United Nations

United Nations Office for Project Services

Financial report and audited financial statements

for the year ended 31 December 2022

and

Report of the Board of Auditors

General Assembly
Official Records
Seventy-eighth Session
Supplement No. 5K

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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 31 March 2023 from the Executive Director and the Chief Financial Officer and Director of Administration 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 2022.

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 International Public Sector Accounting Standards (IPSAS) and include certain amounts that are based on the 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 the 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*) Jens **Wandel**
Executive Director a.i.

(*Signed*) Lilian Aluoch **Nyangaya**
Chief Financial Officer a.i.

Letter dated 26 July 2023 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, together with the financial report and the audited financial statements of the United Nations Office for Project Services for the year ended 31 December 2022.

(*Signed*) **Hou** Kai
Auditor General of the People's Republic of China
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 2022 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 2022 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 and the International Standards of Supreme Audit Institutions. 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 2022, 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:

(a) 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;

(b) 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;

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

(d) 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;

(e) 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*) **Hou** Kai
Auditor General of the People's Republic of China
Chair of the Board of Auditors
(Lead Auditor)

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

(*Signed*) Pierre **Moscovici**
First President of the French Cour des comptes

26 July 2023

Chapter II
Long-form report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements of the United Nations Office for Project Services (UNOPS) for the financial year ended 31 December 2022 in accordance with General Assembly resolution 74 (I) of 1946. The Board also examined the financial transactions and operations executed at UNOPS. The interim audit of UNOPS headquarters and the Latin America and the Caribbean regional office and Mexico office was conducted remotely in Beijing. The Board conducted the final audit at UNOPS headquarters in Copenhagen.

Audit opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UNOPS as at 31 December 2022 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Overall conclusion

In 2022, UNOPS incurred an overall deficit for the first time since it began to implement the IPSAS accounting framework in 2012. It reported a deficit of $28.78 million, which was due mainly to the recognition of impairment of Sustainable Investments in Infrastructure and Innovation investments, and a net finance loss during the period.

The Board did not identify significant errors, omissions or misstatements from the review of financial records of UNOPS for the year ended 31 December 2022. However, the Board identified scope for improvement, especially in the areas of financial and budget management, investment management and project management, the lessons of which could enhance UNOPS management capabilities in these areas.

Key findings

Lack of alignment between pricing and budgeting

UNOPS set the zero net revenue targets for the biennial budget estimates from 2012–2013 to 2022–2023, which had been approved by the Executive Board. However, UNOPS failed to achieve the targets for all the bienniums, and the actual revenue was always higher than the estimated one in the budget. The Board noted that the UNOPS existing pricing model had not taken into account the management of budget expenses and net revenue targets of upcoming years. A lack of connection between pricing and budgeting may have a negative impact on the effective control of the accumulation of surpluses and reduction of financial risks.

Insufficient risk management of investment portfolio

The unrealized losses of the investment portfolio in UNOPS as of the end of December 2022 amounted to $60 million. The working capital portfolio accounted for the majority of those losses, amounting to $46.67 million. In addition, the Board noted that the Investment Advisory Committee had held fewer meetings than required, while some investment risks were not well recognized and addressed.

Use of received prepayments for investments without being authorized by funding agreements

UNOPS did not explicitly specify the use of project cash advances received for investment in the agreements signed with partners, and interest terms for only a few agreements were explicitly stipulated therein. The Board sought confirmation with 97 partners, involving a total amount of $1.8 billion in prepayment funds. Responses were received from 12 partners, corresponding to a total amount of $137.75 million. Most of the responding partners were unaware that UNOPS had used the received prepayments for investment and expressed disagreement or indicated a lack of authorization for UNOPS to do so. In addition, one partner was unaware of and did not receive any investment returns.

Early termination of consolidated purchase of medicines and medical supplies needs to be reviewed

The early termination of the consolidated purchase of medicines and medical supplies, with a total contract value of $6.1 billion, requested by the UNOPS government client in August 2022, increased the reputation risk of UNOPS. The project was awarded the United Nations procurement award in October 2022. The lack of a thorough review by UNOPS of the causes behind the early termination leaves UNOPS responsibility unclear, hindering the learning and future sharing of valuable lessons to improve UNOPS procedures, tools and systems.

Deficiencies in the recovery of funds associated with the Sustainable Investments in Infrastructure and Innovation

As of the end of 2022, all defaulted loans associated with Sustainable Investments in Infrastructure and Innovation projects had been impaired in full, with a total impairment amount of $58.8 million. UNOPS stated that it was not privy to information regarding the progress of the fund recovery, given that it had handed over the recovery task to the Office of Legal Affairs.

Main recommendations

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

Lack of alignment between pricing and budgeting

(a) **Review its budget- and price-setting practices and take measures to ensure that the cost-recovery/fee-setting algorithm is based on the needs of UNOPS in order to fund its management expenses for the budget period;**

Insufficient risk management of investment portfolio

(b) **Conduct a thorough identification and assessment of the potential risks of the portfolios to ensure that risks are mitigated;**

Investing with the received prepayments without specifying provision in agreements with funding sources

(c) **Include a detailed reference to the treatment of interest collected on prepayments made by partners and a clear reference to UNOPS investment principles in all legal agreements with partners, to ensure that partners are fully informed of the use by UNOPS of prepayments for investment;**

Early termination of consolidated purchase of medicines and medical supplies needs to be reviewed

(d) **Conduct a comprehensive review and analysis of the consolidated purchase of medicines and medical supplies, with a focus on identifying the causes of early termination, to improve project management;**

Deficiencies in Sustainable Investments in Infrastructure and Innovation-associated fund recovery

(e) **Take all measures necessary within its remit to recover the funds associated with Sustainable Investments in Infrastructure and Innovation investment losses.**

Follow-up of previous recommendations

As at 31 December 2022, of the 45 outstanding recommendations up to the financial year ended 31 December 2021, 25 (56 per cent) had been implemented, 12 (26 per cent) were under implementation and 8 (18 per cent) had been overtaken by events.

Key facts	
$1,224.42 million	Total revenue
$1,222.88 million	Total expenses
$30.33 million	Net finance losses
$28.78 million	Deficit
$147.25 million	Minimum operational reserve
$63.05 million	Sustainable Investments in Infrastructure and Innovation reserve
$324.04 million	Net assets/equity
$3,676.68 million	Total assets
$3,352.64 million	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 transactional and advisory services. It provides services that contribute to peace and security, humanitarian and development operations of the United Nations system. UNOPS revenue is dependent entirely on fees generated by the provision of project services through advisory, implementation and transactional services in its five core areas of expertise, namely, infrastructure, procurement, project management, financial management and human resources.

2. The Board of Auditors has audited the financial statements of UNOPS for the financial year ended 31 December 2022 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 and the International Standards of Supreme Audit Institutions for the financial audit of public sector entities. 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 2022 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (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 it necessary to form an opinion on the financial statements.

5. The Board reviewed UNOPS operations under regulation 7.5 of the Financial Regulations and Rules of the United Nations. Owing to the coronavirus disease (COVID-19) pandemic and related travel restrictions, the Board conducted the

interim audit of UNOPS headquarters and the Latin America and the Caribbean regional office and Mexico office remotely from 17 October to 13 November 2022 in Beijing. The Board conducted the final audit from 6 April to 12 May 2023 at UNOPS headquarters in Copenhagen.

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. Findings and recommendations

1. Follow-up of recommendations from previous years

7. There were 45 outstanding recommendations up to the year ended 31 December 2021. At the time of the audit of the Board, 25 (56 per cent) had been implemented, 12 (26 per cent) were under implementation and 8 (18 per cent) had been overtaken by events, as shown in table II.1. The rate of implementation of recommendations was higher than that achieved in the previous year (53 per cent).

Table II.1
Status of implementation of recommendations

	Report of the Board of Auditors					
Status	*A/73/5/Add.11*	*A/74/5/Add.11*	*A/75/5/Add.11*	*A/76/5/Add.11*	*A/77/5/Add.11*	*Total*
Financial year	2017	2018	2019	2020	2021	
Open recommendations as at 31 December 2021	1	2	6	10	26	45
Status of implementation in 2022						
(a) Implemented	–	–	4	4	17	25
(b) Under implementation	–	2	1	2	7	12
(c) Not implemented	–	–	–	–	–	–
(d) Overtaken by events	1	–	1	4	2	8
Open recommendations as at 31 December 2022	–	2	1	2	7	12

Source: Analysis by the Board of Auditors.

8. The Board further carried out an analysis of the 12 open recommendations as at 31 December 2022 and noted that:

(a) Three (25 per cent) related to financial and budget management, five (42 per cent) related to project management, two (17 per cent) referred to procurement management, one (8 per cent) referred to human resource management and one (8 per cent) referred to invest management;

(b) With regard to the ageing of the recommendations, seven (58 per cent) were issued one year ago, two (17 per cent) were issued two years ago, one (eight per cent) had remained open for three years and two (17 per cent) had been pending for four years;

(c) As for the recommended corrective measures, two (17 per cent) indicated a need for the development of regulations, three (25 per cent) involved regulation improvement and seven (58 per cent) required corrections in compliance with regulations.

9. The Board acknowledged that UNOPS had progressed towards implementation of the pending recommendations and noted that preliminary action had been initiated for a number of cases, but that further efforts were required for actual implementation. Details are set out in the annex to the present chapter.

2. Financial overview

Financial results

10. 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. UNOPS has incurred an overall deficit for the first time since it implemented the IPSAS accounting framework in 2012. It reported a deficit of $28.78 million in 2022 against the surplus of $90.38 million in 2021, which was due mainly to recognition of impairment of Sustainable Investments in Infrastructure and Innovation investments and a net $30.3 million finance loss during the period.

11. The net revenue that UNOPS generates from its project activities is used to cover its central management costs. As shown in table II.2, since 2018 UNOPS has generated net revenue from its project activities, ranging from $88.13 million in 2018 to $127.33 million in 2022. The net surplus/deficit UNOPS reported each year contained net finance income.

Table II.2
Analysis of surpluses reported by the United Nations Office for Project Services
(Thousands of United States dollars)

	2022	*2021*	*2020*	*2019*	*2018*
Net revenue from project activities[a]	127 326	139 703	109 046	99 247	88 130
Miscellaneous and non-exchange revenue	2 883	9 766	8 591	4 461	1 838
Non-project expenses[b]	(128 660)	(85 933)	(89 168)	(82 202)	(71 160)
Surplus from operations	**1 549**	**63 536**	**28 469**	**21 506**	**18 808**
Net finance income/(expense)	(30 329)	26 845	11 031	25 631	19 619
Reported surplus/(deficit)	**(28 780)**	**90 381**	**39 500**	**47 137**	**38 427**

Source: UNOPS financial statements.
[a] Direct project revenue less direct project expenditure.
[b] Total expenditure less direct project expenditure.

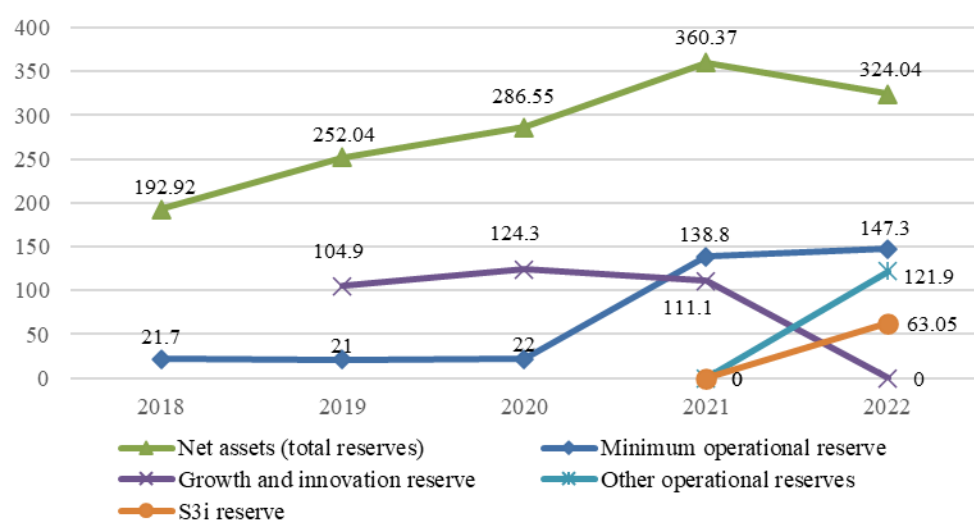
Net assets and equity

12. In 2021, the new minimum operational reserve requirement was established by the Executive Board (DP/2022/2, decision 2021/21) to provide improved protection to UNOPS as a self-financing United Nations entity, in line with the risks faced by the organization. The Executive Board approved the change in the minimum requirement for the operational reserves of UNOPS to be set at 25 per cent of the infrastructure service line expenses, 5 per cent of expenses for other service lines and 33 per cent of administrative costs, with a weight of 50 per cent for the current year, 30 per cent for the previous year and 20 per cent for the year prior. On the basis of this formula, for the period ended 31 December 2022 the minimum operational reserve requirement was $147.3 million, an increase of $8.5 million compared with 2021.

13. In 2019, a growth and innovation reserve was established, the value of which was set at 50 per cent of the excess of the operational reserves. In February 2022, the Executive Board approved the establishment of the Sustainable Investments in Infrastructure and Innovation reserve at an initial level of $105 million, with future changes subject to the Executive Board's approval (DP/2022/14, decision 2022/5). However, in June 2022 the Executive Board requested UNOPS to transfer into the operational reserves the balance not committed to projects from the growth and innovation reserve, the Sustainable Investments in Infrastructure and Innovation reserve and accumulated surpluses. As at 31 December 2022, the reported growth and innovation reserve decreased to zero (2021: $111.12 million), and the Sustainable Investments in Infrastructure and Innovation reserve stood at $63.05 million, As a result of the deficit recognized in 2022, the net assets as at 31 December 2022 decreased to $324.04 million (2021: $360.37 million). Details are shown in the figure below.

Net assets and equity as at 31 December 2022

(Millions of United States dollars)



Source: UNOPS financial statements.

14. In February 2023, the Executive Board approved the allocation of a maximum sum of $35.4 million to be distributed in tranches to UNOPS from the operational reserves towards the implementation of defined elements of the comprehensive response plan for 2023 (see DP/OPS/2023/CRP.4). The Executive Board requested that UNOPS distribute without delay its excess reserves (defined as total accumulated reserves minus the minimum operational reserve) accumulated as at 31 December 2021, minus $35.4 million, to each paying entity, including those of the United Nations system, based on the management fees generated from each paying entity as a proportional share of total management fees received by UNOPS from 1 January 2018 through 31 December 2021 (four calendar years). The Board was informed that the total excess reserve to be refunded would be set as $123.8 million. The Executive Board's decision had no impact on the UNOPS 2022 financial statements.

Ratio analysis

15. The Board 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

Financial ratios	*2022*	*2021*	*2020*	*2019*	*2018*
Cash ratio[a]					
Cash + short-term investments: current liabilities	0.82	0.80	0.85	0.81	0.91
Quick ratio[b]					
Cash + short-term investments + accounts receivable: current liabilities	0.86	0.82	0.87	0.84	0.95
Current ratio[c]					
Current assets: current liabilities	0.87	0.83	0.88	0.85	0.96
Solvency ratio[d]					
Total assets: total liabilities	1.10	1.07	1.08	1.12	1.09
Project surplus[e] (margin percentage[f]) Direct project revenue – direct project expenses	$127.3 million (10.4 percent)	$139.7 million (11.7 per cent)	$109 million (9.4 per cent)	$99.2 million (8.2 per cent)	$88.1 million (9.4 per cent)
Net surplus (margin percentage[f]) Revenue – expenses	-$28.78million (-2.4 percent)	$90.38 million (7.5 per cent)	$39.5 million (3.4 per cent)	$47.14 million (3.9 per cent)	$38.43 million (4.1 per cent)

Source: UNOPS financial statements.

[a] 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.

[b] 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.

[c] A high ratio indicates an entity's ability to pay off its short-term liabilities.

[d] A high ratio is a good indicator of solvency.

[e] Direct project revenue and expenses relate to the project revenue/expenses reported in note 20 to the financial statements.

[f] Margin percentage refers to project revenue/total revenue.

16. As at 31 December 2022, UNOPS had total assets of $3.68 billion (2021: $5.17 billion), consisting mainly of investments of $2.89 billion (2021: $4.26 billion) and cash and cash equivalents of $ 604.61million (2021: $782.83 million). The total liabilities of UNOPS stood at $3.35 billion as at 31 December 2022 (2021: $4.81 billion), with liabilities relating to project cash advances received at $2.75 billion (2021: $3.77 billion), representing 82 per cent (2021: 78.4 per cent) of the total liabilities. The significant decrease in both total assets and liabilities in 2022 is attributable primarily to a decrease in project cash advances received.

17. The Board noted that, in 2022, there was a slight increase in the current ratio, cash ratio, quick ratio and total assets to total liabilities compared with 2021. The overall gross margin on project services decreased slightly compared with 2021, from 11.7 per cent in 2021 to 10.4 per cent in 2022, but showed improvement compared with 2020 and previous years. The net surplus and net margin, however, were negative in 2022, reaching a new low of -$28.78 million and -2.4 per cent, respectively. The overall financial position of UNOPS remained sound, given that the solvency ratio was above one.

3. Financial and budget management

(a) Budget management

Lack of alignment between pricing and budgeting

18. In regulation 9.01 of the UNOPS financial regulations and rules, it is stated that "As a self-financing entity UNOPS shall operate on the basis of full cost recovery and shall set its management fees accordingly. Resulting from its ordinary activities

during each financial period, UNOPS shall generate sufficient net surplus to maintain the operational reserves at the level established by the Executive Board".

19. The Board noted that UNOPS had set a zero net revenue target for the biennial budget estimates from the biennial periods of 2012–2013 to 2022–2023 in compliance with the basis of full cost recovery. The aforementioned target had been approved by the Executive Board.

20. The Board compared the estimated budgeted revenue and actual revenue for 2012–2013 to 2022–2023. As shown in table II.4, save for the biennium 2012–2013, the actual revenue of UNOPS was always higher than the estimated revenue in the budget. At the same time, UNOPS failed to achieve the zero net revenue target as approved by the Executive Board from 2012–2013 to 2020–2021.

Table II.4
Revenue figures for UNOPS from the biennium periods of 2012–2013 to 2022–2023
(Millions of United States dollars)

	Budget estimates forecast	*Gross revenue (actual)*	*Comparison between estimate and actual revenue (percentage)*	*Net revenue (actual)*
2012–2013	148.7	130	-12.58	15.5
2014–2015	139.2	146.4	5.17	22.1
2016–2017	138.7	169.2	21.99	39
2018–2019	179.3	182.9	2.01	52.8
2020–2021	181.0	244.0	34.81	86.3
2022–2023[a]	200.5	249.2	24.29	-53.7

Source: Data provided by UNOPS.
[a] Except for 2023, which is projected by UNOPS.

21. In accordance with the zero net revenue target approved by the Executive Board, the budget requires a balance between revenue and expenses (i.e., UNOPS needs to reach its operational objectives without generating net revenue). Considering that the revenue of the UNOPS management budget comes primarily from management fees recovered from projects, the correlation between the scale of management fees recovered from projects and the budgetary expenditure target is crucial.

22. The Board is concerned about the logic and methods used in preparing the 2022-2023 biennial budget. UNOPS informed the Board that its budget revenue estimates were calculated by multiplying the average management fee rate with the average growth rate of project delivery over the past several years. In line with the Board's recommendation in the previous year, following a review of the existing pricing model UNOPS adjusted its pricing model, with consideration given to the most recent financial performance and 2020–2021 financial data. However, the budget estimates of subsequent years had not yet been considered.

23. Management explained that UNOPS was creating the budget for the 2024–2025 period, in response to various oversight recommendations and resolutions, while also adjusting the cost-recovery model to limit the accumulation of surpluses.

24. The Board is of the view that modification of the cost-recovery model and fee rates need to take the budget expenses and net revenue targets into account to ensure the reasonable collection of management fees.

25. The Board is concerned that a lack of connection between pricing and budgeting may have a negative impact on the effective control of the accumulation of surpluses and the mitigation of financial risks.

26. **The Board recommends that UNOPS review its budget- and price-setting practices and take measures to ensure that the cost-recovery/fee-setting algorithm is based on the needs of UNOPS in order to fund its management expenses for the budget period.**

27. UNOPS accepted the recommendation.

Inadequate revenue estimates in budgeting process

28. It is stated in rule 114.04 of the UNOPS financial regulations and rules that "Revenue estimates must take into account all expected management fees from projects, any other revenue already earned or likely to be earned, and relevant statistical trends for acquisition of new projects or means of earning other revenue during the budget period to which any resulting revenue would be applied".

29. The Board reviewed the UNOPS budget estimates for the biennium 2020–2021 (DP/OPS/2019/5) and the biennium 2022–2023 (DP/OPS/2021/6), which had revenue targets set at $181.0 million and $200.5 million, respectively. The Board noted that UNOPS did not adequately incorporate all potential sources of revenue into its budget preparation process. Specifically, the revenue estimate process focused solely on the management fees recovered from the projects, while disregarding other revenue already earned or likely to be earned.

30. UNOPS manages the funding needs of its operations through various separate investment portfolios, such as the working capital portfolio and the operational reserve portfolio. The Board reviewed the net finance income from 2016 to 2022 and noted that, except for a decline in 2022 with a net finance loss of $30.3 million, the figures for the remaining years were all positive, with an average annual net financial income of $17.5 million. These investment activities have generated significant returns, with actual realized gains of $8.5 million, $14.3 million and $78.5 million in 2020, 2021 and 2022, respectively, as reported in the financial statements. However, the aforementioned revenue was not included in budget revenue estimates.

31. The Board also noted that, in 2019, UNOPS had established its Helsinki office with financial support from the Government of a Member State. In accordance with the agreement between UNOPS and the Government, the Government committed itself to providing a maximum contribution of 20 million euros to support UNOPS in implementing the Sustainable Investments in Infrastructure and Innovation programme through the Helsinki office from 2020 to 2023. As of the end of 2022, UNOPS had received $11.4 million in total contributions, and the corresponding expenditure amounted to $4.55 million, which contained the management and administration costs of the Helsinki office. However, UNOPS did not take that contribution into account during its budget preparation process. Consequently, the revenue and expenses associated with the management and administration of the Helsinki office were not included in the budget for the period extending from 2020 to 2022.

32. Management explained that UNOPS did not incorporate finance income into its management budget owing to the partial unrealized nature of reported finance income in financial statements and the unpredictability of returns based on financial market performance, making it challenging to use as a budgetary basis. There could be a risk of a negative outcome, of which 2022 was a typical example. Furthermore, ad hoc projects might not be anticipated during the budget formulation process, and their expenses might not align with the harmonized functional clusters that serve as the foundation for budget formulation.

33. The Board is of the view that all sources of revenue, including investment revenue, should be considered in full in accordance with UNOPS financial regulations and rules when budgets are prepared. While investment revenue may vary on the basis of fund size and changes in interest rates, it is important to reasonably estimate and adjust the revenue projections to ensure budget accuracy and stability. In addition, in the event that contributions from donors encompass the administrative management activities of UNOPS, it is essential that they be incorporated into the budget to ensure the comprehensive reflection of total budgetary revenue and expenses.

34. The Board is also concerned that the lack of a thorough review of UNOPS revenue sources might result in incomplete revenue forecasts. Consequently, the actual performance of the budget might not accurately reflect the reality. Moreover, the absence of comprehensive revenue forecasts may also lead to resource underutilization or improper allocation, preventing the achievement of optimal economic benefits.

35. **The Board recommends that UNOPS conduct a thorough review of its revenue and make reasonable revenue forecasts to ensure the integrity of revenue estimates in the budget preparation process in accordance with its financial regulations and rules.**

36. UNOPS accepted the recommendation.

Inaccurate budget expenditure preparation

37. In paragraph 8 of IPSAS 24: Presentation of budget information in financial statements, it is stated that “An approved budget is not a forward estimate, or a projection based on assumptions about future events and possible management actions that are not necessarily expected to take place”.

38. In regulation 14.02 of the UNOPS financial regulations and rules, it is stated that “The Executive Director shall have authority to redeploy resources within the approved management budget as well as to increase or reduce the total approved management budget allotment (including the number of employee posts in the employee table and their grades up to and including the D-2 level), provided the net revenue target established by the Executive Board for the budget period remains unchanged”.

39. UNOPS targeted zero net revenue for all biennium budgets between 2012–2013 and 2022–2023, as approved by the Executive Board. The Board noted that, owing to the redeployment of resources within the approved management budget, the final net revenue figures for each year had been revised to positive figures, which changed the net revenue target established by the Executive Board.

40. For example, following the approval of the UNOPS biennial budget estimate for the period 2022–2023, the approved expenses were $200.5 million and the revenue was $200.5 million, resulting in a targeted net revenue of zero. However, as shown in the statement of comparison of budget and actual amounts for the period ended 31 December 2022 (see chap. IV, statement V, below), half of the approved biennial budget, amounting to $100.25 million, had originally been budgeted for 2022, which was revised under all line items to $104.3 million, and the final revenue budget was set at $121.5 million and the net revenue target for 2022 was revised from zero to $17.2 million.

41. Management informed the Board that the discrepancy between the net revenue targets was due to the unpredictability of provisions and write-offs. Management set an internal net revenue target to cover these without allocating a budget to business units, in order to reach the approved zero net revenue target.

42. The Board noted that UNOPS had earmarked $22.5 million and $19.2 million as contingency for potential write-offs and provisions in the bienniums 2020–2021 and 2022–2023, respectively, to address plausible risks not covered through direct cost. Those amounts constituted approximately 12.4 and 9.6 per cent of estimated budget revenue for the biennium, respectively. The actual amounts of write-offs, provisions and contingency surplus in the biennium 2020–2021 and in 2022 were $33.35 million and $33.51 million, respectively, which were due in part to the provision and impairment of Sustainable Investments in Infrastructure and Innovation activities.

43. The Board also noted that the amounts of contingency for potential write-offs and provisions in the bienniums 2018–2019 and 2016–2017 were $26.5 million and $13.1 million, respectively while the actual amounts of write-offs, provisions and contingency surplus in 2018–2019 and 2016–2017 were $13.08 million and $4.7 million, respectively.

44. Management explained that there had been no change in the budget estimates for 2022–2023 compared with the previous years since 2008–2009, where in each biennium write-offs, provisions and contingency surplus had been included in the budget.

45. The Board is of the view that, in line with IPSAS 24, uncertain items such as write-offs and provisions should not be included in the budget, because the amounts and timing of these items depend on specific future circumstances that cannot be accurately predicted or planned for. Budgeting needs to be based on actual needs and available information to ensure accuracy and improve budget management efficiency. In addition, the updated minimum operational reserve was approved by Executive Board in its decision 2021/21 and, by the end of 2021 and 2022 it had already been met, which is sufficient to address uncertain situations.

46. The Board is concerned that including in the budget items with a high level of uncertainty such as write-offs and provisions might have a negative impact on financial decision-making and on the efficiency and reliability of budget management.

47. **The Board recommends that UNOPS adhere to the provisions of IPSAS 24 and assess the appropriateness of including write-offs and provisions in the budget to ensure budgeting accuracy and reliability.**

48. UNOPS accepted the recommendation.

Deficiencies in the budget management of strategic investment

49. It is stated in regulation 13.01 of the UNOPS financial regulations and rules that “The Executive Director is responsible and accountable for planning the use of resources administered by UNOPS and issuing allocations and allotments effectively and efficiently in furtherance of the policies, aims and activities of UNOPS”.

