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United Nations Development Programme

Financial report and audited financial statements

for the year ended 31 December 2016

and

Report of the Board of Auditors

United Nations • New York, 2017

* Reissued for technical reasons on 11 September 2017.

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 and certification

Letter dated 18 April 2017 from the Administrator, the Assistant Administrator and Director, Bureau for Management Services, and the Chief Finance Officer and Comptroller of the United Nations Development Programme addressed to the Chair of the Board of Auditors

Pursuant to financial regulation 26.01, we have the honour to submit the financial statements of the United Nations Development Programme (UNDP) for the year ended 31 December 2016, which we hereby approve.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

We, the undersigned, acknowledge that:

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

(*Signed*) Jens **Wandel**
Assistant Administrator and Director
Bureau for Management Services

(*Signed*) Darshak **Shah**
Chief Finance Officer and Comptroller
Bureau for Management Services

Letter dated 30 June 2017 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Development Programme for the year ended 31 December 2016.

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India
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 accompanying financial statements of the United Nations Development Programme (UNDP), which comprise the statement of financial position (statement I) as at 31 December 2016 and the statement of financial performance (statement II), the statement of changes in net assets/equity (statement III), the cash flow statement (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 UNDP as at 31 December 2016, and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled "Auditor's responsibilities for the audit of the financial statements". We are independent of UNDP, 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 appropriate and sufficient to provide a basis for our opinion.

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

The Administrator is responsible for the other information, which comprises the financial report for the year ended 31 December 2016, 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 Administrator is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management 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, management is responsible for assessing the ability of UNDP 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 UNDP 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 UNDP.

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 those financial statements.

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

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is appropriate and sufficient to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of UNDP.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Draw conclusions as to the appropriateness of management's use of the going concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of UNDP 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 UNDP to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of UNDP 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 the United Nations 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 UNDP.

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India
Chair of the Board of Auditors

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania
(Lead Auditor)

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

30 June 2017

Chapter II
Long-form report of the Board of Auditors

Summary

The United Nations Development Programme (UNDP) was established in 1965 by the General Assembly. UNDP partners with entities and people at all levels of society to help build nations that can withstand crisis and drive and sustain growth that improves the quality of life for everyone. UNDP has its headquarters in New York, but works primarily through its offices in 170 countries and territories. UNDP provides a global perspective and local insight to help empower lives and build resilient nations.

The Board of Auditors has audited the financial statements and reviewed the operations of UNDP for the year ended 31 December 2016. The audit was carried out at headquarters in New York and through visits to the country offices in Albania, Bangladesh, Honduras, Montenegro, the Republic of Moldova and Uruguay.

Scope of the report

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

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 UNDP as at 31 December 2016 and its financial performance and cash flows for the financial year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

The Board also reviewed UNDP operations under regulation 7.5 of the Financial Regulations and Rules of the United Nations. This requires the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, internal financial controls and, in general, the administration and management of UNDP operations. The report also includes commentary on the status of implementation of recommendations of previous years.

Audit opinion

The Board has issued an unqualified audit opinion on the financial statements of UNDP for the period under review, as reflected in chapter I of this report.

Overall conclusion

The Board did not identify significant deficiencies in the preparation and presentation of the financial statements. However, the Board continues to note issues similar to those reported in its previous reports including on delays in certification of the combined delivery reports, inadequacies in project oversight, monitoring and reviews and delays in the closing of completed projects. Others deficiencies include recurring cases of duplicate active vendors and vendors who had bank accounts with the same account number and account details, lack of a joint harmonized approach to cash transfers assurance plan for implementing partners shared by UNDP with other United Nations agencies, and weaknesses in clearance of aged prepayments to vendors

and in the IPSAS dashboard, documentation of significant changes in enrolment records of UNDP retiree participants in after-service health insurance which was used to determine actuarial valuation results and after-service health insurance liability, and defining the business requirements for disaster recovery plans, including reviews and testing of disaster recovery plans. The Board urges UNDP to act on the deficiencies noted with a view to preventing recurrences and improving its operations.

Key findings

The Board highlights the following key findings:

Financial reporting

Delayed clearance of prepayments to vendors and IPSAS dashboard

In its previous report (A/71/5/Add.1), the Board reported cases of delayed clearance of prepayments that had exceeded the IPSAS dashboard indicator of 180 days from the scheduled dates of payments. In 2016, the Board continued to note similar cases, where prepayments amounting to $13.71 million (35 payment vouchers), which were made between 2013 and 2016, had not been cleared as at 31 December 2016. According to management, the prepayments noted related to Global Fund to Fight AIDS, Tuberculosis and Malaria procurement of drugs and civil work contracts, which have a long lead time of more than 180 days. Therefore, while the prepayments are classified as “red-rated” because their periods of clearance exceed the cut-off of 180 days in the IPSAS dashboard, the delivery of the related items are still within the period stipulated in the contract. However, the Board considers that UNDP needs to configure the IPSAS dashboard properly so that there is a red rating of prepayments only when clearance exceeds the period stipulated in the contract rather than a blanket rating for all prepayments exceeding 180 days, which distorts the purpose of the dashboard in drawing management’s attention to genuine delays that need management follow-up.

Enrolment records of UNDP retiree participants in after-service health insurance

The actuarial valuation results in the actuarial report for 2016 were based on a roll-forward number of the retiree after-service health insurance participants from the enrolment records of 31 December 2015 which had 3,327 participants. The roll-forward number of retirees differed by 167 fewer participants from the figure of 3,494 participants, which was confirmed by the Health and Life Insurance Section as the actual number of UNDP retiree after-service health insurance participants according to the enrolment records as of 31 December 2016. While the financial effect of this difference has not been determined, the Board considers that it may affect the actuarial valuation results and after-service health insurance liability at year end. Management explained that by using the roll-forward and demographic assumptions, the actuary projected an expected increase of 148 retirees in the model, which thus made the remaining figure of 19 retirees insignificant. However, the Board is concerned that what constitutes a significant difference has not been anywhere defined or specified.

Programme and project management

Review and evaluation of United Nations Development Assistance Framework

According to the United Nations Development Assistance Framework (UNDAF) calendar at two country offices visited, the annual reviews of the Development Assistance Framework were to have been conducted from 2012 to 2016, with the progress review to be completed in 2014 and a final evaluation in

2015. However, Framework annual reviews were not conducted as scheduled. In one country office, the Framework annual reviews had not been conducted for four years, from 2012 to 2016, while the Framework progress review had not been conducted in 2014. In another country office, the United Nations Development Assistance Framework annual reviews had not been conducted for 2014 and 2015. Management attributed the failure to perform the reviews to the change of officials of implementing partners, inadequate ownership and lack of a timely response from the implementing partners' counterparts. The Framework annual reviews and progress review are crucial to enabling the United Nations country team and partners to make timely decisions based on evidence of results that will enhance subsequent performance throughout the programme cycle.

Certification of the combined delivery reports

In its previous reports (A/71/5/Add.1 and A/70/5/Add.1), the Board reported on delays in the certification of the combined delivery reports. In the current period, the Board continued to note delays in the signing of the reports in four out of six country offices visited. Of the 228 combined delivery reports reviewed by the Board for the first, second and third quarters, with due dates in April, July and October 2016, respectively, 186 (from 76 projects) were signed with delays ranging from one to six months. The delays in the certification and signing of the reports means that any errors and misstatements in expenditure reports in previous periods would not be corrected in a timely manner; and this would consequently affect the project's overall expenditure figures. UNDP attributed the delays in the signing of combined delivery reports to the unavailability of the responsible desk officers or the national project directors and frequent changes of those directors. Other country offices used to include reports for the whole year as part of the project's final revisions instead of signing off on quarterly reports.

Project oversight, monitoring and reviews

In its previous reports (A/71/5/Add.1 and A/70/5/Add.1) the Board noted inadequate updating in Atlas of project risks and issues logs, and mitigating actions. In 2016, the Board continued to note similar weaknesses, that is, of the 90 projects reviewed at six country offices visited, 21 projects (23 per cent), at four country offices, had no updates in Atlas on logs for risks issues and monitoring of risks, while for 69 projects (77 per cent), either risks and issues logs were updated late or only a few risks and issues were updated in Atlas and their monitoring logs were not updated adequately and regularly. Management explained that there were cases where monitoring, issues and risks' logs were updated not in Atlas, but offline: those risks and issues were then reflected in project progress reports, and discussed in meetings of the project board and other technical meetings. As the Board considers Atlas the primary source of project information, it notes that weaknesses in timely reporting on projects risks, infrequent review and updating of risks and issues logs in Atlas may result in a delay in the taking of mitigation measures designed to address the risks.

Delays in closing completed projects

The Board noted delays in project closures at three out of six country offices visited, where 26 out of 49 projects (53 per cent) that had been operationally closed took more than 12 months to be financially closed. This is not in line with paragraph 5 of the UNDP Programme and Operations Policies and Procedures, where it is stated that a project is required to be closed financially not more than 12 months after it was operationally closed. Delayed financial closure of projects may cause challenges in respect of verification of aged transactions, and determination of project expenditure and related information. Management attributed the delay in project closure to frequent changes of implementing partners' officials, the time taken to agree with donors on either reprogramming or refunding projects balances, and subsequent reopening of some financially closed projects by Headquarters in order to clear transactions.

Harmonized approach to cash transfers framework[1]

Preparation of the joint harmonized approach to cash transfers assurance plan

UNDP has been sharing implementing partners with other United Nations agencies: specifically six implementing partners in Bangladesh (with the United Nations Children's Fund (UNICEF) and the United Nations Population Fund (UNFPA)); one implementing partner in Honduras (with UNICEF); and one implementing partner in Uruguay (with UNFPA). However, the country offices did not share a joint harmonized approach to cash transfers assurance plan with the other United Nations agencies. Management attributed the lack of a joint assurance plan to differences in the definition of "implementing partner" among the agencies, in the auditing threshold for implementing partners among the agencies and in the timelines for the national implementation modality/non-governmental organization audits. The Board considers that the absence of a joint assurance plan might result in differences among the organizations in risk ratings for implementing partners and inconsistencies in respect of decisions on cash transfers modalities for the same implementing partners, which could thus affect the assurance activities on the implementing partners.

Procurement and contract management

Vendor data management

The Programme and Operations Policies and Procedures under financial resources management requires that when creating a new vendor, the buyer should review Atlas vendor records to avoid creating duplicates. At three out of six country offices visited, the Board noted that there were 74 duplicate active vendors and that 26 approved vendors had bank accounts with the same account number and details. Management attributed the weaknesses to input errors and delays in making corrections to vendor data and in updating data. The Board considers that these deficiencies — duplication of active vendors and possession by vendors of the same bank account number and details — pose the risk of inappropriate transactions with vendors.

Human resources management

Service contract management

In 2016, one country office renewed contracts for 12 service contract staff members. The 12 staff members included 2 (ages 48 and 55) who had worked for UNDP for over 20 years. Serving notice to the two staff in October 2016, UNDP explained that their contracts would not be renewed upon expiration in January 2017. They were both dissatisfied with the decision on the grounds that, as there was no possibility of their being employed in other agencies, they were expecting to spend their remaining working years within UNDP before retirement. Management explained that they were engaged in consultations with those staff in order to resolve the matter amicably. The Board considers that UNDP needs to ensure that the policy in place does not allow for such a long period of employment in the service contract category,

[1] The harmonized approach to cash transfers framework establishes common principles and processes for managing cash transfers among United Nations agencies that have adopted the harmonized approach across all countries and operational contexts.

which creates an expectation of permanency and is likely to give rise to lawsuits brought by long-serving holders of service contracts when those contracts are terminated.

Information and communications technology

"Tolerance downtime" and "acceptable data loss" are not defined for the disaster recovery plan at Headquarters

The International Computing Centre has a service delivery agreement with UNDP whereby it agrees to provide Atlas hosting, IT infrastructure and other data-processing services to UNDP. However, the service delivery agreement on hosting of Intranet has not specified the recovery time objective[2] for the domain name system and corporate active directory which are used to authenticate users of applications. Specifying the recovery time objective would ensure that recovery procedures, which include promotion of a secondary site at the International Computing Centre to a primary site, were activated within the tolerable time period and mitigated possible information loss and disruption of operations. Moreover, the recovery time objective and the recovery point objective[3] have not been defined for three applications, namely, the Simple Mail Transfer Protocol (SMTP) mail hub at the International Computing Centre, the Lyris List Manager for email infrastructure, and Swift Client. While UNDP explained that the recovery time and recovery point objectives for the SharePoint application at the International Computing Centre UNICC are four hours and one hour, respectively, the Board noted that those durations were not specified in the service delivery agreement with the Centre. The absence of defined recovery time and recovery point objectives for these critical applications will affect the level of assurance to be obtained with respect to whether the systems will be restored within an acceptable time and whether an acceptable amount of data will be restored in the event of a disaster.

Review and testing of disaster recovery plans

The Board noted that six out of seven disaster recovery plans at UNDP headquarters had not been reviewed since 2014 as required by the information security policy, despite the reminders sent by the cybersecurity unit to disaster recovery plan focal points. Further, disaster recovery plans for four systems (the domain name system and corporate activity directory, the SMTP ail hub, the web authentication system and the private automatic branch exchange (PABX) system) had not been tested in 2016. UNDP argued that reviews of DRP were not conducted because there were no changes in recovery procedures, contacts information and recovery arrangements which would require such reviews. However, the information security policy requires the review to be conducted annually regardless of the changes mentioned by UNDP. The Board was informed that lack of resources had resulted in non-performance of tests on the disaster recovery plans for four systems. The failure to conduct disaster recovery plan-related tests affects the level of assurance to be obtained by UNDP with regard to whether the existing procedures remain appropriate to operating requirements so as to enable effective and efficient resumption of business in the event of a disaster.

Recommendations

The main recommendations of the Board are that UNDP:

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[2] The recovery time objective is the maximum tolerable length of time during which a computer, system, network or application can be down after the occurrence of a failure or disaster.

[3] The recovery point objective is the maximum acceptable amount of data loss as measured in time.

Delayed clearance of prepayments to vendors

(a) **Review aged prepayments and indicators of the IPSAS dashboard with a view to reconfiguring the dashboard in order to accommodate the prepayments under contracts whose delivery period exceed 180 days without red-rating them. Thus, the IPSAS dashboard could red-rate only the prepayments that exceeded the delivery due dates indicated in the contracts instead of using 180 days as the red-rating cut-off for all types of prepayments;**

Enrolment records of UNDP retiree after-service health insurance participants

(b) **(i) Determine the threshold for significant change in the population in after-service health insurance enrolment records which will require the performance of a full valuation of after-service health insurance liability at year end and (ii) include in the actuarial report the estimated change in population as part of the key information;**

(c) **Ensure that in future, before closing financial statements, it obtains confirmation from the United Nations on enrolment records of retiree participants in after-service health insurance as part of year-end certifications and reconciles the differences (if noted) with records in Atlas, the actuarial valuation report and after-service health insurance liability in the financial statements;**

Review and evaluation of the United Nations Development Assistance Framework

(d) **Also ensure that the Bangladesh and Honduras country offices (i) continue to liaise with implementing partner counterparts in order to facilitate timely implementation of the United Nations Development Assistance Framework, annual reviews and progress reviews and (ii) consider adopting strategies that enable the Development Assistance Framework annual reviews and progress reports in the next programme cycle to be completed on time;**

Certification of the combined delivery reports

(e) **Strengthen communication and follow-up with counterparts and take appropriate measures to address this recurring deficiency and ensure that quarterly combined delivery reports are signed in a timely manner by UNDP and implementing partners;**

Project oversight, monitoring and reviews

(f) **Review and update in a timely manner the projects' risks, issues and monitoring logs and document them in Atlas as the primary source of projects information;**

Delay in closing projects

(g) **Take proactive measures to (i) ensure that all operationally closed projects are financially closed within 12 months, in accordance with the Programme and Operations Policies and Procedures, by obtaining in a timely manner the donors' approvals on refunds or reprogramming of amounts unspent; and that all transactions related to projects are thoroughly reviewed and effected before they are closed financially; and (ii) address challenges in projects closures, such as obtaining donors' approvals on unspent amounts in a timely manner;**

Preparation of the joint harmonized approach to cash transfers assurance plan

(h) **Ensure that the Bangladesh, Honduras and Uruguay country offices (i) liaise with the agencies under the joint harmonized approach to cash transfers assurance plans in order to resolve challenges noted and prepare the assurance plans for shared implementation partners; and (ii) also ensure that the assurance plans are endorsed by the country representatives and implemented;**

Vendor data management

(i) **(i) Perform regular vendor data checks to maintain accurate and up-to-date data including removal of duplicate active vendors, (ii) review and correct vendors' bank information to ensure that vendors do not bear the same bank account numbers and (iii) also review transactions processed into accounts shared by multiple vendors, to ensure that no transactions that are inappropriate are included;**

Management of service contracts

(j) **Consider updating the human resources policy to restrict the number of years during which a person can serve under a service contract, after which time a post should be established and filled by a person on a fixed-term appointment;**

Tolerance downtime and acceptable data loss not defined for the disaster recovery plan at Headquarters

(k) **(i) Specify the recovery time objective for the domain name system and active directory in the service delivery agreement and (ii) also specify, in the service delivery agreement, the durations for the recovery time and recovery point objectives for the Simple Mail Transfer Protocol mail hub, the Lyris List Manager and Swift Client applications;**

Review and testing of disaster recovery plans

(l) **(i) Review all disaster recovery plans, (ii) consider budgeting for the testing of the disaster recovery plans and (iii) test the disaster recovery plans and document the tests conducted.**

Key facts

170	Countries and territories where UNDP operates
$744.25 million	Budget for 2016 approved by the Executive Board for regular resources (core resources). Other resources do not fall within the remit of the approved budget of the Board although they are accounted for in the financial statements
$5.10 billion	Total revenue
$4.66 billion	Total expenses
$6.94 billion	Total assets
$2.23 billion	Total liabilities

A. Mandate, scope and methodology

1. The United Nations Development Programme (UNDP) was established in 1965 by the General Assembly of the United Nations. UNDP partners with entities and people at all levels of society to help build nations that can withstand crisis and drive and sustain growth that improves the quality of life for everyone. UNDP has its headquarters in New York, but works primarily through its offices in 170 countries and territories. UNDP provides a global perspective and local insight to help empower lives and build resilient nations.

2. The Board of Auditors has audited the financial statements and reviewed the operations of UNDP for the year ended 31 December 2016 in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UNDP as at 31 December 2016 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 the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of UNDP. The audit included a general review of financial systems and internal controls and testing of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

4. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of UNDP operations under regulation 7.5 of the Financial Regulations and Rules of the United Nations. This allows the Board to make observations with respect to the efficiency of the financial procedures, the accounting system and the internal financial controls and, in general, the administration and management of UNDP operations. The General Assembly had also requested the Board to follow up on previous recommendations and to report thereon accordingly. Those matters are addressed in the relevant sections of the present report, and the summary of the results is included in annex I to the present chapter.

5. The Board has also performed the annual audit of the regular resources of the UNDP-Global Environment Facility Trust Fund, and issued an unqualified audit opinion for the year ended 31 December 2016.

6. The Board coordinates with the Office of Audit and Investigations of UNDP in the planning of its audits to avoid duplication of efforts and to determine the extent of reliance that can be placed on the work of the Office. The present report relates to audits performed at the country offices visited by the Board (in Albania, Bangladesh, Honduras, Montenegro, the Republic of Moldova and Uruguay) and at UNDP headquarters.

7. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with UNDP management, whose comments have been appropriately considered in the report.

B. Findings and recommendations

1. Follow-up of recommendations from previous years

8. The Board noted that of the 40 recommendations from previous years that had been outstanding as of 31 December 2015, 29 (73 per cent) were fully implemented, 10 (25 per cent) were under implementation and 1 (2 per cent) was overtaken by events. Details of the status of implementation of those recommendations are shown in annex I to the present chapter. While the Board acknowledges management efforts towards implementation of its recommendations, it considers that further efforts are needed to address the recommendations with greater emphasis on the recurring recommendations.

9. The Board noted that the recommendations under implementation require that UNDP finalize pending activities before they are considered fully implemented.

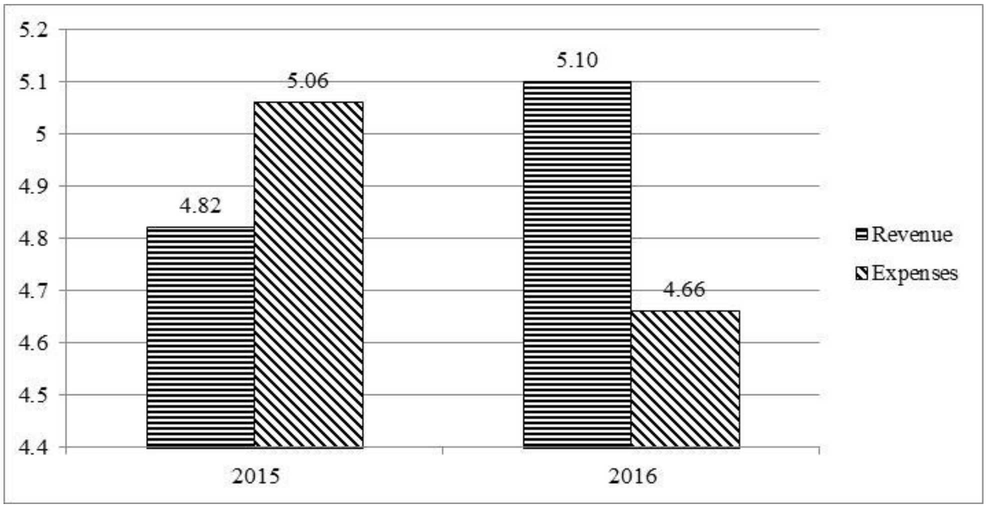
2. Financial overview

Revenue and expenses

10. UNDP revenue includes regular resources (core funds), other resources (non-core funds), investment revenue and other revenue. During the period under review, total revenue amounted to $5.10 billion compared with $4.82 billion for the previous period, representing an increase of 5.8 per cent. Total expenses amounted to $4.66 billion, compared with $5.06 billion for the previous year, representing a decrease of 7.9 per cent. In 2016, UNDP had a surplus of $443.05 million of revenue over expenses which is an improvement compared with a deficit of $237.25 million reported in the previous period. The surplus was the result of an increase in revenue (due mainly to a greater number of voluntary contributions) coupled with decreased expenses in 2016 (due mainly to fewer costs for contractual services, staff costs, and supplies and consumables) compared with 2015.

11. Overall, UNDP had cash and investments totalling $6.38 billion as at 31 December 2016 (2015: $5.83 billion). Total liabilities as at 31 December 2016 were $2.23 billion (2015: $2.15 billion). In accordance with the Financial Regulations and Rules approved by its Executive Board, UNDP held $325.13 million in reserves (2015: $341.13 million) and $4.38 billion as accumulated surpluses (2015: $3.93 billion). Total revenue and expenses for the financial periods 2015 and 2016 are shown in figure II.I.

Figure II.I
Revenue and expenses
(Billions of United States dollars)



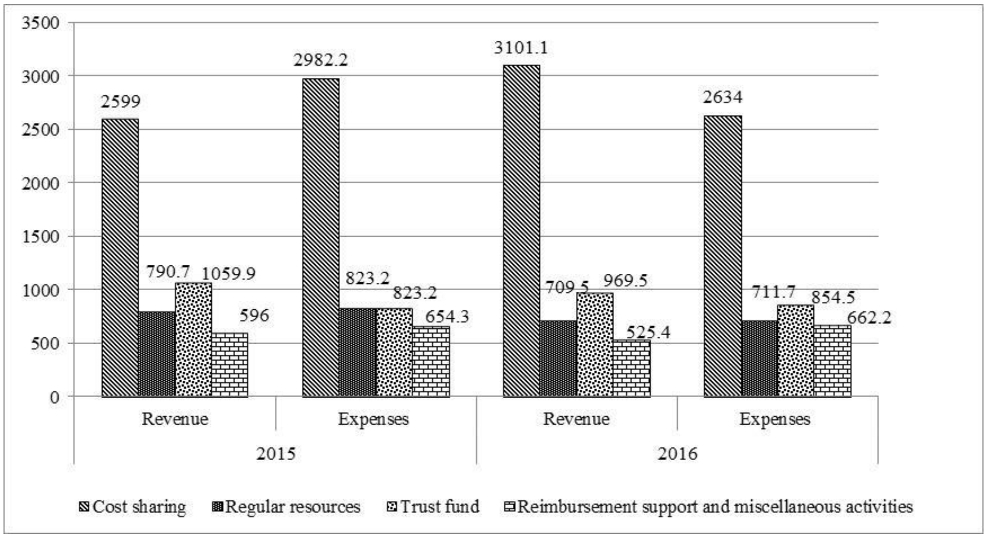
Source: Analysis by the Board of UNDP financial statements for the periods ended 31 December 2015 and 31 December 2016.
Note: Graph not to scale.

12. Revenue increased by $0.28 billion (5.8 per cent) owing mainly to an increase in voluntary contributions, revenue from exchange transactions and other revenues, whereas expenses decreased by $0.4 billion (7.9 per cent) owing mainly to a decrease in contractual services costs and grants and other transfer payments in 2016 compared with 2015. Other factors included a decrease in contractual costs, staff costs, supplies and consumables as well as in general operating expenses.

13. UNDP revenue includes voluntary contributions, revenue arising from exchange transactions (revenue generated by exchange of goods or services), investment revenue and other revenue. During the year under review, voluntary contributions amounted to $4.79 billion (2015: $4.47 billion), representing 94 per cent of the total revenue for the year. The amount included the following: cost sharing, $3.08 billion (64 per cent); regular resources, $0.66 billion (14 per cent); trust funds, $0.96 billion (20 per cent); and reimbursable support services and miscellaneous activities, $0.09 billion (2 per cent). Comparative contributions for regular and other resources for 2015 and 2016 are shown in figure II.

14. Figure II.II below shows the analysis of UNDP revenue and expenses by segment for the years 2016 and 2015. The analysis shows that in 2015 the revenue from three segments (cost sharing, regular resources, and reimbursable support and miscellaneous activities) were less than the related expenses, except for trust fund where revenue was greater than expenses by $236.7 million. In 2016, the revenue from two segments (cost sharing and trust funds) was greater than the relevant expenses, while in the other two segments (regular resources and reimbursable support and miscellaneous activities) the revenue was lower than the relevant expenses.

Figure II.II
Revenue and expenses by segment
(Millions of United States dollars)



Source: UNDP financial statements for the periods ended 31 December 2015 and 31 December 2016.

Ratio analysis

15. There is a favourable trend of revenue from contributions in consecutive years 2015 and 2016, and the ratios set out in table II.I indicate a healthy overall financial position for UNDP. Current assets are more than four times the current liabilities and total assets are more than three times the total liabilities. The current ratio shows an increasing trend over a period of the last three years. This trend indicates the increasing level of liquidity, signifying that the ability of UNDP to pay off its short-term liabilities is increasing slightly.

Table II.I
Ratio analysis

Description of ratio	*31 December 2016*	*31 December 2015*	*31 December 2014*
Current ratio[a]			
Current assets: current liabilities	4.48	3.59	3.65
Total assets: total liabilities[b]	3.11	2.99	2.82
Cash ratio[c]			
Cash and investments: current liabilities	4.12	3.18	3.13
Quick ratio[d]			
Cash, investment and accounts receivable: current liabilities	4.28	3.41	3.37

Source: Analysis by the Board of Auditors of UNDP financial statements for the periods ended 31 December 2014 and 31 December 2016.

[a] Current ratio: a high ratio indicates an entity's ability to pay off its short-term liabilities.

[b] Total assets: total liabilities: a high ratio is a good indicator of solvency.

[c] Cash ratio: as a measure of the amount of cash, cash equivalents or invested funds present in current assets to cover current liabilities, the cash ratio is an indicator of an entity's liquidity.

[d] Quick ratio: the quick ratio is more conservative than the current ratio because it excludes inventories and other current assets, which are more difficult to turn into cash. A higher ratio signifies a more liquid current position.

3. Financial reporting

16. Since the implementation of IPSAS in 2012, UNDP has recorded good progress in the preparation and presentation of financial information. The Board has nevertheless identified areas where there is scope for improvement in financial reporting, as highlighted directly below.

Delayed clearance of prepayments to vendors and the IPSAS dashboard

17. In its previous report (A/71/5/Add.1), the Board raised concern over the number of prepayments vouchers that had not been cleared by the country offices for 180 days or more from the scheduled dates of their settlement. In 2016, the Board continued to note similar weakness through the review of the IPSAS dashboard in Atlas. The review showed that as at 31 December 2016, prepayments amounting to $13.71 million (35 payments vouchers), which were made between 2013 and 2016, had not been cleared by the country offices for more than 180 days from the scheduled dates of payments. Clearance is completed when items for which the prepayment is made are delivered. The IPSAS dashboard "red-flagged" deliveries for such prepayment as delayed when 180 days had expired.

18. Management explained that the prepayments noted related to Global Fund to Fight AIDS, Tuberculosis and Malaria procurement of drugs and civil work contracts involving long-term agreements with a long lead time of more than 180 days. Therefore, while the prepayments were classified as red-rated because their periods exceeded the cut-off of 180 days in the IPSAS dashboard, the delivery of the related items are still within the periods stipulated in the contracts.

19. However, the Board considers that UNDP needs to properly configure the IPSAS dashboard so that prepayments are red-rated only when they exceed periods stipulated in the contracts rather than a blanket rating for all prepayments exceeding 180 days, which distorts the purpose of the dashboard in drawing management attention to genuine delays that need management follow-up.

20. **UNDP agrees with the Board's recommendation that it review aged prepayments and indicators of IPSAS dashboard with a view to reconfigure the IPSAS dashboard in order to accommodate the prepayments from contracts whose delivery period exceed 180 days without "red rating" them. Thus, the IPSAS dashboard could "red rate" only the prepayments that exceeded the delivery due dates indicated in their contracts instead of using 180 days as the red-rating cut-off for all types of prepayments.**

Inactive trust funds

21. Note 36.8 to the UNDP financial statements for the year ended 31 December 2016 included details on the financial performance of 157 trust funds established by UNDP. From the review of 30 trust funds, the Board noted that (a) 8 trust funds had neither movement of revenue nor expenses since 2015 and had minimal net assets balances for the year 2016; (b) 5 trust funds had neither movements of revenue nor expenses during 2016; and (c) 2 trust funds had no opening balances as of January year 2016 although they had incurred minimal expenses during the year 2016. According to the UNDP Programme and Operations Policies and Procedures and 2016 UNDP year-end closure instructions, such inactive trust funds should be closed.

22. Management assured the Board that UNDP headquarters will work with regional bureaux to monitor and close inactive trust funds. It also explained that some of the trust funds were not active but rather had wrongly transferred funds or

erroneous charges. Such trust funds are normally kept open to clear the pending transactions and then closed.

23. While noting explanations by management, the Board is concerned that inactive trust funds are related to projects that are ongoing while those trust funds, as reported in the financial statements, had neither revenue nor expenses for the current and prior years. This presentation is in non-compliance with UNDP year-end closure instructions and the Programme and Operations Policies and Procedures and may affect the relevancy of trust fund-related information in the financial statements.

24. **UNDP agreed with the Board's recommendation that it (a) enhance monitoring of trust funds and review the status of their projects in order to determine which trust funds are inactive and (b) close in a timely manner all trust funds identified as inactive.**

Enrolment records of UNDP retiree participants in after-service health insurance

25. At a meeting of UNDP, the United Nations and organizations that participate in the United Nations-led health insurance programme, held on 31 December 2012, it was agreed that the formal valuation of end-of-service liability has to be conducted every year with a review of key assumptions associated with the discount rate, salary and medical inflation rates. If significant changes in the population are expected, then full valuation of the liability needs to be performed. The Board position on this decision was that it had no reservations regarding the proposed approach provided that there was no major restructuring or change in staffing profiles.

26. In the actuarial valuation report of 2016, the valuation results were based on data for participants as provided to actuaries by the United Nations for the 2015 valuation, which involved 3,327 participants., The actuary explained that through the conduct of a roll forward, it was determined there had been no significant change in the covered population over the year 2016.

27. However, the actual enrolment records of UNDP retiree participants in the after-service health insurance programme as of 31 December 2016, confirmed to the Board by the Health and Life Insurance Section, included 3,494 participants, an increase of 167 participants compared with the 2015 enrolment records. The Board considers that the decision to roll forward prior-year data should have been based on a clear, predefined threshold for significant change in the staffing profile which would determine the need for a full formal valuation using current data or a roll-forwarding of prior-year data. The Board is concerned that the agreement between UNDP, the United Nations and other agencies that participate in United Nations-led health insurance programmes did not define or specify a specific threshold for significant changes in population so that when the number was exceeded, the full census of population would be introduced. A summary of the data is provided in table II.II below.

Table II.II
Analysis of UNDP retiree participation in the after-service health insurance programme based on enrolment records

Description	*Confirmation*	*Data used by actuaries*	*Data from UNDP Atlas records*	*Difference between actuarial data and United Nations confirmation*	*Difference between actuarial data and UNDP Atlas records*
Enrolment records of UNDP retiree after-service health insurance participants (a)	1 589	1 535	1 581	**54**	**46**
UNDP retiree after-service health insurance Medical Insurance Plan (MIP) (b)	1 905	1 792	1 905	**113**	**113**
Total (a + b)	**3 494**	**3327**	**3 486**	**167**	**159**

Sources: United Nations confirmation, actuarial report and UNDP Atlas data.

28. Management explained that the actuary who had performed the actuarial valuation used assumptions lying within the guidelines of IPSAS to arrive at the actuarial valuation results. According to the actuary, an increase of 148 retirees had been projected based on the retirement and death assumptions pursuant to the data used and included in the actuarial valuation. The Board was also informed that the figure of 19, the difference between the expected increase in the number of participants (148) and the actual increase (167), was insignificant. However, the Board considers that, since a threshold for significant change had not been defined or specified, neither the decision to take the figure of 19 retirees as the difference rather than the figure of 167 retirees based on actual data, nor the conclusion that such a difference was insignificant, cannot be taken as having been properly arrived at. While the financial effect of this difference has not been determined, the Board considers that the actuary was supposed to have used the reasonable assumptions and best estimates to ensure validity of the actuarial valuation results and correctness of the end-of-service liability.

29. **The Board recommends that UNDP, in consultation with the actuary: (a) determine the threshold for significant change in the population of the after-service health insurance enrolment records which would require performance of a full census of staff for the valuation of after-service health insurance liability at year end; and (b) include in the actuarial report the estimated change in population as a part of the key information.**

30. **The Board also recommends that in future, UNDP obtain confirmation from the United Nations on retiree after-service health insurance enrolment records as part of year-end certifications and reconcile the differences (if noted) with records in Atlas, the actuarial valuation report and corresponding after-service health insurance liability in the financial statements.**

Long-outstanding balance of short-term payables

31. According to an UNDP IPSAS policy paper, the malicious acts insurance policy and medical insurance are categorized as monthly benefit entitlements. Therefore, the employer and employee contributions are also processed as part of the monthly payroll run, with no need for accrual. If payments are delayed for any reason, an accrual would reflect any unpaid monthly entitlement at year end.

32. The Board noted that there was an outstanding balance of $2.38 million as at 31 December 2016 in respect of insurance premiums payable for the malicious acts insurance policy scheme and medical insurance. Of the outstanding amount, $1.14 million was for medical insurance and $1.24 million related to the malicious acts insurance scheme. Owing to their nature as monthly benefit entitlements, they are short-term payables, which were supposed to have been settled within a short period. However, the amounts had been outstanding for the period from 2013 to 2016.

33. UNDP explained that those balances were due to changes in the accounts used for collecting malicious acts insurance policy premiums and medical insurance premiums for service contract holders at the time of adoption of IPSAS on 1 January 2012. UNDP started to use new accounts 23078 and 23096 for malicious acts insurance policy premiums and medical insurance premiums, respectively, instead of old accounts 23097 and 23090. Since the transition for payroll collection was conducted in phases in country offices, the transfer of those balances was not treated as a priority. The Board considers that UNDP needs to ensure that the long-outstanding obligations are cleared.

34. **UNDP agreed with the Board recommendation that it (a) verify and transfer the noted liabilities of malicious acts insurance policy premiums and medical insurance premiums to proper accounts codes and (b) clear these long-outstanding liabilities on time.**

4. Programme and projects management

Review and evaluation of the United Nations Development Assistance Framework

35. The United Nations Development Assistance Framework is the strategic programme framework for the United Nation country team. It encompasses the collective response of the United Nations country team to the priorities within the national development framework, priorities that may have been influenced by the country team’s analysis. The United Nations Development Assistance Framework is a planning tool which considers the country’s priorities and the comparative advantages of the United Nations system in areas where it has decided to intervene in the context of the country’s programme cycle. Under the Development Assistance Framework, the coordination office is required to make a significant contribution and facilitate the performance of Development Assistance Framework annual reviews, to coordinate the preparation of the Development Assistance Framework progress report and to coordinate the performance of the Framework final evaluation.

36. According to the United Nations Development Assistance Framework calendar of follow-up and evaluation at the Honduras and Bangladesh country offices, the Development Assistance Framework annual reviews were to be conducted from 2012 to 2016, the Framework progress report was supposed to be ready in 2014 and the final evaluation to be carried out in 2015. However, the Board noted that the Framework annual and progress reviews had not been conducted as planned. For example, at the Honduras country office, Development Assistance Framework annual reviews had not been conducted from 2012 to 2014 and the progress review had yet to be conducted for the year 2014, while at the Bangladesh country office, the Development Assistance Framework annual review had not been conducted for the years 2014 and 2015.

37. The Honduras country office explained that there were a number of factors that affected United Nations Development Assistance Framework activities such as general election processes, changes in implementing partner officials, inadequate ownership and knowledge of the counterparts, and the counterparts’ delayed

response. Management also explained that in the absence of the Development Assistance Framework progress review, the United Nations country team in Honduras had decided to use the Development Assistance Framework action plan in 2015. The shortcomings noted have already been addressed in the design of the new United Nations Development Assistance Framework 2017-2021, which was signed by the United Nations country team and the implementing partner. Under these initiatives, due consideration will be given to strict compliance with annual reviews and progress reviews and reports. The first meeting on the annual review with the implementing partner is scheduled for late 2017. The final progress report of the United Nations Development Assistance Framework 2012-2016 has been prepared in accordance with the United Nations Development Group guidelines.

