk management framework has been assigned to the Finance Group, under the responsibility of the UNOPS Chief Financial Officer. • Functional entities, such as policy entities and supporting entities, respectively, provide policy advice and implementation support for ensuring the efficient and effective management of risks and risk-informed decision-making across operations. • Ownership of operational risks is assigned to engagement authorities with the relevant delegation of authority. The UNOPS online enterprise resource management solution was launched in January 2019 as part of oneUNOPS Projects version 1.0 and is now available to all operational entities (projects and engagements), as well as geographical and functional entities across UNOPS. <p>In connection with the introduction of oneUNOPS Projects, a series of two-day training workshops was conducted at headquarters and 20 other locations. Introductory tutorial videos, guidance and webinars on oneUNOPS Projects are available to all UNOPS personnel. The use of the system became mandatory on 16 April 2019, when the enhanced opportunity and engagement acceptance process was integrated into oneUNOPS Projects version 2.0.</p>	In view of the steps taken by management, as reviewed during the audit, the recommendation is considered to have been implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNOPS response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
2	2012	A/68/5/Add.10 and A/68/5/Add.10/Corr.1 , chap. II, para. 82	Develop a mechanism to generate better information on the post-completion performance of buildings.	As a result of an internal decision regarding roles and responsibilities, the Infrastructure and Project Management Group relocated the requirements related to post-completion performance of buildings covered in the Design Planning Manual and embedded them in the Project Management Manual, which became mandatory as from 1 January 2019. Those requirements are monitored through the monitoring and control process mandated in the Project Management Manual.	As the mechanism for generating better information on the post-completion performance of buildings has been put in place, the recommendation is considered to have been implemented.	X			
3	2013	A/69/5/Add.11 and A/69/5/Add.11/Corr.1 , chap. II, para. 34	Take practical steps to implement enterprise risk management strategies, policies and procedures across the entity without further delay. Specifically: <ul style="list-style-type: none"> Identify, document and assess key risks to achieving strategic objectives Regularly update and monitor risk information that can be aggregated at the entity level Document risk tolerances so that they are understood and applied throughout UNOPS Use risk registers to record the likelihood of a risk materializing, the impact of the risk, the proposed 	The UNOPS online enterprise risk management solution was launched in January 2019 as part of oneUNOPS Projects version 1.0 and is now available to all operational entities (projects and engagements), as well as geographical and functional entities across UNOPS. In connection with the introduction of oneUNOPS Projects, a series of two-day training workshops was conducted at headquarters and 20 other locations. Introductory tutorial videos, guidance and webinars on oneUNOPS Projects are available to all UNOPS personnel. The use of the system became mandatory on 16 April 2019, when the enhanced opportunity and engagement acceptance process was integrated in oneUNOPS Projects version 2.0.	In view of the steps taken by management, as reviewed during the audit, the recommendation is considered to have been implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNOPS response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
			mitigating actions and the assessed level of risk post-mitigation						
			<ul style="list-style-type: none"> Assign risk owners to take responsibility for monitoring and controlling each risk 						
4	2014	A/70/5/Add.11 and A/70/5/Add.11/Corr.1 , chap. II, para. 36	Reconfirm the level of expected savings arising from the implementation of enterprise resource planning and seek to obtain viable benchmark cost data to inform a review of the realized process cost benefits.	<p>The report was finalized and presented to the Executive Office in 2018. Highlights included the following:</p> <ul style="list-style-type: none"> The financial business case has been exceeded Process benefits have been realized The implementation cost incurred with oneUNOPS is at the low end, compared with a global average of enterprise resource planning projects implemented 	In implementing the Board's recommendation, UNOPS commissioned Gartner, Inc., to perform a benefits realization assessment. The preliminary benefits realization report was submitted in June 2016 and the final one in July 2018. The final report reconfirmed the level of savings and cost benefits of implementing oneUNOPS. The recommendation is considered to have been implemented.		X		
5	2014	A/70/5/Add.11 and A/70/5/Add.11/Corr.1 , chap. II, para. 39	Further explore opportunities to improve business process efficiency by standardizing work practices and processes, delegations of authority and alignment of access rights to improvements in the internal control framework and based on the needs of the business.	UNOPS has revised and updated its policy framework, which includes a new Executive Office instruction on the delegation of authority and the accountability framework. The objective of the policy is to create transparency and accountability for key decisions and ensure that UNOPS is committed within the scope of delegated authority. The instruction reflects and builds on organizational principles concerning the segregation of responsibilities and activities outlined in the Executive Office directive on organizational principles and governance model (EOD.ED.2017.02)	UNOPS has made significant efforts towards improving its business process efficiency. It has revised its policy framework, issued new Executive Office instructions on the delegation of authority and in support of the organizational structure and the segregation of duties. These are documented in the process and quality		X		

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				and the Executive Office instruction on organizational structure (EOI.ED.2018.01). The issuance of delegation of authority and corresponding access rights requires authorization from the appropriate authorities. All such authorizations are documented and recorded. UNOPS has also reviewed and mapped its business processes to standardize work practices and improve business process efficiency. UNOPS business processes were mapped against the American Productivity and Quality Center Process Classification Framework and further refined to reflect the specific business needs of UNOPS. The processes are documented in the UNOPS process and quality management system.	management system as well. Delegation of authority has been put in place, and master tables indicating the delegation have also been put in place. The recommendation is considered to have been implemented.				
6	2014	A/70/5/Add.11 and A/70/5/Add.11/Corr.1 , chap. II, para. 58	(a) Obtain feedback from practice groups on the performance of the People and Change Practice Group as a business partner; (b) Manage and monitor the benefits of recent organizational reforms, including the Global Shared Service Centre; (c) Develop a measure covering the cost-efficiency of the human resources function, such as the human resources staff to workforce ratio.	UNOPS believes that this recommendation should be closed, as the UNOPS business-planning process, the annual target-setting process that includes a number of applicable key performance indicators, customer feedback to the shared service centre in Bangkok, etc., has been put in place. The centre would provide such information as the ratio of human resources staff to the workforce, human resources payroll administration personnel to UNOPS personnel, etc., for the monitoring of human resources efficiency.	In view of the steps taken by UNOPS and the capability of the shared service centre in Bangkok in monitoring human resources, the efficiency recommendation is considered to have been implemented.	X			

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7	2014	A/70/5/Add.11 and A/70/5/Add.11/Corr.1 , chap. II, para. 62	The People and Change Practice Group, working with the other practice groups, collect and assess information on the knowledge and experience of its workforce to inform future skills and workforce planning.	<p>Over the past years the People and Change Practice Group has implemented the following:</p> <ul style="list-style-type: none"> • Development of generic organizational structures with a number of assigned business-critical roles in order to manage, control and develop offices following those structures • In collaboration with the rest of the organization, developed terms of reference, skills, expertise and competencies required to fill the roles • Developed and used a comprehensive assessment process to fill a talent bench with the roles as a successful workforce-planning instrument • In collaboration with other practice groups (e.g. the Infrastructure and Project Management Group and the Partnerships Group), developed other functional benches that had not been used for workforce planning outside the business-critical roles <p>The People and Change Practice Group has engaged with all groups and regional representatives via the knowledge management network to develop a taxonomy of expert indicators, in conjunction with the position titles taxonomy. The newly issued position title management tool is now in use and is mandatory. Therefore, the Group is of the opinion that it, while working with the practice groups, has collected and assessed information on the knowledge and experience of the workforce to inform future workforce planning and talent management.</p>	Management is collecting and assessing information on the knowledge and experience of its workforce for future workforce planning and talent management. The recommendation is considered to have been implemented.	X			

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8	2014	A/70/5/Add.11 and A/70/5/Add.11/Corr.1 , chap. II, para. 70	Monitor turnover rates as a result of resignations, to inform its workforce planning.	UNOPS continues to monitor turnover rates and has provided detailed analysis thereon for the past three years.	The turnover rate has declined, and efforts are being made to improve the conditions of contract holders and reduce turnover to provide a congenial environment. Related information is also included in the annual report of the Executive Director. The recommendation is considered to have been implemented.	X			
9	2014	A/70/5/Add.11 and A/70/5/Add.11/Corr.1 , chap. II, para. 75	(a) Fully test future business case assumptions to ensure that they are supported by evidence and adequately reviewed; (b) Closely monitor the impact of changes to terms for local contractors to ensure that the expected benefits are realized in practice; (c) Implement measures to address the very high turnover levels among international individual contractors, subject to a careful analysis of the causes of turnover and characteristics of such positions.	UNOPS continues to monitor turnover rates and has provided detailed analysis thereon for the past three years.	The turnover rate has declined, and efforts are being made to improve the conditions of contract holders and reduce turnover to provide a congenial environment. Related information is also included in the annual report of the Executive Director. The recommendation is considered to have been implemented.	X			

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10	2014	A/70/5/Add.11 and A/70/5/Add.11/Corr.1 , chap. II, para. 101	Review the merit award scheme to ensure that it is consistently aligned to the achievement of its objective of a break-even.	UNOPS has a well-structured policy framework that ensures that merit award payments are well aligned to the objectives of the merit award scheme. UNOPS prides itself on continuously reviewing and adjusting the distribution mechanisms, overall budgets and other mechanisms relating to incentive structures to continue to ensure this goal alignment, including ensuring that the merit award is not exceeding a break-even total budget limit.	The Board noted that the resources pooled for merit awards are identified in advance, and care is taken to not exceed the pooled amount. The recommendation is considered to have been implemented.	X			
11	2015	A/71/5/Add.11 , chap. II, para. 15	The Board recommends that UNOPS reassess the approved minimum level of operational reserves in order to take into account actuarial gains and losses previously incurred and the inclusion of property, plant and equipment.	This recommendation came about primarily as a result of the change in the accounting for property, plant and equipment in 2014, in addition to an actuarial gain in 2015 (compared with losses in previous years). Given the assigned approach to the calculation of the minimum operational reserves, calculated as four months of the average management expenses for the previous three years, the results from financial year 2015 become out of scope for the 2018 calculation. UNOPS considers that this recommendation has been overtaken by events, as the change in the reporting requirements for property, plant and equipment constituted a one-time impact.	UNOPS reserves have steadily increased over the years and, as stated by UNOPS, the results from financial year 2015 become out of scope for the 2018 calculation. The recommendation is considered to have been overtaken by events.				X
12	2015	A/71/5/Add.11 , chap. II, para. 16	The Board further recommends that UNOPS consider how the reserve surplus might be utilized, in the context of a strategic review of UNOPS operational resourcing needs.	UNOPS has, in close collaboration with the Executive Board, assessed how reserve surplus might be utilized for operational needs. The assessment and strategic review were conducted in the context of the funding gap identified in funding the implementation of the 2030 Agenda and is elaborated in the midterm review of the UNOPS strategic plan 2014–2017 and the strategic plan 2018–2021.	The Board noted the progress made by UNOPS. However, since social impact investing initiative projects are funded through reserve surplus without a growth and innovation reserve having been created, which is not in conformity with financial regulations and rules of		X		

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13	2015	A/71/5/Add.11 , chap. II, para. 32	The Board recommends that, if adopted, the new governance, risk and compliance framework be used to support the development of a statement on internal control to bring together the structure of the processes and the assurances that underpin them.	<p>UNOPS has completed the governance, risk and compliance framework implementation through a series of revised processes and initiatives that have been rolled out, the key components of which are:</p> <ul style="list-style-type: none"> • A complete revision of the UNOPS legislative framework, including documentation of processes in the UNOPS process and quality management system • A reorganization of the global structure of UNOPS • The launch of an online enterprise and project management tool (oneUNOPS Projects), which includes the operationalization of the UNOPS enterprise risk management framework • Revised legislative instruments for the UNOPS internal control framework <p>UNOPS annually issues a statement on internal control in the letter of transmittal that accompanies its financial report and audited financial statements. In the letter, the Executive Director and Chief Financial Officer certify that UNOPS accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that, overall, policies and procedures are implemented with an appropriate segregation of duties.</p>	UNOPS, the recommendation is considered to be under implementation.	In view of the steps taken by management, as reviewed during audit, the recommendation is considered to have been implemented.	X		

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14	2015	A/71/5/Add.11 , chap. II, para. 33	The Board further recommends that UNOPS consider the implementation plan for the new framework, ensuring that it is sufficiently detailed, clear and realistic, incorporating sufficient training and communication plans, and has clear accountabilities and clear linkage to other UNOPS initiatives.	<p>UNOPS has completed the governance, risk and compliance framework implementation through a series of revised processes and initiatives that have been rolled out, the key components of which are:</p> <ul style="list-style-type: none"> • A complete revision of the UNOPS legislative framework, including documentation of processes in the UNOPS process and quality management system • A reorganization of the global structure of UNOPS • The launch of an online enterprise and project management tool (oneUNOPS Projects), which includes the operationalization of the UNOPS enterprise risk management framework • Revised legislative instruments for the UNOPS internal control framework <p>UNOPS annually issues a statement on internal control in the letter of transmittal that accompanies its financial report and audited financial statements. In the letter, the Executive Director and Chief Financial Officer certify that UNOPS accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that, overall, policies and procedures are implemented with an appropriate segregation of duties.</p>	In view of the steps taken by management, as reviewed during audit, the recommendation is considered to have been implemented.	X			

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15	2015	A/71/5/Add.11 , chap. II, para. 44	The Board recommends that, on receipt of the system controls and configuration report, UNOPS evaluate the recommendations made by the external consultant to consider whether it provides sufficient assurance and, in the event of any weaknesses, undertake a review to determine whether any such weaknesses have been exploited.	UNOPS continues to make progress on the items from the fraud risk assessment, and two additional items have been closed in 2019.	The recommendation is considered to be under implementation.		X		
16	2015	A/71/5/Add.11 , chap. II, para. 48	The Board reiterates its previous recommendation that UNOPS obtain viable benchmark cost data to inform a review of the benefits arising from process improvements.	The report was finalized and presented to the Executive Office in 2018. Highlights included the following: <ul style="list-style-type: none"> • The financial business case has been exceeded • Process benefits have been realized • The implementation cost incurred with oneUNOPS is at the low end, compared with a global average of enterprise resource planning projects implemented 	The recommendation is in follow-up to the one made in A/70/5/Add.11 , chap. II, para. 36. As mentioned in the related comment above, the recommendation has been implemented. The recommendation is thus considered to have been implemented.		X		
17	2015	A/71/5/Add.11 , chap. II, para. 49	The Board recommends that future significant investments be subject to, in advance, a more robust analysis of process benefits and cost savings to better inform the evaluation of a project's success and to inform future implementation.	The report was finalized and presented to the Executive Office in 2018. Highlights included the following: <ul style="list-style-type: none"> • The financial business case has been exceeded • Process benefits have been realized • The implementation cost incurred with oneUNOPS is at the low end, compared with a global average of enterprise resource planning projects implemented 	During the meeting to discuss the outstanding recommendations, UNOPS stated that major changes to ICT project governance had been initiated since the issuance of this recommendation. UNOPS has introduced a new policy and governance strategy		X		

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18	2015	A/71/5/Add.11 , chap. II, para. 63	The Board recommends that UNOPS strengthen its engagement acceptance and risk management processes so that they are sufficiently robust to support the assessment of new or novel lines of business.	oneUNOPS Projects version 2.0 was adopted and made mandatory for all UNOPS engagements as from 16 April 2019. As noted in the live demonstration to the Board, the system has an integrated engagement acceptance process that allows for the early identification and recording of risks, issues and lessons (against the same taxonomy) through the collaboration of all stakeholders involved in the engagement acceptance process – project developers, country management officials, regional offices, the Integrated Practice Advice and Support unit reviewers, engagement authorities and policy owners. In addition to providing a broader picture via smart dashboards and an enhanced collaboration function for each engagement, the document management and reporting functions	along with built-in monitoring and evaluation of ICT projects and investments. The principles are defined in the operational directive on ICT and digital systems management (OD.FG.2018.02), in which ICT governance principles were introduced. Whether the directives are being followed will be considered in subsequent audits. The recommendation is considered to have been implemented.				X

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				<p>have been improved and integrated in G Suite. This and the mapping of reviewers by region, project type and partners have strengthened the review system and project handover. The system has incorporated a high-risk engagement checklist for escalation to the engagement acceptance committee and provides the ability to tag the committee's approval conditions (as issues and risks) for headquarters monitoring and oversight purposes. The project outputs are automatically linked to the budget and the schedule, which is also baselined. This, coupled with a reinforced change management process in which project executives can exercise their professional judgment in assessing whether a proposed change is within the project tolerances or escalating it to the engagement authority, has strengthened the engagement amendment process. Finally, the system now provides UNOPS with the ability to report and analyse existing and novel types of business by capturing data on partners, funding sources, outputs and so on into a common "data lake" that can be used across UNOPS for decision-making and lessons learned. These new functions enable UNOPS to deliver stronger engagements.</p>				

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19	2015	A/71/5/Add.11 , chap. II, para. 95	The Board recommends that UNOPS: (a) conduct a comprehensive review of the pricing policy to consider how best to take risk into account in ways that are consistent, transparent and evidence-based; and (b) develop a policy for the use of accumulated financial surpluses arising from "risk increments" received but not ultimately required.	<p>Please note that item (a) of this recommendation was considered by Board as having been addressed in its 2017 audit, in which it noted the progress made by UNOPS in implementation of the recommendation (A/73/5/Add.11, chap. II, annex, item 23). As such, details are provided below on item (b) of the recommendation.</p> <p>UNOPS has established a policy on the use of its reserve in its operational directive on finance and asset management (OD.FG.2018.01, para. 6.6), which states: "UNOPS reserves serve as an insurance mechanism against operational risks and provide cash liquidity in case of adverse circumstances. Their purpose is to support the long-term operations of UNOPS, including providing funds for internal, external, and innovative investments in support of UNOPS strategic objectives." This policy clearly acknowledges that the reserve is established with two components: funds to cover required liquidity and funds to cover operational risks. The latter is addressed in the UNOPS budget estimates for the biennium 2018–2019 (DP/OPS/2017/6, para. 112 and table 3). The funding received from the risk increment and not yet needed is accumulated in the budget line "Write-offs, provisions, contingency surplus", as approved by the Executive Board. With the understanding that the first part of the recommendation was closed in the 2017 audit, UNOPS is convinced that it has now also addressed the second part of the recommendation, which is to establish a policy governing the use of unutilized risk increments.</p>	In view of the reply of management, the recommendation is considered to have been implemented.	X			

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20	2016	A/72/5/Add.11 , chap. II, para. 20	The Board recommends that UNOPS obtain the post facto approval of the Executive Board with respect to the original and final management budgets, including each line item.	UNOPS, on 30 April 2019, provided the Board with an annex to be included in its budget estimates for 2020–2021, to be considered by the Advisory Committee on Administrative and Budgetary Questions. Those estimates are on the provisional agenda of the second regular session of the Executive Board, starting on 3 September 2019.	As the UNOPS budget estimates for 2020–2021 are on the agenda of the Executive Board for its session in September 2019, the recommendation is considered to be under implementation.		X		
21	2016	A/72/5/Add.11 , chap. II, para. 25	The Board recommends that UNOPS reassess the adequacy of internal controls relating to bank payments and strengthen supervisory checks to ensure that such incidents of double payment, overpayment or excess payment do not occur in the future.	Owing the delay of the request for proposals on travel, the implementation of a systematic validation of the time between a booking date and a departure date is sought in the current travel system provided by the long-term agreement holder.	In accordance with the settlement note to the bank reconciliation statement of December 2018 provided by UNOPS, there were four instances of double payment in one bank and one instance of excess payment in another bank. Hence, the recommendation is considered to be under implementation.		X		
22	2016	A/72/5/Add.11 , chap. II, para. 30	The Board recommends that UNOPS establish a well-defined management reporting and monitoring structure and define the role of headquarters directors (practice leads) for each practice.	UNOPS considers this item to be ready for closure. The previous implementation items, combined with the executive operational instruction on the delegation of authority and the accountability framework (EOI.ED.2018.02) promulgated on 28 September 2018, address all aspects of the recommendation.	In view of the executive operational instruction promulgated by management, which lays down the UNOPS organizational structure and the reporting framework of regional directors and headquarters directors, the recommendation is considered to have been implemented.	X			