50. In its previous audit report (A/76/5/Add.11, chap. II, paras. 89–95), the Board noted that the strategic investments budget in UNOPS budget estimates for the biennium 2020–2021, amounting to $20 million, lacked a basis for budget formulation and recommended that UNOPS formulate the budget estimate of strategic investments on the basis of expected expenses. The Board noted that, in UNOPS budget estimates for the biennium 2022–2023, the formerly separately budgeted strategic investments from surplus had been integrated into management resources, with a total allocation of $30 million. Furthermore, UNOPS stated that it would further strengthen accountability for the financial and non-financial results of its internal investment projects in the biennium 2022–2023, focusing on the timely reporting of results for finalized projects and monitoring the progress of ongoing projects through the quarterly business reviews.

51. The Board assessed the internal investments budget performance and noted that, within the management expense budget allocated for the biennium 2020–2021, an amount of $20 million had been earmarked for internal investments. However, as of the end of 2021 it was noted that 38.5 per cent of the investment budget had been allocated to projects and only $2.98 million, constituting a mere 14.9 per cent of the total budget, had been utilized during that period.

52. Notwithstanding the budget of strategic internal investment being integrated into management resources in 2022, UNOPS still managed it as a separate section in internal management processes, and a total of $20 million was budgeted in 2022. It is noted that investment budgets may be issued at any time and for any period in line with the UNOPS internal operational instruction. The initial budget for internal investments lacked sufficient granularity and, throughout the year, budget allocations were distributed progressively on the basis of requests submitted.

53. The Board noted that, by the end of each quarter in 2022, the actual distribution of the internal investment budget amounted to $5.5 million, $8.2 million, $17.4 million and $22.72 million, respectively. Notably, in December 2022, with an insufficient unallocated investment budget, UNOPS allocated $4.84 million from the budget to phase one of the application landscape foundations project, resulting in an actual allocation that exceeded the upper limit of $20 million. Owing to delays in other internal investment projects, the final expenditure of the internal investment budget reached $9.9 million, which remained within the total budget.

54. The Board also noted that, in 2023, the overall budget for internal investment projects had been reduced to $10 million. However, owing to significant allocations made in 2022 and delays in project implementation, the expected carry-over amount for approved internal investment projects exceeded the available budget by $1.75 million before the start of the budget year. This carry-over requirement has resulted in the internal investment budget demand for 2023 exceeding the annual budget limit at the beginning of the year. UNOPS sought to conduct a review of current allocations to identify potential savings and considered withdrawing non-critical extension requests.

55. Management explained that controls were in place to manage the overall budget, including at the project level. In addition, the investment strategy for the period 2022-2025 provided a detailed plan and formulation basis and specified the category that investments must fall within to be funded and which percentage of the full portfolio budget that should be allocated into those categories.

56. The Board is of the view that the effective and efficient issuance of internal investment allocations and allotments within the framework of the investment strategy is crucial to facilitate the achievement of UNOPS objectives and plans for internal investments. A comprehensive assessment of the causes behind delays in internal investment projects is imperative, given that it enables targeted improvements that foster enhanced budget implementation rates and funding performance.

57. The Board is concerned that delays in internal investment projects may have a negative impact on budget performance, which could lead to a similar situation with high carry-over requests in the future.

58. **The Board recommends that UNOPS conduct a comprehensive assessment of the causes behind delays in internal investment projects and take measures to improve the budget performance.**

59. UNOPS accepted the recommendation.

(b) Sustainable Investments in Infrastructure and Innovation initiative investment management

Sustainable Investments in Infrastructure and Innovation investments were fully impaired

60. It is stated in rule 3.1 of the UNOPS operational instruction on financial accounting and reporting (OI.FG.2020.01) that "UNOPS accounting and reporting shall comply with IPSAS". In paragraph 72 of IPSAS 29: Financial instruments: recognition and measurement, the following is stated: "If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows … discounted at the financial asset's original effective interest rate".

61. In its previous report (A/76/5/Add.11, chap. II, paras. 33–59), the Board noted that, from 2018 to 2020, UNOPS had invested $58.80 million in seven Sustainable Investments in Infrastructure and Innovation projects by entering into loan agreements with seven separate special-purpose vehicles affiliated with a single private holding group.

62. In 2020, UNOPS disinvested from two of the seven projects and recognized a bad debt allowance of $22.19 million against the two projects. In 2021, the total bad debt allowance and impairments against the seven Sustainable Investments in Infrastructure and Innovation projects increased to $39.02 million, accounting for 66 per cent of the principal amount of the seven investments.

63. The Board noted that, during the subsequent two years after the establishment of the first bad debt allowance against Sustainable Investments in Infrastructure and Innovation projects, the Executive Board had urged UNOPS several times to undertake all possible measures to recover the funds associated with Sustainable Investments in Infrastructure and Innovation projects. Instead of taking effective action, including legal action, UNOPS failed to recover the funds and further established the impairment against the seven projects. As of the end of 2022, the investment of the seven Sustainable Investments in Infrastructure and Innovation projects had been fully impaired, with a total impairment amount of $58.8 million.

64. The Board noted that UNOPS had handed over the task of the recovery of funds from Sustainable Investments in Infrastructure and Innovation investments to the Office of Legal Affairs and that UNOPS was responsible for covering the associated costs, estimated at $8 million. The Board was informed that UNOPS was not privy to full information regarding the progress of the fund recovery, which was within the domain of the Office, which was mandated with exclusively fund recovery for the United Nations. Furthermore, no evidence was provided during the audit to show substantial progress in the recovery of the funds.

65. The Board noted that the Executive Board, in its first regular session of 2023 (see DP/2023/11), had recalled its decisions 2022/21 and 2022/24 in which it requested that UNOPS take all measures necessary within its remit to recover all funds and ensure full accountability, including individual accountability, in accordance with the Staff Regulations and Rules of the United Nations.

66. The Board also noted that the unaudited 2021 financial information of the debtors remained the most recent data obtained and was provided to the third party as the valuation basis, instead of more credible financial information obtained through assurance activities.

67. The Board is of the view that more effective measures should be taken to recover Sustainable Investments in Infrastructure and Innovation-associated funds, including

the collection of more comprehensive information on where and how the loan funds were used.

68. **The Board recommends that UNOPS take all measures necessary within its remit to recover the funds associated with Sustainable Investments in Infrastructure and Innovation investment losses.**

69. UNOPS accepted the recommendation.

(c) Cost recovery of shared services

Overrecovery of shared services cost from projects

70. In line with UNOPS financial regulation and rules, direct cost are costs incurred for the benefit of a specific project or client(s). Such costs are clearly identifiable as having a direct benefit for a specific project or client(s) and can be clearly documented.

71. It is stated in paragraphs 3.1 and 3.2 of the UNOPS operational directive on value proposition and cost-recovery model (OD.EO.2018.01) that, in line with the principle of full cost recovery, each engagement agreement that UNOPS enters into should cover direct and indirect costs incurred by UNOPS in relation to the execution of the engagement, and that costs pertaining to the execution and delivery of the engagement are to be determined as accurately as possible, ensuring that the effort and cost of determining and recovering those costs are reasonable.

72. UNOPS shared services encompass all services that UNOPS centralizes at the local, regional or corporate levels that support other units within UNOPS exclusively; the costs involved are, respectively, locally managed direct costs, regionally managed direct costs and centrally managed direct costs. According to the operational instruction, costs for shared services shall be first recorded in a "pool" of relevant activities and then allocated at regular intervals between the different engagements and UNOPS management activities that have benefited from the shared services in a reasonable, measurable and practical manner in accordance with predefined distribution keys. While these charges are expenditure on the client and administrative projects, revenue or recovery is booked on the locally managed direct costs/centrally managed direct costs administrative projects.

73. The Board noted, that as of the end of 2022, the balances of centrally managed direct costs, locally managed direct costs and regionally managed direct costs in the account of project cash received in advance were $10.43 million, $20.69 million and $2.68 million, respectively, which indicated the existence of the overrecovery of shared services costs from projects.

74. The Board reviewed the cost recovery of the shared services over the past five years. As shown in table II.5, it was noted that the recovery of centrally managed direct costs had consistently exceeded their expenses from 2018 to 2021. However, in 2022, the excess recovery amount showed a declining trend, with a deficit of $4.66 million. By contrast, locally managed direct costs experienced significant growth in 2021 and 2022, accounting for 94 per cent of the total accumulated surplus. Regionally managed direct costs remained relatively stable, consistently achieving overrecoveries over the long term.

Table II.5
Analysis of cost recovery of the shared services, 2018 to 2022
(Thousands of United States dollars)

	2022	*2021*	*2020*	*2019*	*2018*
Centrally managed direct costs recovery	31 936	35 509	33 572	31 088	28 496
Centrally managed direct costs expenses	36 597	31 732	30 402	29 135	27 311
Centrally managed direct costs surplus/(deficit)	**(4 661)**	**3 777**	**3 170**	**1 953**	**1 185**
Locally managed direct costs recovery	64 821	73 668	68 647	65 732	65 149
Locally managed direct costs expenses	53 903	64 655	68 376	68 233	63 490
Locally managed direct costs surplus/(deficit)	**10 918**	**9 013**	**271**	**(2 501)**	**1 659**
Regionally managed direct costs recovery	4 424	4 836	4 410	4 633	2 180
Regionally managed direct costs expenses	3 770	4 640	3 781	3 885	1 977
Regionally managed direct costs surplus/(deficit)	**654**	**196**	**629**	**748**	**203**

Source: Data provided by UNOPS.

75. The Board was informed that centrally managed direct costs had been recovered using fixed rates to provide predictability on charges to client projects since 2016, which led to an accumulation of surplus. A loss of $4.66 million incurred in 2022 resulted from UNOPS deliberately decreasing the centrally managed direct costs rates to reduce the accumulated surplus balances during the budget process. The Board was also informed that the overrecovery of locally managed direct costs and regionally managed direct costs was because the COVID-19 pandemic had brought fewer travel-related expenses. Critical business roles were moved from locally managed direct costs to the management expense budget in 2022, reducing locally managed direct costs expenditure.

76. The Board asked whether the overrecovered shared service costs would be refunded to the client because they were part of the direct cost of projects. UNOPS stated that offices needed to manage balances using a multi-year approach, given that an annual view was a snapshot of a constantly changing, multi-year project portfolio. Shortfalls and surpluses could be recovered within or carried over to future years, given that UNOPS recommends recovery of locally managed direct costs amounts as fixed rates over the lifetime of client projects, even though actual costs may not be linear.

77. The Board noted that there was no consistent budgeting and recovery mechanism of locally managed direct costs in all offices, given that it was entirely subjective and depended on the country office's guidance and decision. Offices had a responsibility to manage and monitor the locally managed direct costs budget because it was managed by the individual offices.

78. The Board is of the view that the allocation of shared service costs to direct project costs and reimbursement by the client should be reasonable. The overrecovery of UNOPS shared service costs might increase actual costs of the client projects, which makes it crucial to recover fees from the projects as accurately as possible. As a global organization, UNOPS should maintain consistency in the standards and methods used to recover shared service costs to ensure a further reduction in the surplus of overrecovered shared services.

79. The Board is concerned that lack of in-depth analysis of the reasons for the overrecovery of shared service costs might lead UNOPS to continue to overrecover

shared service costs, resulting in an increase in the actual costs of client projects. The absence of a consistent budgeting and recovery mechanism at the locally managed direct costs level might impair its transparency and could potentially have a negative impact on the reputation of UNOPS.

80. **The Board recommends UNOPS conduct a review to identify the root causes of the overrecovery of locally managed direct costs and regional managed direct costs at the project level and to integrate any learnings into its shared services management processes.**

81. **The Board also recommends UNOPS establish a global budgeting and recovery approach of locally managed direct costs for client projects to keep the recovery at a reasonable level.**

82. UNOPS accepted the recommendations.

4. Investment management

Insufficient risk management of investment portfolio

83. In section 5.8 of the operational instruction on risk management (OI.FG.2018.06), it is stated that "The risk assessment shall be documented and recorded so that it can be regularly reviewed and maintained".

84. It is indicated in section 2.3 of the statement of investment principles that "The management of the various portfolios shall be performed in the spirit of UNOPS' mission and vision, as set forth in the UNOPS' mandate and other legislative imperatives, including the [financial regulation and rules], and shall reflect the values of the organisation, in particular accountability for results, transparency, strong partnerships and excellence". Furthermore, "the risk profile of the investments in the different portfolios shall suitably reflect the risks associated with the liabilities flowing from the corresponding activities". In addition, in section 3.4.6 of the statement of investment principles it is stated that "The performance of the asset manager shall be assessed on a three-year rolling returns basis, after fees".

85. The Board reviewed the UNOPS investment performance report as at 31 December 2022. The asset of the fund under the various portfolios and their performance is shown in table II.6.

Table II.6
UNOPS investment performance as at 31 December 2022

Investment portfolio	*Total portfolio (millions of United States dollars)*	*Benchmark index of performance since inception (percentage)*	*Performance since inception (percentage)*	*Benchmark index of performance for 2022 (percentage)*	*Performance for 2022 (percentage)*
UNOPS working capital	2 491.1	1.37	1.31	-0.13	-0.27
UNOPS operational reserve funds	306.9	3.30	2.55	6.45	-6.41
After-service health insurance portfolio	87.4	6.80	0.05	9.95	-17.91
Internal cash	368.3	1.14	1.56	1.47	2.29
Total	**3 208.7**	–	–	–	–

Source: Data provided by UNOPS.

86. The Board observed that all portfolios of UNOPS except the internal cash portfolio had performed below the benchmark, both in average terms and for 2022. The three-year rolling performance of assets in the working capital portfolio with a

total value of $2.49 billion, which represents a significant portion of the total portfolio, had neither reached nor exceeded the benchmark fixed for it in the past three years.

87. Management raised concerns regarding the accuracy of the benchmark data presented in table II.6 (e.g., the operational reserve portfolio 2022 index return should be -13.51 per cent (composite benchmark), not 6.45 per cent (Consumer Price Index for All Urban Consumers)). Upon further investigation by the Board, it was verified that the composite benchmark did not show the correct data. According to annex II of the statement of investment principles, because the operational reserve portfolio is intended to be managed against a benchmark of the Consumer Price Index for All Urban Consumers as a long-term objective, the Consumer Price Index for All Urban Consumers should be used in the benchmark index of performance for 2022.

88. As of the end of December 2022, UNOPS had unrealized losses of $60 million. The working capital portfolio accounted for the majority of those losses, with $46.67 million in unrealized losses, the after-service health insurance portfolio had unrealized losses of $10.77 million and the operational reserves had an unrealized loss of $2.94 million. The worst single performing asset was a specific fund with unrealized losses of $5.56 million.

89. According to the statement of investment principles, the Investment Advisory Committee should review, at least on a quarterly basis, the performance reports from the custodian and asset manager and highlight anything of note to the UNOPS Chief Financial Officer for further action. The Board noted that UNOPS had held only three Committee meetings in 2021 and 2022, which is fewer than the four meetings required pursuant to the statement of investment principles. Furthermore, there is no documented evidence that the Committee had highlighted anything of note to the UNOPS Chief Financial Officer.

90. The Board also noted that, in section 4.3.4. of the statement of investment principles, it is mentioned that risk should be taken only when there is an appropriate expected return (i.e., unrewarded risks are to be avoided). However, the Board found that, when comparing risk statistics over a one-year and three-year period, the after-service health insurance portfolio's return decreased from -2.71 to -17.80 per cent, and the Sharpe Ratio (a measure of the risk-adjusted return of an investment portfolio) decreased from -0.39 to -1.53, which indicates that the risk increased while the return decreased.

91. According to the Investment Advisory Committee minutes of 15 April 2021, UNOPS was informed by its external asset management company that a corporate bond held by the company on behalf of UNOPS had been downgraded by a rating agency from investment grade to sub-investment grade. In line with the investment guidelines, the company notified UNOPS and awaited further information. It was agreed that, upon a downgrade of a securities rating from one agency, the position could be maintained but not added to. It was also advised that, upon a downgrade from a second rating agency, the position must be liquidated within 30 days by the portfolio management company. However, notwithstanding the credit rating of the corporate bond being downgraded again by another rating agency from A to BBB+ in June 2021, UNOPS did not liquidate its position until November 2022.

92. The Board is of the view that conducting regular reviews of overall risk management, including credit risk and market risk, is essential for the capital reserve of UNOPS.

93. **The Board recommends that UNOPS conduct a thorough identification and assessment of the potential risks of the portfolios to ensure that risks are mitigated.**

94. UNOPS accepted the recommendation.

Use of received prepayments for investments without being authorized in funding agreements

95. The standard practice of UNOPS is to receive client funds prior to the start of a project. As of the end of 2022, the total amount of project cash advances received by UNOPS was $2,756.46 million, of which $40.60 million could not be matched to any project.

96. The Board reviewed the ageing of the project cash advances received at the project level for $2,611.05 million which related to 1,502 projects, assuming that the use of project funds followed the first-in-first-out principle, and noted the following: the ageing of 60.06 per cent of the project cash advances received, representing $1,646.65 million, was within one year; one-year ageing accounted for 25.58 per cent and amounted to $667.81 million; two-year aging period represented 6.62 per cent and amounted to $172.93 million; and the remaining 4.74 per cent represented an ageing period of three years or more, with a total amount of $123.67 million.

97. The Board was informed that UNOPS had invested the project cash advances received. The Board noted, during its review of project agreements with partners through sampling, that there were no provisions related to the investment of project cash advances in those agreements. Only in a few agreements were the interest terms stated explicitly. Some of those agreements provided that any interest accumulated on funds held by UNOPS based on the agreement would be credited to the project account and returned to the funding source upon completion of the project. However, the terms related to interest in some of the agreements were not clear.

98. Management explained that, according to the UNOPS financial regulations and rules, "interest" was defined as "a charge for borrowing cash, usually expressed as a percentage of the amount borrowed. Mutatis mutandis, interest might mean the amount earned as a result of investing activities". There was already a clear connection between partners' interest requests and their agreement to have their cash balances invested based on the financial regulations and rules. The legal agreements signed with partners mad clear reference to the applicability of the UNOPS financial regulations and rules. Therefore, UNOPS did not see the need to add any further language on investments in its legal agreements.

99. The Board noted that the UNOPS had invested its advanced project prepayments in a revolving fund portfolio and received a return on investment of $13.73 million in 2022, of which $10.35 million was allocated to projects and the remaining funds recorded as financial income for UNOPS. UNOPS stated that it distributed interest only on projects that had clearly specified interest allocation terms in their contracts.

100. The Board noted that, as at 31 December 2022, 25 per cent of the income generated from UNOPS prepayments investment had not been allocated to the clients. The Board examined documentation of some projects that were not eligible for interest but found no information on UNOPS seeking opinions from funding parties on investment income distribution or funding parties voluntarily waiving interest.

101. The Board sampled some project files that did not receive interest and found no evidence that UNOPS had consulted the funding parties on the distribution of investment returns or that the funding parties had voluntarily waived the interest.

102. The Board sent confirmations to a sample of 97 partners, involving prepayment amounts of $1.8 billion, and received responses from 12 partners, corresponding to a total amount of $137.75 million. Among them, eight partners indicated that they had not been fully informed by UNOPS about the use of prepayments for investments, which amounted to $115.95 million, including government securities, securities of

government agencies, other official entities and multilateral organizations, exchange-traded futures and covered bonds. Four partners that had been informed and two partners that had not been informed agreed but would have allowed UNOPS to use prepayments for investments according to the rules of their relevant financial return rate, while the remaining partners that had not been informed did not agree. One partner did not receive investment returns and was not informed that the prepayment had been used for investment.

103. The Board is of the view that UNOPS has not fulfilled its obligation to inform partners of the specific provisions for using received prepayments for investment in project agreements signed with partners.

104. **The Board recommends that the UNOPS include a detailed reference to the treatment of interest collected on prepayments made by partners and a clear reference to UNOPS investment principles in all legal agreements with partners, to ensure that partners are fully informed of the use by UNOPS of prepayments for investment.**

105. UNOPS accepted the recommendation.

Deficiencies in the selection of asset managers

106. In the UNOPS procurement manual it is stated in section 1.4.2 that “Fairness must be maintained by the organization and its personnel during the procurement process. This means, among other things, that we must offer equal opportunities to all bidders”. In section 8.2 (evaluation team), “An experienced individual, appointed by the [procurement authority], must chair the evaluation team. The chairperson appointed to lead the evaluation team should have at least five years of procurement experience, sound knowledge in acquisition of the requirement in question and the required interpersonal skills to interact efficiently with various stakeholders”.

107. In section 8.9 (negotiations) of the UNOPS procurement manual, it is indicated that “Negotiations are discussions with a potential supplier after selection but prior to award of contract, with the purpose of ensuring best value for money for UNOPS without compromising the principle of fair and equal treatment of all suppliers” and that negotiations be conducted “only with the vendor selected for recommendation of award, i.e. For [requests for proposal]: with the bidder presenting the proposal with the highest points after cumulative analysis of the technical and the financial proposals. Negotiations with the other bidders are not permitted”.

108. The Board noted that the recruitment of an asset manager to manage the UNOPS operational reserve portfolio was conducted in September 2020. Two bidders, including company G and company D, entered the final stage of the tender evaluation. The bid of company G achieved cumulative scores of 83.5, with a management fee of 17 basis points, while company D had a higher management fee of 25 basis points and a lower cumulative scores (78.5). Consequently, the UNOPS treasury presented the results of the tender during an Investment Advisory Committee meeting held on 4 September 2020, at which company G was declared to have the winning bid.

109. The Board noticed, however, that the Investment Advisory Committee had recommended company D as the asset manager. The Committee stated that all members of the evaluation panel had been impressed with the professionalism of the company D team and with how it had presented its key strengths and unique selling point. Company D was able to articulate its proposal clearly and showed that it truly understood UNOPS requirements. As a result, the evaluation team decided to cancel the request for proposal process and negotiate with company D directly in the awarding of a contract to company D for a period of five years.

110. The Board observed that some exception procedures existed within the UNOPS procurement policy and that those exceptions were justified with valid reasons. However, they may not be reasonable in the above situation.

111. The Board also noted that a new manager search was conducted for the working capital portfolio in February 2020, which saw a bid between company Z and company G. The Board highlighted that the price played a critical role in the decision-making process; however, there were no negotiations.

112. The Board is of the view that using different processes in the two similar procurements may have resulted in unfairness to company G.

113. The Board reviewed the procurement processes of two other investment portfolio asset managers conducted between 2019 and 2020. Notwithstanding management claiming that the appointed Chair to the processes had participated in the other procurement processes within UNOPS, there was no documentation to support the claim that he had five years of experience in procurement.

114. The Board is of the view that the complexity of UNOPS asset management manager procurement procedures requires an experienced professional to serve as the Chair of the evaluation team. The procedure must be adhered to strictly.

115. **The Board recommends that UNOPS assess the procurement procedures of the asset manager selection process to ensure a robust management structure with clear reporting lines and a sufficient division of procurement duties.**

116. UNOPS accepted the recommendation.

5. Project management

Review needed of early termination of consolidated purchase of medicines and medical supplies

117. In section 4.10.2 of the UNOPS project management manual (part II: requirements), it is stated that “complete lessons learned workshop may be carried out near the end of the implementation stage to assess the effectiveness of the project process, any lessons that may be useful for future projects and to provide feedback to partners”.

118. On 31 July 2020, UNOPS signed an agreement with the Government of a Member State through institution X to purchase medicines and medical supplies valued at approximately $6.1 billion and provide related technical services to the Member State from 2020 to 2024. This agreement, known as the “consolidated purchase of medicines and medical supplies”, was the largest project ever undertaken by UNOPS.

119. The Board noted that the first email asking for a review of the agreement by the Engagement Acceptance Committee was sent on 29 July 2020, informing all parties that the agreement was due to be signed on 31 July 2020. On that date, the agreement was signed formally between UNOPS and institution X.

120. By reviewing the implementation stage of the project, the Board identified the following:

(a) 984 lots with bids (48 per cent of the total amount) for 2021 and 65 lots with bids (10 per cent of the total amount) for 2022 were unsuccessful. The Board noted that most of the suppliers were from the Member State in question (98 per cent of orders and 98 per cent of procurement amounts) as of the end of 2022;

(b) During the implementation stage of the project, there were some delays in the delivery of medicines and medical supplies;

(c) A total of 403,923 units of medicines and medical supplies in six lots/items amounting to $0.57 million were recalled by the national regulatory authority.

121. In response to the observation made by the Board, management explained the situation as follows:

(a) Owing to the global logistics crisis caused by the COVID-19 pandemic, international shipments had become challenging, expensive and time-consuming, negatively affecting the interest of global suppliers in participating in tenders. This notwithstanding, global suppliers still had meaningful participation in the procurement processes conducted through the project;

(b) Delays in the delivery of medicines and medical supplies were due to various circumstances, including changes in requests for medicines and medical supplies by institution X, changes in the warehouses used by institution X to receive the goods, and delays in the national authorities authorizing imports and defining the recognition of sanitary approvals;

(c) Five of the six recalls were due to the cancellation of sanitary registrations, while the sixth recall was due to the product not having the authorized attributes or characteristics for commercialization in the Member State's market.

122. In August 2022, UNOPS received notification that institution X had terminated its long-term agreement for the biennium 2023–2024. The termination agreement was still under review by institution X as of the end of April 2023. In the light of the aforementioned early termination, the Board could not establish contact with institution X, along with other pertinent government agencies or officials, in order to gather necessary information regarding the early termination.

123. The Board noted that the consolidated purchase of medicines and medical supplies was awarded a 2022 United Nations procurement award in October in the category of sustainable procurement. The Board was informed that, with regard to the 2022 award, the media published 45 articles or comments on the project, 37 of which were positive, while the remaining 8 were negative.

124. The Board is of the view that the largest project undertaken by UNOPS, namely, the consolidated purchase of medicines and medical supplies, has encountered numerous unforeseen challenges throughout its initiation, execution and early termination phases. It is worth noting that medicine and medical supply procurement differs from other commodity procurement, give that even minor incidents can have a substantial impact. It is crucial for UNOPS to allocate considerable attention to this project and extract valuable lessons that can be shared in future, considering its inherent complexity and the challenges that it poses for effective risk management, compared with other projects.

125. The Board is concerned that the early termination of the consolidated purchase of medicines and medical supplies might have detrimental effects on UNOPS. The review should cover all stages of the project and determine whether there was any UNOPS responsibility.

126. **The Board recommends that UNOPS conduct a comprehensive review and analysis of the consolidated purchase of medicines and medical supplies, with a focus on identifying the causes of early termination, to improve project management.**

127. UNOPS accepted the recommendation.

Insufficient centralized management of grant projects

128. In article 3.1 of the operational directive on management of UNOPS partners and resulting agreements (OD.EO.2017.02), the following is indicated:

> The Director, Partnership and Liaison Group, the Director, Infrastructure and Project Management Group… shall be responsible to support the management of UNOPS partners, stakeholders and the resulting agreements including by … developing and providing training and tools to support partner management … overseeing and supporting the implementation of this [operational directive] and underlying [operational instructions] [and] advancing continuous improvements in partner management and implementation of agreements based on lessons learned and industry best practices.

129. The Board observed that UNOPS lacked adequate information on the business process of grant projects at the organizational level, including grantee selection, the award process, the execution of the project budget and other related processes.

130. The Board sampled 110 pre-selection grantees from January 2020 to December 2022 whose received amount was above $1 million per grantee, totalling $345.32 million. However, the Board failed to obtain any pre-selection documents from the funding source of 22 grantees, totalling a received amount of $52.69 million.

131. The Board also requested UNOPS to provide information on all grantees whose expenditure exceeded the budget, as well as the total number of agreements signed with grantees. UNOPS was unable to generate and provide the information owing to a lack of a centralized digital system for grant projects.

132. The Board noted that UNOPS had decentralized management systems only for the contract and budget management of grant projects for each project team in different regions. A sampling analysis by UNOPS on the grant management system revealed that 73 per cent of sampled projects used Google Workspace as their primary information technology tool, with all their documents stored online on Google Drive. The remaining 27 per cent of the projects used Microsoft Office, with their data being stored on an office computer. In 76 per cent of the sampled cases, the project teams used Google Sheets as the tool for tracking the deadlines for the submission of grantee reports, while 12 per cent used Microsoft Excel, 6 per cent used Google Calendar and the remaining 6 per cent used the information technology system.