38. The Board notes that these deficiencies have been reported yearly in the Board's reports but that, despite the explanations of management, there have been no clear organization-wide measures to fully address the underlying causes of the issue. While UNDP has regarded the issue of deficiencies as country-specific, its persistent recurrence, as noted in each of the Board's audits, highlights the need for measures designed to address the issue at a level high enough to ensure that an effect is produced across country offices. The absence of annual United Nations Development Assistance Framework reviews affects the implementation of the harmonized approach to cash transfers programme, since the harmonized approach programme, and the UNDP Programme and Operations Policies and Procedures, require that when a country office has conducted a harmonized approach macroassessment, then the summary of that macroassessment should be communicated through the United Nations Development Assistance Framework annual reviews. The Board is of the view that Development Assistance Framework annual reviews and progress reports are crucial to enabling United Nations country teams and partners to make timely decisions based on the evidence of results, which will enhance subsequent performance throughout the programme cycle.

39. **The Board recommends that UNDP ensure that the Honduras and Bangladesh country offices (a) continue to liaise with implementing partner counterparts so that those offices fully own the United Nations Development Assistance Framework process and thereby facilitate timely Development Assistance Framework implementation, annual reviews and progress reviews and (b) consider adopting strategies to enable the United Nations Development Assistance Framework annual reviews and progress reports in the next programme cycle to be completed on time.**

Certification of the combined delivery reports

40. The combined delivery reports are mandatory official reports which encompass projects expenses and funds. They encompass all project expenses incurred by the implementing partners, by UNDP as direct support and by any other United Nations agencies as responsible parties to the project(s). It is required that the combined delivery reports be co-signed by the country office and the implementing partners. UNDP verifies all financial information for accuracy and completeness as consistent with annual workplans and project budgets. The certification of a CDR is therefore an exercise that is crucial for determining the authenticity of project expenses and project fund balances.

41. The Board reviewed 76 ongoing national implementation modality projects (228 combined delivery reports) for the first, second and third quarters of 2016 and noted delays in the signing of combined delivery reports in four out of six visited country offices. Of the reviewed combined delivery reports, a total of 186 (82 per cent), for the first, second and third quarters, were signed after a delay of a period ranging from one to six months, as summarized in table II.III below. According to

the Programme and Operations Policies and Procedures on programme and project management, combined delivery reports are supposed to be signed, on a quarterly basis, within 15 days after they have been sent to implementing partners. This deficiency was also noted during our audits in 2013, 2014 and 2015.

Table II.III
Certification of quarterly combined delivery reports, selected country offices, 2016

Country office	*Number of projects whose reports were reviewed*	*First quarter*		*Second quarter*		*Third quarter*		*Number of first, second and third quarter reports that were unsigned or signed after a delay*
		Due date for signing	*Actual date of signing*	*Due date for signing*	*Actual date of signing*	*Due date for signing*	*Actual date of signing*	
Uruguay	21	April 2016	September 2016	July 2016	September and October 2016	15 October 2016	November 2016	63 of 63
Honduras	31	April 2016	October 2016	July 2016	October 2016	15 October 2016	October 2016	93 of 93
Bangladesh	13	April 2016	October 2016	July 2016	October 2016	15 October 2016	Signed on time	20 of 39
Albania	11	April 2016	July 2016	July 2016	September 2016	15 October 2016	November 2016	10 of 33
Total	**76**							**186 of 228**

Source: Auditor analysis of combined delivery reports.

42. The Board was informed that the delays in certification and signing of the combined delivery reports were due to factors such as unavailability of the desk officers concerned or the national project director for signing and frequent changes of national project directors in 2016. Management stated that UNDP was in the process of finalizing the updates of the policy designed to provide guidance in cases where combined delivery reports were not signed on time. This guidance will take into account the number of reports-related reminders sent by the country offices to implementing partners.

43. While acknowledging management's explanation, the Board is of the view that delays in certification and signing of the combined delivery reports by country offices and implementing partners increase the risk that misstatements in previous periods, including incorrect postings of expenditure, will not be corrected in a timely manner, which will consequently affect the project's expenditure.

44. **The Board recommends that UNDP (a) introduce a clause in the cooperation agreements on the communication obligations of all parties involved in programme implementation, including measures for motivating implementation of those obligations, and (b) increase follow-up with counterparts so as to ensure that appropriate measures are taken to address the recurrence of delayed certification of combined delivery reports by both UNDP and implementing partners.**

Project oversight, monitoring and reporting

45. According to Programme and Operations Policies and Procedures, project monitoring is one of the most important responsibilities of the project manager. The project monitoring tools and mechanisms include regularly updating of the risks log in Atlas, field office visits to projects at least once yearly and preparation of annual reports.

46. Further, Programme and Operations Policies and Procedures, under project implementation, requires that, with regard to enterprise risk management, all

planning, implementation, monitoring and evaluation, including associated decision-making, should involve a consideration of risks. At the planning stage, risk management serves to ensure that the programme, operation or activity is defined so as to maximize the probability of achieving desired objectives by pursuing opportunities while confining threats to acceptable levels.

47. At four out of the six visited country offices, project risk identification was conducted at the operational level when unit workplans were being prepared or at the start of projects, but there was inadequate risk identification and updating in Atlas during implementation of the projects. From a sample of 90 projects, the Board found that for 21 projects (23 per cent), risks, issues and monitoring logs had not been updated on Atlas, nor were there reports on actions taken to address risks identified. For the remaining 69 projects (77 per cent), either risks and issues logs were updated late or only a few risks, issues and monitoring logs were updated in Atlas. This information is summarized in table II.IV below.

Table II.IV
Project oversight and monitoring

Country office	*Project's risks, issues and monitoring logs were not updated*	*Project's risks and issues logs were updated late or only a few project risks, issues and monitoring logs were updated in Atlas*
Uruguay	3 out of 21	18 out of 21
Honduras	10 out of 31	21 out of 31
Bangladesh	3 out of 14	11 out of 14
Albania	5 out of 24	19 out of 24
Total	**21 out of 90**	**69 out of 90**

Source: Auditor analysis.

48. Furthermore, while project board meetings were scheduled to be conducted in November or December 2016 at the Honduras country office, no such meetings were conducted for 16 out of 31 projects reviewed by the Board in line with project documents which require the project boards to convene regular meetings during the year.

49. Management explained that, in other cases, monitoring, issues and risks logs were not updated in the system, but completed outside the system. The risks and issues are then reflected in project progress reports, discussed in project board meetings and other technical meetings and recorded in the minutes of meetings. Management informed the Board that country offices maintain records of risks logs, issues logs and project monitoring using a SharePoint-based tool. Management also stated that UNDP has developed a new tool, i.e., a quality assurance system, for all projects starting 2016.

50. The Board noted that, despite the explanations of management, Programme and Operations Policies and Procedures had yet to be updated on the use of the new quality assurance tool, nor had there been clarification on when the Atlas system would no longer be used to retain project information. Also, while noting management's explanations, the Board is of the view that risks and issues logs should be recorded in Atlas, where all primary information pertaining to projects is kept. The Board is concerned that lack of timely reporting on project risks subsequent to the initial identification of risks, and infrequent review and updating of risks and issues logs in Atlas, may result in a delay in adoption of measures to mitigate those risks. Furthermore, an insufficiency in the number of meetings of project boards affects project implementation as a result of the lack of guidance

regarding project-related risks and issues, and particularly advice on measures for addressing the risks identified.

51. **The Board recommends that UNDP ensure (a) timely review and updating of project risks, issues and monitoring logs and document this in Atlas as the primary source of project information and (b) that project boards conduct regular meetings as a means of continuously monitoring project implementation.**

Updating of the Evaluation Resources Centre

52. The Evaluation Resource Centre is the UNDP information management system, designed to support management accountability and transparency in evaluation. It provides timely data on evaluation planning, management response and follow-up. The Centre is also a repository of evaluation reports and serves as the organization's primary tool for knowledge management in evaluation. Also, in accordance with the evaluation policy, all evaluations require the response of UNDP management to the evaluation's key findings and recommendations and follow-up actions with clear timelines and responsible parties for delivery. The country office must enter follow-up actions, as outlined in the evaluation management response, and regularly update the status of their implementation in the Evaluation Resource Centre. Since the Centre is a public website, information uploaded to it must be accurate and up to date.

53. The Board reviewed evaluation results and recommendations in the Evaluation Resource Centre and noted that, at the Republic of Moldova country office, the timelines for implementing key actions were not set for two out of three project evaluations sampled by the Board in its 2016 audit. Also, three key actions with "overdue-not initiated" status had no comment and one key action had no deadline. In addition, the country office had not been regularly updating the implementation status of key actions in the Evaluation Resource Centre on their due dates.

54. Management assured the Board that it would take action to ensure that information was updated on time in the Evaluation Resource Centre. Also, in accordance with the evaluation policy adopted in September 2016, UNDP will ensure that all evaluations include management responses, which entail time-bound key actions, and that the status of implementation will be regularly updated in the Evaluation Resource Centre. Regional service centres will be requested to monitor completion of all key actions by their specific deadlines to ensure that evidence of the progress reported is being provided. While taking note of the explanations provided, the Board also observes that it has not seen evidence demonstrating how the actions described will be implemented.

55. The Board is of the view that since the Evaluation Resource Centre is the UNDP information management system, designed to support management accountability and transparency in evaluation, it should be updated regularly based on clear timelines so as to ensure that information in the Centre is appropriate and relevant.

56. **The Board recommends that (a) the Republic of Moldova country office update information in the Evaluation Resource Centre in a timely manner and (b) that UNDP headquarters consider establishing a time frame for the updating by country offices of key actions in the Evaluation Resource Centre.**

Delay in implementation of projects

57. Programme and Operations Policies and Procedures on the project management initiating stage requires that the last step in the formulation and planning of a project before actual project activities begin be identified primarily by

a signed project document. The key approval required is the signing of the project document which constitutes a commitment to implement the project in accordance with the UNDP mandate, policies, regulations and rules. The project document is an agreement between UNDP, the Government and the implementing partner to implement a specific project; the signed project document therefore, constitutes a basis for the budget allocation, which is approved in Atlas by a UNDP staff member with the appropriate authority.

58. The Bangladesh country office had 31 ongoing projects in 2016. The Board noted a delay in commencement of the projects after the signing of the project documents for two national implementation modality projects. These were projects ID 00092054 on integrated community-based adaptation and ID 00087558 on expanding the protected area system so as to incorporate aquatic ecosystem DolphinLPIN. The documents for these projects, which were required to start soon after the signing of the documents in 2015, were signed on 27 May and 30 June 2015, respectively.

59. The budgets for projects ID 00092054 and ID 00087558 were $10.13 million and $5.65 million, respectively, and the completion period was four years, extending from 2015 to 2019. However, as of November 2016, the projects had not started, with a delay for each of over 17 months from the date of signing of the project documents. Further, through a review in the Atlas system, it was noted that no annual budgets had been allocated for these two projects and that no funds had been received from the donor.

60. Management explained that the delay in starting the two projects was due mainly to implementing partner delay in approving the technical project proposal, which was a step in the process preceding implementation of the projects in Bangladesh. Subsequently, in January and March 2017, after the engagement event held in early 2017 at which UNDP and all of the national stakeholders examined the issues and recommended measures for rationalizing the approval process, the implementing partner approved the technical project proposal for the projects.

61. While noting the explanations provided on the delayed approval of the technical project proposal, the Board considers that management is supposed to be proactive so as to ensure that the proposal documents are approved by the implementing partners on time and that projects are started and completed as scheduled. The Board is of the view that such measures will reduce the delays in projects implementation, which have a negative impact on the achievement of the intended project objectives.

62. **UNDP agreed with the Board recommendation that it review the documents for the two projects so as to accommodate the period of delay and ensure that the projects are completed within the scheduled time period.**

Delays in closing projects

63. Programme and Operations Policies and Procedures, under projects completion, requires the projects to be financially completed within 12 months after having been operationally completed or after the date of project cancellation. The Policies and Procedures also requires that for the period between operational and financial closure, the implementing partner should identify and settle all financial obligations and prepare a final expenditure report.

64. Moreover, Policies and Procedures also explains that, based on the project board decision to close the project, project status in Atlas will be set to "operationally closed"; and that from that point on, no further financial commitment can be made. Further, once closure of any project-based financial accounts or funds

is confirmed, project status in Atlas will be set to "financially closed" and no further financial transactions can be made.

65. Nevertheless, the Board noted that at three of the six visited country offices (in Bangladesh, Honduras and Uruguay), 26 of the 49 financially closed projects in 2016 (53 per cent) were, according to Atlas records, financially closed after more than 12 months, since they had been operationally closed, as summarized in a table II.V below.

Table II.V
Delay in project closure, Bangladesh, Honduras and Uruguay country offices

	Financially closed projects in 2016	
Country office	*Total closed*	*Closed after more than 12 months*
Honduras	32	15
Bangladesh	8	2
Uruguay	9	9
Total	**49**	**26**

Source: Auditor analysis.

66. Management explained that the delays in closure of projects in Honduras were due mainly to changes in administrative authorities of implementing partners, which caused delays in the signing of final combined delivery reports and the transfer of project assets. At the Bangladesh country office, due diligence was ongoing, including the review of grant agreements and discussions with donors on whether to reprogramme the funds or refund the balances to donors. The Uruguay country office stated that these projects had already been financially closed in prior years but were later reopened by UNDP headquarters in order to run system processes like depreciation and revaluations of existing balances and balances remaining in the financially closed projects.

67. Despite the justification provided, the Board considers that the reopening of a financially closed project is contrary to Programme and Operations Policies and Procedures which clearly states that once the project is financially closed in Atlas, no further financial transactions should be carried out, since all assets and balances have to be cleared before projects are financially closed.

68. The Board is also concerned that the delays in financially closing projects cause challenges in verifying aged transactions and in determining expenditures and other information related to projects.

69. **UNDP agreed with the Board recommendation that it (a) take proactive measures to ensure that all operationally closed projects are financially closed within 12 months, in accordance with the Programme and Operations Policies and Procedures, which would entail obtaining in a timely manner donors' approvals on refunds or reprogramming of unspent amounts; and thoroughly review and effect all transactions related to projects before they are financially closed; and (b) ensure that all asset balances are cleared before projects are financially closed.**

Inactive projects

70. Programme and Operations Policies and Procedures, under closing a project, explains that a project is finite, with a start and an end date, and that the project ends through both operational and financial closures. Also, Policies and Procedures

requires that the closure of a project be triggered (a) by the approach of the end of work under the final annual workplan, when a project delivers its planned outputs; or (b) by its becoming apparent that the project is no longer viable, thereby generating the decision of UNDP to cancel the project, based on the project board's recommendation.

71. From the review of the ongoing project records in Atlas at visited country offices, the Board noted that at the Bangladesh country office, 6 out of 31 projects were listed as active and ongoing, although since March 2015, they had had no activities, expenditures or budget to demonstrate that they were indeed active. Management explained that these six projects were still active for the purpose of clearing pending issues such as donor refunds, and cleaning up purchase orders.

72. Management also explained that in order to closely monitor the timely closure of projects both operationally and financially, it had developed a SharePoint-based monitoring tool, which captured the relevant records and sent automatically generated email alerts to project and programme focal points three months before the operational closure, followed by two more alerts at certain intervals. Further, other projects were funded by a donor under a standing policy which required that the final reports be endorsed by the donor and that the final debit note be issued before the projects could be closed financially.

73. The Board acknowledges management's efforts in projects management and monitoring activities. However, some of these projects had been inactive since March 2015 and as of November 2016, they were still classified as ongoing. The Board is concerned that the delay in closure of projects that have no transactions and the inability of the country office to close inactive projects that are incorrectly classified as ongoing, increases the risk of charging unrelated expenditure to inactive projects.

74. **The Board recommends that UNDP (a) ensure that inactive projects in Bangladesh and all country offices are closed in line with the Programme and Operations Policies and Procedures and (b) obtain, in a timely manner, donors' endorsements on final reports; approvals so that the last tranche or portion of funds can be disbursed to the country office and approvals so that the remaining project funds can be refunded to donors or reprogrammed, in order to ensure that all projects are closed on time.**

5. Multi-Partner Trust Fund Office

Multi-Partner Trust Fund Office policy on the administrative agent fee

75. Under paragraph 11 of the part of the Programme and Operations Policies and Procedures that covers pass-through fund management, UNDP is designated as administrative agent of the Multi-Partner Trust Fund Office. The United Nations Development Group decided that the administrative agent should be paid 1 per cent of donor contributions as administrative fees for funds administered under the Trust Fund Office, to cover the full costs of delivering the administrative agent functions. The Board noted that under Trust Fund Office policy, 15 per cent of this administrative fee income is allocated to UNDP headquarters and the remaining 85 per cent is allocated to the Trust Fund Office and UNDP country offices. However, there were no documented guidelines specifying the basis or criteria with regard to how the figures of 15 per cent of administrative agent fee revenue for allocation to headquarters and 85 per cent to other entities of the organization were arrived at. For the periods of 2013, 2014, 2015 and 2016, the 1 per cent administrative agent fees received for apportionment were $7.19 million, $8.90 million, $6.85 million and $6.98 million, respectively. For example, the received income of $6.98 million for 2016 was apportioned as follows:

$5.35 million (77 per cent) to the Multi-Partner Trust Fund Office, $1.05 million (15 per cent) to UNDP headquarters and $0.58 million (8 per cent) to UNDP country offices.

76. Management explained that the Multi-Partner Trust Fund Office is within the organizational structure of the Bureau for Management Services, thus no separate agreement is required: all cost centres pay into the central services of the organization. Fifteen per cent of Trust Fund Office administrative agent fee income as allocated to UNDP headquarters central services has been the effective rate for many years. Regarding the distribution of the administrative agent fee, UNDP explained that the Multi-Partner Trust Fund Office and the Bureau for Management Services had consulted and agreed that the fee would be split between the Trust Fund Office and central services at the rates of 85 per cent and 15 per cent, respectively. The Board considers it to be crucial that the basis and criteria for fees allocation be included in an approved guideline. Further, the basis of apportioning 85 per cent has to be specified and reviewed; otherwise, it can lead to over- or underapportionment of income in comparison with the actual division of labour and associated workload among the parties involved (namely, the Multi-Partner Trust Fund Office and UNDP headquarters and UNDP country offices).

77. **UNDP agrees with the Board's recommendation that it (a) review the basis, criteria and guidelines used for determining the percentage of administrative agent fees apportioned to central services; and (b) also review the Multi-Partner Trust Fund Office policy (on administrative agent fee income) and the justification for the basis and criteria for apportioning the administrative agent fees between the Trust Fund Office and UNDP country offices that have received a delegation of authority from the Trust Fund Office Executive Coordinator.**

6. Harmonized approach to cash transfers

Preparation of the joint harmonized approach to cash transfers assurance plan

78. Under paragraph 4 (f) of Programmes and Operations Policies and Procedures (on the harmonized approach to cash transfers), it is required that where agencies share an implementing partner, they should work together to ensure an appropriate balance between the agencies' assurance requirements and the burden of oversight and assurance imposed upon the implementing partner. For shared implementing partners, agencies identify a lead agency for the purposes of managing the microassessment and audit processes.

79. The Board noted that the Bangladesh, Honduras and Uruguay country offices did not have a joint harmonized approach to cash transfers assurance plans although they shared implementing partners with other United Nations agencies. For instance, the Bangladesh country office was sharing six implementing partners with UNICEF and UNFPA; the Honduras country office was sharing one implementing partner with UNICEF; and the Uruguay country office was sharing one implementing partner with UNFPA.

80. Management attributed non-preparation of a joint harmonized approach to cash transfers assurance plan to factors such as differences in definition of implementation partners, threshold for implementing partners and timelines for national implementation modality audits and non-governmental organization audits, among agencies. Management informed the Board that a working group had also noted that these differences affected the modality regarding how agencies can coordinate activities for shared implementing partners. Management also explained that, despite the differences, under paragraph 5 of the Programme and Operations Policies and Procedures (harmonized approach to cash transfers), UNDP offices

were encouraged to seek opportunities to work jointly with interested members of the United Nations country team for the implementation of assurance activities where it made sense and was agreeable to the United Nations country team concerned.

81. The Board, while noting the explanations of management, still underscores the benefits of having a joint assurance plan, including a balancing of the oversight burden and increased assurance levels. The Board is concerned that the absence of a joint harmonized approach to cash transfers assurance plan might result in differences in the risk ratings assigned by agencies and inconsistencies in the bases for deciding on the cash transfer modalities for the same implementing partners, which will ultimately affect the agencies' planned activities for obtaining assurance on how resources have been used by the implementing partners.

82. **The Board recommends that the Bangladesh, Honduras and Uruguay country offices (a) liaise with other United Nations agencies using the harmonized approach to cash transfers to resolve the challenges noted and prepare joint harmonized approach to cash transfers assurance plans for shared implementation partners; and (b) ensure that those assurance plans are both endorsed by the country representatives and implemented.**

Harmonized approach to cash transfers assurance plan

83. Under paragraph 38 (a) of Programme and Operations Policies and Procedures (harmonized approach to cash transfers), the country offices are required to prepare an assurance plan at the beginning of the programme cycle and update it annually. Under Policies and Procedures (harmonized approach to cash transfers), agencies are also required to prepare assurance plans in order to efficiently carry out activities needed to determine if the funds transferred to implementing partners have been used for the intended purposes and in accordance with the workplans. The harmonized approach to cash transfers assurance plan is important for agency management and for assuring other stakeholders of the overall management of funds at the country level.

84. During its visit to six country offices, the Board noted that in 2016, the Honduras country office had updated its harmonized approach to cash transfers assurance plan, which included 10 implementing partners for activities with an estimated total amount of $52.91 million for the programme cycle 2012-2016. However, the assurance plan had not included some vital details nor had it followed the approval process required under the United Nations Development Group harmonized approach to cash transfers framework, as discussed directly below:

(a) The plan had not been approved by either the country director or the resident representative;

(b) The microassessment risk ratings for the implementing partners were missing;

(c) Details on the distribution of cash transfer modalities (direct cash transfers, reimbursements and direct payments) were missing;

(d) Names of other agencies, summarization of the scope of work and microassessment dates (in the area reserved for implementing partner-related information) were missing;

(e) The spot checks area did not include key information such as the number of spot checks required and completed, the quarter planned for spot checks and the quarter in which they were actually performed, and the status and results of snap checks;

(f) The audit area lacked key information such as frequency and types of audits, the quarter planned for audits and the quarter in which they were actually performed, and the status and results of audits.

85. While acknowledging efforts by the country office to revise the assurance plan in November 2016, the Board noted that the revised plan still had areas that required improvements, since the cash transfer modalities (direct cash transfers, reimbursements or direct payments) were not specified for implementing partners, and also noted that there was no relationship between the implementing partners' risk ratings and the selected cash transfer modalities, which was contrary to paragraph 6 (f) of the Programme and Operations Policies and Procedures (harmonized approach to cash transfers), under which it was determined that the cash transfer modalities to be adopted shall be determined by the results of the assessments conducted for the implementing partners with due consideration to the specific programming context.

86. With the Honduras programme cycle approaching its end, it will be necessary for the Honduras country office to improve within this area in the next programme cycle (2017-2021). The Board considers that an inadequate assurance plan will affect the implementing partner risk ratings, selection of the appropriate cash transfer modality, and planned activities for obtaining assurance on how the implementing partners have used resources which will eventually affect project implementation.

87. **The Board recommends that UNDP ensure that for the next programme cycle, the harmonized approach to cash transfers assurance plan for the Honduras country office (a) is prepared at the beginning of the programme cycle, approved by the country director or resident representative and updated annually and (b) includes all required details such as implementing partner risk ratings, and cash transfer modalities.**

7. Procurement and contract management

Vendor data management

88. Procedure 3.2 of Programme and Operations Policies and Procedures (under financial resources management-expense management (creating and approving vendors)) the buyer is required to review Atlas records to avoid creating duplicates. For any change in an existing supplier's details, the buyer has to amend an existing record using effective dating instead of creating a new record. In addition, under paragraph 3 of the standard operating procedure on vendor management, the country office is required to carry out regular vendor data maintenance with a view to establishing an accurate and up-to-date database through removal of duplicate vendors and archiving of non-performing vendors.

89. In its report A/71/5/Add.1, the Board highlighted cases of duplicate vendors and vendors with same bank account numbers. In the current audit, the Board continued to note such cases at three of the six visited country offices. The Board found 74 duplicate active vendors and 26 approved vendors which had bank accounts with same account numbers and details, as summarized in table II.VI below:

Table II.VI
Duplicate active vendors and approved vendors with same bank accounts

Country office	*Number of duplicate active vendors*	*Number of approved vendors with the same bank accounts numbers and details*
Bangladesh	67	2
Honduras	4	22
Uruguay	3	2
Total	**74**	**26**

Source: Query run on Atlas vendors' data, November 2016.

90. Management explained that the presence of duplicate active vendors and non-performing vendors was attributable mainly to input errors, delays in making vendor data correction and delays in ensuring maintenance of up-to-date data, including timely archiving of non-performing vendors for at least three years. Regarding the presence of approved vendors with the same bank account numbers, it was explained that headquarters will revisit their incidence and the query used by the Board in arriving at the conclusions for consistent results.

91. While acknowledging the explanations provided, the Board is of the view that management needs to institute preventive controls with regard to the presence of duplicate active vendors, and vendors with the same bank account numbers pose the risk of transacting and making payments to inappropriate vendors.

92. **The Board recommends that UNDP (a) perform regular vendor data checks so as to maintain accurate and up-to-date data, including removal of duplicate active vendors (b) ensure regular review and correction of vendors' bank information so as to eliminate the existence of vendors with the same bank account numbers and (c) review transactions processed through accounts shared by multiple vendors to ensure that no inappropriate transactions are included.**

Accuracy of information in the procurement dashboard and delivery delays

93. The procurement dashboard in Atlas is a monitoring tool designed to assist users and management in keeping track of all procurement actions as well as facilitate identifying any activity that may need corrective actions. The procurement dashboard was created for tracking (a) all staff with "buyer profiles"[4] and to ensure that they have the minimum level of procurement certification;[5] (b) price variances between the cost per purchase order and the invoiced amounts; (c) all vouchers above the $2,500 threshold to ensure that purchase orders are raised against such vouchers when they are processed; and (d) delays in the delivery of goods and services by suppliers.

94. The Board reviewed the procurement dashboards at the country offices and noted the following deficiencies:

(a) Honduras: the procurement dashboard showed that 42 suppliers out of 69 had delivery delays ranging from 9 to 153 days;

[4] A staff member with a buyer profile can perform procurement functions such as creating vendors and purchase orders. This staff member must have at least completed procurement certification level I.

[5] Entailing an online procurement course for UNDP staff on transactional, tactical and strategic aspects of procurements. Staff must have procurement certification level I to be able to create purchase orders or vendors in Atlas.

(b) Uruguay: the procurement dashboard showed that 13 suppliers out of 57 had delivery delays ranging from 11 to 82 days;

(c) Montenegro: the procurement dashboard indicated that one staff member with buyer profiles had completed procurement levels I and II and was a certified buyer but not that he was a certified buyer level II. Also, the dashboard incorrectly indicated that 36 purchase orders had no requisitions although they did in fact have requisitions. The country office explained that this was to be attributed to a technical mistake as a result of which the system had reported those purchase orders as having no requisitions. Further, the procurement dashboard indicated that 9 out of 14 reviewed suppliers had delivery delays ranging from 18 to 90 days beyond the lead times indicated in the purchase orders;

(d) Republic of Moldova: the procurement dashboard indicated that two staff members had completed procurement level I but did not identify them as certified buyers level I. Also, five staff members with buyer profiles who had completed procurement certification level II were not identified by the dashboard as certified buyers level II. Further, the procurement dashboard showed that 34 out of 1,653 suppliers who had worked with the country office during the year had delivery lead times ranging from 18 days to 86 days beyond the delivery dates indicated in the purchase orders.

95. Management explained that the procurement dashboard does not reflect all of the data within the system. Further, it was explained that delivery delays were due to bureaucratic processes, including the long time taken by customs authorities to clear goods in country offices; and errors including inappropriate entries of due dates in some purchase orders, as some procured items did not comply with specifications, and amendments to the contract and/or agreement on extensions were not reflected in Atlas purchase orders.

96. The Board is of the view that inaccurate information in Atlas procurement dashboard affects management decisions negatively in respect of monitoring procurement processes so as to ensure compliance with UNDP procurement policies and procedures. The procurement dashboard is expected to contain accurate, complete, reliable and updated data at all times. Further, suppliers with long lead times present risks of delay in the implementation of project activities, thus affecting project delivery.

97. **The Board recommends that UNDP (a) review time anomalies in the procurement dashboard and update so as to ensure greater accuracy, completeness and reliability of its information; (b) input reasonable delivery due dates during requisition; and (c) enhance follow-up with vendors to ensure that goods or services are delivered within the scheduled period and appropriate measures are taken against non-performing vendors, including enforcement of penalties under the contracts.**

Pending transactions in accounts payable (vouchers and purchase orders)

98. Under financial resources management of the Programme and Operations Policies and Procedures, regular maintenance and review of accounts payable and purchase orders are required to ensure that vouchers for expenses are fully processed for correct recording in projects and the general ledger. The reviews also seek to ensure that expenses recorded in the general ledger, commitment control and projects are accurate, complete and recorded in the correct accounting period. This is important for ensuring that the resources are not held up and used efficiently and that the donor reports are accurate. Despite the need to maintain correct records, the Board noted errors in processing expenses which had not been traced and rectified. From the results of the query run in Atlas on purchase orders, the Board noted that a

total of 10,491 purchase orders had been labelled “fully matched”, implying that those purchase orders were fully matched with budget, and hence that no additional activity was anticipated. However the purchase orders were still open in Atlas, some with status indicating “partially received” or “not received”. The last activity dates for these purchase orders lay between 2012 and 2016. There were 62 purchase orders for a total of $2.93 million which had errors: for example, 21 purchase orders had a status indicating that they are pending approval, while they were supposed to have been approved; and 31 purchase orders had budget status indicating “not checked” or “errors”, while they were supposed to have been cleared. Also, the Board noted that 17 pending general ledger journal entries with a value of $6.78 million were still open as of 31 December 2016, contrary to paragraph 1.28 of the IPSAS year-end closure instruction.

99. Further, the Board noted that 496 payment vouchers totalling $1.61 million were on hold from different operating units. Those vouchers had been pending for the periods ranging from 2004 to 2015 owing mainly to inadequate maintenance and reviews and untimely actions by UNDP. Also, a total of 420 accounts payable vouchers, with a value of $555,654.51, had errors in terms of their status. For example, status indicated that some payment vouchers had no match. However, such payment vouchers were supposed to have been matched with budget. In the case where they did not match owing to their having been created in error, they should have been cleared.

100. While UNDP stated that the errors identified in the findings had no material financial impact and that the country offices perform regular follow-up, the Board ascertained that pending transactions in accounts payable, both vouchers and purchase orders, affect timeliness of closure of UNDP projects. According to paragraph 21 of Programme and Operations Policies and Procedures on expenses management, projects cannot be closed until the respective pending vouchers are cleared. Therefore, inadequate maintenance and reviews of the accounts payable vouchers and purchase orders might result in the recording of inaccurate and incomplete expenses in the general ledger, project module. It might also affect the accuracy of commitment control, which in turn would lead to inaccuracies in donor reports and inefficiencies in the use of resources.

101. **The Board recommends that UNDP strengthen reviews and monitoring of the purchase orders and accounts payable to ensure that (a) expenses recorded in the general ledger, commitment control and projects are accurate, complete and recorded in the correct accounting period; and (b) pending transactions (i.e., purchase orders, vouchers and general ledger journal entries with an accounting date on or before the last day of the month being closed) are cleared in accordance with year-end closure instructions.**

8. Human resources management

Evaluation and use of service contracts

102. In its previous report, for 2015 (A/71/5/Add.1), the Board raised concerns over delays in evaluation of service contracts contrary to Programme and Operations Policies and Procedures (Human resources management: service contracts) service evaluation policy.

103. Under paragraph 43 (g) of Programme and Operations Policies and Procedures (Human resources management: service contracts), it is required that the service evaluation of service contract holders be completed ideally one month before the expiration of the service contract.

104. The Board reviewed reports of service contract extensions, contract documents and their related evaluation reports at six visited country offices and noted that in three country offices, the evaluation of 22 (25 per cent) out of 88 service contract holders was performed 3-25 days rather than one month before the expiry of the service contracts as required under paragraph 43 (g) of the service contract policy. Table II.VII below summarizes the delays in service contract evaluations:

Table II.VII
Evaluation of service contracts in 2016, country offices of Montenegro, Republic of Moldova and Uruguay

Country office	*Number of service contract staff with delayed evaluations*	*Timing of evaluations (days before contract expiration)*
Montenegro	11 out of 22	20 to 23
Republic of Moldova	8 out of 54	3 to 25
Uruguay	3 out 12	5 to 15
Total	**22 out of 88**	

Source: Auditor analysis.

105. Management explained that the process of evaluations of service contracts is conducted at different levels and requires first supervisor and then cluster lead approval. Ensuring the consistency of ratings across all evaluations and neutralizing the differences in the "standards" of different supervisors make the process, which involves a number of supervisors, complex. Further, management referred to guidance from the Office of Human Resources Policy and Compensation Unit shared with country offices in November 2015 stating that it is possible to amend an initial service contract with an extension of two months after the first six months.

106. While the Board acknowledges that the process of evaluation of service contracts occurs at different levels and requires supervisors' approval, delays in evaluation of service contract holders reduce the time required for supervisors to make guidance notes and feedback to be addressed by service contract holders before the expiration of the contract.

107. **The Board recommends that UNDP ensure that future service contract evaluations are completed on time, ideally one month prior to the contract's expiration, pursuant to policy, so as to provide offices with a reasonable amount of time for decision-making.**

Management of service contracts

108. Programme and Operations Policies and Procedures — (Human Resources: service contracts) explains that the service contract is a modality for hiring individuals under a non-staff contract (para. 3 (a)). The service contract is a decentralized contracting instrument which is cost-effective and flexible for use only by UNDP country offices and regional centres outside of headquarters (para. 3 (b).

109. At the Uruguay country office, the Board reviewed records of all 14 staff under service contracts and noted that 12 out of 14 staff had their contracts extended in 2016, while 2 staff joined UNDP in 2016. The 12 service contract staff included two staff members who had worked for UNDP for periods of over 20 years. The service contract functions of these two staff entailed developing the SMART/Financial Information Management software system, which was used by UNDP before the introduction of Atlas. While stationed in Uruguay, supervision of the two service contract staff members was provided from the UNDP headquarters.

After the introduction of Atlas, the two service contract staff members supported UNDP offices in different countries and agencies like the Food and Agriculture Organization of the United Nations (FAO) and UNICEF. UNDP served notice to the two service contract staff (ages 48 and 55) in October 2016, explaining that their contracts would expire on 31 January 2017 without renewal. As of 17 May 2017, those contracts had expired and had not been renewed. The two service contract staff members were dissatisfied with the decision on the grounds that, having no possibility of employment in other agencies, they had expected to spend their remaining working years before retirement within UNDP.

110. Management explained that it was in consultation with these Service Contract staff in order to resolve the matter amicably. The Board considers that UNDP needs to ensure that the policy in place does not allow for such lengthy service in a service contract category which creates expectations of permanency and is likely to give rise to legal action brought by long-serving service contract staff when their contracts come to an end.

111. **The Board recommends that UNDP consider updating and enforcing the human resources policy to restrict the number of years during which a person can serve under a service contract, after which time a post should be established and filled by a person on a fixed-term appointment.**

Completion of mandatory trainings to staff

112. The Talent Development Centre, formerly known as Learning Management System, is a learning platform with specialized courses that have been developed internally, through partnering with subject-matter experts in the Organization and drawing on their knowledge of UNDP- and/or United Nations-specific topics. It provides mandatory training which needs to be completed by staff. The training includes courses on Basic Security in the Field, Advanced Security in the Field, the United Nations Programme on the Prevention of Harassment, Sexual Harassment and Abuse of Authority in the Workplace, the Gender Journey, ethics training and the UNDP legal framework. Mandatory courses, such as Basic Security in the Field and Advanced Security in the Field should be taken within the first three months of staff employment.

113. The Board reviewed status of staff in respect of completing mandatory training as of November 2016 at six visited country offices. From the review of 114 staff members eligible to undertake training in four of the visited countries, the Board identified staff members who had not completed some form of mandatory training, as summarized in table II.VIII below.

Table II.VIII
Number and proportion of eligible staff who completed various mandatory training courses, at four country offices

		Number and proportion of eligible staff who completed:					
Country office	*Number of staff eligible to undertake training*	*Basic Security in the Field*	*Advanced Security in the Field*	*United Nations Programme on the Prevention of Harassment, Sexual Harassment and Abuse of Authority*	*The Gender Journey: Thinking Outside the Box*	*UNDP legal framework*	*Ethics training*
Uruguay	16	15 (94%)	16 (100%)	16 (100%)	16 (100%)	13 (81%)	16 (100%)
Honduras	24	23 (96%)	18 (75%)	16 (67%)	11 (46%)	5 (21%)	14 (58%)
Bangladesh	42	28 (67%)	26 (62%)	28 (67%)	34 (81%)	27 (64%)	27 (64%)
Republic of Moldova	32	12 (38%)	8 (25%)	32 (100%)	32 (100%)	23 (72%)	32 (100%)
Total staff	**114**	**78**	**68**	**92**	**93**	**68**	**89**
Number of staff who did not undertake training		**36**	**46**	**22**	**21**	**46**	**25**

Source: Talent Development Centre.

114. Management explained that staff members are periodically reminded to take new mandatory courses or retake expired ones. However, noting the low completion rate for mandatory training, the Board considers that the enforcement mechanism for staff completion of the training is inadequate. Management also added that it has a plan for developing an automatic quarterly reporting tool designed to enable headquarters and regional bureaux to monitor mandatory course completion.

115. The Board is of the view that non-completion of mandatory training means that the policy set to ensure staff awareness on safety and security risks and the UNDP objective of creating a good working environment through staff awareness — an environment that is free from intimidation, hostility, commission of offences and all forms of harassment and retaliation — will not be achieved as expected.

116. **The Board recommends that UNDP ensure that all staff members complete mandatory training courses on time.**

9. Assets and inventory management

Reconciliation of additional assets

117. The Board noted that the value of additions of property, plant and equipment as reported in the financial statements was different from that in records of additions of assets in the assets in-service report for the year 2016. The cost of additional assets in four asset categories of property, plant and equipment reported in the financial statements was $20.21 million, whereas the in-service report indicated property, plant and equipment additions of $17.56 million, resulting in a difference of assets cost of $2.65 million which was not easily traceable in the in-service report. The details are summarized in table II.IX below.