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23	2016	A/72/5/Add.11 , chap. II, para. 44	The Board recommends that UNOPS consider establishing a financial disclosure policy for its personnel that is aligned with the financial disclosure policy of the United Nations Secretariat (as defined in ST/SGB/2006/6).	UNOPS revised the form of its financial disclosure and conflict of interest declarations in 2016 and has previously reported to the Executive Board on this change and its impact. UNOPS accepted the Board's recommendation to consider alignment with Secretary-General's bulletin ST/SGB/2006/6 on financial disclosure and declaration of interest statements and concluded that the current UNOPS policy on financial disclosure and conflict of interest statements (OI.Ethics.2018.02) does comply with those United Nations instruments which are applicable to UNOPS. The UNOPS policy also extends further than required, as it encompasses a broader range of personnel and includes the interests and activities of unmarried partners.	UNOPS has put in place operational instruction OI.Ethics.2018.02 that lays down the obligations of personnel regarding the disclosure of conflict of interest, disclosure of assets, etc. in line with Secretary-General's bulletin ST/SGB/2006/6 . The recommendation is considered to have been implemented.	X			
24	2016	A/72/5/Add.11 , chap. II, para. 50	The Board recommends that UNOPS ensure compliance with its administrative instruction on business continuity and disaster recovery planning at all its offices and components and include information technology assets, data and systems.	The executive operational instruction on business continuity planning (EOI.ED.2018.03) was issued with effect from 3 April 2018. A person was hired in October 2018 to assist the Chief of Security to coordinate the updating of business continuity plans. On the basis of that instruction and with the provision of resources to assist with coordination, the business continuity plans were updated in 2018, and there is now a system of continuous checking and updating. The process of keeping business continuity plans up to date seems to be working effectively.	The Board notes the progress made with the issuance of the new operational instruction. However, as the business continuity and disaster recovery plans are not tested annually according to the information provided in response to the requisitions, the recommendation is considered to be under implementation.		X		

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25	2016	A/72/5/Add.11 , chap. II, para. 58	The Board recommends that UNOPS review the performance of oneUNOPS to determine whether all the intended controls are in place and effectively working, whether the intended benefits of the new systems are being realized, and whether information system delivery components are adequately aligned with the intended business requirements, including management information reports.	<p>The report was finalized and presented to the Executive Office in 2018. Highlights included the following:</p> <ul style="list-style-type: none"> • The financial business case has been exceeded • Process benefits have been realized • The implementation cost incurred with oneUNOPS is at the low end, compared with a global average of enterprise resource planning projects implemented 	In implementing this recommendation, UNOPS commissioned Gartner, Inc., to perform a benefits realization assessment. The final report, submitted in July 2018, reconfirmed the level of savings and the cost benefits of implementing oneUNOPS. With respect to reviewing whether the intended controls were in place, they were included in the terms of reference of the benefits realization assessment. The consultant provided assurance regarding the follow-up action undertaken with respect to the fraud risk assessment previously conducted by Deloitte and concluded that the interviews and the audit report pointed to a conclusion that oneUNOPS had implemented effective controls. Therefore, UNOPS has taken the necessary follow-up action on the audit recommendation. Further gaps in the internal controls in oneUNOPS were a subject of the audit conducted in the current year. The recommendation is considered to have been implemented.	X			

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26	2016	A/72/5/Add.11 , chap. II, para. 73	The Board recommends that UNOPS review its project management information system, along with the transition to oneUNOPS, so that centralized information on project status, including extensions and reasons for delayed implementation, are captured for better management oversight.	UNOPS in January 2019 developed and released an enterprise portfolio and project management system called oneUNOPS Projects. oneUNOPS Project version 2.0 was officially adopted as mandatory for all UNOPS engagements as from 16 April 2019. The system captures all information on project status as part of its stages management functionality and its scheduling feature, including the requirement to date stamp and upload evidence for the completion of outputs. The change control process for UNOPS projects has been strengthened through the requirement that project executives approve changes to project schedules, milestones and outputs, as well as because the system requires the reason for project extensions and amendments to allow for better management oversight.	In view of the review of the system established by management, it is considered that the system better captures all of the information on project status, including extensions and reasons for delays in project implementation. The recommendation is considered to have been implemented.	X			
27	2016	A/72/5/Add.11 , chap. II, para. 81	The Board further recommends that UNOPS build a portfolio management model to optimize the portfolio of delivery practices so as to ensure the maximization of sustainability considerations, as well as its own financial viability.	UNOPS developed and released in January 2019 an enterprise portfolio and project management system called oneUNOPS Projects. oneUNOPS Projects version 2.0 was adopted and made mandatory for all UNOPS engagements as from 16 April 2019. As an enterprise system, it allows for the rolling-up of all engagement data, such as engagement stages status, engagement values, schedules, risks, issues, lessons from the project level to the country office level to the operational hub level to the regional level and to the overall organizational level, thereby providing a portfolio management model for UNOPS operations. The data that can be aggregated to the portfolio level in the dashboard includes all projects, from the opportunity stage to final closure.	An enterprise portfolio and project management system has been put in place by management, which addresses the issues highlighted by Board. The recommendation is considered to have been implemented.	X			

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28	2016	A/72/5/Add.11 , chap. II, para. 87	The Board recommends that UNOPS establish and adopt a sustainability screening tool to screen projects against sustainability standards at the design stage, fixing sustainability targets and deliverables to facilitate the monitoring of progress during the life of a project.	UNOPS developed and released in January 2019 an enterprise portfolio and project management system called oneUNOPS Projects. oneUNOPS Projects version 2.0 was adopted and made mandatory for all UNOPS engagements as from 16 April 2019. The system incorporates policy requirements, and the requirements for social, environmental and gender mainstreaming screening, as included in the UNOPS Project Management Manual, are embedded in the system as Google forms. oneUNOPS Projects does not allow an engagement to progress from one stage (pre-engagement) to another (initiation) unless the screenings have been completed. In addition, as a result of collaborative research on infrastructure underpinning sustainable development and the link with the Sustainable Development Goals, UNOPS launched a new sustainable tool in March at the sixty-third session of the Commission on the Status of Women in New York. The tool is a resource for project development teams, providing real-world and practical actions to support the achievement of the Sustainable Development Goals through sustainable and inclusive projects. Its initial focus is on gender mainstreaming, but UNOPS is working to expand it to other areas. The tool facilitates the selection of the Goals that the project is aimed at influencing and offers considerations and actions as well as recommendations on their implementation.	Management has developed the enterprise portfolio and project management system, but its linkages with the Sustainable Development Goals need to be reviewed. Furthermore, the sustainable tool was launched in March 2019. Its effectiveness in screening projects against sustainability standards at the design stage and fixing sustainability targets and deliverables to facilitate progress monitoring during the life of the project needs to be reviewed. The recommendation is considered to be under implementation.		X		

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29	2016	A/72/5/Add.11 , chap. II, para. 95	The Board recommends that UNOPS incorporate sustainability targets and deliverables into project initiation documents, for mandatory screening and monitoring, measurement and reporting of sustainability contributions at all stages of the project life cycle, from engagement acceptance, quarterly assurance and project progress reports to project closure reports.	UNOPS developed and released in January 2019 an enterprise portfolio and project management system called oneUNOPS Projects. oneUNOPS Projects version 2.0 was adopted and made mandatory for all UNOPS engagements as from 16 April 2019. As part of the online environment, the system automatically provides a project initiation document template, in which the sub-plans included in the document for health, safety, social and environmental and gender projects are rolled forward into the implementation plan and are therefore linked to budget and schedule. This enables reporting and assurance at all stages of the project, as defined in the project initiation document.	While the system has been put in place, the outputs and deliverables will need to be reviewed after one year. The recommendation is considered to be under implementation.		X		
30	2016	A/72/5/Add.11 , chap. II, para. 102	The Board recommends that UNOPS establish a standard procedure for sustainability results reporting at the output and outcome levels by capturing data through the business process, to be measured against predefined sustainability standard indicators, targets and deliverables, and having the results validated through a verification mechanism.	UNOPS developed and released in January 2019 an enterprise portfolio and project management system called oneUNOPS Projects. oneUNOPS Projects version 2.0 was adopted and made mandatory for all UNOPS engagements as from 16 April 2019. The system functionality requires that all project outputs be defined at the engagement acceptance stage and be approved by the engagement authority. The project outputs are then automatically linked to the budget and the schedule, which becomes the project baseline. Results-based reporting is now linked to the engagement acceptance process as well as project benefits, and moved from the finance perspective only to other project management areas. The output list has been revised to fully match UNOPS operations and mandate.	The Board appreciates the efforts made. While the assurance of the outputs is now done on a quarterly rather than an annual basis, the results need to be studied. The recommendation is considered to be under implementation.		X		

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						Implemented	Under implementation	Not implemented	Overtaken by events	
31	2016	A/72/5/Add.11 , chap. II, para. 106	The Board recommends UNOPS to bring out a time bound plan for mandatory adoption of project management toolkits across UNOPS.	The assurance of the outputs is done on a quarterly basis, which allows automated results-based reporting on a quarterly rather than the pre-existing annual basis.	The Infrastructure and Project Management Group standards management framework, which is part of the UNOPS 2018–2021 strategic plan, sets a time-bound plan for the mandatory adoption of project management toolkits within the business processes, in a revised form of training and guidance materials. oneUNOPS Projects version 2.0 was adopted and made mandatory for all UNOPS engagements as from 16 April 2019. Those project management guidance materials are embedded in the enterprise portfolio and project management system, underpinned by the Project Management Manual and policy framework, and are made mandatory for relevant engagements.	A time-bound plan for the mandatory adoption of project management toolkits within the business processes has been put in place. The recommendation is considered to have been implemented.	X			
32	2016	A/72/5/Add.11 , chap. II, para. 115	The Board recommends that UNOPS prescribe appropriate methods for verifying and validating in order to ensure that the third parties and/or local contractors employing labourers for the implementation of UNOPS projects comply with the standards laid down in the policy for sustainable infrastructure.	UNOPS issued instructions on the implementation, including by contractors, of health and safety and social and environmental management requirements in respect of projects (EOI.CSG.2017.01 of 25 August 2017). UNOPS-wide monitoring of the implementation of the instructions began in the first quarter of 2019 in the context of quarterly business reports. Indicators measure both the percentage of projects that have developed health, safety, social and environmental plans and the number of major health, safety, social and environmental incidents received during the quarter.	In view of the steps taken by management, as reviewed during the audit, the recommendation is considered to have been implemented.	X				

No.	Audit report year	Report reference	Recommendation of the Board	UNOPS response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
33	2016	A/72/5/Add.11 , chap. II, para. 120	The Board recommends that UNOPS take steps to establish a distinct innovation fund, as envisaged in the strategic plan for the period 2014–2017.	This recommendation has been overtaken by the current UNOPS strategic plan.	The growth and innovation reserve is also a part of the financial regulations and rules, and the mere completion of the strategic plan would not affect the requirement, especially given the comment in the present report about investment being done absent the creation of an independent fund. The recommendation is therefore considered as being under implementation.		X		
34	2016	A/72/5/Add.11 , chap. II, para. 137	The Board recommends that UNOPS integrate the lists of sanctioned vendors contained in other external vendor databases, such as the United Nations Global Marketplace, with oneUNOPS.	UNOPS management believes that this recommendation has been implemented given the enhancements introduced in four key areas since mid-2017: policy, systems, knowledge management and training, and oversight. At the policy level, those include enhancements to the Procurement Manual and to the templates for evaluation and contract award aimed at ensuring that vendor sanctions are adequately checked. At the system level, with the eSourcing system, UNOPS introduced a series of enhancements in late 2017, following which vendors that are sanctioned in the United Nations Global Marketplace are not allowed by the system to submit a bid in response to a UNOPS tender. In terms of knowledge management and training, UNOPS has created guidelines and a dedicated intranet page on the topic and has reinforced its training, including through the release in January 2018 of an online course on ethics and fraud prevention in	Steps have been taken at various levels, especially with regard to enhancements to eSourcing. The recommendation is therefore considered to have been implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNOPS response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
35	2016	A/72/5/Add.11 , chap. II, para. 156	The Board recommends that UNOPS review its existing standard operating procedures relating to vendor database management to ensure that it has a strong system of checks with defined formats for data, data validation and alerts regarding duplicates in the oneUNOPS system, in order to enhance the quality of data sets.	<p>procurement. Lastly, at the oversight level, the UNOPS Internal Audit and Investigations Group introduced in late 2017 a real-time continuous audit tool that includes information on the usage of sanctioned vendors among other policy compliance parameters.</p> <p>As a point of clarification, UNOPS has one set of vendors, with the master data being the vendor table in the oneUNOPS enterprise resource planning system. Integration with the United Nations Global Marketplace will not change the relationship between those two systems. In order to address this recommendation, UNOPS has undertaken a large-scale review of vendor data management in oneUNOPS. The supplier clean-up project was completed, with positive results. This recommendation is considered to have been fully implemented, as the supplier clean-up project has addressed all aspects of the recommendation:</p> <ul style="list-style-type: none"> • New controls have been added regarding defined formats for data entry • Alerts and data validations have been added to the supplier management module • Alerts for duplicate data in key fields have been added to the Supplier Management module 	By undertaking the supplier clean-up project and adding the specified checks and controls in oneUNOPS, UNOPS claims to have implemented the recommendation. However, UNOPS, in response to a query and recommendations, has confirmed that there were two sets of vendor databases, which had not been merged from a system integration perspective. There are still vendors without a United Nations Global Marketplace number in the vendor database. As long as two sets of databases are not integrated, the validation and controls cannot be effective. Therefore, owing to partial implementation, this recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNOPS response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
36	2016	A/72/5/Add.11 , chap. II, para. 167	UNOPS agreed with the Board's recommendation that it finalize guidance on the conduct of background checks for new recruits.	UNOPS discussed the recommendation with the Board of Auditors team in person on its visit to Copenhagen. UNOPS continues to monitor the processes for conducting background checks for new recruits.	The necessary features have been included in the process and quality management system for the performance of candidate checks, academic checks, reference checks, etc. The recommendation is considered to have been implemented.	X			
37	2016	A/72/5/Add.11 , chap. II, para. 174	The Board recommends that UNOPS formulate policy directives and implementing instructions for the creation of an inclusive and accessible workplace for employees with disabilities.	During the April/May 2019 visit, there were developments on the recommendations in paras. 174 and 175. Material was shared in print and electronic formats with the audit team; the related supplementary documents had already been provided.	UNOPS has formulated policy directives and instructions to set up an inclusive and accessible workplace for employees with disabilities, which have been included in the process and quality management system. The recommendation is considered to have been implemented.	X			
38	2016	A/72/5/Add.11 , chap. II, para. 175	The Board further recommends that, as an enabling action towards making the organization more inclusive and accommodating towards people with disabilities, UNOPS endeavour to maintain data on employees with disabilities and complete an accessibility assessment of all its offices, digital platforms and processes, as a matter of priority.	During the April/May 2019 visit, there were developments on the recommendations in paras. 174 and 175. The related supplementary documents had already been provided.	UNOPS has formulated policy directives and instructions to set up an inclusive and accessible workplace for employees with disabilities, which have been included in the process and quality management system. The recommendation is considered to have been implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNOPS response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
39	2016	A/72/5/Add.11 , chap. II, para. 180	The Board recommends that UNOPS ensure the implementation of its policy regarding the booking of tickets at least seven days in advance of the travel date. Systems should be enabled to capture the data related to booking, to allow for better monitoring	Owing to the delay of the request for proposals on travel, the implementation of quarterly travel plans is being sought with the current travel supplier. It will be piloted for the directors at headquarters during the third quarter of 2019.	The implementation of the quarterly travel plans will be piloted in the third quarter of 2019, and the request for proposals on travel is also delayed. The recommendation is considered to be under implementation.		X		
40	2017	A/73/5/Add.11 , chap. II, para. 32	The Board recommends that UNOPS: (a) Prescribe the records and information to be provided by the investment manager and undertake periodic inspection of the records and audit of the funds management in line with the provisions set out in the agreement; (b) Review the contract agreement with the custodian and include provisions for the conduct of an independent inspection and/or audit of relevant records of the custodian pertaining to UNOPS investment.	UNOPS deems to have closed this recommendation based on the following actions pursuant to each of the requests in the recommendation: (a) (i) The investment manager must complete a monthly "manager sign-off exercise" with the custodian, which reconciles portfolio balances and differences within set tolerances; (ii) The investment manager must provide a monthly report showing a statement of change in market value, a statement of change in book cost, a full portfolio valuation, a trading statement (acquisitions and disposals), a statement of change in the market value of liquidity, a cash transaction summary and a cash transaction detail; (b) UNOPS undertakes a number of monthly and quarterly reconciliation and inspection exercises with respect to information held by the custodian. The investment manager does not hold the book of record for UNOPS securities, which lies with the custodian. However, UNOPS reviews the monthly report and	As the custodian contract amendment provides for physical audit at the custodian's premises, part (b) of the recommendation can be settled. The Internal Audit and Investigations Group independently asks for balance confirmation and then compares it with the book balance in the UNOPS financial system. The amendment to the agreement was made in November 2018, and the agreement with the investment manager states that the manager shall allow the customer or its authorized agents to inspect and audit such records, accounts or other information upon reasonable notice. As there is sufficient assurance and legal	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNOPS response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
				<p>quarterly performance reports provided by the investment manager for accuracy. The custodian (Northern Trust) is the holder of UNOPS securities on its behalf, and its reporting constitutes the final book of record. On a monthly basis, the custodian provides a full financial reporting package to UNOPS. This is cross-checked against the financial statements and is also cross-checked by the Board of Auditors team and the UNOPS treasury, which signs off on them. The treasury also has access to daily activity (unaudited data) across all UNOPS accounts. On an annual basis, the UNOPS Internal Audit and Investigations Group conducts an independent inspection of Northern Trust data and the data UNOPS holds in its systems. Internal UNOPS entities, such as the Internal Audit and Investigations Group and the treasury team, have independent monitoring mechanisms in place to ensure accuracy in the reporting of UNOPS investment balances. It is worth reiterating that UNOPS investments have been outsourced to an organization that has an independent audit carried out. The view of UNOPS is that there is sufficient internal and external assurance over its affairs with Legal & General Investment Management and Northern Trust, including assurance with respect to the balances held. Therefore, UNOPS suggests that this recommendation be considered closed.</p>	<p>recourse available for UNOPS towards its investments, the recommendation is considered to have been implemented.</p>				