133. Management explained that a feasibility study on grant management systems had been conducted and that a series of improvement measures were being taken to address the issue.

134. The Board is of the view that the current supervision of the various processes involved in grant project management at the organizational level is inadequate owing to the lack of a centralized digital system.

135. The Board is concerned that insufficient centralized management of grant projects will result in an inability to grasp and analyse the basic and key information of grant projects at the organizational level and to recognize risks in a timely manner in order to improve grants management.

136. **The Board recommends that UNOPS establish a centralized management mechanism for grant projects, including a digital system, to conduct effective monitoring at the organizational level.**

137. UNOPS accepted the recommendation.

Weakness in grantee financial monitoring and reporting

138. In article 7.8.1 of the UNOPS operational instruction on grant support (OI.IPS.2022.02), it is stated that “The recipient United Nations system organization is fully responsible for administering the contribution in accordance with its financial regulations, rules, policies, procedures and administrative instructions, and for carrying out the grant support activities efficiently and effectively”. In article 7.8.2,

it is indicated that "UNOPS or its representatives can perform the monitoring of activities, supported by the contribution".

139. The Board analysed 11 internal audit reports on 16 grant projects issued by the Internal Audit and Investigation Group in 2022 and noted significant weaknesses in financial monitoring and reporting. A total of 3 projects revealed that partial grant expenditure was not allocated for project activities, 5 projects had transaction listings that did not reconcile with the related financial report or were not submitted, 10 projects exhibited grantee expenditure that exceeded 10 per cent of the total budget and 6 projects lacked supporting documents for grantee expenditure. Two projects had insufficient monitoring of expenditure for grants up to $50,000.

140. The Board observed that the project team and the associated country office bore the most immediate and direct responsibility to monitor and report on the implementation, as well as the financial reporting and monitoring of grant-supported activities. However, UNOPS headquarters lacked corporate-level management and oversight of the financial review and reporting and monitoring owing to a lack of a more substantive formal document management system.

141. The Board also noticed that the narrative and financial reports submitted by the grantees always related to financial expenditure. However, the reports' submission was not always done on time. In 2022, the rate of grant project reports submitted to UNOPS by the due date was 76.43 per cent.

142. The Board analysed the audit data of grant projects in various regions covered by UNOPS in 2022 and noted that there were 256 grant projects with a total expenditure of $318.22 million. The amount of audited grant projects was $159.11 million, accounting for 50 per cent of the total expenditure. Among them, UNOPS audited project expenditure of $30.10 million, accounting for 9.46 per cent of the total project expenditure, and third-party-audited project expenditure of $129.01 million, accounting for 40.54 per cent of the total expenditure. The Board focused on the Latin America and the Caribbean and the Middle East regions, where the total grants expenditure was $9.28 million, but no grants were audited in those regions in 2022.

143. Management explained that a mechanism would be established as part of the digitization programme, with the aim of developing a grant management system that provided the ability to effectively monitor, assure and report on grants to address noted weaknesses that were present. It also explained that the requirements of the project audit clause differed according to legal agreement, which was the reason why audit requirements for projects were not standardized and balanced across various regions.

144. The Board is of the view that UNOPS is fully responsible for administering the contribution in accordance with its financial regulations, rules, policies, procedures and administrative instructions, and for carrying out the grant support activities efficiently and effectively. While the digitization system will be an effective tool to monitor grantee reporting submission, the focus of the Board is on the comprehensive management of grantee reporting, including not only the timeliness of report submissions, but also complete and accurate management of the reporting.

145. **The Board recommends UNOPS develop guidelines to improve the timeliness, completeness and accuracy of grantee reporting and integrate it with the upcoming digitization system for more effective grantee reporting management.**

146. UNOPS accepted the recommendation.

Analysis needed of the reasons for financial losses in projects

147. In section 6.1 of the UNOPS operational instruction on establishment and approval of write-offs and provisions for write-offs (OI.FG.2018.08), it is indicated that the operational instruction covers the write-offs and provision for write-offs of losses of cash and cash equivalents, irrecoverable bad debts and project overexpenditure. In section 6.3 it is stated that "... in cases of 'write-offs' the amount and the timing of the loss are certain and the probability of recovery of any funds has been assessed by UNOPS, in accordance with this OI as zero".

148. The Board reviewed the write-offs for the period from January 2020 to December 2022 and observed that 55 projects had a total write-off amount of $8.64 million. The reasons for the write-off were as follows: 20 projects were due to client rejection of the expenditure, totalling $3.01 million; 10 projects were due to overexpenditure, totalling $2.01 million; 8 projects were due to legal issues, totalling $0.53 million; and 17 projects were due to other reasons, totalling $3.09 million.

149. The Board noticed that the reasons for the write-offs were highly concentrated and that the annual write-off amounts for the projects did not indicate a downward trend. The Board believes that a detailed analysis of the reasons for each write-off should be conducted to prevent the recurrence of similar situations and avoid irreparable losses for UNOPS.

150. **The Board recommends that UNOPS conduct a detailed analysis of the reasons for the write-offs and produce a report with recommendations as part of its continuous improvement and lessons learned management.**

151. UNOPS accepted the recommendation.

Insufficient global oversight of the performance of UNOPS reporting on client projects

152. According to rule 107.04 of the UNOPS financial regulations and rules, "the comptroller shall ensure that clients are provided, in a timely manner, with appropriate financial reports on project costs, as stipulated in the project agreements".

153. In part II (on requirements) of the UNOPS project management manual, it is stated in section 4.8.8 that "the project manager is responsible for managing the reporting obligations defined in the legal agreement(s) and in the implementation plan".

154. The Board reviewed the statistical data of UNOPS financial reports provided to clients and noted that UNOPS was required to provide, in 2022, 2,845 financial reports to clients according to the legal agreements. However, only 1,130 of those reports were submitted on time, accounting for only 39.72 per cent of the total reports due.

155. Management explained that, within UNOPS, the statistical data of the UNOPS client financial reporting monitoring dashboard was the subset of reports that were recorded into the system, which meant that the 1,130 reports in question did not represent the actual performance of the financial reporting provided to the clients. However, UNOPS did not provide the Board the actual number of the reports provided to the clients.

156. The Board is of the view that the failure by UNOPS to deliver timely financial reports to clients is indicative of inadequate internal controls over project management. The timely provision of financial reports is essential for UNOPS because it helps to establish trust and credibility, enhances transparency, facilitates decision-making, ensures compliance with legal and regulatory requirements and improves project management.

157. **The Board recommends that UNOPS take effective measures to appropriately record all financial reports to clients in the UNOPS financial reporting monitoring dashboard to ensure effective and timely internal oversight.**

158. UNOPS accepted the recommendation.

Delay of 18 months for the financial closure of 32 projects

159. In clause 4.2.2.E of part II (on requirements) of the UNOPS project management manual, it is stated that "As per the Financial Rules and Regulations, an engagement is to be financially closed no later than 18 months from the date of operational closure ... If the project is near the end of the Legal Agreement(s), the Project Manager should start planning for closure activities".

160. The Board reviewed 492 projects due for financial closure between January 2022 and September 2022 and noted that 32 projects had been financially closed more than 18 months after their operational closure, with the total expenditure of the projects amounting to $90.79 million. Among those 32 projects, 10 had been financially closed in September 2022 and 22 had not been financially closed, with a fund balance of $91,002 unreceived and $1.23 million to be refunded.

161. The Board analysed the reasons for the delay in financial closure and noted the following:

(a) 5 projects were delayed owing to the delay in project implementation or the lack of human resources;

(b) 13 projects were delayed owing to the incomplete clearance of balance sheet accounts;

(c) 10 projects were delayed owing to delays in sending the final financial statements to the funding source or to an incorrect amount in or format for the final financial statements;

(d) 4 projects were delayed owing to the prolonged processing of overexpenditure or write-off requests.

162. The Board is of the view that the delay in financial closure may prove unsatisfactory to the funding source and further affect financial truth and accuracy.

163. **The Board recommends that UNOPS meet all the needs of the close-out to ensure that all financial closure activities are implemented in a timely manner.**

164. UNOPS accepted the recommendations.

6. Procurement management

Digital transformation programme implemented without a detailed and fully integrated plan

165. In paragraph 127 of the UNOPS strategic plan for the period 2022–2025 (DP/OPS/2023/6), it is stated that "We will take a holistic approach to our enterprise architecture to ensure that our processes and information systems are fit for purpose and integrated, and enable us to respond through sustainable, cost-effective support services and integrated solutions".

166. In chapter 9 (on procurement process review) of the UNOPS procurement manual, it is indicated that "All procurement activities are subject to a review process prior to award" and that "All long-term agreements must be reviewed by the headquarters contracts and property committee (HQCPC) regardless of estimated amount".

167. The Board was informed that UNOPS had been working on a digital transformation programme, including engaging a digital consultancy firm to provide consultancy services for the first steps of the digital transformation and selecting Salesforce and MuleSoft as the digital engagement platform and the integration platform, respectively. The Board was also informed that some decisions made to advance the digital transformation programme remained controversial among UNOPS personnel.

168. The Board noted that the following:

(a) Selecting the digital consultancy firm through limited international competition – there was a shortlist comprising only four suppliers – resulted in poor responses, with only one technically compliant bidder. The Headquarters Contracts and Property Committee stated in its minutes that, for such processes, an open competition should be used to properly test the market and improve competition, rather than relying on a shortlist. Nevertheless, the contract was awarded to the consultancy firm;

(b) Advances were made in the digital transformation without taking full account of the substantial resources invested in the current platforms. As of the end of 2022, a total cost of $6.71 million invested in the oneUNOPS system (the UNOPS enterprise resource planning system) had been capitalized as intangible assets with an accumulated depreciation of $3.98 million accrued, leaving a net book value of $2.73 million. No quantitative cost and benefit analysis in that respect was conducted in the business case, proposals or other reports prepared for the digital transformation programme;

(c) the long-term agreement with a specific supplier for the supply of software licences had been awarded without a review by the Headquarters Contracts and Property Committee. In December 2022, UNOPS awarded a long-term agreement to the supplier for the supply of software licences, with a minimum commitment of the purchase of 6,300 licences for three years and a total award amount of $4.84 million. Management explained that the Committee was an advisory body to the Executive Chief Procurement Officer and that, because the agreement had been established on the basis of the mutual recognition principle from another United Nations entity, the Executive Director of UNOPS and the Executive Chief Procurement Officer considered that a Committee review was not required and would be detrimental to the best interest of UNOPS;

(d) There was a potential risk of overspending the annual budget to procure the licences. In December 2022, UNOPS, in order to deploy the budget of $4.88 million from the internal investment fund to procure the licences, approved an unusual approach, namely, using temporarily negative unallocated funds of $2.72 million to exceed the overall internal investment budget of $20 million, taking the risk of overspending as a result of temporarily enabling a project budget level of $22.72 million. Management explained that there was no financial risk of issuing the budget at the time owing to the low implementation rate of delayed projects;

(e) Although the 6,300 licences were delivered and activated in December 2022, the development and design of Partner Relationship Management, Surge and Mulesoft on the platforms had not been done until March 2023.

169. The Board also noted that, in the first session in 2023 of the Executive Board, the digital transformation of UNOPS was discussed and considered to play a critical role in improving internal control, effectiveness and transparency and enhancing ways of working. The Board was informed that UNOPS had set a long-term goal to replace oneUNOPS Projects and the oneUNOPS system and that UNOPS was still working on the framework for the digital transformation programme.

170. The Board is of the view that a comprehensive assessment on the feasibility of the digital transformation programme, including customer relationship management, human capital management and enterprise resource planning, is necessary and is concerned that a digital transformation programme implemented without a detailed and fully integrated plan would encounter many issues –, leading to requests on an exceptional basis regarding many aspects, including procurement processes, and budget approvals – and cannot ensure the realization of intended benefits.

171. **The Board recommends that UNOPS prepare an overarching plan for the digital transformation programme, including a robust forecast of costs and a timetable.**

172. UNOPS accepted the recommendation.

Deficiencies in identifying the authority for pre-selection requests from funding sources

173. In article 6.8.2 (on pre-selection) of the UNOPS procurement manual, it is stated that "Pre-selection takes place where a funding source has … selected a service provider/contractor ... and requested UNOPS to engage or employ the service provider/contractor" and that "the following pre-selection principles shall apply prior to acceptance of the request of the funding source to engage or employ a service provider/contractor: (i) Compliance: the funding source shall confirm that, in selecting the service provider/contractor, it has complied with its applicable regulations, rules and procedures".

174. The Board reviewed the pre-selection procurement process for 567 purchase orders carried out from January 2021 to September 2022. The Board noted that the items in those purchase orders, with a total procurement amount of $53.79 million, had been procured through the method of pre-selection. The Board also noted that 86 of the 567 purchase orders had been established to procure items for 20 United Nations entities with a total procurement amount of $6.83 million.

175. The Board sought confirmation from 3 of the 20 United Nations entities, whose pre-selection procurement amounted to $0.81 million. The three entities failed to confirm that they had performed the supplier selection in compliance with their own applicable regulations, rules and procedures, and stated that they had not officially requested UNOPS to engage or employ pre-selected suppliers.

176. For example, the procurement information provided by UNOPS showed that 20 purchase orders with a total procurement amount of $478,363 had been established through pre-selection to procure items for the United Nations Environment Programme (UNEP), including computers and printers. UNEP confirmed that those pre-selections had not been submitted to UNEP headquarters for approval and agreed to strengthen the control over pre-selection.

177. UNOPS explained that it relied on the procurement decision of the United Nations entities in question and that this was based on the Mutual Recognition Statement, a direct response to General Assembly resolution 71/243, in which the Assembly called for entities within the United Nations development system to "operate according to the principle of mutual recognition of best practices in terms of policies and procedures, with the aim of facilitating active collaboration across agencies and reducing transaction costs for Governments and collaborating agencies".

178. UNOPS explained that it proceeded on the basis that the pre-selection decision made by other United Nations entities had been done in compliance with their own applicable rules, regulations and procedures. In that regard, UNOPS requested all its partners, including United Nations entities, to provide written confirmation thereto.

179. The Board noted that, while UNOPS had received written confirmation from the staff of the funding sources, the headquarters of all three sampled United Nations entities denied that the entity had officially requested UNOPS to engage with pre-selected suppliers.

180. The Board is concerned that the aforementioned procurement activities were conducted without solid supplier selection processes, indicating deficiencies in the pre-selection practices, which might prevent UNOPS from achieving “the principle of mutual recognition of best practices” over the long term.

181. **The Board recommends that UNOPS strengthen the approval process of pre-selection requests from United Nations funding sources and assess the feasibility of obtaining endorsement from their headquarters office so as to better implement the principle of mutual recognition of best practices in the United Nations development system.**

182. UNOPS accepted the recommendation.

7. Risk management

Lack of human resources and insufficient functioning of Internal Audit and Investigation Group

183. In the UNOPS operational directive on internal audit and investigation charter (OD.ED.2022.01), it is stated that the Internal Audit and Investigation Group “is a key component of UNOPS’ independent oversight system. Its mission is to provide UNOPS with independent and impartial assurance, advice, and investigative and consulting services through its internal audits and investigations to improve the organization’s operations”.

184. As of the time of the Board’s audit, the Board noted the following with regard to the Internal Audit and Investigation Group: (a) there were only 5 staff members and 11 individual contractor agreement holders; (b) most investigators and auditors were employed under consulting agreements; (c) the fixed-term personnel of the Group were awarded one-year contracts; and (d) there was only one senior investigator. During the meeting with the Group, the Board received confirmation that there was a need to enhance the human resources in the Group.

185. The Board also noted that, for Sustainable Investments in Infrastructure and Innovation investments, the Office of Internal Oversight Services (OIOS) had investigated an allegation received in October 2021 of financial irregularities, issuing its resulting report of the investigation on 3 May 2022. An earlier allegation of misconduct, received by OIOS in February 2019 and concerning We Are the Ocean, was referred to UNOPS. In addition, in December 2020 the Internal Audit and Investigation Group stopped asking We Are the Ocean for information after consulting with the UNOPS Executive Office and the legal team. The Board further noted that, according to a report on the assessment of the independence of the UNOPS Internal Audit and Investigations Group, the Group’s independence had been infringed upon with respect to its audit activity. The existence of such situations may indicate insufficient resources and adequate mechanisms to ensure the free and independent function of the Group.

186. The Board acknowledged the action taken by UNOPS to improve the independent functioning of the Internal Audit and Investigation Group, such as conducting assessments to identify the positions that entail “inherently United Nations activities”, increasing the budget of the Group and recruiting for new positions. However, the Board is of the view that there is still more room to improve the independence of the Group.

187. **The Board recommends that UNOPS continuously improve the functioning of the Internal Audit and Investigation Group and ensure its independence for improved risk management.**

188. UNOPS accepted the recommendation.

C. Transmissions of information by management

1. Write-off of losses of cash, receivables and property

189. Management informed the Board that, in 2022, it formally wrote off assets in the amount of $4,259,971, including overspending of $715,036[1] and client rejected expenditure of $1,064,687.

190. As at 31 December 2022, management had also reported provisions of $20.93 million for bad and doubtful debts.

2. Ex gratia payments

191. UNOPS informed the Board that an amount of $90,518.59 had been paid as an ex gratia payment during the year ended 31 December 2022.

3. Cases of fraud and presumptive fraud

192. 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.

193. 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.

194. UNOPS informed the Board that there were 50 fraud cases in 2022. In addition, UNOPS informed the Board that 3 of those 50 cases had a monetary impact of $971,293 (2021: $367,523) on UNOPS, a 164 per cent increase in value compared with 2021.

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

D. Acknowledgement

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

(*Signed*) **Hou** Kai
Auditor General of the People's Republic of China
Chair of the Board of Auditors
(Lead Auditor)

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

(*Signed*) Pierre **Moscovici**
First President of the French Cour des comptes

26 July 2023

Annex

Status of implementation of recommendations up to the financial year ended 31 December 2021

						Status after verification			
No.	*Audit report year*	*Report reference*	*Board's recommendation*	*UNOPS response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1	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 updated the client project closure process in its project management system, oneUNOPS Projects.	The recommendation has been overtaken by events.				X
2	2018	A/74/5/Add.11, chap. II, para. 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.	UNOPS has completed the testing and development of the automation of phase 1 of the automation of the corporate financial statements. Phase 1 has resulted in the automated generation of statements I and II of the corporate financial statements, and this will be used in the preparation of the 2023 statements. Therefore, UNOPS considers the recommendation implemented, given that the most complex part of the preparation of the corporate financial statements is now automated in phase 1. Phase 2 of the automation process is in line to further automate the remaining statements and notes to the financial statements.	Phase 1 of the automation has resulted in the automated generation of statements I and II, while phase 2 of the automation process is in line to further automate the remaining statements and notes to the financial statements. Further confirmation of the effectiveness of automation will be required through the 2023 financial statements. This recommendation is considered to be under implementation.		X		
3	2018	A/74/5/Add.11, chap. II, para. 174	The Board recommends that UNOPS automate preparation of financial statements to ensure the credibility of financial information. UNOPS should also prioritize implementation of treasury management and inventory	UNOPS has completed the testing and development of the automation of phase 1 of the automation of the corporate financial statements. Phase 1 of the automation has resulted in the automated generation of statements I and II of the corporate	Phase 1 of the automation has resulted in the automated generation of statements I and II, while phase 2 of the automation process is in line to further automate		X		

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			valuation and management in oneUNOPS.	financial statements, and this will be used in the preparation of the 2023 statements. Therefore, UNOPS considers the recommendation implemented, given that the most complex part of the preparation of the corporate financial statements is now automated in phase 1. Phase 2 of the automation process is in line to further automate the remaining statements and notes to the financial statements.	the remaining statements and notes to the financial statements. Further confirmation of the effectiveness of automation will be required through the 2023 financial statements. This recommendation is considered to be under implementation.				
4	2019	A/75/5/Add.11, chap. II, para. 63	The Board recommends that UNOPS review the status of implementation of the projects, establish a more structured process for monitoring their progress, reassess the risks to its investments on the basis of actual progress against the benchmarks and take appropriate steps for mitigation measures.	All Sustainable Investments in Infrastructure and Innovation projects were operationally closed and, as was agreed with the UNOPS Executive Board, UNOPS would no longer invest its own funds.	Given that, according to the Executive Board decisions 2022/21 and 2022/24, UNOPS has been requested to recover all the funds related to the Sustainable Investments in Infrastructure and Innovation and freeze further Sustainable Investments in Infrastructure and Innovation investments, this recommendation is considered to have been overtaken by events.				X
5	2019	A/75/5/Add.11, chap. II, para. 90	The Board recommends that UNOPS review and document the performance of the investment manager at intervals, as formalized in the statement of investment principles of January 2020.	UNOPS continues to use its established system for evaluating supplier performance.	UNOPS completed the supplier performance evaluation with qualitative input in December 2022, using its established system. This recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
6	2019	A/75/5/Add.11, chap. II, para. 92	The Board also recommends that UNOPS consider the performance of the investment manager against the objectives of the statement of investment principles, while considering a further extension of the agreement with the investment manager.	UNOPS documents the performance of the investment manager through a comprehensive process. The documented performance was reviewed in connection with the contract extension process in 2022, resulting in an award by the Executive Chief Procurement Officer, following the Headquarter Contracts and Property Committee review for the extension. The contract may not be extended in 2024 without an amendment. Therefore, in due time UNOPS will proceed with a new competitive procurement process for its provident fund. Therefore, management considers the recommendation successfully implemented.	UNOPS completed the supplier performance evaluation with qualitative input in December 2022, using its established system. This recommendation is considered implemented.	X			
7	2019	A/75/5/Add.11, chap. II, para. 109	The Board recommends that UNOPS assess its approach to the inclusion of a provision for performance security, in particular for non-works contracts with a high value, large volume or complexity, for ensuring seriousness on the part of suppliers and performance of the contract.	The guidance for performance securities was released in December 2022.	The guidance for performance securities was released in December 2022.This recommendation is considered implemented.	X			
8	2019	A/75/5/Add.11, chap. II, para. 123	The Board recommends that UNOPS assess its approach to the inclusion of the provision of liquidated damages, in particular for high-value contracts, in order to mitigate the risk of potential late performance leading to financial loss to UNOPS and its partners.	UNOPS established a global task force for the development of a liquidated damages guidance document to support the current provisions in the UNOPS procurement manual. The task force held its first meeting on 13 March 2023.	UNOPS has not finished all the planned meetings regarding the global task force for the development of a liquidated damages guidance document. This recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
9	2019	A/75/5/Add.11, chap. II, para. 136	The Board recommends that UNOPS ensure compliance with its financial regulations and rules for the operational closure of projects and put in place appropriate checks to promptly change the status of projects as soon as their activities have ceased.	UNOPS confirms to the Board that the project stages and closure functionality was released in oneUNOPS Projects.	It is noted that the project stages and closure functionality was released in oneUNOPS Projects on 2 September 2022, which included the closure process broken down to incorporate workflows with approvals at key points, and UNOPS integrated the full project closure process in oneUNOPS Projects to guide and oversee the status of the projects. This recommendation is considered implemented.	X			
10	2020	A/76/5/Add.11, chap. II, para. 38	The Board recommends that UNOPS conduct a thorough risk reassessment to the existing investments and establish mechanisms to measure and control the risk concentration to avoid excessive exposures to any single partner.	It was agreed with the UNOPS Executive Board that UNOPS would no longer invest its own funds.	According to Executive Board decisions 2022/21 and 2022/24, UNOPS has been requested to recover all the funds related to the Sustainable Investments in Infrastructure and Innovation project and freeze further Sustainable Investments in Infrastructure and Innovation investments. This recommendation is considered to have been overtaken by events.				X

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
11	2020	A/76/5/Add.11, chap. II, para. 47	The Board recommends that UNOPS establish necessary procedures to strengthen the risk assessment and ongoing monitoring of its S3i initiative investments to ensure the safety of the investments.	In response to the recommendation made in the KPMG review of UNOPS internal control systems, risk management and overall governance structures to continue the risk assessment of the broader portfolio in order to understand whether there was a systematic failure still to be addressed, one of the actions defined by UNOPS was to continue risk assessment and the monitoring of relevant projects. This is being led by the UNOPS Risk Unit.	UNOPS is currently in the process of making rectifications on the basis of audit recommendations provided by KPMG regarding the Sustainable Investments in Infrastructure and Innovation project. Five outstanding items remain unresolved, and the Office of Legal Affairs has not yet issued an official report on the Sustainable Investments in Infrastructure and Innovation project. Some targeted measures to enhance internal controls still require further improvement. In the light of these circumstances, it is recommended to proceed with the rectification process. This recommendation is considered to be under implementation.		X		
12	2020	A/76/5/Add.11, chap. II, para. 58	The Board recommends that UNOPS review its policies on bad debt allowance for S3i investments and consider complementing the specific measurement methods of the allowance for estimated irrecoverable amounts.	UNOPS has made specific reference in the related processes and polices related to Sustainable Investments in Infrastructure and Innovation valuation and bad debt assessments. A detailed management response, including specific reference in Process and Quality Management System (Process and Quality Management	Given that, according to the Executive Board decisions 2022/21 and 2022/24, UNOPS was requested to recover all the funds related to the Sustainable Investments in Infrastructure and Innovation project and freeze further				X

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				System) and Sustainable Investments in Infrastructure and Innovation valuation guidelines, has been updated to address this recommendation. In a more recent development, the Executive Board, in its decision 2022/24, welcomed the UNOPS decision to suspend any form of impact investment.	Sustainable Investments in Infrastructure and Innovation investments, and that the Sustainable Investments in Infrastructure and Innovation investments were fully impaired, this recommendation is considered to have been overtaken by events.				
13	2020	A/76/5/Add.11, chap. II, para. 65	The Board recommends that UNOPS strengthen the guidance on evaluating specific components such as the service provided and the associated risk to balance over-cost engagements and under-cost engagements when applying the existing pricing model to memorandums of understanding.	UNOPS updated its indirect cost-recovery policy in August 2022, including guidelines on how the fee-setting for memorandums of understanding should be conducted to ensure that it is based in full on the UNOPS need for indirect cost recovery.	It is noted that UNOPS has updated its guidelines to specify the fee-setting for memorandums of understanding. This recommendation is considered implemented.	X			
14	2020	A/76/5/Add.11, chap. II, para. 73	The Board recommends that UNOPS update its guidelines to complement the necessary documentation on justification for the risk increment calculation as part of the management fee and devise an appropriate review mechanism on such justification to provide assurance with respect to the applicability of the pricing model during the engagement acceptance process.	UNOPS updated its indirect cost-recovery policy in August 2022, aiming specifically to address the issue of assessment and documentation of the risk increment.	It is noted that UNOPS updated its indirect cost-recovery policy regarding the risk increment in 2022 and decided to stop applying the risk increment fee since the minimum operational reserve requirement was met. However, given that the guideline regarding the review mechanism and risk calculation needs further refinement to better guide practical work, this recommendation is		X		

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
					considered to be under implementation.				
15	2020	A/76/5/Add.11, chap. II, para. 86	The Board recommends that UNOPS take measures to strengthen the accountability of personnel involved and develop a time schedule to expedite the launch of system enhancements to track disposal processes.	All enhancements related to assets were launched into production in April 2022.	UNOPS has launched the enhancements related to asset disposal. This recommendation is considered implemented.	X			
16	2020	A/76/5/Add.11, chap. II, para. 94	The Board recommends that UNOPS formulate the budget estimates of strategic investments based on expected expenses in compliance with IPSAS 24 and thus make budget a reliable criterion for evaluation and performance management.	The UNOPS internal investment strategy was updated and the official meeting schedule resumed. At the end of 2022, the overall variation between the internal investment budget and expenditure was 4 per cent, confirming that the budget was a reliable criterion for evaluation and performance management. UNOPS considers this recommendation closed.	This recommendation is considered to have been overtaken by events.				X
17	2020	A/76/5/Add.11, chap. II, para. 101	The Board recommends that UNOPS link the strategic investments budget with its corresponding outcome and performance indicators.	UNOPS has linked its strategic investment budget with its management results framework, including the relevant performance indicator, and will clarify the link between performance indicators and internal investment projects, as well as the relation to the wider management results framework. Each individual internal investment project is reviewed against its specific objectives. The performance indicator in the budget estimates documents measures the completion of this individual reporting. UNOPS believes that this recommendation has been implemented in accordance with the initial timeline.	UNOPS has linked its strategic investment budget with its corresponding outcome and performance indicators. This recommendation is considered implemented.	X			