Table II.IX

Comparison of value of additional assets as reported in the financial statements with the value in records in the assets in-service report

(United States dollars)

Asset category	*Additions according to the in-service report (A)*	*Additions according to note 16 in the financial statements (B)*	*Difference (B-A)*
Vehicles	8 862 084.57	11 260 000.00	2 397 915.43
Furniture and fixtures	229 057.42	244 000.00	14 942.58
Communication and IT equipment	7 221 038.34	6 959 000.00	(262 038.34)
Heavy machinery and other equipment	1 243 680.27	1 747 000.00	503 319.73
Total	**17 555 860.60**	**20 210 000.00**	**2 654 139.40**

118. The Board was informed that UNDP had conducted quarterly reconciliations of the trial balance against the in-service report, and that the differences noted were due mainly to factors such as a timing difference, whereby assets that were under construction that had started in 2015 were completed in 2016 and recategorized in the lease hold improvements category in 2016.

119. The Board noted clarifications and justifications of the differences noted for assets additions and quarterly reconciliations from country offices; however, these reconciliations identify only differences between the in-service report and the trial balance, but do not assist in tracing the recategorized assets, adjusted assets and assets under construction, as presented in note 16 (property, plant and equipment) of the financial statements. While the financial statements might not be affected, the Board is of the view that UNDP needs to introduce a query or schedule that would assist in the reconciliation of the differences as regards asset additions between the in-service report and the note on property, plant and equipment in the financial statements.

120. **UNDP agreed with the Board's recommendation that it introduce a schedule that ensures easy reconciliation of the differences in respect of individual assets additions between the note in the financial statements on property, plant and equipment; and the in-service report.**

Contradicting policies and guidelines on inventory management

121. The Board noted that, while as of April 2017, Programme and Operations Policies and Procedures (under inventory management) still required country offices to physically count, value, recognize and report inventory as assets at the end of each quarter, this requirement had not been covered in the 2016 year end closure instructions and the guidance note for reporting of inventory. For example, the guidance note for reporting of inventory sets a threshold of $5,000 for recording inventories per operating unit; therefore, if the value of inventory was less than $5,000, the Operating Unit was not required to submit certification or report inventory for the period.

122. In addition, the UNDP Global Shared Service Unit and headquarters issued directives on 27 September 2016 requiring the country offices to perform the semi-annual physical counting of the inventories instead of doing it at the end of each quarter in accordance with the Programme and Operations Policies and Procedures.

123. From a review by UNDP of the implementation of policies, procedures, guidance and instructions on inventory management, the Board found that, out of 61 operating units which reported inventory balances to headquarters, 26 operating units (43 per cent) reported inventories below the threshold of $5,000 in some of their inventory categories, contrary to item 1.20 of the 2016 year-end closure instructions which explained that counting and recording of all inventory items were not required for the threshold of $5,000 per inventory category. The total reported inventories from these 26 operating units amounted to $64,880.21.

124. Management explained that the guidance on inventory management issued in September 2016 was intended to streamline the process and reduce the workload for operating units. Further, management submitted the Programme and Operations Policies and Procedures updates of 17 May 2017, explaining that the Office of Financial Resources Management will be issuing instruction and guidance to be followed by country offices during the exercise of counting and certifying inventories.

125. The Board is of the view that correct timing is highly important when inventory instruction and guidance are issued to country offices. The harmonization of the changes pursuant to UNDP requirements before country offices start implementation of those changes is of great importance for achieving uniformity and consistency in respect of reporting the balance of inventory at year end. Harmonization of policies, procedures and guidance that is not carried out in a timely manner results in inconsistencies in implementation by the country offices and operating units.

126. **UNDP agreed with the Board's recommendation that it update in a timely manner the contents of the Programme and operations Policies and Procedures on inventory management and all related guidance notes, so as to accommodate and harmonize changes pursuant to UNDP requirements before country offices start implementation of those changes.**

10. Information and communication technology

Information security governance

127. The Office of Information Management and Technology at UNDP Headquarters maintains a register of information security risks which is managed by the cybersecurity unit. From a review of the information security risks log, the Board noted that two high risks that had been introduced in 2014 and 2015 remained open, as indicated in the table II.X below.

Table II.X
Cloud security risks introduced in 2014 and 2015

ID	*Title*	*Description*	*Severity*	*Status*	*Introduced*
52	No second factor authentication in Atlas or UNDP cloud	Single factor authentication in Atlas or UNDP cloud applications is vulnerable to keylogging and phishing attacks	High	Open	2014
145	Enterprise: security breach of cloud computing providers	The cloud provider is breached by an external party and does not notify UNDP or the cloud provider gives information to a Government based on a secret request (legal or otherwise) of which UNDP is not told	High	Open	2015

Source: Information security risks register/log.

128. Management stated that these risks remained open pending commencement of the information and communications technology (ICT) project on the cloud security gateway[6] because this project, which had been included in the ICT project pipeline in 2015, was expected to mitigate the identified risks. However, the project could not take off owing to a lack of funding. According to the 2016-2017 ICT road map, UNDP planned to reduce costs and one of the cost reduction mechanisms entailed moving applications to the cloud; cloud security was therefore expected to be a priority in the funding of ICT projects, since it had been identified as a high-risk area. In UNDP, one of the criteria set for prioritizing projects based on the ICT road map was the criticality to staff and data security. In that case, the Board believes that the ICT project was supposed to be considered a high priority owing to its criticality and taking into consideration that it was a carried-forward project from 2015. Further, management explained that the project had been subject to an exceptional delay owing to severe budget cutbacks for 2016. Going forward, the Office of Information Management and Technology will be prioritizing funding for those projects which are designed to address high cybersecurity risk.

129. The Board is of the view that high risks that have remained open in the register could affect controls in cloud applications authentication and eventually allow hackers to access the applications.

130. **The Board recommends that UNDP strengthen control over ICT governance to ensure that ICT projects are prioritized and funded, especially those whose aim is to mitigate high risks.**

ICT governance

131. ICT governance involves processes that ensure the effective and efficient use of information technology in enabling an organization to achieve its goals focusing on performance and risk management. From the review of ICT structure and operations at the Bangladesh country office, the Board identified the following areas requiring management intervention for improvement:

(a) The ICT plan and budget preparation did not adequately involve all business units. For example, human resources, projects and programmes business units were not involved in the preparation of the ICT plan and budget. The Board is of the view that preparation of the ICT plan and the allocation of budget should involve all business units so as to improve accountability and ensure that the ICT needs of the organization are well prioritized and the implementation of planned activities is closely monitored;

(b) The 2016 ICT annual plan and its operational plans for 2016 were not well aligned with each other. For example, two activities in the operational plan were not derived from the annual plan. The operational plan did not cover 5 out of 11 areas that were included in the annual plan. In addition, the country office was not tracking implementation of the activities included in the ICT operational plan;

(c) Although section 4.9.6 of the information security policy requires country offices to make annual self-attestation that they are in compliance with the policy, the country office had no procedures for reviewing the level of compliance with information security policy. Therefore, the country office could not make the annual self-attestation that it is in compliance with the policy;

(d) The country office had no formal documented procedures for access control, change control and media handling. The Board is of the view that

[6] This is an application which authenticates and authorizes users to access another applications hosted in the cloud servers.

documented procedures ensure the correct and secure operation of information systems and incorporation of effective information security controls.

132. Management explained that the country office was planning to use the existing committee, called the head of unit group, comprising all heads of units from programme and operations and chaired by the country director, to endorse and monitor the ICT plan. It further explained that the country office will have the annual ICT plan and subsequent modifications endorsed by the head of unit group. The Group will also review progress of implementation of the plan. Also, the country office will develop standard operating procedures for access control, change control and media handling.

133. **The Board recommends that the Bangladesh country office (a) use the existing head of unit group as an ICT governance group to approve the ICT plan and budget, and monitor budget implementation and vendor performance, as well as ensure compliance with information security policy; and (b) establish formal documented procedures for access control, change control, media handling and monitoring of information systems, pursuant to the UNDP information security policy.**

Third-party service delivery

134. At the Bangladesh country office, UNDP signed contracts for annual maintenance of the IP PBX (Internet protocol private branch exchange) system (29 February 2016, amount $14,292.96), for provision of ICT help desk management support for one year (18 October 2015, amount $42,894.43), and for provision of service for the existing router configuration and enhancement of the Internet connection for one year (16 September 2015, amount $31,988.39). Further, on 16 October 2013, the resident representative of UNDP Montenegro, on behalf of other United Nations agencies, signed a contract worth €37,584 ($42,094) in respect of provision of an Internet leased line for a building with a lease term ended 28 February 2017.

135. Article 3.2 (a) of the above contracts requires the vendors to maintain an appropriate security plan which will take into account the security situation in the country where the services are being provided. Furthermore, article 3.3 of the contract grants UNDP the right to verify the plans and suggest modifications, where necessary. However, the Board noted that the two country offices did not request or verify whether the contracted vendors had maintained and implemented the appropriate security plan throughout the contracts periods. At the beginning of 2017, the Bangladesh country office prepared the security plans with third-party service providers and shared this with the Board for verification.

136. The Board was informed that it was contractor’s responsibility to assure the safety and security of their own personnel and that requisition of a plan depends on the contract cost. However, in the view of the Board, for contracts that entail vendors’ access to the organization’s information and premises, management of the country office must obtain assurance that the vendor will comply with information security best practices.

137. **The Board recommends that the Bangladesh and Montenegro country office improve the ICT monitoring mechanism to ensure that third-party service providers of ICT-related services maintain security plans.**

Maintenance of ICT equipment

138. Under paragraph 18 of UNDP Programme and Operations Policies and Procedures) (Information and Communications Technology), it is required that the

useful life of ICT equipment and laptops be set at four years, after which time they should be replaced. One of the visited country offices had a total of 20 laptops which were between five and eight years old and had therefore exceeded their useful lives. The country office ICT equipment replacement plans for 2016 showed that, out of 20 laptops, 2 laptops with a total cost of $2,226.90 had already been replaced, and 8 laptops with a total cost of $8,719 were in the process of being replaced, while 10 laptops with a total acquisition cost of $12,532.72 were still in use. The Board noted that there were no scheduled maintenance plans for the 10 laptops that were still in use and with no plans for replacement, although their manufacturer's service warranty had already expired.

139. The Board was informed that 4 out of 10 computers are used rarely and only for training and testing purposes, and 4 are used for development projects, while 2 are used by staff members that are not critical users (a driver and a receptionist). However, the Board is of the view that maintenance of ICT equipment in use is critical even if it involves aged equipment so as to avert the risk of an entity's information being processed using equipment that is not serviced.

140. **The Board recommends that the country office consider conducting periodic maintenance of ICT equipment in use even if it is aged.**

Disaster recovery plan: country offices

141. The Board found that the disaster recovery plan at the Bangladesh country office had been tested in January 2016. However, the testing involved only restoration procedures and excluded the contact persons and communications procedures. In addition, the test was not documented for future reference and lessons learned, as required by the disaster recovery standards for UNDP offices. The Board is of the view that an inadequate disaster recovery plan test reduces the assurance of successful restoration of the system after the occurrence of a disaster. It was also noted that the disaster recovery site is located only 10 kilometres away from the country office where the data centre is located. Such a short distance subjects the recovery site and data centre to the same natural disasters, for example, floods and earthquakes.

142. Further, the Board noted that there were no fire suppression systems, smoke detectors or system for alerting the data centre when the temperature or humidity changed at the recovery centre. Management explained that the entire city is impacted in a similar manner during major calamities such as cyclones and floods. The country office will consult the regional security adviser for technical advice. However, the office can arrange to establish the recovery site outside the current location. The office is also exploring the possibility of shifting the disaster recovery site to a better-equipped United Nations sister agency office. Currently, installation of smoke detection alarm systems at the existing disaster recovery site is being planned.

143. **The Board recommends that the Bangladesh country office (a) conduct a full disaster recovery plan test which involves all contact persons, communication procedures and document test results; (b) consider identifying a recovery site in a location that is not subjected to the same natural disaster as the data centre; and (c) install a fire suppression system and smoke detectors at the recovery site.**

Tolerance downtime and acceptable data loss not defined for the disaster recovery plan at headquarters

144. The recovery point objective is the maximum acceptable amount of data loss measured in time. It refers to the time between the last backup and the actual

disaster occurring. The recovery time objective is the maximum tolerable length of time during which a computer, system, network or application can be down before being restored after a failure or disaster has occurred. The recovery point objective could be useful for an entity determining the frequency of the backup, whereas the recovery time objective would help entities decide how soon the system should be restored after the disaster.

145. For the disaster recovery plans of seven critical applications reviewed, the Board noted that the recovery time objective for the domain name system and corporate active directory which authenticate users of applications was not specified in the service delivery agreement with the International Computing Centre. Specifying the recovery time objective would ensure that recovery procedures, including promotion of the secondary site at the International Computing Centre to a primary site,[7] were activated within the tolerable time and reduce the possibilities of information loss and disruption of operations.

146. Also, the recovery time and recovery point objectives had not been defined for three applications, namely, the Simple Mail Transfer Protocol mail hub at the International Computing Centre, the Lyris List Manager for email infrastructure, and SwiftClient. The Board noted that while UNDP had explained that the recovery point and recovery time objectives for the SharePoint application at the International Computing Centre were four hours and one hour, respectively, those durations had not been specified in the service delivery agreement with the International Computing Centre. Further, the Board was informed that the SharePoint service delivery agreement did not include the durations of both the recovery point and recovery time objectives because it had been signed in March 2014 before the International Computing Centre had become ISO/IEC 20000-certified in February 2015.

147. The Board is of the view that the absence of defined recovery time and recovery point objectives for the above-mentioned critical applications would affect the level of assurance to be obtained on whether the systems would be restored within an acceptable time and an acceptable amount of data would be restored in the event of a disaster. In addition, the accountability of the service provider as required by the disaster recovery standard for UNDP offices could not be fixed. The Board is also of the view that it not clear how the durations of four hours for the recovery point objective and one hour for the recovery time objective will continue to be attained since the size of the SharePoint content database continues to increase as businesses continue to use SharePoint. The Board was informed that there is a mechanism in place to ensure that the durations of recovery point and recovery time objectives will be retained and attained by UNDP. However, the Board noted that the mechanism referred to was not documented in the service delivery agreement, as required under the disaster recovery standard for UNDP offices.

148. **UNDP agreed with the Board's recommendations that it (a) specify the recovery time objective for the domain name system and the active directory in the service delivery agreement; (b) consider amending the service delivery agreement with the International Computing Centre for the hosting of the SharePoint application to include agreed durations for recovery point and**

[7] UNDP has a primary domain name system at the premises of its headquarters; and a secondary domain name system which acts as a backup is hosted at the International Computing centre. In case of a failure of a primary domain name system, the secondary domain name system at the Centre has to be brought up or promoted to a primary domain name system in order to take over for the domain name system at headquarters. Thus, the process of promoting a secondary domain name system to a primary one has to be conducted within a tolerable time (recovery time objective) specified by the management depending on criticality of the domain name system.

recovery time objectives; (c) ensure, under the service delivery agreement, that, even with the growing database volume, the International Computing Centre will continue to meet the recovery point and recovery time objectives as specified by UNDP; and (d) specify durations for recovery point and recovery time objectives for the mail hub, the Lyris List Manager and SwiftClient applications.

Review and testing of disaster recovery plans

149. UNDP information security policy requires that all business process owners review, test and document their business continuity plan and disaster recovery plans on an annual basis so as to ensure that they remain appropriate to the operating requirements of the organization.

150. The Board reviewed ICT disaster recovery plans for seven critical applications at UNDP headquarters and noted that six plans had not been reviewed since 2014 despite the reminders sent by the Cybersecurity Unit to plan focal points. The failure to review the plans makes it difficult for the focal points to validate relevance and updates. Also, the Board noted the existence of one ex-UNDP staff in the list of discovery recovery plan contact persons which implies that the person cannot be relied upon in case of disaster.

151. Management stated that there had been no changes in recovery procedures, contacts information and recovery arrangements that would have required the disaster recovery plan to be reviewed. However, the information security policy requires review to be performed annually regardless of the changes. The annual reviews of disaster recovery plans assist in confirming the validity of the recovery procedures.

152. In addition, the Board noted that disaster recovery plans for four systems (the domain name system and corporate active directory; the Simple Mail Transfer Protocol mail hub; the web authentication system; and the private automatic branch exchange (PABX) system) had not been tested in 2016. Management explained that non-testing of the systems mentioned was attributable to the lack of resources, especially human resources. The Board, however, considers that alternative tests such as paper tests and walk-through tests could have been used since they are less resource-intensive.

153. Inadequate DRP tests may affect the level of assurance on whether the existing procedures remain appropriate to the operating requirements for effective and efficient resumption of business in the event of a disaster.

154. **UNDP agrees with the Board’s recommendation that it (a) review all disaster recovery plans, keep track of versions, and update names of staff responsible for disaster recovery plans, (b) consider budgeting for testing the disaster recovery plans, (c) test the disaster recovery plans and document the tests conducted for untested applications and (d) include disaster recovery plan tests and reviews as activities under the workplans of all sections of the Office of Information Management and Technology that manage critical applications.**

Inadequate training on the business continuity plan

155. Business continuity plan guidelines emphasizes that staff training on the plan is essential to ensuring that UNDP maintains the capability to properly and efficiently execute its business continuity plan. Staff members directly involved in plan implementation are supposed to attend orientation training sessions and refresher courses through workshops, classroom courses, and business continuity site visits.

156. The Board reviewed the business continuity plan and noted that UNDP has focal points for the plan in each unit and section charged with overseeing implementation of the plan in their unit or sections. Focal points are responsible for ensuring that all pertinent business continuity policies and guidelines in force are applied, and for communicating decisions and crisis management team items for action of to the crisis response team.

157. The Board interviewed 7 out of 26 focal points at the headquarters units and noted that 5 focal points had not attended orientation training on the business continuity plan. In the absence of orientation training for focal points, the business continuity plan would not be executed properly and efficiently. Management informed the Board that several webinars and sessions have been scheduled in 2017 for the training of business continuity plan focal points on business continuity planning and business impact analysis.

158. **UNDP agrees with the Board's recommendation that it conduct orientation training for business continuity plan focal points.**

Quality assurance in management of ICT projects

159. UNDP quality standard and assurance policy, requires that quality assurance assessments be performed for all UNDP programmes and projects, regardless of their budget, size, location, duration, characteristics, context and circumstances. In addition, the policy requires a quality assessor and quality approver to be appointed for accountability of projects' quality assurance. According to the requirements section of the Office of Information Management and Technology project management guideline, the project should have a business case document, a project initiation document and a project plan document during the initiation and approval stages. Also, during the closure stage, the project should have a closure report and a post-implementation report.

160. The ICT projects status report as of 31 December 2016 showed that, out of eight active projects in 2016, one project was at the initiation stage, four projects were at delivery stage and three projects had been completed. The Board noted that the project that was at the initiation stage had no project plan, while three out of four projects which were at the delivery stage had no business case document. Of the three completed projects, one project had no project initiation document, while another one had no project plan.

161. The Board also noted that, of the eight projects, two projects had a business case document that did not meet the requirements of the Office of Information Management and Technology project management guideline and another two projects had a project initiation document that did not meet the requirements of the guideline, while three projects had a project plan document that did not meet the requirements of the ICT project management guideline.

162. Management explained that for each project, an assessor is appointed and funds are not allocated until the project initiation document and the project plan are available. However, out of eight active projects at year end, three projects did not have quality assurance assessors and one project had expenditures without a project initiation document or a project plan document.

163. The Board is of the view that management needs to improve its follow-up to ensure that quality assurance activities are adequately performed for the ICT projects, because inadequate quality assurance activities may affect the achievement of projects' results and the realization of investments in ICT projects.

164. **UNDP agrees with the Board's recommendation that it enhance performance of control activities in quality assurance for ICT projects to**

ensure that (a) projects comply with quality assurance standards at all stages by having the proper project plans, project initiation documents and business case documents; (b) projects are not initiated without appointing a quality assessor; (c) a quality approver is appointed for each project to ensure the accountability of the assessor; and (d) the quality assurance checklist is developed at each stage of the project, especially at the initiation and closure stages; and that the checklist is completed and approved before the project advances to the next stages.

C. Disclosures by management

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

165. The Administration informed the Board that in accordance with financial rule 126.77, UNDP had write-offs at $2.95 million in the year 2016.

2. Ex gratia payments

166. As required by UNDP financial rule 123.01, the Administration reported ex gratia payments for the period under review amounting to $2,640.

3. Cases of fraud and presumptive fraud

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

168. 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 that management has identified or brought to its attention. The Board also inquires as to whether management has any knowledge of any actual, suspected or alleged fraud, and this includes enquiries of the Office of Audit and Investigations. The additional terms of reference governing external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in its report.

169. In 2016, UNDP reported 63 cases of fraud or presumptive fraud to the Board, with an estimated loss of $640,064. Of the 63 cases, UNDP has already resolved 21 cases (valued $487,889), while 42 cases (valued $152,175) are still pending. Recoveries in 2016 from 21 resolved cases were $240,052, while recoveries from two pending cases were $126,216. The details of all cases are provided in annex II to the present report. The Board considers that UNDP needs to thoroughly review the underlying circumstances that led to the cases, identify the possible gaps and develop a comprehensive anti-fraud strategy to minimize fraud risks and associated loss.

D. Acknowledgement

170. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Administrator of the United Nations Development Programme and his staff.

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India
Chair of the Board of Auditors

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
(Lead Auditor)

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

30 June 2017

Annex I

Status of implementation of recommendations up to the year ended 31 December 2015

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment: Implemented	Under implementation	Not implemented	Overtaken by events
1.	2015	20	UNDP agreed with the Board's recommendation to (a) ensure that operating units regularly review contribution contract agreements with pending milestones and proactively follow up with donors on milestones with expired due dates; and (b) ensure that at year end every operating unit reviews the reports for contracts with pending milestones and, where issues are identified, communicate to the Global Shared Service Centre through the Document Management System and update the status accordingly	On (a), UNDP has developed standard operating procedures on the follow-up of pending milestones which include escalation procedures where no action is taken. A copy of the standard operating procedures was shared with the Board. This has resulted in a significant reduction in past-due milestones from 260 in July 2016, before the standard operating procedure was implemented, to 192 in January 2017. Of the pending milestones in January 2017, less than 5 per cent were older than 12 months. In addition, between January and December 2016, a total of 928 follow-up email messages were sent out to country offices. On (b), the year-end closing instructions provided guidance on actions that offices were to take on pending milestones in order to reduce the pending milestones. Refer to page 36 of 2016 year-end closure instructions shared with the Board	Implemented. On (a), we reviewed the developed standard operating procedures on the follow-up of pending milestones which include escalation procedures where no action is taken. We noted reduction in past-due milestones from 260 in July 2016 to 192 in January 2017. Of the pending milestones in January 2017, less than 5 per cent were older than 12 months. We reviewed sample follow-up email messages sent out to country offices. On (b), we noted that the 2016 year-end closing instructions have guidance on actions that offices were to take on pending milestones in order to reduce the pending milestones; details are found on page 36 of the year-end closure instructions	√			
2.	2015	24	UNDP agreed with the Board's recommendation to (a) review the list of contributions receivable on a quarterly basis so as to identify their recoverability status, and the level of assurance that controls are in place, as required by the internal control framework, (b) keep documentary evidence at	All three items have since cleared from 2016. For Brazil, all the aged items were removed when the donor provided a cost-sharing agreement termination notice, i.e., a notice that the funds would not be received. For Viet Nam, the milestone was pushed to 2017, as there was a delay in	Implemented. We noted three items being cleared in relation to 2016. For Brazil, all the aged items were removed when the donor provided a cost-sharing arrangement termination notice. For Viet Nam, the milestone was pushed to 2017, as there was a delay in implementing the project	√			

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment: Implemented	Under implementation	Not implemented	Overtaken by events
			the country level of follow-ups made with donors to request payments for long-outstanding contributions prior to their recognition in Atlas at year end and (c) make allowance for long-standing doubtful debts, based on objective evidence of their recoverability	implementing the project and an amendment was being signed with the donor. As of March 2017, there are no long-outstanding accounts receivable requiring impairment review. Update 1: on (a) and (b), UNDP has developed standard operating procedures on the follow-up of contributions receivable which include escalation procedures where no action is taken. A copy of the standard operating procedures was shared with the Board. This has resulted in a significant reduction in open AR items, from 165 in July 2016 before the standard operating procedures were implemented to 96 in January 2017. Of the open accounts receivable items in January 2017, only 3 out of 96 items were older than 12 months. In addition, between January and December 2016, a total of 928 follow-up email messages were sent out to country offices. The 2016 year-end closing instructions provided guidance on actions that offices were to take on open accounts receivable items. On (c), given the agreements in place between UNDP and the donors, UNDP is of the view that there is no need for any impairment and is confident that the three long-outstanding accounts receivable items will be received	and an amendment was being signed with the donor. As of 7 March 2017, there are no long-outstanding accounts receivable requiring impairment reviewed. On (b), we reviewed the developed standard operating procedures on the follow-up of contributions receivable which include escalation procedures where no action is taken. We noted the significant reduction in open accounts receivable from 165 in July 2016 to 96 in January 2017. Of the open accounts receivable in January 2017, only 3 out of 96 items were older than 12 months. In addition, between January and December 2016, the 2016 year-end closing instructions provided guidance on actions that offices were to take on open accounts receivable items. (c) is considered implemented. We reviewed a sample of agreements between UNDP and the donors regarding recoverability with impairment having been done on specific account balances				

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment: Implemented	Under implementation	Not implemented	Overtaken by events
3.	2015	29	UNDP agreed with the Board's recommendation to ensure that (a) purchase orders are reviewed on a timely basis, and cancelled or updated as necessary, (b) purchase orders are raised before receipts of the goods and services in accordance with the internal control framework, and (c) ex post facto purchase orders are tracked to ensure that they are justified	On (a), most country offices affected under this IPSAS dashboard indicator are in crisis countries and regions such as the Sudan, Central Africa and Iraq, where delivery is sometimes delayed beyond the expected due dates, and/or where there are emergency procurement activities. A recent Programme and Operations Policies and Procedures update that provides clear policy and emphasis on purchase order closure and that accepts multi-year purchase orders under certain circumstances has also been released in December 2016. This allows for purchase orders to stay open for longer periods before receipting. On (b) and (c), the Office of Financial Resources Management has adopted a substantive monitoring mechanism in following up with country offices and regional bureaux on purchase orders with no Atlas receipts. In addition to the dashboard indicator, this item forms one of the key performance indicators for the comptroller performance index (CPI), where country offices are ranked based on their financial management performance. Building on this assessment in the comptroller performance index, the Office of Financial Resources Management has been judiciously providing quarterly financial management briefs to country offices and regional bureaux. The monitoring	Implemented after assessment. For (a), the Board noted a significant improvement in reviewing purchase orders. (b) and (c) were also implemented owing to management monitoring actions that have been taken on implementation of the standard operating procedures and internal control framework on purchase orders with no Atlas receipts, through which such purchase orders have now been reduced by \$4 million (8 per cent) from \$5 million as reported by the Board	√			

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment: Implemented	Under implementation	Not implemented	Overtaken by events
				dimension is also mainstreamed in the year-end closure instructions to ensure that country offices close all these items by 31 December. As a result of this intensive monitoring and follow-up, at the point when status was analysed in October 2016, a significant improvement was noted from the $5.5 million reported by the Board in the 2015 report. There was only $1 million worth of purchase orders with no Atlas receipts globally, and one country office in a crisis environment accounted for 32 per cent of this amount					
4.	2015	31	UNDP agreed with the Board's recommendation to follow up with the respective offices to ensure full compliance with the standard operating procedures by (a) uploading links to all supporting documents to the Document Management System on a timely basis after being satisfied with the receipt of goods or services and (b) regularly reviewing the IPSAS dashboard on the Document Management System link in Atlas and highlighting exceptions, for corrective actions, by the project managers or management	On (a) and (b), the Office of Financial Resources Management has adopted a substantive monitoring mechanism in following up with country offices and regional bureaux on purchase orders with no Atlas receipts. Several of the purchase orders with no Document Management System links are from countries in crisis with few staff. In addition to the dashboard indictor, this item forms part of the quarterly financial brief provided to country offices and regional bureaux where details and actionable steps are provided. The monitoring dimension is also mainstreamed in the year-end closure to ensure that country offices have closed all these items by 31 December. At year end, country offices are also required to provide receipt accrual	Considered implemented. (a) With the reviewed status of December 2016, the Board noted a significant improvement made by UNDP where action was taken on ensuring that country offices are complying with the standard operating procedures in uploading links to (purchase orders') supporting documents to Document Management System and (b) reviewing IPSAS dashboard on the Document Management System and highlighting exceptions for management actions	√			

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment: Implemented	Under implementation	Not implemented	Overtaken by events
				certifications, which include receipts without Document Management System links to ensure their validity. At the point of analysing status in December 2016, a significant improvement was noted from the $5.5 million reported by the Board in its 2015 report. There were only 160 purchase orders amounting to $3.9 million with no Atlas receipts globally, and one country office in a crisis environment accounted for 2 per cent of this amount. Three samples of quarterly financial management reports sent from the chief financial officer are shared with the Board to indicate that the exception cases are reported on at least a quarterly basis to the resident representatives or heads of offices. In addition, regional and central bureaux are conducting regular monitoring with their respective offices on all areas of the IPSAS dashboard					
5.	2015	35	UNDP agreed with the Board's recommendation to ensure that operating units: (a) prepare accounts payable vouchers before the deadline, as stipulated in the year-end closure instructions so as to liquidate corresponding aged prepayments; and (b) regularly monitor and perform prepayment spot checks so as to verify and clear aged prepayments in a timely manner	On (a), UNDP would like to emphasize that accounts payable vouchers that clear prepaid amounts can be raised only when the goods are received, an issue that has been closely monitored through the certification process. The existing aged prepaid amounts are valid and are related mainly to pharmaceutical products (70 per cent of the prepayments in total are Global Fund-related, while close to 80 per cent of the prepayments	The Board recognizes the vigorous follow-ups and efforts made by management to regularly monitor prepayments This recommendation has been reiterated in the final audit 2016 (refer to audit observation No. 4). The Board noted that as at 31 December 2016, the IPSAS dashboard had 35 prepayment vouchers ($13.7 million) having not been cleared by the operating units for more than 180 days from the scheduled dates of payments		√		

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment: Implemented	Under implementation	Not implemented	Overtaken by events
				greater than 180 days are related to Global Fund-related pharmaceutical products) with a longer lead time and cannot be vouched in accounts payable unless the good have been received. December 2015 status as of 5 January 2017 was shared with the Board. On (b), prepayments irrespective of their age have been regularly monitored throughout 2016. Particular attention was paid to aged prepayments in the periodic certification process and quarterly one-pagers are sent out to country offices on key areas that are monitored by the Office of Financial Resources Management. Vigorous follow-up with offices that had aged items was carried out to ensure that the aged items are receipted and immediately liquidated in line with Programme and Operations Policies and Procedures requirements for receipting. (Sample of actions were shared with the Board.) As of 31 December 2016, approximately 70 per cent of the prepayments were related to the Global Fund, which usually has a much longer lead time for delivery than 180 days, which is the dashboard cut-off for the red rating. Hence, the existing aged prepaid amounts are valid and cannot be vouched in accounts payable unless the goods are received	($4.2 million: 2015). This reiterated recommendation is included in the long-form report for 2016				

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment: Implemented	Under implementation	Not implemented	Overtaken by events
6.	2015	41	UNDP agreed with the Board's recommendation that (a) in future, UNDP plan ahead on the changes needed in project settings such as for the rates of the general management support fee to minimize delays in signing quarterly combined delivery reports; (b) it submit the combined delivery reports in a timely manner, duly signed by UNDP and implementing partners in compliance with the Programme and Operations Policies and Procedures; and (c) it liaise with implementing partners on their accountability regarding timely signing of combined delivery reports when delays are encountered	System changes regarding general management support can only commence after the executive group makes its final decision. The executive board decision regarding changes to internal general management support distribution was made at a meeting in February 2016 and officially communicated in March 2016, after which the changes to general management support testing in line with system change procedures commenced. All offices were informed of the delay in monthly posting of general management support during the first quarter and the first posting made out in May 2016. This is timely, as UNDP targets closure of quarters 2.5 months after the end of every quarter. Being able to post first-quarter general management support changes two months after the quarter is an achievement. On (b) and (c), a combined delivery report repository was launched to enable country offices to upload signed combined delivery reports and a reminder message sent out according to the agreed management action. Management considers this recommendation fully implemented	The Board noted the system changes regarding general management support and considers part (a) of the recommendation to be fully implemented. However, for parts (b) and (c) of the recommendation, the Board has continued to note delays in signing the combined delivery reports by UNDP and implementing partners during the interim audit at the visited country office. Therefore, the Board has reiterated the recommendation		√		
7.	2015	46	UNDP agreed with the Board's recommendation that it institute measures such as the hiring of monitoring and evaluation officers or designate responsible programme staff to ensure timely	In line with the new monitoring policy which was launched in March 2016, monitoring is not restricted to updating risk logs but also includes (a) tracking performance through the	The Board has verified the management response on actions taken and considers the recommendation to be implemented	√			

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment: Implemented	Under implementation	Not implemented	Overtaken by events
			review and updating of projects' risks, issues and monitoring logs and document this in Atlas as the primary source of information on projects	collection of appropriate and credible data and other evidence; (b) analysing evidence to inform management decision-making, improve effectiveness and efficiency, and adjust programming, as necessary; and (c) reporting on performance and lessons to facilitate learning and support accountability. UNDP has been monitoring the spending and capacity allocated by each country office to monitoring, pursuant to the agreed management action. This is available in the results-oriented annual report (ROAR) site. Evidence of such monitoring has also been shared with the Board. It is to be noted that, given the reduction in available resources, there is no expectation that the ideal monitoring and evaluation capacities will be 100 per cent achieved. In 2015 monitoring, 5 per cent of offices, accounting for 6 per cent of total programme delivery, met the monitoring and evaluation staffing benchmark, while 4 per cent of offices with 38 per cent of programme spending were unable to meet the targeted requirements and therefore used existing staff capacities to carry out monitoring activities. UNDP considers this recommendation implemented, as it has developed a monitoring mechanism designed to assess compliance with established benchmarks pursuant to the monitoring policy					

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment Implemented	Under implementation	Not implemented	Overtaken by events
8.	2015	50	UNDP agreed with the Board's recommendation that the UNDP Nepal and Sri Lanka country offices: (a) ensure that quarterly progress reports are prepared, harmonized and capture all key items related to projects; (b) also ensure that timely meeting of project boards are conducted as required by Programme and Operations Policies and Procedures; (c) develop an action plan so that projects' midterm review and annual reviews scheduled for 2015 are performed without further delays; and (d) institute control measures to ensure that monitoring for future project reviews occurs on time	On (a), both the Sri Lanka and Nepal country offices have ensured that quarterly progress reports are prepared capturing all required elements; details in this regard can be viewed in the Atlas project module. A sample was shared with the Board. On (b), the two country offices also ensured the timeliness of the project board's minutes, of which two samples were shared with the Board. On (c), action plans adopted to ensure midterm reviews and annual reviews scheduled for 2015 were implemented and control measures were developed and planned midterm review evaluations are in place. On (d), control measures were instituted to ensure that monitoring was conducted on time. Management considers that effective measures are in place to ensure monitoring is carried out in line with the newly released monitoring policy of March 2016	Implemented. In (a) and (b), the Board reviewed samples of the Nepal and Sri Lanka quarterly progress reports, project board meetings. For part (c), the Board reviewed the midterm review carried out in 2015 that was being uploaded in the evaluation site. While for (d), the Board verified the developed standard operating procedures and trackers to guide timely monitoring of projects	√			
9.	2015	52	UNDP agreed with the Board's recommendation that the Liberia and Uganda country offices (a) ensure projects' completion checklists are completed and final combined delivery reports for financially closed projects are certified by responsible parties; and (b) take efforts to refund amounts due to donors in line with Programme and Operations Policies and Procedures and donor agreements	The Liberia country office has addressed the pending project closure activities highlighted by the Board and all supporting documents were emailed to the Board (owing to their bulk) on 27 December 2016. The Uganda country office has finalized the process for a number of projects; in addition, the note to file has been used for other projects closed in previous years	Liberia: implemented. (a) and (b): the Board verified the projects' completion checklists, final combined delivery reports and other documentations for financially closed projects and status of projects' funds balances being cleared. Uganda: considered implemented; on (a) and (b), the Board reviewed the note to file dated 1 March 2017 from the deputy country director of Uganda explaining the	√			

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					status of project fund balances being cleared. Further, the country office confirmed the difficulties in obtaining proper projects documentations such as closure checklists for most of projects which were closed many years ago (between 2005 and 2013), thus the country office elected to use the note to file and close the projects				
10.	2015	56	UNDP agreed with the Board's recommendation that it (a) obtain, in a timely manner, donors' approvals on refunds or reprogramming of unspent amount so as to minimize delays in closing projects and (b) ensure that all projects in operational closure status are financially closed within 12 months	Excellent progress has been made in closing projects. Specifically, compensating procedures were prepared for offices that were unable to obtain required documentation in line with requirements of the Programme and Operating Policies and Procedures Subsequently, from July 2016, the Associate Administrator sent messages to bureaux with regard to closing all inactive projects. The impact of conscientious monitoring and follow-up on a regular basis resulted in a reduction, from 908 projects with a fund balance of $14.5 million on 11 July 2016 to 383 projects with a fund balance of 2.8 million on 20 December 2016. This represents an 81 per cent improvement with respect to inactive project fund balances. While UNDP can make every effort to follow up with donors, ensuring their timeliness of response is not within the purview of UNDP management. The balance of inactive projects pending closure will never be nil	Considered implemented. The Board noted good progress made in reducing the magnitude of delayed closed projects, due to top management involvement and continuous monitoring activities in this area. On (a) and (b), the Board noted the approved compensating procedures for country offices with respect to closing all projects that have been in operational closure for at least 18 months. The Board also noted the useful dashboard which assists UNDP in monitoring inactive cost-sharing projects. Despite the good progress made for 2015, however, during its 2016 interim audit, the Board noted a number of country offices with delayed projects closures. Therefore, we have closed this recommendation for 2015, although we raised similar findings in 2016 during the interim audit	√			