No.	Audit report year	Report reference	Recommendation of the Board	UNOPS response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
41	2017	A/73/5/Add.11, chap. II, para. 42	The Board recommends that UNOPS expedite implementation and operationalization of Enterprise Portfolio and Project Management System and Enterprise Risk Management system as planned.	UNOPS developed and released in January 2019 an enterprise portfolio and project management system called oneUNOPS Projects, which includes an integrated enterprise risk management system. oneUNOPS Projects version 2.0 was adopted and made mandatory for all UNOPS engagements as from 16 April 2019. This followed a series of two-day training workshops at headquarters and 20 other locations in March 2019. Introductory tutorial videos, guidance and webinars on oneUNOPS Projects are available to all UNOPS personnel.	The enterprise portfolio and project management system has been implemented. However, the operationalization of the system needs to be reviewed over the course of time. The recommendation is considered to be under implementation.		X		
42	2017	A/73/5/Add.11, chap. II, para. 48	The Board recommends that UNOPS initiate the process of financial closure of projects soon after they are operationally closed so as to complete the process within the stipulated period.	UNOPS has implemented changes in its enterprise resource planning system so that once the project manager moves a project from “operationally closed” to “initiation of financial closure” status, the team in the UNOPS shared financial service centre in Copenhagen (the Integrated Practice Advice and Support unit) receives a system notification in its oneUNOPS enterprise resource planning taskbar. Also, a new field, “finance closure manager”, has been added in the system. This helps in tracking and identifying the responsible person for each stage of financial project closure. Furthermore, UNOPS has improved the existing policies related to client reporting and project closure, as well as creating new policies on engagement financial management and reporting and moving unclaimed project fund balances to corporate. As a result of the above improvements and training, UNOPS managed to financially close 486 projects in 2018 and reduce the backlog of projects overdue for closure by 51 per cent. (At the beginning of 2018, UNOPS	UNOPS has started working on the issue and has developed a system to deal with it. However, 196 projects are overdue for financial closure. As the stipulated period of 18 months for financial closure is not being observed, the recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNOPS response	Board's assessment	Status after verification				
						Implemented	Under implementation	Not implemented	Overtaken by events	
43	2017	A/73/5/Add.11 , chap. II, para. 49	The Board also recommends that UNOPS develop a system in oneUNOPS that triggers the action for the financial closure immediately after operational closure so that it can be completed within the targeted period.	had a backlog of 370 projects and to date has reduced the backlog to 189. Furthermore, of the 189 pending projects, UNOPS managed to produce final financial reports for 95 of them (50.2 per cent), the closure of which is pending subject only to client acceptance.)	UNOPS accepted the recommendation. Since that time, UNOPS has implemented changes in its enterprise resource planning system so that once the project manager moves a project from “operationally closed” to “initiation of financial closure” status, the team in the shared financial service centre in Copenhagen (the Integrated Practice Advice and Support unit) receives a system notification in its oneUNOPS enterprise resource planning taskbar. Also, a new field, “finance closure manager”, has been added in the system. This helps in tracking and identifying the responsible person for each stage of financial project closure.	In view of the steps initiated by management, the recommendation is considered to have been implemented.	X			
44	2017	A/73/5/Add.11 , chap. II, para. 57	The Board recommends that UNOPS review the applicability of its sustainable procurement criteria checklists to address all relevant and important sustainability concerns under various procurement categories.	UNOPS has launched its new gender-mainstreaming criteria and incorporated them into the new sustainable procurement criteria list. In addition, as from 31 March 2019, UNOPS launched its draft sustainable procurement framework, which includes specific sustainability provisions for ICT equipment. UNOPS continues to work on developing the guidance for the sustainable procurement of infrastructure and did launch and finalize a request for information on e-waste recycling, which is currently being reviewed.	UNOPS has launched gender-mainstreaming criteria and incorporated them into a new sustainable procurement criteria list, launched a draft sustainable procurement framework and is working on request for information on e-waste recycling. The recommendation is considered to be under implementation.		X			

No.	Audit report year	Report reference	Recommendation of the Board	UNOPS response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
45	2017	A/73/5/Add.11 , chap. II, para. 65	The Board recommends that UNOPS review the sustainability framework to ensure the embedding of sustainability concerns based on the category of goods/services procured as well as the value of the contract.	UNOPS revised its sustainable procurement framework in accordance with feedback received during several consultations with field offices and other relevant stakeholders. The framework is being piloted by several field offices and will become mandatory as from 1 January 2020, in accordance with the provisions in section 15.2.1 of the revised UNOPS Procurement Manual (revision 6.1, was promulgated on 1 April 2019). UNOPS is currently in the process of organizing several training webinars for internal users and will be developing additional materials for suppliers in the coming months to ensure that all stakeholders are ready for adoption of the mandatory framework as from 1 January 2020.	As management has revised its sustainable procurement framework, which will become mandatory as from January 2020, the recommendation is considered to be under implementation.		X		
46	2017	A/73/5/Add.11 , chap. II, para. 66	The Board recommends that a mechanism be put in place to assess satisfactory compliance with the essential elements of the framework.	UNOPS is in the process of introducing enhancements to its eSourcing system that will enable it to track the inclusion of sustainable criteria and compliance with requirements in its tenders, in accordance with the sustainable procurement framework. Those enhancements are targeted to be released in the eSourcing system in the fourth quarter of 2019.	As the enhancements to the eSourcing system are targeted for the fourth quarter of 2019, the recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNOPS response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
47	2017	A/73/5/Add.11, chap. II, para. 73	The Board recommends that: (a) UNOPS strengthen its reporting and monitoring mechanism with respect to the mainstreaming of gender into projects, by ensuring that documentation of gender mainstreaming becomes, as far as feasible, an intrinsic part of the project management process. UNOPS should also ensure preparation of gender action plans by all gender focal points; (b) The role of gender focal points be strengthened by providing necessary resources, such as time and a budget, for the effective implementation of their roles and responsibilities.	(a) oneUNOPS Projects version 2.0 was adopted and made mandatory for all UNOPS engagements as from 16 April 2019. Gender mainstreaming screening is now mandatory in accordance with the Project Management Manual, and this has been embedded in the system as Google forms. It is not possible to progress from one stage (pre-engagement) to another (initiation) unless it has been checked as completed. This screening informs when a gender action plan is required for each engagement. For such engagements, the oversight of any milestones is captured under the quarterly assurance process; (b) In order to strengthen the role of gender focal points, the head of programme role has already been designated (since February 2018) as the role holding the responsibility for the delivery of the gender mainstreaming strategy 2019–2021 in UNOPS engagements, with the support of the country office teams. With the adoption of the gender mainstreaming strategy and associated plan that was promulgated in the fourth quarter of 2018, UNOPS has formalized the integration of this responsibility into the terms of reference.	The head of programme role has been designated as the gender focal point, and that individual reports directly to the country office director/multi-country office director. In accordance with the job profile, that individual is responsible for programme governance, planning, development, implementation, programme resources management, the creation of a positive work environment for both men and women, maintenance of a diverse workforce in terms of gender, etc. Part (b) of the recommendation is therefore proposed for closure. However, as oneUNOPS Projects version 2.0 has been adopted and is mandatory as from April 2019 and the oversight of engagements where a gender action plan is required will be captured in the quarterly assurance process, this will need to be reviewed.		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNOPS response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
48	2017	A/73/5/Add.11 , chap. II, para. 80	The Board recommends that UNOPS carry out the required changes in oneUNOPS and review the validation rules to ensure the correctness of the data related to procurement and personnel.	In terms of the procurement-related data, progress has been made in the development of the contract management module within oneUNOPS, which will address the pending validation aspects raised by the Board (solicitation process data on purchase orders, tender process reference, etc.). At the time of the present update, a prototype of the solution has been developed and has been validated by the Procurement Group. In April and May, the module will be tested and fine-tuned and will be released for all users in June 2019. Pursuant to the previous update to the Board and with regard to personnel data, the recommendation has been implemented in oneUNOPS.	A test check of personnel data was conducted and the data were found to be in order. The recommendation with respect to personnel data is considered to have been implemented. The contract management module, however, was to have been released to users in June 2019, and the Board observed that out of the 268,606 records (pertaining to 2015–2018), the delivery date preceded the order date in 4,427 records. In 27,405 cases, the delivery date and order date were the same, which included even such items as cultural events, art design services, residential rent, etc. The recommendation is considered to be under implementation.		X		
49	2017	A/73/5/Add.11 , chap. II, para. 86	The Board recommends that UNOPS review the position titles in use across the organization and continue its efforts to standardize them in line with the International Civil Service Commission framework in a time-bound manner.	UNOPS is still in the process of reviewing position titles. Updated guidance on the use of position titles has been developed. UNOPS will ensure that the updated policy is well known in the organization, with the goal of closing this recommendation soon.	UNOPS is still reviewing position titles. The recommendation is considered to be under implementation.			X	

No.	Audit report year	Report reference	Recommendation of the Board	UNOPS response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
50	2017	A/73/5/Add.11 , chap. II, para. 92	The Board recommends that UNOPS prescribe the periodicity for the updating of the business continuity and disaster recovery plans and ensure that all units update their business continuity and disaster recovery plans within the time frame so prescribed.	The executive operational instruction on business continuity planning (EOI.ED.2018.03) was issued with effect from 3 April 2018. In section 6.2, it prescribes updating business continuity plans every 18 months. UNOPS also hired a person to assist with coordination of the updating of business continuity plans. As a result, the system has been working well since the fourth quarter of 2018, and the plans have been kept up to date.	In view of the steps taken by management, the recommendation is considered to have been implemented.	X			
51	2017	A/73/5/Add.11 , chap. II, para. 100	The Board recommends that UNOPS strengthen its internal control mechanism to initiate procurement activities with clear and correct specifications.	UNOPS has implemented a number of measures that fully address this recommendation. The Procurement Manual, in section 4.3, includes clear internal controls and guidance regarding the development of procurement requirements and specifications. Furthermore, UNOPS eProcurement systems have been enhanced to support this practice. For instance, UN Web Buy Plus, which originated this recommendation (a vehicle had been procured and delivered to an East African country with the steering wheel on the wrong side), has been revamped to eliminate the possibility of user error, as only specifications tailored to the destination country are visible in the system. In addition, the eSourcing system prevents the publication of a tender unless an approved electronic requisition has been associated with the tender.	It was noted that controls had been placed in the system with respect to the specific items highlighted by audit. The recommendation is considered to have been implemented.	X			
Total						31	19	–	1
Percentage						61	37	–	2

Chapter III

Financial report for the year ended 31 December 2018

A. Introduction

1. In accordance with the financial regulations and rules of the United Nations Office for Project Services (UNOPS), the Executive Director of UNOPS has certified the 2018 financial statements of the organization and is pleased to submit them to the Executive Board and the General Assembly, and to make them publicly available. The financial statements have been audited by the Board of Auditors, and its unqualified audit opinion and report are attached. Overall, UNOPS is financially robust and is continuing to make the necessary strategic investments in order to accomplish its strategic plan for 2018–2021.²⁴

2. The UNOPS strategic plan for 2018–2021 is focused on implementation for impact. It provides direction to support Member States and the Secretary-General in realizing sustainable development and more peaceful, just and equitable societies. UNOPS is a United Nations resource for services and solutions across peace and security, humanitarian and development efforts. While UNOPS can help its partners to expand capacity towards the achievement of all the Sustainable Development Goals, the focus is based on partners' demand and the needs of people and countries.

3. The UNOPS ambition is to become a known and recognized resource providing collaborative advantages that help Governments, the United Nations system and other partners to expand their implementation capacity in support of the Secretary-General and the 2030 Agenda for Sustainable Development. Its objectives are structured around three strategic contribution goals: (a) to enable partners to do more with less through efficient management support services; (b) to help people achieve objectives through effective specialized technical expertise; and (c) to support countries in their efforts to expand the pool and effect of their resources.

B. Accountability and transparency as a core value of the United Nations Office for Project Services

4. The UNOPS strategic plan for 2018–2021 is focused on implementation for impact, strengthening the capacities of the organization in its three main areas of delivery, namely, project management, infrastructure and procurement, with strategic emphasis on sustainability, focus and excellence. Accountability and transparency are core UNOPS values. Its management ambition is organizational excellence, quality and principled performance throughout its operations. In order to achieve those objectives, UNOPS continued to benchmark its organizational maturity against internationally recognized standards and best practices in use by public and private organizations.

5. Achievements in 2018 included the following:

(a) Besides continuing to further refine and optimize the oneUNOPS enterprise resource planning system, UNOPS developed a fit-for-purpose enterprise portfolio and project management solution that is tightly integrated with its enterprise resource planning system and has integrated risk management capabilities. The first version of the new system, known as oneUNOPS Projects, was launched at the end of 2018, and the second version, with additional features, was to be launched in April 2019 and was to operationalize the UNOPS Project Management Manual in order to

²⁴ Endorsed by Executive Board decision 2017/26.

enable better project management, improved reporting and enhanced risk management;

(b) In January 2018, UNOPS launched an online training course on ethics and fraud prevention in procurement. The course was developed by the Procurement Group, in collaboration with the Internal Audit and Investigations Group and the Ethics Office, and emphasizes the relevance of ethics in procurement and the risks, red flags and consequences involved when vendors engage in fraud and other proscribed practices. The course was taken in 2018 by 1,092 UNOPS personnel;

(c) Several measures were taken to realign headquarters functions in preparation for the implementation of the strategic plan, 2018–2021, and the clear separation of policy and control functions from operations management as part of an improved governance, risk and compliance framework;

(d) UNOPS maintained its global International Organization for Standardization (ISO) 9001 certification (quality management systems). In addition, UNOPS was assessed by the European Foundation for Quality Management, which awarded it a five-star silver rating on its global excellence index of best-performing organizations. UNOPS expanded its ISO 14001-certified environmental management system to cover its activities and facilities in Argentina, El Salvador, the Gambia, Guinea, Liberia and Peru, adding to existing certifications in Afghanistan, Denmark, Ghana, Myanmar, Sierra Leone, Sri Lanka, Tunisia and the State of Palestine, as well as in Kosovo.²⁵ This achievement forms the basis for UNOPS compliance with [CEB/2013/HLCM/5](#), on the development and implementation of environmental sustainability management systems in all United Nations system organizations;

(e) UNOPS certified health and safety management systems – Occupational Health and Safety Assessment Series 18001 – applies to all UNOPS activities and facilities in Denmark, Ghana, Myanmar and the State of Palestine, as well as in Kosovo, to which activities and facilities in the Gambia, Sierra Leone and Sri Lanka were added in 2018. This achievement forms the basis for UNOPS compliance with [CEB/2015/HLCM/7/Rev.2](#), on the adoption of occupational safety and health systems in all United Nations system organizations, and with the Secretary General’s bulletin on the introduction of an occupational safety and health management system;

(f) By the end of 2018, the implementation rate of internal audit recommendations stood at 96 per cent. Only 12 of the recommendations had been open for more than 18 months. Details of UNOPS audit and investigation findings made in 2018 are available in the report of the Internal Audit and Investigations Group on UNOPS internal audit and investigations activities in 2018 ([DP/OPS/2019/4](#)).

C. Results of the United Nations Office for Project Services in 2018 Highlights

6. The mission of UNOPS is to help people build better lives and to help countries achieve peace and sustainable development. UNOPS is a self-financing organization, without any voluntary or assessed contributions from Member States; it relies on exchange revenue earned from the delivery of flexible and modular project services, spanning infrastructure, procurement project management, financial management and human resources, among other services. Its services can be deployed as self-standing offerings in response to specific demand or as integrated service offerings.

²⁵ All references to Kosovo in the present document should be understood to be in the context of Security Council resolution [1244 \(1999\)](#).

7. More than 5 million days of paid work for local people were created through UNOPS projects in 2018, 46 per cent them undertaken by women. The majority were related to infrastructure projects, including the construction, design or rehabilitation of 104 schools, 9 hospitals, 114 health clinics and 1,514 km of road. That compares with more than 2 million days of paid work and 35 schools, 47 hospitals, 243 health clinics and 2,302 km of road in 2017. More than 4,000 homes for people were constructed or designed in 2018, compared with 2,133 in 2017. UNOPS procured more than \$920 million worth of goods and services for its partners in 2018, compared with the \$1 billion reported in 2017. UNOPS is committed to strengthening national economies by supporting local suppliers. In locations of operations where UNOPS maintains a physical presence, 46 per cent of procurement budgets were awarded to local suppliers, representing over \$420 million, compared with 51 per cent in the previous year. In 2018, 92 per cent of UNOPS procurement projects reported the inclusion of sustainability considerations in tenders, compared with 83 per cent in 2017. In 2018, \$14 million worth of procurement tenders were awarded to women-owned businesses, and \$322 million in tenders were awarded to micro, small and medium-sized enterprises. As part of efforts to share UNOPS knowledge and expertise, more than 31,000 days of technical assistance were provided to partners (down from 39,000 in 2017). UNOPS helped develop local capacity by supporting almost 12,000 training days, an increase over the 8,500 training days supported in 2017. Approximately 67 per cent of projects supported by UNOPS reported one or more activities that contributed to developing national capacity, compared with the 60 per cent reported in 2017. A full account is provided in the annual report of the Executive Director of UNOPS ([DP/OPS/2019/2](#)).

8. The financial performance of UNOPS in 2018 can be summarized in the following headline figures:

(a) UNOPS maintained the value of the net services it delivered at \$1,862.1 million. The amount comprised \$852.5 million in respect of projects delivered on behalf of UNOPS and \$1,009.6 million in respect of projects delivered on behalf of other organizations;

(b) The net surplus for the year was \$38.4 million;

(c) The reserves at year-end stood at \$192.9 million, exceeding the minimum threshold established by the Executive Board. This figure takes into account the impact of actuarial gain on post-employment benefits and fair value loss on financial instruments held as available for sale, amounting to \$2.4 million and \$6.6 million, respectively, recognized in the statement of changes in net assets.

9. Such solid financial results place UNOPS in a position of strength to respond to the requests of its partners, to focus on identifying the relevant talents and skills in support of their growing requirements and to help them to succeed by achieving outstanding results.

Financial statements prepared in accordance with the International Public Sector Accounting Standards

10. In accordance with the International Public Sector Accounting Standards (IPSAS), a complete set of financial statements has been prepared, as follows:

(a) *Statement of financial position.* This statement shows the financial status of UNOPS as at 31 December 2018 by reporting the overall value of its assets and liabilities. It provides information about the extent to which resources are available for UNOPS to continue delivering partner services in the future;

(b) *Statement of financial performance.* This statement measures the net surplus or deficit as the difference between revenues and the corresponding expenses

incurred. The net surplus or deficit is a useful measure of the overall financial performance of UNOPS and indicates whether the organization achieved its self-financing objective for the period;

(c) *Statement of changes in net assets.* This statement reports all changes in the value of assets and liabilities, including those excluded from the statement of financial performance, for example, actuarial adjustments to employee liabilities and fair value adjustment on available-for-sale financial instruments;

(d) *Statement of cash flows.* This statement reflects the changes in the cash position of UNOPS by reporting the net movement of cash, classified by operating and investing activities. The ability of UNOPS to generate cash liquidity is an important aspect in assessing its financial resilience. For a more complete picture of the organization's ability to draw upon its cash balances, investments also need to be taken into account;

(e) *Statement of comparison of budget and actual amounts.* This statement compares the actual operational result with the main budget previously approved by the Executive Board.

11. The financial statements are supported by notes that assist users in understanding and comparing UNOPS with other entities. The notes include UNOPS accounting policies and other additional information and explanations.

Financial performance

12. In 2018, the net delivery of UNOPS services amounted to \$1.9 billion, consisting of services delivered on behalf of UNOPS and services delivered on behalf of its partners. This reflects the total volume of resources handled by UNOPS during the period and represents an increase of approximately 1 per cent compared with the \$1.8 billion recorded in 2017.

13. In 2018, total revenue as reported in the statement of financial performance, representing the actual income attributable to UNOPS, amounted to \$942 million, reflecting an increase of 13.0 per cent compared with 2017 (\$834 million). The increase was due mainly to a change in the composition of delivery on behalf of UNOPS and on behalf of other organizations.

14. IPSAS distinguishes between contracts where UNOPS acts as a principal and contracts where it acts as an agent. Where UNOPS delivered services on its own behalf, that is, by acting as a principal, the revenue is recognized in full on the statement of financial performance. Where UNOPS delivered services on behalf of its partners, that is, by acting as an agent, only the net revenue is reported on the statement.

15. The difference between gross delivery and IPSAS revenue figures consists of \$1,009.6 million in agency transactions. Table III.1 provides a summary of revenue and expenses against the five core services of UNOPS: infrastructure, procurement, project management, human resources and financial management. The figures are derived from the financial statements that report the same IPSAS figures against the five principal activities (see note 17).

16. After deducting annual expenses and long-term employee liabilities charges, the net surplus for 2018 was \$38.4 million, compared with the net surplus of \$29.0 million for 2017.