No.	*Audit report year*	*Report reference*	*Board's recommendation*	*UNOPS response*	*Board's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
18	2020	A/76/5/Add.11, chap. II, para. 159	The Board recommends that UNOPS, as part of the expected enhancement of corporate risk management, assess the feasibility of incorporating corporate risks into oneUNOPS and verify that the risk management operational instruction reflects the UNOPS strategic direction regarding this subject.	UNOPS has already reflected the required clarification in the promulgated risk management operational instruction. In addition, in order to support the operational instruction's implementation and a more integrated approach to corporate risk management, UNOPS has set a dedicated training budget for quantitative and qualitative risk management, and risk-informed planning and decision-making. UNOPS is addressing corporate risk integration through key processes such as business planning and budgeting and business review reporting, as well as performing market research on commercial risk management solutions.	This recommendation is considered to have been overtaken by events.				X
19	2020	A/76/5/Add.11, chap. II, para. 165	The Board recommends that UNOPS strengthen travel management by developing clear and applicable measures to encourage advance booking by personnel and ensure economical use of resources.	The travel authorization and daily subsistence allowance automation tool has been implemented and is mandatory to use as from 1 September 2022.	Improvement measures are still being taken and implemented. This recommendation is considered implemented.	X			
20	2021	A/77/5/Add.11, chap. II, para. 30	The Board recommends that UNOPS assess and bring forth further developments to the process on the recognition of events after the reporting date in line with IPSAS.	Following the recommendations of the Board of Auditors, UNOPS has further enhanced the process concerning recognition of subsequent events. To this end, UNOPS has issued guidance notes on events after the reporting date and introduced new procedures and forms that will facilitate the reporting of subsequent events.	The quarterly reporting mechanism is being formulated by UNOPS. This recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
21	2021	A/77/5/Add.11, chap. II, para. 38	The Board recommends that UNOPS conduct a review on the growth and innovation reserve and take all appropriate measures including formulation of framework, guidelines, procedures and policy, to ensure the effective management of the reserve.	Further to UNOPS Executive Board decision 2022/13, UNOPS considers this recommendation to have been overtaken by events. In accordance with these decisions, UNOPS has not maintained a growth and innovation reserve since June 2022.	Considering that UNOPS has not maintained a growth and innovation reserve since June 2022, this recommendation is considered to have been overtaken by events.				X
22	2021	A/77/5/Add.11, chap. II, para. 50	The Board recommends that UNOPS continue to collect comprehensive information on the debtors' financial position and asset values, and appraise the debt values with adequate information and coherent methods, so as to ensure the accuracy and credibility of the bad debt allowance and impairment.	The external party carrying out the 2022 valuation exercise for UNOPS provided its final report. The Office of Legal Affairs has been mandated to attempt the recovery of funds from Sustainable Investments in Infrastructure and Innovation investments. UNOPS has not received a response to the information request letter sent to the SHS private holding company that was to facilitate the valuation of Sustainable Investments in Infrastructure and Innovation investments for 2022.	The Board noted uncertainties in the recovery of Sustainable Investments in Infrastructure and Innovation-related funds, the efforts and progress of which would have an impact on the likelihood of the recovered amount and the estimated future cash flows. Given this, according to the UNOPS Executive Board decisions 2022/21 and 2022/24, UNOPS has been requested to recover all the funds related to the Sustainable Investments in Infrastructure and Innovation initiative. Sustainable Investments in Infrastructure and Innovation investments were fully impaired in February 2023 according to the valuation results on the basis of limited				X

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
					information, which had a significant impact on the 2022 financial statements for UNOPS. This recommendation is considered to have been overtaken by events.				
23	2021	A/77/5/Add.11, chap. II, para. 72	The Board recommends that UNOPS conduct a comprehensive, in-depth and adequate evaluation or review of the decision-making, management and internal control of the WATO and Ocean Generation projects, and establish a compliance and accountability mechanism to avoid the recurrence of such issues.	KPMG finalized and submitted its review of We Are the Ocean on 17 February 2023. Key recommendations include the revision of UNOPS financial regulations and rules, on which action is being taken.	The improvement measures are still being taken and implemented. This recommendation is considered to be under implementation.		X		
24	2021	A/77/5/Add.11, chap. II, para. 80	The Board recommends that UNOPS conduct a thorough review of its existing pricing model, considering the latest financial performance.	UNOPS updated its pricing model as from 29 August 2022. The revised pricing model and the accompanying Process and Quality Management System process reflect the UNOPS substantive increase in delivery while having a comparable cost through a lower fee setting for calculation model 1, whereby the fee for non-personnel costs has been reduced from 5 to 3.5 per cent and the fee for UNOPS personnel costs has been reduced from 35 to 15 per cent. The revised numbers are based on the 2020 and 2021 UNOPS financial statements and are the reflection of substantively increased non-personnel delivery in many UNOPS projects.	The Board noted that UNOPS had updated its indirect cost-recovery policy and corresponding pricing rates in 2022, which used the financial performance of 2020 and 2021 as a basis. This recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
25	2021	A/77/5/Add.11, chap. II, para. 81	The Board further recommends that UNOPS establish a regular review mechanism to ensure that management fees charged are maintained at a reasonable level.	UNOPS updated its pricing model as from 29 August 2022. The revised pricing model and the accompanying Process and Quality Management System process now include a clear requirement for UNOPS that the pricing model "shall be reviewed at least on a biennial basis in connection with the presentation of UNOPS Budget Estimates". This will ensure that UNOPS will update its pricing model regularly to maintain reasonable fee levels.	UNOPS has updated its pricing model and revised the accompanying process to include a clear requirement that the pricing model shall be reviewed at least on a biennial basis. The recommendation is considered implemented.	X			
26	2021	A/77/5/Add.11, chap. II, para. 92	The Board recommends that UNOPS promulgate its updated policy on risk increment in a timely manner on the basis of the latest minimum operational reserve requirements and clarify the criteria for collecting risk increment under different circumstances to ensure the reasonable collection of fees.	UNOPS updated its indirect cost-recovery policy in August 2022, specifically linking the charge of a risk increment to the status of the operational reserves. Since early in 2022, given that the minimum operational reserve requirement is met, UNOPS has not been including a risk increment in new engagements.	UNOPS updated its policy on risk increment, and there is no risk increment added to new engagements. This recommendation is considered implemented.	X			
27	2021	A/77/5/Add.11, chap. II, para. 99	The Board recommends that UNOPS take measures to finalize the key controls to ensure that quarterly reporting is conducted on the effectiveness of internal control.	Ongoing control effectiveness testing was completed by the third quarter of 2022. Control improvement recommendations were identified as a result of the control effectiveness testing. The report has been shared with the process owners. The initial control effectiveness dashboard has been developed. Bimonthly meetings with the process owners commenced in the last quarter of 2022. End-to-end process updates are being conducted by the Internal Audit and Investigation Group.	The quarterly reporting mechanism is being formulated by UNOPS. This recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
28	2021	A/77/5/Add.11, chap. II, para. 115	The Board recommends that UNOPS review the human resources services it provides to United Nations partners and try its best to align its services involving individual contractors with partners' applicable rules on the management of individual contractors.	UNOPS and the United Nations Secretariat are close to agreeing on a new framework memorandum of understanding.	The Board is concerned that, when providing human resources services, UNOPS resorted only to its own rules and the legal agreements with partners and provided partners with human resources services that exceeded the limits on contract duration, fees and entitlements of individual contractors set out in the applicable rules. This led to potential legal risks in the contracting of individual contractors by UNOPS. This recommendation is considered to be under implementation.		X		
29	2021	A/77/5/Add.11, chap. II, para. 128	The Board recommends that UNOPS review the Mine Action Service project asset data in oneUNOPS and WASP and establish a mechanism to check the consistency between the Mine Action Service project assets and their records in oneUNOPS.	UNOPS has revised its standard operating procedure and established a mechanism to check data consistency. However, cross-checking and quality assurance of the data were ongoing.	Given that the cross-checking and quality assurance of the data are ongoing, this recommendation is considered to be under implementation.		X		
30	2021	A/77/5/Add.11, chap. II, para. 141	The Board recommends that UNOPS expedite the negotiation with the United Nations Secretariat to resolve the long-standing project asset management issue, in order to avoid any off-balance sheet items and associated risks.	Negotiations on the new memorandum of understanding with the Secretariat are at an advanced stage, with a comprehensive draft concluded at the end of 2022. Lawyers representing both entities have undertaken a legal review, and comments and recommendations	Negotiations on the new memorandum of understanding with the Secretariat are at an advanced stage, with a comprehensive draft concluded at the end of 2022. Lawyers representing both		X		

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				arising from the legal review are being considered with a view to incorporating most of them. It is anticipated that the new memorandum of understanding will be finalized by the second quarter of 2023.	entities have undertaken a legal review, and comments and recommendations arising from the legal review are being considered with a view to incorporating most of them. It is anticipated that the new memorandum of understanding will be finalized by the second quarter of 2023. This recommendation is considered to be under implementation.				
31	2021	A/77/5/Add.11, chap. II, para. 147	The Board recommends that UNOPS strengthen the physical verification on Mine Action Service project assets.	UNOPS has revised its standard operating procedure, amended its internal asset reporting and verification template and introduced a joint UNOPS/Mine Action Service monthly asset meeting. However, additional training for all Mine Action Service offices, required to ensure full implementation of the changes, was ongoing.	Given that additional training was ongoing, this recommendation is considered to be under implementation.		X		
32	2021	A/77/5/Add.11, chap. II, para. 157	The Board recommends that UNOPS develop a monitoring tool to perform a whole process tracking on the Mine Action Service project assets on loan to identify risks and report issues so as to improve the transparency and efficiency of the management of assets on loan.	UNOPS has created a new monitoring tool and a new standard operating procedure on assets loaned on a right-of-use agreement.	Given that UNOPS has created a new monitoring tool and a new standard operating procedure on assets loaned on a right-of-use agreement, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
33	2021	A/77/5/Add.11, chap. II, para. 164	The Board recommends that UNOPS establish a mechanism to improve the efficiency of the UNOPS-controlled processes related to the disposal and write-off request submission and physical disposal of Mine Action Service project assets.	UNOPS has been monitoring new project asset disposal recommendations and the United Nations Secretariat case review status of pending/approved disposals cases through the global project asset reporting template. In addition, the joint UNOPS/Mine Action Service disposal case review meeting would be held monthly.	Given that UNOPS has been monitoring new project asset disposal recommendations and the United Nations Secretariat case review status through the global project asset reporting template and that the joint UNOPS/Mine Action Service disposal case review meeting has been held monthly, this recommendation is considered implemented.	X			
34	2021	A/77/5/Add.11, chap. II, para. 174	The Board recommends that UNOPS conduct a feasibility study on establishing a digital management system that supports the whole life cycle of the grant management to determine the extent and best possible solution.	UNOPS took a series of action towards the execution of a feasibility study on establishing a digital management system that supports the whole life cycle of grant management in order to determine the needs, scope and best possible solution. The feasibility study is complete and outlines options and recommendations for the digitization subgroup and, thereafter, consideration by the management team.	UNOPS has conducted a feasibility study on establishing a digital management system. This recommendation is considered implemented.	X			
35	2021	A/77/5/Add.11, chap. II, para. 180	The Board recommends that UNOPS explicitly prescribe in its processes that the "no conflict of interest" declaration form be signed prior to the start of the evaluation process to strengthen the grant selection and review process.	UNOPS promulgated a revised grant support policy (OI.IPS.2022.02) effective 15 December 2022. The policy requires evaluation committee members and observers to sign a "no conflict of interest declaration form" where UNOPS is responsible for the selection and performance of a grantee, as identified in article 5.6.1 of the operational instruction.	UNOPS promulgated a revised grant support policy in 2022, which requires evaluation committee members and observers to sign a "no conflict of interest declaration form". The recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
36	2021	A/77/5/Add.11, chap. II, para. 187	The Boards recommends that the UNOPS Europe and Central Asia Regional Office strengthen the monitoring of compliance with the UNOPS financial regulations and rules for operational closure of the projects in its portfolio, accurately classify the different stages of project life cycle and ensure that the system status of the projects in its portfolio is aligned with the project lifespan stage and activities to be undertaken.	Headquarter Implementation Practices and Standards has updated the internal system setup to allow for accurate classification of different project stages. The Europe and Central Asia Regional Office has further strengthened and fully integrated proactive monitoring of operational project closure into monthly monitoring and the quarterly assurance process.	UNOPS has updated the internal system setup to allow for accurate classification of different project stages and implemented the recommendations by integrating proactive monitoring of operational project closure into monthly monitoring and the quarterly assurance process. This recommendation is considered implemented.	X			
37	2021	A/77/5/Add.11, chap. II, para. 188	The Board further recommends that UNOPS Europe and Central Asia Regional Office escalate in accordance with the UNOPS process when a risk of delayed project operational closure is identified.	The Europe and Central Asia Regional Office has a proactive risk culture, and risk escalation is working well through emails, meetings and the quarterly assurance process for information, support and/or action. A risk escalation instruction on operational closure delay has been issued and risk escalation guidance been finalized.	Management has put many measures in place and strengthened monitoring and oversight systems and resources at the multi-country office level to ensure timely operational closure. This recommendation is considered implemented.	X			
38	2021	A/77/5/Add.11, chap. II, para. 195	The Board recommends that UNOPS establish a standard procedure for linking the potential of outputs' contributions to the Sustainable Development Goals, seek to collaborate with partners where possible on assessing the assumptions, perform a systematic analysis and report to the Executive Board on the contributions of	As at 1 March 2023, UNOPS had revised its business processes as they relate to the inception of new engagements. All existing, ongoing engagements have been mapped to the Sustainable Development Goals managed within oneUNOPS Projects in the engagement module, and guidance was developed to assist UNOPS personnel in aligning new engagements to the relevant Goals.	UNOPS has revised business processes managed within oneUNOPS for linking the potential of outputs' contributions to the Sustainable Development Goals. This recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			its service delivery to the objectives of partners and the achievement of broader development goals.						
39	2021	A/77/5/Add.11, chap. II, para. 206	The Board recommends that UNOPS list clearly in its rules the positions that entail "inherently UN activities" and must be filled by staff members to ensure that staff members remain the core human resources of the organization.	The relevant process in the Process and Quality Management System that is an integral part of the UNOPS legislative framework contains a new definition of "inherently United Nations activities". The full list with positions is also available in the Process and Quality Management System process 7.4.1 issue letter of appointment for staff.	The Board noticed that UNOPS had made a list that included all mission-critical roles. However, it is noted that, currently, the mission-critical roles are concentrated at levels 11 or above. The Board does not know what the basis is for such a classification and is unsure whether mission-critical positions and position levels are necessarily related. This recommendation is considered to be under implementation.		X		
40	2021	A/77/5/Add.11, chap. II, para. 212	The Board recommends that UNOPS review all the supervisor assignments and change the incorrect ones.	A process for a regular review has been implemented. This is to avoid any such discrepancies being overlooked in the future.	UNOPS implemented the process for regular reviews to avoid discrepancies. This recommendation is considered implemented.	X			
41	2021	A/77/5/Add.11, chap. II, para. 213	The Board further recommends that UNOPS translate the rules for assigning supervisors into settings in oneUNOPS to prevent the recurrence of the errors.	UNOPS is looking to implement system controls to avoid any recurrence and introduce a system check so that if anyone is selecting a supervisor at a position level lower than that resource, a notification is sent to consider the selection so that it can be monitored to ensure that the selection is correct.	UNOPS has developed a dashboard for automated regular monitoring of irregularities in the reporting lines. This recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
42	2021	A/77/5/Add.11, chap. II, para. 219	The Board recommends that UNOPS conduct a comprehensive review of the supervisor assignment of current staff members and take timely and corrective measures to ensure the correct supervisor assignment for staff members and individual contractor agreement holders.	A process for a regular review has been established. This is to avoid any such discrepancies being overlooked in the future.	UNOPS has established the process for a regular review. This recommendation is considered implemented.	X			
43	2021	A/77/5/Add.11, chap. II, para. 226	The Board recommends that UNOPS conduct a comprehensive review of the use of UNOPS email accounts and other systems by partner personnel to ensure that any use is governed by applicable policies.	UNOPS has reviewed all personnel who are on partner contracts and made certain that any access to UNOPS systems is governed by applicable policies.	UNOPS has reviewed its personnel who are on partner contracts and made certain that any access to UNOPS systems is governed by applicable policies. This recommendation is considered implemented.	X			
44	2021	A/77/5/Add.11, chap. II, para. 235	The Board recommends that UNOPS evaluate in a timely manner whether it needs to establish specific segregation of duties in the requisition process in the UNOPS procurement manual and a system control in oneUNOPS to prevent the recurrence of role conflicts or inadequate segregation of duties in the procurement process.	UNOPS evaluated whether a specific segregation of duty was needed as part of the ongoing work by UNOPS on core controls in the procurement function under the guidance of finance and risk management teams. The risk at the requisition stage was assessed as not being key because there is no financial commitment/risk at this stage of the procurement process.	UNOPS conducted the assessment as recommended. This recommendation is considered implemented.	X			

No.	*Audit report year*	*Report reference*	*Board's recommendation*	*UNOPS response*	*Board's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
45	2021	A/77/5/Add.11, chap. II, para. 245	The Board recommends that UNOPS review its Procurement Manual to introduce more operational and instructive guidance for the levy of performance security and to require justifications for non-inclusion of the provision, in particular for contracts of high value and/or contracts established under emergency procurement procedures.	UNOPS completed and launched the enhancement to the eSourcing system to request a mandatory justification for the non-inclusion of the performance security provision under emergency procurement procedures processes. Two global webinars were held in that regard.	The guidance for performance securities was released in December 2022; this recommendation is considered implemented.	X			
		Total number of recommendations			**45**	**25**	**12**	**–**	**8**
		Percentage of the total number of recommendations			**100**	**56**	**26**	**–**	**18**

Chapter III
Financial report for the year ended 31 December 2022

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 2022 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. It can continue to resource its organizational structures and other statutory requirements through the recovery of the indirect costs needed for the implementation of its restated strategic plan for the period 2022–2025, once endorsed by the Executive Board at the 2023 annual session.

2. The UNOPS strategic plan for the period 2022–2025 was endorsed by the Executive Board at its second regular session, in September 2021. In late 2021, potential failures in relation to the Sustainable Investments in Infrastructure and Innovation initiative became apparent. In 2022, the Executive Director ad interim, under the guidance of the Executive Board, launched and implemented an initial 10-point action plan. By November 2022, the Executive Board had welcomed the fact that all activities of the Sustainable Investments in Infrastructure and Innovation initiative had been suspended. It requested the Executive Director to develop a comprehensive response plan to address recommendations of third-party reviews. The Executive Board also requested that UNOPS conduct a midterm review of its strategic plan and present the review as the annual report of the Executive Director, together with a restated strategic plan for 2022–2025 at the 2023 annual session.

3. By the first quarter of 2023, the implementation of the comprehensive response plan has seen significant progress and all actions are on track to implementation. This includes the restated strategic plan for 2022–2025, which, in accordance with Executive Board decision 2022/24, will reorient UNOPS towards pursuing its original mandate.

4. The year 2022 was the first of the 2022–2025 strategic plan period. UNOPS continued to enable partners, help people in need and support countries in their efforts to realize the ambitious targets of the 2030 Agenda for Sustainable Development. This was achieved, notwithstanding setbacks in the wake of the coronavirus disease (COVID-19) pandemic, compounded by conflict and the effects of climate change. In line with the requests from the Executive Board, UNOPS will refocus its efforts for impact for the most vulnerable people and fragile countries and take further steps to account for direct and indirect contributions made on behalf of partners.

B. Highlights of results in 2022

5. UNOPS shares a mission to help people to build better lives and countries to achieve peace and sustainable development. As a self-financing organization, without any voluntary or assessed contributions from Member States, UNOPS relies on exchange revenue from the delivery of flexible and modular project services, spanning infrastructure, procurement and project management, including human resources and financial management.

6. Almost 9 million days of paid work for local people were created through UNOPS projects in 2022, of which 4.1 million were for women and 4.6 million for men. Across both genders, 1.2 million days of work were created for young people, defined as individuals between the ages of 15 and 24. The majority were related to

infrastructure projects, including the construction or rehabilitation of 24 schools, 4 hospitals, 10 health clinics, 9 police stations and 297 km of roads. This compares with 30 schools, 10 hospitals, 62 health clinics, 9 police stations and 312 km of roads in 2021.

7. UNOPS procured $1.8 billion worth of goods and services for its partners in 2022. Excluding the large pharmaceutical procurement engagement with the Government of Mexico (for which almost all procurement was from locally registered suppliers), 45 per cent of the procurement in 2022 was recorded with local suppliers, compared with 47 per cent in 2021.

8. As part of sharing UNOPS knowledge and expertise, more than 21,000 days of technical assistance were provided to partners, compared with almost 36,000 in 2021. In 2022, the share of infrastructure projects implementing national capacity-building in project delivery was 79 per cent, compared with 72 per cent in 2021.

Delivery and partnerships

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

10. UNOPS delivery was close to $3.5 billion in 2022, exceeding the total in 2021 of $3.4 billion slightly. With the delivery of UNOPS procurement services on behalf of the Government of Mexico coming to an end, delivery for 2023 is expected at a lower level.

11. In 2022, $562 million of UNOPS delivery was on behalf of the United Nations system, a decrease of $20 million compared with 2021. The largest United Nations partner continued to be the Secretariat. Delivery on behalf of the Office of the United Nations High Commissioner for Refugees grew for the tenth consecutive year; other strong partnerships included those with the United Nations Environment Programme and the World Health Organization.

12. Direct support to Governments accounted for the largest share of delivery value, at almost $2 billion, slightly lower than in 2021. Following the pattern in 2021, the most significant partnership with a host Government during 2022 was with Mexico, followed by Guatemala, Argentina, Ethiopia and Honduras. The largest donor Government to which UNOPS delivery could be directly attributed was Qatar, followed by the United States of America, Japan, Germany and the United Kingdom of Great Britain and Northern Ireland.

13. The largest countries or territories in terms of delivery were Mexico, Myanmar, Guatemala, the State of Palestine and Argentina, the same order as in 2021.

Financial performance and results

14. The financial performance of UNOPS in 2022 can be summarized as follows:

(a) UNOPS increased the value of the net services delivered to $3,474.8 million. The amount comprised $1,094.2 million in respect of projects delivered on behalf of UNOPS and $2,380.6 million in respect of projects delivered on behalf of other organizations;

(b) The net deficit for the year was $28.8 million, which includes surplus from operations of $1.5 million and a net finance loss of $30.3 million;

(c) The net assets at year end stood at $324.0 million. 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 $48.9 million and $57.1 million, respectively, recognized in the statement of changes in net assets. Net assets are further described later in the present report.

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

15. 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 2022 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 to deliver partner services in the future;

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

16. 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.

17. In 2022, the total expenses of UNOPS services amounted to $3.6 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 compared with 2021, in which total expenses of $3.5 billion was recorded.

18. In 2022, total revenue as reported in the statement of financial performance, which represents the actual income attributable to UNOPS, amounted to $1,224.8 million, an increase of 1.3 per cent compared with 2021 ($1,208.7 million). The increase is due mainly to changes in the composition of delivery volume on principal project expenditure.

19. IPSAS distinguishes between contracts where UNOPS acts as a principal and contracts where it acts as an agent. In other words, where UNOPS delivered services while retaining the significant risk of ownership, 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, bearing insignificant risk of

ownership, that is, by acting as an agent, only the net revenue is reported on the statement.

20. The difference between gross delivery and IPSAS revenue figures consists of $2,380.6 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 20).

21. After deducting annual expenses and long-term employee liabilities charges, the net deficit for 2022 was $28.8 million, compared with the net surplus for 2021 of $90.4 million.

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

	IPSAS revenue/ (expenses)	*Add agency transactions*	*Total gross delivery*
Revenue			
Construction contracts (infrastructure)	308.8	2.3	311.1
Procurement	161.9	1 721.7	1 883.6
Financial management	78.2	389.0	467.2
Human resources administration	27.6	226.8	254.4
Other project management	645.0	40.8	685.8
Miscellaneous revenue	2.9	–	2.9
Non-exchange revenue	–	–	–
Total revenue	**1 224.4**	**2 380.6**	**3 605.0**
Expenses			
Construction contracts (infrastructure)	(293.9)	(2.3)	(296.2)
Procurement	(116.6)	(1 721.7)	(1 838.3)
Financial management	(61.7)	(389.0)	(450.7)
Human resources administration	(11.8)	(226.8)	(238.6)
Other project management	(610.2)	(40.8)	(651.0)
Total project expenses	**(1 094.2)**	**(2 380.6)**	**(3 474.8)**
Less: UNOPS administrative costs	(128.7)	–	(128.7)
Total expenses	**(1 222.9)**	**(2 380.6)**	**(3 603.5)**
Surplus from services	1.5	–	1.5
Add: net financial income	(30.3)	–	(30.3)
UNOPS 2022 deficit	**(28.8)**	**–**	**(28.8)**

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.

Financial position at the end of 2022

23. As at 31 December 2022, the liability to fund after-service health care and end-of-service benefits for qualifying staff members stood at $74.8 million. This liability was independently estimated by an actuarial firm. The details of the calculations are contained in note 15. 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.

24. As at 31 December 2022, UNOPS had assets of $3,676.6 million, which more than covered liabilities of $3,352.6 million, leaving net assets of $324.0 million.

25. The most significant assets were short-term investments, which amounted to $2,079.1 million at the end of 2022, compared with $2,994.4 million at the end of 2021.

26. Approximately 79 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.

Net assets

27. As at 31 December 2022, after an allowance had been made for all known liabilities, the net assets held by UNOPS stood at $324.0 million. A $48.9 million actuarial gain pertaining to the valuation of employee benefits at year end and a $57.1 million fair value loss on available-for-sale financial instruments were recognized and have had an impact on the total reserves.

28. On the basis of the minimum operational reserve requirement calculation approved by the Executive Board in September 2021 (see DP/OPS/2021/6), UNOPS was required to maintain $147.3 million in minimum operational reserves as at 31 December 2022. This is based on the requirement to maintain 25 per cent of the infrastructure service line expenses, 5 per cent of expenses for other service lines and 33 per cent of administrative costs, with a weight of 50 per cent for the current year, 30 per cent for the previous year and 20 per cent for the year prior.

29. In February 2022, the UNOPS Executive Board established the Sustainable Investments in Infrastructure and Innovation reserve. In June 2022, the Executive Board requested UNOPS to freeze all further Sustainable Investments in Infrastructure and Innovation-related investment not already contractually committed by UNOPS. As at that date, the total committed Sustainable Investments in Infrastructure and Innovation investment amounted to $63.0 million.

Liquidity

30. The statement of cash flows shows that cash and cash equivalents held by UNOPS decreased by $178.2 million during 2022. UNOPS continues to retain a strong working capital position.

Budget outcome

31. 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 2022–2023.

32. For 2022, the overall budgetary outcome was negative, with UNOPS reaching a net revenue of -$3.9 million on a budget basis from its delivery of services, driven by the impairment of Sustainable Investments in Infrastructure and Innovation investments. The UNOPS revenue from management fees, reimbursable services and advisory income totalled $124.2 million in 2022, compared with $136.6 million in 2021, 2 per cent above the final budget of $121.5 million.