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment: Implemented	Under implementation	Not implemented	Overtaken by events
				owing to this factor. However, with the significant progress made owing to involvement of top management and continuous monitoring, UNDP management considers this recommendation fully implemented					
11.	2015	61	UNDP agreed with the Board's recommendation that it ensure that country offices (a) set realistic and attainable project activities and budgets at key planning stages in line with Programme and Operations Policies and Procedures so as to expedite projects budget implementation; and (b) monitor progress of projects' implementation on a timely basis, and implement corporate action plans to minimize project delays	UNDP achieved a remarkable improvement in delivery, from an average of 7 per cent in financial year 2013 to over 8 per cent in all of the categories in 2015 against strategic plan targets, and of over 90 per cent against targets of regional bureaux. As of June 2016, the organization was on target to achieve a similar result in 2016, as reflected in the December 2016 executive snapshot results. On (a), sample messages sent by regional bureaux and responses from country offices on delivery targets were shared with the Board. Regional bureaux are entrusted with delivery monitoring. On (b), the executive group continued to monitor delivery targets through the regional bureaux with resoundingly successful results in 2015	The Board considers that (a) and (b) have been implemented. The Board noted progress made in improving delivery rates in 2016	√			
12.	2015	66	UNDP agreed with the Board's recommendation to consider improving its accelerated and unprogrammed resources reports through additional guidance in year-end closure instructions aimed at ensuring that management and other stakeholders have a similar understanding of the meaning of	In line with the agreed management actions, UNDP provided guidance in the 2016 year-end closing instructions with respect to avoiding misinterpretation of the report and tables. Such guidance in the year-end closing instructions for 2016 are found on pages 53-56	The Board noted additional guidance on unprogrammed resources reports being included in the 2016 year-end closing instructions	√			

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment: Implemented	Under implementation	Not implemented	Overtaken by events
			the reports						
13.	2015	72	UNDP agreed with the Board's recommendations that it (a) enhance and document the follow-up mechanisms, including feedback from all delayed participating organizations, for future improvements; (b) introduce measures designed to accelerate operational and financial closure of all overdue projects; and (c) propose, as the largest United Nations fund administration service provider, the idea of common policies and procedures for inter-agency pooled funding mechanisms so as to harmonize practices so as to enhance accuracy in reporting and timing of the issuing of reports	Recommendation (a) and (b): The Multi-Partner Trust Fund Office has invested a substantial amount of resources in improving project and Fund closure rates since 2014, through eliminating non-essential requirements, streamlining processes and strengthening its advocacy efforts with United Nations agencies. For pooled funds, all United Nations agencies receiving funds under a project must financially close their own project and provide the final refund and report, before the Trust Fund Office can finalize its own project closure. Therefore, delays in project closure by United Nations agencies negatively impact Multi-Partner Trust Fund Office closure rates. With the introduction of a single certification for final project financial reports by United Nations agencies, enabling an agency to certify all final reports for project closure at the same time with one signature, reporting rates of United Nations agencies have increased substantially. In 2013, only 193 projects had been finalized by United Nations agencies: by 2016, the figure had risen to 732 projects (representing a 37 per cent increase). The increase is also attributable to the extensive advocacy efforts implemented in 2016, through outreach to the Fiduciary Management and	Recommendation (a) and (b) are in progress. As of 31 December, 2015, the pending refunds for projects with closure dates of 31 December 2013 or earlier was $32.752 million. The Board reassessed the position as of 31 December 2016 whereby refunds recovered related to these projects were $10.83 million (33 per cent) leaving a net balance of refunds as $21.922 million (77 per cent). The Board acknowledged management efforts in implementing these audit recommendations, and we suggest rating them as in progress. In every quarter and in future audits we will continue to assess the recovery of pending refunds from participating United Nations organizations. Recommendation (c): Is in progress. The Board acknowledged the management efforts. However, the Board is still waiting for the approval and feedback from United Nations Development Group on the proposed idea of common policies and procedures around inter-agency pooled funding mechanisms so as to harmonize practices and thereby enhance accuracy in reporting and timing of the issuing of reports, as recommended in the audit report of 2015		√		

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				Oversight Group (FMOG), the United Nations Development Group oversight body for pooled funds; increased bilateral discussions; and the provision of tailored information on outstanding actions. The figure for project report submission increased from 561 in 2015 to 732 in 2016 (representing a 3 per cent increase). This allowed the Multi-Partner Trust Fund Office to financially close 279 projects, with an additional 37 closed in first quarter 2017. On (c), within the United Nations Development Group inter-agency organizational structure, both the United Nations Development Group Business Operations Working Group (established at the Assistant Secretary-General level), and the above-mentioned Fiduciary Management Oversight Group (a parallel United Nations Development Group working group with an oversight role over inter-agency pooled funding mechanisms) took a keen interest in inter-agency pooled funds. The Multi-Partner Trust Fund Office followed up on the comments made at the Assistant Secretary-General level in the Business Operations Working Group by providing a detailed presentation on financial closure issues relating to the audit recommendation, which included a proposal that common reporting issues be addressed in the Fiduciary Management Oversight					

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment: Implemented	Under implementation	Not implemented	Overtaken by events
				Group in December 2016					
14.	2015	81	UNDP agreed with the Board recommendation that the resident coordinator ensure that the Sri Lanka and Liberia country offices (a) communicate the summary of the macro-assessment of 2015 when conducting the annual United Nations Development Assistance Framework review; and (b) perform future macroassessments at least once during the programming cycle in line with the harmonized approach to cash transfers framework	On (a), the Sri Lanka country office carried out the United Nations Development Assistance Framework midterm review for the current cycle 2013-2017. The harmonized approach to cash transfers macroassessment which was carried out for the executive committee agencies, was also shared with the consultants who used it as part of their background material. The Liberia country office 2015 United Nations Development Assistance Framework review incorporated the 2013 macroassessment results, as instructed in a letter from the resident coordinator; the next Framework will enter into effect in 2019, following approval by the United Nations Development Group of the one extension (to December 2018) requested by the United Nations country team, and already endorsed by the Government. On (b), both the Sri Lanka and Liberia country offices are currently in compliance with the harmonized approach to cash transfers requirement of carrying out macroassessments at least once during a programme cycle. The recent macroassessment of the Sri Lanka country office as well as the 2013 and 2016 macroassessments carried out in Liberia were shared with the Board. UNDP considers this recommendation fully implemented in line with Programme and operations policies and Procedures	Implemented. (a) The Board reviewed actions taken by management with regard to the United Nations Development Assistance Framework reviews and harmonized approach to cash transfers macro-assessments and considers the recommendation to have been implemented	√			

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment: Implemented	Under implementation	Not implemented	Overtaken by events
				requirements					
15.	2015	82	UNDP also agreed with the Board recommendation that the resident coordinator ensure (a) that the Uganda country office liaise with other United Nations agencies and initiate the process of conducting macro-assessments at least once during the country office programme cycle and (b) that the Uganda and Sierra Leone country offices incorporate the macroassessment, where available, in the United Nations Development Assistance Framework reviews	On (a), a macroassessment was carried out for the Uganda and Sierra Leone country offices. On (b), the current UNDAF reports have incorporated elements of the macroassessments	Recommendation (a) has been implemented. The Board reviewed the macroassessment report of June 2016 for Sierra Leone and the report of April 2015 for Uganda Recommendation (b): in progress for Sierra Leone The Board reviewed the current United Nations Development Assistance Framework for Sierra Leone which was signed in March 2014 for the programme cycle 2015-2018. The Board has not yet received the Sierra Leone Development Assistance Framework review which would incorporate the summary of 2016 macroassessment, in accordance with its recommendation to UNDP. For Uganda, the Board reviewed the new Development Assistance Framework for the cycle 2016-2020, which took into consideration macroassessment of April 2015 Therefore, the Board considers the overall implementation of this recommendation to be in progress		√		
16.	2015	91	UNDP agreed with the Board recommendation that it (a) strengthen controls in reviewing the harmonized approach to cash transfers microassessment plan for completeness and accuracy; (b) prioritize the microassessment activities for implementing partners based on the assessment plan; and (c) monitor	On (a), regional bureaux reviewed the harmonized approach to microassessment plans and sample review messages sent to a country office and training was rolled out as agreed. On (b) and (c), prioritization and monitoring is carried out by the regional bureaux through the harmonized approach to cash transfers	Considered reiterated. Despite good progress made by UNDP in this area, deficiencies were noted in our 2016 interim audit at country offices. Refer to paragraphs 73 to 94 of the interim management letter. Thus, the Board reiterated this recommendation. In its audit of 2016 at country offices, the Board found that (a) most of the micro-		√		

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			implementation and conduct an annual update of the assessment plan	monitoring dashboard. There were revisions made to the microassessment methodology at the inter-agency level	assessment plans were properly carried out, although three country offices (those of Honduras, Bangladesh and Uruguay) had shortcomings. (b) Most of the micro-assessment activities were prioritized. (c) Assessment plans were monitored and updated. Also, the Board noted the useful harmonized approach to cash transfers monitoring tool being developed by headquarters				
17.	2015	98	UNDP agreed with the Board recommendation that it ensure that country offices (a) prepare the complete set of assurance activities under the harmonized approach to cash transfers plan in line with the harmonized approach template and include all of the required information; (b) conduct all assurance activities as planned; and (c) monitor and improve annual assurance plans based on the lessons learned from harmonized approach transitional assurance activity plans of 30 April 2015	Regional bureaux monitor the preparation and implementation of assurance activity plans and are expected to update the corporate dashboard which was recently launched to monitor implementation partner spot checks. As this process is ongoing and being permanently updated, the dashboard is not complete with respect to its current status.	Reiterated: the Board noted the developed dashboards which monitor implementation of microassessments in country offices to address audit recommendations (a), (b) and (c). However in our 2016 interim audit (paras. 73-94), the Board noted deficiencies in the preparation of the harmonized approach to cash transfers assurance plans and in conducting assurance activities in three out of six visited country offices. Therefore, the Board reiterates this recommendation in 2016. Since monitoring is an ongoing activity, the Board will continue to assess this area in our future audits		√		
18.	2015	102	UNDP agreed with the Board recommendation that the offices of the resident coordinators for Uganda and Liberia ensure that the country offices continue to liaise with the harmonized approach inter-agency coordinators for preparation and	Liberia and Uganda prepared joint harmonized approach to cash transfers assurance plans in October 2016	Implemented. The Board has reviewed the approved (October 2016) joint harmonized approach to cash transfers assurance plans for Liberia and Uganda country offices	√			

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment: Implemented	Under implementation	Not implemented	Overtaken by events
			endorsement of the joint harmonized approach to cash transfers assurance activities plan without further delays						
19.	2015	108	UNDP agreed with the Board's recommendation that it (a) speed up the process of engaging a third-party service provider for micro-assessments and ensure that the assessments are conducted without further delays; (b) institute controls mechanisms so that future microassessments are conducted on time before funds are provided to implementing partners; and (c) continue consultations with implementing partners to ensure that the micro-assessments are completed before the start of future programmes, since the national implementation modality audits do not replace the microassessments	On (a), UNDP has established a long-term agreement with a third-party provider on performing microassessments. On (b) and (c), UNDP has developed a dashboard which monitors the implementation of microassessments and cash transfers	Implemented. On (a), the Board reviewed the long-term agreement signed in December 2015 between UNDP and a third-party provider for performing micro-assessments. On (b) and (c), the Board reviewed the developed dashboard which monitors the implementation of microassessments and cash transfers to implementing partners	√			
20.	2015	112	UNDP agreed with the Board's recommendation that the Uganda country office prepare and include, in its resources mobilization strategy, the mapping of partners and resources mobilization opportunities	The Uganda country office prepared its resource mobilization strategy for 2016-2020 which maps partners and opportunities. UNDP considers this recommendation implemented	Implemented. The Board reviewed the Uganda resource mobilization strategy for 2016-2020 (revised version of 25 September 2016)	√			
21.	2015	117	UNDP agreed with the Board's recommendation that the Uganda country office (a) improve its resources implementation plan by including the resources targets over years, indicate clearly the time frame for meeting goals for outputs and actions; (b) establish a clear-cut process and	The Uganda country office has finalized its 2016-20 resource mobilization strategy and action plan with (a) implementation time frames; (b) a monitoring tool and clear-cut process for tracking resource mobilization; and (c) a reporting system for the timely tracking of resources and	Implemented. The Board reviewed the Uganda resource mobilization strategy of 2016-2020 (revised 25 September 2016) and action plan which addressed the audit recommendation, i.e., they (a) have implementation time frames; (b) have a monitoring	√			

						Board's assessment			
No.	*Audit report year*	*Paragraph reference*	*Recommendations of the Board of Auditors*	*UNDP response*	*Assessment by the Board*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
			monitoring tool for tracking resources mobilization by improving donor reporting through robust reporting; and (c) review and enhance its donor reporting system for quality and timely resources tracking and ensure monitoring of resources mobilization	accountability. UNDP considers this recommendation fully implemented	tool and clear-cut process for tracking resource mobilization; and (c) have indicated a reporting system for timely tracking of resources and accountability				
22.	2015	123	UNDP agreed with the Board's recommendation that it enforce the compliance at country offices with performance management development timelines in respect of completion, review, documentation and approval of midyear and final reviews by managers	By year-end 2015, UNDP had succeeded in increasing dramatically compliance with performance management development processes, especially annual performance assessments and plans, with an excellent success rate of 80 per cent (previous year: 38.66 per cent). The deadline for the 2015 performance assessments was eventually extended to 15 April. UNDP met and even exceeded, albeit very slightly, the integrated results and resources framework target of 80 per cent as reported to the Executive Board at its June 2016 session. For the completion of the 2015 performance assessments, several follow-up messages were sent out in line with the agreed management action plans, including one for the midyear performance review. It is important to highlight that management does not consider it mandatory to update Atlas through midyear performance discussions	Implemented. The Board will continue to monitor the performance management and development compliance rate in our future audits at country offices and corporate level	√			

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23.	2015	128	UNDP agreed with the Board's recommendation that it institute control mechanisms so that a timely evaluation is conducted, in order that, in future, service contract evaluations may be completed two months prior to contract expiration, pursuant to guidance, in order to allow for timely valuable decisions during renewal of contracts	The service contract user guide was converted to prescriptive content (Programme and Operations Policies and Procedures) and updated on the requirements for evaluating service contracts performance on a timely basis. A sample evaluation form is shared with users. In addition, the Programme and Operations Policies and Procedures, now states (p. 24): "(d) The service contract evaluation must be completed by the supervisor prior to contract expiration, ideally one month prior to expiry." The updated Policies and Procedures was circulated globally by the Director of the Office of Human Resources, and specifically the requirement that service contractors be evaluated, as highlighted in a memo, in line with the agreed management action plan. It was noted that such actions are carried out at the country office level	Implemented. The Board has seen the updated content of new Programme and Operations Policies and Procedures stating that service contracts evaluation must be completed by the supervisor prior to contract expiration, ideally one month prior to expiry	√			
24.	2015	133	UNDP agreed with the Board's recommendation that it (a) perform regular vendor data checks to maintain accurate and up-to-date data, including through removal of duplicate active vendors, (b) ensure regular review and correction of vendors' bank information to prevent duplicates and (c) review transactions processed in bank accounts shared by multiple vendors to correct inappropriate transactions	A SharePoint list has been shared with the regional bureaux; and the country offices have commenced the clean-up with a deadline of 30 April 2017. The launched email and feedback from country offices that have started to correct the vendor data were shared with the Board	The Board recognizes the efforts of management and country offices in this area. However the Board wished to reiterate this recommendation in 2016, as similar cases were noted in the interim management letter of 2016: refer to the recommendation on vendor data management (paras. 96-103)		√		

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment: Implemented	Under implementation	Not implemented	Overtaken by events
25.	2015	138	UNDP agreed with the Board's recommendation that it (a) provide regular updates on the non-Atlas procurement indicators for greater accuracy, completeness and reliability of information, (b) ensure that requesters at country offices input reasonable delivery due dates in the e-requisition in such a way as to reduce the workload for data clean-up of delivery dates for red-rated purchase orders in the IPSAS dashboard and (c) enhance follow-up with vendors so that goods or services are delivered within the scheduled period	On (a), the data for Advisory Committee on Procurement online indicators are now integrated into the procurement dashboard. Buyer certification level I is now updated weekly using the data from the Office of Human resources. Certification level II is updated monthly using data from the Chartered Institute of Purchasing and Supply. On (b) and (c), a message has been posted in Yammer to remind country offices to input the correct delivery dates and continually monitor supplier performance	The Board reiterated these recommendations in the interim management letter of 2016; i.e., on vendor data management (paras. 96-103) and accuracy of information in the procurement dashboard and delivery delays (paras. 104-109). These reiterated recommendations are included in the long-form report for 2016		√		
26.	2015	147	UNDP agreed with the Board's recommendation that it (a) liaise with the consultant and sign an addendum to the initial statement of work that includes actual tasks performed in line with the long-term agreement and approved statement of work, (b) periodically review financial reports from Hyperion Financial Management and correct the differences in a timely manner so as to ensure the accuracy of financial statements at year end, (c) institute compensating controls for checking the ageing and balances generated by Hyperion Financial Management which need to be corrected before preparing financial statements and (d) ensure that the evaluation checklist for vendor performance is completed on time for other future contracts	On (a), please find the signed, executed addendum to the statement of work which confirms the updated understanding of the statement of work and that everything delivered by Capgemini was highly satisfactory and cost-neutral, that is to say, there was no change to cost due to the minor changes to the statement of work signed off on and agreed. On (b), shared with the Board is the sign-off evidencing review of the financial reports from Hyperion Financial Management, which are reviewed quarterly in June, September and December, and compared with the United Nations accounting tree detail control reports for the trial balance, as well as review of the key financial statements and notes that are agreed to be produced in those quarters.	All parts of the recommendation have been implemented: (a) statement of work addendum signed on 18 October 2016 by UNDP and Capegimini (consultant) has been verified. (b) The Board has verified the signed-off financial reports from Hyperion Financial Management being reviewed by UNDP in June and September 2016 and compared with the United Nations accounting tree and controls totals. (c) The Board reviewed standard operating procedures on Hyperion access, mapping and metadata changes being approved by management on 19 October 2016. The standard operating procedures have key controls, steps and processes concerning Hyperion, e.g., correct mapping in Hyperion from four accounting trees in	√			

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment: Implemented	Under implementation	Not implemented	Overtaken by events
				Recommendation (c): a standard operating procedure document has been prepared and signed off on. The document incorporates key controls, steps and processes concerning Hyperion. The standard operating procedures require written sign-off from business owners on the ageing reports and others that are semi-automated, e.g., NEX ageing reports. Recommendation (d): a standard operating procedure document has been prepared and signed off on. The document incorporates the view that any future projects where a vendor is utilized should ensure completion of the vendor performance evaluation within a specified timely period, e.g., one month from the end of the project	Atlas (p. 13); sign-off from business owners on the ageing reports and others that are semi-automated. (d) The Board noted a clause in these standard operating procedures (p. 22), to the effect that when a consultant or firm is used to support implementation of any aspects of the project, pursuant to UNDP guidelines, an evaluation checklist for vendor performance is to be completed within one month of completion of the project				
27.	2015	157	UNDP agreed with the Board recommendation that it (a) clearly document procedures for managing changes to account mapping and metadata so as to ensure that all changes are recorded and authorized, (b) enable data audit to track and manage changes to account mapping and metadata for auditing and accountability purposes, (c) strengthen controls to ensure frequent review activities of administrators in the system, (d) clearly document procedures for the granting and authorization of access to the system based on the role matrix and ensure that a periodic review	UNDP has received confirmation from the International Computing Centre on compliance with password requirements. Management considers this recommendation fully implemented Update 1: the standard operating procedures, monitoring reports (on access and activity) and the tracking tool in Hyperion. The monitoring exercises are now mainstreamed with the next review due the week of 5 December 2016. We thank the Board for drawing these matters to our attention. We have found the reviews to be highly enlightening	Implemented. The Board has reviewed standard operating procedures and the controls that have been instituted by management in response to the recommendation; therefore, the Board considers this recommendation to be fully implemented	√			

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment: Implemented	Board's assessment: Under implementation	Board's assessment: Not implemented	Board's assessment: Overtaken by events
			of the access list to both the application and back-end databases is conducted and (e) strengthen controls to ensure a strong password policy for the default database system accounts						
28.	2015	162	UNDP agreed with the Board recommendation that it (a) consider making the training on information security awareness mandatory for staff and (b) establish enforcement mechanisms such as including staff members' completion of information security awareness training sessions in the employee's performance review	On (a), the Office of Human Resources, pursuant to instructions from the Special Adviser to the Administrator, has put a freeze on designating additional courses as mandatory for UNDP staff	Overtaken by events. The Board considers this recommendation as having been "overtaken by events" owing to the Office of Human Resources decision not to designate any additional training as mandatory				√
29.	2015	166	UNDP agreed with the Board recommendation that it (a) strengthen controls when granting access to the Atlas database so as to ensure that the principle of segregation of duties is adhered to and so that programmer and security administrator have only minimum necessary access to the Atlas database, which is reviewed regularly, (b) review access rights to the Atlas database and remove active accounts without roles, (c) conduct quarterly reviews of access rights, make corrections and submit the report to the quarterly meetings of Information Security Management and (d) introduce guidance requiring the use of a separate environment as a replica of the production database for programmers and security administrators when they	On (a), controls have been strengthened through regular review of roles and the actions taken utilizing the accounts that have Atlas database access. The Office of Information Management and Technology has instituted a review process under the agenda of the quarterly risk log and the change config meeting. That meeting is held on the last Thursday of the first month of each quarter (January, April, July and October), with minutes available. The review process cross-references the log of database update accesses and with the support of the customer relationship management (CRM) cases associated to the updates identifies any undocumented or anomalous database updates. We consider (a) to be fully implemented. For	Implemented per action. Management efforts are noted. (a) Implemented. We reviewed minutes of the quarterly risk and configuration change meetings for first, second and third quarters of 2016. (b) and (d) implemented. We reviewed documents regarding the International Computing Centre decision to delete Atlas accounts with no roles assigned and memo on the creation of a non-production instance in Atlas for the purpose of troubleshooting. (c) implemented. We reviewed minutes of meetings of Information Security Management for the first, second and third quarters of 2016	√			

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment: Implemented	Under implementation	Not implemented	Overtaken by events
			need to perform troubleshooting, instead of enabling them to access the production database	paragraph 166 (c): the Office of Information Management and Technology has been conducting quarterly reviews of access rights via the quarterly risk log and change config change meeting, performing corrections to levels of access rights, and reporting to the quarterly meetings of Information Security Management. Minutes of the quarterly meeting have been shared with the Board. We consider (c) to be fully implemented. Recommendations (b) and (d) have been completed, and documents on actions taken by the International Computing Centre to delete Atlas accounts with no roles assigned and a memo on the creation of a non-production instance in Atlas for the purpose of troubleshooting have been shared with the Board					
30.	2015	169	UNDP agreed with the Board recommendation that it (a) strengthen controls over information security risk management by conducting continuous monitoring of high risks in addition to the annual risk assessment and quarterly reviews, and (b) consider reviewing the current workload, and roles and responsibilities of staff assigned to information security so as to facilitate the continuous monitoring of information security risk management	On paragraph 169 (a), the Office of Information Management and Technology now includes continuous monitoring of high risks. One vector of this continuous monitoring is the quarterly risk log and config change review meeting, attended by senior Office managers and a representative from the Office of Financial resources Management. This meeting is held quarterly, scheduled through a recurrent meeting held yearly on the fourth Tuesday of January, April, July and October. The first item in the	Part (a) Implemented. The Board reviewed minutes of quarterly risk log and config change review meetings of July and October 2016, where members reviewed the Office of Information Management and Technology risk log, and identified risks that have changed or are closed (archived) as well as risks that need to be added. Part (b) implemented. The review of roles and responsibilities indicate that the department is adequately staffed to perform continuous monitoring of information security. This is	√			

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment			
						Implemented	Under implementation	Not implemented	Overtaken by events
				agenda for each meeting is a review of the Office of Information Management and Technology risk log, identifying risks that have changed or are closed (archived) as well as risks that need to be added. On (b), UNDP and the Office of Information Management and Technology monitor and measure the workload and productivity of staff through well-defined human resources procedures, including the performance management system. In addition, the Office management assesses the ongoing workload of all staff in the Office, including the ICT security team staff. While the staffing is tight in the Office in general and in the ICT security team specifically, there are numerous indicators that staffing is currently sufficient to complete necessary tasks. For example, the ICT security team maintains ISO 9000 and ISO 27000 certifications, which would not be possible if staffing were insufficient. Also, awards conferred on the ICT security team by national trade publications indicate that the team is staffed sufficiently to deliver world-class results. The ability and sufficiency of staffing for the monitoring of high risks by the ICT security team are assessed in the quarterly risk log and config change review meeting, a quarterly management check whose goal is to ensure that	further evidenced by the ISO certification				

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment: Implemented	Under implementation	Not implemented	Overtaken by events
				continual risk log review and updating are being performed					
31.	2015	173	UNDP agreed with the Board's recommendation that it (a) implement a backup plan for Internet access for its three offices using the services of the data centre, (b) clear unused items in the data centre, and label and keep cables in order, (c) use a dry pipe fire suppression system in the data centre and (d) review physical access rights to the data centre in each quarter and report to the Information Security Management meetings thereon	On paragraph 173 (a): (a) UNDP has achieved fully redundant communication for the UNDP offices in the Daily News Building, through a cooperative agreement with the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) on providing redundant network connectivity in that location. Plans for the other buildings (DC1 and FF) are in progress. The Office of Information Management and Technology has submitted technical requirements to the Central Procurement Unit for issuing an invitation to bid for Internet access in the FF and DC1 buildings, with the expectation of issuing an invitation to bid in June. The best estimate as to when the procurement process will be completed and new contracts put in place is year end 2017 or the first quarter of 2018. On paragraph 173 (b): the data centre footprint reduction project had been successfully completed by 30 November 2016 within full scope (see uploaded project closure document). On paragraph 173 (c): in lieu of an extremely expensive revamp of the fire suppression system, the Office of Information Management and technology is aggressively reducing headquarters dependency on the	In progress. (a) In progress; UNDP has submitted technical requirements to the Central Procurement Unit with respect to issuing invitations to bid for Internet access in the FF and DC1 Buildings with the expectation of issuing invitations to bid in June. Procurement process will be completed and new contracts put in place end of year 2017 or first quarter of 2018. Management has to update the Board when the backup Internet connection for the DC1 and FF Buildings are implemented. (b) The Board noted the project closure document; however, this recommendation is in progress since it requires a physical visit at the data centre to verify clearance of unused items, labelling of network cables and if cables are in order. Please note that the Board and UNDFP had audit exit meeting on 16 May 2017 and UNDP updated this recommendation on 23 May 2017. (c) In progress; as explained by management, in lieu of an extremely expensive revamp of the fire suppression system, the Office of Information Management and Technology is aggressively reducing headquarters dependency on the FF data centre by migrating more critical applications from the data centre to external hosting		√		

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment: Implemented	Under implementation	Not implemented	Overtaken by events
				FF data centre by migrating more critical applications from the data centre to external hosting facilities, reducing reliance on the FF 5 data centre with the goal of eventually vacating that space. The emptying of the FF data centre project is under way with target completion date by the end of the current year. On paragraph 173 (d): the Office of Information Systems and Technology, in conjunction with the Premises, Facilities and Assets Unit/Office of Sourcing and Operations, produces quarterly physical access lists shared in quarterly information security management meetings. In addition, the Office of Information Management and Technology purchased and installed 4 Nestcam video surveillance cameras in November 2016. We are performing quarterly access audits, with the last review having been performed on 6 March 2017 and the next due in June	facilities, reducing reliance on the FF 5 data centre, with the goal of eventually vacating that space. The empty FF data centre project is scheduled to be completed by the end of 2017. (d) Implemented; the Board noted the quarterly access review report for March (first quarter) on access rights to the data centre which was shared with Information Security Management meeting				
32.	2015	177	UNDP agreed with the Board's recommendation that it (a) analyse all assets disposed in error and consider the impact in the prior year's financial statements, (b) ensure that operating units regularly perform reviews to identify errors and send requests to the Global Shared Services Unit in a timely manner for reversing the	UNDP is pleased to inform that the Board recommendation in paragraph 177 has been implemented. All operating units have been informed of the need to regularly review their asset information and submit Global Shared Services Unit requests for corrections in a timely manner. The units were also reminded that approving managers should verify	In progress. Part (a) In progress. The recommendation required UNDP to "analyse all assets disposed in error and consider impact in the prior year's financial statements". On 17 May 2017, UNDP established that assets with net book value worth \$516,325.46, \$875,044.38 and \$1,634,313.57 were disposed in error for the financial years 2012,		√		

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment: Implemented	Under implementation	Not implemented	Overtaken by events
			capitalization made in Atlas, (c) ensure that approving managers verify that all items are appropriately selected in the procurement catalogue, (d) consider improving assets data in Atlas so that actual assets retired in error can be easily differentiated from assets under construction converted into leasehold improvements	the use of appropriate catalogue for procurement of UNDP assets. A new disposal transaction code "COMAUC" has been introduced to distinguish recategorization of assets under constructions through disposal from the genuine retirements in error	2013 and 2014 respectively. These efforts are appreciated. However, Board noted that the impact of those disposed in errors were not considered by UNDP in the prior year's financial statements. Thus, the Board assesses this recommendation as in progress pending UNDP consideration on the impact in the prior year's financial statements for assets net book value $516,325.46, $875,044.38 and $1,634,313.57 that were disposed in errors in years 2012, 2013 and 2014 respectively. Part (b) Implemented; in 2016 the Board noted the requests for errors from operating units sent to the Global Shared Services Unit in a timely manner for reversing the capitalization made in Atlas. Part (c) Implemented. The instructions/guidance from headquarters to country offices was verified as part of 2016 midyear physical verification and certification of property, plant and equipment. In final audit of 2016, the Board verified assets retired in 2016 and reviewed the respective approvals: no weakness noted. Part (d) Implemented. The Board noted a new disposal transaction code entitled "COMAUC" being introduced in September 2016 to distinguish recategorization of assets under construction through disposal from the genuine retirements in error. Code "COMAUC" will represent				

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment: Implemented	Under implementation	Not implemented	Overtaken by events
					"completion of assets under construction" which will be used by Global Shared services Unit to retire assets under construction				
33.	2015	181	UNDP agreed with the Board's recommendation that it: (a) reclassify intangible assets in use (resource planning and human performance) and correct the financial statements by calculating the amortization of intangible assets in use in 2015; and (b) approve and formalize the percentage computation basis of development phases of intangible assets under construction	The PHELPS report was approved by the ICT Governance Group as part of project life cycle management in the meeting minutes of 5 April 2016 (shared with the Board). It was presented on page 11 of the PowerPoint presentation (also shared with the Board) as part of minutes Update No. 1: Under (a), the correction and reclassification of the intangibles were processed in 2016 books of account (screenshot uploaded) and intangible asset #18092 under H48 created; and under (b), computation of percentage of completion is now based on the PHELPS report, which lists deliverables per project. Computation for each project is number of deliverables delivered to date over total number of deliverables of the project. This yields percentage completion. The PHELPs reports now provide UNDP with a monthly tracking mechanism of percentage of completion to enable decisions to be made on when to record the internally developed software	Implemented. Part (a) implemented. The Board verified the reclassification of intangible assets in the books. Part (b) implemented. From review of minutes, the Board noted that the management had approved and formalized computation basis for development phases of intangible assets under construction in the ICT Governance Group as part of the project life cycle management in the meeting of 5 April 2016	√			
34.	2014	30	UNDP agreed with Board recommendations that (a) the Papua New Guinea country office in collaboration with the United Nations country team should complete missing information on	Update No. 2: on (a), UNDP Papua New Guinea in collaboration with the United Nations country team finalized the new United Nations Development Assistance	(a) Implemented. The Board reviewed the new Papua New Guinea United Nations Development Assistance Framework for the for the next cycle (2018-2022)	√			

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment: Implemented	Under implementation	Not implemented	Overtaken by events
			national indicators, source of data, baselines and assumptions; and (b) an annual review of the United Nations Development Assistance Framework in Brazil be carried out in 2015 and the country office pursue timely signing of the country programme action plan by the Government	Framework for the next cycle (2018-2022); (b), annual review of the Framework in Brazil has been carried out; and the country programme action plan for the Brazil country office has been signed and shared with the Board. The country office will continue to make all possible efforts to ensure that future country programme action plans are approved and signed by the Government in a timely manner	(b) Implemented. The Board noted the Brazil annual United Nations Development Assistance Framework report of 2015. Implemented. The Board reviewed the signed Brazil country programme action plan				
35.	2014	47	UNDP agreed with the Board recommendation that country offices prepare a resource mobilization implementation plan in compliance with the guidelines established in the resource mobilization toolkit	Work of regional bureaux with the country offices, with support from the Bureau for External Relations and Advocacy; and the Resource Mobilization Implementation Plans (RMIP), are uploaded in SharePoint. All country offices that are required to have RMIP plans have uploaded them at the SharePoint site	Implemented. The Board noted positive compliance rate for reviewed country offices in compliance with the guidelines of the resource mobilization toolkit and preparation of resource mobilization implementation plans	√			
36.	2014	78	UNDP agreed with the Board recommendation that it (a) adhere to the service contract user guide on the proper use of the service contracts by ensuring that service contracts staff are recruited only for those functions and duties that are stipulated in the service contract user guide; and (b) amend the terms of service contracts with a view to clearly defining the support functions and duties of under the service contracts	The service contract user guide was updated and put into the Programme and operations policies and Procedures with a memo sent out to all human resources practitioners globally with sample template terms of reference annexed to the user guide to provide guidance to the offices on how to prepare service contract terms of reference Three sample terms of reference were provided to the Board for reference as well as the memo sent by the Director of Human Resources, and the updated user guide	Implemented. (a) The Board has reviewed the refined Programme and Operations Policies and Procedures content of October 2015 and the service contract user guide (updated in August 2016). Also in October 2015, management issued a guidance note on granting fixed-term Appointments to personnel performing internal control functions. (b) The Board has reviewed samples of generic terms of reference for service contracts issued in August 2016	√			

No.	*Audit report year*	*Paragraph reference*	*Recommendations of the Board of Auditors*	*UNDP response*	*Assessment by the Board*	*Board's assessment*			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
37.	2014	105	The Board recommends that UNDP (a) investigate the errors in the process of reinstatement of purchase order balances; (b) institute quality assurance mechanisms for Atlas external access when reinstating the purchase orders; (c) ensure that a mandatory reference field is completed for reinstated purchase orders carried over from prior periods; and (d) ensure compliance with Programme and Operations Policies and Procedures requirements on raising separate purchase orders for goods and services expected to be received in the respective financial periods	(a) This issue was not extended to any other office beyond Brazil. It was therefore the only office where the Board identified the issue as having been addressed by UNDP. UNDP has re-sent the final results of investigations carried out in the Brazil country office for the list identified by the Board that indicated that this was a unique issue faced by external partners in the country office. On (b), quality assurance mechanisms have been instituted by the Brazil country office to mitigate the risk of errors during the process of reinstating purchase orders with balances with respect to external access partners. The Brazil country office has adopted a "PO log" for the rollover of purchase orders. This log captures details of purchase order fields to ensure that no errors are reinstated. The log was shared with the Board. On (c), the Office of Information Management and Technology has carried out the feasibility study and concluded that it was not feasible to complete a mandatory reference field for reinstated purchase orders carried over from prior periods. On (d), a message has been sent out on the use of multiyear purchase orders and updated Atlas closing instructions	Part (a) implemented based on results from Brazil country office; (b) implemented, the quality assurance mechanisms for Atlas external access when reinstating the purchase orders are in place; (c) withdrawn. Based on results from the Office of Information Management and Technology study, it is technically not feasible to make a mandatory reference field completed for reinstated purchase orders that are carried over from prior periods; and (d) implemented. Email on Programme and Operations Policies and Procedures updates including on how to manage multiyear purchase orders. The message was send on 5 December 2016 to all country offices by the Assistant Administrator and the Director of the Bureau for Management Services	√			

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment Implemented	Under implementation	Not implemented	Overtaken by events
38.	2014	108	UNDP agreed with the Board's recommendation that it (a) liaise with United Nations entities and conclude terms of reference to the Office of the Ombudsman services and reach final agreement; and (b) work with United Nations entities and arrive at the agreed milestones for clearing long-outstanding unresolved balances	With regard to the United Nations current account aged medical items, UNDP has recharged all UNDP-administered United Nations clinics and payments started to be released to the United nations in January 2017. A quarterly "current account" meeting with the United Nations has been agreed to; any disputed charges are discussed in these meetings and together the United Nations and UNDP will agree on the timeline required to resolve the charges, depending on their complexity. UNDP expresses its thanks to the Board for bringing our attention to this matter, which has assisted us in establishing fixed meetings with the United Nations. As regards the terms of reference for the ombudsman, we shared the link with the Board for contents verification, as the new ombudsman was recruited in 2015. Further, on (b), prior years' payments for UNDP-administered United Nations clinics listed by the Board have all been paid, and payment notifications to the United Nations for 2015 and 2016 were shared with the Board	(a) Implemented. The Board noted the terms of reference for the Office of the Ombudsman services from the Executive Office of the Secretary-General Part (b) has also been implemented. We have noted the agreed milestones between UNDP and United Nations entities for clearing long-outstanding unresolved balances, UNDP and United Nations entities will meet quarterly, i.e., a quarterly "current account" meeting with the United Nations has been agreed to. Any disputed charge will be discussed in these meetings and together the United Nations and UNDP will agree on the timeline for resolving the charges depending on their complexity	√			
39.	2014	129	UNDP agreed with the Board's recommendations that it (a) monitor and address staff complaints, claims or concerns over structural change from all channels, including those from the staff council, and facilitate their timely clearance to avert reputational damage to UNDP;	(a) The Board had recommended timely resolution of issues raised during the structural change; and management is of the view that it has made the required effort to achieve this. All requests for management evaluation were responded to by UNDP within the stipulated timelines. No requests	All parts of the recommendation have been implemented. Part (a) Implemented. The Board has seen good progress in handling requests for management evaluation from restructuring as a result of management actions. Part (b) Implemented. The Board has	√			