Table III.1
Revenue and expenses
(Millions of United States dollars)

	<i>IPSAS revenue</i>	<i>Add agency transactions</i>	<i>Total gross delivery</i>
Revenue			
Construction contracts (infrastructure)	192.8	1.8	194.6
Procurement	53.2	356.8	410.0
Financial management	124.7	318.2	442.9
Human resources administration	32.6	213.3	245.9
Other project management	537.3	119.5	656.9
Miscellaneous revenue	1.8	–	1.8
Non-exchange revenue	–	–	–
Total revenue	942.5	1 009.6	1 952.1
Expenses			
Construction contracts (infrastructure)	(182.3)	(1.8)	(184.0)
Procurement	(38.9)	(356.8)	(395.6)
Financial management	(107.5)	(318.2)	(425.8)
Human resources administration	(16.9)	(213.3)	(230.2)
Other project management	(506.9)	(119.5)	(626.4)
Total project expenses	(852.5)	(1 009.6)	(1 862.1)
<i>Less: UNOPS administrative costs</i>	<i>(71.2)</i>		<i>(71.2)</i>
Total expenses	(923.7)		(1 933.2)
Surplus from services	18.8		18.8
<i>Add: net financial income</i>	<i>19.6</i>		<i>19.6</i>
UNOPS 2018 surplus	38.4		38.4

United Nations Office for Project Services delivery and partnership

17. As an operational resource for Member States and the Secretary-General, UNOPS partners with Governments, the United Nations system and other entities, including intergovernmental institutions, international and regional financing institutions, foundations, non-governmental organizations and the private sector.

18. UNOPS delivery amounted to almost \$1.9 billion in 2018, an increase over the \$1.8 billion recorded in 2017, making it the second year in a row of record financial turnover. The volume can again be attributed to high government demand for UNOPS services.

19. Direct support provided to Governments accounted for the largest increase in delivery value, amounting to \$685 million, compared with \$662 million in 2017. The largest partnership with a host Government during 2018 was with Argentina, followed by Guatemala, Peru, Ethiopia and El Salvador, in that order. Total direct support provided to Governments remained consistent with 2017, at 37 per cent of delivery. The largest donor Government to which UNOPS delivery can be directly attributed is

that of the United Kingdom of Great Britain and Northern Ireland, followed by those of the United States of America, Canada, Japan and Sweden, in that order.

20. In 2018, 33 per cent of UNOPS delivery was on behalf of the United Nations system, a slight increase from 32 per cent in 2017. In real terms, delivery on behalf of the United Nations system represented approximately \$608 million, compared with \$583 million in 2017. The largest United Nations partner continued to be the Secretariat, as partnerships with the former Department of Peacekeeping Operations²⁶ continued to grow. Fifteen per cent of total delivery was on behalf of that Department. Notably, among United Nations partners, delivery on behalf of the Office of the United Nations High Commissioner for Refugees grew for the sixth consecutive year. Other strong partnerships included support to the United Nations Environment Programme and the World Health Organization.

21. In 2018, the countries to which UNOPS delivered the most support were Myanmar, South Sudan, Argentina, Somalia and Iraq, in that order. In 2017, they were Myanmar, Argentina, Somalia, South Sudan and Mali. A full account is provided in the annual report of the Executive Director of UNOPS ([DP/OPS/2019/2](#)).

Assets and liabilities

22. The statement of financial position is a comprehensive summary of UNOPS assets and liabilities. All UNOPS liabilities and assets are included.

People excellence

23. UNOPS has a highly skilled and engaged workforce. At the end of 2018, the number of individuals on UNOPS contracts stood at 11,671, up from 11,428 in 2017. Of those individuals, 756 were staff and 10,915 had individual contractor agreements. UNOPS administers personnel contracts on behalf of a range of partners. In 2018, 7,232 of the total number of individual contractors were partner personnel. This is illustrated in table III.2 below.

Table III.2

Number of personnel by category, as at 31 December 2018

<i>Contract modality</i>	<i>Staff</i>	<i>Contractors</i>	<i>Total</i>
UNOPS personnel	756 ^a	3 683	4 439
Partner personnel	–	7 232	7 232
Total	756	10 915	11 671

^a Includes partner staff and staff in organizations where UNOPS is providing hosted initiative secretariat services, who are subject to the same policies and procedures as UNOPS staff.

Status and deployment of individuals on UNOPS contracts

24. A survey of UNOPS personnel revealed engagement levels that exceeded internationally recognized benchmarks for high-performing organizations. Out of more than 3,100 responses (reflecting a response rate of 82 per cent), 83 per cent were favourable, indicating high levels of engagement and intent to stay in the organization. The next full-scale survey of UNOPS personnel is scheduled to take place in the second half of 2019.

²⁶ Effective 1 January 2019, the name of the Department of Peacekeeping Operations was changed to the Department of Peace Operations.

25. In 2018, UNOPS continued its efforts towards achieving gender parity through several avenues, including the UNOPS dedicated gender panel composed of senior managers across all regions to advise on gender equality in the workforce. This covers such areas as recruitment, professional development, inclusive leadership and accountability. Following a consultative process, recommendations from the panel formed the basis of a gender parity strategy to be implemented starting in 2018 and continuing in 2019. The three goals of the strategy will be updated annually in reports to the Executive Board.

26. In 2018, 94 members of UNOPS senior management in countries where the organization maintains physical offices were nationals of the duty station country, representing 17 per cent of the total number of 560. In 2017, 87 senior managers out of a total of 552 were nationals of the duty station country, which also represented 17 per cent of the total number (senior management is defined as staff employed at grade ICS-11 and above). In 2018, 2,992 UNOPS personnel were based at hardship duty stations (locations rated B to E on the International Civil Service Commission hardship scale). Of those personnel, 936 were based in locations rated E.

27. More than 3,800 colleagues benefited from UNOPS learning opportunities in 2018. Of all participants, 92 per cent rated learning opportunities as “very relevant” or “relevant” to their work. Forty per cent of participants were women, and 90 per cent were based in field locations.

28. Since the introduction of the new competency framework at UNOPS in 2016, the organization has expended significant efforts towards ensuring that its workforce is fully aligned with the updated competencies, values and principles that would allow UNOPS to implement its strategic plan. Special emphasis has been placed on defining the leadership compact and on providing leaders with the tools they require to efficiently carry out their leadership function across the organization. Moreover, the organization has been very active in the prevention of sexual harassment, exploitation and abuse, both by participating United Nations system initiatives and by defining and implementing UNOPS strategies that, together, help to ensure that UNOPS beneficiaries and personnel enjoy the highest standards with regard to safeguarding their rights in those areas.

29. In 2018, UNOPS significantly expanded its offer relating to leadership development programmes, some 200 team leads have benefited from the Leading People programme and approximately 80 aspiring leaders have participated in the newly established Leadership Foundations programme. In addition, some senior leaders have taken part in prestigious external leadership programmes. At the core of these programmes are such themes as inclusive leadership, diversity and gender equality aimed at strengthening the UNOPS commitment to people excellence, on the basis of competencies, values and principles.

30. As at 31 December 2018, the liability to fund after-service health care and end-of-service benefits for qualifying staff members stood at \$86.0 million. This liability was independently estimated by an actuarial firm. The details of the calculations are contained in note 13. While this amount represents the best estimate of the liability of UNOPS, it remains subject to a degree of uncertainty, which is reported in the sensitivity analysis. In recognition of this uncertainty, the actuarial assumptions will be kept under review and the estimate of the liability will be updated on an annual basis.

Financial position at the end of 2018

31. As at 31 December 2018, UNOPS had assets of \$2,317.5 million, which more than covered liabilities of \$ 2,124.6 million, leaving net assets of \$192.9 million.

32. The most significant assets were cash and investments, which amounted to \$2,201.4 million at the end of 2018, compared with \$1,872.6 million at the end of 2017.

33. About 82 per cent of UNOPS cash and investments reflect contributions that have been received in advance from partners towards the cost of the implementation of the projects. The strong cash position of UNOPS demonstrates that it can continue to fund a similar portfolio of future programmes of work with its partners.

Operational reserves

34. As at 31 December 2018, after an allowance had been made for all known liabilities, the operational reserves held by UNOPS stood at \$192.9 million. Significantly, a \$2.4 million actuarial gain pertaining to the valuation of employee benefits at year-end and a \$6.6 million fair value loss on available-for-sale financial instruments were recognized and have increased the total reserves.

35. On the basis of the minimum operational reserve requirement calculation basis approved by the Executive Board in September 2013, UNOPS was required to maintain, at a minimum, \$21.7 million in operational reserves as at 31 December 2018. This is based on the requirement to maintain four months of the average actual management expenses of the previous three years.

Liquidity

36. The statement of cash flows shows that cash and cash equivalents held by UNOPS increased by \$101.8 million during 2018. UNOPS continues to retain a strong working capital position.

Budget outcome

37. IPSAS requires the preparation of a statement of comparison of budget and actual amounts. The statement reports actual revenue and expenses against the Executive Board-approved management budget covering UNOPS administrative costs for the biennium 2018–2019.

38. For 2018, the overall budgetary outcome was positive, with UNOPS achieving a net revenue of \$26.1 million, on the budget basis, from its delivery of services. The UNOPS revenue from management fees, reimbursable services and advisory income totalled \$85.2 million in 2018, remaining at a similar level as in 2017 (\$85.9 million), but 2.8% below the budgeted target of \$87.6 million.

D. System of internal control and its effectiveness

39. The Executive Director is accountable to the Executive Board for establishing and maintaining a system of internal control that conforms to and complies with the financial regulations and rules of UNOPS.

Main elements of the system of internal control

40. The main elements of UNOPS internal control comprise the policies, procedures, standards and activities designed to ensure that all operations are conducted in an economical, efficient and effective manner. They include adherence to United Nations policies established by the General Assembly, the Economic and Social Council, the Executive Board and the Secretary-General; the documentation of processes, instructions and guidance promulgated by the Executive Director through UNOPS operational directives; the delegation of authority through written instruction; the system of personnel performance management; key controls

throughout the UNOPS value chain to address any risks to core activities; and the monitoring and communication of results by both management and the Executive Board.

41. UNOPS management of risk is an integral part of the internal control framework. The Executive Director launched a governance, risk and compliance framework in 2016 to better manage the full range of strategic and operational risks, including the identification, evaluation and measurement of possible impact on UNOPS and the selection and maintenance of solutions to mitigate those risks. The objective of risk management is to strengthen UNOPS foresight and insight, so as to respond proactively to opportunities and threats. Risk management informs the prioritization of strategic alternatives and mitigation measures, particularly in the context of UNOPS strategic alignment and business development. Furthermore, risk management helps to calibrate UNOPS internal controls in response to changes in the business and operating environments. Several measures were taken to realign headquarters functions in preparation for the implementation of the strategic plan, 2018–2021, and the clear separation of policy and control functions from operations management as part of an improved governance, risk and compliance framework.

42. As part of the continuous improvement agenda, UNOPS has promulgated an organizational instruction that provides the policy for standardizing the project management approach for all UNOPS engagements. The policy is supported by a Project Management Manual, which provides detailed requirements and associated guidance. The Manual is bespoke to UNOPS needs but has been accredited by AXELOS as compliant with the Projects in Controlled Environment (PRINCE2) methodology, thereby maintaining UNOPS adherence to industry-level standards. These will assist UNOPS in achieving consistent results for its engagements and mitigating its exposure to operational risks.

Effectiveness of the system of internal control

43. The UNOPS system of internal control is a continuous process designed to guide, manage and monitor UNOPS core activities. As a result, the system can only provide a reasonable, and not absolute, assurance of effectiveness. Similarly, risks can never be entirely eliminated; however, internal controls help to reduce the likelihood of failure in achieving the expected results and objectives. The Executive Director has therefore reviewed the effectiveness of the system, as reinforced by the UNOPS risk management processes. The review was informed by regular meetings of the Executive Director with major elements of the governance arrangements, including the Executive Board, the Audit Advisory Committee, the Strategic Advisory Group of Experts, the Director of the Internal Audit and Investigations Group, the Ethics Officer, the Legislative Framework Committee and the Board of Auditors. She also took into account the views of senior managers and staff at Headquarters and in the field, as well as those of partners and key stakeholders. On the basis of her review, she provided a reasonable, but not absolute, assurance of the effectiveness of the internal control system and confirmed that she was not aware of any significant issues.

44. In 2019, UNOPS implemented a new enterprise portfolio and project management system, which includes an enterprise risk management system, designed to better integrate engagement development, acceptance and delivery processes. The new system increases the quality of information for risk management and management decision-making and enables UNOPS to provide more efficient operational support to partners. The system is a vital element of the continued efforts to optimize UNOPS project management processes and systematically reinforce internal controls, segregation of duties and compliance. The enterprise portfolio and project management system went live to all UNOPS personnel on 1 January 2019 and

its use becomes mandatory for all engagement management purposes as from 15 April 2019.

E. Looking ahead

Strategic plan for 2018–2021

45. The Executive Board endorsed the UNOPS strategic plan, 2018–2021, at its second regular session, in September 2017. The plan builds on the UNOPS midterm review and was developed after extensive consultation with UNOPS stakeholders. In its decision 2017/26, the Board recognized the plan's solid foundation in Member State decisions, policy guidance and international agreements and the needs of people and countries, including in the most fragile situations.

46. The ambitions of UNOPS for the planning period are structured around three strategic contribution goals: (a) to enable partners to do more with less through efficient management support services, delivered locally or as global shared services; (b) to help people achieve individual, local, national and global objectives, through effective specialized expertise grounded in international norms and standards; and (c) to support countries in their efforts to expand the pool and effect of their resources available to achieve the 2030 Agenda. These goals, in turn, are supported by four strategic management goals, which frame how UNOPS will drive its internal management reform and innovation agenda with a focus on partner value, people and process excellence and financial stewardship.

47. In its decision, the Board expressed support for the strategic goals of UNOPS and appreciation for its intent to engage more strategically with Governments and other partners. It urged entities of the United Nations system to recognize the comparative advantages and technical expertise of UNOPS and to engage in collaborative strategic partnerships for efficiency and effectiveness, including at the country level, and encouraged UNOPS, in its continued pursuit of organizational excellence and attention to ensuring investment, to build organizational capabilities and protect its unique business model for the future. In September 2020, the midterm review of the UNOPS strategic plan, 2018–2021, will be presented to the Board.

UNOPS financial viability

48. The UNOPS finance team has assessed the capability and resilience of UNOPS to continue operating at its current level of activity throughout 2018 and beyond. UNOPS is confident in its ability to remain in operation for many years to come. Accordingly, the 2018 financial statements have been prepared on a going-concern basis.

Chapter IV

Financial statements for the period ended 31 December 2018

United Nations Office for Project Services

I. Statement of financial position as at 31 December 2018

(Thousands of United States dollars)

	<i>Reference</i>	<i>31 December 2018</i>	<i>31 December 2017</i>
Assets			
Non-current assets			
Intangible assets	Note 6	2 166	2 594
Property, plant and equipment	Note 5	11 939	10 734
Long-term investments	Note 9	337 756	201 217
Other financial assets	Note 10	8 800	–
Non-current accounts receivables	Note 11	640	–
Total non-current assets		361 301	214 545
Current assets			
Inventories	Note 7	11 272	6 833
Accounts receivable	Note 11		
Project accounts receivable		37 679	48 331
Prepayments		27 158	42 908
Other accounts receivable		16 436	12 478
Short-term investments	Note 9	1 325 724	1 235 261
Cash and cash equivalents	Note 12	537 888	436 118
Total current assets		1 956 157	1 781 929
Total assets		2 317 458	1 996 474
Liabilities			
Non-current liabilities			
Employee benefits	Note 13	83 579	84 019
Total non-current liabilities		83 579	84 019
Current liabilities			
Employee benefits	Note 13	25 713	21 727
Accounts payable and accruals	Note 14	214 756	268 459
Project cash advances received	Note 15		
Deferred revenue		1 026 950	824 835
Cash held as agent		769 873	634 885
Short-term provisions	Note 20	3 672	3 909
Total current liabilities		2 040 964	1 753 815
Total liabilities		2 124 543	1 837 834
Net assets		192 915	158 640
Reserves			
Operational reserves	Note 16	192 915	158 640
Total liabilities and reserves		2 317 458	1 996 474

The accompanying notes are an integral part of the financial statements.

United Nations Office for Project Services

II. Statement of financial performance for the period ended 31 December 2018

(Thousands of United States dollars)

	<i>Reference</i>	<i>31 December 2018</i>	<i>31 December 2017</i>
Revenue			
Revenue from project activities	Note 17	940 638	831 630
Miscellaneous revenue		1 838	2 374
Non-exchange revenue		–	–
Total revenue		942 476	834 004
Expenses			
Contractual services	Note 17	340 111	331 997
Other personnel costs – other personnel	Note 18	230 888	195 621
Salaries and employee benefits – staff	Note 18	123 977	125 670
Operational costs	Note 17	78 556	67 011
Supplies and consumables		102 519	64 862
Travel		46 102	31 212
Other expenses	Note 17	(2 443)	(4 498)
Depreciation on property, plant and equipment	Note 5	3 291	3 414
Amortization of intangible assets	Note 6	667	566
Total expenses		923 668	815 855
Finance income	Note 19	14 460	14 555
Exchange rate gain/loss	Note 19	5 159	(3 738)
Net finance income/(expense)		19 619	10 817
Surplus for the period		38 427	28 966

The accompanying notes are an integral part of the financial statements.

United Nations Office for Project Services

III. Statement of changes in net assets for the period ended 31 December 2018

(Thousands of United States dollars)

	<i>Reference</i>	
Opening balance as at 1 January 2017	Note 16	131 586
Actuarial gains/(losses) for the period		(2 319)
Increase in fair value reserve		407
Surplus for the period		28 966
Opening balance as at 1 January 2018	Note 16	158 640
Actuarial gains/(losses) for the period		2 443
Increase in fair value reserve		(6 595)
Surplus for the period		38 427
Closing balance as at 31 December 2018	Note 16	192 915

The accompanying notes are an integral part of the financial statements.

United Nations Office for Project Services

IV. Statement of cash flows for the period ended 31 December 2018

(Thousands of United States dollars)

	<i>Reference</i>	<i>31 December 2018</i>	<i>31 December 2017</i>
Cash flows from operating activities			
Surplus for the financial period		38 427	28 966
Non-cash movements:			
Amortization	Note 6	667	566
Depreciation	Note 5	3 291	3 414
Finance income	Note 19	(14 460)	(14 555)
Foreign exchange gains/losses	Note 19	(5 159)	3 738
Net surplus before changes in working capital		22 766	22 129
Changes in working capital			
Increase/(decrease) in provision for doubtful debts	Note 11	(5 569)	902
Net (increase)/decrease in inventories	Note 7	(4 439)	(1 490)
(Increase)/decrease in accounts receivable	Note 11	11 623	(13 576)
(Increase)/decrease in prepayments	Note 11	15 750	(7 270)
Increase/(decrease) in employee benefits (net of actuarial gains)	Note 13	5 989	5 707
Increase/(decrease) in accounts payable and accruals	Note 14	(53 703)	136 509
Increase/(decrease) in project cash advances received	Note 15	337 103	188 101
Increase/(decrease) in short-term provisions	Note 20	(237)	13
Cash flow impact on changes in working capital		306 517	308 896
Finance income received on cash and cash equivalents	Note 19	356	4
Net cash flows from operating activities		329 639	331 029
Cash flows from investing activities			
Acquisition/disposal of intangible assets	Note 6	(239)	(890)
Acquisition/disposal of property, plant and equipment	Note 5	(4 486)	(3 513)
Proceeds from maturity of investments	Note 9	2 717 960	1 826 891
Purchase of investments/other financial assets	Notes 9 and 10	(2 953 420)	(2 123 157)
Interest income received on investments/other financial assets	Note 19	28 824	24 553
Finance income/cost allocated to projects	Note 19	(21 667)	(14 431)
Net cash flows from investing activities		(233 028)	(290 547)
Foreign exchange gains/losses	Note 19	5 159	(3 738)
Net increase/(decrease) in cash and cash equivalents		101 770	36 744
Cash and cash equivalents at the beginning of the period^a		436 118	399 373
Cash and cash equivalents at the end of the period^b		537 888	436 118

^a There is no difference between cash and cash equivalents on the statement of cash flows and the statement of financial position.

^b The components of cash and cash equivalents as at 31 December 2018 are disclosed in note 12.

The accompanying notes are an integral part of the financial statements.