C. People excellence

33. At the end of 2022, UNOPS personnel totalled 5,309, down from 5,362 in 2021. In addition to UNOPS personnel, contracts were administered on behalf of a range of partners. At the end of 2022, the number of staff and contracts on UNOPS contracts stood at 12,927, an increase from 12,815 in 2021 (see table below).

Table III.2
Number of personnel, by category, as at 31 December 2022

Contract modality	*Staff*	*Contractors*	*Total*
UNOPS personnel	620[a]	4 689	5 309
Partner personnel	26	7 592	7 618
Combined personnel	**646**	**12 281**	**12 927**

[a] Includes 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

34. In the past years, UNOPS has contracted the services of an external provider to conduct its engagement survey, which includes questions on UNOPS focus areas such as gender, diversity and inclusion, performance management culture, and learning and career development. The engagement survey results are used to inform strategic decisions, programmes and initiatives while also driving engagement at the team level across the organization. In 2022, UNOPS decided to conduct shorter and more frequent pulse surveys on thematic areas. These surveys, which are scheduled to be conducted periodically, focus on current topics relevant to the organization while still measuring the engagement level in the organization. With more frequent and shorter pulse surveys, UNOPS is embarking on a more dynamic approach to surveys, with action, impact and results becoming an integrated part of management decisions.

35. In 2022, the new UNOPS strategy for the period 2022–2025 on gender, diversity and inclusion in the workforce was launched. This marked another milestone in the UNOPS journey as it expanded its scope and ambition beyond gender. UNOPS has further strengthened its gender parity efforts across the organization through continued executive leadership support, increased accountability and gender-responsive and inclusive working practices, providing access to leadership development opportunities and strengthening recruitment practices and talent outreach strategies. In 2022, UNOPS also repositioned the former gender advisory panel to also include gender equality and social inclusion aspects of its project work. In addition, UNOPS has established various employee resource groups, including one on women’s engagement, to ensure that relevant voices are heard. UNOPS continued with the Junior Talent Programme to support efforts towards gender parity while investing in national capacity development. Currently, the Programme has 14 active participants, 80 per cent of whom are women, from hardship locations. In 2022, six new participants joined the Programme, further strengthening its impact. Over the

past three years, the Programme has had 34 participants, 88 per cent of whom are women, reflecting the dedication of UNOPS to investing in the growth and development of young professionals from diverse backgrounds.

36. In countries where UNOPS maintains physical offices, 71 members of senior management were nationals of the relevant country, representing 11 per cent of the total number of 621 UNOPS personnel at senior management level. In 2022, 96 of 616 senior managers were nationals of the duty station country, representing 16 per cent of the total number (senior management is defined as personnel employed at grade ICS-11 and above). At the end of 2022, more than 2,600 UNOPS personnel were based at hardship duty stations (locations rated B to E on the International Civil Service Commission hardship scale).

37. In 2022, 4,400 colleagues benefited from learning opportunities. Approximately 90 per cent of the participants came from field offices and 10 per cent from headquarters; 56 per cent were female and 44 per cent were male. Total training hours were 86,687 (an average of 20 hours per colleague). There is also a high level of positive feedback, with 90 per cent of participants in instructor-led training having rated the relevance of the learning activity as “very relevant” or “relevant”. Almost 92 per cent agreed that they would recommend the learning activity to a colleague.

38. As UNOPS was overcoming most of the challenges brought into its operations by the COVID-19 pandemic, 2022 was meant to be a year in which the organization could capitalize on the lessons learned from the efforts made to overcome those challenges. However, UNOPS had to overcome yet another crisis, albeit this time it was an internal one with significant external ramifications. The organization’s ability to navigate a serious crisis was tested and great efforts had to be placed on ensuring that leaders were again well equipped to lead during this reputational crisis, in particular ensuring that all personnel were adequately informed on the nature of the crisis and the measures taken by UNOPS to overcome it. As important efforts were displayed in strengthening a culture of transparency and accountability, in 2022 UNOPS further strengthened its culture of performance management and feedback through the introduction of a performance rebuttal process and a mechanism for the review of administrative decisions available to all holders within UNOPS of individual contractor agreements. As part of UNOPS efforts to strengthen an organizational culture fully aligned with the United Nations system, all UNOPS personnel were given access to services offered by the United Nations System Staff College. Lastly, the organization continued to work for the prevention of sexual harassment and the prevention of sexual exploitation and abuse, both United Nations system initiatives, as well as define and implement strategies that contribute to UNOPS beneficiaries and personnel enjoying the highest standards regarding the safeguarding of their rights, and it continued to place additional focus on creating awareness and accountability around standards of conduct, the prevention of harassment and the abuse of power and discrimination while promoting a culture of inclusive leadership, allyship and speaking up.

39. In 2022, there was a significant increase in the learning budget, from $2.9 million in 2021 to $3.4 million in 2022. Of the total budget envelope, 84 per cent was spent on a range of strategic learning priorities, including UNOPS core operations (infrastructure, project management and procurement), administration and support topics, people and leadership topics and learning technologies and tools. UNOPS continued to invest in leadership development in 2022. In terms of leadership development, 48 graduated from the Leading People programme early in 2022. In addition, several senior leaders participated in external leadership courses and a structured induction for senior leaders was introduced. In 2022, UNOPS made a significant investment to engage with the United Nations Staff System College (approximately $700,000) in order to strengthen the connection between UNOPS and

the United Nations system, including unlimited access to the Blue Line platform for all United Nations personnel. Owing to the introduction of new initiatives and an increase in participation in online and in-person instructor-led activities, UNOPS personnel have dedicated additional time to learning activities, from approximately 56,000 hours in 2021 to approximately 80,000 hours in 2022.

40. In 2022, an increased focus was placed on well-being initiatives, with an emphasis on prevention, capacity-building and outreach for high-risk locations. A dedicated, full-time function was introduced in the People and Culture Group in 2022 for the coordination and expansion of the well-being agenda. Building on a catalogue of well-being tools established in response to the COVID-19 pandemic, in 2022 additional emphasis was placed on continuing to provide personnel with stress management tools and counselling support. Personnel have access to self-paced stress management tools (e.g., intranet and online training resources or access to e-books and dedicated apps). To strengthen collaboration and participation in the wider United Nations system and to make available the well-being offerings existing within the United Nations system, UNOPS has also proactively reached out to its personnel in the field, in particular at high-risk locations, to provide ad hoc support through, for example, the Department of Safety and Security and other United Nations agencies. For counselling support, personnel have access to psychotherapy support, and crisis counselling. Thanks to the initiatives organized, UNOPS has seen a significant shift in awareness and increased visibility of well-being and mental-health-related topics among its personnel. A key element to foster engagement and productivity is extended and expanded flexible working offerings of UNOPS, at the forefront of those available in the United Nations system, built on communication and technology solutions that enable seamless remote work, as well as virtual meetings and collaborative work. UNOPS continues to provide effective tools and guidance for management to ensure that the workplace is flexible and enabling, catering to the needs of an increasingly more diverse workforce.

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

41. Achievements during 2022 included:

(a) Following its establishment in 2019, the UNOPS Client Board convened in February 2022 for its third annual meeting. The purpose of the Client Board is to serve as an advisory body to the UNOPS Executive Director, providing a forum for the deepening of focused collaborative strategic partnerships. To provide further transparency to partners after the events concerning the Sustainable Investments in Infrastructure and Innovation initiative, an extraordinary Client Board meeting was held in September 2022, to provide updates on the situation and to seek feedback on the suggested way forward;

(b) UNOPS enhanced its occupational health and safety management system by implementing the UNOPS fatal risk standards, or “golden rules”. In addition, capacity-building efforts resulted in 693 construction contractors being trained on using a newly developed e-learning platform;

(c) Implementation measures were done to increase business capabilities and enhance information technology security in UNOPS. The migration of all business applications to cloud infrastructure was finalized, enhancing information technology security and resilience. To further enhance business capabilities, a modernized and secure information technology infrastructure roll-out in field offices has begun, enhancing security when gaining access to UNOPS applications. UNOPS also launched a new travel module accessible for all personnel and integrated with UNOPS enterprise resource planning, enabling the cost-efficiency, automation and standardization of travel payments and the availability of global travel data. Lastly, UNOPS implemented a health, safety, social and environmental management system, addressing the corporate priority of goal zero and allowing UNOPS to manage health, safety, social and environmental risks in the organization more effectively and efficiently;

(d) By the end of 2022, the implementation rate of internal audit recommendations stood at 98 per cent, an improvement on the already strong implementation rate of 97 per cent recorded as at 31 December 2021. There was one long-outstanding audit recommendation issued more than 18 months before 31 December 2022 (on or before 30 June 2021), compared with four recommendations outstanding for more than 18 months at the end of 2021, all of which have since been closed. Details of UNOPS audit and investigations findings in 2022 will be available in a dedicated report (DP/OPS/2023/3).

E. System of internal controls and its effectiveness

42. The Executive Director is responsible and accountable to the Executive Board for establishing and maintaining an effective system of internal controls. This conforms to and complies with the regulations and rules of the United Nations and UNOPS.

Main elements of the system of internal controls

43. The main elements of the UNOPS internal control system are policies, procedures, standards and activities designed to provide reasonable assurance that 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 assignments with system-enabled approval workflows aligned with the organizational structure; the system of personnel performance management; key controls throughout the UNOPS value chain to address risks to core activities; and the monitoring and communication of results by both management and the Executive Board.

44. Following the establishment of the UNOPS governance, risk and compliance framework in 2019 and third-party review of the internal control systems in 2022, UNOPS focused on further strengthening the system of internal controls throughout the financial year. This has led to:

(a) Formalized core controls reporting in which key risks and controls were identified and self-assessed by the process owners;

(b) Implementation of quarterly core control testing to evaluate control design and operational effectiveness. The report is shared with the process owners for continued improvement;

(c) UNOPS setting up a cross-functional task force for coordinating and consulting senior leadership on the improvements needed to the delegation of authority and accountability framework;

(d) Revision of the organizational executive instruction on the delegation of authority and accountability framework;

(e) Annual senior leadership self-assessment on the effectiveness of the internal control system and implementation of its key principles;

(f) Annual regional director internal control certification, which is a formal sign-off on a self-assessment on key controls within regions.

45. Based on the principles of the above-mentioned governance, risk and compliance framework, UNOPS enterprise risk management is a holistic approach for managing key risks across various organizational levels. The approach is implemented through standard rules (promulgated organizational directive and operational instruction), integrated processes (process quality management system guidance), common tools (oneUNOPS Projects) and taxonomies (e.g., risk categories and risk evaluation scale). More specifically, enterprise risk management comprises three interconnected levels:

(a) Operational risk management, which relates to managing risks online across the lifespan of UNOPS projects and engagements in order to facilitate the successful delivery of UNOPS operations;

(b) Organizational risk management, which relates to managing risks at the geographical entity level, such as those affecting the entity's reputation, financial viability and overall objectives;

(c) Corporate risk management, which relates to managing risks for UNOPS as a global entity, such as those affecting the reputation and financial viability of UNOPS.

Effectiveness of the system of internal controls

46. The UNOPS system of internal controls is a continuous process designed to monitor, support and improve UNOPS core activities. As a result, the system provides reasonable assurance that UNOPS will achieve its expected results and objectives. Internal controls help to reduce UNOPS risk exposure to an acceptable level through the implementation of control and oversight activities across core UNOPS operational processes. UNOPS has established governance and reporting structures that have enabled the evaluation of the effectiveness of the internal control system throughout the year. The Executive Director ad interim held regular meetings with the major elements of the UNOPS governance structure, including the Executive Board, the Audit Advisory Committee, the Director of the Internal Audit and Investigations Group, the Director of the Ethics Office and the Board of Auditors. Internal controls and risk management processes are reinforced during these sessions with recommendations for risks that are at an unacceptable level. The Executive Director ad interim also took into account feedback from the management team and external reviews by independent third parties on the operational effectiveness of the internal control system. On the basis of these activities, the Executive Director ad interim has provided a reasonable, not absolute, assurance of the effectiveness of the internal control system and confirmed that significant issues were being monitored and addressed by the policy owners.

47. UNOPS adopts the Committee of Sponsoring Organizations of the Treadway Commission framework in establishing the internal control framework. The framework provides reasonable assurance that UNOPS will achieve the following objectives: (a) efficiency and effectiveness of operations; (b) reliability and accuracy of reporting; and (c) compliance with UNOPS and United Nations rules and regulations. In 2022, UNOPS continued to operationalize the internal control framework across its five core processes. The methodology adopted includes a detailed analysis and mapping of the processes, an assessment of the risks and an evaluation of the controls implemented to mitigate the risks. UNOPS policy owners are involved in this process, which enables visibility and ownership of the risks. UNOPS internal control risk assessments have been aligned with the enterprise risk management framework to improve synergies and provide a holistic view of the UNOPS risk landscape.

F. Looking ahead

Strategic plan, 2022–2025

48. In accordance with the request of the Executive Board, UNOPS will present a restated strategic plan for the period 2022–2025 at the 2023 annual session. The plan will reorient UNOPS towards pursuing its original mandate, by setting direction for the organization to perform the implementation role as set out in General Assembly resolution 65/176. In that resolution, the Assembly reaffirmed the UNOPS role as a central resource for the United Nations system in procurement and contracts management, as well as in civil works and physical infrastructure development, including the related capacity development activities. It also recognized the potential for value-added contributions through the provision of efficient, cost-effective services to partners in the areas of project management, human resources, financial management and common/shared services.

49. The restated strategic plan will emphasize the collaborative advantage of UNOPS to expand partners' implementation capacity to help people in need and support countries in accelerating achievement of the Sustainable Development Goals. UNOPS can be a resource that expands implementation capacity for all the Goals and the capacity of partners working across peace and security, humanitarian and development efforts. Owing to its self-financing and demand-driven operating model, the UNOPS substantive focus and country presence is a factor in partner demand and its ability to respond.

50. The restated strategic plan will be accompanied by an expanded results framework, with a focus on impact, and indicators for contributions and management results. Three contribution goals will provide operational focus to reinforce impact ambitions:

(a) Enable partners through cost-effective project services;

(b) Help people in need through sustainable implementation;

(c) Support countries in accelerating achievement of the Sustainable Development Goals.

51. Four management goals will support the realization of the contribution goals, including for close-loop implementation of forward-looking recommendations of the independent third-party reviews, namely: (a) people culture; (b) partner trust; (c) process excellence; and (d) financial stewardship.

52. In addition, through activities focused on the expanded results framework the organization will, in implementing the strategic plan, pursue four main areas of strategic improvement:

(a) Reinforce management structures and capacities;

(b) Rebuild trust and organizational culture;

(c) Implement a digital transformation programme;

(d) Apply transparent cost recovery for net-zero revenue.

UNOPS financial viability

53. UNOPS has assessed its capability and resilience to continue to operate at its current level of activity throughout 2022 and beyond, taking into account one-off adverse impacts of Sustainable Investments in Infrastructure and Innovation-related challenges. Accordingly, the 2022 financial statements have been prepared on a going-concern basis.

54. In line with Executive Board decision 2022/13, a working group of the UNOPS Executive Board was requested to present to the Board, among others, options for the appropriate use of UNOPS reserves and options to increase transparency concerning UNOPS management fees and costing structures, with a view to limiting the accumulation of UNOPS reserves. The options were presented to the Executive Board for decision at the first regular session in 2023.

Chapter IV

Financial statements for the year ended 31 December 2022

United Nations Office for Project Services

I. Statement of financial position as at 31 December 2022

(Thousands of United States dollars)

	Reference	*31 December 2022*	*31 December 2021*
Assets			
Non-current assets			
Property, plant and equipment	Note 6	18 393	19 573
Intangible assets	Note 7	5 299	5 186
Long-term investments	Note 10	806 387	1 214 068
Other financial assets	Note 11	–	29 996
Non-current accounts receivable	Note 13	–	1 221
Total non-current assets		**830 079**	**1 270 044**
Current assets			
Inventories	Note 8	11 723	15 321
Other assets	Note 12	5 340	24 576
Accounts receivable	Note 13		
Project accounts receivable		69 519	42 246
Prepayments		14 893	14 301
Other accounts receivable		61 386	29 235
Short-term investments	Note 10	2 079 129	2 994 397
Cash and cash equivalents	Note 14	604 609	782 834
Total current assets		**2 846 599**	**3 902 910**
Total assets		**3 676 678**	**5 172 954**
Liabilities			
Non-current liabilities			
Employee benefits, long-term	Note 15	75 186	106 301
Provisions	Note 23	2 178	2 243
Total non-current liabilities		**77 364**	**108 544**
Current liabilities			
Employee benefits, short-term	Note 15	35 955	40 056
Accounts payable and accruals	Note 16	453 888	868 186
Project cash advances received	Note 17		
Deferred revenue		1 311 308	1 402 744
Cash held on agency projects		1 441 813	2 369 783
Other liabilities	Note 18	20 708	16 844
Provisions	Note 23	11 605	6 429
Total current liabilities		**3 275 277**	**4 704 042**
Total liabilities		**3 352 641**	**4 812 586**
Net assets		**324 037**	**360 368**

United Nations Office for Project Services

I. Statement of financial position as at 31 December 2022 (continued)

(Thousands of United States dollars)

	Reference	*31 December 2022*	*31 December 2021*
Net assets/equity			
Actuarial gains/(losses)	Note 19	48 897	9 699
Fair value of available-for-sale financial assets	Note 19	(57 083)	(10 334)
Operational reserves	Note 19		
Minimum operational reserves		147 252	138 764
Other operational reserves		121 924	–
Growth and innovation reserve	Note 19	–	111 119
Sustainable Investments in Infrastructure and Innovation reserve		63 047	–
Accumulated surpluses	Note 19	–	111 120
Total net assets/equity		**324 037**	**360 368**
Total liabilities and net assets/equity		**3 676 678**	**5 172 954**

The accompanying notes form an integral part of these financial statements.

United Nations Office for Project Services

II. Statement of financial performance for the year ended 31 December 2022

(Thousands of United States dollars)

	Reference	*31 December 2022*	*31 December 2021*
Revenue			
Revenue from project activities	Note 20	1 221 541	1 198 968
Miscellaneous revenue		2 883	3 799
Non-exchange revenue	Note 20	–	5 967
Total revenue		**1 224 424**	**1 208 734**
Expenses			
Contractual services	Note 20	366 509	367 580
Other personnel costs – other personnel	Note 21	321 146	307 038
Salaries and employee benefits – staff	Note 21	121 940	135 691
Operational costs	Note 20	118 441	90 972
Supplies and consumables		222 658	207 582
Travel		34 996	25 870
Other expenses	Note 20	32 620	6 356
Depreciation on property, plant and equipment	Note 6	3 474	3 341
Amortization of intangible assets	Note 7	1 091	768
Total expenses		**1 222 875**	**1 145 198**
Surplus from operations		**1 549**	**63 536**
Finance income	Note 22	(54 808)	7 695
Exchange rate gain/(loss)	Note 22	24 479	19 150
Net finance income/(expense)		**(30 329)**	**26 845**
Surplus/(deficit) for the period		**(28 780)**	**90 381**

The accompanying notes form an integral part of these financial statements.

United Nations Office for Project Services

III. Statement of changes in net assets for the year ended 31 December 2022

(Thousands of United States dollars)

	Reference	
Opening balance as at 1 January 2021	Note 19	**286 546**
Actuarial gains/(losses) for the period		4 916
Change in fair value of available-for-sale financial assets		(21 475)
Surplus/(deficit) for the period		90 381
Opening balance as at 1 January 2022	Note 19	**360 368**
Actuarial gains/(losses) for the period		39 198
Change in fair value of available-for-sale financial assets		(46 749)
Surplus/(deficit) for the period		(28 780)
Closing balance on 31 December 2022	Note 19	**324 037**

The accompanying notes form an integral part of these financial statements.

United Nations Office for Project Services

IV. Statement of cash flows for the year ended 31 December 2022

(Thousands of United States dollars)

	Reference	*31 December 2022*	*31 December 2021*
Cash flows from operating activities			
Surplus/(deficit) for the period		(28 780)	90 381
Non-cash movements			
Amortization	Note 7	1 091	768
Depreciation	Note 6	3 474	3 341
Impairments/provision of other financial assets	Note 11	24 021	16 832
Finance income	Note 22	54 808	(7 695)
(Gain)/loss on the disposal of property, plant and equipment	Note 6	912	608
Interest expense on other financial assets	Note 11	–	(7 134)
Net surplus before changes in working capital		**55 526**	**97 101**
Changes in working capital			
(Increase)/decrease in inventories	Note 8	3 598	(3 107)
(Increase)/decrease in other assets	Note 12	19 236	(19 211)
Increase/(decrease) in other liabilities	Note 18	3 864	13 571
(Increase)/decrease in accounts receivable	Note 13	(37 491)	(10 327)
(Increase)/decrease in prepayments	Note 13	(592)	1 945
Increase/(decrease) in employee benefits (net of actuarial gains)	Note 15	3 982	8 043
Increase/(decrease) in accounts payable and accruals	Note 16	(435 992)	639 324
Increase/(decrease) in deferred revenue	Note 17	(91 436)	(416 091)
Increase/(decrease) in project cash advances received	Note 17	(927 970)	1 010 738
Increase/(decrease) in provisions	Note 23	5 111	815
Cash flow impact on changes in working capital		**(1 457 690)**	**1 225 700**
Finance income received on cash and cash equivalents	Note 22	434	117
Net cash flows from/(used in) operating activities		**(1 401 730)**	**1 322 918**

United Nations Office for Project Services

IV. Statement of cash flows for the year ended 31 December 2022 (continued)

(Thousands of United States dollars)

	Reference	*31 December 2022*	*31 December 2021*
Cash flows from investing activities			
Acquisitions of intangible assets	Note 7	(1 204)	(2 075)
Acquisitions of property, plant and equipment	Note 6	(3 209)	(5 179)
Proceeds from sale of property, plant and equipment	Note 6	3	25
Purchase of investments		(5 933 434)	(9 104 785)
Proceeds from the maturity of investments		7 212 913	7 666 949
Proceeds from the sale of other financial assets	Note 11	4 255	–
Interest income received on investments		(45 741)	29 153
Interest income received on other financial assets		–	5 170
Finance income/(cost) allocated to projects	Note 22	(10 632)	(9 091)
Purchase of other financial assets	Note 11	–	(4 247)
(Gain)/loss from disposal of other financial assets	Note 11	(8)	–
Net cash flows from investing activities		**1 222 943**	**(1 424 080)**
Cash flows from financing activities			
Net cash flows from financing activities		**–**	**–**
Net increase/(decrease) in cash and cash equivalents		**(178 787)**	**(101 162)**
Adjustment for fair value on cash equivalents		562	21
Net increase/(decrease) in cash and cash equivalents[a]		**(178 225)**	**(101 141)**
Cash and cash equivalents at the beginning of the period		**782 834**	**883 975**
Cash and cash equivalents at the end of the period[b]	**Note 14**	**604 609**	**782 834**

[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 2022 are disclosed in note 14.

The accompanying notes form an integral part of these financial statements.

United Nations Office for Project Services

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2022

(Thousands of United States dollars)

	Reference	*Biennial 2022–2023 management budget[a]* *Original*	*2022 management budget* *Original*	*2022 management budget* *Final*	*2022 actual amounts* *Actuals*	*Difference between final budget and actuals*
Total revenue for the period	**Note 26**	**200 511**	**100 255**	**121 505**	**124 157**	**2 652**
Management resources						
Posts		31 259	15 629	17 160	15 149	(2 011)
Common staff costs		23 087	11 544	12 425	12 909	484
Travel		8 724	4 362	3 629	4 094	465
Consultants		100 999	50 499	56 335	53 878	(2 457)
Operating expenses		12 987	6 494	11 646	5 886	(5 760)
Furniture and equipment		1 410	705	1 683	1 680	(3)
Reimbursements		2 800	1 400	1 425	920	(505)
Total use of management resources		**181 266**	**90 633**	**104 303**	**94 516**	**(9 787)**
Write-offs, provisions and contingency surplus		19 245	9 622	–	33 512	33 512
Total use of resources		**200 511**	**100 255**	**104 303**	**128 028**	**23 725**
Net revenue on budget basis		**–**	**–**	**17 202**	**(3 871)**	**(21 073)**

[a] DP/OPS/2019/5.

The accompanying notes form an integral part of these financial statements.

United Nations Office for Project Services
Notes to the 2022 financial statements

Note 1
Reporting entity

1. The mission of UNOPS is to help people to build better lives and countries to 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 enables 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 the United Nation system, Governments and other partners in accelerating national achievement of the Sustainable Development Goals.[2]

3. Pursuant to General Assembly resolution 65/176 and subsequent Executive Board decisions,[3] UNOPS can 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. UNOPS has a role as 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 can make value-added contributions by providing efficient, cost-effective services to partners in the areas of project management, human resources and financial management.

5. UNOPS follows a results-oriented approach to the services that it provides. It launches and implements new project operations quickly, transparently and in a fully accountable manner. UNOPS expands partners' implementation capacity through three service models: support services; technical advice; and integrated solutions. Its functional service lines include:

(a) 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;

(b) 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, given that they are delivered directly to the end customer;

(c) 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;

(d) Other services: human resources management services include recruitment, appointment and the administration of personnel contracts undertaken by UNOPS on behalf of its partners. The appointed individuals do not work under the

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[2] See DP/OPS/2017/5 and General Assembly resolution 66/288, annex.

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

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 in note 3.

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 specific 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 at least a 12-month period after the financial statements have been approved.

9. The financial statements are prepared in accordance with IPSAS and on an accrual basis and cover the period from 1 January 2022 to 31 December 2022. The financial statements comply with IPSAS as issued by the IPSAS Board.

Note 3
Summary of significant accounting policies

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

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 20. 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.

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, unless otherwise stated. Transactions, including non-monetary items, in currencies other than 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.

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 to the principal on 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 based on 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. UNOPS holds its investments in three different portfolios, and the types of securities held in them vary, as follows:

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

(b) Reserves (relates to UNOPS operational reserves): Treasury inflation-protected securities, United States dollar investment-grade corporate bonds, developed market equities, global sovereign bonds, cash and cash equivalents;

(c) After-service health insurance (relates to post-employment benefits): Treasury inflation-protected securities, United States dollar investment-grade corporate bonds, developed market equities, emerging market equities and a real estate investment trust.

14. The interest income earned on investments is recognized in the statement of financial performance during the period earned.

15. UNOPS investments are classified as current assets if the investments mature or management intends to dispose of them within 12 months of the end of the reporting period.

Other financial assets

16. Other financial assets relate to the UNOPS Sustainable Investments in Infrastructure and Innovation initiative and consist of loans and receivables and assets held for sale under IPSAS 29: Financial instruments: recognition and measurement. Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market, with assets held for sale comprising both equity shares and compulsorily convertible debentures.

17. Other financial assets classified as loans and receivables 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 discounts exactly estimated future cash receipts through the expected life of the financial asset, whereas the assets held for sale are measured at fair value, with fair value gains or losses recognized in net assets/equity.

Other assets and liabilities

18. Other assets and liabilities consist of derivatives that are used for economic hedging purposes and not as speculative investments. Derivatives do not meet the hedge accounting criteria and are classified as held for trading and accounted for at fair value through surplus and deficit.

19. UNOPS does not apply hedge accounting to its derivative instruments. If they are not closed out at the reporting date, derivatives with a positive fair value are reported as other assets (current), while derivatives with a negative fair value are reported as other liabilities (current) in the statement of financial position. Gains and losses from changes in the fair value of derivatives are recognized in net finance income in the statement of financial performance.

Cash and cash equivalents

20. 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 90 days that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. They are held at nominal value less an allowance for any anticipated losses.