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment: Implemented	Under implementation	Not implemented	Overtaken by events
			(b) strengthen opportunities for open, constructive dialogues and communications with staff and the staff council on the ongoing structural changes; and (c) establish plans for team building and staff motivation for confidence rebuilding; and embed a culture that motivates and sustains the structural change	for management evaluation related to the structural change have been received since October 2015, after the conclusion of the second round of changes in the then Bureau of Management. (b) Regular informal meetings between the Staff Council and Office of Human Resources have been held since January 2016. In addition, there has been one formal meeting of the Consultative Group on Staff Matters in March 2016. At the September session of the Executive Board, the Staff Council Chair reported the good and cordial relationship shared with the OHR Director. (c) The structural change was essentially completed (except for elements of Bureau of Management (BOM) phase 2) by end 2014 with new structure in place on 1 October 2014. The Global Staff Survey was carried out during the last quarter of 2014 and each bureau developed a management action plan to address the issues raised. These included, among other actions, team building. In 2015, there were only BOM phase 2 activities, as phase 1 had been carried out in 2014. The structural change is fully completed with finalization of the BOM phase 2 in October 2015.	taken note of both formal and informal meetings that were convened to resolve matters through dialogue. Part (c) considered implemented. The Board has noted that the Global Staff Survey was conducted to secure feedback from staff on various areas in a way to improve UNDP operations and the management action plan developed by the bureaux to address the issues as proposed by the survey including management action plans for team building				

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment: Implemented	Under implementation	Not implemented	Overtaken by events
40.	2013	91	UNDP agreed with the recommendation of the Board that it (a) assess risks surrounding execution of the national implementation modality to determine why assurance procedures other than an audit could not detect the suspected irregular procurement procedures and improve controls; and (b) continue engaging with the partner Government to gather more facts on the matter in order to establish the nature of the actual loss suffered by the projects and possibilities of recovery from the individuals involved	(a) Under the national implementation modality, the Government of the host country is fully responsible for executing all project activities, including procurement processes, human resource management and finance. In order to identify risks surrounding specific projects that had the identified issues, an internal audit mission was deployed by the UNDP Office of Audit and Investigations in 2014, to assess the adequacy and effectiveness of risk management, controls and governance processes, and to identify opportunities for improvement. The Office assessed the Office as partially satisfactory in the resulting audit report, and recommendations were in the process of implementation as of May 2015 (with the exception of two that have already been implemented). (b) UNDP has been following up on the official investigation undertaken by the judicial authorities of a programme country, and was notified on 3 October of this year that the relevant court had issued indictments, through a ruling by the judge in charge of the criminal and correctional federal court. The judicial indictments concluded with the judge's ordering proceedings against 25 individuals, whose assets have been seized and for whom travel	Part (a) Implemented pursuant to the measures taken by country office with the support of Office of Audit and Investigations and the Regional Bureau for Latin America and the Caribbean (b) Implemented. Considering the Argentine federal court ruling on 3 October 2016, whereby assets for 25 individuals have been seized and their travel out of the country prohibited	√			

No.	Audit report year	Paragraph reference	Recommendations of the Board of Auditors	UNDP response	Assessment by the Board	Board's assessment: Implemented	Under implementation	Not implemented	Overtaken by events
				out of the country has been prohibited. The indictments covered fraud on the order of approximately $3.3 million. UNDP received a letter informing the country office of the indictments					
Total						**29**	**10**	**–**	**1**
Percentage						**73**	**25**	**–**	**2**

Annex II

Disclosure by management of cases of fraud and presumptive fraud

(a) Cases received and resolved in 2016

No.	*Region*	*Date reported or detected*	*Nature*	*Description of the issue*	*Remedial action against the person(s) involved*	*Loss to UNDP[a] (dollars)*	*Amount recovered*	*Management action to deter recurrence*
1	Latin America and the Caribbean	16 February 2016	Entitlements fraud	A service contractor allegedly received an overpayment for medical claims he submitted, and did not report it although he was aware of the mistake	Investigation report sent to the country office; subject's contract was not renewed	0	N/A	Not applicable as plan is administered by third party
2	Africa	21 January 2016	Procurement fraud	Vendor allegedly colluded with UNDP personnel in order to be awarded procurement contracts	Investigation report sent to vendor review committee	Amount unknown	0	A management letter has been issued by the Office of Audit and Investigations to the country office, which includes recommendations to help mitigate the potential risks for procurement fraud
3	Asia and the Pacific	10 February 2016	Theft and embezzlement	A service contractor allegedly coordinated the fabrication of false documents to obtain funds to which he was not entitled	Investigation report sent to country office	$32,829	$23,688	Implementation to be determined
4	Asia and the Pacific	16 February 2016	Theft and embezzlement	Unknown person stole a UNDP armoured vehicle	Closed; there was insufficient evidence to determine the circumstances of the theft	$54,337	0	The country office implemented measures to ensure proper vehicle and vehicle key management (i.e., vehicle weekly inspections, assignment of designated drivers to vehicles and proper maintenance of the key logbook though weekly checks

No.	*Region*	*Date reported or detected*	*Nature*	*Description of the issue*	*Remedial action against the person(s) involved*	*Loss to UNDP*[a] *(dollars)*	*Amount recovered*	*Management action to deter recurrence*
5	Africa	23 March 2016	Theft and embezzlement	A staff member allegedly forged his supervisor's signature and cashed cheques representing the payment of indemnities to security guards	Investigation report sent to the Legal Office	0	N/A	The country office implemented a series of measure designed to avert reoccurrence, which included separation of responsibilities for payments to security personnel and the presence of a witness while the actual payments are done
6	Asia and the Pacific	4 April 2016	Theft and embezzlement	A service contractor allegedly cashed fuel coupons instead of refuelling UNDP vehicles	Investigation report sent to country office; subject's contract was not renewed	0	0	Implementation to be determined
7	Africa	21 April 2016	Entitlements fraud	A service contractor admitted to submitting two separate payment vouchers to obtain a double payment.	Closed; subject's contract was terminated	$705	$705	Implementation to be determined
8	Arab States	9 May 2016	Procurement fraud	A vendor allegedly paid kickbacks to UNDP personnel	Closed; investigation could not be completed	Amount unknown	0	Implementation to be determined
9	Africa	19 May 2016	Theft and embezzlement	Allegations that health products relating to anti-malaria medicine procured by UNDP under a Global Fund grant, which were not for sale, were circulating in private pharmacies	Closed; corrective measures had already been taken to stop the diversion of medicines and the diversion was minimal	Amount unknown	0	The country office implemented a series of internal control mechanism to avoid diversion in the future, which included a new inventory system, new standard operating procedures and supply chain capacity building training as well as a new tracking system

No.	Region	Date reported or detected	Nature	Description of the issue	Remedial action against the person(s) involved	Loss to UNDP[a] (dollars)	Amount recovered	Management action to deter recurrence
10	Asia and the Pacific	27 May 2016	Theft and embezzlement	An unknown party allegedly stole a UNDP armoured vehicle and other materials after the compound had been evacuated	Closed; no investigation was possible	$169,707	0	Implementation to be determined
11	Africa	6 June 2016	Theft and embezzlement	A staff member allegedly stole tablets and smartphones that belonged to UNDP while being employed as a service contractor	Investigation report sent to the country office; staff member's appointment was terminated	$9,114	$9,114	Implementation to be determined
12	Arab States	23 June 2016	Misuse of UNDP resources	Two UNDP staff members allegedly submitted false financial claims for reimbursement	Closed; cases were referred to Office of Internal Oversight Services for investigation as the staff members worked for another United Nations office	0	N/A	Implementation to be determined
13	Latin America and the Caribbean	19 July 2016	Entitlements fraud	A service contractor allegedly submitted fraudulent claims for reimbursement of medical expenses	Investigation report submitted to country office; subject's contract was terminated	0	N/A	Not applicable as plan is administered by third party
14	Asia and the Pacific	26 August 2016	Theft and Embezzlement	A staff member allegedly stole project funds and money from the office petty cash and stopped reporting to work	Closed; likelihood of a successful investigation was limited	$11,472	0	Implementation to be determined
15	Africa	21 September 2016	Misrepresentation, forgery and false certification	A service contractor allegedly submitted payment vouchers for the same items on two separate occasions, for which he obtained payment	Closed; subject's contract was terminated	$3,180	0	Implementation to be determined
16	Africa	5 October 2016	Theft and embezzlement	A service contractor allegedly stole a bag belonging to a security guard on the office premises. The bag was later restituted.	Closed; subject's contract was terminated	0	N/A	Implementation to be determined.

No.	*Region*	*Date reported or detected*	*Nature*	*Description of the issue*	*Remedial action against the person(s) involved*	*Loss to UNDP[a] (dollars)*	*Amount recovered*	*Management action to deter recurrence*
17	Arab States	5 October 2016	Misrepresentation, forgery and false certification	Implementing partner allegedly submitted false documentation in support of expenses under a Global Fund grant.	Closed; implementing partner accepted to reimburse the funds	$206,545	$206,545	Implementation to be determined
18	Africa	17 October 2016	Procurement fraud	A vendor allegedly colluded with other vendors and UNDP personnel to win procurement processes	Investigation report submitted to the Vendor Review Committee	Amount unknown	0	Implementation to be determined
19	Asia and the Pacific	31 October 2016	Procurement fraud	Allegations that the head of a sub-recipient of a Global Fund grant awarded contracts to a non-governmental organization associated with him, without a competitive process	Closed; insufficient information to make a determination on the validity of the allegations	Amount unknown	0	Implementation to be determined
20	Latin America and the Caribbean	22 November 2016	Entitlements fraud	A service contractor allegedly submitted fraudulent claims for reimbursement of medical expenses	Closed; subject separated from service	0	N/A	Not applicable, as plan is administered by third party
21	Europe and the Commonwealth of Independent States	13 December 2016	Entitlements fraud	A service contractor allegedly submitted fraudulent claims for reimbursement of medical expenses	Closed; subject's contract was not renewed	0	N/A	Not applicable, as plan is administered by third party

[a] Only losses to UNDP have been added to this list. Losses to other United Nations agencies in cases of staff members and non-staff personnel from other agencies administered by UNDP as well as losses to other entities such as CIGNA are not considered financial losses to UNDP.

(b) Cases received in 2016 and still pending

No.	*Region*	*Date reported or detected*	*Nature*	*Amount involved (United States dollars)*	*Description of the issue*
1	Latin America and the Caribbean	10 March 2016	Theft and embezzlement	$121,700 (recovered)	An implementing partner allegedly diverted funds, which it used for organizational costs that were not part of the project implementation. The implementing partner fully refunded UNDP
2	Africa	24 August 2016	Procurement Fraud	Amount unknown	Allegations of corruption in three Global Environment Facility projects
3	Asia and the Pacific	17 October 2016	Procurement Fraud	Amount unknown	A staff member allegedly engaged in procurement fraud in a Global Environment Facility project
4	Africa	8 January 2016	Procurement fraud	Amount unknown	A staff member allegedly engaged in misrepresentation to justify a non-competitive procurement
5	Africa	16 January and 22 March 2016	Procurement fraud	Amount unknown	Vendors allegedly colluded with UNDP employees to manipulate procurement processes and obtain contracts
6	Arab states	22 January 2016	Misrepresentation, forgery and false certification	0	A non-governmental organization allegedly submitted false documentation to obtain reimbursement of expenses from UNDP
7	Africa	16 March 2016	Procurement fraud	Amount unknown	A staff member allegedly concealed a conflict of interest during a procurement process, which was awarded to a company owned by another UNDP employee
8	Asia and the Pacific	16 March2016	Other failure to comply with obligations	Amount unknown	A service contractor allegedly requested an implementing partner to pay bribes to access grant money
9	Europe and the Commonwealth of Independent States	18 March 2016	Procurement fraud	Amount unknown	Two service contractors and a vendor allegedly engaged in procurement fraud
10	Arab States	28 March 2016	Misrepresentation, forgery and false certification	Amount unknown	A service contractor allegedly colluded with other employees to receive his full salary while on unpaid leave
11	Arab States	29 March 2016	Other failure to comply with obligations	Amount unknown	A staff member allegedly held dual appointments, which he did not report, performing his other duties during UNDP hours of operations
12	Africa	1 April 2016	Procurement fraud	Amount unknown	A service contractor was allegedly involved in a procurement process while also being the main shareholder of one of the bidding companies
13	Africa	1 April 2016	Procurement fraud	Amount unknown.	A vendor allegedly engaged in procurement fraud by submitting bids in the name of two companies during two procurement processes
14	Headquarters	2 April 2016	Misrepresentation, forgery and false certification	Amount unknown	A staff member allegedly misrepresented her marital status, which allowed her to obtain benefits

No.	*Region*	*Date reported or detected*	*Nature*	*Amount involved (United States dollars)*	*Description of the issue*
15	Africa	15 April 2016	Theft and embezzlement	Amount unknown	A service contractor and a staff member allegedly colluded with implementing partners to embezzle project funds
16	Asia and the Pacific	16 May 2016	Procurement fraud; misrepresentation, forgery and false certification; misuse of UNDP resources	Amount unknown	A staff member allegedly engaged in various acts of corruption
17	Arab States	19 May 2016	Procurement Fraud	0	Vendors allegedly engaged in procurement fraud.
18	Africa	25 May 2016	Procurement fraud	Amount unknown	A staff member allegedly colluded with vendors by engaging in anticompetitive schemes during procurement processes and failed to disclose an interest/relationship with a third party.
19	Africa	26 May 2016	Theft and Embezzlement	$4,516 (recovered)	A staff member allegedly misappropriated the balance of funds remaining from DSA payments to workshop participants.
20	Africa	6 June 2016	Entitlements Fraud	0	A staff member allegedly submitted fraudulent claims for reimbursement of medical expenses. The fraud was detected before any amount was disbursed.
21	Africa	15 June 2016	Theft and embezzlement	0	A staff member allegedly engaged in fuel theft.
22	Arab States	16 June 2016	Entitlements fraud	0	A staff member allegedly abused DSA entitlement
23	Europe and the Commonwealth of Independent States	22 June2016	Other failure to comply with obligations	Office of Audit and Investigations has made no determination as to whether there is a financial of loss	Vendor allegedly engaged in procurement fraud
24	Africa	5 July 2016	Entitlements fraud	$2,478	Two staff members and a service contract holder allegedly submitted fraudulent claims for reimbursement of medical expenses
25	Asia and the Pacific	8 July and 2 August 2016	Procurement fraud	Amount unknown	Two staff members and a vendor allegedly committed procurement fraud
26	Africa	4 August 2016	Procurement fraud	Amount unknown	A service contractor allegedly asked a bidder to change his professional fee
27	Africa	5 August 2016	Procurement fraud	Amount unknown	Two staff members allegedly engaged in procurement fraud
28	Arab States	10 August 2016	Theft and embezzlement	Amount unknown	Allegations of theft and embezzlement in a UNDP project
29	Arab States	8 September 2016	Misrepresentation, forgery and false certification	No apparent loss	A vendor allegedly submitted false documentation in support of its bid
30	Latin America and the Caribbean	13 September 2016	Entitlements fraud	0	A service contractor allegedly submitted fraudulent claims for reimbursement of medical expenses

No.	Region	Date reported or detected	Nature	Amount involved (United States dollars)	Description of the issue
31	Latin America and the Caribbean	21 October 2016	Misrepresentation, forgery and false certification	Amount unknown	Allegations of misrepresentation, forgery, and false certification in a UNDP project
32	Africa	26 October 2016	Procurement fraud	Amount unknown	Three staff members allegedly colluded to award a contract to a company owned by a family member of one of them
33	Arab States	8 November 2016	Theft and embezzlement	Up to $20,000	UNDP personnel and a vendor allegedly colluded to misappropriate UNDP funds
34	Asia and the Pacific	21 November 2016	Theft and embezzlement	Amount unknown	Allegations of theft and embezzlement against a UNDP vendor
35		25 November 2016	Procurement fraud	Amount unknown.	Allegations of procurement fraud against a UNDP vendor
36	Africa	25 November 2016	Misrepresentation, forgery and false certification	Amount unknown	A staff member allegedly inappropriately obtained a rental reduction from UNDP and submitted personal expenses for reimbursement by the country office
37	Africa	30 November 2016	Theft and embezzlement	$3,481	Allegations of theft of UNDP equipment
38	Asia and the Pacific	1 December 2016	Entitlements fraud	0	Service contractor allegedly submitted fraudulent claims for reimbursement of medical expenses
39	Africa	7 December 2016	Procurement fraud	Amount unknown	Allegations of procurement fraud in a UNDP programme
40	Africa	8 December 2016	Theft and embezzlement	Amount unknown	Allegations of theft of Global Fund- financed HIV test kits purchased by UNDP
41	Europe and the Commonwealth of Independent States	14 December 2016	Entitlements fraud	0	Service contractor allegedly submitted fraudulent claims for reimbursement of medical expenses
42	Africa	14 December 2016	Procurement fraud	Amount unknown	Allegation of collusion between a vendor and former staff member for the award of a contract without a competitive process

Chapter III
Financial report for the year ended 31 December 2016

A. Introduction

1. In accordance with United Nations Development Programme (UNDP) financial regulation 26.01, the Administrator hereby submits the financial statements of UNDP for the year ended 31 December 2016.

2. The report of the Board of Auditors, their opinion on the financial statements and the comments of UNDP on the substantive observations are submitted in accordance with UNDP financial regulation 4.04.

3. UNDP was established by the General Assembly in 1965 through its resolution 2029 (XX). UNDP is politically neutral and partners with entities and people at all levels of society to help countries achieve the simultaneous eradication of poverty and significant reduction of inequalities and exclusion. UNDP works, primarily through its offices, in nearly 170 countries and territories and provides a global perspective and local insight to help empower lives and build resilient nations. In accordance with the Programme's strategic plan 2014-2017, UNDP work will be organized around a focused set of seven outcomes: (a) growth and development are inclusive and sustainable, incorporating productive capacities that create employment and livelihoods for the poor and excluded; (b) citizen expectations for voice, development, the rule of law and accountability are met by stronger systems of democratic governance; (c) countries have strengthened institutions to progressively deliver universal access to basic services; (d) faster progress is achieved in reducing gender inequality and promoting women's empowerment; (e) countries are able to reduce the likelihood of conflict and lower the risk of natural disasters, including from climate change; (f) early recovery and rapid return to sustainable development pathways are achieved in post-conflict and post-disaster settings; and (g) development debates and actions at all levels prioritize poverty, inequality and exclusion, consistent with our engagement principles.

4. As the principal United Nations entity on the ground in nearly 170 countries and territories, UNDP provides services, on a cost recovery basis, to 118 United Nations agencies, including peacekeeping missions. In 2016, the value of transactions processed on behalf of United Nations agencies was $1.9 billion (2015: $3.3 billion).

5. UNDP administers the United Nations Volunteers programme, the United Nations organization that promotes volunteerism to support peace and development worldwide. The operations of United Nations Volunteers are reflected in the financial statements of UNDP. The key results of 2016 were: (a) mobilization of volunteers for the delivery of peace and development results, (b) increased acknowledgement of volunteers and volunteerism as powerful resources and vital components of sustainable development, and (c) the enhancement or forging of traditional and new partnerships within and outside of the United Nations. During 2016, 6,590 United Nations Volunteers from 156 countries supported partner United Nations entities in their peace and development activities in the field through 6,912 assignments. With 83 per cent of United Nations Volunteers coming from countries of the global South, and 61 per cent working in countries other than their own, South-South cooperation is a natural focus area of the organization. The United

Nations Volunteers online volunteering service continued to expand during the year, reaching a total of 558,861 users across the globe and mobilizing over 12,592 online volunteers, who handled 22,691 volunteer assignments over the Internet.

6. UNDP administers the Junior Professional Officers programme on behalf of 11 United Nations entities. During 2016, a total of 252 professionals were administered by UNDP, including 226 Junior Professional Officers and 26 special assistants to Resident Coordinators. For the professionals placed in the programme in 2016, UNDP received $15.171 million in contributions and incurred $16.664 million in expenses.

7. The UNDP Administrator is responsible for the administration of the United Nations Capital Development Fund, which provides seed capital and technical assistance to promote sustainable inclusive growth in the least developed countries. While the Administrator continues to administer the Fund, beginning in 2012, in compliance with the International Public Sector Accounting Standards (IPSAS), the Fund prepared its financial statements separately from UNDP.

B. Financial performance

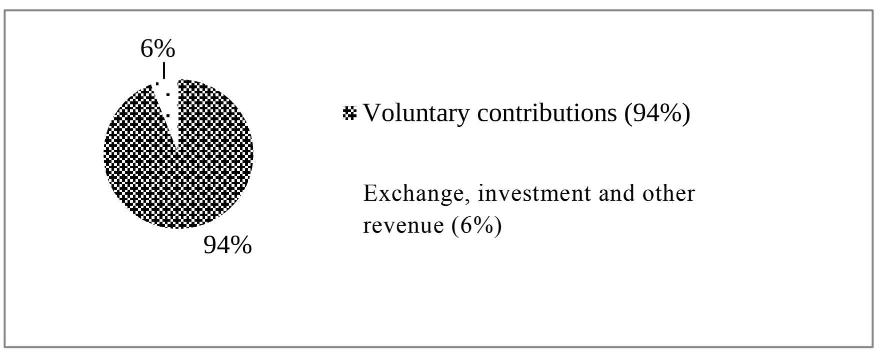
8. The total revenue of UNDP for 2016, that is, contributions and other revenue, was $5.103 billion (2015: $4.820 billion), compared with total expenses of $4.660 billion (2015: $5.057 billion), resulting in total revenue over total expenses of $443.047 million in the year, adding to accumulated surpluses which represent advance funding from UNDP partners of $4.381 billion (2015: $3.929 billion) from prior years.

Revenue analysis

Revenue by nature

9. The total revenue of UNDP in 2016 was $5.103 billion, of which $4.785 billion, or 94 per cent, was from voluntary contributions, and $317.452 million, or 6 per cent, was from exchange, investment and other revenue.

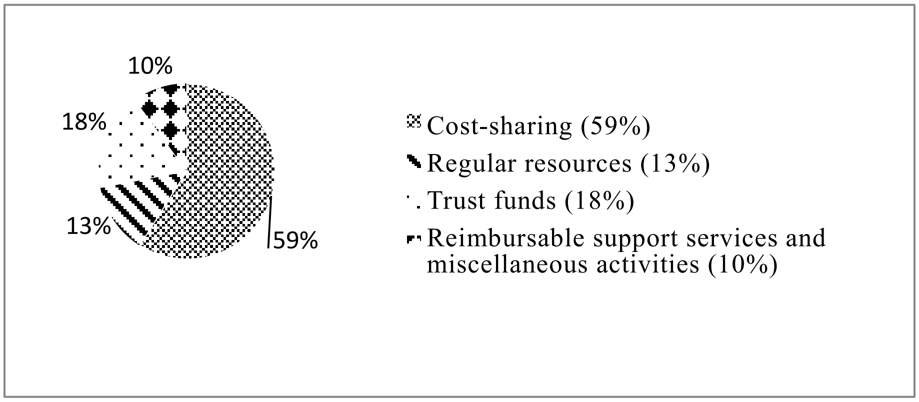
Figure III.I
Composition of total revenue in 2016 by nature



Revenue by segment

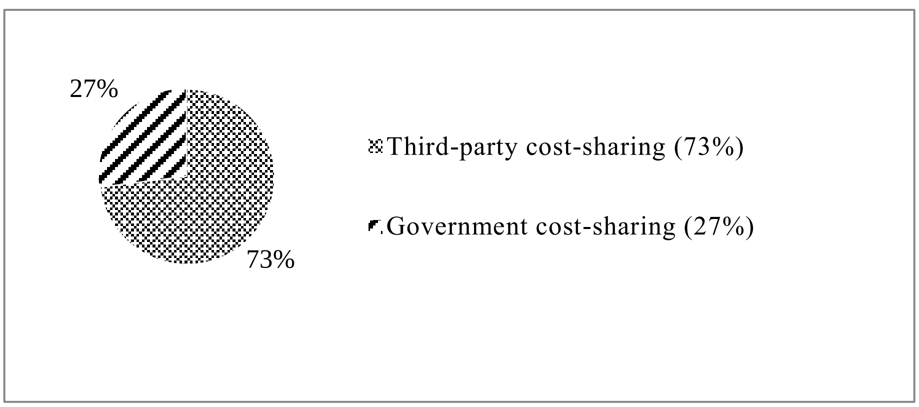
10. Analysis of revenue by segment[8] shows that cost-sharing is the largest revenue source, providing 59 per cent of the revenue of UNDP in 2016, followed by trust funds (18 per cent), regular resources (13 per cent) and reimbursable support services and miscellaneous activities (10 per cent).

Figure III.II
Composition of total revenue in 2016 by segment



11. Within cost-sharing revenue totalling $3.101 billion, third-party cost-sharing provided 73 per cent of the revenue and government cost-sharing provided 27 per cent of the revenue.

Figure III.III
Composition of cost-sharing revenue in 2016 by type



Expense analysis

Expenses by nature

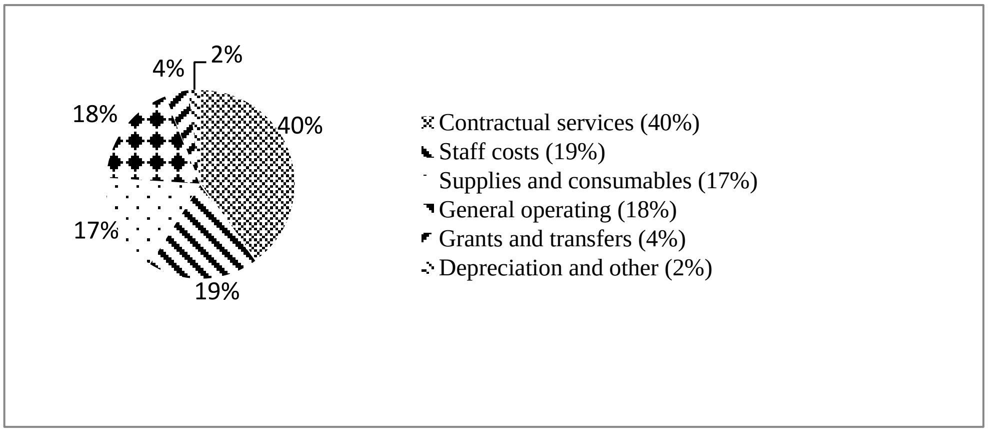
12. The total expenses of UNDP in 2016 were $4.660 billion. Considering that the mandate of UNDP is to provide knowledge, policy advice, advocacy and technical support to governments and other implementing partners, the largest expense category

[8] Excludes the elimination of internal UNDP cost recovery.

by nature in 2016 was contractual services with individuals and companies of $1.879 billion, or 40 per cent. The remaining expenses by nature are: $891.979 million, or 19 per cent, for staff costs; $835.933 million, or 18 per cent, for general operating expenses; $767.670 million, or 17 per cent, for supplies and consumables used; $203.432 million, or 4 per cent, for grants and other transfers; and $81.619 million, or 2 per cent, for depreciation and other expenses.

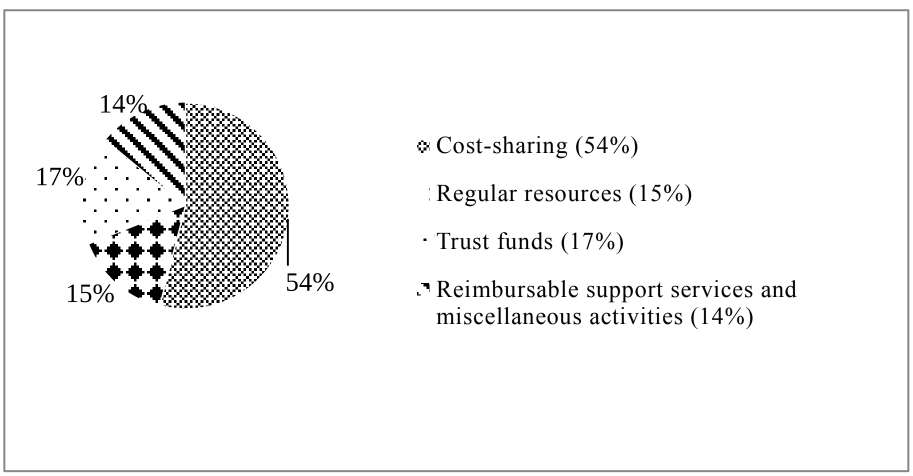
Figure III.IV
Composition of total expenses in 2016 by nature

Expenses by segment



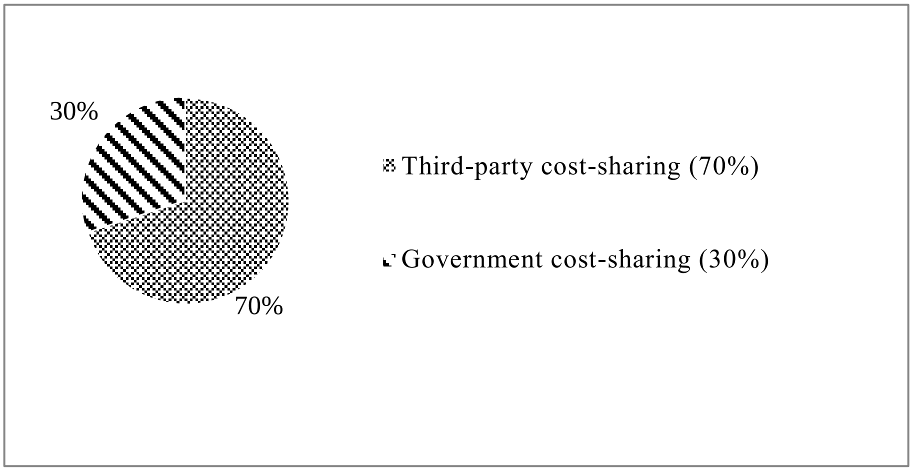
13. Of the total expenses for 2016,[1] 54 per cent was spent on cost-sharing, 15 per cent on regular resources, 17 per cent on trust funds and 14 per cent on reimbursable support services and miscellaneous activities.

Figure III.V
Composition of total expenses in 2016 by segment



14. Within cost-sharing expenses, totalling $2.634 billion, 70 per cent was spent on third-party cost-sharing and 30 per cent on government cost-sharing.

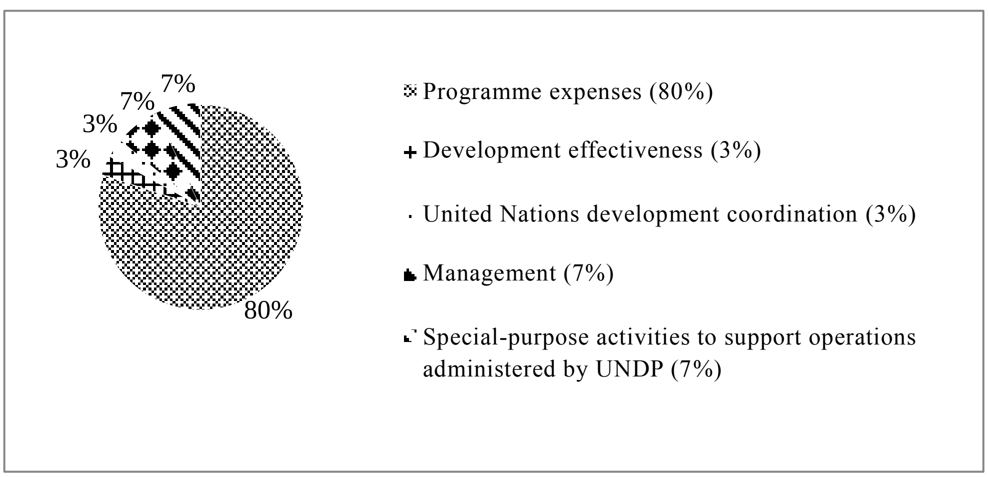
Figure III.VI
Composition of cost-sharing expenses in 2016 by type



Expenses by cost classification

15. The UNDP Executive Board approved four broad cost classification categories: (a) development activities, which encompass subcategories for programme activities and development effectiveness activities; (b) United Nations development coordination activities; (c) management activities; and (d) special purpose activities. Of total UNDP expenses by cost-classification category[1] prescribed by the Executive Board, 80 per cent was spent on programme activities, 3 per cent was spent on development effectiveness, 3 per cent was spent on United Nations development coordination, 7 per cent was spent on management and 7 per cent was spent on special-purpose and other activities to support operations administered by UNDP.

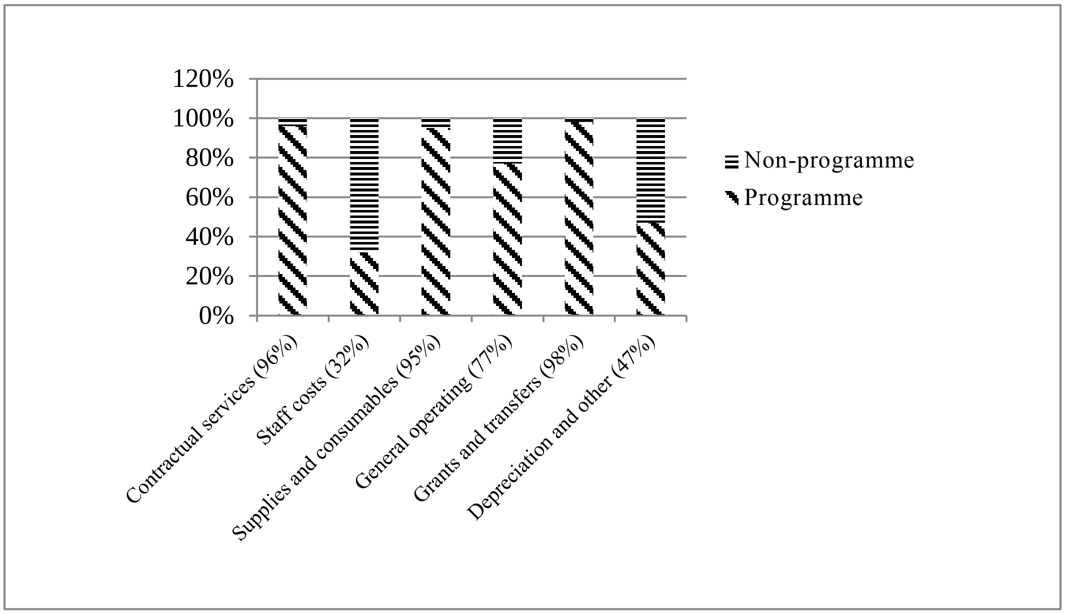
Figure III.VII
Composition of total expenses in 2016 by cost classification



Expenses relating to programme

16. In terms of the expense categories attributed to UNDP programme activities, in total, $3.878 billion (2015: $4.238 billion) of the total expenses of UNDP were programme expenses reflecting the development nature of the operations of UNDP. By expense category, 96 per cent of the total contractual services with individuals and companies were programme expenses. Similarly, 32 per cent of staff costs, 95 per cent of supplies and consumables used, 77 per cent of general operating expenses,[1] 98 per cent of grants and other transfers and 47 per cent of depreciation and other expenses were programme expenses.

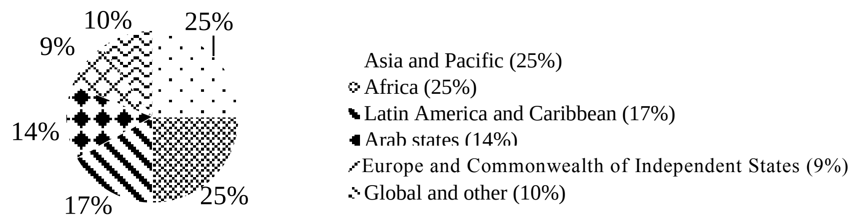
Figure III.VIII
Composition of programme expenses in 2016 by nature



Programme expenses by geographical region

17. Of total programme expenses of $3.878 billion, by geographical region, 25 per cent was spent in Asia and the Pacific, 25 per cent was spent in Africa, 17 per cent was spent in Latin America and the Caribbean, 14 per cent was spent in Arab States, 9 per cent was spent in Europe and the Commonwealth of Independent States and 10 per cent was spent in the global and other regional category.

Figure III.IX
Composition of programme expenses in 2016 by geographical region



Financial performance by segment

18. In 2016, UNDP annual revenues were higher than annual expenses by $443.047 million in total for all segments, including regular resources, cost-sharing, trust funds and reimbursable support services and miscellaneous activities. Note 6 to the financial statements, on segment reporting, provides details of financial performance by segment, which is summarized in table III.1.

Table III.1
Summary of financial performance by segment in 2016
(Millions of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Elimination*	*Total*
Total revenue	709.5	3 101.1	969.5	525.4	(202.9)	**5 102.6**
Total expenses	711.7	2 634.0	854.5	662.2	(202.9)	**4 659.5**
Surplus/(deficit)	**(2.2)**	**467.1**	**115.0**	**(136.8)**	–	**443.1**
Total accumulated surpluses	**88.7**	**2 768.4**	**1 143.6**	**380.0**	–	**4 380.7**

Note: The elimination adjustment is required to remove the effect of internal UNDP cost recovery.

19. The current-year deficits in regular resources and reimbursable support services were funded through accumulated surpluses from prior years. Despite challenges, UNDP met its three-month minimum liquidity requirement for regular resources in 2016, maintaining a liquidity reserve of 4.6 months of average expenses, within the minimum threshold of liquidity required by the Executive Board.

20. Through the development of the Programme’s strategic plan 2014-2017 and the agenda for organizational change, which is currently being implemented, UNDP has established a path that will address the continuing downturn in regular resources revenue through transformational change, enhanced business development and resource mobilization.

21. The corporate restructuring of UNDP began in 2014, with the aim of improving institutional effectiveness through better functional and geographic integration at headquarters and the regional level, in order to meet strategic plan objectives. Expenses incurred in 2016 relating to the structural change were $0.479 million (2015: $12.586 million). Note 34 provides an illustration of the impact of these structural change expenses on the statement of financial performance.

C. Budgetary performance

22. The budget of UNDP continues to be prepared on a modified cash basis and is presented in the financial statements as statement V, comparison of budget and actual amounts (regular resources), and note 7, comparison to budget. In order to facilitate a comparison between the budget and the financial statements prepared under IPSAS, a reconciliation of the budget to the cash flow statement is also included in note 7.