United Nations Office for Project Services

V. Statement of comparison of budget and actual amounts for the period ended 31 December 2018

(Thousands of United States dollars)

	Reference	Biennial 2018–2019 management budget ^a	2018 management budget	2018 management budget	2018 actual amounts	Difference between final budget and actuals
		Original	Original	Final	Actuals	
Total revenue on budget basis	Note 23	179 248	89 624	87 649	85 207	(2 442)
Management resources						
Posts		25 487	12 744	10 926	11 851	925
Common staff costs		18 357	9 179	8 171	8 863	692
Travel		7 965	3 982	4 265	3 775	(490)
Consultants		61 859	30 929	31 850	27 513	(4 337)
Operating expenses		14 976	7 488	6 753	3 895	(2 858)
Furniture and equipment		1 682	841	388	505	117
Reimbursements		2 422	1 211	919	868	(51)
Total use of management resources		132 748	66 374	63 272	57 270	(6 002)
Write-offs, provisions and contingency surplus		26 500	13 250	–	(1 973)	(1 973)
Strategic investment from surplus		20 000	10 000	7 900	3 791	(4 109)
Total use of resources		179 248	89 624	71 172	59 088	(12 084)
Net revenue on budget basis		–	–	16 477	26 119	9 642

^a DP/OPS/2017/6.

The accompanying notes are an integral part of the financial statements.

United Nations Office for Project Services
Notes to the 2018 financial statements

Note 1

Reporting entity

1. The mission of UNOPS is to help people build better lives and to help countries achieve peace and sustainable development. UNOPS is a self-financing organization, without any voluntary or assessed contributions from Member States, and relies on the revenue that it earns from project implementation and other services. UNOPS was established as an independent entity on 1 January 1995; its headquarters is located in Copenhagen.

2. UNOPS activities and its management budget are set by its Executive Board. UNOPS is mandated to help its partners to expand implementation capacity across peace and security, humanitarian and development efforts, including through capacity-development activities. Through its project services, it supports Governments, the United Nations system and other partners in achieving the global goals of Member States and local objectives for people and countries. UNOPS is an operational resource for Member States and the Secretary-General, supporting their broad vision for “the future we want”.²⁷

3. Pursuant to General Assembly resolution [65/176](#) and several Executive Board decisions,²⁸ UNOPS has been mandated to act as a service provider for various actors in the development, humanitarian and peacekeeping arenas, including the United Nations, the agencies, funds and programmes of the United Nations system, donor and recipient Governments, intergovernmental organizations, international and regional financial institutions, non-governmental organizations, foundations and the private sector.

4. The role of UNOPS is to be a central resource for the United Nations system in procurement and contract management, as well as in civil works and physical infrastructure development, including the relevant capacity-development activities. UNOPS delivers value-added contributions by providing efficient, cost-effective services to partners, in the areas of project management, human resources, financial management and common/shared services.

5. UNOPS follows a results-oriented approach and manages the delivery of project services as projects. It launches and implements new project operations quickly, transparently and in a fully accountable manner. UNOPS customizes its services to individual partners’ needs, offering everything from stand-alone solutions to long-term project management. Services include the following:

(a) Project management: UNOPS is responsible for the delivery of one or more outcomes of projects, where it coordinates all aspects of implementation of the project as principal;

(b) Infrastructure: UNOPS uses its expertise and experience to construct emergency and permanent infrastructure. It remains responsible for the construction works and therefore accounts for these projects as principal;

(c) Procurement: UNOPS uses its procurement network to purchase equipment and supplies on behalf of and on the basis of the specifications of its customers. It does not take ownership of the procured items, as they are delivered directly to the end customer;

²⁷ See [DP/OPS/2017/5](#) and General Assembly resolution [66/288](#), annex.

²⁸ Executive Board decisions 2009/25, 2010/21, 2013/23, 2015/12, 2016/12, 2016/19 and 2017/16.

(d) Other services: human resources management services include recruitment, appointment and administration of personnel contracts undertaken by UNOPS on behalf of its partners. The appointed individuals do not work under the direction of UNOPS. Another service offered is financial management or administration, whereby UNOPS acts as an agent pursuant to a mandate set by the partner.

6. The accounting for agent and principal transactions is further described in the accounting policy on project accounting.

Note 2

Basis for preparation

7. UNOPS financial regulation 23.01 requires the preparation of annual financial statements on an accrual accounting basis in accordance with IPSAS, using the historical cost convention. Where IPSAS does not address a particular issue, the appropriate International Financial Reporting Standard is adopted. The accounting policies have been applied consistently in the preparation and presentation of these financial statements.

8. These financial statements are prepared on the basis that UNOPS is a going concern and will continue in operation and meet its mandate for the foreseeable future.

9. These financial statements are prepared on an accrual basis and cover the period from 1 January to 31 December 2018.

Note 3

Summary of significant accounting policies

10. The principal accounting policies applied in the preparation of these financial statements are set out below.

(a) Project accounting

11. IPSAS 9: Revenue from exchange transactions distinguishes between a contract where UNOPS acts as a principal and a contract where UNOPS acts as an agent. Therefore, revenue from a project in which UNOPS acts as a principal is recognized in full on the statement of financial performance, while in the case of projects in which UNOPS operates as an agent on behalf of its partners, only the net revenue is reported on the statement of financial performance. Additional information on these agency transactions is provided in note 17. Regardless of the status of UNOPS as principal or agent, all project-related receivables and payables are recognized in the statement of financial position at period-end and reflected in the statement of cash flows. In particular, where UNOPS receives amounts in advance from partners, the excess of cash received over costs and expenses incurred is treated as project cash advances received and reported as a liability; for projects in which the costs incurred exceed the cash received from the client, the balance is reported as a receivable.

(b) Functional and presentation currency

12. The United States dollar is the functional currency of UNOPS and is the currency of these financial statements. The amounts in the financial statements, schedules and notes are rounded to the nearest thousand United States dollars. Transactions, including non-monetary items, in currencies other than United States dollars are translated into dollars at the United Nations operational rate of exchange on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and unrealized exchange differences (gains and losses)

from the translation at period-end are recognized in the statement of financial performance.

(c) Financial instruments

Investments

13. UNOPS holds its investments as “available-for-sale” financial assets. Initial recognition of assets is measured at fair value plus transaction costs that are directly attributable to their acquisition. An increase or decrease in the principal on United States Treasury inflation-protected securities is recognized through surplus or deficit in the statement of financial performance. For other available-for-sale instruments, their fair value is used for subsequent measurement on the basis of quoted market prices obtained from knowledgeable third parties, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in net assets/equity shall be recognized in surplus or deficit.

14. UNOPS holds its investments in three different portfolios, and the types of securities held in them vary, as indicated below:

(a) Working capital (relates to contributions received against projects): government securities; securities of government agencies, other official entities and multilateral organizations (limited to 50 per cent of investment account assets); exchange-traded futures and covered bonds (limited to 20 per cent of investment account assets);

(b) Reserves (relates to UNOPS operational reserves): United States Treasury inflation-protected securities, United States dollar investment-grade corporate bonds, euro investment-grade corporate bonds, United States dollar-denominated emerging market debt and high-yield bonds;

(c) After-service health insurance (relates to post-employment benefits): United States Treasury inflation-protected securities, United States dollar investment-grade corporate bonds, euro investment-grade corporate bonds, United States dollar-denominated emerging market debt and high-yield bonds.

15. The interest income earned on investments is measured using the effective interest method.

Other financial assets

16. Other financial assets relate to investments under the UNOPS social impact investing initiative and are classified as loans and receivables under IPSAS 29: Financial instruments: recognition and measurements. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

17. Other financial assets are initially recognized at fair value, including directly attributable transaction costs, and are measured subsequently at amortized cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset.

Cash and cash equivalents

18. Cash and cash equivalents comprise cash on hand, cash at banks, time deposits and money market instruments held with financial institutions where the initial term was less than three months. They are held at nominal value less an allowance for any anticipated losses.

Accounts receivable

19. Receivables are measured at fair value, that is, the original invoice amount less an allowance for uncollectable amounts. This calculation includes amounts relating to retentions for work performed but not yet paid for by the client.

Accounts payable

20. Payables are measured at fair value, that is, the amount expected to be paid to discharge the liability, and include project cash advances received.

(d) Property, plant and equipment

21. UNOPS recognizes property, plant and equipment at their historical cost less depreciation and impairment losses in line with IPSAS 17: Property, plant and equipment. UNOPS depreciates its property, plant and equipment on a straight-line basis over their estimated useful life with the exception of land and assets under construction, which are not depreciated. Property, plant and equipment are also subject to a systematic annual review to confirm the remaining useful life and to identify any impairment.

22. Individual items of property, plant and equipment are capitalized when their original acquisition value is equal to or greater than the threshold of \$2,500 for asset classes except for leasehold improvements, where the applicable threshold is \$10,000.

23. The estimated useful life ranges and capitalization thresholds for the various classes of property, plant and equipment are as follows:

Table IV.1

Depreciation of property, plant and equipment

<i>Tangible asset class</i>	<i>Estimated useful life (years)</i>	<i>Capitalization threshold (United States dollars)</i>
Land and buildings	10–40	2 500
Vehicles	5–20	2 500
Leasehold improvements	10	10 000
Plant and equipment	3–10	2 500
Communications and information technology equipment	3–10	2 500

(e) Intangible assets

24. UNOPS intangible assets comprise purchased software packages, internally developed software and intangible assets under construction. Annual software licences are expensed and adjusted as necessary for any element of prepayment.

25. Amortization is provided over the estimated useful life of the asset using the straight-line method. The estimated useful life for intangible asset classes is as follows:

Table IV.2

Amortization of intangible assets

<i>Intangible asset class</i>	<i>Estimated useful life (years)</i>	<i>Capitalization threshold (United States dollars)</i>
Internally developed software	6	100 000
Software acquired	3	2 500

26. Intangible assets are subject to an annual review to confirm the remaining useful life and to identify any impairment.

(f) Inventories

27. Bulk raw materials purchased in advance for the implementation of projects and supplies on hand at the end of the financial period are recorded as inventories. The inventories are valued at the lower of cost and net realizable value. The cost of inventory items that are not ordinarily interchangeable and are segregated for specific projects are assigned by using the specific identification method. Otherwise, cost is estimated using the “first in, first out” method.

(g) Leases

28. UNOPS has reviewed the property and equipment that it leases, and in no instance does it have a significant portion of the risks and rewards of ownership. Accordingly, all leases are recognized as operating leases.

29. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease. A provision is established to cover the cost of making good dilapidations on leasehold properties where required to do so under the terms of the lease.

(h) Employee benefits

30. UNOPS recognizes the following categories of employee benefits:

- (a) Short-term employee benefits due to be settled within 12 months after the end of the accounting period in which employees render the related service;
- (b) Post-employment benefits;
- (c) Other long-term employee benefits;
- (d) Termination indemnity.

Short-term employee benefits

31. Short-term employee benefits comprise salaries, the current portion of home leave, annual leave and those elements of other employee benefits (including assignment grant, education grant and rental subsidy) payable within one year of period-end and measured at their nominal values.

Post-employment benefits

32. UNOPS is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified by article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

33. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. UNOPS and the Pension Fund, in line with the other participating organizations, are not in a position to identify the proportionate share of UNOPS of the defined benefit

obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNOPS has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39: Employee benefits. The actuarial valuations are carried out using the projected unit credit method. UNOPS recognizes actuarial gains and losses in the period in which they occur directly in net assets/equity.

34. UNOPS contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

Other long-term employee benefits

35. Long-term employee benefits comprise the non-current portion of home leave entitlements.

Termination benefits

36. Termination benefits are recognized as an expense only when UNOPS is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted.

(i) Provisions and contingencies

37. Provisions are made for future liabilities and charges where UNOPS has a present legal or constructive obligation as a result of past events and it is probable that UNOPS will be required to settle the obligation. This for example, includes those cases where the anticipated cost of completing a construction project is likely to exceed the recoverable amount.

38. Other material commitments that do not meet the recognition criteria for liabilities are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of UNOPS.

(j) Revenue

39. UNOPS recognizes revenue under exchange transactions, including but not limited to construction projects, implementation projects and service projects, and non-exchange transactions.

40. Where the outcome of a project can be reliably measured, revenue from construction projects (IPSAS 11: Construction contracts) and other exchange transactions (IPSAS 9) is recognized by reference to the stage of completion of the project at period-end, as measured by the proportion of costs incurred for work to date to the estimated total project costs. Where the outcome of the project cannot be estimated reliably, revenue is recognized to the extent that it is probable that incurred costs will be recovered.

41. Although UNOPS does not receive any voluntary or assessed contributions from Member States, occasional non-exchange revenue arises, most often in relation to donations and services in kind (IPSAS 23: Revenue from non-exchange transactions). Non-exchange transactions are measured at fair value and disclosed by way of notes to the financial statements. UNOPS has elected not to recognize services in kind in the statement of financial performance but to disclose the most significant in-kind services in the notes to these financial statements.

(k) Expenses

42. UNOPS expenses are accounted for on an accrual basis. Expenses are recognized on the basis of the delivery principle, that is, the fulfilment of a contractual obligation by the supplier when the goods are received or when a service is rendered, or when there is an increase in a liability or a decrease in an asset. The recognition of the expense is therefore not linked to when cash or its equivalent is paid.

(l) Taxation

43. UNOPS enjoys privileged tax exemption, and its assets, income and other property are exempt from all direct taxation. Accordingly, no provision is made for any tax liability.

(m) Net assets/equity

44. “Net assets/equity” is the standard term used in IPSAS to refer to the residual financial position (assets less liabilities) at period-end, comprising contributed capital, accumulated surpluses and deficits, and reserves. Net assets/equity may be positive or negative.

45. In the absence of any capital contributions, UNOPS net assets are represented by the operational reserves. These comprise the accumulated surplus, the actuarial gains or losses in respect of post-employment benefits and the fair value movements in respect of investments.

(n) Segment reporting

46. A segment is a distinguishable activity or group of activities for which it is appropriate to report financial information separately. At UNOPS, segment information is based on the principal activities relating to its separate operational centres and its headquarters. This is also the manner in which UNOPS measures its activities and financial information is reported to the Executive Director.

(o) Budget comparison

47. The Executive Board approves the biennial budget estimates and, in particular, the net revenue target. Budgets may be subsequently amended by the Board or through the exercise of delegated authority by the Executive Director to redeploy funds within the approved biennial administrative budget, as well as to increase or reduce funds, provided that the net revenue target for the biennium as established by the Board remains unchanged.

48. The bases used to prepare the UNOPS budget and accounts bases differ. The statement of financial performance (statement II), is prepared on an accrual basis, whereas the statement of comparison of budget and actual amounts (statement V), is restricted to the management budget, including the net surplus earned on projects. In the statement of financial performance, expenses are classified according to their nature. In the approved management budget, expenses are classified by cost components or the source of funding against which the expenses will be charged. As required under IPSAS 24: Presentation of budget information in financial statements, the approved budget is reconciled with the actual amounts presented in the financial statements, quantifying any basis, timing and entity differences.

(p) Critical accounting estimates and judgments

49. The preparation of financial statements in accordance with IPSAS necessarily includes the use of accounting estimates, management assumptions and judgment.

The areas where estimates, assumptions or judgment are significant to UNOPS financial statements include, but are not limited to, post-employment benefit obligations; provisions; and revenue recognition. Actual results could differ from the amounts estimated in these financial statements.

50. Estimates, assumptions and judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. They are subject to continual review.

Post-employment benefits and other long-term employee benefits

51. The present value of the employee benefits obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Actuarial assumptions are established to anticipate future events and are used in calculating post-employment benefits and other long-term employee benefits. Note 13 records the assumptions made during the calculation and a sensitivity analysis of the assumptions.

Provisions

52. Significant judgment is required in the estimation of present obligations that arise from past events, including legal claims and onerous contracts. These judgments are based on prior UNOPS experience with such issues and are the best current estimate of the liability. Management believes that the total provisions for legal matters are adequate, on the basis of currently available information. Additional information is disclosed in notes 20 and 21.

Allowances for doubtful accounts receivable

53. UNOPS has provisions for doubtful receivables, which are detailed in note 11. Such estimates are based on analysis of ageing of customer balances, specific credit circumstances, and historical trends and UNOPS experience, also taking into account economic conditions. Management believes that the impairment allowances for these doubtful debts are adequate, on the basis of currently available information. As these doubtful debt allowances are based on management estimates, they may be subject to change as better information becomes available.

Revenue recognition

54. Revenue from exchange transactions is measured according to the stage of completion of the contract. The measurement requires an estimate of costs incurred but not yet paid for, and total project costs. The estimates are prepared by technically qualified staff and advisers, which reduces, but does not eliminate, uncertainty.

(q) IPSAS standards issued but not yet effective

55. IPSAS 3: Accounting policies, changes in accounting estimates and errors requires the disclosure of new IPSAS standards that have been issued but not yet effective.

56. IPSAS 41: Financial instruments will replace IPSAS 29. It comes into effect on 1 January 2022 and introduces a simplified classification and measurement requirements for financial assets, a forward looking impairment model and a flexible hedge accounting model. Adoption of this standard is not expected to have a material impact on UNOPS financial statements.

Note 4
Financial risk management

57. UNOPS has instituted prudent risk management policies and procedures in accordance with its financial regulations and rules. UNOPS is exposed to a variety of market risks, including, but not limited to, currency risk, credit risk and interest rate risk. The UNOPS approach to risk management is summarized in the section on internal control (chap. III, sect. D) of the Executive Director's Statement accompanying these financial statements.

58. UNOPS has outsourced both investment management and custodianship to professional entities selected through its procurement process. A small part of the investments with the custodian is internally managed by UNOPS treasury. Investments in marketable securities are registered in the name of UNOPS and investments in any pooled funds are in the name of the fund manager. In both scenarios, the marketable securities and the units in pooled funds are held by the custodian appointed by UNOPS.

59. The principal objectives of the investment guidelines are as follows:

(a) Working capital: to preserve the nominal value of project-related funds to ensure the funding of UNOPS projects;

(b) Reserves: to provide security and liquidity in adverse circumstances and support the long-term operations of UNOPS;

(c) Health care: to provide for the after-service health-care benefits of the employees of UNOPS by managing assets in relation to relevant liabilities.

60. The allocation of UNOPS portfolios between asset classes, currencies or geographies shall comply with the following guiding principles:

(a) Preservation of capital is the primary objective;

(b) Liquidity is a key consideration in the management of the UNOPS portfolios, and a requirement of the financial regulations and rules, more specifically rules 22.02 and 22.06;

(c) The return obtained in the portfolios is less important than capital preservation and liquidity considerations;

(d) Diversification (across asset classes, strategies, geographies, currencies and financial instruments) reduces risk;

(e) Risks should be taken only when there is an expected return, i.e., unrewarded risks are to be avoided;

(f) Fixed income is a core asset class for UNOPS, given the mission and objectives of the portfolios for which it is responsible;

(g) Currency allocation ranges shall be in line with the objectives and liabilities of the various portfolios, but will not hedge exposure to foreign currencies in portfolios.

61. The UNOPS Investment Committee is an independent investment advisory body assisting the UNOPS Executive Office in its management and oversight of UNOPS assets, including the selection and review of asset managers and custodians.

Currency risk

62. UNOPS receives contributions from funding sources and clients in currencies other than the United States dollar and is therefore exposed to foreign currency

exchange risk arising from fluctuations in currency exchange rates. UNOPS also makes payments in currencies other than the United States dollar.

63. While the currency risk is closely monitored by management, for example, through the close monitoring of the level of cash balance in local currency bank accounts and the maintenance of bank balances in the same currency as that of the payments to be made to vendors in the case of UNWebBuy procurement, UNOPS uses no hedging instruments to hedge currency risk exposures.

64. The table below shows, as at 31 December 2018, the impact on surplus of the year if the major currencies weakened/strengthened by 10 per cent, which is the management's upper estimate of possible movements in the exchange rates against the United States dollar, with all other variables held constant.