Accounts receivable

21. Accounts receivable consist of project receivables, prepayments and other accounts receivable. Project receivables and other accounts receivable are initially measured at fair value and subsequently at amortized cost using the effective interest method less an allowance for uncollectable amounts. This calculation includes amounts relating to retentions for work performed but not yet paid for by the client. Prepayments are measured originally at cost and subsequently measured at cost less amortization over the period.

22. Receivables are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period. Such receivables are classified as non-current assets.

Accounts payable and accruals

23. Accounts payable are financial liabilities in respect of either goods or services that have been acquired and received by UNOPS and for which the invoices have been received from the suppliers, or payments due to implementing partners against agreements with those partners. Given that the accounts payable of UNOPS, in general, fall due within 12 months, the impact of discounting is immaterial, and nominal values are applied to initial recognition and subsequent measurement. Accruals are liabilities for goods and services that have been received or provided to UNOPS during the year and have not been invoiced by suppliers as at the reporting date. Payables and accruals are initially measured at fair value, that is, the amount expected to be paid to discharge the liability, and subsequently measured at amortized cost using the effective interest method.

Impairment of financial assets

24. At the end of each reporting period, UNOPS assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired.

25. A financial asset or a group of financial assets is impaired and impairment loss is incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and if that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

26. For financial assets carried at amortized cost, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The

carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of financial performance.

27. For investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that investments may need to be impaired. If any such evidence exists for these assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value less any impairment loss on that financial asset previously recognized in profit or loss – is removed from accumulated surplus (deficit) and recognized in the statement of financial performance.

Property, plant and equipment

28. UNOPS recognizes property, plant and equipment at their historical cost less depreciation and impairment losses in line with IPSAS 17: Property, plant and equipment. For any item of property, plant and equipment received as a contribution in kind, the fair value at the date of acquisition is deemed to be its cost, in line with IPSAS 23: Revenue from non-exchange transactions.

29. 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.

30. 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.

31. UNOPS performs an annual review of the useful economic lives of property, plant and equipment in line with the requirements of IPSAS 17. There were no extensions to useful economic lives during the year under review. 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

Property, plant and equipment class	*Estimated useful life (years) as at 31 December 2022*	*Capitalization threshold (United States dollars)*
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

32. Property, plant and equipment are reviewed for impairment at each reporting date, taking into consideration various impairment indicators. Any impairment loss is recognized in other expenses within the statement of financial performance when the carrying amount of an asset exceeds its recoverable service amount.

Intangible assets

33. UNOPS intangible assets comprise purchased software packages, internally developed software and intangible assets under construction. Intangible assets are

recognized at cost less accumulated amortization and impairment losses in line with IPSAS 31: Intangible assets. Annual software licences are expensed and adjusted as necessary for any element of prepayment.

34. Assets under construction are not amortized. Amortization of other intangible assets is calculated over the estimated useful life of the asset using the straight-line method. During the current financial year, the assessment of the useful economic life of UNOPS intangible asset classes was undertaken in line with the requirements of IPSAS 31. The assessment did not result in changes to any of the asset classes. The estimated useful lives for intangible asset classes are as follows:

Table IV.2
Amortization of intangible assets

Intangible asset class	*Estimated useful life, in years*	*Capitalization threshold (United States dollars)*
Internally developed software	10	100 000
Software acquired	5	2 500

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

Inventories

36. 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. Cost is estimated using the “first in, first out” method.

37. The cost of inventory includes costs incurred in acquiring the inventory and other costs incurred in bringing it to its existing location and condition (e.g., freight costs).

Leases

38. 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.

39. 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.

Employee benefits

40. 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

41. 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

42. 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 that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

43. 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 organizations participating in the Fund, 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.

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

Other long-term employee benefits

45. Other long-term employee benefits comprise the non-current portion of home leave entitlements.

Termination indemnity

46. Termination indemnity is recognized as an expense only when UNOPS is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan either to terminate the employment of a staff member before the normal retirement date or to 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.

Provisions and contingencies

47. 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.

48. A contingent liability is a possible obligation that arises as a result of past events whose 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. Contingent liabilities are disclosed in the notes to the financial statements unless the possibility that they will be realized is remote.

Revenue

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

50. Where the outcome of a project can be reliably measured, revenue from construction projects (IPSAS 11: Construction contracts) and other exchange transactions (IPSAS 9: Revenue from exchange transactions) 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 for the incurred costs to be recovered.

51. 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 revenue (donations) is measured at fair value and is included within non-exchange revenue in the statement of financial performance. 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.

Expenses

52. 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. The recognition of the expense is therefore not linked to when cash or its equivalent is paid.

Taxation

53. 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.

Net assets/equity

54. “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.

55. In the absence of any capital contributions, UNOPS net assets comprise reserves as detailed in note 1.

Project cash advance

56. Project cash advance represents funds received from donors, United Nations agencies and other third parties for project activities yet to be utilized. These funds are recognized at fair value when received.

Segment reporting

57. 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 how its financial information is reported to the Executive Director.

Budget comparison

58. The Executive Board approves the biennial budget estimates and, in particular, the net revenue target calculated on an accrual basis. Budgets may be subsequently amended by the Executive 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.

59. The budget of UNOPS is prepared on a modified accrual basis, whereas the financial statements of UNOPS are prepared on an accrual basis. 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 totals presented in the statement of budget and actual comparison are reconciled with net cash flows from operating activities, net cash flows from investing activities and net cash flows from financing activities as presented in the cash flow statement.

Critical accounting estimates and judgments

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

61. 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

62. The present value of the employee benefit 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 15 records the assumptions made during the calculation and a sensitivity analysis of the assumptions.

Provisions

63. 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 23 and 24.

Allowances for doubtful accounts receivable

64. UNOPS has provisions for doubtful receivables, which are detailed in note 13. Such estimates are based on analysis of the 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. Given that these doubtful debt allowances are based on management estimates, they may be subject to change as better information becomes available.

Revenue recognition

65. 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.

Fair valuation of assets

66. The fair value of available for sale financial assets is based on several valuation techniques dependent on the market that those instruments are traded, as detailed in note 10. Where the financial instruments are traded on a quoted market, the valuation is based on the quoted market prices or dealer quotes for similar instruments. For financial instruments that are not traded on a quoted market, UNOPS uses its judgment to select a variety of methods and make assumptions that are based mainly on market conditions existing at the end of each reporting period.

IPSAS standards issued but not yet effective

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

IPSAS 41: Financial instruments

68. In August 2018, the IPSAS Board published IPSAS 41: Financial instruments to replace IPSAS 29: Financial instruments: recognition and measurement, and to substantially improve the relevance of information for financial assets and financial liabilities. The new standard establishes new requirements for classifying, recognizing and measuring financial instruments to replace those in IPSAS 29. It will do so by introducing: (a) simplified classification and measurement requirements for financial assets; (b) a forward-looking impairment model; and (c) a flexible hedge accounting model. The effective date of IPSAS 41 is 1 January 2023. UNOPS is assessing the impact of this new standard on its financial statements.

IPSAS 43: Leases

69. In January 2022, the IPSAS Board issued IPSAS 43: Leases to replace IPSAS 13: Leases. IPSAS 43 is based on International Financial Reporting Standard 16: Leases, developed by the International Accounting Standards Board. For lessees, IPSAS 43 introduces a right-of-use model that replaces the risks and rewards incidental to ownership model in IPSAS 13. For lessors, IPSAS 43 substantially carries forward the risks and rewards incidental to ownership model in IPSAS 13. The effective date of IPSAS 43 is 1 January 2025. UNOPS is assessing the impact of this new standard on its financial statements prior to the implementation date and will be ready for its implementation by the time it becomes effective.

IPSAS 44: Non-current assets held for sale and discontinued operations

70. In May 2022, the IPSAS Board issued IPSAS 44: Non-current assets held for sale and discontinued operations. IPSAS 44 is based on International Financial Reporting Standard 5: Non-current assets held for sale and discontinued operations, developed by the International Accounting Standards Board. IPSAS 44 specifies the accounting for assets held for sale and the presentation and disclosure of discontinued operations. It requires assets that meet the criteria as held for sale to be:

(a) Measured at the lower of carrying amount and fair value less costs to sell and depreciation on such assets to cease;

(b) Presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

71. The effective date for IPSAS 44 is 1 January 2025. This standard is not expected to have a material impact on the organization in the current or future reporting periods and on foreseeable future transactions.

Note 4
Capital management

72. UNOPS defines the capital that it manages as the aggregate of its net assets, which consist of accumulated surplus and reserves as detailed in note 19.

73. In 2022, the Executive Board took decisions related to UNOPS reserves, which have been reflected in the 2022 financial statements.

74. The minimum requirement for the operational reserves of UNOPS was adapted to provide better protection to UNOPS as a self-financing United Nations entity, in line with the risks faced by the organization. The new minimum operational reserve requirement was established in 2021 by the Executive Board of UNOPS in its decision 2021/21 (DP/2022/2, para. 5). The Executive Board approved the change in the minimum requirement for the operational reserves of UNOPS to be set at 25 per cent of the infrastructure service line expenses, 5 per cent of expenses for other service lines, and 33 per cent of administrative cost, with a weight of 50 per cent for the current year, 30 per cent for previous year and 20 per cent for the year prior.

75. In June 2022, the Executive Board requested that UNOPS transfer into the operational reserves any balance not committed to projects from the growth and innovation reserve and accumulated surpluses reserve.

76. The objectives of UNOPS in managing capital are to:

(a) Support the long-term operations of UNOPS in order to guarantee the financial viability and integrity of UNOPS as a going concern;

(b) Fulfil its mission and objectives, as established in its strategic plan;

(c) Provide security in adverse circumstances and liquidity to meet its operating cash requirements;

(d) Preserve capital.

77. To meet its objectives in managing capital, UNOPS has a four-year strategic plan that is proposed by the Executive Director and endorsed by the Executive Board. In addition, its biennial management budgets are proposed by UNOPS together with the Advisory Committee on Administrative and Budgetary Questions and approved by the Executive Board. The strategic plan and budget set out the workplan of the organization. In accordance with regulation 13.01 of the UNOPS financial regulations

and rules, the Executive Director is responsible and accountable for planning the use of resources administered by UNOPS and issuing allocations and allotments effectively and efficiently in furtherance of the policies, aims and activities of UNOPS.

78. In addition, to effectively manage its assets and financial resources, UNOPS has formulated a statement of investment principles that is reviewed regularly by the Investment Advisory Committee in collaboration with the Executive Director and the Chief Financial Officer.

79. UNOPS is not subject to externally imposed capital requirements, but the strategic plan and budgets are reviewed and approved by the Executive Board.

Note 5
Financial risk management

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

81. UNOPS has outsourced both investment management and custodianship to professional entities selected through its procurement process. Some of the investments with the custodian are managed internally by the 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.

82. The principal objectives of the investment guidelines are:

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

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

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

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

(a) Preservation of capital in nominal terms is the primary objective of the UNOPS working capital portfolio, capital preservation in real terms is the primary objective of the UNOPS reserves portfolio and generating a return sufficient to meet future mutations in the net obligation of after-service health insurance liabilities is the primary objective of the after-service health insurance portfolio;

(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. Liquidity is less important than returns for the after-service health insurance portfolio owing to the longer-term investment horizon of the portfolio;

(c) The return obtained in the portfolios is less important than capital preservation and liquidity considerations, with the exception of the UNOPS after-service health insurance investment portfolio, which has a primary focus on generating returns;

(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. The UNOPS after-service health insurance portfolio holds an allocation to equities, as does the UNOPS operational reserve portfolio, but to a lesser extent.

84. The UNOPS Investment Advisory Committee is the independent investment advisory body assisting the UNOPS Executive Director in the management and oversight of UNOPS assets, including in the selection and review of asset managers and custodians.

Currency risk

85. UNOPS receives contributions from funding sources and clients in currencies other than the 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 dollar.

86. The currency risk is monitored closely 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.

87. Management's upper estimate of possible movements in the exchange rates against the dollar is 10 per cent. The table below shows the potential impact of monetary revaluation of major currencies as at the reporting date and the increase or decrease in net assets and surplus by the amounts shown.

Table IV.3
Currency risk sensitivity analysis as at 31 December 2022
(Thousands of United States dollars)

	JPY	*ARS*	*GBP*	*ILS*	*UAH*	*EUR*	*MXN*	*JOD*	*GTQ*	*LBP*
+ 10 per cent	787	583	581	292	(250)	246	201	153	127	112
- 10 per cent	(787)	(583)	(581)	(292)	250	(246)	(201)	(153)	(127)	(112)

Abbreviations: JPY, Japanese yen; ARS, Argentine peso; GBP, British pound; ILS, new Israeli shekel; UAH, Ukraine hryvnia; EUR, euro; MXN, Mexican peso; JOD, Jordanian dinar; GTQ, Guatemalan quetzal; LBP, Lebanese pound.

Table IV.4
Currency risk sensitivity analysis – comparative, as at 31 December 2021
(Thousands of United States dollars)

	MXN	*ARS*	*UAH*	*EUR*	*GBP*	*ETB*	*ILS*	*XOF*	*MMK*	*HTG*
+ 10 per cent	845	356	254	231	117	50	45	43	38	29
- 10 per cent	(845)	(356)	(254)	(231)	(117)	(50)	(45)	(43)	(38)	(29)

Abbreviations: MXN, Mexican peso; ARS, Argentine peso; UAH, Ukraine hryvnia; EUR, euro; GBP, British pound; ETB, Ethiopian birr; ILS, new Israeli shekel; XOF, CFA franc; MMK, Myanmar Kyat; HTG, Haiti gourde.

88. The foregoing 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.

89. Given that 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.

90. The following assumptions are made in calculating the sensitivity: all income statement sensitivities also affect equity; and the sensitivity analysis disclosure relates to monetary items (as defined in IPSAS 4: The effects of changes in foreign exchange rates) at year end.

Credit risk

91. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. UNOPS is exposed to credit risks on its bank balances, investments, receivables, other financial assets and other assets. UNOPS applies IPSAS 29 on measuring loss allowance on receivables (see note 13 for details). The table below shows the maximum exposure of UNOPS to credit risk, by class of financial instrument.

Table IV.5
Credit risk, by financial instrument
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Investments	2 885 516	4 208 465
Other financial assets	–	29 995
Accounts receivable – gross, less prepayment	135 381	100 618
Other assets	5 340	24 576
Cash and cash equivalents excluding cash on hand	604 374	782 565
Total	**3 630 611**	**5 146 219**

92. UNOPS has considerable cash reserves, given that 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, supranational and agency-issued bonds and highly rated bank obligations. The majority of the UNOPS investment portfolio is outsourced to external investment managers.

93. UNOPS investment guidelines limit the amount of credit exposure to any one counterparty and include minimum credit quality requirements. The credit risk mitigation strategies stated 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.

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

Market risk

95. UNOPS uses various financial instruments to minimize the risks associated with losses on its investments and fluctuations in foreign exchange. Financial instruments used by the UNOPS treasury to minimize these risks include foreign exchange derivatives (FX spot, FX forwards, non-deliverable forwards and FX options), interest rate derivatives (interest rate/bond futures, interest rate swaps and cross-currency swaps), credit derivatives (credit default swaps), equity derivatives (equity futures) and inflation swaps.

96. The organization operates internationally and is exposed to foreign exchange risk arising from its operations, primarily with respect to project-related transactions in foreign currencies (defined as all other currencies other than the dollar). This includes both payments and receipt of project contributions. Furthermore, UNOPS investment portfolios are allowed to diversify investments into non-dollar assets, if the foreign exchange risk associated with that investment strategy is fully hedged to the dollar. In connection with this, derivatives are therefore allowed for hedging and risk management purposes.

97. Similarly, the organization manages investments in multiple different asset classes, including government bonds, agency mortgage-backed securities, covered bonds, investment grade corporate debt, equities, cash/cash equivalents, money market instruments and real estate funds. UNOPS is exposed to interest rate risks on its fixed-income investment assets, in which an increase in market-based interest rates leads to a change (negative) in the fair value of fixed-income securities. This is known as duration risk, which is set up at a specific level by the UNOPS Executive Director and mandated in the investment portfolios. UNOPS invests in both floating and fixed rates assets and hedge instruments, but also occasionally swaps floating rates to fixed rates, and vice versa. UNOPS uses interest rate derivatives predominantly to maintain the correct level of duration (i.e., interest rate risk) in its investment portfolios, ensuring that this is in line at all times with the UNOPS risk appetite.

98. Derivatives and other financial instruments used by UNOPS do not qualify as "highly probable" forecast transactions and, hence, do not satisfy the requirements for hedge accounting (economic hedges). These instruments are accounted for as held for trading with gains/losses recognized in the statement of financial performance and included under "Finance income" and "Exchange rate gain/loss".

99. UNOPS investment guidelines allow the organization to invest in non-dollar government securities once fully hedged back to the dollar, given that this can sometimes increase the yield on investments for little or no additional credit risk. In these instances, realized gains or losses on associated financial assets are recognized in "Finance income", while the corresponding gain/loss on the associated financial liabilities are recognized in "Exchange rate gain/loss". The net effect is seen in "Net finance income", but this approach can also lead to volatility in the two sub lines of this part of the UNOPS corporate financial statements. The total impact on "Net finance income" in the statement of financial performance from returns on investments and associated financial instruments is shown in the table below.

Table IV.6
Impact of returns on investment on finance income
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Realized gains/(losses) from investments	(78 163)	1 017
Gains/(losses) from derivatives	12 124	1 109
Gains/(losses) from foreign exchange deals	56 021	1 386
Total	**(10 018)**	**3 512**

Liquidity risk

100. Liquidity risk is the risk that UNOPS will not be able to meet its financial obligations as they fall due. 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 6
Property, plant and equipment

101. As at 31 December 2022, the net book value of UNOPS property, plant and equipment was $18.4 million ($19.6 million in 2021). UNOPS also held assets with an acquisition value of $139.9 million and net book value of $17.7 million ($19.5 million in 2021) as a custodian under service concession arrangements with the Mine Action Service. These assets are not included in property, plant and equipment.

102. The table below summarizes property, plant and equipment held by UNOPS as at 31 December 2022 under each of the classes mentioned in note 3.

Table IV.7
Property, plant and equipment by class
(Thousands of United States dollars)

	Administration	*Project*	*Total*
Vehicles	2 392	8 604	10 996
Plant and equipment	434	1 106	1 540
Land and buildings	3 166	1 180	4 346
Communications and information technology equipment	358	469	827
Leasehold improvements	464	220	684
Assets under construction	–	–	–
Net carrying amounts as at 31 December 2022	**6 814**	**11 579**	**18 393**

Table IV.8
Property, plant and equipment by class – 2021 comparatives
(Thousands of United States dollars)

	Administration	*Project*	*Total*
Vehicles	2 023	9 267	11 290
Plant and equipment	468	1 109	1 577
Land and buildings	3 756	1 334	5 090
Communications and information technology equipment	323	465	788
Leasehold improvements	453	267	720
Assets under construction	108	–	108
Net carrying amounts as at 31 December 2021	**7 131**	**12 442**	**19 573**

103. The table below shows the movement in property, plant and equipment held by UNOPS during the period.

Table IV.9
Movement in property, plant and equipment
(Thousands of United States dollars)

	Vehicles	*Plant and equipment*	*Land and buildings*	*Communications and information technology equipment*	*Leasehold improvements*	*Assets under construction*	*Total*
Cost as at 1 January 2022	26 996	3 304	9 372	6 290	1 179	108	47 249
Additions	2 372	301	57	380	99	–	3 209
Disposals	(1 089)	(232)	(551)	(235)	(12)	(108)	(2 227)
Cost as at 31 December 2022	**28 279**	**3 373**	**8 878**	**6 435**	**1 266**	**–**	**48 231**
Accumulated depreciation and impairment as at 1 January 2022	(15 706)	(1 727)	(4 282)	(5 502)	(459)	–	(27 676)
Depreciation	(2 307)	(285)	(475)	(281)	(126)	–	(3 474)
Release of accumulated depreciation on asset disposal	730	179	225	175	3	–	1 312
Accumulated depreciation and impairment as at 31 December 2022	**(17 283)**	**(1 833)**	**(4 532)**	**(5 608)**	**(582)**	**–**	**(29 838)**
Net carrying amount as at 31 December 2022	**10 996**	**1 540**	**4 346**	**827**	**684**	**–**	**18 393**

Table IV.10
Movement in property, plant and equipment – 2021 comparatives
(Thousands of United States dollars)

	Vehicles	*Plant and equipment*	*Land and buildings*	*Communications and information technology equipment*	*Leasehold improvements*	*Assets under construction*	*Total*
Cost as at 1 January 2021	25 902	3 849	8 584	6 053	1 569	–	45 957
Additions	3 088	322	959	525	177	108	5 179
Disposals	(1 994)	(867)	(171)	(288)	(567)	–	(3 887)
Cost as at 31 December 2021	**26 996**	**3 304**	**9 372**	**6 290**	**1 179**	**108**	**47 249**
Accumulated depreciation and impairment as at 1 January 2021	(15 235)	(2 122)	(3 960)	(5 575)	(697)	–	(27 589)
Depreciation	(2 202)	(320)	(478)	(197)	(144)	–	(3 341)
Impairment	–	–	–	–	–	–	–
Release of accumulated depreciation on asset disposal	1 731	715	156	270	382	–	3 254
Accumulated depreciation and impairment as at 31 December 2021	**(15 706)**	**(1 727)**	**(4 282)**	**(5 502)**	**(459)**	**–**	**(27 676)**
Net carrying amount as at 31 December 2021	**11 290**	**1 577**	**5 090**	**788**	**720**	**108**	**19 573**

104. The table below shows the profit made on disposal of property, plant and equipment by UNOPS through sales or donations.

Table IV.11
Profit/loss on the disposal of property, plant and equipment
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Net book amount of disposed assets	915	633
Proceeds from disposal	(3)	(25)
Total (profit)/loss on disposal	**912**	**608**

Note 7
Intangible assets

105. The net carrying value of intangible assets amounted to $5.3 million as at 31 December 2022 ($5.2 million as at 31 December 2021), which includes internally developed software and other computer software (acquired).

106. No development costs incurred by UNOPS during 2021 were capitalized in 2022. A total of $0.2 million of development costs from 2020 were captured in 2021 and were capitalized in line with the requirement of IPSAS 31.

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

Table IV.12
Intangible assets
(Thousands of United States dollars)

	Internally generated computer software	*Other computer software*	*Intangible assets under construction*	*Total*
Cost as at 1 January 2022	9 355	241	–	9 596
Additions	1 063	–	141	1 204
Cost as at 31 December 2022	**10 418**	**241**	**141**	**10 800**
Accumulated amortization and impairment as at 1 January 2022	(4 215)	(195)	–	(4 410)
Amortization	(1 078)	(13)	–	(1 091)
Impairment	–	–	–	–
Accumulated amortization and impairment as at 31 December 2022	**(5 293)**	**(208)**	**–**	**(5 501)**
Net carrying amount as at 31 December 2022	**5 125**	**33**	**141**	**5 299**

Table IV.13
Intangible assets – 2021 comparatives
(Thousands of United States dollars)

	Internally generated computer software	*Other computer software*	*Intangible assets under construction*	*Total*
Gross carrying amount as at 1 January 2021	7 080	280	236	7 596
Additions	2 039	36	–	2 075
Reclassification	236	–	(236)	–
Disposals	–	(75)	–	(75)
Gross carrying amount as at 31 December 2021	**9 355**	**241**	**–**	**9 596**
Accumulated amortization and impairment as at 1 January 2021	(3 457)	(260)	–	(3 717)
Amortization	(758)	(10)	–	(768)
Impairment	–	–	–	–
Less: removal of amortization on asset disposal	–	75	–	75
Accumulated amortization and impairment as at 31 December 2021	**(4 215)**	**(195)**	**–**	**(4 410)**
Net carrying amount as at 31 December 2021	**5 140**	**46**	**–**	**5 186**

Note 8
Inventories

108. 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.

109. A total of $5.2 million of inventory was recognized as an expense during 2022 ($4.8 million in 2021), and $1.2 million of inventory was written down during 2022 ($0.2 million in 2021).

Table IV.14
Inventories
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Inventories	11 723	15 321

Table IV.15
UNOPS offices holding inventories
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Central African Republic	34	38
Democratic Republic of the Congo	4	7
Haiti	1 534	1 563
Libya	2 383	1 656
Myanmar	7	6
Nigeria	–	3 049
Peace and Security Cluster	7 595	8 832
Pakistan	30	–
Serbia	21	–
South Sudan	49	14
Turkmenistan	–	5
Yemen	–	59
Zimbabwe	66	92
Total	**11 723**	**15 321**

Note 9
Financial instruments

Table IV.16
Assets according to the statement of financial position
(Thousands of United States dollars)

	31 December 2022					*31 December 2021*				
	Cash and cash equivalents	*Loans and receivables*	*Available-for-sale investments*	*Financial assets at fair value through surplus or deficit*	*Total*	*Cash and cash equivalents*	*Loans and receivables*	*Available-for-sale investments*	*Financial assets at fair value through surplus or deficit*	*Total*
Investments (note 10)	–	–	2 885 516	–	2 885 516	–	–	4 208 465	–	4 208 465
Other financial assets (note 11)	–	–	–	–	–	–	29 996	–	–	29 996
Other assets (note 12)	–	–	–	5 340	5 340	–	–	–	24 576	24 576
Accounts receivable excluding prepayments (note 13)	–	130 905	–	–	130 905	–	72 702	–	–	72 702
Cash and cash equivalents (note 14)	604 609	–	–	–	604 609	782 834	–	–	–	782 834
Total	**604 609**	**130 905**	**2 885 516**	**5 340**	**3 626 370**	**782 834**	**102 698**	**4 208 465**	**24 576**	**5 118 573**

Table IV.17
Liabilities according to the statement of financial position
(Thousands of United States dollars)

	31 December 2022			*31 December 2021*		
	Financial liabilities at amortized cost	*Financial liabilities at fair value through surplus or deficit*	*Total*	*Financial liabilities at amortized cost*	*Financial liabilities at fair value through surplus or deficit*	*Total*
Accounts payable and accruals (note 16)	453 888	–	453 888	868 186	–	868 186
Cash held by UNOPS as agent (note 17)	1 441 813	–	1 441 813	2 369 783	–	2 369 783
Other liabilities (note 18)	–	20 708	20 708	–	16 844	16 844
Total	**1 895 701**	**20 708**	**1 916 409**	**3 237 969**	**16 844**	**3 254 813**

Note 10
Investments

110. The majority of the UNOPS investment portfolio is outsourced to external investment managers and is measured at fair value. UNOPS has three investment portfolios, namely, the working capital portfolio, the after-service health insurance portfolio and the operational reserve portfolio. The working capital portfolio of $2,856.4 million is managed by the World Bank ($208.9 million), Allianz ($2,279.3 million) and the remaining $368.2 million (13 per cent) is managed internally by the UNOPS treasury. The operational reserve portfolio of $307.6 million is managed by DWS. BNP Paribas manages $87.3 million for the after-service health insurance portfolio. The growth and innovation reserve portfolio, which was operated by UNOPS in the previous periods, was closed in September 2022 based on a decision taken by the Executive Board.

111. The investment portfolio is classified as follows:

Table IV.18
Classification of investment portfolio
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Long-term investments	806 387	1 214 068
Short-term investments	2 079 129	2 994 397
Subtotal	**2 885 516**	**4 208 465**
Investments classified as cash and cash equivalents	365 712	536 444
Total	**3 251 228**	**4 744 909**

112. Investments amounting to $365.7 million in 2022 ($536.4 million in 2021), which consist of money market instruments with less than three months to maturity and time deposits, have been classified as cash and cash equivalents in accordance with IPSAS 2: Cash flow statements.

113. Notwithstanding the deteriorating financial performance of the markets due to the economic downturn, the principal of the UNOPS working capital portfolio remains safe, in line with its investment policy on working capital, given that it holds high-quality assets aimed at preserving principal over the investment horizon. Adverse impacts on the global bond markets were the main driver of the decrease in investment revenue.