23. Approved budgets are those that permit budget expenditures to be incurred and are approved by the Executive Board of UNDP. For IPSAS reporting purposes, the approved budgets of UNDP are the institutional budget financed from regular resources and the portion of the resource plan relating to development activities to be financed from regular resources. The UNDP Executive Board has approved a four-year integrated budget covering 2014-2017, with estimates provided for the 2014-2015 and 2016-2017 periods. While the Programme's approved budgets are for a four-year period, UNDP allocates those budgets into annual amounts in order to provide the budget-to-actual comparison of the annual financial statements. As other resources of UNDP are a forward estimate and projection based on assumptions about future events and are not formally approved by the Executive Board, other resources are not presented in statement V. During 2016, UNDP revised the annual spending limits, noting the reduced level of voluntary contributions, in order to ensure improved burden-sharing and greater efficiency. This resulted in overall lower expenditure compared with the annualized 2014-2017 budget approved by the Executive Board. The comparison of utilization against annualized budget levels in 2016 is shown in table III.2.

Table III.2
Budget utilization rates for 2016

Budget components	*Annualized approved final budget (millions of United States dollars)*	*Actual utilization rate (percentage)*
Development activities	492.1	90
United Nations development coordination activities	92.7	100
Management activities	140.3	55
Special purpose activities to support operations administered by UNDP	19.1	48
Total	**744.2**	**83**

24. The integrated resource plan of UNDP encompasses the integrated budget. The integrated resource plan estimates will be used in the integrated results and resources framework (covering development impact, development outcomes, UNDP outputs and organizational efficiency and effectiveness) of the strategic plan.

D. Financial position

Assets

25. UNDP assets of $6.935 billion (2015: $6.416 billion) were comprised largely of investments of $5.466 billion (2015: $5.292 billion), cash and cash equivalents of $917.451 million (2015: $533.980 million) and receivables of $171.128 million (2015: $239.542 million) (total: $6.555 billion, or 95 per cent). The large majority of investments and cash and cash equivalents are earmarked for cost-sharing and trust funds. The remaining assets balance comprised advances issued as operating funds to implementing partners of $201.890 million (2015: $168.429 million); property, plant and equipment of $155.465 million (2015: $145.492 million), of which 75 per cent represented management assets and 25 per cent represented project assets; inventory of $7.564 million (2015: $19.572 million), consisting primarily of medical supplies and equipment for programmes being implemented on behalf of the Global Fund to Fight AIDS, Tuberculosis and Malaria; loans to governments of $6.603 million (2015: $7.465 million); intangible assets of $7.629 million (2015: $7.798 million), consisting primarily of internally developed software; and other assets of $1.176 million (2015: $1.221 million), consisting primarily of dispensary, medical and other receivables.

Cash, cash equivalents and investments

26. As at 31 December 2016, UNDP held cash, cash equivalents and investments of $6.384 billion (2015: $5.826 billion), of which $417.150 million (2015: $439.361 million) were funds provided by donors “held in trust” for multi-donor trust funds. In 2016, UNDP outsourced a portion of the investment management of its after-service health insurance funds. This was done in order to ensure an adequate level of investment return given the longer-term nature of the liabilities. The investment revenue of UNDP was $52.925 million in 2016 (2015: $41.144 million).

27. During 2016, UNDP maintained its vigilance of credit risks in the light of continued uncertainty in global financial conditions, in particular with respect to euro areas. In addition to its own funds, UNDP manages investments in separate portfolios on behalf of a number of United Nations agencies. As at 31 December 2016, UNDP managed a total of $7.276 billion in investments for its own programme and for other United Nations entities (such as the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), the United Nations Population Fund (UNFPA) and the United Nations Capital Development Fund (UNCDF)) under service agreements. UNDP has an Investment Committee comprising senior management, which meets quarterly to review the investment portfolio performance of UNDP and to ensure that investment decisions are in compliance with its established Investment Guidelines.

Receivables

28. As at 31 December 2016, UNDP had receivables of $171.128 million (2015: $239.542 million), which included contributions receivable pending from donors of $124.085 million (2015: $63.376 million). The remaining amount of $47.043 million was primarily investment receivables of $23.524 million (2015: $29.159 million) and third party-receivables $22.899 million (2015: $29.988 million).

Advances issued

29. As at 31 December 2016, UNDP had outstanding advances of $201.890 million (2015: $168.429 million). Of that amount, $90.280 million was composed of advances for nationally executed projects (2015: $91.567 million), $47.915 million (2015: $26.391 million) had been advanced to United Nations agencies for project implementation and the remaining amount of $63.695 million (2015: $50.471 million) consisted primarily of advances to the United Nations Children's Fund for medical supplies.

30. In fulfilling its mandate, UNDP transfers cash to executing entities or implementing partners as a cash advance. Advances issued are recorded as assets and converted to expenses once the certified expense reports are received and accepted by UNDP.

31. UNDP monitors programme expenses to ensure they are incurred in compliance with project documents and work plans. Monitoring activities include field visits, comparisons of expense reports to work plans and narrative reports, monitoring of progress towards outputs and outcomes and prescribed audits. The Office of Audit and Investigations reviews the audit reports covering the audit of projects that are implemented by national institutions or by non-governmental organizations. UNDP also monitors the outstanding balance of funds advanced to governments and non-governmental organizations to ensure that financial reports are received on a timely basis and that appropriate action is taken on audit report recommendations.

Property, plant and equipment and intangible assets

32. As at 31 December 2016, UNDP held property, equipment and intangible assets of $163.094 million (2015: $153.290 million), of which property and equipment were $155.465 million (2015: $145.492 million). Of that amount, $37.885 million (2015: $35.795 million) represented land and buildings; the remaining property and equipment consisted mainly of information technology assets, leasehold improvements and vehicles. All management and project assets meeting capitalization thresholds used and controlled by UNDP were capitalized. Project assets that were not controlled by UNDP are expensed as incurred. Of the total number of items under property, plant and equipment held as at 31 December 2016, 25 per cent represented project assets and 75 per cent represented management assets.

33. Intangible assets held as at 31 December 2016 amounted to $7.629 million (2015: $7.798 million), of which $6.945 million (2015: $3.842 million), or 91 per cent, related to internally developed software and $0.563 million (2015: $3.744 million), or 7 per cent, related to assets under development.

Liabilities

34. The liabilities of UNDP in the amount of $2.229 billion (2015: $2.145 billion) largely comprised employee benefits of $1.320 billion (2015: $1.255 billion), including after-service health insurance, repatriation and death benefits (all of which are valued by independent actuaries), annual leave and others. The principal employee benefit liability of after-service health insurance is valued at $1.035 billion (included in the total employee benefits amount) (2015: $954.121 million), of which $563.117 million (54 per cent) has been invested. A funding strategy of 15 years has been formulated to fund the gap between the historical liability and the amount

invested. The funding strategy will be adjusted, if needed, following the next actuarial valuation.

35. Other than employee benefits, the total liabilities of UNDP also include payables — funds held in trust of $558.394 million (2015: $533.377 million), which relate primarily to multi-donor trust funds for which UNDP serves as the administrative agent; accounts payable and accrued liabilities of $192.838 million (2015: $119.879 million); funds received in advance and deferred revenue of $107.875 million (2015: $181.851 million); funds held on behalf of donors of $20.463 million (2015: $31.212 million); other liabilities of $8.593 million (2015: $12.200 million), consisting primarily of unapplied deposits and other payables; and advances payable of $21.273 million (2015: $12.238 million).

Net assets/equity

36. Net assets/equity of $4.706 billion reflects amounts received as advance funding from UNDP partners from prior years for activities funded under the integrated resources plan. Net assets/equity includes accumulated surpluses of $4.381 billion and reserves of $325.127 million, of which the operational reserve accounted for $321.968 million (99 per cent of total reserves). During 2016, net assets/equity was affected primarily by: (a) a surplus of $443.047 million; and (b) actuarial losses of $27.329 million from an increase in the value of the liability for after-service health insurance owing to external economic conditions and changes in actuarial assumptions.

Financial position by segment

37. The financial position of UNDP by segment and UNDP in aggregate, as included in note 6 to the financial statements, on segment reporting, is summarized in table III.3.

Table III.3
Summary financial position by segment as at 31 December 2016
(Millions of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Total UNDP*
Total assets	1 887.5	2 918.4	1 170.7	958.7	6 935.3
Percentage of total UNDP assets	**27**	**42**	**17**	**14**	**100**
Total liabilities	1 617.7	150.0	24.0	437.7	2 229.4
Percentage of total UNDP liabilities	**72**	**7**	**1**	**20**	**100**
Net assets/equity	269.8	2 768.4	1 146.7	521.0	4 705.9
Percentage of total UNDP net assets/equity	**6**	**59**	**24**	**11**	**100**

Summary financial position by segment as at 31 December 2015

(Millions of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Total UNDP*
Total assets	1 852.7	2 453.7	1 057.3	1 051.8	6 415.5
Percentage of total UNDP assets	**29**	**38**	**17**	**16**	**100**
Total liabilities	1 571.0	152.4	25.6	396.3	2 145.3
Percentage of total UNDP liabilities	**73**	**7**	**1**	**19**	**100**
Net assets/equity	281.7	2 301.3	1 031.7	655.5	4 270.2
Percentage of total UNDP net assets/equity	**7**	**54**	**24**	**15**	**100**

E. Accountability, governance and risk management

38. Accountability and governance of UNDP has four facets: (a) UNDP governing bodies and governance committees: the General Assembly, the Economic and Social Council, the Executive Board and the Fifth Committee; (b) UNDP accountability to its programmatic partners and beneficiaries: donors, programme governments, United Nations partners, implementing partners and project beneficiaries; (c) institutional oversight mechanisms of UNDP: (i) independent external oversight: the Advisory Committee on Administrative and Budgetary Questions, the Board of Auditors, the Joint Inspection Unit and the Audit and Evaluation Advisory Committee; (ii) independent internal oversight: the Office of Audit and Investigations, the Ethics Office and the Independent Evaluation Office; and (d) UNDP internal accountability: the Administrator and Associate Administrator, the Executive Office, the Executive Group, the Operations Group, regional and headquarters bureaux, regional centres and country offices.

39. Assurance that all the resources, including financial resources, entrusted to UNDP have been managed efficiently and effectively to achieve the expected development results is embedded in the way in which UNDP exercises stewardship over those resources.

40. UNDP has implemented a sound system of internal controls to ensure that effective risk management is integrated into normal business processes and is aligned to the strategic objectives of the organization. Regarding risk management of cash and investments, the risk management policies of UNDP with relation to treasury operations aim to minimize potential adverse effects on the resources available to UNDP to fund its development activities. The principal objectives of the UNDP risk management approach are: (a) safety, that is, the preservation of capital, provided through investing in high-quality fixed-revenue securities, emphasizing the creditworthiness of the issuers; (b) liquidity, that is, the flexibility to meet cash requirements through investments in highly marketable fixed-revenue securities and through structuring maturities to align with liquidity requirements; and (c) revenue, that is, the maximization of investment revenue within safety and liquidity parameters. UNDP utilizes funds to implement development activities in accordance with its

Financial Regulations and Rules and its policies and procedures, which encompass strong risk mitigation and monitoring and assurance mechanisms.

F. Looking forward to 2017 and beyond

41. The overall financial position of UNDP at the end of 2016 was positive. Implementation of the UNDP strategic plan 2014-2017 will continue the transformational programme aimed at enabling UNDP to deliver effectively, responsively and with greater cost economy, and to better position UNDP to help countries deliver on the 2030 Agenda for Sustainable Development and the Sustainable Development Goals.

Chapter IV
Financial statements for the year ended 31 December 2016

United Nations Development Programme
I. Statement of financial position as at 31 December 2016

(Thousands of United States dollars)

	Reference	*31 December 2016*	*31 December 2015*
Assets			
Current assets			
Cash and cash equivalents	Note 8	794 407	424 198
Cash and cash equivalents — funds held in trust	Note 8	123 044	109 782
Investments	Note 9	3 222 252	2 532 409
Investments — funds held in trust	Note 9	241 914	264 929
Receivables — non-exchange transactions	Note 10	124 085	63 376
Receivables — exchange transactions	Note 11	47 043	176 166
Advances issued	Note 12	201 890	168 429
Loans to governments	Note 15	590	851
Inventories	Note 13	7 564	19 572
Other current assets	Note 14	1 168	1 213
Total current assets		**4 763 957**	**3 760 925**
Non-current assets			
Investments	Note 9	1 950 018	2 430 017
Investments — funds held in trust	Note 9	52 192	64 650
Loans to governments	Note 15	6 013	6 614
Property, plant and equipment	Note 16	155 465	145 492
Intangible assets	Note 17	7 629	7 798
Other non-current assets	Note 14	8	8
Total non-current assets		**2 171 325**	**2 654 579**
Total assets		**6 935 282**	**6 415 504**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	Note 18	192 838	119 879
Advances payable	Note 19	21 273	12 238
Funds received in advance and deferred revenue	Note 20	100 623	173 992
Funds held on behalf of donors	Note 20	20 463	31 212
Payables — funds held in trust	Note 21	506 202	468 727
Employee benefits	Note 22	214 507	230 267
Other current liabilities	Note 23	7 674	9 664
Provision for restructuring	Note 34	147	2 472
Total current liabilities		**1 063 727**	**1 048 451**

United Nations Development Programme
I. Statement of financial position as at 31 December 2016 (continued)

	Reference	*31 December 2016*	*31 December 2015*
Non-current liabilities			
Payables — funds held in trust	Note 21	52 192	64 650
Funds received in advance and deferred revenue	Note 20	7 252	7 859
Employee benefits	Note 22	1 105 488	1 024 344
Other non-current liabilities	Note 23	772	64
Total non-current liabilities		**1 165 704**	**1 096 917**
Total liabilities		**2 229 431**	**2 145 368**
Net assets/equity			
Reserves	Note 24	325 127	341 127
Accumulated surpluses	Note 25	4 380 724	3 929 009
Total net assets/equity		**4 705 851**	**4 270 136**
Total liabilities and net assets/equity		**6 935 282**	**6 415 504**

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

United Nations Development Programme
II. Statement of financial performance for the year ended 31 December 2016

(Thousands of United States dollars)

	Reference	*2016*	*2015*
Revenue			
Voluntary contributions	Note 26	4 785 121	4 471 894
Revenue: exchange transactions	Note 27	196 507	190 967
Investment revenue	Note 28	52 925	41 144
Other revenue	Note 29	68 020	116 155
Total revenue		**5 102 573**	**4 820 160**
Expenses[a]			
Contractual services	Note 30	1 878 893	1 999 686
Staff costs	Note 30	891 979	941 836
Supplies and consumables used	Note 30	767 670	811 556
General operating expenses	Note 30	835 933	893 305
Grants and other transfers	Note 30	203 432	317 892
Other expenses	Note 30	57 543	71 255
Depreciation and amortization	Note 30	18 104	16 369
Finance costs	Note 30	5 972	5 515
Total expenses		**4 659 526**	**5 057 414**
Surplus/(deficit) for the year[b]		**443 047**	**(237 254)**

[a] Includes expenses of $0.479 million relating to the structural change. See note 34 for details.
[b] Deficit for the year 2015 draws down on the unspent accumulated surplus resource balances.

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

United Nations Development Programme
III. Statement of changes in net assets/equity for the year ended 31 December 2016

(Thousands of United States dollars)

	Reserves	*Accumulated surpluses*	*Total net assets/equity*
Balance at 31 December 2015	**341 127**	**3 929 009**	**4 270 136**
Changes in net assets/equity			
Operational reserve transfer to accumulated surplus	(16 000)	16 000	-
Funds with specific purposes (note 25)	–	18 706	18 706
Changes in fair value of available-for-sale investments	–	1 291	1 291
Actuarial gains/(losses)	–	(27 329)	(27 329)
Surplus/(deficit) for the year	–	443 047	443 047
Total revenue and expense recognized directly in net assets/equity	**(16 000)**	**451 715**	**435 715**
Balance at 31 December 2016	**325 127**	**4 380 724**	**4 705 851**

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

United Nations Development Programme

IV. Cash flow statement for the year ended 31 December 2016

(Thousands of United States dollars)

Reference	*2016*	*2015*
Cash flows from operating activities		
Surplus/(deficit) for the year	443 047	(237 254)
Adjustments to reconcile deficit for the year to net cash flows:		
Depreciation and amortization	18 104	16 369
Impairment	96	632
In-kind contributions (donated goods)	(1 143)	(263)
Amortization of premium/(discount) on investments	28 717	40 882
(Gains)/losses on foreign exchange translation	18 382	12 417
Losses on disposal of property, plant and equipment	2 927	2 456
Changes in assets		
(Increase)/decrease in receivables: non-exchange transactions	(61 114)	104 881
(Increase)/decrease in receivables: exchange transactions[a]	44 466	(204 991)
(Increase)/decrease in advances issued	(43 068)	65 717
(Increase)/decrease in inventories	12 008	(1 390)
(Increase)/decrease in other current assets	45	(224)
Changes in liabilities, net assets/equity		
(Decrease)/increase in accounts payable and accrued liabilities	73 003	(19 012)
(Decrease)/increase in advances payable	9 034	2 183
(Decrease)/increase in funds received in advance and deferred revenue	(73 976)	104 917
(Decrease)/increase in funds held on behalf of donors	(10 749)	(15 413)
(Decrease)/increase in payables: funds held in trust	25 017	(80 536)
(Decrease)/increase in employee benefits	38 683	109 557
(Decrease)/increase in other current liabilities	(1 014)	(292)
(Decrease)/increase in provision for restructuring	(2 325)	(3 120)
(Decrease)/increase in funds with specific purposes	18 706	17 050
Cash flows from/(used in) operating activities	**538 846**	**(85 434)**
Cash flows from investing activities		
Purchases of investments	(3 758 228)	(3 190 506)
Purchases of investments: funds held in trust	(349 181)	(309 805)
Maturities of investments	3 709 201	3 137 804
Maturities of investments: funds held in trust	382 196	376 052
(Increase)/decrease in investments managed by external investment manager	(185 785)	-
Interest and dividends received	84 042	82 050
(Increase)/decrease in loans to governments	862	642
Purchases of property, plant and equipment	(31 916)	(29 288)
Disposals of property, plant and equipment	4 432	5 374
Purchases of intangible assets	(2 208)	(1 838)
Disposal of intangible assets	-	88
Cash flows from/(used in) investing activities	**(146 585)**	**70 573**

United Nations Development Programme
IV. Cash flow statement for the year ended 31 December 2016 (continued)

	Reference	*2016*	*2015*
Cash flows from financing activities			
Finance lease repayment		(38)	(13)
Cash flows from/(used in) financing activities		**(38)**	**(13)**
Increase/(decrease) in cash and cash equivalents, including funds held in trust		**392 223**	**(14 874)**
Effect of exchange rate changes on cash and cash equivalents		**(8 752)**	**(5 513)**
Cash and cash equivalents including funds held in trust: beginning of year		**533 980**	**554 367**
Cash and cash equivalents including funds held in trust: end of year	Note 8	**917 451**	**533 980**

[a] This amount includes an adjustment for interest and dividends received of $84.042 million in cash as well as an adjustment for foreign exchange translation of $(0.602) million.

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

United Nations Development Programme
V. Statement of comparison of budget and actual amounts (regular resources) for the year ended 31 December 2016

(Thousands of United States dollars)

	Approved budget		*Actual expenditure on comparable basis (note 7)*	*Difference: final approved budget and actual expenditure*
	Original	*Final*		
Development activities				
Programme	392 000	392 000	381 556	10 444
Development effectiveness	100 091	100 091	60 492	39 599
Subtotal	**492 091**	**492 091**	**442 048**	**50 043**
United Nations development coordination activities	**92 719**	**92 719**	**92 551**	**168**
Management activities				
Recurring	137 813	137 813	77 568	60 245
Non-recurring	2 489	2 489	–	2 489
Subtotal	**140 302**	**140 302**	**77 568**	**62 734**
Special purpose activities				
Capital investments	4 288	4 288	518	3 770
Non-UNDP operations administered by UNDP	14 847	14 847	8 597	6 250
Subtotal	**19 135**	**19 135**	**9 115**	**10 020**
Grand total	**744 247**	**744 247**	**621 282**	**122 965**

The accompanying notes form an integral part of these financial statements

United Nations Development Programme
Notes to the financial statements 2016

Note 1
Reporting entity

1.1. The United Nations Development Programme (UNDP) was established by the General Assembly in 1965 through its resolution 2029 (XX). UNDP partners with entities/people at all levels of society to help build nations that can withstand crisis and drive and sustain growth that improves the quality of life for everyone.

1.2. UNDP has its headquarters in New York, but works primarily through its offices in nearly 170 countries and territories. UNDP provides a global perspective and local insight to help empower lives and build resilient nations.

1.3. UNDP helps to achieve the eradication of poverty, and the reduction of inequalities and exclusion, and assists countries in developing policies, leadership skills, partnering abilities and institutional capabilities and in building resilience in order to sustain development results. UNDP is continuing its work to support the 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals, as they help shape global sustainable development efforts for the next 15 years. UNDP helps developing countries attract and use aid and domestic resources effectively and encourages, in all its activities, the protection of human rights, capacity development and the empowerment of women.

1.4. UNDP is politically neutral and its cooperation is impartial. It seeks to conduct its work in a transparent manner and is accountable to all its stakeholders. UNDP has an Executive Board, established by the General Assembly in its resolution 48/162, which is responsible for providing intergovernmental support to and supervision of UNDP. The amended Financial Regulations and Rules of UNDP (Executive Board decision 2011/33), govern the financial management of UNDP.

1.5. The financial statements include only the operations of UNDP, which has no subsidiaries or interests in associates or jointly controlled entities.

Note 2
Statement of compliance with the International Public Sector

Accounting Standards

The annual financial statements of UNDP have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS).

Note 3
Basis of preparation and authorization to submit financial statements for audit

Basis of measurement

3.1. These financial statements are prepared on an accrual basis of accounting in accordance with IPSAS and the Financial Regulations and Rules of UNDP.

3.2. UNDP applies the historical cost principle except where stated in note 4. Accounting policies have been applied consistently throughout the year. The financial year is from January to December.

Foreign currency

3.3. The functional and presentation currency of UNDP is the United States dollar. These financial statements are expressed in thousands of United States dollars unless otherwise stated.

3.4. Foreign currency transactions are translated into United States dollars at the United Nations operational rates of exchange at the date of the transaction. The operational rates of exchange approximate market/spot rates.

3.5. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the reporting date and are recognized in the statement of financial performance.

3.6. Non-monetary items in foreign currencies measured at historical cost are translated at the exchange rate in effect at the date of the transaction.

3.7. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions are recognized in the statement of financial performance.

Critical accounting estimates

3.8. Preparing financial statements in accordance with IPSAS requires UNDP to make estimates, judgments and assumptions in the selection and application of accounting policies and in the reported amounts of assets, liabilities, revenues and expenses. For this reason, actual results may differ from those estimates. Accounting estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: actuarial measurement of employee benefits; selection of useful lives and the depreciation/amortization method for property, plant and equipment/intangible assets; impairment on assets; classification of financial instruments; restructuring provision; and contingent assets and liabilities.

Authorization to submit financial statements for audit

3.9. These financial statements are approved and certified by the Administrator, the Assistant Administrator and Director of the Bureau for Management Services and the Chief Finance Officer/Comptroller of the Bureau for Management Services of UNDP. In accordance with the UNDP Financial Regulations and Rules, these financial statements are authorized to be submitted for audit on 30 April 2017.

Note 4
Significant accounting policies

Financial assets classification

4.1. UNDP classifies financial assets into the following categories: held to maturity; available for sale; loans and receivables; and fair value through surplus or deficit in the statement of financial performance. The classification depends on the purpose for which the financial assets are acquired, and is determined at initial recognition and re-evaluated at each reporting date. All financial assets are initially measured at fair value. UNDP initially recognizes loans and receivables on the date that they originated. All other financial assets are recognized initially on the trade date, which is the date UNDP becomes party to the contractual provisions of the instrument.

4.2. Financial assets with maturities in excess of 12 months at the reporting date are categorized as non-current assets in the financial statements. Assets denominated in foreign currency are translated into United States dollars at the United Nations operational rates of exchange prevailing at the reporting date, with gains and losses recognized in surplus or deficit in the statement of financial performance.

IPSAS classification	*Type of UNDP financial asset*
Held to maturity	Investments, excluding after-service health insurance investments
Available for sale	After-service health insurance investments
Loans and receivables	Cash and cash equivalents, receivables non-exchange and exchange, advances (e.g. to staff) and loans to Governments
Fair value through surplus or deficit	Derivative assets

Held to maturity financial assets

4.3. Held to maturity financial assets are financial assets with fixed or determinable payments and fixed maturities that UNDP has the positive intention and ability to hold to maturity. They are initially recorded at fair value plus transaction costs and subsequently recognized at amortized cost calculated using the effective interest rate method. UNDP classifies a substantial portion of its investment portfolio as held to maturity assets.

Available-for-sale financial assets

4.4. Available-for-sale financial assets are those non-derivative financial assets that have been either designated in this category or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through surplus or deficit. They are initially recorded at fair value plus transaction costs that are directly attributable to the acquisition or issue of those assets and subsequently reported at fair value with any resultant fair value gains or losses recognized directly in net assets/equity through the statement of changes in net assets/equity, 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. Fair values used for subsequent measurement are based on quoted market prices from knowledgeable third parties. Interest on available-for-sale financial assets is calculated using the effective interest method and is recognized in surplus or deficit.

Loans and receivables

4.5. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus transaction costs and subsequently reported at amortized cost calculated using the effective interest method. Interest revenue is recognized on a time proportion basis using the effective interest rate method on the respective financial asset.

4.6. Cash and cash equivalents include cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, net of impairment for restricted use currencies. Financial instruments classified as cash equivalents include investments with a maturity of three months or less from the date of acquisition.

4.7. Receivables — non-exchange transactions comprises contributions receivable which represent uncollected revenue committed to UNDP by donors based on enforceable commitments which are recognized as revenue. These non-exchange receivables are stated at carrying value less impairment for estimated irrecoverable amounts. Impairments of contributions receivable are considered on a case-by-case basis.

4.8. Receivables — exchange transactions represent amounts owed to UNDP for services provided by it to other entities. In exchange, UNDP directly receives approximately equal value in the form of cash.

4.9. Advances issued represents cash transferred to executing entities/ implementing partners (refer to note 36.2 for the definition of executing entities/ implementing partners) as an advance. Advances issued are initially recognized as assets and subsequently converted to expense when goods are delivered or services are rendered by the executing entities/implementing partners and confirmed by receipt by UNDP of certified expense reports as applicable, i.e., financial reports, funding authorization and certificate of expenditure forms or project delivery reports. Once those certified expense reports are received, UNDP recognizes expenses in its statement of financial performance. Data may be obtained from the entities' audited statements or, when such statements are not available at the end of the reporting year, either from the statements submitted by the entities for audit or from the unaudited statements of the entities.

4.10. Prepayments are issued where agreements with UNDP and the executing entity/implementing partner/supplier require up-front payment. Prepayments are recorded as a current asset until goods/services associated with the prepayments are delivered, at which point the expense is recognized and the prepayment is reduced by a corresponding amount.

4.11. UNDP provides advances to staff for up to 12 months for specified purposes in accordance with the Staff Rules and Staff Regulations of the United Nations. These advances have an initial maturity of less than 12 months, and the carrying amount approximates fair value. The carrying amount is stated less any impairment.

4.12. Loans to governments are loans given to national governments to construct office or housing premises for use by UNDP and United Nations entities. Loa ns are carried at the original cost, less any recovery to date. Rent proceeds are applied as repayment of the loan. Subsequent measurement of loans to governments is at amortized cost less any impairment.

Fair value through surplus or deficit

4.13. Financial assets at fair value through surplus and deficits are so designated on initial recognition or are held for trading. They are initially recorded at fair value and any transaction costs are expensed. The assets are measured at fair value at each reporting date, and any resultant fair value gains or losses recognized through surplus and deficit. Derivatives are used to manage foreign exchange risk and are contracted with creditworthy counterparties in accordance with UNDP Investment Guidelines. UNDP classifies derivatives as financial assets at fair value through surplus and deficit in the statement of financial performance. The fair value of derivatives is obtained from counterparties and is compared to internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Assets in this category are classified as current assets if they are expected to be realized within 12 months of the reporting date. UNDP does not apply hedge accounting treatment for derivatives.

4.14. All categories of financial assets are assessed at each reporting date to determine whether there is objective evidence that an investment or group of investments is impaired. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in the value of the asset. Impairment losses are recognized in surplus or deficit in the statement of financial performance (directly or through the use of an allowance account) in the year they arise.

Inventories

4.15. Inventories held for distribution at no charge or for a nominal charge are stated at the lower of cost and current replacement cost. Inventories held for sale are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost is determined using the first-in, first-out inventory valuation method. The cost of inventories includes costs incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. For inventories acquired through a non-exchange transaction (e.g., donated goods), costs are measured at fair value at the date of acquisition.

Property, plant and equipment

4.16. All items of property, plant and equipment are stated at historical cost, less accumulated depreciation and accumulated impairment losses. It is noted that, on adoption of IPSAS and its transitional provisions, for opening balances, initial capitalization of property, plant and equipment was at fair value. Historical cost includes costs that are directly attributable to the acquisition of the asset and the initial estimate of dismantling and site restoration costs. Where an asset is acquired for nil or nominal consideration, the fair value at the date of acquisition is deemed to be its cost. The threshold for recognition of property, plant and equipment as an asset is $1,500 or more per unit.

4.17. UNDP elected to apply the cost model to measurement after recognition instead of the revaluation model. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to UNDP and the cost of the item can be measured reliably. Repairs and maintenance are charged to surplus or deficit in the statement of financial performance in the year in which they are incurred.

4.18. Project assets that are not controlled by UNDP are expensed as incurred. UNDP is deemed to control an asset if it can use or otherwise benefit from the asset in pursuit of its objectives and if it can exclude or regulate the access of third parties to that asset. UNDP has control over assets when it is implementing the project directly.

4.19. Property, plant and equipment includes right-to-use arrangements for property that meets the criteria for recognition (refer to the section on “leases” below).

4.20. Depreciation of property, plant and equipment is calculated using the straight-line basis over the estimated useful lives, except for land, which is not subject to depreciation. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, that is, major components of property, plant and equipment. Assets under construction are not depreciated, as they are not yet available for use.

The estimated useful lives are as follows:

Class	*Estimated useful life (in years)*
Buildings	10-40
Vehicles	12
Communications and information technology equipment	8-20
Furniture and fixtures	15
Heavy machinery and other equipment	20
Leasehold improvements	Shorter of lease term or life of applicable asset

4.21. Given the expected pattern of usage of property, plant and equipment, there are no residual values following full depreciation. A gain or loss resulting from the disposal of property, plant and equipment arises where proceeds from disposal differ from its carrying amount. Those gains or losses are recognized in surplus or deficit in the statement of financial performance.

4.22. Where UNDP sublets premises acquired under a lease, it elects to record subsequent measurement at cost.

Intangible assets

4.23. Intangible assets are carried at historical cost, less accumulated amortization and accumulated impairment loss.

4.24. Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with the development of software for use by UNDP are capitalized as an intangible asset. Directly associated costs include the software development staff costs and the portion attributable to relevant overhead. Other development expenses that do not meet the capitalization criteria are recognized as an expense as incurred. Development costs previously recognized as an expense, for example, research costs, are not recognized as an asset in a subsequent year. The threshold for recognition of internally developed software is $50,000 and for externally acquired software it is $5,000. Research costs are expensed as incurred.

4.25. Amortization is recognized in surplus or deficit in the statement of financial performance provided on a straight-line basis on all intangible assets of finite life and at rates that will write off the cost or value of the assets to their estimated residual values.

The estimated useful lives are as follows:

Class	*Estimated useful life (in years)*
Software acquired	3-6
Internally developed software	3-6
Trademarks	2-6
Copyrights	3-10
Patents	2-6
Licences and other	2-6

4.26. If there is a binding arrangement that specifies that the contractual period of an asset is shorter than its estimated useful life, then the asset is amortized over the contractual period.

Impairment of non-cash generating assets

4.27. Property, plant and equipment, intangible and other non-cash generating assets are reviewed for impairment at each reporting date. For property, plant and equipment, UNDP reviews for impairment during the semi-annual physical verification process. An impairment loss is recognized in surplus or deficit in the statement of financial performance when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of an asset's fair value, less costs to sell, and its value in use.

4.28. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the impairment of value has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment deficit had been recognized.

Financial liabilities classification

IPSAS classification	*Types of financial liabilities*
Other financial liabilities	Accounts payable and accrued liabilities, funds held on behalf of donors, advances payable, other liabilities and payables — funds held in trust
Fair value through surplus or deficit	Derivative liabilities

Other financial liabilities

4.29. Other financial liabilities are initially recognized at fair value, plus directly attributable transaction costs, and subsequently measured at amortized cost using the effective interest method. Financial liabilities entered into with a duration of less than 12 months are recognized at their carrying value.

4.30. Payables and accruals arising from the purchase of goods and services are recognized initially at fair value and subsequently measured at amortized cost when goods/services are delivered/rendered and accepted by UNDP. Liabilities are stated at invoice amounts, less payment discounts at the reporting date. Liabilities are estimated where invoices are not available at the reporting date.

4.31. Advances payable arise when amounts are owed to executing entities/ implementing partners. The liability is measured at the amount owed based on incurred expenses reflected in the approved financial reports, Funding Authorization and Certificate of Expenditure forms or project delivery reports for the year.

4.32. Payables — funds held in trust represent the receipt of funds by UNDP when providing fund administration services, to be disbursed to participating organizations. When UNDP is appointed as an administrative agent, it provides fund administration services to United Nations system and national government multi donor trust funds and joint programmes through the Multi-Partner Trust Fund Office. In this role, UNDP is responsible for the receipt of contributions from donors, the disbursement of such funds to participating organizations, the receipt of unspent balances from participating organizations, and the provision of consolidated reporting to donors and stakeholders. Under this arrangement, funds received by UNDP from donors are reflected as cash and cash-equivalent funds held in trust or investment funds held in trust along with a corresponding liability, that is as payables, funds held in trust until they are disbursed to participating organizations.

4.33. Other liabilities include unapplied deposits and other payables such as finance lease payable. Unapplied deposits represent contributions received from donors that have not been applied against contributions receivable for earmarked activities.

Fair value through surplus or deficit

4.34. Fair value through surplus and deficit financial liabilities are so designated on initial recognition or are held for trading. They are initially recorded at fair value and any transaction costs are expensed. The liabilities are measured at fair value at each reporting date and any resultant fair value gains or losses are recognized through surplus and deficit. UNDP classifies derivatives as financial liabilities at fair value through surplus and deficit in the statement of financial performance. Derivatives are used to manage foreign exchange risk and are contracted with creditworthy counterparties in accordance with UNDP Investment Guidelines. These include derivatives embedded in time deposits that permit the instrument to be repaid by counterparties in an alternative currency in exchange for a higher yield. The fair value of derivatives is obtained from counterparties and is compared to internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Liabilities in this category are classified as current liabilities if they are expected to be settled within 12 months of the reporting date. UNDP does not apply hedge accounting treatment for derivatives.

Funds received in advance and deferred revenue

4.35. Funds received in advance represent contributions received for future periods specified in donor contribution agreements. The funds are recognized as revenue and applied to the earmarked activities at the beginning of the specified future period. Deferred revenue represents funds received from donors that will be recognized as revenue in future years when conditions are met or the revenue is earned.

Employee benefits

Short-term employee benefits

4.36. Short-term employee benefits are those that are expected to be settled within 12 months after the end of the year in which employees render the related service. Those benefits include assignment benefits, regular monthly benefits (e.g., wages and salaries), compensated absences (e.g., paid leave, such as annual leave), other short-term and non-monetary benefits and the current portion of long-term benefits provided to current employees. An expense is recognized when a staff member provides services in exchange for employee benefits. A liability is reported for any entitlement that has not been settled at the reporting date and represents the amount paid or expected to be paid to settle the liability. Owing to the short-term nature of those entitlements, the liabilities are not discounted for the time value of money and are presented as current liabilities.

Post-employment benefits

4.37. Post-employment benefits are those payable after completion of employment, but exclude termination payments.

4.38. Post-employment benefits include pension plans, post-employment medical care, repatriation grants and other lump sums payable after the completion of employment. Post-employment benefit plans are classified as either defined contribution or defined benefit plans.

4.39. For defined contribution post-employment plans, the obligation for each year is determined by the amounts to be contributed for that year, and no actuarial assumptions are required to measure the obligation or the expense. Post-employment benefits under defined benefit plans are measured at the present value of the defined benefit obligation adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, reduced by the fair value of plan assets, if any, at the reporting date. UNDP does not hold any assets corresponding to the definition of a plan asset.

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

4.41. 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 participating organizations. UNDP and the Pension Fund, in line with the other participating organizations, are not in a position to identify the Programme's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNDP has treated this plan as if it were a defined contribution plan, in line with the requirements set out in IPSAS 25, Employee benefits. UNDP contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

4.42. The Regulations of the Pension Fund state that its Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary. The practice of the 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.

4.43. The Board of Auditors carries out an annual audit of the Pension Fund and reports to the Fund's Board on the audit every year. The Pension Fund publishes quarterly reports on its investments, which can be viewed by visiting the Fund's website (www.unjspf.org).

Defined benefit plans

4.44. The defined benefit plans of UNDP include after-service health insurance and certain end-of-service entitlements. The obligation of UNDP in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That obligation is discounted to determine its present value and stated at the end of the reporting year less the fair value of plan assets, together with adjustments for unrecognized past service costs. The calculation is performed annually by a qualified independent actuary using the projected unit credit method.

4.45. The discount rate is the yield at the reporting date on high-quality credit rated corporate bonds that have maturity dates approximating the terms of the payment obligations. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in net assets/equity in the year in which they arise. All other changes in the liability for those obligations are recognized as surplus or deficit in the statement of financial performance in the year in which they arise.

Other long-term employee benefits

4.46. Other long-term employee benefit obligations are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in which employees provide the related service. Those benefits include the non-current portions of home leave and compensation for death and injury attributable to performance of duties. These are recognized as non-current liabilities and are measured at the present value of the estimated future cash flows if the payments and the impact of discounting are considered to be material. Actuarial gains and losses are reported in the statement of changes in net assets/equity.

Termination benefits

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

Leases

Operating lease

4.48. Leases are classified as operating leases where UNDP is the lessee, and the lessor retains a significant portion of the risks and rewards inherent to ownership. Payments under operating leases, net of incentives received from the lessor, are recognized on a straight line basis in the statement of financial performance over the lease term.