Table IV.3
Impact of currency risk on surplus

	<i>EUR</i>	<i>RSD</i>	<i>UAH</i>	<i>GTQ</i>	<i>JPY</i>	<i>ARS</i>	<i>XOF</i>	<i>ILS</i>	<i>XCD</i>	<i>GBP</i>
+10 per cent	4 421	2 043	696	596	580	504	501	436	418	315
-10 per cent	(4 421)	(2 043)	(696)	(596)	(580)	(504)	(501)	(436)	(418)	(315)

Abbreviations: ARS, Argentine peso; EUR, euro; GBP, British pound; GTQ, Guatemalan quetzal; ILS, new Israeli shekel; JPY, Japanese yen; RSD, Serbian dinar; UAH, Ukrainian hryvnia; XCD, East Caribbean dollar; XOF, CFA franc.

65. The above-mentioned sensitivities are calculated with reference to a single moment in time and are subject to change owing to a number of factors, including fluctuating trade receivable and trade payable balances, and fluctuating cash balances.

66. As the sensitivities are limited to period-end financial instrument balances, they do not take account of sales and operating costs, which are highly sensitive to changes in commodity prices and exchange rates. In addition, each of the sensitivities is calculated in isolation, while in reality, commodity prices, interest rates and foreign currencies do not move independently.

67. The following assumptions are made in calculating the sensitivity: all income statement sensitivities also affect equity; and the sensitivity analysis disclosure relates to material cash and receivable and payable balances at year-end.

Credit risk

68. UNOPS has considerable cash reserves, as project funding is received in advance of project execution. The resulting cash reserves are invested in an investment portfolio, which is essentially composed of high-quality government bonds and United States dollar-denominated investment-grade corporate bonds. The majority of the UNOPS investment portfolio is outsourced to an external investment manager

69. UNOPS investment guidelines limit the amount of credit exposure to any one counterparty and include minimum credit quality requirements. The credit risk mitigation strategies set out in the guidelines include conservative minimum credit criteria of investment grade for all issuers with maturity and counterparty limits by credit rating. The investment guidelines require continuing monitoring of issuer and counterparty credit ratings. Permissible investments are limited to fixed-income instruments of sovereign, supranational, governmental or federal agencies and banks.

70. UNOPS implements projects worldwide and in post-conflict and rural areas. Given the conditions and areas in which these projects are implemented, some banks are not rated by reference to external credit ratings.

Interest rate risk

71. UNOPS is exposed to interest rate risk on its interest-bearing assets. The UNOPS Investment Committee regularly monitors the rate of return on the investment portfolio compared with the benchmarks specified in the investment guidelines.

72. UNOPS uses no hedging instruments to hedge interest rate risk exposures.

Liquidity risk

73. Investments are made with due consideration to UNOPS cash requirements for operating purposes based on cash flow forecasting. The investment approach includes a consideration for investment maturity structuring that takes into account the timing of future funding needs of the organization. UNOPS maintains an adequate portion of its investments in cash equivalents and short-term investments sufficient to cover its commitments as and when they fall due.

Note 5

Property, plant and equipment

74. At 31 December 2018, the net book value of UNOPS property, plant and equipment was \$11.9 million (\$10.7 million in 2017). UNOPS also held \$39.6 million (\$45.8 million in 2017) worth of assets as a custodian under service concession arrangements.

75. The table below summarizes property, plant and equipment held by UNOPS as at 31 December 2018 under each of the classes mentioned in note 3.

Table IV.4

Property, plant and equipment by class

(Thousands of United States dollars)

	<i>Administrative budget</i>	<i>Project</i>	<i>Total</i>
Vehicles	2 244	3 779	6 023
Land and buildings	1 901	1 041	2 942
Plant and equipment	698	915	1 613
Communications and information technology equipment	376	305	681
Leasehold improvements	306	374	680
Net carrying amounts as at 31 December 2018	5 525	6 414	11 939

Table IV.5

Property, plant and equipment by class – 2017 comparatives

(Thousands of United States dollars)

	<i>Administrative budget</i>	<i>Project</i>	<i>Total</i>
Vehicles	1 892	3 523	5 415
Land and buildings	2 266	348	2 614
Plant and equipment	435	850	1 285
Communications and information technology equipment	556	312	868
Leasehold improvements	245	307	552
Net carrying amounts as at 31 December 2017	5 394	5 340	10 734

76. The table below summarizes the movement in property, plant and equipment held by UNOPS as at 31 December 2018 under each of the classes mentioned in note 3.

Table IV.6
Movement in property, plant and equipment

(Thousands of United States dollars)

	<i>Vehicles</i>	<i>Plant and equipment</i>	<i>Land and buildings</i>	<i>Communications and information technology equipment</i>	<i>Leasehold improvements</i>	<i>Total</i>
Gross carrying amounts as at 1 January 2018	17 843	3 031	5 269	4 976	848	31 967
Additions	2 673	722	79	418	201	4 093
Cost adjustments	76	82	813	727	27	1 725
Disposals	(1 587)	(472)	(114)	(400)	–	(2 573)
Gross carrying amounts as at 31 December 2018	19 005	3 363	6 047	5 721	1 076	35 212
Accumulated depreciation and impairment as at 1 January 2018	(12 428)	(1 745)	(2 655)	(4 108)	(297)	(21 233)
Adjustment to accumulated depreciation on cost adjustment	–	–	–	(683)	–	(683)
Depreciation	(1 770)	(281)	(546)	(595)	(99)	(3 291)
Removal of accumulated depreciation on asset disposal	1 216	276	96	346	–	1 934
Accumulated depreciation and impairment as at 31 December 2018	(12 982)	(1 750)	(3 105)	(5 040)	(396)	(23 273)
Net carrying amounts as at 31 December 2018	6 023	1 613	2 942	681	680	11 939

Table IV.7
Movement in property, plant and equipment – 2017 comparatives

(Thousands of United States dollars)

	<i>Vehicles</i>	<i>Plant and equipment</i>	<i>Land and buildings</i>	<i>Communications and information technology equipment</i>	<i>Leasehold improvements</i>	<i>Total</i>
Gross carrying amounts as at 1 January 2017	15 958	2 812	4 885	4 556	826	29 037
Additions	2 426	278	256	454	22	3 436
Cost adjustments	367	69	173	72	–	681
Disposals	(908)	(128)	(45)	(106)	–	(1 187)
Gross carrying amounts as at 31 December 2017	17 843	3 031	5 269	4 976	848	31 967
Accumulated depreciation and impairment as at 1 January 2017	(11 430)	(1 501)	(2 219)	(3 344)	(212)	(18 706)
Adjustment to accumulated depreciation on cost adjustment	(19)	(13)	(18)	(25)	–	(75)
Depreciation	(1 733)	(260)	(427)	(834)	(85)	(3 339)
Removal of accumulated depreciation on asset disposal	754	29	9	95	–	887
Accumulated depreciation and impairment as at 31 December 2017	(12 428)	(1 745)	(2 655)	(4 108)	(297)	(21 233)
Net carrying amounts as at 31 December 2017	5 415	1 286	2 614	868	551	10 734

Note 6
Intangible assets

Table IV.8
Intangible assets

(Thousands of United States dollars)

	<i>Internally generated computer software</i>	<i>Other computer software</i>	<i>Total</i>
Gross carrying amounts as at 1 January 2018	3 610	260	3 870
Additions	234	20	254
Disposals	–	(22)	(22)
Gross carrying amounts as at 31 December 2018	3 844	258	4 102
Accumulated amortization and impairment as at 1 January 2018	(1 076)	(200)	(1 276)
Amortization	(629)	(38)	(667)
<i>Less: removal of amortization on asset disposal</i>	–	7	7
Accumulated amortization and impairment as at 31 December 2018	(1 705)	(231)	(1 936)
Net carrying amounts as at 31 December 2018	2 139	27	2 166

Table IV.9
Intangible assets – 2017 comparatives

(Thousands of United States dollars)

	<i>Internally generated computer software</i>	<i>Other computer software</i>	<i>Total</i>
Gross carrying amounts as at 1 January 2017	2 756	294	3 050
Additions	854	53	907
Disposals	–	(87)	(87)
Gross carrying amounts as at 31 December 2017	3 610	260	3 870
Accumulated amortization and impairment as at 1 January 2017	(546)	(234)	(780)
Amortization	(530)	(36)	(566)
<i>Less: removal of amortization on asset disposal</i>	–	70	70
Accumulated amortization and impairment as at 31 December 2017	(1 076)	(200)	(1 276)
Net carrying amounts as at 31 December 2017	2 534	60	2 594

77. The gross carrying value of intangible assets amounted to \$2.2 million at year-end, which includes internally developed computer software and other computer software (acquired).

78. Internally developed software relates to the development costs of the UNOPS management workspace, which creates a unified reporting platform for all business areas (including finance, human resources, procurement, project management, and results and performance management).

Note 7
Inventories

79. Inventories consist mainly of bulk raw materials purchased in advance in relation to projects and supplies on hand. The table below shows the total value of inventories, as presented in the statement of financial position. The carrying amount of inventories is shown by UNOPS operations centre.

Table IV.10
Inventories

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Inventories	11 272	6 833

Table IV.11
UNOPS offices holding inventories

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Afghanistan	–	14
Cambodia	24	–
Democratic Republic of the Congo	76	–
Haiti	–	2
Indonesia	–	23
Kenya	–	7
Myanmar	7	–
Peace and Security Centre	10 588	6 787
Senegal	426	–
Tunisia	151	–
Total	11 272	6 833

Note 8
Financial instruments

Table IV.12

Financial assets

(Thousands of United States dollars)

	31 December 2018				31 December 2017			
	<i>Cash and cash equivalents</i>	<i>Loans and receivables</i>	<i>Available-for-sale investments</i>	<i>Total</i>	<i>Cash and cash equivalents</i>	<i>Loans and receivables</i>	<i>Available-for-sale investments</i>	<i>Total</i>
Investments (note 9)	–	–	1 663 480	1 663 480	–	–	1 436 478	1 436 478
Other financial assets (note 10)	–	8 800	–	8 800	–	–	–	–
Accounts receivable, excluding prepayments (note 11)	–	54 755	–	54 755	–	60 809	–	60 809
Cash and cash equivalents (note 12)	537 888	–	–	537 888	436 118	–	–	436 118
Total	537 888	63 555	1 663 480	2 264 923	436 118	60 809	1 436 478	1 933 405

Table IV.13

Financial liabilities at amortized cost

(Thousands of United States dollars)

	31 December 2018			31 December 2017		
	<i>Financial liabilities at amortized cost</i>	<i>Financial liabilities at fair value through surplus or deficit</i>	<i>Total</i>	<i>Financial liabilities at amortized cost</i>	<i>Financial liabilities at fair value through surplus or deficit</i>	<i>Total</i>
Accounts payables and accruals (note 14)	214 570	186	214 756	268 459	–	268 459
Cash held by UNOPS as agent (note 15)	769 873	–	769 873	634 885	–	634 885
Total	984 443	186	984 629	903 344	–	903 344

Note 9
Investments

80. The majority of the UNOPS investment portfolio is outsourced to an external investment manager and is measured at fair value. A small part of the investment portfolio, in the form of money market funds and time deposits, is internally managed by the UNOPS treasury.

81. The portfolio is composed as follows:

Table IV.14
Investment portfolio
(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Long-term investments	337 756	201 217
Short-term investments	1 325 724	1 235 261
Cash and cash equivalents – money market funds and time deposits	464 650	299 808
Total	2 128 130	1 736 286

Table IV.15
Fair value levels
(Thousands of United States dollars)

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Available-for-sale financial assets	–	1 653 637	9 843	1 663 480

Determination: level 1 – quoted market price; level 2 – with observable inputs; level 3 – with significant unobservable inputs.

82. Of the total investments, \$1,892 million is in the working capital portfolio, as detailed in the accounting policies. The money market funds and time deposits are classified under cash equivalents, of which \$274.9 million is managed by the UNOPS treasury and \$189.7 million by an external investment manager.

Table IV.16
Movements in investments
(Thousands of United States dollars)

	<i>2018</i>	<i>2017</i>
Opening balance as at 1 January	1 436 478	1 135 377
Additions (purchases of investments)	2 944 620	2 123 157
Disposals (proceeds from maturity of investments)	(2 717 960)	(1 826 892)
Recognition of amortized costs	6 947	4 429
Fair value adjustment	(6 605)	407
Closing balance as at 31 December	1 663 480	1 436 478
Current portion (short-term investments)	1 325 724	1 235 261

83. Both long- and short-term investments are available-for-sale instruments.

84. Accrued interest of \$8.4 million (\$5.9 million in 2017) has been included in the statement of financial position as “other accounts receivable” (see note 11 for further details).

Short-term investments

85. Short-term investments are those investments with final maturities at purchase between 3 and 12 months. They consist of corporate bonds and time deposits maturing within one year of the reporting date.

Table IV.17
Short-term investments
(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Time deposits	198 500	116 973
Equity instruments	16 706	10 018
Bonds	1 110 518	1 108 270
Total short-term investments	1 325 724	1 235 261

Long-term investments

86. Long-term investments comprise bonds that mature beyond one year.

Table IV.18
Bonds and equity instruments
(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Bonds and equity instruments	337 756	201 217

87. The investment portfolio of UNOPS consists of high-quality debt and equity instruments (unit trust equity, unit trust bonds, corporate bonds and index-linked government bonds). In the table below, the entire portfolio is presented following its credit rating distribution.

Table IV.19
Credit rating distribution of investments
(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
AAA	1 147 115	1 164 265
AA+	126 337	40 677
AA	66 017	413
AA-	56 216	47 199
A+	149 450	102 020
A	32 748	22 914
A-	6 812	4 795
BBB+	4 389	25 020
BBB	739	107
CC	95	–
Unrated ^a	73 562	29 068
Total	1 663 480	1 436 478

^a This pertains to the pooled equity and debt vehicles (unit trust funds), which by their nature are unrated.

Note 10**Other financial assets**

88. In 2018, UNOPS launched the social impact investing initiative, in order to drive progress towards the achievement of the Sustainable Development Goals. Other financial assets comprises UNOPS investments in relation to this initiative.

Table IV.20

Other financial assets

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Investment in Monterrey Wind project	8 800	–

Note 11**Accounts receivable**

89. The accounts receivable of UNOPS are divided into the following categories:

(a) Project accounts receivable: a project receivable is recognized in connection with projects that have incurred expenditure and are awaiting further funding from partners and receivables originating from the UNWebBuy online procurement tool;

(b) Prepayments: payments made in advance of the receipt of goods or services from vendors;

(c) Other accounts receivable: this category includes staff receivables, accrued interest income on investments and other miscellaneous receivables.

90. An overview of these categories can be found in the table below.

Table IV.21

Accounts receivable

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Project accounts receivable (gross)	40 261	56 568
Bad debt allowance	(2 582)	(8 237)
Project accounts receivable (net)	37 679	48 331
Other accounts receivable (gross)	17 162	12 545
Bad debt allowance	(86)	(67)
Other accounts receivable (net)	17 076	12 478
Total accounts receivable (net), excluding prepayments	54 755	60 809
Prepayments	27 158	42 908
Total accounts receivable (net), including prepayments	81 913	103 717
Current portion of other accounts receivable	16 436	12 478
Non-current portion of other accounts receivable	640	–

91. As the fair value of receivables approximates their carrying amount and the impact of discounting is not significant, no fair value disclosure has been added.

92. As at 31 December 2018, receivables of \$2.7 million (\$8.2 million in 2017) were impaired and provisions were made against them; see table IV.27 for details. This value excludes provisions made against receivables from the United Nations Development Programme (UNDP) that are shown separately in table IV.24.

93. As at 31 December 2018, receivables of \$9.2 million (\$21.4 million in 2017) were past due but not impaired, as there is no recent history of default regarding those receivables. The ageing of those receivables exceeds three months.

Table IV.22

Ageing of receivables

(Thousands of United States dollars)

	<i>Current 0–3 months</i>	<i>Overdue 3–6 months</i>	<i>Overdue 6–12 months</i>	<i>Overdue >12 months</i>	<i>Total</i>
Accounts receivable	45 555	2 199	5 536	1 465	54 755

Project accounts receivable

94. The project accounts receivable are reflected in the table below.

Table IV.23

Project accounts receivable

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Project implementation-related receivables (net)	26 344	26 772
Accounts receivable from UNDP ^a	9 992	19 666
Accounts receivable from other United Nations agencies	1 343	1 893
Total project accounts receivable	37 679	48 331

^a In 2018, the interfund with UNDP had a net receivable balance.

95. Project implementation-related receivables arise in connection with projects that have incurred expenditure and are awaiting further funding from partners and from the receivables originating from the UNWebBuy online procurement tool. Also included in project-related receivables are amounts receivable from the United Nations Office on Drugs and Crime, the Office of the United Nations High Commissioner for Refugees, United States Agency for International Development, the Department of Field Support of the United Nations Secretariat and the European Union. The nature of those agreements typically requires that UNOPS perform services prior to invoicing the client and receiving cash/payment.

96. Of the balance of project receivables of \$37.7 million (\$48.3 million in 2017), \$3.0 million (\$3.4 million in 2017) relates to cash advances due from customers for construction contracts for the period ended 31 December 2018, as detailed in note 17.

97. The accounts receivable from other United Nations entities include amounts due from the Secretariat. The amounts relate mainly to project expenditure incurred by UNOPS when implementing projects on behalf of the agency, as well as in relation to staff on secondment.

98. Accounts receivable from UNDP arose mainly in connection with advances made for payments that will be made on behalf of UNOPS. The outstanding balance due from UNDP is constituted as follows:

Table IV.24

Accounts receivable – UNDP

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Receivable from UNDP		
Cumulative project expenses and fees due to UNOPS	13 360	22 730
Bad debt allowance	(2 081)	(1 703)
Net project advances/receivable	11 279	21 027
Cumulative advances/(payables) for disbursement of payments on behalf of UNOPS	(1 287)	(1 362)
Payable to UNDP for services	–	–
Net amounts receivable/(payable) from/to UNDP	9 992	19 665

Other accounts receivable

99. The other accounts receivable are composed of the following:

Table IV.25

Other accounts receivable

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Staff receivables	1 997	1 544
Accrued interest income	8 400	5 915
Miscellaneous receivables	6 679	5 019
Total other accounts receivable	17 076	12 478

100. The staff receivables relate to salary advances, education grants, rental subsidies and other entitlements.

101. The accrued interest income is composed of interest accruals on investments. Of this amount, a portion has been allocated to project cash advances received, and the balance has been recognized in the statement of financial performance under finance income (see note 19 for further details).

Prepayments

Table IV.26

Prepayments

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Prepayments	27 158	42 908

102. Prepayments relate to payments made in advance of the receipt of goods or services from a vendor.

Bad debt allowance

103. The movement in bad debt allowance is as follows:

Table IV.27

Movement in bad debt allowance

(Thousands of United States dollars)

	2018	2017
Opening balance as at 1 January		
Project-related	8 237	7 281
Other accounts receivable	–	54
Opening balance	8 237	7 335
Net increase (decrease) in provision for receivables impairment		
Increase	966	1 477
Receivables written off during the year as uncollectable	(511)	(105)
Unused amounts reversed or reclassified	(6 024)	(470)
Net increase (decrease)	(5 569)	902
Closing balance as at 31 December		
Project-related	2 582	8 237
Other accounts receivable	86	–
Closing balance	2 668	8 237

104. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The project-related provisions amount above excludes a provision of \$2.1 million (\$1.7 million in 2017) related to UNDP interfund balances, which are shown separately in table IV.24.

Note 12

Cash and cash equivalents

105. The cash and cash equivalents of UNOPS are composed of cash on hand, bank account balances, money market funds and time deposits.

Table IV.28

Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Cash at banks and on hand	73 238	136 310
Money market funds and time deposits	464 650	299 808
Total cash and cash equivalents	537 888	436 118

106. Cash at banks includes project funds received from clients for the implementation of project activities. Cash advances received from clients for project activities and other UNOPS cash balances are commingled and are not held in separate bank accounts.