114. UNOPS investment income has declined overall with an investment expense of $44.6 million in 2022 (income of $16.7 million in 2021). The steep decline was caused by the incessant repricing in United States interest rates on the back of high levels of inflation due, in part, to the economic downturn during 2022.

115. There have been no impairments of investment assets held during this period in any of the pooled cash resources invested. The UNOPS working capital portfolio asset allocation is to highly rated sovereigns, supranational and agency debt and highly rated bank obligations, in line with the principal investment objective of the preservation of capital over the investment horizon.

116. UNOPS actively monitors all ratings for the investment holdings and investment counterparties and actively divests any marketable securities that fall below its minimum rating requirements. There were no material downgrades of UNOPS banking partners in 2022.

117. The operational reserve portfolio and the after-service health insurance portfolio include allocations to developed and emerging market equity and to developed market fixed income. Equity markets experienced significant volatility during 2022.

Table IV.19
Fair value levels
(Thousands of United States dollars)

	Level 1	*Level 2*	*Level 3*	*Total*
Available-for-sale financial assets	87 884	2 797 632	–	2 885 516

Table IV.20
Fair value levels – 2021 comparatives
(Thousands of United States dollars)

	Level 1	*Level 2*	*Level 3*	*Total*
Available-for-sale financial assets	44 779	4 163 686	–	4 208 465

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

Recognized fair value movement

118. Level 1. The fair value of financial instruments traded in active markets (e.g., publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the organization is the current bid price. These instruments are included in level 1.

119. Level 2. The fair value of financial instruments that are not traded in an active market (e.g., over-the-counter derivatives) is determined using valuation techniques that maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

120. Level 3. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities. UNOPS does not have any financial assets classified as level 3.

Table IV.21
Movements in investments
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Opening balance as at 1 January	4 208 465	2 861 251
Additions (purchases of investments)	5 955 128	9 042 786
Disposals	(7 232 493)	(7 672 348)
Fair value adjustment	(45 584)	(23 224)
Closing balance as at 31 December	**2 885 516**	**4 208 465**
Current portion (short-term investments)	2 079 129	2 994 397

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

122. Accrued interest receivables of $7.6 million ($6.4 million in 2021) have been included in the statement of financial position within "other accounts receivable" (see note 13).

123. As at 31 December 2022, additions to investments amounting to $21.7 million ($62.0 million in 2021) had not been paid for and were included as part of payables.

124. As at 31 December 2022, proceeds for the sale of financial assets amounting to $27.6 million ($8.0 million in 2021) were yet to be received.

Short-term investments

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

Table IV.22
Short-term investments
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Time deposits	39 987	25 000
Bonds	2 039 142	2 969 397
Total short-term investments	**2 079 129**	**2 994 397**

Long-term investments

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

Table IV.23
Long-term investments
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Bonds and equity instruments	806 387	1 214 068

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

Table IV.24
Credit rating distribution of investments
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
AAA	2 406 746	3 683 077
AA+	133 990	109 551
AA	104 799	134 144
AA-	2 106	1 712
A+	15 027	79 911
A	35 005	14 135
A-	20 022	12 816

	31 December 2022	*31 December 2021*
BBB+	49 210	17 795
BBB	21 327	2 769
BBB-	8 447	3 050
Unrated[a]	88 837	149 505
Total	**2 885 516**	**4 208 465**

[a] Pertains to the pooled equity and debt vehicles (unit trust funds), which, by their nature, are unrated.

Note 11
Other financial assets

128. UNOPS launched the Sustainable Investments in Infrastructure and Innovation initiative during 2018 in order to drive progress towards the achievement of the Sustainable Development Goals. Other financial assets comprise UNOPS investments in relation to the initiative.

129. UNOPS invested a total of $63.0 million in the Sustainable Investments in Infrastructure and Innovation initiative during the period 2018–2021. In 2022, the Executive Board, in its decision 2022/13/8, requested UNOPS to freeze all further Sustainable Investments in Infrastructure and Innovation-related investments not already contractually committed. Accordingly, UNOPS did not invest in any new Sustainable Investments in Infrastructure and Innovation-related projects in 2022. The allocation of investments per Sustainable Investments in Infrastructure and Innovation project is shown in the table below.

Table IV.25
Cumulative Sustainable Investments in Infrastructure and Innovation investments, by project
(Thousands of United States dollars)

Investment project	*Total investments*
Renewable energy (MYRA SHS)	15 000
Monterrey wind project	8 800
Rajasthan State, solar 250MW – India	4 247
Social housing – Kenya	5 000
Social housing – Ghana	5 000
Social housing – India	2 500
Social housing – Caribbean	2 500
Social housing – Pakistan	20 000
Total	**63 047**

130. In 2022, the Sustainable Investments in Infrastructure and Innovation projects were assessed individually for impairment indicators. Following the assessment, $58.8 million of the total $63.0 million was impaired. The remaining balance of $4.2 million for the Rajasthan State, India, solar 250 megawatt project was disposed. The total value of Sustainable Investments in Infrastructure and Innovation-related investments as at 31 December 2022 was nil ($30.0 million in 2021).

131. The carrying value of UNOPS investment in the initiative as at 31 December 2022 is detailed below.

Table IV.26
Other financial assets
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Debt instruments	–	24 021
Equity instruments	–	5 975
Total	**–**	**29 996**

132. The movement in the housing projects (debt instrument) component and Rajasthan State solar project (equity instrument) of the other financial assets is detailed in the table below.

Table IV.27
Movement in other financial assets
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Debt instrument – housing projects		
Opening balance	24 021	38 889
Addition	–	–
Accrued interest	–	7 134
Payments (interest + principal)	–	(5 170)
Impairments/provisions	(24 021)	(16 832)
Subtotal	**–**	**24 021**
Equity instrument – Rajasthan State (India) solar project		
Opening balance	5 975	–
Addition	–	4 247
Disposal of investment	(4 247)	–
Fair value adjustments	(1 728)	1 728
Subtotal	**–**	**5 975**
Total	**–**	**29 996**

133. There was no interest earned on other financial assets for the year ended 31 December 2022.

134. In December 2022, UNOPS finalized the sale of its stake in the Rajasthan State solar 250 megawatt project. The total proceeds realized from the sale of the UNOPS stake was $4.3 million. The table below shows gain on the equity instrument.

Table IV.28
Gain/loss on sale of equity instrument
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Proceeds from sale of investment	4 255	–
Investment amount	(4 247)	–
Subtotal	**8**	**–**

Note 12
Other assets

135. Other assets comprise forward exchange contracts and futures contracts gains at year end.

Table IV.29
Other assets
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Derivative assets	5 340	24 576

Note 13
Accounts receivable

136. 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;

(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.

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

Table IV.30
Accounts receivable
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Project accounts receivable (gross)	73 423	46 279
Less: bad debt allowance	(3 904)	(4 033)
Project account receivable (net)	**69 519**	**42 246**
Other accounts receivable (gross)	61 958	54 338
Less: bad debt allowance	(572)	(23 882)
Other accounts receivable (net)	**61 386**	**30 456**
Total accounts receivable (net) excluding prepayments	**130 905**	**72 702**

	31 December 2022	31 December 2021
Prepayments	14 893	14 301
Total accounts receivable (net) including prepayments	**145 798**	**87 003**
Of which:		
Current portion of accounts receivable	145 798	85 782
Non-current portion of accounts receivable	–	1 221

138. Given that the fair value of the current receivables approximates their carrying amount and the impact of discounting is not significant, no fair value disclosure has been added.

139. As at 31 December 2022, receivables of $28.3 million ($27.9 million in 2021) were impaired and provisions were made against them (see table IV.36 for details). There was no provision relating to Sustainable Investments in Infrastructure and Innovation projects in 2022 ($23.8 million in 2021).

140. As at 31 December 2022, receivables of $20.4 million ($8.2 million in 2021) were past due but not impaired, given that there is no recent history of default regarding those receivables. The ageing of those receivables exceeds three months.

Table IV.31
Ageing of receivables
(Thousands of United States dollars)

	Current 0–3 months	*Overdue 3–6 months*	*Overdue 6–12 months*	*Over 12 months*	*Total*
Accounts receivables	110 499	2 955	1 730	15 721	130 905

Project accounts receivable

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

Table IV.32
Project accounts receivable
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Project implementation-related receivables	51 132	36 767
Account receivables – United Nations Development Programme	17 250	4 241
Accounts receivable – other United Nations agencies	1 137	1 238
Total project accounts receivable	**69 519**	**42 246**

142. Project implementation-related receivables arise in connection with projects that have incurred expenditure and are awaiting further funding from partners. The nature of some agreements requires UNOPS to perform services prior to invoicing the client and receiving cash/payment.

143. Of the balance of project receivables of $69.5 million ($42.2 million in 2021), $8.3 million ($3.1 million in 2021) relates to cash advances due from customers for construction contracts for the period ended 31 December 2022, as detailed in note 20.

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

145. Accounts receivable from the United Nations Development Programme (UNDP) arise mainly in connection with advances made for payments that will be made on behalf of UNOPS.

Table IV.33
Accounts receivable – United Nations Development Programme
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Cumulative project expenses and fees due to UNOPS	17 684	4 694
Bad debt allowance	(721)	(967)
Net receivable/(project advances) from UNDP	**16 963**	**3 727**
Cumulative advances/(payables) to UNDP to disburse payments on behalf of UNOPS	287	514
Total balance with UNDP	**17 250**	**4 241**
Of which:		
Receivable from UNDP	17 250	4 241
Payable to UNDP (excluding project advances)	–	–
Project advances from UNDP	–	–

146. As at 31 December 2022, UNOPS had an amount due from UNDP of $17.3 million ($4.2 million in 2021).

Other accounts receivable

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

Table IV.34
Other accounts receivable
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Staff receivables	1 431	1 658
Accrued interest receivable on investments	7 554	6 422
Miscellaneous receivables	52 401	22 376
Total other accounts receivable	**61 386**	**30 456**

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

Prepayments

Table IV.35
Prepayments
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Prepayments	14 893	14 301

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

Bad debt allowance

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

Table IV.36
Movement in bad debt allowance
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Opening balance		
Project-related	4 033	2 100
Other accounts receivable	23 882	22 273
Opening balance	**27 915**	**24 373**
Net increase/(decrease) in provision for receivables impairment:		
Increase	2 940	4 644
Receivables written off during the year as uncollectible	(98)	(534)
Unused amounts reversed or reclassified	(26 281)	(568)
Net increase/(decrease)	**(23 439)**	**3 542**
Closing balance		
Project-related	3 904	4 033
Other accounts receivable	572	23 882
Closing balance	**4 476**	**27 915**

151. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

Note 14
Cash and cash equivalents

152. As at 31 December 2022, UNOPS held $604.6 million of cash and cash equivalents, as follows:

Table IV.37
Cash and cash equivalents
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Cash at banks	238 662	246 121
Cash equivalents	365 712	536 444
Cash on hand	235	269
Total cash and cash equivalents	**604 609**	**782 834**

153. 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.

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

155. 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 90 days. They are held at nominal value less an allowance for any anticipated losses.

156. Cash at banks is denominated in the following currencies:

Table IV.38
Cash at banks
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
United States dollar	192 810	171 135
Japanese yen	8 705	3 521
Euro	7 462	6 487
British pound	3 938	542
Israeli shekel	3 387	5 921
Jordanian dinar	1 552	206
Other currencies	20 808	58 309
Total	**238 662**	**246 121**

157. The credit quality of the cash at banks, by reference to external credit ratings, is summarized below.

Table IV.39
Credit rating distribution of cash at banks
(Thousands of United States dollars)

	31 December 2022	31 December 2021
AA+	4 433	–
AA	1 941	–
AA-	106 221	18
A+	11 001	128 417
A	87 235	5 588
A-	–	7 038
BBB+	849	70 231
BB+	4 871	–
BB-	–	12 106
B+	168	458
B	1 351	5 398
B-	4 171	2 772
Unrated	16 421	14 095
Total	**238 662**	**246 121**

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

159. The credit quality of cash equivalents was as follows:

Table IV.40
Credit rating distribution of cash equivalents
(Thousands of United States dollars)

	31 December 2022	31 December 2021
AAA	333 430	–
AA	5 000	55 000
AA-	9 706	–
A+	3 032	400 026
A	–	46 418
A-	–	10 000
BBB+	–	25 000
Unrated	14 544	–
Total	**365 712**	**536 444**

Note 15
Employee benefits

160. 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.41
Employee benefits liabilities
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Short-term employee benefits	33 342	37 117
Long-term employee benefits	2 987	2 172
Post-employment benefits	74 812	107 068
Total employee benefits liabilities	**111 141**	**146 357**
Current portion	35 955	40 056
Non-current portion	75 186	106 301

Short-term benefits liabilities

161. Short-term employee benefits are composed of:

Table IV.42
Short-term employee benefits
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Annual leave entitlements	31 197	34 415
Home leave entitlements (current portion)	2 100	2 643
Assignment grant on first appointment or reassignment	45	59
Total short-term employee benefits liabilities	**33 342**	**37 117**

162. Home leave allows eligible internationally recruited staff members to visit their home country periodically to renew and strengthen cultural and family ties.

Long-term benefits liabilities

163. Long-term employee benefits consist of the non-current portion of the home leave entitlement. Rights vested that 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 liabilities

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

Table IV.43
Post-employment benefits liabilities
(Thousands of United States dollars)

	31 December 2022	31 December 2021
After service health insurance		
Current portion	1 402	1 255
Non-current portion	62 028	87 600
Subtotal	**63 430**	**88 855**
Repatriation grants		
Current portion	1 179	1 651
Non-current portion	9 879	16 162
Subtotal	**11 058**	**17 813**
Death benefit		
Current portion	32	33
Non-current portion	292	367
Subtotal	**324**	**400**
Total post-employment benefits	**74 812**	**107 068**
Of which:		
Current	2 613	2 939
Non-current	72 199	104 129

165. Post-employment benefits consist of after-service health insurance, repatriation grants, the 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 the shipment of household effects. The actuarial valuation of liabilities regarding after-service health insurance, the repatriation grant and the death benefit was undertaken by an independent professional actuary. At the end of 2022, total post-employment benefits liabilities amounted to $74.8 million ($107.1 million in 2021). They are established in accordance with the Staff Regulations and Rules of the United Nations for staff members in the Professional and General Service categories.

After-service health insurance

166. The year-end liabilities for after-service health insurance are derived from the actuarial valuation conducted at year end 2022. The net present value of the UNOPS accrued liability as at 31 December 2022, net of contributions from plan participants, was estimated by actuaries at $63.4 million ($88.9 million in 2021).

167. 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 specific 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.

Repatriation grant

168. Upon end of service, staff members who meet specific 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.

169. The net present value of the UNOPS accrued liability as at 31 December 2022 was estimated by actuaries at $11.1 million ($17.8 million in 2021).

Death benefit

170. The death benefit is a post-employment defined benefit plan, for which payment is made upon the death of an eligible employee who leaves behind a surviving spouse or dependent child.

171. The net present value of the UNOPS accrued liability as at 31 December 2022 was estimated by actuaries at $0.3 million ($0.4 million in 2021).

Accounting for post-employment benefits

172. Defined benefit obligations are measured using an actuarial valuation method. The movement in the present value of the defined benefit obligations over the year is as follows:

Table IV.44
Post-employment benefits liabilities
(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Death benefit*	*Total 2022*	*Total 2021*
Liability as at 1 January	**88 855**	**17 813**	**400**	**107 068**	**105 183**
Current service cost	4 866	1 339	12	6 217	7 269
Interest cost	2 885	461	10	3 356	3 092
Benefits paid	(1 285)	(1 346)	–	(2 631)	(3 560)
Actuarial losses/(gains)	(31 891)	(7 209)	(98)	(39 198)	(4 916)
Liability as at 31 December	**63 430**	**11 058**	**324**	**74 812**	**107 068**

Table IV.45
Post-employment benefits liabilities: active and retired staff
(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Death benefit*	*Total 2022*	*Total 2021*
Current retirees	33 004	–	–	33 004	38 478
Active employees – fully eligible	10 863	4 299	109	15 271	20 836
Active employees – not yet fully eligible	19 563	6 759	215	26 537	47 754
Liabilities as at 31 December	**63 430**	**11 058**	**324**	**74 812**	**107 068**

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

Table IV.46
Impact of post-employment benefits on financial performance
(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Death benefit*	*Total 2022*	*Total 2021*
Current service cost	4 866	1 339	12	6 217	7 269
Interest cost	2 885	461	10	3 356	3 092
Total	**7 751**	**1 800**	**22**	**9 573**	**10 361**

174. The total expense has been included under "salaries and employee benefits" in the statement of financial performance.

Actuarial gains/losses

175. Actuarial gains/losses are recognized directly in net assets and reflect changes in financial and demographic assumptions and experience adjustments.

Table IV.47
Actuarial gains/losses
(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Death benefit*	*Total 2022*	*Total 2021*
Changes in financial assumptions	25 424	2 173	59	27 656	1 019
Changes in demographic assumptions	–	–	–	–	(443)
Experience adjustments	6 467	5 036	39	11 542	4 340
Total actuarial gains/(losses)	**31 891**	**7 209**	**98**	**39 198**	**4 916**

Actuarial assumptions

176. The key actuarial assumption used by the actuary to determine defined benefit liabilities is the discount rate. For the after-service health insurance liability, this also includes the health-care cost trend rate.

177. The principal actuarial assumptions for 2022 were as follows:

Table IV.48
Principal actuarial assumptions
(Percentage)

	After-service health insurance	*Repatriation grant*	*Death benefit*
Discount rate as at 1 January 2022	3.27	2.72	2.55
Discount rate as at 31 December 2022	5.16	5.09	5.06
Future salary increases (on top of inflation)	United Nations Salary scale	United Nations Salary scale	United Nations Salary scale
Mortality rate	United Nations scales	United Nations scales	United Nations scales
Turnover rate	United Nations Joint Staff Pension Fund scales	United Nations Joint Staff Pension Fund scales	United Nations Joint Staff Pension Fund scales

Sensitivity analysis

178. Sensitivity analysis outlines the potential impact of changes in some key assumptions used in measuring post-employment benefits. If the assumptions about the discount rate and the health-care cost trends were to change, then this would have an impact on the measurement of the post-employment benefits, as shown below.

Table IV.49
Potential impact of changes in discount rates on post-employment benefits
(Thousands of United States dollars)

	After-service health insurance	*Repatriation*	*Death benefit*
Increase of 0.5 per cent	(5 474)	(362)	(10)
Decrease of 0.5 per cent	6 271	385	10

Table IV.50
Potential impact of changes in health-care cost trend rates on after-service health insurance liabilities
(Thousands of United States dollars)

	After-service health insurance obligation	*Service cost and interest cost*
Increase of 0.5 per cent	6 126	727
Decrease of 0.5 per cent	(5 398)	(627)

United Nations Joint Staff Pension Fund

179. 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 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 that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

180. The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the 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 Fund. UNOPS and the Fund, in line with the other organizations participating in the Fund, 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. The UNOPS contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

181. The Fund's Regulations state 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 Fund will be sufficient to meet its liabilities.

182. The UNOPS financial obligation to the Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 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 provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.

183. The most recent actuarial valuation for the Fund was completed as at 31 December 2021, and a roll forward of the participation data as at 31 December 2021 to 31 December 2022 will be used by the Fund for its 2022 financial statements.

184. The actuarial valuation as at 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0 per cent (107.1 per cent in the 2019 valuation). The funded ratio was 158.2 per cent (144.4 per cent in the 2019 valuation) when the current system of pension adjustments was not taken into account.

185. After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2021, for deficiency payments under article 26 of the Regulations of the Fund because 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 of the valuation date. At the time of the writing of the present report, the General Assembly had not invoked the provision of article 26.

186. Should article 26 be invoked owing to an actuarial deficiency, either during the ongoing operation or to the termination of the Fund, 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 (2019, 2020 and 2021) amounted to $8,505.3 million, of which 0.6 per cent was contributed by UNOPS.

187. During 2022, contributions paid to the Fund by UNOPS amounted to $16.8 million ($17.9 million in 2021). There is no material change to the expected contributions in 2023.

188. Membership in the Fund may be terminated by a decision of the General Assembly upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund on 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 at 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 that are in excess of the liabilities is included in the amount.

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

Termination benefits

190. As at 31 December 2022, UNOPS had no termination entitlement liabilities (nil as at 31 December 2021).

Note 16
Accounts payable

Table IV.51
Accounts payable and accruals
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Accounts payable	190 508	195 291
Accruals	263 380	672 895
Total	**453 888**	**868 186**

191. Balances of accounts payable as at 31 December 2022 are shown below.

Table IV.52
Accounts payable
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Accounts payable – UNDP	–	–
Accounts payable – other United Nations agencies	4 192	1 847
Accounts payable – other	186 316	193 444
Total accounts payable	**190 508**	**195 291**

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

Accruals

193. The accrued charges amounting to $263.4 million ($672.9 million in 2021) 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 17
Project cash advances received

194. 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.53
Project cash advances received
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Deferred revenue	1 311 308	1 402 744
Cash held by UNOPS as agent	1 441 813	2 369 783
Total	**2 753 121**	**3 772 527**

195. Of the balance in deferred revenue of $1,311.3 million ($1,402.7 million in 2021), $926.2 million relates to cash advances on construction contracts for the period ended 31 December 2022, as detailed in note 20.

Note 18
Other liabilities

196. Other liabilities comprise forward exchange contracts and futures contracts in loss at year end.

Table IV.54
Other liabilities
(Thousands of United States dollars)

	30 December 2022	*30 December 2021*
Derivative liabilities	20 708	16 844

Note 19
Net assets/equity

197. UNOPS net assets/equity are as follows:

Table IV.55
Net assets/equity
(Thousands of United States dollars)

	Actuarial gains/(losses)	*Fair value of available-for-sale financial assets*	*Operational reserves: Minimum operational reserves*	*Operational reserves: Other operational reserves*	*Sustainable Investments in Infrastructure and Innovation reserve*	*Growth and innovation reserve*	*Accumulated surpluses*	*Total*
Balance as at 1 January 2021	4 783	11 141	21 988	–	–	124 317	124 317	286 546
Surplus/(deficit) for the period	–	–	–	–	–	–	90 381	90 381
Actuarial gains/(losses)	4 916	–	–	–	–	–	–	4 916
Change in fair value of available-for-sale financial assets	–	(21 475)	–	–	–	–	–	(21 475)
Transfers to/from other reserves	–	–	116 776	–	–	(13 198)	(103 578)	–
Opening balance as at 1 January 2022	**9 699**	**(10 334)**	**138 764**	**–**	**–**	**111 119**	**111 120**	**360 368**
Surplus/(deficit) for the period	–	–	–	–	–	–	(28 780)	(28 780)
Actuarial gains/(losses)	39 198	–	–	–	–	–	–	39 198
Change in fair value of available-for-sale financial assets	–	(46 749)	–	–	–	–	–	(46 749)
Transfers to/from other reserves	–	–	8 488	121 924	63 047	(111 119)	(82 340)	–
Balance as at 31 December 2022	**48 897**	**(57 083)**	**147 252**	**121 924**	**63 047**	**–**	**–**	**324 037**

Actuarial gains/losses

198. Actuarial gains or losses relate to the defined benefit pension plan as required by IPSAS 39. See note 3 on accounting policies on employee benefits liabilities.

Fair value of available-for-sale financial assets

199. Fair value movements on available-for-sale financial assets are recorded directly in net assets, in line with IPSAS 29. When a revalued available-for-sale financial asset is sold, the portion of net assets that relates to that financial asset is effectively realized and is recognized in the statement of financial performance.

Minimum operational reserves

200. New minimum operational reserves were established in 2021 by the Executive Board of UNOPS (see DP/OPS/2021/6) to guarantee the financial viability and integrity of UNOPS as a going concern. In accordance with financial regulation 22.02, the operational reserves shall be fully funded and limited to:

(a) Downward fluctuations or shortfalls in revenue;

(b) Uneven cash flows;

(c) Increases in actual costs above planning estimates or fluctuations in project costs;

(d) Other contingencies that result in a loss of resources for which UNOPS has made commitments.

201. The requirement for the minimum operational reserves of UNOPS is set at 25 per cent of the infrastructure service line expenses, 5 per cent of expenses for other

service lines and 33 per cent of administrative costs, with a weight of 50 per cent for the current year, 30 per cent for previous year and 20 per cent for the year prior. On the basis of this formula, for the period ended 31 December 2022, the minimum operational reserves requirement was $147.3 million, an increase of $8.5 million compared with 2021.

202. In June 2022, the Executive Board of UNOPS[4] subsequently requested UNOPS to transfer into the operational reserves balance not committed to projects from the growth and innovation reserve, the Sustainable Investments in Infrastructure and Innovation reserve and accumulated surpluses. During 2022, a total of $130.4 million was transferred into the operational reserves from accumulated surpluses, the growth and innovation reserve and Sustainable Investments in Infrastructure and Innovation reserves.

Growth and innovation reserve

203. In 2019, the UNOPS Executive Director established a growth and innovation reserve on the basis of her authority under UNOPS financial regulations and rules. The purpose of the growth and innovation reserve is to invest in the future revenue-generating ability of UNOPS. The value of this reserve was set at 50 per cent of the excess operational reserves. To date, the reserve has funded Sustainable Investments in Infrastructure and Innovation activities to catalyse investment in socially inclusive large-scale infrastructure projects that will contribute to the achievement of the Sustainable Development Goals.

204. During 2022, a total of $111.1 million of the growth and innovation reserve was transferred into the operational reserves.

Sustainable Investments in Infrastructure and Innovation reserve

205. In February 2022, the UNOPS Executive Board[5] established the Sustainable Investments in Infrastructure and Innovation reserve. Subsequently in June 2022, the Board requested UNOPS to freeze all further Sustainable Investments in Infrastructure and Innovation-related investments not already contractually committed by UNOPS. As at that date, the total committed Sustainable Investments in Infrastructure and Innovation amounted to $63.0 million.

Accumulated surpluses

206. Accumulated surpluses represent the accumulated surpluses and deficits from UNOPS operations over the years, net of those transferred to other reserves, as detailed above. During 2022, a total of $82.3 million of accumulated surplus was transferred into the operational reserves.

Note 20
Revenue and expenses

Non-exchange revenue

207. During the year 2022, UNOPS did not generate any non-exchange revenue, compared with $6 million in 2021. The $6 million of UNOPS non-exchange revenue generated in 2021 related to a grant from the Ministry of Foreign Affairs of Finland, to be used towards Sustainable Investments in Infrastructure and Innovation activities.

[4] See Executive Board decision 2022/13 (see DP/2022/27).
[5] See Executive Board decision 2022/5 (see DP/2022/14).

208. Services in kind for the period amounted to $4.1 million ($4.4 million in 2021), $3.7 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.

Exchange revenue

209. The exchange revenue of UNOPS comprised $1,221.5 million ($1,199.0 million in 2021) in revenue from project activities and $2.9 million ($3.8 million in 2021) from miscellaneous revenue. The revenue and expenses from UNOPS project activities were as follows:

Table IV.56
Revenue and expenses from project activities
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Construction contracts (infrastructure)	308 811	314 832
Procurement	161 942	162 618
Financial management	78 243	86 864
Human resources administration	27 562	22 915
Other project management	644 983	611 739
Total project-related revenue	**1 221 541**	**1 198 968**
***Less*: project expenses**		
Construction contracts	293 911	298 441
Procurement	116 600	107 054
Financial management	61 655	66 491
Human resources	11 797	11 472
Other project management	610 252	575 807
Total project-related expenses	**1 094 215**	**1 059 265**
Net revenue from project activities	**127 326**	**139 703**

210. 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 three core service categories: infrastructure; procurement; and project management. These categories are detailed in note 1.