Finance lease

4.49. Leases of tangible assets, where UNDP has substantially all the risks and rewards of ownership, are classified as finance leases. Initial recognition of a finance lease results in an asset and liability being recognized at the lower of the fair value of the leased property and the present value of the minimum lease payments. Subsequent to initial recognition, leased assets are depreciated over the shorter of the lease term and their useful lives in accordance with the accounting policies for property, plant and equipment. Each finance lease payment is allocated between the lease liability and finance charges. The interest portion of the finance lease obligations is recognized as an expense in the statement of financial performance over the term of the lease to produce a constant periodic rate of interest on the remaining balance of the liability for each year.

Right-to-use arrangements

4.50. Where UNDP has signed an agreement for the right-to-use assets with legal title/ownership of the assets, for example through donated use granted to UNDP at no cost, the transaction is a non-exchange transaction. In this case, an asset and revenue is recognized at the point the agreement is entered into. Recognition of an asset is contingent upon satisfying criteria for recognition of an asset. Valuation of the asset will be the fair value of the resource for which the right to use was acquired at the date of acquisition. The asset is depreciated over the shorter of the asset's useful life and the right-to-use term. Without legal title/ownership, an expense is recognized. Revenue is also recognized at the same amount as the asset/expense, except to the extent that a liability is also recognized.

Revenue recognition

Contributions

4.51. Voluntary contributions are non-exchange transactions which are recognized as revenue when contribution agreements become enforceable, or in some instances when cash is received in accordance with the Financial Regulations and Rules of UNDP. Depending on the agreements, enforceability occurs upon signature alone, signature and receipt of deposit, when conditions, if any, in contribution agreements are met, or when funds are to be transferred to UNDP and intended to be utilized. Revenue is shown net of returns of unused funds to donors and impairment of receivables.

4.52. Governments make pledges for voluntary contributions towards regular resources, although in some cases the pledged funds are not paid to UNDP. As the inflow of funds is probable but not certain, UNDP may disclose these amounts as contingent assets.

4.53. In-kind contributions of goods provided are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to UNDP and the fair value of those assets can be measured reliably. In-kind contributions recognize revenue from right-to-use arrangements at the fair value of the asset reported. UNDP does not recognize or disclose contributions of services in kind as an asset and revenue as permitted by IPSAS.

Revenue from exchange transactions

4.54. Exchange transactions are those in which UNDP sells goods or provides services. Revenue comprises the fair value of consideration received or receivable for the sale of goods and services. Revenue is shown net of returns and discounts. Revenue is recognized when it can be reliably measured, when the inflow of future economic benefits is probable and when specific criteria have been met. For example:

- Cost-recovery revenue from work performed, such as procurement and payment services by UNDP on behalf of United Nations entities, is recognized when services are performed;
- Revenue from sales of human development reports is recognized when the sale takes place;
- Revenue from commissions and fees for procurement, training, administrative, custodial and other services rendered to governments, United Nations entities and other partners is recognized when the service is performed and/or training takes place.

Expense recognition

4.55. Expenses are recognized when goods and/or services are delivered and/or rendered and accepted by UNDP or as specified below.

4.56. For direct implementation by UNDP and full country office support to national government implementation, expenses are recognized when goods, i.e., non-capital or services, have been received by UNDP.

4.57. For national implementation or NGO implementation, expenses are recognized when funds are disbursed by executing entities or implementing partners and reported to UNDP.

4.58. Advances transferred to executing entities and/or implementing partners are recognized as expenses when goods are delivered or services rendered by the executing entities and/or implementing partners and confirmed by receipt by UNDP of certified expense reports as applicable, that is, financial reports, Funding Authorization and Certificate of Expenditure forms or project delivery reports. Once these expense reports are received, UNDP recognizes expenses in its statement of financial performance. Data may be obtained from the audited statements of executing entities and/or implementing partners or, when such statements are not available at the reporting year end, from the entities' statements as submitted for audit and/or from unaudited statements.

Commitments, provisions and contingencies

Commitments

4.59. Commitments are future expenses and liabilities to be incurred on contracts entered into at the reporting date for which UNDP has minimal discretion, if any, to avoid in the ordinary course of operations. Commitments relating to employment contracts are excluded. Commitments include:

- Capital commitments: aggregate amount of capital expenses contracted for but not recognized as paid or provided for at year end
- Contracts for the supply of goods or services which UNDP expects to be delivered in the ordinary course of operations
- Non-cancellable minimum lease payments
- Other non-cancellable commitments.

Provisions

4.60. A provision is recognized if, as a result of a past event, UNDP has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenses expected to be required to settle the obligation. The increase in a provision due to the passage of time is recognized as a finance cost.

Contingencies

Contingent assets

4.61. A contingent asset is disclosed when an inflow of economic benefits or service potential is probable. If it has become virtually certain that an asset is no longer contingent and that its value can be measured reliably, the asset and the related revenue are recognized in the year in which the change occurs.

Contingent liabilities

4.62. A contingent liability is disclosed unless the possibility that it will be realized is remote. If it becomes probable that a contingent liability will be realized, a provision is recognized in the year in which the change of probability occurs.

Note 5
Prior-period adjustments and reclassification of comparatives

In 2016 there were no prior-period adjustments or reclassifications of 2015 comparatives.

Note 6
Segment reporting

6.1. For purposes of evaluating its past performance in achieving its objectives and for making decisions about the future allocation of resources, UNDP classifies all its activities into four segments: regular resources; cost-sharing; trust funds; and reimbursable support services and miscellaneous activities.

Regular resources

6.2. Regular resources are all resources of UNDP that are commingled and untied/unearmarked. These include voluntary contributions, contributions from other governmental, intergovernmental or non-governmental sources and related interest earnings and miscellaneous revenue.

Cost-sharing

6.3. Cost-sharing is a co-financing funding modality under which contributions can be received for specific UNDP programme activities, in line with UNDP policies, aims and activities. This modality is used for the direct funding of a specific project, group of projects or part of a country programme. Use of donor contributions is normally limited to the duration of a particular project. Cost-sharing has a decentralized signatory authority, and agreements are signed at the country office level.

Trust funds

6.4. Trust funds are a co-financing funding modality established as a separate accounting entity under which UNDP receives contributions to finance UNDP programme activities specified by the contributor. Separate accounting records are kept for, and financial reporting is at the level of, each individual trust fund. Trust funds are required to be reported separately to the Executive Board. Trust funds have a centralized signatory authority and agreements must be authorized by the Associate Administrator at the headquarters level. There are terms of reference governing each trust fund and each is assigned a trust fund manager.

Reimbursable support services and miscellaneous activities

6.5. Reimbursable support services and miscellaneous activities are the resources of UNDP, other than regular resources, cost-sharing and trust funds. Such funds are received for the provision of management and other support services to third parties. Reimbursable support services and miscellaneous activities comprise the following activities: management service agreements; the Junior Professional Officers programme; reimbursable support services; the United Nations Volunteers programme; the reserve for field accommodation; programme support to resident coordinators; the disaster mitigation programme; and extrabudgetary support for special purposes.

6.6. In order to attribute assets to the appropriate segment, UNDP has allocated cash and investments based on the inter-fund balances among the four segments.

Segment reporting: statement of financial position as at 31 December 2016

(Thousands of United States dollars)

	Regular resources		*Cost-sharing*		*Trust funds*		*Reimbursable support services and miscellaneous activities*		*Total UNDP*	
	31 December 2016	*31 December 2015*	*31 December 2016*	*31 December 2015*	*31 December 2016*	*31 December 2015*	*31 December 2016*	*31 December 2015*	*31 December 2016*	*31 December 2015*
Assets										
Current assets										
Cash and cash equivalents	195 648	83 421	341 321	179 937	148 035	82 270	109 403	78 570	**794 407**	**424 198**
Cash and cash equivalents: funds held in trust	123 044	109 782	–	–	–	–	–	–	**123 044**	**109 782**
Investments	738 906	553 818	1 416 362	1 055 478	615 055	475 175	451 929	447 938	**3 222 252**	**2 532 409**
Investments: funds held in trust	241 914	264 929	–	–	–	–	–	–	**241 914**	**264 929**
Receivables: non-exchange transactions	–	–	121 083	58 615	215	2 972	2 787	1 789	**124 085**	**63 376**
Receivables: exchange transactions	41 790	166 561	1 276	1 490	407	417	3 570	7 698	**47 043**	**176 166**
Advances issued	22 974	25 051	144 296	110 396	19 325	31 798	15 295	1 184	**201 890**	**168 429**
Loans to governments	–	–	–	–	–	–	590	851	**590**	**851**
Inventories	474	1 027	6 016	16 749	189	256	885	1 540	**7 564**	**19 572**
Other current assets	612	634	301	326	45	43	210	210	**1 168**	**1 213**
Total current assets	**1 365 362**	**1 205 223**	**2 030 655**	**1 422 991**	**783 271**	**592 931**	**584 669**	**539 780**	**4 763 957**	**3 760 925**
Non-current assets										
Investments	425 696	531 907	865 555	1 010 564	382 589	458 669	276 178	428 877	**1 950 018**	**2 430 017**
Investments: funds held in trust	52 192	64 650	–	–	–	–	–	–	**52 192**	**64 650**
Loans to governments	–	–	–	–	–	–	6 013	6 614	**6 013**	**6 614**
Property, plant and equipment	44 237	47 328	22 175	20 186	4 811	5 547	84 242	72 431	**155 465**	**145 492**
Intangible assets	56	3 576	–	–	9	122	7 564	4 100	**7 629**	**7 798**
Other non-current assets	1	1	7	7	–	–	–	–	**8**	**8**
Total non-current assets	**522 182**	**647 462**	**887 737**	**1 030 757**	**387 409**	**464 338**	**373 997**	**512 022**	**2 171 325**	**2 654 579**
Total assets	**1 887 544**	**1 852 685**	**2 918 392**	**2 453 748**	**1 170 680**	**1 057 269**	**958 666**	**1 051 802**	**6 935 282**	**6 415 504**

Segment reporting: statement of financial position as at 31 December 2016 (continued)

(Thousands of United States dollars)

	Regular resources		*Cost-sharing*		*Trust funds*		*Reimbursable support services and miscellaneous activities*		*Total UNDP*	
	31 December 2016	*31 December 2015*	*31 December 2016*	*31 December 2015*	*31 December 2016*	*31 December 2015*	*31 December 2016*	*31 December 2015*	*31 December 2016*	*31 December 2015*
Liabilities										
Current liabilities										
Accounts payable and accrued liabilities	98 427	46 963	49 174	38 014	15 763	9 183	29 474	25 719	**192 838**	**119 879**
Advances payable	1 363	683	12 260	5 571	7 152	5 505	498	479	**21 273**	**12 238**
Funds received in advance and deferred revenue	101	55 445	87 707	106 095	1 000	428	11 815	12 024	**100 623**	**173 992**
Funds held on behalf of donors	19 577	19 368	616	1 284	79	10 451	191	109	**20 463**	**31 212**
Payables: funds held in trust	506 202	468 727	–	–	–	–	–	–	**506 202**	**468 727**
Employee benefits	198 628	213 805	49	44	10	10	15 820	16 408	**214 507**	**230 267**
Other current liabilities	4 340	6 390	169	1 378	39	40	3 126	1 856	**7 674**	**9 664**
Provision for restructuring	–	–	–	–	–	–	147	2 472	**147**	**2 472**
Total current liabilities	**828 638**	**811 381**	**149 975**	**152 386**	**24 043**	**25 617**	**61 071**	**59 067**	**1 063 727**	**1 048 451**
Non-current liabilities										
Payables: funds held in trust	52 192	64 650	–	–	–	–	–	–	**52 192**	**64 650**
Funds received in advance and deferred revenue	–	–	–	–	–	–	7 252	7 859	**7 252**	**7 859**
Employee benefits	736 155	694 991	–	–	–	–	369 333	329 353	**1 105 488**	**1 024 344**
Other non-current liabilities	761	–	–	–	–	–	11	64	**772**	**64**
Total non-current liabilities	**789 108**	**759 641**	**–**	**–**	**–**	**–**	**376 596**	**337 276**	**1 165 704**	**1 096 917**
Total liabilities	**1 617 746**	**1 571 022**	**149 975**	**152 386**	**24 043**	**25 617**	**437 667**	**396 343**	**2 229 431**	**2 145 368**
Net assets/equity										
Reserves	181 158	197 158	–	–	3 000	3 000	140 969	140 969	**325 127**	**341 127**
Accumulated surpluses/(deficits)	88 640	84 505	2 768 417	2 301 362	1 143 637	1 028 652	380 030	514 490	**4 380 724**	**3 929 009**
Total net assets/equity	**269 798**	**281 663**	**2 768 417**	**2 301 362**	**1 146 637**	**1 031 652**	**520 999**	**655 459**	**4 705 851**	**4 270 136**
Total liabilities and net assets/equity	**1 887 544**	**1 852 685**	**2 918 392**	**2 453 748**	**1 170 680**	**1 057 269**	**958 666**	**1 051 802**	**6 935 282**	**6 415 504**

Segment reporting: statement of financial performance for the year ended 31 December 2016

(Thousands of United States dollars)

	Regular resources		*Cost-sharing*		*Trust funds*		*Reimbursable support services and miscellaneous activities*		*Elimination*[a]		*Total UNDP*	
	2016	*2015*	*2016*	*2015*	*2016*	*2015*	*2016*	*2015*	*2016*	*2015*	*2016*	*2015*
Revenue												
Voluntary contributions	663 565	745 714	3 075 146	2 571 582	957 468	1 051 979	88 942	102 619	–	–	**4 785 121**	**4 471 894**
Revenue from exchange transactions	103	29	856	828	53	–	195 495	190 110	–	–	**196 507**	**190 967**
Investment revenue	15 813	11 613	21 730	17 305	9 458	6 877	5 924	5 349	–	–	**52 925**	**41 144**
Other revenue	30 043	33 332	3 339	9 304	2 471	1 064	235 053	297 963	(202 886)	(225 508)	**68 020**	**116 155**
Total revenue	**709 524**	**790 688**	**3 101 071**	**2 599 019**	**969 450**	**1 059 920**	**525 414**	**596 041**	**(202 886)**	**(225 508)**	**5 102 573**	**4 820 160**
Expenses												
Contractual services	141 983	173 181	1 100 856	1 265 153	554 623	480 522	81 431	80 830	–	–	**1 878 893**	**1 999 686**
Staff costs	316 309	363 120	139 041	134 949	61 000	69 574	375 629	374 193	–	–	**891 979**	**941 836**
Supplies and consumables used	37 944	41 630	628 564	680 195	59 629	50 837	41 533	38 894	–	–	**767 670**	**811 556**
General operating expenses	169 057	192 108	591 037	633 181	133 553	147 182	145 172	146 342	(202 886)	(225 508)	**835 933**	**893 305**
Grants and other transfers	10 661	16 314	149 044	230 755	39 720	68 134	4 007	2 689	–	–	**203 432**	**317 892**
Other expenses	28 088	27 254	20 043	33 302	5 003	6 168	4 409	4 531	–	–	**57 543**	**71 255**
Depreciation and amortization	4 904	5 865	3 281	3 208	759	677	9 160	6 619	–	–	**18 104**	**16 369**
Finance costs	2 799	3 684	2 150	1 496	178	123	845	212	–	–	**5 972**	**5 515**
Total expenses	**711 745**	**823 156**	**2 634 016**	**2 982 239**	**854 465**	**823 217**	**662 186**	**654 310**	**(202 886)**	**(225 508)**	**4 659 526**	**5 057 414**
Surplus/(deficit) for the year	**(2 221)**	**(32 468)**	**467 055**	**(383 220)**	**114 985**	**236 703**	**(136 772)**	**(58 269)**	**–**	**–**	**443 047**	**(237 254)**

[a] This adjustment is required to remove the effect of internal UNDP cost recovery.

Note 7
Comparison to budget

7.1. The budget and the accounting basis are different. Statement V, statement of comparison of budget and actual amounts (regular resources), is prepared on the budget basis, that is, a modified cash basis, and statement II, statement of financial performance, is prepared on an accounting basis, that is, an accrual basis.

7.2. The presentation of activities and associated budget expenditures in statement V reflects the cost classification categories approved by the Executive Board of UNDP, that is: (a) development activities: (i) programme; and (ii) development effectiveness; (b) United Nations development coordination activities; (c) management activities: (i) recurring; and (ii) non-recurring; and (d) special purpose activities: (i) capital investments; and (ii) non-UNDP operations administered by UNDP. It is noted that statement II reflects expenses by nature. Also included is a line from a budget for additional resources for security measures, in line with Executive Board decision 2013/28.

7.3. For these reasons, the total actual regular resources budget expenditure differs from total financial accounting expenses.

7.4. Approved budgets are those that permit budget expenditures to be incurred and are approved by the Executive Board of UNDP. For IPSAS reporting purposes, the approved budgets of UNDP are the institutional budget financed from regular resources and the portion of the resource plan relating to development activities to be financed from regular resources. As other resources of UNDP are a forward estimate and projection based on assumptions about future events and are not formally approved by the Executive Board, the other resources are not presented in statement V. The Executive Board has approved a four-year integrated budget covering 2014-2017, with estimates provided for the 2014-2015 and 2016-2017 periods. While the Programme's approved budgets are for a four-year period, UNDP allocates those budgets into annual amounts, the total of which comprises the four-year approved budget, in order to provide the budget-to-actual comparison of the annual financial statements.

7.5. Statement V shows the comparison between the final approved budget and actual amounts calculated on the same basis as the corresponding budget. Explanations of material differences between the final approved budget and the actual amounts are presented below.

7.6. Material differences between the original approved budget and the final approved budget are nil, as the original approved budget equates to the final approved budget. Budget utilization levels in 2016 were driven by a combination of the following factors: (a) approved budget levels; (b) overall cash flow and liquidity requirements; and (c) requirements and implementation of the Programme's strategic plan 2014-2017.

Accordingly, actual amounts/utilization in 2016 against budget levels is as follows:

- Development activities, actual utilization of $442.0 million, representing 89.8 per cent of the annualized approved budget of $492.1 million
- United Nations development coordination activities, actual utilization of $92.6 million, representing 99.8 per cent of the annualized approved budget of $92.7 million

- Management activities, actual utilization of $77.6 million, representing 55.3 per cent of the annualized approved budget of $140.3 million
- Special purpose activities, actual utilization of $9.1 million, representing 47.6 per cent of the annualized approved budget of $19.1 million.

7.7. Similar to 2015, during 2016 UNDP revised the annual spending limits, noting the reduced level of voluntary contributions towards regular resources and the negative impact on non-United States dollar contributions owing to the stronger United States dollar. This resulted in lower overall budget expenditure compared to the annualized budget for 2016. Regular resources for programmatic and institutional components, not protected by Executive Board decisions 2013/4 and 2013/28, were reduced.

7.8. Actual net cash flows from operating activities, investing activities and financing activities in statement V as presented on a comparable basis reconcile to the amounts presented in statement IV, cash flow statement, as follows:

(Thousands of United States dollars)

	Operating	*Investing*	*Financing*	*Total*
Total actual budget expenditure on comparable basis as presented in statement V	**(618 483)**	**(2 799)**	**–**	**(621 282)**
Basis differences	8 918	388	–	9 286
Entity differences	1 148 411	(144 174)	(38)	1 004 199
Increase/(decrease) in cash and cash equivalents from statement IV	**538 846**	**(146 585)**	**(38)**	**392 223**

7.9. Basis differences include differences between the budget basis (modified cash) and accounting basis (accrual), which result primarily from purchase orders that have been issued but not delivered. Those are included in the budget basis but not in the accounting basis as delivery of goods and the rendering of services has not yet occurred for those undelivered purchase orders.

7.10. Entity differences between statement V and statement IV include other resources, that is, amounts for cost-sharing, trust funds and reimbursable support services and miscellaneous activities, which are incorporated in statement IV but not in statement V.

7.11. Timing differences do not exist, as the budget period annualized is the same as the financial statement reporting year.

Note 8
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
United Nations Development Programme		
Cash held in bank accounts	326 306	309 592
Cash held by external investment manager	5 340	–
Petty cash and project cash	507	315
Money market funds	363 027	80 537
Money market instruments	98 995	59 614
Bonds	25 995	–
Impairment	(25 763)	(25 860)
Total cash and cash equivalents	**794 407**	**424 198**
Held in trust for multi-donor trust funds		
Cash held in bank accounts	12 379	14 420
Money market funds	80 715	51 852
Money market instruments	25 000	43 510
Bonds	4 950	–
Total funds held in trust	**123 044**	**109 782**
Total cash and cash equivalents and funds held in trust	**917 451**	**533 980**

8.1. Cash held in bank accounts includes cash held by UNDP at headquarters and country offices in various currencies. National currencies that have restricted utility for UNDP programme costs are regularly reviewed for impairment.

8.2. The decrease in impairment of $0.097 million recognized in the statement of financial performance (refer to note 29, “Other revenue”) relates to the valuation of certain non-convertible currency held by UNDP.

8.3. The exposure of UNDP to credit, market and currency risks and its risk management activities related to its financial assets is disclosed in note 31.

Note 9
Investments

9.1
Total investments

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Investments		
Current investments		
Investments — managed by UNDP	3 222 252	2 532 409
Investments — managed by external investment manager	–	–
Total current investments	**3 222 252**	**2 532 409**
Non-current investments		
Investments — managed by UNDP	1 763 840	2 430 017
Investments — managed by external investment manager	186 178	–
Total non-current investments	**1 950 018**	**2 430 017**
Total investments	**5 172 270**	**4 962 426**

9.1 (a)
Investments — funds held in trust

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Investments		
Current investments		
Investments — funds held in trust	241 914	264 929
Total current investments — funds held in trust	**241 914**	**264 929**
Non-current investments		
Investments — funds held in trust	52 192	64 650
Total non-current investments — funds held in trust	**52 192**	**64 650**
Total investments — funds held in trust	**294 106**	**329 579**

UNDP investments include held to maturity and available-for-sale financial assets that are managed by UNDP and available-for-sale financial assets that are managed by an external investment manager. Investments — funds held in trust represent funds provided to UNDP by donors to be held on their behalf for future disbursement to organizations of the United Nations system and to national governments.

9.2
Total investments managed by UNDP- held to maturity and available-for-sale financial assets

(Thousands of United States dollars)

	1 January 2016	*Purchases*	*Maturities*	*Amortization*	*Unrealized gains/(losses)*	*Fair value increase/ (decrease)*	*Reclassification non-current to current*	*31 December 2016*
Investments								
Current investments								
Money market instruments	424 962	1 787 563	(1 356 195)	441	(230)	–	–	856 541
Bonds	2 107 354	611 029	(2 277 930)	(11 556)	–	–	1 936 847	2 365 744
Bonds: fair value adjustments	93	–	–	–	–	(93)	(33)	(33)
Total current investments	**2 532 409**	**2 398 592**	**(3 634 125)**	**(11 115)**	**(230)**	**(93)**	**1 936 814**	**3 222 252**
Non-current investments								
Bonds	2 431 132	1 359 636	(74 846)	(15 144)	–	–	(1 936 847)	1 763 931
Bonds: fair value adjustments	(1 115)	–	–	–	–	991	33	(91)
Total non–current investments	**2 430 017**	**1 359 636**	**(74 846)**	**(15 144)**	**–**	**991**	**(1 936 814)**	**1 763 840**
Total investments held to maturity and available for sale	**4 962 426**	**3 758 228**	**(3 708 971)**	**(26 259)**	**(230)**	**898**	**–**	**4 986 092**

As at 31 December 2016, UNDP did not have any impairment on investments.

The exposure to UNDP from credit, market and currency risks and risk management activities related to investments is disclosed in note 31.

9.2 (a)
Total investments managed by UNDP- held to maturity financial assets

(Thousands of United States dollars)

	1 January 2016	*Purchases*	*Maturities*	*Amortization*	*Unrealized gains/(losses)*	*Reclassification non-current to current*	*31 December 2016*
Investments held to maturity							
Current investments							
Money market instruments	424 962	1 776 213	(1 356 195)	441	(230)	–	**845 191**
Bonds	2 013 177	611 029	(2 183 965)	(11 343)	–	1 743 158	**2 172 056**
Total current investments	**2 438 139**	**2 387 242**	**(3 540 160)**	**(10 902)**	**(230)**	**1 743 158**	**3 017 247**
Non-current investments							
Bonds	**2 024 540**	**1 331 615**	**–**	**(14 381)**	**–**	**(1 743 158)**	**1 598 616**
Total non-current investments	**2 024 540**	**1 331 615**	**–**	**(14 381)**	**–**	**(1 743 158)**	**1 598 616**
Total investments held to maturity	**4 462 679**	**3 718 857**	**(3 540 160)**	**(25 283)**	**(230)**	**–**	**4 615 863**

As at 31 December 2016, UNDP did not have any impairment on investments.

The exposure to UNDP from credit, market and currency risks and risk management activities related to investments is disclosed in note 31.

9.2 (b)
Total investments managed by UNDP- available-for-sale financial assets

(Thousands of United States dollars)

	1 January 2016	*Purchases*	*Maturities*	*Amortization*	*Fair value increase/ (decrease)*	*Reclassification non-current to current*	*31 December 2016*
Investments available for sale							
Current investments							
Money market instruments	–	11 350	–	–	–	–	**11 350**
Bonds	94 177	–	(93 965)	(213)	–	193 689	**193 688**
Bonds: fair value adjustments	93	–	–	–	(93)	(33)	**(33)**
Total current investments	**94 270**	**11 350**	**(93 965)**	**(213)**	**(93)**	**193 656**	**205 005**
Non-current investments							
Bonds	406 592	28 021	(74 846)	(763)	–	(193 689)	**165 315**
Bonds: fair value adjustments	(1 115)	–	–	–	991	33	**(91)**
Total non-current investments	**405 477**	**28 021**	**(74 846)**	**(763)**	**991**	**(193 656)**	**165 224**
Total investments managed by UNDP available for sale	**499 747**	**39 371**	**(168 811)**	**(976)**	**898**	**–**	**370 229**

The available-for-sale portfolio represents investments managed by UNDP for after-service health insurance. In addition to the above investments, $1.4 million (2015: $4.0 million) in after-service health insurance investments have been classified under cash and cash equivalents.

As at 31 December 2016, UNDP did not have any impairment on investments.

The exposure to UNDP from credit, market and currency risks and risk management activities related to investments is disclosed in note 31.

9.3
Investments managed by external investment manager-available-for-sale financial assets

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Investments available for sale		
Non-current investments		
Equities	112 197	–
Equities: fair value adjustments	1 969	–
Bonds	74 321	–
Bonds: fair value adjustments	(2 309)	–
Total non-current investments	**186 178**	**–**
Total investments managed by external investment manager available for sale	**186 178**	**–**

The available-for-sale portfolio represents investments managed by an external investment manager for after-service health insurance. In addition to the above investments, $5.3 million in after-service health insurance investments have been classified under cash and cash equivalents.

Total after-service health insurance investments, including cash and cash equivalents, amounted to $563.1 million (2015: $503.8 million).

As at 31 December 2016, UNDP did not have any impairment on investments.

The exposure to UNDP from credit, market and currency risks and risk management activities related to investments is disclosed in note 31.

9.4
Investments of funds held in trust

(Thousands of United States dollars)

	1 January 2016	*Purchases*	*Maturities*	*Amortization*	*Reclassification non-current to current*	*31 December 2016*
Investments of funds held in trust						
Current investments						
Money market instruments	65 000	115 002	(140 000)	(1)	–	**40 001**
Bonds	199 929	127 514	(237 196)	(1 557)	113 223	**201 913**
Total current investments	**264 929**	**242 516**	**(377 196)**	**(1 558)**	**113 223**	**241 914**
Non-current investments						
Bonds	64 650	106 665	(5 000)	(900)	(113 223)	**52 192**
Total non-current investments	**64 650**	**106 665**	**(5 000)**	**(900)**	**(113 223)**	**52 192**
Total investments of funds held in trust	**329 579**	**349 181**	**(382 196)**	**(2 458)**	**–**	**294 106**

As at 31 December 2016, UNDP did not have any impairment on investments of funds held in trust.

Note 10
Receivables: non-exchange transactions

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Contributions receivable	124 085	63 376
Total receivables: non-exchange transactions	**124 085**	**63 376**

Ageing of receivables: non-exchange transactions

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Less than 6 months	119 234	57 135
Over 6 months	4 851	6 241
Total receivables: non-exchange transactions	**124 085**	**63 376**

The exposure to UNDP from credit and currency risks related to receivables is disclosed in note 31.

As at 31 December 2016, UNDP did not have any impairment on receivables: non-exchange transactions.

Note 11
Receivables: exchange transactions

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Receivables from United Nations entities	51	116 608
Investment receivables	23 524	29 159
Receivables from third parties	22 899	29 988
Receivables from staff	662	889
Derivative assets	295	–
Total receivables: exchange transactions, gross	**47 431**	**176 644**
Impairment[a]	(388)	(478)
Total receivables: exchange transactions, net	**47 043**	**176 166**

Ageing of receivables: exchange transactions

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Less than 6 months	42 344	168 660
Over 6 months	5 087	7 984
Total receivables: exchange transactions, gross	**47 431**	**176 644**

Receivables: exchange transactions from United Nations entities

(Thousands of United States dollars)

	31 December 2016	31 December 2015
United Nations Office for Project Services	–	113 359
United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)	–	3 184
Receivables from other entities for reserve for field accommodation	51	65
Total receivables — exchange transactions from United Nations entities	**51**	**116 608**

The exposure to UNDP from credit and currency risks related to receivables is disclosed in note 31.

[a] The net decrease in impairment of $0.090 million represents an increase of $0.013 million recognized in the statement of financial performance (refer to note 30, “Expenses”) that relates to receivables from staff and a decrease of $0.103 million that relates to a direct reduction of receivables from staff which was recognized in surplus and deficit in prior years.

Note 12
Advances issued

(Thousands of United States dollars)

	31 December 2016	31 December 2015
Operating funds issued to governments and non-governmental organizations not yet implemented	90 280	91 567
Operating funds issued to United Nations entities not yet implemented	47 915	26 391
Advances issued: non-exchange transactions	**138 195**	**117 958**
Prepayments	46 754	32 229
Advances to staff	18 990	20 268
Advances issued: exchange transactions	**65 744**	**52 497**
Total advances issued, gross	**203 939**	**170 455**
Impairment[a]	(2 049)	(2 026)
Total advances issued, net	**201 890**	**168 429**

Ageing of advances: non-exchange and exchange transactions

(Thousands of United States dollars)

	31 December 2016	31 December 2015
Less than 6 months	165 608	153 196
Over 6 months	38 331	17 259
Advances issued: non-exchange and exchange transactions, gross	**203 939**	**170 455**

[a] The increase in impairment of $0.023 million recognized in the statement of financial performance (refer to note 30, "Expenses") relates to advances to staff. In addition, UNDP recognized $0.060 million in the statement of financial performance (refer to note 30) as impairment directly against advances issued.

Note 13
Inventories

(Thousands of United States dollars)

	31 December 2016	31 December 2015
Medical supplies and equipment	5 359	11 745
Information technology supplies and consumables	211	355
Office supplies	–	1 359
Fuel	34	138
Publications	70	180
Human development reports	72	64
Electoral supplies and equipment	153	153
Crisis supplies and equipment	16	16
Other project-related inventories	1 649	5 562
Total inventories	**7 564**	**19 572**

Note 14
Other assets

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Current		
Dispensary, medical and other receivables	1 209	1 624
Impairment[a]	(41)	(411)
Total current other assets	**1 168**	**1 213**
Non-current		
Security deposit and other receivables	8	8
Total non-current other assets	**8**	**8**
Total other assets	**1 176**	**1 221**

[a] The decrease in impairment of $0.370 million relates to a direct reduction to other receivables which was recognized in surplus and deficit in prior years.

Note 15
Loans to governments

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Current		
Loans to governments	590	851
Total current loans to governments	**590**	**851**
Non-current		
Loans to governments	6 013	6 614
Total non-current loans to governments	**6 013**	**6 614**
Total loans to governments	**6 603**	**7 465**

15.1. Loans to governments are loans given to national governments to construct office or housing premises for use by UNDP and United Nations entities.

15.2. As at 31 December 2016, loans to governments consisted of loans issued to the Governments of Guinea-Bissau, Sao Tome and Principe, the Comoros and Cabo Verde.

Note 16
Property, plant and equipment

UNDP has two broad categories of property, plant and equipment: project assets and management assets. Project assets, which comprise 25 per cent of property, plant and equipment assets, are utilized in the delivery of UNDP programmes and projects. Management assets, which comprise 75 per cent of property, plant and equipment assets, are used for non-project-specific operations at

UNDP country offices and headquarters. As at 31 December 2016, UNDP had a gross carrying amount of $9.89 million of fully depreciated property, plant and equipment that is still in use.

Property, plant and equipment

(Thousands of United States dollars)

	Land	*Buildings*	*Furniture and fixtures*	*Communications and information technology equipment*	*Vehicles*	*Heavy machinery and other equipment*	*Leasehold improvements*	*Total*
Balance at 1 January 2016								
Cost	6 625	32 314	8 027	57 649	92 885	14 147	20 563	**232 210**
Accumulated depreciation	–	(3 144)	(4 155)	(29 317)	(43 530)	(4 316)	(2 256)	**(86 718)**
Carrying amount at 1 January 2016	**6 625**	**29 170**	**3 872**	**28 332**	**49 355**	**9 831**	**18 307**	**145 492**
Year ended 31 December 2016								
Additions	550	1 854	244	6 959	11 260	1 747	5 330	27 944
Disposals	–	(57)	(739)	(7 152)	(6 699)	(2 056)	(14)	(16 717)
Depreciation	–	(1 053)	(396)	(4 363)	(7 461)	(668)	(1 786)	(15 727)
Adjustments to cost	–	–	(8)	301	313	26	4 483	5 115
Adjustments to accumulated depreciation/depreciation	–	(3)	515	4 839	3 458	532	17	9 358
Recategorization	–	799	–	–	–	–	(799)	–
Carrying amount at 31 December 2016	**7 175**	**30 710**	**3 488**	**28 916**	**50 226**	**9 412**	**25 538**	**155 465**
Balance at 31 December 2016								
Cost	7 175	34 910	7 524	57 757	97 759	13 864	29 563	**248 552**
Accumulated depreciation	–	(4 200)	(4 036)	(28 841)	(47 533)	(4 452)	(4 025)	**(93 087)**
Carrying amount at 31 December 2016	**7 175**	**30 710**	**3 488**	**28 916**	**50 226**	**9 412**	**25 538**	**155 465**

As at 31 December 2016, assets under construction of $8.9 million were included under leasehold improvements.

Note 17
Intangible assets

(Thousands of United States dollars)

	Software internally developed	*Software acquired*	*Trademarks, copyrights, and licences*	*Assets under development*	*Total*
Balance as at 1 January 2016					
Cost	8 107	102	377	3 744	**12 330**
Accumulated amortization	(4 265)	(85)	(182)	–	**(4 532)**
Carrying amount as at 1 January 2016	**3 842**	**17**	**195**	**3 744**	**7 798**
Additions	131	–	18	799	**948**
Disposals	–	(18)	(81)	–	**(99)**
Amortization	(2 274)	(13)	(90)	–	**(2 377)**
Adjustments to cost	–	(6)	–	1 266	**1 260**
Adjustments to accumulated amortization/depreciation	–	23	76	–	**99**
Recategorization	5 246	–	–	(5 246)	–
Carrying amount as at 31 December 2016	**6 945**	**3**	**118**	**563**	**7 629**
Balance as at 31 December 2016					
Cost	13 484	78	314	563	**14 439**
Accumulated amortization	(6 539)	(75)	(196)	–	**(6 810)**
Carrying amount as at 31 December 2016	**6 945**	**3**	**118**	**563**	**7 629**

As at 31 December 2016, UNDP did not have any impairment on intangible assets.

Note 18
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Accruals	40 077	34 256
Payables to United Nations entities	54 058	35 249
Payables to third parties	94 250	47 782
Derivative liabilities	1 409	–
Payables to staff	3 044	2 592
Total accounts payable and accrued liabilities	**192 838**	**119 879**

Payables to United Nations entities

(Thousands of United States dollars)

	31 December 2016	31 December 2015
Payables to United Nations current account	15 015	6 657
World Health Organization	5 868	5 744
United Nations Relief and Works Agency for Palestine Refugees in the Near East	3 761	3 174
Joint United Nations Programme on HIV/AIDS	3 057	2 457
United Nations Capital Development Fund	10 817	1 858
United Nations Entity for Gender Equality and the Empowerment of Women	6 974	–
United Nations Population Fund	1 405	12 900
Payables to other United Nations entities	7 161	2 459
Total payables to United Nations entities	**54 058**	**35 249**

Note 19
Advances payable

(Thousands of United States dollars)

	31 December 2016	31 December 2015
Operating funds payable to governments and non-governmental organizations	206	181
Operating funds payable to executing entities/ implementing partners	21 067	12 057
Total advances payable	**21 273**	**12 238**

Note 20
(a) Funds received in advance and deferred revenue

(Thousands of United States dollars)

	31 December 2016	31 December 2015
Current		
Funds received in advance	92 969	165 980
Deferred revenue: Department of Safety and Security	1 266	1 532
Deferred revenue: Multi-Partner Trust Fund Office administrative agent fees	6 370	6 467
Deferred revenue: other	18	13
Total current funds received in advance and deferred revenue	**100 623**	**173 992**

	31 December 2016	31 December 2015
Non-current		
Deferred revenue: Multi-Partner Trust Fund Office administrative agent fees	7 252	7 859
Total non-current funds received in advance and deferred revenue	**7 252**	**7 859**
Total funds received in advance and deferred revenue	**107 875**	**181 851**

(b) Funds held on behalf of donors

(Thousands of United States dollars)

	31 December 2016	31 December 2015
Refunds to donors	20 463	31 212
Total funds held on behalf of donors	**20 463**	**31 212**

Refunds pending to donors comprise unspent funds for completed or terminated projects and, where applicable, interest that has been set aside to be refunded to donors in accordance with contribution agreements and the UNDP Financial Regulations and Rules. The funds will be refunded or reprogrammed upon receipt of instructions from donors.