107. The cash on hand is the cash held in field offices for the purpose of meeting financial needs at field locations.

108. Money market funds and time deposits are investments with an original maturity of 90 days or less.

109. Cash at banks (excluding cash on hand) is denominated in the following currencies:

Table IV.29

Cash at banks

(Thousands of United States dollars)

<i>Currency</i>	<i>31 December 2018</i>	<i>31 December 2017</i>
United States dollar	27 235	67 524
Japanese yen	8 388	4 960
Euro	7 146	41 012
Ukrainian hryvnia	6 894	1
New Israeli shekel	4 415	465
British pound	4 026	155
Guatemalan quetzal	2 134	938
Other currencies	12 845	21 110
Subtotal cash at banks	73 083	136 165
Cash on hand	155	145
Total	73 238	136 310

110. The credit quality of the cash at banks (excluding cash on hand), by reference to external credit ratings, is summarized in the table below.

Table IV.30

Credit rating distribution of cash at banks

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
AA-	238	181
A+	14 835	45 236
A	3 377	16 101
A-	4 952	2 566
BBB+	20 375	41 724
BBB-	93	13
BB+	–	14
BB	642	246
BB-	2 388	3 457
B	2 443	4 788
B-	11 239	1 868
Unrated	12 501	19 971
Subtotal cash at banks	73 083	136 165
Cash on hand	155	145
Total	73 238	136 310

111. UNOPS implements projects worldwide and in post-conflict and rural areas. Given the conditions and areas in which these projects are implemented, some banks are not rated by reference to external credit ratings.

112. The credit quality of the money market funds and time deposits was as follows:

Table IV.31

Credit rating distribution of money market funds and time deposits

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
AAA	216 281	52 786
AA	15 000	–
AA-	–	5 000
A+	178 369	30 023
A	–	10 000
A-	45 000	–
BBB+	–	30 000
BBB	10 000	–
BB-	–	170 000
Total	464 650	297 809

Note 13

Employee benefits

113. The employee benefits liabilities of UNOPS are composed of:

- (a) Short-term employee benefits: accrued annual leave, current portion of home leave;
- (b) Long-term employee benefits: non-current portion of home leave;
- (c) Post-employment benefits: all benefits relating to after-service health insurance and repatriation grant;
- (d) Termination benefits: benefits related to termination of contract.

Table IV.32

Employee benefits liabilities

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Short-term employee benefits	22 748	20 915
Long-term employee benefits	1 068	428
Post-employment benefits	85 146	83 590
Termination benefits	330	813
Total employee benefits liabilities	109 292	105 746
Current portion	25 713	21 727
Non-current portion	83 579	84 019

Short-term employee benefits

114. Short-term employee benefits are composed of:

Table IV.33

Short-term employee benefits

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Annual leave entitlements	21 205	19 200
Home leave entitlements (current portion)	1 530	1 591
Assignment grant on first appointment or reassignment	13	124
Total short-term employee benefits liabilities	22 748	20 915

115. UNOPS includes the annual leave liability within short-term employee benefits, as it is expected to be utilized within 12 months of the reporting year. Home leave allows eligible internationally recruited staff members to visit their home country periodically to renew and strengthen cultural and family ties.

Long-term employee benefits

116. Long-term employee benefits consist of the non-current portion of the home leave entitlement. Rights vested which can be used in the next 12 months are presented as short-term employee benefits, while rights to be used beyond the 12-month period are presented as long-term employee benefits.

Post-employment benefits

117. The post-employment benefits liabilities are composed of:

Table IV.34

Post-employment benefits liabilities

(Thousands of United States dollars)

	<i>31 December 2018^a</i>	<i>31 December 2017</i>
After-service health insurance		
Current portion	1 446	–
Non-current portion	66 185	66 464
Subtotal	67 631	66 464
Repatriation grants		
Current portion	1 163	–
Non-current portion	16 023	16 806
Subtotal	17 186	16 806

	31 December 2018 ^a	31 December 2017
Death benefit		
Current portion	26	–
Non-current portion	303	320
Subtotal	329	320
Total post-employment benefits	85 146	83 590
Current portion of post-employment benefits liabilities	2 635	–
Non-current portion of post-employment benefits liabilities	82 511	83 590

^a Post-employment benefits liabilities are being apportioned between current and non-current in 2018.

118. Post-employment benefits consist of after-service health insurance, repatriation grants, death benefit and pension plans. After-service health insurance is a plan that allows eligible retirees and their eligible family members to participate in the full medical insurance plan. A repatriation grant is an entitlement payable to Professional staff on separation, together with related costs in travel and shipment of household effects. The actuarial valuation of liabilities regarding the after-service health insurance, repatriation grant and death benefit was undertaken by an independent professional actuary. At the end of 2018, total employee benefits liabilities amounted to \$85.1 million (\$83.6 million in 2017). They are established in accordance with the Staff Regulations of the United Nations and Staff Rules for staff members in the Professional and General Service categories.

119. In December 2015, the General Assembly took a decision to make certain changes to the compensation package of United Nations staff members. The major changes covered in the resolution related to a change in the mandatory age of separation; the establishment of a unified salary scale, moving away from the differentiation between single and dependency salary scales; setting a global ceiling for the education grant; a hardship allowance based on categorization of duty station; the establishment of a flat amount for non-family allowance; and a revision of the accelerated home leave entitlement vesting. As planned when UNOPS started the project in 2015, all changes in UNOPS staff administration approaches were successfully phased in, with the last steps of the process completed in 2017.

After-service health insurance

120. The year-end liabilities for after-service health insurance are derived from the actuarial valuation conducted at year-end 2018.

121. Upon end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements. These requirements include 10 years of participation in a United Nations health plan, for those who were recruited after 1 July 2007, and 5 years of participation, for those who were recruited prior to that date.

122. The major assumptions used by the actuary to determine the liabilities for after-service health insurance as at 31 December 2018 were a discount rate of 4.55 per cent, an inflation rate of 2.20 per cent, health-care escalation rates being dependent on the medical plan to which the employee is affiliated; age-related morbidity; and retirement and mortality assumptions consistent with those used by the Pension Fund in making its own actuarial valuation of pension benefits.

123. On the basis outlined above, the net present value of the UNOPS accrued liability as at 31 December 2018, net of contributions from plan participants, was estimated by actuaries at \$67.6 million (\$66.5 million in 2017).

124. On the basis of the assumptions above, it is estimated that the net present value of the liability would increase by 21 per cent if the medical cost trend were increased by 1 per cent and would decrease by 16 per cent if the medical cost trend were decreased by 1 per cent, all other assumptions held constant.

Table IV.35

Impact of medical cost trend on after-service health insurance liabilities

(Thousands of United States dollars)

	<i>Defined benefit obligations</i>	<i>Service cost and interest cost</i>
One percentage point increase	14 178	1 183
One percentage point decrease	(11 132)	(904)

Repatriation grant

125. Upon end of service, staff members who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant based on length of service, and travel and removal expenses. These benefits are collectively referred to as repatriation benefits.

126. The major assumptions used by the actuary were a discount rate of 4.25 per cent, annual salary increases based on salary scales, grade and step, and travel cost increases of 2.20 per cent per annum. Furthermore, assumptions related to retirement, withdrawal and mortality are made consistent with those used by the Pension Fund.

127. On the basis outlined above, the net present value of the UNOPS accrued liability as at 31 December 2018 was estimated by actuaries at \$17.2 million (\$16.8 million in 2017).

128. A sensitivity analysis has been performed on the assumptions used in the actuarial valuation. An increase in the discount rate by 1.0 per cent, with all other assumptions held constant, would result in a decrease in the net present value of the liability by 2.4 per cent. A decrease in the discount rate by 1.0 per cent, with all other assumptions held constant, would also result in an increase in the net present value of the liability by 2.8 per cent.

Accounting for post-employment benefits

129. The movement in the defined benefit obligation over the year is as follows:

Table IV.36
Movement in post-employment liabilities

(Thousands of United States dollars)

	<i>After-service health insurance</i>	<i>Repatriation</i>	<i>Death benefit</i>	<i>Total 2018</i>	<i>Total 2017</i>
Liability as at 1 January	66 464	16 806	320	83 590	77 097
Current service cost	2 129	1 565	30	3 724	4 216
Interest cost	2 533	573	10	3 116	3 012
Benefits paid	(870)	(1 728)	(67)	(2 665)	(2 925)
Actuarial losses/(gains)	(2 625)	(30)	36	(2 619)	2 190
Liability as at 31 December	67 631	17 186	329	85 146	83 590

130. The amounts recognized in the statement of financial performance are as follows:

Table IV.37
Impact of post-employment benefits on financial performance

(Thousands of United States dollars)

	<i>After-service health insurance</i>	<i>Repatriation</i>	<i>Death benefit</i>	<i>Total 2018</i>	<i>Total 2017</i>
Current service cost	2 129	1 565	30	3 724	4 216
Interest cost	2 533	573	10	3 116	3 012
Expenses as at 31 December	4 662	2 138	40	6 840	7 228

131. The total expense has been included under “salaries and employee benefits” in the statement of financial performance, and the actuarial gains of \$2.4 million (\$2.3 million losses in 2017) has been recognized under “reserves” in the statement of financial position.

132. The principal actuarial assumptions were as follows:

Table IV.38
Principal actuarial assumptions

	<i>After-service health insurance</i>	<i>Repatriation</i>	<i>Death benefit</i>
Discount rate	4.55 per cent	4.25 per cent	4.10 per cent
Future salary increases (on top of inflation)	United Nations salary scale	United Nations salary scale	United Nations salary scale
Inflation rates	2.20 per cent	2.20 per cent	2.20 per cent
Mortality rate	United Nations scales	United Nations scales	United Nations scales
Turnover rate	UNOPS scales	UNOPS scales	UNOPS scales

United Nations Joint Staff Pension Fund

133. UNOPS is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded,

multi-employer defined benefit plan. As specified in article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

134. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. UNOPS and the Pension Fund, in line with the other participating organizations, are not in a position to identify the UNOPS' proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNOPS has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39. Contributions by UNOPS to the plan during the financial period are recognized as expenses in the statement of financial performance.

135. The Regulations of the Fund stipulate that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

136. The financial obligation of UNOPS to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are payable only if and when the Assembly has invoked the provisions of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

137. During 2017, the Fund identified that there were anomalies in the census data utilized in the actuarial valuation performed as at 31 December 2015. As such, as an exception to the normal biennial cycle, a roll-forward of the participation data as at 31 December 2013 to 31 December 2016 was used by the Fund for its 2016 financial statements.

138. The actuarial valuation as at 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2 per cent (150.1 per cent in the 2016 roll-forward). The funded ratio was 102.7 per cent (101.4 per cent in the 2016 roll-forward) when the current system of pension adjustments was taken into account.

139. After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2017, for deficiency payments under article 26 of the Regulations of the Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of reporting, the General Assembly had not invoked the provisions of article 26.

140. Should article 26 be invoked owing to an actuarial deficiency, either during the ongoing operation or owing to the termination of the Fund pension plan, deficiency

payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2015, 2016 and 2017) amounted to \$6,931.39 million, of which \$47.7 million (0.7 per cent) was contributed by the Agency.

141. During 2018, contributions paid to the Fund amounted to \$15.6 million (\$15.6 million in 2017). There are no indications of material change to the expected contributions in 2019.

142. Membership in the Fund may be terminated by decision of the General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund as at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund on that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the Pension Board on the basis of an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities is included in the amount.

143. The Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board and to the General Assembly on the audit every year. The Pension Fund publishes quarterly reports on its investments, which can be viewed by visiting the website of the Fund at www.unjspf.org.

Termination benefits

144. At year-end, UNOPS had termination entitlement liabilities amounting to \$0.3 million (\$0.8 million in 2017).

Note 14

Accounts payable and accruals

Table IV.39

Accounts payable and accruals

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Accounts payable	121 317	139 347
Accruals	93 439	129 112
Total	214 756	268 459

Accounts payable

145. Balances of accounts payable as at 31 December 2018 are shown below:

Table IV.40

Accounts payable

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Accounts payable to other United Nations entities	335	1 355
Accounts payable – other	120 982	137 992
Total accounts payable	121 317	139 347

146. Accounts payable relate to transactions in which invoices from vendors were received and approved for payment but not yet paid.

Accruals

147. The accrued charges amounting to \$93.4 million (\$129.1 million in 2017) are financial liabilities in respect of goods or services that were received or provided to UNOPS during the reporting period but not yet invoiced.

Note 15

Project cash advances received

148. The project cash advances received represent deferred revenue, which is the excess of cash received over the total of project revenue recognized on projects, and of cash held by UNOPS for projects in which UNOPS serves as a disbursement authority.

Table IV.41

Project cash advances received

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Deferred revenue	1 026 950	824 835
Cash held by UNOPS as agent	769 873	634 885
Total	1 796 823	1 459 720

149. Of the balance in deferred revenue of \$1,027.0 million (\$824.8 million in 2017), \$522.3 million (\$424.1 million in 2017) relates to cash advances on construction contracts for the period ended 31 December 2018, as detailed in note 17.

Note 16

Operational reserves

150. The operational reserves were as follows:

Table IV.42

Operational reserves

(Thousands of United States dollars)

	<i>2018</i>	<i>2017</i>
Opening balance as at 1 January	158 640	131 586
Surplus for the period	38 427	28 966
Reserve balance before actuarial movement and fair value adjustment	197 067	160 552
Actuarial gains/losses	2 443	(2 319)
Increase in fair value reserve	(6 595)	407
Closing reserve balance as at 31 December	192 915	158 640

151. The current operational reserves requirement, approved by the Executive Board, provides that the operational reserves should be equivalent to four months of the average of the administrative expenditure for the past three years of operation. On the

basis of this formula, for the period ended 31 December 2018, the minimum operational reserves requirement was \$21.7 million.

152. The main purpose of the operational reserves is to provide for temporary deficits, fluctuations or shortfalls in resources, uneven cash flows, unplanned increases in expenses and costs or any other contingencies, and to ensure continuity in the implementation of the projects undertaken by UNOPS. Therefore, the total UNOPS reserves of \$192.9 million consists of:

- Minimum operational reserves: \$21.7 million
- Accumulated surplus: \$171.2 million

Note 17

Revenue and expenses

Non-exchange revenue

153. During 2018, UNOPS received no non-exchange revenue, compared with \$0.366 million received in 2017, mostly in relation to assets gifted by donors upon the completion of projects.

Exchange revenue

154. The exchange revenue of UNOPS comprised \$940.6 million (\$831.6 million in 2017) in revenue from project activities and \$1.8 million (\$2.4 million in 2017) from miscellaneous revenue. The revenue and expenses from UNOPS project activities were as follows:

Table IV.43

Revenue and expenses from project activities

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Construction contracts (infrastructure)	192 796	204 002
Procurement	53 188	60 720
Financial management	124 677	92 460
Human resources administration	32 648	31 263
Other project management	537 329	443 185
Total project-related revenue	940 638	831 630
Less: project expenses		
Construction contracts	182 265	193 125
Procurement	38 878	44 783
Financial management	107 520	72 599
Human resources	16 945	14 469
Other project management	506 900	416 923
Total project-related expenses	852 508	741 899
Net revenue from project activities	88 130	89 731

155. During the period, UNOPS revenue was reported using the categories in the table above. For operational reasons and as described in the annual report, UNOPS analyses its revenue according to the following five core service categories: project

management, infrastructure, procurement, human resources and financial management. These categories are detailed in note 1.

Construction contracts

156. The amount of revenue and expenses relating to the construction contracts recognized in the statement of financial performance was as follows:

Table IV.44

Construction contracts – revenue and expenses

(Thousands of United States dollars)

	<i>Cumulative</i>	<i>Recognized in prior years</i>	<i>Recognized in current year</i>
Revenue	1 359 110	1 166 314	192 796
Expense	(1 255 385)	(1 073 120)	(182 265)
Surplus	103 725	93 194	10 531

157. Amounts due to and from customers for construction contract works were as follows:

Table IV.45

Construction contracts – amounts due to/from customers

(Thousands of United States dollars)

	<i>Projects with net deferred revenue balance</i>	<i>Projects with net balance project receivable</i>	<i>Total</i>
Cash advances received, including accrued interest ^a	(1 381 128)	(254 716)	(1 635 844)
Revenue recognized over the life of the contract ^b	858 868	257 766	1 116 634
Amounts due (to)/from customers included in deferred revenue and project receivables, respectively	(522 260)	3 050	(519 210)
Retentions			10 432

^a As at 31 December 2018.

^b For the year ended 31 December 2018.

158. Cash advances received comprise cash received over the life of both construction contracts and contracts that contain construction and an agency service element (such as procurement services) where the cash advances were not specifically designated for use on the agency service.

Operational costs and other expenses

159. Operational costs of \$78.6 million (\$67.0 million in 2017) relate to expenses incurred by UNOPS for a range of activities, which included payments for:

- Rental of office space and leases: \$19.5 million
- Maintenance of buildings and equipment: \$11.0 million
- Utilities: \$2.6 million

160. Other expenses comprise:

- Movements in provisions: (\$2.6 million)
- Other expenses: \$0.1 million

Contractual services

161. Contractual services of \$340.1 million (\$332.0 million in 2017) relate to expenses incurred for a range of UNOPS activities, some of which included payments to:

- Subcontractors, for implementation and construction projects
- Vendors, for feasibility studies and research on projects
- Consultants, for training and education costs
- Vendors, for security charges

Note 18

Employee benefits expenses

Table IV.46

Employee benefits expenses

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Salaries	72 486	73 117
After-service health insurance	4 661	4 709
Annual leave	1 447	814
Home leave	1 011	61
Defined contribution plan	15 584	15 595
Repatriation grant	2 203	2 539
Other short-term employee benefits expenses	26 585	28 835
Expenses related to staff	123 977	125 670
Other personnel expenses	230 888	195 621
Total employee benefits expenses	354 865	321 291

162. Other personnel expenses relate to the remuneration paid to UNOPS individual contractors for salaries, provident fund and accrued annual leave.

163. In October 2014, UNOPS implemented a provident fund scheme for all UNOPS local individual contractors. The provident fund is a defined contribution plan. The employer contributions, of 15 per cent of local individual contractors agreement fees, are fixed and are recognized as an expense. The contractors contribute 7.5 per cent of their fee on a monthly basis. The responsibility of UNOPS is to establish arrangements to provide a provident fund facility and to monitor and cover administrative costs related to these arrangements. The balance of funds held for the benefit of UNOPS local individual contractors by the provident fund as at 31 December 2018 was \$48.8 million (\$31.0 million in 2017). Further details on the provident fund are disclosed in the annex to the present financial statements.

164. In accordance with the contract with UNOPS, the provident fund is administered and held by Zurich International on behalf of the local individual contractors.

Note 19
Finance income and costs

Table IV.47

Finance income and costs

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Finance income		
Total finance income received on investments	28 604	24 553
Total finance income received on other financial assets	220	–
Recognition of amortized cost (note 9)	6 947	4 429
Total finance income attributable to UNOPS on investments	35 771	28 982
Finance income/cost allocated to projects	(21 667)	(14 431)
Net finance income retained by UNOPS	14 104	14 551
Finance income on UNOPS bank balances	356	4
Total finance income	14 460	14 555

Table IV.48

Net exchange rate gain/loss

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Net foreign exchange gain/(loss)	5 159	(3 738)

165. The exchange losses are due to the revaluation of non-United States dollar bank balances, assets and liabilities at the end of the period.

Note 20
Short-term provisions

Table IV.49

Short-term provisions for other liabilities and charges

(Thousands of United States dollars)

	<i>1 January 2018</i>	<i>Additional provisions</i>	<i>Unused amounts reversed</i>	<i>Amounts written off</i>	<i>31 December 2018</i>
Leasehold restoration provisions	50	–	(3)	–	47
Onerous contracts provisions	3 859	779	(558)	(455)	3 625
Total	3 909	779	(561)	(455)	3 672

166. Leasehold restoration provisions reflect an estimate of requirements to return leased properties to the lessors at the end of the lease term in a specified condition. They concern various lease agreements in which UNOPS has the obligation to remove installed assets. Onerous contracts provisions are related to the estimated cost of remedial work required on projects currently being implemented by UNOPS. All

UNOPS provisions are expected to be utilized within 12 months. For provisions related to onerous contracts, there is no expected reimbursement in relation to any UNOPS provisions.

Note 21
Contingencies

Contingent liabilities

167. The project-related claims that remained open at year-end are reflected in the table below. There were no staff-related claims outstanding at the reporting date.