Construction contracts

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

Table IV.57
Construction contracts – revenue and expenses
(Thousands of United States dollars)

	Cumulative to 2022	*Cumulative to 2021*	*Recognized in current year*
Revenue	1 636 058	1 327 247	308 811
Expense	(1 518 044)	(1 224 133)	(293 91)
Surplus	**118 014**	**103 114**	**14 900**

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

Table IV.58
Construction contracts – amounts due to/from customers
(Thousands of United States dollars)

	Projects with net deferred revenue balance	*Projects with a net receivables balance*	*Total*
Cash advances received, including accrued interest	(2 537 543)	(185 379)	(2 722 922)
Revenue recognized over the life of the contract	1 611 354	193 697	1 805 051
Amount due (to)/from customers included in deferred revenue and project receivables, respectively	**(926 189)**	**8 318**	**(917 871)**
Retentions			12 276

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

Operational costs and other expenses

214. Operational costs of $118.4 million ($91.0 million in 2021) relate to expenses incurred by UNOPS for a range of activities, which included payments for:

(a) Rental of office space and leases: $21.1 million;

(b) Maintenance of buildings and equipment: $40.7 million;

(c) Management and reporting services: $11.0 million;

(d) Utilities: $0.7 million.

215. Other expenses of $32.6 million ($6.3 million in 2021) comprise:

(a) Movements in provisions and impairments: $31.2 million;

(b) Other expenses: $1.4 million.

216. Contractual services of $366.5 million ($367.6 million in 2021) relate to expenses incurred for a range of UNOPS activities, some of which included payments for:

(a) Construction and engineering services: $182.1 million;

(b) Humanitarian aid and relief services: $53.1 million;

(c) Trade and business services: $36.6 million;

(d) Security services; $35.5 million.

Note 21
Employee benefits expenses

Table IV.59
Employee benefits expenses
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Salaries	73 697	80 988
After-service health insurance	7 752	8 092
Annual leave	(10)	968
Home leave	717	883
Defined contribution plan	16 767	17 940
Repatriation grants	1 881	2 356
Other short-term employee benefit expenses	21 136	24 464
Expense related to staff	**121 940**	**135 691**
Other personnel expenses	321 146	307 038
Total employee benefits expenses	**443 086**	**442 729**

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

218. 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 UNOPS responsibility is to establish arrangements to provide a provident fund facility and 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 2022 was $106.3 million ($100.8 million in 2021). Further details on the provident fund are disclosed in the annex to the financial statements.

219. 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 22
Finance income

Table IV.60
Finance income/expense
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Total finance income on investments	(44 610)	29 581
Interest on other financial assets	–	2 307
Less: impairment on other financial assets	–	(15 219)
Recognition of amortized cost (note 10)	–	–
Total finance income/(expense) on investments and other financial assets	**(44 610)**	**16 669**
Less: finance income/(expense) allocated to projects	(10 632)	(9 091)
Net finance income/(expense) retained by UNOPS	**(55 242)**	**7 578**
Finance income on UNOPS bank balances	434	117
Total finance income/(expense)	**(54 808)**	**7 695**

220. The component of total finance income/expense that relates to returns on investment is detailed in table IV.6.

221. In accordance with IPSAS 1: Presentation of financial statements, revenue and expenses are required to be presented separately and not to be offset against each other unless they relate to similar transactions or it is required in line with another IPSAS. There was no interest earned on other financial assets during the year ended 31 December 2022 and, accordingly, impairment on other financial assets has been included as part of other expenses in 2022 and not finance income/expense.

Table IV.61
Net exchange rate gain/loss
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Net foreign exchange gain/(losses)	24 479	19 150

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

223. Net unrealized losses of $15.4 million of derivative instruments are included within the UNOPS net foreign exchange gain/loss.

Note 23
Provisions

Table IV.62
Provisions

(Thousands of United States dollars)

	1 January 2022	*Additional provisions*	*Unused amounts reversed*	*Utilized*	*31 December 2022*
Claims	1 970	–	–	(20)	1 950
Leasehold restoration provisions	262	–	(15)	–	247
Other provisions	6 440	7 311	(5)	(2 160)	11 586
Total	**8 672**	**7 311**	**(20)**	**(2 180)**	**13 783**
Of which:					
Current portion					11 605
Non-current portion					2 178

Table IV.63
Provisions – 2021 comparatives

(Thousands of United States dollars)

	1 January 2021	*Additional provisions*	*Unused amounts reversed*	*Utilized*	*31 December 2021*
Claims	177	2 131	(110)	(228)	1 970
Leasehold restoration provisions	229	33	–	–	262
Other provisions	7 451	209	–	(1 220)	6 440
Total	**7 857**	**2 373**	**(110)**	**(1 448)**	**8 672**
Of which:					
Current portion					6 429
Non-current portion					2 243

224. 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. Claims refer to legal cases in which outflow of resources is probable and can be reliably estimated. Other provisions relate mostly to the estimated cost of remedial work required on projects being implemented by UNOPS.

Note 24
Contingent liabilities

225. UNOPS is subject to claims in the ordinary course of operations, categorized as project-related or staff-related claims. The UNOPS assessment of the financial effect of claims that remain open at year-end is reflected in the table below. The outcome of the open claims is inherently unpredictable and the timing of any outflow is therefore difficult to ascertain.

Table IV.64
Contingent liabilities
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Project related claims from clients	3 804	12 871
Staff related claims	–	–
Total contingent liabilities	**3 804**	**12 871**

226. There were four staff-related claims, with the probability of a liability exposure being low.

Contingent assets

227. UNOPS had no contingent assets as at 31 December 2022 (nil as at 31 December 2021).

Note 25
Commitments

228. UNOPS leases office premises in field locations under non-cancellable and cancellable operating lease agreements. When cancellable, UNOPS is required to give a 1- to 12-month notice of termination of the lease agreements. The lease terms are between a few months and 28 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 countries where the field offices are located.

229. The operating expenses include lease payments for an amount of $7.9 million ($7.4 million in 2021) recognized as operating lease expenses during the year in the statement of financial performance under “operational costs”.

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

Table IV.65
Lease commitments
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Within 1 year	9 770	9 248
Later than 1 year and not later 5 years	13 909	12 403
Later than 5 years	3 778	5 543
Total operating lease commitments	**27 457**	**27 194**

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

232. As at 31 December 2022, the total future minimum lease payments under sublease agreements that UNOPS expects to receive on such agreements that cannot be cancelled was $1.0 million ($0.4 million in 2021), owing mainly to more sublease agreements in 2022 compared with 2021.

Open commitments

233. UNOPS commitments included purchase orders and service contracts contracted but not delivered as at year end. The table below shows the total UNOPS open commitments as at 31 December 2022.

Table IV.66
Open commitments
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Management budget	5 133	4 075
Project-related commitments	1 099 249	1 924 779
Total open commitments	**1 104 382**	**1 928 854**
Of which:		
Commitments for property, plant and equipment	867	1 078
Commitments for intangible assets	17	–

Note 26
Reconciliation of the statement of comparison of budget and actual amounts

Table IV.67
Statement of comparison of original and final budget amounts

(Thousands of United States dollars)

	Biennial 2022–2023 management budget	*2022 management budget*	*2022 management budget*	*Variance between original and final 2022 budget*	*Percentage*	*Explanation*
	Original	*Original*	*Final*			
Total revenue for the period	**200 511**	**100 255**	**121 505**	**21 250**	**21**	**The management fee projections changed following the budget estimates formulation**
Management resources						
Posts	31 259	15 629	17 160	1 531	10	
Common staff costs	23 087	11 544	12 425	881	8	
Travel	8 724	4 362	3 629	(733)	(17)	
Consultants	100 999	50 499	56 335	5 836	12	
Operating expenses	12 987	6 494	11 646	5 152	79	Budget aligned to accommodate for investment in UNOPS operations in line with the comprehensive action plan
Furniture and equipment	1 410	705	1 683	978	139	Budget aligned to incorporate the capitalization of oneUNOPS assets
Reimbursements	2 800	1 400	1 425	25	2	
Total use of management resources	**181 266**	**90 633**	**104 303**	**13 670**	**15**	
Write-offs, provisions and contingency surplus	19 245	9 622	–	(9 622)	(100)	UNOPS does not budget internally for write-offs, provisions or contingency surplus
Total use of resources	**200 511**	**100 255**	**104 303**	**4 048**	**4**	

Table IV.68

Statement of comparison of budget and actual amounts

(Thousands of United States dollars)

	Biennial 2022–2023 management budget *Original*	*2022 management budget* *Original*	*2022 management budget* *Final*	*2022 actual amounts* *Actuals*	*Difference between final budget and actuals*	*Percentage*	*Explanation*
Total revenue for the period	**200 511**	**100 255**	**121 505**	**124 157**	**2 652**	**2**	
Management resources							
Posts	31 259	15 629	17 160	15 149	(2 011)	(12)	
Common staff costs	23 087	11 544	12 425	12 909	484	4	
Travel	8 724	4 362	3 629	4 094	465	13	
Consultants	100 999	50 499	56 335	53 878	(2 457)	(4)	
Operating expenses	12 987	6 494	11 646	5 886	(5 760)	(49)	Expenses for sales force transformation project to be incurred in the future
Furniture and equipment	1 410	705	1 683	1 680	(3)	(0)	
Reimbursements	2 800	1 400	1 425	920	(505)	(35)	While the 2022 budget was spent in full in 2022, the incurred expenditure was offset by a credit received back from the United Nations on jointly financed activities
Total use of management resources	**181 266**	**90 633**	**104 303**	**94 516**	**(9 787)**	**(9)**	
Write-offs, provisions and contingency surplus	19 245	9 622	–	33 512	33 512	100	UNOPS does not budget internally for write-offs, provisions or contingency surplus. The actual amount exceeded the original budget estimate owing to Sustainable Investments in Infrastructure and Innovation impairment
Total use of resources	**200 511**	**100 255**	**104 303**	**128 028**	**23 725**	**23**	
Net revenue on budget basis	**–**	**–**	**17 202**	**(3 871)**	**(21 073)**	**(123)**	

234. The UNOPS budget and accounting bases are different. 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.

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

Table IV.69
Differences between statements II and V

	Treatment in Statement V
Acquisition of property, plant and equipment	Cash basis
Acquisition of intangible assets	Cash basis
Depreciation and impairment of property, plant and equipment	Excluded from UNOPS budget
Amortization and impairment of intangible assets	Excluded from UNOPS budget
Donated assets	Excluded from UNOPS budget
Finance income	Excluded from UNOPS budget
Exchange rate gains/losses	Excluded from UNOPS budget

236. The approved budget covers the biennium 2022–2023. The annual budget for 2022 was included in statement V.

237. 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

238. 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 IV, statement of cash flows), separately identifying basis, timing and entity differences.

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

240. 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 purposes of comparison of budget and actual amounts.

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

Table IV.70
Reconciliation with the statement of cash flows

(Thousands of United States dollars)

	Operating	*Investing*	*Financing*	*Total*
Actual amount on comparable basis as presented in the budget and actual comparative statement	(2 602)	(1 270)	–	(3 872)
Basis differences (acquisition and disposal of intangibles and property, plant and equipment)	–	–	–	–
Entity differences	34 541	(3 140)	–	31 401
Changes in working capital	(1 457 690)	–	–	(1 457 690)
Movement in investments	–	1 279 479	–	1 279 479
Movements in other financial assets	24 021	4 247	–	28 268
Movement in interest received	–	(56 373)	–	(56 373)
Subtotal	**(1 401 730)**	**1 222 943**	**–**	**(178 787)**
Net foreign exchange gains/(losses)				–
Adjustment for fair value on cash equivalents				562
Actual amount in the statement of cash flows				**(178 225)**

Note 27
Segment reporting

242. Management has determined its reporting segments geographically, which is the basis as in the statements of budget reporting provided to the UNOPS Executive Director.

243. The UNOPS structure consists of six regions and headquarters, located in Denmark. Headquarters as a segment is made up of five units: Corporate; Office of the Chief Finance Officer and Administration; Implementation Practices and Standards; Office of the General Counsel; and Regional Portfolios.

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

245. Segment assets and liabilities are those that can reasonably be allocated to the segments. Any others are included under unallocable, in line with IPSAS 18: Segment reporting.

246. UNOPS revenue, expenses, assets and liabilities are segmented as follows:

Table IV.71
Segment revenue and expenses
(Thousands of United States dollars)

	Africa region	*Asia region*	*Europe and Central Asia region*	*Headquarters*	*Latin America and Caribbean region*	*Middle East region*	*New York service cluster*	*Total*
Revenue								
Revenue from project activities	210 537	86 051	129 325	38 375	397 285	100 595	259 373	1 221 541
Miscellaneous revenue	159	1 789	5	583	107	240	–	2 883
Non-exchange revenue	–	–	–	–	–	–	–	–
Total revenue	**210 696**	**87 840**	**129 330**	**38 958**	**397 392**	**100 835**	**259 373**	**1 224 424**
Expenses								
Contractual services	76 230	14 183	11 204	10 936	113 650	30 334	109 972	366 509
Other personnel costs	59 225	43 675	42 154	48 782	53 884	18 430	54 996	321 146
Salaries and employee benefits	4 784	5 019	28 928	18 036	3 320	8 303	53 550	121 940
Operational costs	27 792	10 428	18 265	15 252	16 233	18 424	12 047	118 441
Supplies and consumables	18 571	4 672	12 432	2 200	163 330	12 061	9 392	222 658
Travel	11 119	5 809	4 541	2 325	2 853	768	7 581	34 996
Other expenses	1 931	434	156	24 322	4 509	399	869	32 620
Total expenses	**199 652**	**84 220**	**117 680**	**121 853**	**357 779**	**88 719**	**248 407**	**1 218 310**
Finance income	–	–	–	(54 808)	–	–	–	(54 808)
Exchange rate gain/(loss)	–	–	–	24 479	–	–	–	24 479
Net finance income/(expense)	**–**	**–**	**–**	**(30 329)**	**–**	**–**	**–**	**(30 329)**
Surplus before unallocated expenses	**11 044**	**3 620**	**11 650**	**(113 224)**	**39 613**	**12 116**	**10 966**	**(24 215)**
Unallocated segment expenses								
Depreciation of property, plant and equipment	–	–	–	–	–	–	–	(3 474)
Amortization of intangible assets	–	–	–	–	–	–	–	(1 091)
Surplus/(deficit) for the period	**11 044**	**3 620**	**11 650**	**(113 224)**	**39 613**	**12 116**	**10 966**	**(28 780)**

Table IV.72
Segment revenue and expenses – 2021 comparatives
(Thousands of United States dollars)

	Africa region	*Asia region*	*Europe and Central Asia region*	*Headquarters*	*Latin America and Caribbean region*	*Middle East region*	*New York service cluster*	*Total*
Revenue								
Revenue from project activities	206 545	124 350	105 260	32 988	336 531	113 157	280 137	1 198 968
Miscellaneous revenue	613	1 902	–	1 018	98	168	–	3 799
Non-exchange revenue	–	–	–	5 967	–	–	–	5 967
Total revenue	**207 158**	**126 252**	**105 260**	**39 973**	**336 629**	**113 325**	**280 137**	**1 208 734**
Expenses								
Contractual services	62 559	25 203	9 801	5 297	105 089	42 376	117 255	367 580
Other personnel costs	60 913	50 187	36 280	39 911	47 567	18 747	53 433	307 038
Salaries and employee benefits	4 919	5 831	30 678	17 428	3 563	8 220	65 052	135 691
Operational costs	21 667	10 899	6 387	8 345	13 188	18 320	12 166	90 972
Supplies and consumables	26 066	17 530	8 527	2 098	128 367	12 243	12 751	207 582
Travel	11 789	4 142	778	373	2 244	1 818	4 726	25 870
Other expenses	1 877	190	(4)	1 703	2 265	29	296	6 356
Total expenses	**189 790**	**113 982**	**92 447**	**75 155**	**302 283**	**101 753**	**265 679**	**1 141 089**
Finance income	–	–	–	7 695	–	–	–	7 695
Exchange rate gain/(loss)	–	–	–	19 150	–	–	–	19 150
Net finance income/(expense)	**–**	**–**	**–**	**26 845**	**–**	**–**	**–**	**26 845**
Surplus before unallocated expenses	**17 368**	**12 270**	**12 813**	**(8 337)**	**34 346**	**11 572**	**14 458**	**94 490**
Unallocated segment expenses								
Depreciation of property, plant and equipment	–	–	–	–	–	–	–	(3 341)
Amortization of intangible assets	–	–	–	–	–	–	–	(768)
Surplus/(deficit) for the period	**17 368**	**12 270**	**12 813**	**(8 337)**	**34 346**	**11 572**	**14 458**	**90 381**

Table IV.73
Segment assets and liabilities
(Thousands of United States dollars)

	Africa region	*Asia region*	*Europe and Central Asia region*	*Headquarters*	*Latin America and Caribbean region*	*Middle East region*	*New York service cluster*	*Total for allocated assets and liabilities*	*Unallocable*	*Grand total*
Assets										
Non-current assets										
Property, plant and equipment	–	–	–	–	–	–	–	–	18 393	18 393
Intangible assets	–	–	–	–	–	–	–	–	5 299	5 299
Long-term investments	–	–	–	806 387	–	–	–	806 387	–	806 387
Other financial assets	–	–	–	–	–	–	–	–	–	–
Non-current accounts receivable	–	–	–	–	–	–	–	–	–	–
Total non-current assets	**–**	**–**	**–**	**806 387**	**–**	**–**	**–**	**806 387**	**23 692**	**830 079**
Current assets										
Inventories	2 535	37	21	–	1 535	–	7 595	11 723		11 723
Other assets	–	–	–	5 340	–	–	–	5 340	–	5 340
Accounts receivable										
Project accounts receivable	–	–	–	–	–	–	–	–	69 519	69 519
Prepayments	2 188	1 042	75	5 401	4 748	1 338	101	14 893	–	14 893
Other accounts receivable	–	–	–	–	–	–	–	–	61 386	61 386
Short-term investments	–	–	–	2 079 129	–	–	–	2 079 129	–	2 079 129
Cash and cash equivalents	–	–	–	–	–	–	–	–	604 609	604 609
Total current assets	**4 723**	**1 079**	**96**	**2 089 870**	**6 283**	**1 338**	**7 696**	**2 111 085**	**735 514**	**2 846 599**
Total assets	**4 723**	**1 079**	**96**	**2 896 257**	**6 283**	**1 338**	**7 696**	**2 917 472**	**759 206**	**3 676 678**
Liabilities										
Non-current liabilities										
Employee benefits, long-term	–	–	–	–	–	–	–	–	75 186	75 186
Provisions	230	1 772	–	176	–	–	–	2 178	–	2 178
Total non-current liabilities	**230**	**1 772**	**–**	**176**	**–**	**–**	**–**	**2 178**	**75 186**	**77 364**

Table IV.73
Segment assets and liabilities (continued)
(Thousands of United States dollars)

	Africa region	*Asia region*	*Europe and Central Asia region*	*Headquarters*	*Latin America and Caribbean region*	*Middle East region*	*New York service cluster*	*Total for allocated assets and liabilities*	*Unallocable*	*Grand total*
Current liabilities										
Employee benefits, short-term	–	–	–	–	–	–	–	–	35 955	35 955
Accounts payable	–	–	–	–	–	–	–	–	453 888	453 888
Project cash advances received										
Deferred revenue	233 732	197 676	112 270	73 013	346 384	277 136	71 097	1 311 308	–	1 311 308
Cash held on agency projects	218 030	264 011	299 000	9 910	596 742	44 797	9 323	1 441 813	–	1 441 813
Other liabilities	–	–	–	20 708	–	–	–	20 708	–	20 708
Provisions	2 960	1 337	–	222	6 647	439	–	11 605	–	11 605
Total current liabilities	**454 722**	**463 024**	**411 270**	**103 853**	**949 773**	**322 372**	**80 420**	**2 785 434**	**489 843**	**3 275 277**
Total liabilities	**454 902**	**464 796**	**411 270**	**104 029**	**949 773**	**322 372**	**80 420**	**2 787 612**	**565 029**	**3 352 641**

Table IV.74
Segment assets and liabilities – 2021 comparatives
(Thousands of United States dollars)

	Africa region	*Asia region*	*Europe and Central Asia region*	*Headquarters*	*Latin America and Caribbean region*	*Middle East region*	*New York service cluster*	*Total for allocated assets and liabilities*	*Unallocable*	*Grand total*
Assets										
Non-current assets										
Intangible assets	–	–	–	–	–	–	–	–	5 186	5 186
Property, plant and equipment	–	–	–	–	–	–	–	–	19 573	19 573
Long-term investments	–	–	–	1 214 068	–	–	–	1 214 068	–	1 214 068
Other financial assets	–	–	–	29 996	–	–	–	29 996	–	29 996
Non-current accounts receivable	–	–	–	–	–	–	–	–	1 221	1 221
Total non-current assets	**–**	**–**	**–**	**1 244 064**	**–**	**–**	**–**	**1 244 064**	**25 980**	**1 270 044**
Current assets										
Inventories	1 807	6	5	3 049	1 563	59	8 832	15 321	–	15 321
Other assets	–	–	–	24 576	–	–	–	24 576	–	24 576
Accounts receivable										
Project accounts receivable	–	–	–	–	–	–	–	–	42 246	42 246
Prepayments	1 399	1 898	66	335	9 354	1 044	205	14 301	–	14 301
Other accounts receivable	–	–	–	–	–	–	–	–	29 235	29 235
Short-term investments	–	–	–	2 994 397	–	–	–	2 994 397	–	2 994 397
Cash and cash equivalents	–	–	–	–	–	–	–	–	782 834	782 834
Total current assets	**3 206**	**1 904**	**71**	**3 022 357**	**10 917**	**1 103**	**9 037**	**3 048 595**	**854 315**	**3 902 910**
Total assets	**3 206**	**1 904**	**71**	**4 266 421**	**10 917**	**1 103**	**9 037**	**4 292 659**	**880 295**	**5 172 954**
Liabilities										
Non-current liabilities										
Employee benefits, long-term	–	–	–	–	–	–	–	–	106 301	106 301
Provisions	–	2 033	–	210	–	–	–	2 243	–	2 243
Total non-current liabilities	**–**	**2 033**	**–**	**210**	**–**	**–**	**–**	**2 243**	**106 301**	**108 544**

Table IV.74
Segment assets and liabilities – 2021 comparatives (continued)
(Thousands of United States dollars)

	Africa region	*Asia region*	*Europe and Central Asia region*	*Headquarters*	*Latin America and Caribbean region*	*Middle East region*	*New York service cluster*	*Total for allocated assets and liabilities*	*Unallocable*	*Grand total*
Current liabilities										
Employee benefits, short-term	–	–	–	–	–	–	–	–	40 056	40 056
Accounts payable	–	–	–	–	–	–	–	–	868 186	868 186
Project cash advances received										
Deferred revenue	215 197	265 676	82 626	25 837	570 470	187 394	55 544	1 402 744	–	1 402 744
Cash held on agency projects	251 374	459 507	294 520	8 776	1 300 007	43 377	12 222	2 369 783	–	2 369 783
Other liabilities	–	–	–	16 844	–	–	–	16 844	–	16 844
Provisions	2 757	1 433	–	201	1 950	68	20	6 429	–	6 429
Total current liabilities	**469 328**	**726 616**	**377 146**	**51 658**	**1 872 427**	**230 839**	**67 786**	**3 795 800**	**908 242**	**4 704 042**
Total liabilities	**469 328**	**728 649**	**377 146**	**51 868**	**1 872 427**	**230 839**	**67 786**	**3 798 043**	**1 014 543**	**4 812 586**

Note 28
Related parties

247. 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, given that it exercises significant influence over UNOPS as governing body.

248. The activities of UNOPS are overseen by the Executive Board and UNOPS 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. There were no travel-related costs in relation to the Executive Board during 2022. Members of the Executive 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.

249. 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

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

Table IV.75
Key management personnel
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Number of individuals	11	7
Aggregate remuneration:		
Base compensation and post adjustments	1 941	1 457
Other entitlements	302	370
Post-employment benefits	656	475
Total remuneration	**2 899**	**2 302**
Outstanding advances against entitlements	89	–
Outstanding loans	–	–
After-service health insurance, repatriation grant and leave liability[a]	1 301	772

[a] The after-service health insurance, repatriation grant and death benefit liability disclosed here include values for both the Executive Director and former Deputy Executive Director.

251. For the purpose of this disclosure, key management personnel include the Executive Director and staff members of the management team. The Executive Director has the overall authority and responsibility to plan, lead, direct and control the activities of the organization. The management team is an internal coordination forum that supports the Executive Director in the strategic positioning of UNOPS.

252. The aggregate remuneration of the key 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 and Rules of the United Nations.

253. These financial statements disclose key management personnel remuneration and post-employment liabilities directly attributable to the individuals.

254. In 2022, 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.

255. The UNOPS Deputy Executive Director position has been vacant since March 2020. In September 2022, the UNOPS Executive Board approved the creation of a position for a second Deputy Executive Director. This position is also vacant. In addition, a new Executive Director has been appointed for UNOPS who will assume duties in 2023.

Note 29
Events after reporting date

256. 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.

257. The UNOPS Executive Board, in a decision taken in February 2023, approved the allocation of a maximum sum of $35.4 million to be distributed in tranches to UNOPS from the operational reserves towards the implementation of defined elements of the comprehensive response plan, and as detailed in the UNOPS financial outlook for 2023. The Executive Board also approved an immediate single transfer of $11.8 million, of the maximum of $35.4 million, out of the operational reserves into the UNOPS budget, to allow for the initial implementation of defined elements of the comprehensive response plan, and as detailed in the UNOPS financial outlook for 2023.

258. The Executive Board also requested that UNOPS distribute without delay its excess reserves (defined as total accumulated reserves minus the minimum operational reserves) accumulated as at 31 December 2021, minus $35.4 million, to each paying entity, including those of the United Nations system, based on the management fees generated from each paying entity as a proportional share of total management fees received by UNOPS from 1 January 2018 through 31 December 2021 (four calendar years). The expected financial impact at the date of signature of the UNOPS financial statements is $123.8 million.

259. As at the date of signature of the UNOPS financial statements and related notes for the period ended 31 December 2022, no other material events, favourable or unfavourable, 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.

Note 30
Reclassification of statement of cash flow for the comparative period

260. To achieve improved presentation of the statement of cash flow for 2021, there were some reclassifications for comparative information of the cash flow statement. The net difference of $13.5 million reflects mainly the treatment of derivative impact in cash flows from operating activities, given that derivatives are held for trading.

Table IV.76
Reclassification of statement of cash flow for the comparative period
(Thousands of United States dollars)

	As originally presented	*Current presentation*	*Variance*
Net cash flows from operating activities	1 308 429	1 322 918	(14 489)
Net cash flows from investing activities	(1 423 101)	(1 424 080)	979
Effect of exchange rate changes (net of derivatives)	13 510	–	13 510
Adjustment of fair value of cash	21	21	–
Net increase/(decrease) in cash and cash equivalents	**(101 141)**	**(101 141)**	**–**

Annex

United Nations Office for Project Services individual contractors provident fund summary for the period ended 31 December 2022

(Thousands of United States dollars)

	2022	*2021*
Opening balance as at 1 January	100 818	85 354
Contribution/premium	29 527	27 306
Payouts	(16 644)	(15 621)
Funds not earmarked for the fund	1 475	1 040
Earnings/(loss)	(8 847)	2 739
Closing balance as at 31 December	**106 329**	**100 818**

Non-earmarked contributions of the UNOPS provident fund 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 forth 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 of the UNOPS provident fund. The table below provides details on the non-earmarked contributions for the period.

(Thousands of United States dollars)

	2022	*2021*
Opening balance of the non-earmarked contributions	7 082	6 559
Change in non-earmarked contributions within the period	774	1 178
Total expenses against non-earmarked contributions, following provident fund principles		
Payment attributed to UNOPS personnel	(38)	(52)
Payment attributed to provident fund administrator or investment adviser	(392)	(362)
Payment attributed to services benefiting all members	(64)	(241)
Total expenses against non-earmarked contributions	**(494)**	**(655)**
Closing balance as at 31 December	**7 362**	**7 082**

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