Table IV.50

Contingent liabilities

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Project-related claims from clients	366	508
Total contingent liabilities	366	508

Contingent assets

168. There were no contingent assets at year-end.

Note 22
Commitments

Lease commitments

169. UNOPS leases office premises in field locations under non-cancellable and cancellable operating lease agreements. When they are cancellable, UNOPS is required to give a 1- to 25-month notice of termination of the lease agreements. The lease terms are between 1 and 99 years. Some of these operating lease agreements contain renewal clauses that enable UNOPS to extend the terms of the leases at the end of the original lease terms and escalation clauses that may increase annual rent payments on the basis of increases in the relevant market price indexes in the respective countries where the field offices are located.

170. The operating expenses include lease payments for an amount of \$8.8 million (\$8.7 million in 2017) recognized as operating lease expenses during the year in the statement of financial performance under “operational costs”.

171. The future minimum lease payments include the amounts that would need to be paid up to the earliest possible termination dates under the respective agreements. The total of future minimum lease payments under non-cancellable operating leases is as follows:

Table IV.51

Lease commitments

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Within one year	7 297	4 872
Later than one year and not later than five years	10 288	8 758
Later than five years	4 784	794
Total operating lease commitments	22 369	14 424

172. UNOPS subleases office premises under cancellable operating lease agreements, generally to other United Nations entities. In most cases, the lessee is required to give 30 days' notice for the termination of the sublease agreement.

173. As at 31 December 2018, the total future minimum lease payments under sublease agreements that UNOPS expects to receive on such agreements that cannot be cancelled was \$2.0 million (\$0.6 million in 2017), owing mainly to new sublease agreements entered into during 2018.

Open commitments

174. UNOPS commitments included purchase orders and service contracts contracted but not delivered as at year-end. A list of the commitments is provided below.

Table IV.52

Open commitments

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Management-related commitments	3 670	3 210
Project-related commitments	421 714	430 882
Total	425 384	434 092
Commitments for plant, property and equipment	145	–
Commitments for intangible assets	–	–

Note 23
Reconciliation of the statement of comparison of budget and actual amounts

Table IV.53 (a)
Statement of comparison of original and final budget amounts

(Thousands of United States dollars)

	<i>Biennial 2018–2019 management budget (original)</i>	<i>2018 management budget (original)</i>	<i>2018 management budget (revised)</i>	<i>Variance between original and final 2018 budgets</i>	<i>Percentage</i>	<i>Explanation</i>
Total revenue on budget basis	179 248	89 624	87 649	(1 975)	(2)	
Management resources						
Posts	25 487	12 744	10 926	(1 818)	(14)	
Common staff costs	18 357	9 179	8 171	(1 008)	(11)	
Travel	7 965	3 982	4 265	283	7	
Consultants	61 859	30 929	31 850	921	3	
Operating expenses	14 976	7 488	6 753	(735)	(10)	
Furniture and equipment	1 682	841	388	(453)	(54)	Less furniture and equipment required than planned
Reimbursements	2 422	1 211	919	(292)	(24)	Budget revised to reflect reduced demand for UNDP services
Total use of management resources	132 748	66 374	63 272	(3 102)	(5)	
Write-offs, provisions and contingency surplus	26 500	13 250	–	(13 250)	(100)	
Strategic investments from surplus	20 000	10 000	7 900	(2 100)	(21)	Less investment need than predicted
Total use of resources	179 248	89 624	71 172	(18 452)	(21)	

Table IV.53 (b)
Statement of comparison of budget and actual amounts

(Thousands of United States dollars)

	<i>2018 management budget (final)</i>	<i>2018 actual amount (actual)</i>	<i>Difference between final budget and actual at 31 December 2018</i>	<i>Percentage</i>	<i>Explanation</i>
Total revenue on budget basis	87 649	85 207	(2 442)	(3)	
Management resources					
Posts	10 926	11 851	925	8	
Common staff costs	8 171	8 863	692	8	
Travel	4 265	3 775	(490)	(11)	
Consultants	31 850	27 513	(4 337)	(14)	
Operating expenses	6 753	3 895	(2 858)	(42)	Increased efficiency of UNOPS operations
Furniture and equipment	388	505	117	30	Final budget not sufficient to meet operational needs
Reimbursements	919	868	(51)	(6)	
Total use of management resources	63 272	57 270	(6 002)	(9)	

	2018 management budget (final)	2018 actual amount (actual)	Difference between final budget and actual at 31 December 2018	Percentage	Explanation
Write-offs, provisions and contingency surplus	–	(1 973)	(1 973)	100	UNOPS does not budget internally for write-offs, provisions or contingency surplus
Strategic investments from surplus	7 900	3 791	(4 109)	(52)	Less-than-anticipated internal investment opportunities identified
Total use of resources	71 172	59 088	(12 084)	(17)	
Net revenue on budget basis	16 477	26 119	9 642	59	

175. The bases used to prepare the UNOPS budget and accounts differ. The statement of financial performance (statement II) is prepared on an accrual basis, whereas the statement of comparison of budget and actual amounts (statement V) is restricted to the management budget, including the net surplus earned on projects. It does not include the revenue and expenses incurred on projects, nor does it include finance income or exchange gains/losses.

176. The cost classifications presented in statement V reflect those that are approved by the Executive Board. The differences between expenditures in statement II and in statement V are as follows:

Table IV.54

Treatment in UNOPS budget

	<i>Treatment in UNOPS budget</i>
Acquisition of plant, property and equipment	Cash basis
Acquisition of intangible assets	Cash basis
Depreciation of property, plant and equipment	Excluded from UNOPS budget
Amortization of intangible assets	Excluded from UNOPS budget
Non-exchange revenue	Excluded from UNOPS budget
Finance income	Excluded from UNOPS budget
Exchange rate gains/losses	Excluded from UNOPS budget

177. The approved budget covers the biennium 2018–2019. The annual budget for 2018 is included in statement V.

178. The UNOPS financial regulations and rules specify that the Executive Director has the authority to redeploy resources within the approved management budget and to increase or reduce the total approved management budget allotment, provided that the net revenue target established by the Executive Board for the budget period remains unchanged. As a result, there are some line item differences between the original and final budgets.

Reconciliation of actual amounts from budgetary basis to financial statement basis

179. As required under IPSAS 24, actual amounts from statement V must be reconciled to net cash flows from operating activities, investing activities and

financing activities, as presented in the statement of cash flows (statement IV), separately identifying any basis, timing and entity differences.

180. Basis differences occur when the approved budget is prepared on a basis other than the accrual basis, as is the case for UNOPS.

181. Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for UNOPS for the purposes of comparison of budget and actual amounts.

182. Entity differences occur when the budget omits programmes or entities that are part of the entity for which the financial statements are prepared.

183. A reconciliation between the actual amounts on a comparable basis and the actual amounts in the statement of cash flows for the period ended 31 December 2018 is presented below.

Table IV.55

Reconciliation with the statement of cash flows

(Thousands of United States dollars)

	<i>Operating</i>	<i>Investing</i>	<i>Total</i>
Actual amount on a comparable basis as presented in the budget and actual comparative statement	26 359	(240)	26 119
Basis differences (capitalization of property, plant and equipment and intangible assets)	–	(4 485)	(4 485)
Entity differences (project activities)	(3 237)	–	(3 237)
Changes in working capital	306 517	–	306 157
Movement in investments	–	(235 460)	(235 460)
Movement in interest received	–	7 157	7 157
Subtotal	329 639	(233 028)	96 611
Net foreign exchange rate gains/losses	–	–	5 159
Actual amount in the statement of cash flows	329 639	(233 028)	101 770

Note 24

Segment reporting

184. Management has determined its reporting segments on the basis of statements of budget reporting as provided to the UNOPS Executive Director and Deputy Executive Director.

185. The allocation of the total assets and liabilities of UNOPS segments is not regularly reviewed by management. The accounting system is not adapted so as to generate segment information on assets and liabilities efficiently and reliably. UNOPS believes that such information is not meaningful to the users of these financial statements. Hence, it is not presented.

186. Segment revenue and expenses are those that are directly attributable to the segment or can reasonably be allocated to the segment.

187. UNOPS headquarters are located in Denmark. The total amounts of its segment revenue and expenses in Denmark and other regions are summarized as follows:

Table IV.56
Segment reporting

(Thousands of United States dollars)

	<i>Africa region</i>	<i>Asia region</i>	<i>Europe and Central Asia region</i>	<i>Headquarters</i>	<i>Latin America and Caribbean region</i>	<i>Middle East region</i>	<i>New York service cluster</i>	<i>Total</i>
Segment revenue								
Revenue from project activities	141 675	129 952	87 475	32 674	197 293	53 863	297 706	940 638
Miscellaneous revenue	254	1 669	–	(317)	–	232	–	1 838
Non-exchange revenue	–	–	–	–	–	–	–	–
Total segment revenue	141 929	131 621	87 475	32 357	197 293	54 095	297 706	942 476
Segment expenses								
Contractual services	47 038	27 684	9 053	4 018	93 224	15 951	143 143	340 111
Other personnel costs	43 639	47 538	28 808	30 645	28 591	10 185	41 482	230 888
Salaries and employee benefits	4 657	5 442	24 463	17 089	3 085	5 918	63 323	123 977
Operational costs	15 331	13 907	8 408	14 065	8 023	5 327	13 495	78 556
Supplies and consumables	14 818	8 210	4 050	1 324	51 757	9 532	12 828	102 519
Travel	6 395	17 975	3 100	3 785	2 406	1 423	11 018	46 102
Other expenses	(31)	40	–	(2 381)	(154)	(1)	84	(2 443)
Total segment expenses	131 847	120 796	77 882	68 545	186 932	48 335	285 373	919 710
Finance income	–	–	–	14 460	–	–	–	14 460
Net foreign exchange gains/(losses)	–	–	–	5 159	–	–	–	5 159
Net finance income	–	–	–	19 619	–	–	–	19 619
Segment surplus for the period	10 082	10 825	9 593	(16 569)	10 361	5 760	12 333	42 385
Unallocated segment expenses								
Depreciation								3 291
Amortization								667
Surplus for the period	10 082	10 825	9 593	(16 569)	10 361	5 760	12 333	38 427

Note 25**Related parties**

188. UNOPS is governed by an Executive Board, mandated by the General Assembly, which is responsible for overseeing the work of UNOPS, UNDP and the United Nations Population Fund (UNFPA). The Executive Board is a related party, since it exercises significant influence over UNOPS as governing body.

189. UNOPS maintains a working relationship with the Executive Board and reimburses part of the travel costs, subsistence allowances and office expenses incurred by members of the Board in discharging their official duties, as well as a share of the cost of the Secretariat. The cost of this amounted to approximately \$0.30 million during 2018 (\$0.02 million in 2017). Members of the Board are elected each year by the Economic and Social Council in accordance with the rules of procedure on membership. Executive Board members are not considered key management personnel of UNOPS as defined under IPSAS.

190. UNOPS considers UNDP and UNFPA to be related parties, given that all three organizations are subject to common control by the Executive Board. UNOPS has a range of working relationships with UNDP and UNFPA. All of the transactions between UNOPS and the other two organizations are conducted at arm's length. The inter-agency transactions were consistent with normal operating relationships between the organizations and were undertaken on terms and conditions that are normal for such transactions.

Key management personnel

191. The table below provides information on the aggregate remuneration of the executive management personnel.

Table IV.57

Key management personnel

(Thousands of United States dollars)

	2018	2017
Number of full-time positions	2	2
Aggregate remuneration		
Base compensation and post adjustment	433	414
Other entitlements	78	107
Post-employment benefits	140	115
Total remuneration	651	636
Outstanding advances against entitlements	5	1
After-service health insurance, repatriation grant and leave liability	395	385

192. For the purpose of this disclosure, the Executive Director and the Deputy Executive Director are considered key management personnel, as they have the overall authority and responsibility to plan, lead, direct and control the activities of the organization.

193. The aggregate remuneration of executive management personnel is based on a full-time equivalent basis and includes net salaries, post adjustment, entitlements such as representation allowance, rental subsidy, relocation grant and the costs of pension, after-service health insurance and repatriation grant in accordance with the Staff Regulations of the United Nations and Staff Rules.

194. These financial statements disclose key management personnel remuneration as well as post-employment liabilities directly attributable to the individuals.

195. In 2018, there were no known instances of executive management personnel facing conflicts of interest that could potentially influence decision-making, either stemming from the ordinary course of business or with regard to business relationships with family members, other related individuals or vendors.

Note 26

Services in kind

196. Services in kind for the period amounted to \$4.3 million (\$4.0 million in 2017), \$3.6 million of which is attributed to the estimated market rental value of office space provided by the Government of Denmark to accommodate the UNOPS headquarters in Copenhagen.

Note 27**Events after reporting date**

197. The financial statements were approved for issue on the date on which the Board of Auditors signed the audit opinion. None other than UNOPS has the authority to amend these financial statements.

198. As at the date of signature of the UNOPS financial statements and related notes for the period ended 31 December 2018, there have been no other material events, favourable or unfavourable, that have occurred between the balance sheet date and the date on which the financial statements were authorized for issue that would have affected the statements.

Glossary of technical terms

Accounting policies	In 2012, UNOPS adopted IPSAS, which provides a general framework for accounting within the public sector and has to be adapted to meet the circumstances of individual bodies. The details of how IPSAS has been applied are summarized in note 3 to the financial statements.
Accrual basis	Accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate.
Actuarial gains and losses	After-service health insurance is the only place in the UNOPS financial statements where actuarial gains and losses arise. The after-service health insurance liability is calculated by consulting actuaries on the basis of a set of assumptions, including longevity, the future cost of medical care and the discount rate; and a set of data, including staff numbers, ages and health-care costs incurred in the past. Changes in any one of those factors may increase or decrease the liability. The difference between the assumptions and actual performance, and the effect of changes in assumptions is the actuarial gain or loss and is reported as a direct change on reserves. Any change arising from other factors (e.g., increases in the number of UNOPS employees) is an expense and reported in the statement of financial performance.
Amortization	A charge reflecting the consumption of an intangible asset over its useful life.
After-service health insurance	The cost that UNOPS expects to pay in the future to discharge its responsibility to assist qualifying employees in funding their health-care costs after separation from UNOPS.
Cash and cash equivalents	Cash on hand, cash at banks and deposits held with financial institutions where the initial term was less than three months.
Certificate of deposit	A savings certificate entitling the bearer to receive interest.
Commercial paper	An unsecured promissory note with a fixed maturity of usually no more than 270 days.
Contingent asset	A potential asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of UNOPS. Contingent assets are not included in the statement of financial position.
Contingent liability	A possible obligation of UNOPS that arises from past events with a significant degree of uncertainty as to the likelihood of a payment being made, or the measurement of the liability. Contingent liabilities are not included in the statement of financial position.
Depreciation	A charge reflecting the consumption of a tangible asset over its useful life.
Employee	UNOPS is a party to the contract of employment of permanent staff employed under the Staff Regulations of the United Nations and Staff Rules, and of individual contractors whose terms and conditions of employment are tailored to the needs of a specific project being delivered with the labour of the employee.

Employee benefits	All those costs associated with employing a member of staff. The exact benefits are determined by the contract of employment.
Exchange revenue	Revenue generated from transactions in which UNOPS receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services or use of assets) to another entity in exchange. Most UNOPS contracts are of this nature.
Fair value	The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. For UNOPS, fair value is usually the cash amount needed to settle a transaction.
Financial instruments	Assets and liabilities where there is a contractual right to receive cash from or pay cash to another entity. They include cash and investments and most receivables and payables.
Going concern	The financial statements are prepared on the assumption that UNOPS is a going concern and will continue in operation and meet its statutory obligations for the foreseeable future. In assessing whether the going concern assumption is appropriate, those responsible for the preparation of financial statements take into account all information available about the future, which is a period at least, but is not limited to, 12 months from the date of approval of the financial statements.
Individual contractors	Individuals working for UNOPS whose terms and conditions of service are tailored to the needs of the projects on which they are working. See also "employee".
Impairment	The loss in the future economic benefits or service potential of an asset, over and above the structured charging of depreciation.
Investments	Deposits with financial institutions where the initial term was for a period in excess of three months.
Intangible assets	Identifiable non-monetary assets without physical substance, including (but not limited to) computer software developed in-house by UNOPS and licensed software packages.
International Public Sector Accounting Standards (IPSAS)	The International Public Sector Accounting Standards were developed by the International Federation of Accountants as an integrated set of accounting standards designed to meet the accounting and reporting needs of Governments and public sector bodies. The General Assembly adopted IPSAS with a view to ensuring that, across the board, accounts are prepared on a consistent and comparable basis.
Inventory	Assets held in the form of material or supplies that will be used by UNOPS in the future to deliver services. Those items (such as vaccines) held by UNOPS on behalf of a partner under an agency contract are not considered UNOPS inventory under IPSAS.
Management budget	The Executive Board approves a biennial budget covering the fee income and related expenses that UNOPS is expected to achieve. Out-turn against the budget was reported under the United Nations system accounting standards in the statement of income and expenditure and is now covered by the statement of comparison of budget and actual amounts.
Management expenses	Those costs incurred under the management budget.

Money market instruments	Highly liquid short-term debts and securities.
Operational reserve	Accumulated surplus built up over past years and the actuarial gains and losses in respect of post-employment benefits.
Property, plant and equipment	Tangible assets (including project assets) under the control of UNOPS and: <ul style="list-style-type: none"> • Used by UNOPS to generate revenue • Expected to be used during more than one reporting period
Principal and agent	IPSAS draws a distinction between transactions that an entity undertakes on its own behalf (principal) and those that it undertakes on behalf of others (agent). The distinction is whether the economic benefits arising from the contract accrue to UNOPS, except to the extent that a fee may be levied for providing an agency service.
Provisions	A liability of uncertain timing or amount.
Segment	The five UNOPS regional offices, one cluster and headquarters.
Staff	A generic term that covers permanent staff and individual contractors. See also “employee”.
Transitional provisions	On first implementation of IPSAS, individual standards give relief from the immediate application of aspects of the standard if certain specified criteria are met. This is important, because some standards are complex to apply and require significant time to collect the information necessary to enable full implementation. UNOPS has applied all the standards from 1 January 2012 and adopted one important transitional provision in the 2013 financial statements under which UNOPS will take up to five years to implement IPSAS with regard to the recognition of property, plant and equipment.
Treasury bill	Short-term debt obligation backed by a sovereign State.
Trust funds	Moneys administered by UNOPS on behalf of a donor for the benefit of recipients. These transactions are typically classified as agency.

Annex

United Nations Office for Project Services local individual contractors provident fund summary for the period ended 31 December 2018

(Thousands of United States dollars)

	2018	2017
Opening balance as at 1 January	31 016	21 935
Adjustment to opening balance ^a	6 506	–
Contribution/premium	20 189	15 965
Payouts	(7 179)	(6 117)
Funds not earmarked for the fund	(1 050)	(3 628)
Earnings/loss	(646)	2 861
Closing balance as at 31 December	48 836	31 016

^a The adjustment to the opening balance comes as a result of a review of the previous reporting on non-earmarked contributions.

Non-earmarked contributions consist of UNOPS project contributions and related positive/negative interest that the member has not been able to withdraw upon separation owing to vesting rules set out in the UNOPS provident fund policy. The non-earmarked contributions are fully directed into the default fund of the UNOPS provident fund, but, like all financial assets of the UNOPS provident fund, are kept separate from the other financial assets of UNOPS.

In line with the UNOPS provident fund principles, UNOPS may charge justified administrative or similar costs to non-earmarked contributions. The table below provides details of the non-earmarked contributions for the period 2014–2018.

(Thousands of United States dollars)

	2014–2018
Opening balance of non-earmarked contributions	–
Change in non-earmarked contributions within the period	5 481
Expenses against non-earmarked contributions, following the provident fund principles:	
Payment attributed to UNOPS personnel	(169)
Payment attributed to provident fund administrator or investment advisor	(347)
Payment attributed to services benefitting all members	(21)
Total of expenses against non-earmarked contributions	(537)
Closing balance	4 944

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