Note 21
Payables: funds held in trust

(Thousands of United States dollars)

	31 December 2016	31 December 2015
Current		
Multi-donor trust funds	363 215	373 518
Clearing accounts with United Nations entities	96 559	70 477
Payable for common services	46 428	24 732
Total current payables: funds held in trust	**506 202**	**468 727**
Non-current		
Multi-donor trust funds	52 192	64 650
Total non-current payables: funds held in trust	**52 192**	**64 650**
Total payables: funds held in trust	**558 394**	**533 377**

21.1. Payables: funds held in trust represent funds provided by donors to UNDP to be held on their behalf for future disbursement to organizations of the United Nations system and to national governments. UNDP manages investments in separate portfolios on behalf of several organizations.

21.2. With regard to multi-donor trust funds, in 2016, UNDP in its role as administrative agent received net cash inflows from donors of $687.403 million and released $715.152 million. The reduction of payables: funds held in trust for multi-donor trust funds of $22.761 million also includes $3.529 million of interest and investment income and a net movement of other assets and liabilities of $1.459 million.

Note 22
Employee benefits

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Current		
Annual leave	79 462	77 349
Medical insurance plan	90 807	83 094
After-service health insurance	25 574	23 201
Repatriation entitlements	8 129	9 448
Home leave	8 923	8 436
Termination benefits	23	1 325
Contribution payable to the United Nations Joint Staff Pension Fund	11	25 686
Death benefits	247	245
Other employee benefits	1 331	1 483
Total current employee benefit liabilities	**214 507**	**230 267**
Non-current		
After-service health insurance	1 009 287	930 920
Repatriation entitlements	90 784	88 239
Home leave	3 252	2 974
Death benefits	2 165	2 211
Total non-current employee benefit liabilities	**1 105 488**	**1 024 344**
Total employee benefit liabilities	**1 319 995**	**1 254 611**

22.1. The liabilities arising from post-employment benefits are determined by independent actuaries and those employee benefits are established in accordance with the Staff Rules and Staff Regulations of the United Nations.

22.2. As at 31 December 2016, liabilities for after-service health insurance, repatriation entitlements and death benefits were determined by applying roll-forward principles to valuation conducted on 31 December 2015. The roll-forward principles allow for use of the same census data and actuarial assumptions as the previous year, with updated financial assumptions such as discount rates and inflation in health-care costs. The increase in liability for 2016 is largely due to the overall decrease in discount rates.

Defined benefit plans

22.3. UNDP provides its staff and former staff with the following defined benefit plans, which are actuarially valued: after-service health insurance; end-of-service entitlements, such as repatriation entitlement; and other benefits, such as death benefits.

22.4. The movements in the present value of the defined benefit obligation for those plans are:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation*	*Death benefits*	*Total*
Defined benefit obligation as at 31 December 2015	**954 121**	**97 687**	**2 456**	**1 054 264**
Increase of the obligation				
Current service cost	28 497	6 327	105	34 929
Interest cost	40 261	3 445	82	43 788
Actuarial losses on disbursements	–	216	–	216
Actuarial losses from change in assumptions	36 174	1 227	22	37 423
Decrease of the obligation				
Actual benefits paid	(13 973)	(9 989)	(162)	(24 124)
Actuarial (gains) from change in assumptions and experience adjustments	–	–	–	–
Actuarial (gains) on disbursements	(10 219)	–	(91)	(10 310)
Recognized liability as at 31 December 2016	**1 034 861**	**98 913**	**2 412**	**1 136 186**

22.5. The value of the defined benefit obligation equals the defined benefit liability that is recognized in the statement of financial position.

22.6. The current service cost and interest cost recognized in the statement of financial performance and the statement of financial position are as follows:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation*	*Death benefits*	*Total*
Current service cost	28 497	6 327	105	34 929
Interest cost	40 261	3 445	82	43 788
Total employee benefits expenses recognized	**68 758**	**9 772**	**187**	**78 717**

22.7. The actuarial gains/(losses) recognized in net assets/equity directly are as follows:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation*	*Death benefits*	*Total*
Actuarial gains/(losses) from change in assumptions	(36 174)	(1 227)	(22)	(37 423)
Actuarial gains/(losses) on disbursement	10 219	(216)	91	10 094
Total actuarial gains/(losses) recognized	**(25 955)**	**(1 443)**	**69**	**(27 329)**

22.8. In 2016, of the net actuarial losses of $27.33 million, the actuarial loss relating to after-service health insurance from a change in actuarial assumptions was $36.17 million.

22.9. The following table provides the amounts for the current and previous four periods of the defined benefit obligation and the experience adjustment arising on the plan liabilities:

(Thousands of United States dollars)

	2016	*2015*	*2014*	*2013*	*2012*
After-service health insurance					
Defined benefits obligation	1 034 861	954 121	1 141 510	858 155	979 122
Experience adjustment on plan liabilities	–	(35 400)	32 804	(5 826)	(3 518)
Repatriation					
Defined benefits obligation	98 913	97 687	98 939	94 019	88 958
Experience adjustment on plan liabilities	–	1 345	(4 624)	2 445	1 594
Death benefits					
Defined benefits obligation	2 412	2 456	2 855	2 448	2 558
Experience adjustment on plan liabilities	–	(261)	120	(21)	–

22.10. UNDP has invested $563.1 million of the after-service health insurance liability and a 15-year funding strategy has been formulated to fund the gap between the historical liability and the amount funded.

22.11. The next actuarial valuation will be conducted as at 31 December 2017.

Actuarial assumptions

22.12. The last actuarial valuation for after-service health insurance, repatriation and death benefits was completed as at 31 December 2015. The two important assumptions used by the actuary to determine defined-benefit liabilities are the discount rate and, for after-service health insurance, the health-care cost-trend rate. The principal actuarial assumptions used to determine the defined benefit obligation are as follows:

	2016	*2015*
Discount rate:		
(a) After-service health insurance	4.09 per cent	4.27 per cent
(b) Repatriation benefits	3.59 per cent	3.71 per cent
(c) Death benefits	3.41 per cent	3.52 per cent
Expected rate of medical cost increase for after-service health insurance (varies by medical plan)	4-6.0 per cent	4-6.4 per cent
Salary scale (varying by age and staff category)	4.5-9.8 per cent	4.5-9.8 per cent
Rate of inflation	2.25 per cent	2.25 per cent
Per capita medical claim cost (varies by age)	$1,052-$15,419	$989-$14,492
Actuarial method	Projected unit credit method	Projected unit credit method

22.13. Other actuarial assumptions used for the valuation for after-service health insurance are: enrolment in plan and Medicare Part B participation, dependents, age difference between spouses, retiree contributions, age-related increase in claims; Medicare Part D Retiree Drug Subsidy and Medicare Part B premium.

22.14. Assumptions regarding future mortality are based on published statistics and mortality tables. The current rates of death underlying the values of the liabilities in the after-service health insurance and repatriation calculations are as follows:

Rate of death — Active employees	*At age 20*	*At age 69*
Male	0.00065	0.00906
Female	0.00034	0.00645

Rate of death — Retired employees	*At age 20*	*At age 70*
Male	0.00072	0.01176
Female	0.00037	0.00860

22.15. The rates of retirement for Professionals with 30 or more years of service hired on or after 1 January 1990 and before 1 January 2014 are as follows:

Rate of retirement: Professionals with 30 or more years of service	*At age 55*	*At age 62*
Male	0.16	0.70
Female	0.20	0.80

Sensitivity analysis

22.16. Should the assumptions about the discount rate and health-care cost trends described above change, this would have an impact on the measurement of the after-service health insurance obligation as follows:

(Thousands of United States dollars)

	+1 per cent	*-1 per cent*
Effect of discount rate change on end-of-year liability	(166 796)	216 272
Effect of change in health-care cost trend rates on year-end accumulated post-employment benefit obligation	220 512	(173 240)

United Nations Joint Staff Pension Fund

22.17. The Pension 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 Pension Fund will be sufficient to meet its liabilities.

22.18. The financial obligation of UNDP to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9per 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 only payable if and when the General Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

22.19. The actuarial valuation performed as at 31 December 2013 revealed an actuarial deficit of 0.72 per cent (1.87 per cent in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as at 31 December 2013 was 24.42 per cent of pensionable remuneration, compared with the actual contribution rate of 23.7 per cent. The next actuarial valuation will be conducted as of 31 December 2017.

22.20. At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.5 per cent (130.0 per cent in the 2011 valuation). The funded ratio was 91.2 per cent (86.2 per cent in the 2011 valuation) when the current system of pension adjustments was taken into account.

22.21. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2013, for deficiency payments under article 26 of the Regulations of the Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets as at 31 December 2016, also exceeded the actuarial value of all accrued liabilities as at 31 December 2013. At the time of preparation of the present report, the General Assembly has not invoked the provision of article 26.

22.22. During 2016, the contributions of UNDP to the United Nations Joint Staff Pension Fund amounted to $158 million (2015: $160 million). The amounts include the organizational share as well as the contributions made by the participants. Contributions due in 2017, dependent on staffing levels and changes in the pensionable remuneration, are expected to be around $160 million.

General Assembly resolution 70/244

22.23. By its resolution 70/244 of 23 December 2015, the General Assembly approved a series of changes to the conditions of service and future entitlements for all staff serving in the United Nations common system. The significant changes included the following: (a) the mandatory age of separation for staff recruited before 1 January 2014 would be raised by the organizations of the common system to 65 years, at the latest by 1 January 2018, taking into account the acquired rights of staff; (b) a revised base/floor scale of gross and net salaries for staff in the Professional and higher categories would take effect on 1 January 2017; and (c) proposals on the United Nations common system compensation package would take effect on 1 July 2016.

Note 23
Other liabilities

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Current		
Unapplied deposits	3 039	5 665
Other payables	4 593	3 972
Finance lease	42	27
Total other current liabilities	**7 674**	**9 664**
Non-current		
Finance lease	11	64
Reimbursable deposits	761	-
Total other non-current liabilities	**772**	**64**
Total other liabilities	**8 446**	**9 728**

The finance lease is for office equipment in two UNDP country offices.

Note 24
Reserves

(Thousands of United States dollars)

	31 December 2015	*Movements*	*31 December 2016*
Endowment Fund	3 000	–	3 000
Operational reserve	337 968	(16 000)	321 968
Reserve for special initiatives	159	–	159
Total reserves	**341 127**	**(16 000)**	**325 127**

24.1. The Endowment Fund reserve is a contribution of $3.0 million in 1998 from the Government of Japan to strengthen the planning and managerial capacities of Palestinian institutions in order to promote sustainable socioeconomic development. Under the Fund's mechanism and implementation arrangements, the principal amount will not be available for programming until such time as the Government of Japan and/or UNDP agree to terminate the Fund. However, interest earned on the fund is available for programming.

24.2. The operational reserve was established in 1979 by the Governing Council (now the Executive Board) of UNDP to ensure adequate liquidity of UNDP by funding such reserve through a defined formula that is calculated yearly. The operational reserve is made up of the operational reserve for regular resources and the operational reserve for other resources.

24.3. At its annual session in 1999, the Executive Board approved a change of basis for the calculation of the operational reserve for regular resources, which is the sum of the following components:

(a) Income: the equivalent of 10 per cent of the average of the annual voluntary contributions received over the three most recent years, rounded to the nearest $1 million;

(b) Expenditure: the equivalent of 2 per cent of the average total annual expenditure incurred over the three most recent years, rounded to the nearest $1 million;

(c) Liability and structural: the equivalent of 10 per cent of the sum of the income and expenditure components, rounded to the nearest $1 million;

(d) Cash-flow: the equivalent of the cash needs for one month, calculated as one twelfth of the total expenditure of the most recent year, rounded to the nearest $1 million.

24.4. In addition, the Executive Board approved the establishment of an operational reserve for other resource activities. The basis for the calculation of the operational reserve for other resources is the sum of the following components:

(a) Expenditure: the equivalent of 2 per cent of the average total annual expenditure incurred over the most recent three years under cost-sharing, trust fund and reimbursable support services and miscellaneous activities, rounded to the nearest $1 million;

(b) Liability and structural: the equivalent of one year of administrative costs, currently estimated at $30 million.

While the reserve calculation for other resources is based on cost-sharing, trust fund and reimbursable support services and miscellaneous activities, the operational reserve for other resources is only presented as part of net assets/equity for reimbursable support services and miscellaneous activities in note 6, "Segment reporting: statement of financial position as at 31 December 2016".

24.5. The reserve for special initiatives was first approved by the Executive Board in 2000 to establish a capital reserve as a charge from UNDP general resources. The remaining balance is being held to cover relocation costs such as renovations, furniture, fittings and moving costs.

Note 25
Accumulated surpluses

(Thousands of United States dollars)

	1 January 2016	*Movements*	*31 December 2016*
Accumulated surpluses	3 750 774	459 047	4 209 821
Funds with specific purposes[a]	85 614	18 706	104 320
Actuarial gains/(losses)	93 643	(27 329)	66 314
Changes in fair value of available-for-sale investments	(1 022)	1 291	269
Total accumulated surpluses	**3 929 009**	**451 715**	**4 380 724**

[a] The funds with specific purposes include: security; working capital; information and communications technology; United Nations Volunteers; learning; and personnel and other.

Note 26
Voluntary contributions

(Thousands of United States dollars)

	2016	*2015*
Contributions	4 866 492	4 483 072
Government contributions to local office costs	43 240	43 380
Contributions in kind	18 967	17 267
Less: returns to donors of unused contributions	(143 578)	(71 825)
Total voluntary contributions	**4 785 121**	**4 471 894**

26.1. Contributions in kind primarily comprise donated use of land and buildings of $17.824 million (2015: $17.003 million), as well as donated goods, such as computer equipment and supplies received from donors, of $1.143 million (2015: $0.263 million).

26.2. At 31 December 2016, UNDP had $1.265 billion of contribution agreements signed with donors for which revenue has not been recognized in the financial statements. That amount represents contributions due from donors (excluding contributions from programme country Governments for development activities in their country offices) where revenue will be recorded in future accounting periods in accordance with UNDP revenue recognition accounting policy.

Note 27
Revenue: exchange transactions

(Thousands of United States dollars)

	201	*201*
Department of Safety and Security	90 265	89 112
Reimbursement for management and support services	59 952	48 686
United Nations Volunteers programme	12 099	14 632
Implementation support services fees	9 100	15 367
Payroll management services fees	8 313	6 277
Procurement handling fees	3 591	4 085
Training fees	2 534	3 460
Rental revenue	2 779	2 139
Multi-Partner Trust Fund Office administrative agent fees	7 676	7 069
Sales and royalties from sale of publications	-	61
Other exchange revenue	198	79
Total revenue from exchange transactions	**196 507**	**190 967**

Note 28
Investment revenue

(Thousands of United States dollars)

	2016	*2015*
Investment revenue	52 925	41 144
Total investment revenue	**52 925**	**41 144**

Investment revenue represents interest plus amortized discount, net of amortized premium, and dividends earned on the Programme's investment portfolio and interest earned on bank account balances.

Note 29
Other revenue

(Thousands of United States dollars)

	2016	*2015*
Foreign exchange gains	31 066	37 215
Common system and miscellaneous revenue[a]	34 478	76 946
General management services fees	2 476	1 994
Total other revenue	**68 020**	**116 155**

[a] Of the total amount of $34.478 million, $0.097 million represents a decrease in impairment relating to the valuation of certain non-convertible currency held by UNDP (refer to note 8, "Cash and cash equivalents").

Note 30
Expenses

(Thousands of United States dollars)

	Programme expenses[a]	*Total expenses*	*Programme expenses*	*Total expenses*
	2016	*2016*	*2015*	*2015*
30.1 Contractual services				
Contractual services with individuals	1 096 235	1 156 424	1 233 098	1 294 993
Contractual services with companies	670 878	685 961	653 730	665 868
United Nations Volunteers expenses for contractual services	30 519	36 508	32 663	38 825
Total contractual services	**1 797 632**	**1 878 893**	**1 919 491**	**1 999 686**
30.2 Staff costs				
Salary and wages	184 321	599 779	197 552	621 984
Pension benefits	31 393	105 154	31 711	106 519
Post-employment and termination	16 381	96 904	17 421	110 971
Appointment and assignment	8 818	23 730	11 182	32 950
Leave benefits	6 052	16 686	7 500	18 291
Other staff benefits	39 068	49 726	27 992	51 121
Total staff costs	**286 033**	**891 979**	**293 358**	**941 836**
30.3 Supplies and consumables used				
Maintenance costs for property, plant and equipment and project-related supplies	311 801	331 003	338 440	351 757
Medical, pharmaceutical and agricultural supplies	300 039	303 618	315 805	320 738
Information technology supplies and software maintenance	22 271	26 901	28 138	35 529
Information and communications technology equipment	69 119	75 606	69 890	73 750
Security and office supplies	25 387	30 465	21 059	25 325
Other consumables used	220	77	2 562	4 457
Total supplies and consumables used	**728 837**	**767 670**	**775 894**	**811 556**
30.4 General operating expenses				
Travel	173 513	206 580	187 630	222 313
Learning and recruitment	177 994	194 583	194 532	211 866
Rent, leases, utilities	74 260	158 868	77 790	168 041
Communications	100 271	123 645	112 596	136 561
Freight	33 241	34 268	31 038	32 093
Professional services	31 292	34 114	23 628	28 194
Security	17 374	33 076	16 872	34 680
Reimbursement	1 891	6 120	4 837	8 245
Contribution to jointly financed United Nations activities	5 873	14 857	3 979	15 309

	Programme expenses[a]	*Total expenses*	*Programme expenses*	*Total expenses*
	2016	*2016*	*2015*	*2015*
Contribution to information and communications technology	2 064	4 567	2 745	12 681
Insurance/warranties	6 100	7 046	6 306	7 339
Management service agreement fees	234	234	719	719
Miscellaneous operating expenses	203 341[b]	17 975[c]	218 673	15 264
Total general operating expenses	**827 448**	**835 933**	**881 345**	**893 305**
30.5 Grants and other transfers				
Grants	195 178	196 148	311 307	312 541
Transfers	4 243	7 284	2 394	5 351
Total grants and other transfers	**199 421**	**203 432**	**313 701**	**317 892**
30.6 Other expenses				
Sundries	16 742	20 212	33 864	39 383
Foreign exchange losses	11 046	34 305	10 201	28 615
Losses on sale of fixed assets and intangible assets	2 089	2 927	2 091	2 456
Ex gratia payments[e]	–	3	–	169
Impairment	–	96[f]	26	632
Total other expenses	**29 877**	**57 543**	**46 182**	**71 255**
30.7 Depreciation and amortization				
Depreciation	5 914	15 727	5 968	14 771
Amortization	37	2 377	18	1 598
Total depreciation and amortization	**5 951**	**18 104**	**5 986**	**16 369**
30.8 Finance costs				
Bank charges	2 785	5 972	1 893	5 515
Total finance costs	**2 785**	**5 972**	**1 893**	**5 515**
Total expenses	**3 877 984**	**4 659 526**	**4 237 850**	**5 057 414**

[a] Of the total expenses, $3.878 billion represents programme expenses and the remaining $782 million represents development effectiveness, United Nations development coordination, management, special purpose and other. Refer to note 36.1, "Total expenses by cost classification" for details.

[b] Of the $203.341 million, $184.843 million is eliminated to remove the effect of internal UNDP cost recovery.

[c] Of the total miscellaneous operating expenses, $4.032 million represents administrative service fees for United Nations agencies.

[d] Foreign exchange losses of $34.305 million include the effect of exchange rate changes on cash and cash equivalents of $8.752 million.

[e] Ex gratia payments were approved and paid by UNDP in accordance with UNDP financial regulation 23.01 and UNDP financial rule 123.01.

[f] In 2016, UNDP recognized $0.023 million as impairment relating to advances to staff (refer to note 12, "Advances issued"), $0.013 million as impairment relating to receivables from staff (refer to note 11, "Receivables: exchange transactions") and $0.060 million as impairment directly against advances issued (refer to note 12).

Note 31
Financial instruments and risk management

31.1. The risk management policies of UNDP, along with its Investment Policy and Guidelines and Financial Regulations and Rules, aim to minimize potential adverse effects on the resources available to UNDP to fund its activities.

In its operations, UNDP is exposed to a variety of financial risks, including:

- Credit risk: the risk of financial loss to UNDP may arise from the failure of an entity or counterparty to meet its financial/contractual obligations to UNDP;
- Liquidity risk: the risk that UNDP might not have adequate funds to meet its obligations as they fall due;
- Market risk: the risk that UNDP might incur financial losses on its financial assets due to unfavourable movements in foreign currency exchange rates, interest rates and/or prices of investment securities.

31.2. UNDP has an Investment Committee, comprising senior management, which meets quarterly to review its investment portfolio performance and to ensure that investment decisions are in compliance with the established Investment Policy and Guidelines. The principal investment objectives as stated in the UNDP Investment Policy and Guidelines are:

- Safety: preservation of capital, provided through investing in high-quality, fixed-income securities emphasizing the creditworthiness of the issuers;
- Liquidity: flexibility to meet cash requirements through investments in highly marketable, fixed-income securities and through structuring maturities to align with liquidity requirements;
- Revenue: maximization of investment revenue within the foregoing safety and liquidity parameters.

31.3. The UNDP Financial Regulations and Rules govern the financial management of UNDP. The regulations and rules are applicable to all funds and programmes administered by UNDP and establish the standard of internal control and accountability within the organization.

31.4. In 2016, UNDP outsourced a portion of the investment management of its after-service health insurance funds. This was done in order to ensure an adequate level of investment return given the longer-term nature of the liabilities. As at 31 December 2016, this portfolio was mainly classified as available-for-sale. Holdings include cash and cash equivalents, equities and fixed-income securities.

31.5. The external investment managers are governed by the after-service health insurance investment guidelines. The guidelines ensure that all of the investment activities reflect the best conditions of security, accountability and social responsibility while operating in full compliance with the highest standards of quality, efficiency, competence and integrity. These guidelines are reviewed and approved on a periodic basis by the after-service health insurance investment committee.

31.6. The following tables show the value of UNDP financial assets and financial liabilities outstanding at year end based on the IPSAS classifications adopted by UNDP.

(a) Financial assets classification

(Thousands of United States dollars)

	Held to maturity	*Available for sale*	*Loans and receivable*	*Fair value through surplus and deficit*	*31 December 2016 Book value*	*31 December 2015 Book value*
Cash and cash equivalents	–	–	794 407	–	794 407	424 198
Investments	4 615 863	556 407	–	–	5 172 270	4 962 426
Receivables: non-exchange transactions	–	–	124 085	–	124 085	63 376
Receivables: exchange transactions	–	–	46 748	295	47 043	176 166
Advances issued	–	–	201 890	–	201 890	168 429
Loans to Governments	–	–	6 603	–	6 603	7 465
Total financial assets	**4 615 863**	**556 407**	**1 173 733**	**295**	**6 346 298**	**5 802 060**

(b) Financial liabilities classification

(Thousands of United States dollars)

	Other financial liabilities	*Fair value through surplus and deficit*	*31 December 2016 Book value*	*31 December 2015 Book value*
Accounts payable and accrued liabilities	191 429	1 409	192 838	119 879
Advances payable	21 273	–	21 273	12 238
Payables — funds held in trust	558 394	–	558 394	533 377
Funds held on behalf of donors	20 463	–	20 463	31 212
Other liabilities	8 446	–	8 446	9 728
Total financial liabilities	**800 005**	**1 409**	**801 414**	**706 434**

31.7. Held-to-maturity financial assets are carried at amortized cost. As at 31 December 2016, the book value of those assets exceeded market value by $8.0 million (2015: $5.5 million). Available-for-sale assets are carried at fair market value based on quoted prices obtained from knowledgeable third parties. The carrying values for loans and receivables are a reasonable approximation of their fair value. As at 31 December 2016, UNDP had $0.295 million in financial assets recorded at fair value through surplus and deficit arising from various foreign exchange contracts managed by an external investment manager.

31.8. As at 31 December 2016, UNDP had $1.409 million in financial liabilities recorded at fair value through surplus and deficit arising from derivatives, with a notional amount of 95 million euros.

31.9. For the year ended 31 December 2016, net gains of $2.171 million related to financial assets and liabilities recorded at fair value through surplus and deficit were recognized in the statement of financial performance.

Valuation

31.10. The table below presents the fair value hierarchy of the Programme's available-for-sale financial instruments carried at fair value at 31 December 2016.

(Thousands of United States dollars)

	Level 1	*Level 2*	*Level 3*	*Total*
Available-for-sale financial assets:				
Money market instruments	11 350	–	–	11 350
Equities	114 166	–	–	114 166
Bonds	430 891	–	–	430 891
Total	**556 407**	–	–	**556 407**

31.11. The three fair value hierarchies are defined by IPSAS based on the significance of the inputs used in the valuation as:

(a) Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as price) or indirectly (derived from prices);

(c) Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

Analysis of UNDP credit risk

31.12. UNDP is exposed to credit risk on its outstanding financial asset balances, primarily cash and cash equivalents, investments and receivables (non-exchange).

31.13. UNDP operates bank accounts in 150 countries, which exposes it to the risk of the collapse of local financial institutions. UNDP has established risk assessment criteria to assess the credit worthiness of financial institutions before new bank accounts are opened. In addition, UNDP, using zero-balance accounts, permits local offices to draw funds in United States dollars and euros from a headquarters-managed master account to periodically replenish local currency accounts. Zero-balance accounts are designed to automatically transfer excess balances to the master account for investment in short-term money market instruments. The arrangement minimizes excess balances in local bank accounts.

31.14. With regard to its financial instruments, the UNDP Investment Policy and 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 Investment Policy and Guidelines include conservative minimum credit criteria for all issuers, with maturity and counterparty limits by credit rating. The Investment Policy and Guidelines also require ongoing monitoring of issuer and counterparty credit ratings. Permissible investments for UNDP-managed funds are limited to fixed-income instruments of sovereign, supranational, governmental or federal agencies, and banks.

31.15. UNDP utilizes credit ratings from the three leading credit rating agencies, Moody's, Standard & Poor's and Fitch, to categorize and monitor credit risk on its financial instruments. As at 31 December 2016, investments managed by UNDP were in high-quality, fixed-income instruments as shown in the table below (presented using Standard & Poor's rating convention).

Concentration by credit rating — UNDP-managed investments

(Thousands of United States dollars)

31 December 2016	*AAA*	*AA+*	*AA to AA-*	*A+*	*A*	*Not rated*	*Total*
Money market instruments	64 878	49 738	521 163	105 000	115 000	762	856 541
Bonds	2 592 507	410 510	948 876	169 762	7 896	–	4 129 551
Total	**2 657 385**	**460 248**	**1 470 039**	**274 762**	**122 896**	**762**	**4 986 092**

31 December 2015	*AAA*	*AA+*	*AA to AA-*	*A+*	*A*	*Total*
Money market instruments	–	–	235 006	50 000	139 956	424 962
Bonds	2 874 060	996 079	363 190	289 706	14 429	4 537 464
Total	**2 874 060**	**996 079**	**598 196**	**339 706**	**154 385**	**4 962 426**

Note: Excludes investments classified as cash equivalents and funds held in trust.

Concentration by credit rating — externally managed investments

(Thousands of United States dollars)

31 December 2016	*AA+*	*AA-*	*A+*	*A*	*BBB+*	*BBB*	*BB+*	*Unite States Treasury*	*Not rated*	*Total*
Bonds	919	1 326	2 014	1 876	5 193	1 460	328	9 382	49 514	72 012
Total	**919**	**1 326**	**2 014**	**1 876**	**5 193**	**1 460**	**328**	**9 382**	**49 514**	**72 012**

Note: The externally managed investments are governed by the after-service health insurance investment guidelines. Not-rated bonds include corporate bond funds and exchange traded funds of fixed-income investments in the amount of $43.257 million, with the remaining balance of $6.257 million comprising government bonds.

31.16. The investment management function is centralized at UNDP headquarters, and country offices are not permitted in normal circumstances to engage in investing. A country office may receive exceptional approval when conditions warrant investing locally under specified parameters.

31.17. The credit risk exposure of UNDP on outstanding non-exchange receivables is mitigated by the Financial Regulations and Rules of UNDP, which require that, for non-regular resources, expenses be incurred after receipt of funds from donors. Exceptions to incurring expenses prior to the receipt of funds are only permitted if specified risk assessment criteria with regard to the obligor are met. In addition, a large portion of the contributions receivable is due from sovereign governments and supranational agencies, including other United Nations entities (as shown in the table below) that do not have significant credit risk.

Receivables: non-exchange transactions by entity type

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Government entities	43 581	17 186
Non-governmental entities	80 504	46 190
Total receivables: non-exchange transactions	**124 085**	**63 376**

Note: Non-governmental entities mainly comprise supranational and international entities.

31.18. The top three donors accounted for 77 per cent of the outstanding non-exchange receivable balances and comprise of one multilateral agency and two donor Governments as shown in the table below. Based on historical payment patterns, UNDP believes that all non-exchange receivable balances are collectable.

Non-exchange receivables: top three outstanding balances

(Thousands of United States dollars)

No.	*Balance*	*Percentage of total*	*Entity type*
1	68 800	55	Multilateral agency
2	20 510	17	Donor Government
3	6 125	5	Donor Government
Subtotal	**95 435**	77	
Grand total	**124 085**	**100**	

Analysis of UNDP liquidity risk

31.19. Liquidity risk is the risk that UNDP might be unable to meet its obligations, including accounts payable, accrued liabilities, refunds to donors and other liabilities, as they fall due.

31.20. Investments are made with due consideration of the Programme's cash requirements for operating purposes based on cash flow forecasting of future funding needs. As shown in the table below, UNDP maintains a portion of its cash and investments in cash and cash equivalents and current investments, which is sufficient to cover its commitments as and when they fall due.

Liquidity analysis

(Thousands of United States dollars)

	31 December 2016	*Percentage*	*31 December 2015*	*Percentage*
Cash balances	306 390	5	284 047	5
Cash equivalents	488 017	8	140 151	3
Total cash and cash equivalents	**794 407**	**13**	**424 198**	**8**

	31 December 2016	*Percentage*	*31 December 2015*	*Percentage*
Current investments	3 222 252	54	2 532 409	47
Non-current investments	1 950 018	33	2 430 017	45
Total current and non-current investments	**5 172 270**	**87**	**4 962 426**	**92**
Total investments, cash and cash equivalents	**5 966 677**	**100**	**5 386 624**	**100**

Note: Excludes funds held in trust; investments classified as cash equivalents have a maturity of three months or less from the date of purchase.

Composition of cash equivalents

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Money market funds	363 027	80 537
Money market instruments	98 995	59 614
Bonds	25 995	–
Cash equivalents	**488 017**	**140 151**

Note: Excludes funds held in trust.

31.21. UNDP further mitigates its liquidity risk through its Financial Regulations and Rules, which prohibit offices from entering into commitments, including purchase commitments, unless a budget already exists. Spending is possible after funds are received and budgets are updated. Spending ability is constantly revised as commitments are made and expenditures incurred. Spending in the absence of receipted funds has to comply with UNDP risk management guidelines.

Analysis of market risk to UNDP

31.22. Market risk is the risk that UNDP is exposed to potential financial losses due to unfavourable movements in market prices of financial instruments including movements in interest rates, exchange rates and equity price risk.

31.23. Interest rate risk arises from the effects of market interest rates fluctuations on:

(a) Fair value of financial assets and liabilities;

(b) Future cash flows.

31.24. A portion (10.8 per cent) of the UNDP investment portfolio is classified as available-for-sale investments that are carried at fair value through net assets/equity, which expose UNDP to interest rate risk. However, a significant portion (89.2 per cent) of the portfolio is classified as held to maturity, which is not marked to market and therefore net assets and surplus/deficit reported in the Programme's financial statements are not significantly affected by changes in interest rates.

Classification of investments

(Thousands of United States dollars)

	Book value basis	*31 December 2016*	*31 December 2015*
Held to maturity investments	Amortized cost	4 615 863	4 462 679
Available-for-sale investments	Fair value	556 407	499 747
Total investments		**5 172 270**	**4 962 426**

31.25. UNDP invests in United States dollar-denominated floating rate debt. These debt securities have a variable coupon which periodically resets to the prevailing market rate. As at 31 December 2016, UNDP had $281.6 million (2015: $123.5 million) in outstanding floating rate fixed-income securities, with maturities ranging from three months to five years.

31.26. The table below presents the interest sensitivity of UNDP investments based on the duration of its securities. The sensitivity is limited to the fixed-income investments classified as available for sale, which are marked to market through net assets/equity and changes in interest rates would therefore have no impact on the UNDP surplus and deficit.

Available-for-sale fixed-income investments interest rate sensitivity analysis

(Thousands of United States dollars)

		Impact on the financial statements	
Market value 31 December 2016	*Sensitivity variation*	*Net assets*	*Surplus and deficit*
430 891	100 basis point increase	(4 816)	–
430 891	50 basis point decrease	2 408	–

Note: Excludes investments classified as cash and cash equivalents.

Foreign exchange risk

31.27. The Programme's transactions are primarily denominated in United States dollars but UNDP is exposed to currency risk arising from financial assets that are denominated in foreign currency and financial liabilities that have to be settled in foreign currency.

31.28. UNDP receives donor contributions primarily in United States dollars and also in a number of major currencies, including the euro, the pound sterling, the Norwegian kroner, the Canadian dollar, the Japanese yen, the Swiss franc and the Australian dollar. In addition, programme country governments make contributions mainly in their national currencies to programmes in their countries. On an ongoing basis, UNDP evaluates its need to hold cash and other financial assets in foreign currencies against its foreign currency obligations.

31.29. UNDP actively manages net foreign exchange exposure in eight major currencies against the United States dollar using foreign exchange forward and option contracts.

(a) Cash and cash equivalents, investments and receivables: non-exchange

	United States dollar	*Euro*	*CFA franc*	*Other*	*31 December 2016 total*	*31 December 2015 total*
Cash and cash equivalents	592 808	50 405	28 795	122 399	794 407	424 198
Investments	5 114 956	26 752	–	30 562	5 172 270	4 962 426
Receivables: non-exchange	99 093	13 567	–	11 425	124 085	63 376
Total cash and cash equivalents, investments and receivables: non-exchange	**5 806 857**	**90 724**	**28 795**	**164 386**	**6 090 762**	**5 450 000**

(b) Foreign exchange sensitivity analysis

(Thousands of United States dollars)

	Currency depreciation		*Currency appreciation*	
	Surplus/(deficit)	*Net assets*	*Surplus/(deficit)*	*Net assets*
Euro (10 per cent change)	(8 488)	–	9 786	–
CFA franc (10 per cent change)	(2 621)	–	3 195	–

Note: The above figures represent the sensitivity of cash and cash equivalents, investments and receivables: non-exchange to changes in foreign exchange rates.

31.30. At 31 December 2016, UNDP held investments and cash and cash equivalents balances in several non-United States dollar currencies. Cash and cash equivalents were held in non-United States dollar currencies primarily to support local operating activities in programme countries, where a large portion of payments are made in local currency. UNDP maintains a minimum level of assets in local currencies and, whenever possible, converts excess local currency balances in bank accounts into United States dollars.

31.31. The Programme's financial assets and financial liabilities are primarily denominated in United States dollars, thereby reducing its overall foreign currency exposure. Financial liabilities, including funds received in advance and funds held on behalf of donors are carried in the UNDP ledger in United States dollars, although some portion may be refunded in local currency at the donor's request.

Equity price risk

31.32. In 2016, UNDP held equity investments in its externally managed portfolio of after-service health insurance funds. The table below presents the price sensitivity of equity investments to a 5 per cent change in equity prices. The sensitivity pertains to equity investments classified as available-for-sale, which are marked to market through net assets/equity, and changes in prices would therefore have no impact on UNDP surplus and deficit.

		Impact on the financial statements	
Market value 31 December 2016	*Sensitivity variation*	*Net assets*	*Surplus and deficit*
114 166	5 per cent increase	5 708	–
114 166	5 per cent decrease	(5 708)	–

Note 32
Related parties

Key management personnel

32.1. The leadership structure of UNDP consists of an Executive Group of 13 members. The Executive Group is responsible for the strategic direction and operational management of UNDP and is entrusted with significant authority to execute the UNDP mandate. Collectively the Executive Group comprises four tiers: an Under-Secretary-General and Administrator (Administrator); an Under-Secretary-General (Associate Administrator); nine Assistant Secretaries-General (Assistant Administrators); a Special Adviser to the Administrator and the Chief of Staff and Director, Office of the Administrator (ex officio).

Remuneration

(Thousands of United States dollars)

Tier	*Number of positions*	*Salary and post adjustment*	*Other entitlements*	*Total remuneration*	*After-service health insurance, repatriation, death benefit and annual leave liability*
Key management personnel	13	2 853	559	3 412	6 831
Close family members of key management personnel	1	169	–	169	154
Total	**14**	**3 022**	**559**	**3 581**	**6 985**

32.2. The remuneration paid to key management personnel includes salary, post adjustment and other entitlements as applicable in accordance with the Staff Regulations of the United Nations and the Staff Rules.

Loans

32.3. Staff advances are available to UNDP staff, including key management personnel, for specific purposes as provided for in the Staff Regulations of the United Nations. As at 31 December 2016, there were no advances issued to key management personnel and their close family members that would not have been made available to all UNDP staff.

United Nations system

32.4. UNDP is engaged in United Nations system initiatives such as joint funding arrangements (multi-donor trust funds and joint programmes) and common services arrangements. Within joint funding mechanisms, United Nations entities work together to implement activities and achieve results. Each of the participating United Nations entities assumes its share of responsibilities related to planning, implementing, monitoring and evaluating those activities.

32.5. UNDP is a co-sponsoring organization of the Joint United Nations Programme on HIV/AIDS (UNAIDS), an innovative joint effort of the United Nations family to respond in a coordinated manner on the issue of HIV/AIDS. UNDP participates in setting the financial and operating policies of the Programme Coordinating Board of UNAIDS, which is headquartered in Geneva.

Note 33
Commitments and contingencies

Open commitments

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Property, plant and equipment	8 808	7 425
Goods	208 069	164 159
Services	165 759	125 037
Total open commitments	**382 636**	**296 621**

33.1. As at 31 December 2016, commitments of UNDP for the acquisition of various goods and services contracted but not received amounted to $382.6 million.

Lease commitments by term

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Obligations for property leases		
Less than 1 year	65 233	59 080
1-5 years	74 109	73 560
Beyond 5 years	19 992	15 302
Total property leases obligations	**159 334**	**147 942**

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Obligations for equipment leases		
Less than 1 year	64	39
1-5 years	33	32
Beyond 5 years	90	90
Total equipment leases obligations	**187**	**161**

33.2. The above tables represent future lease payment obligations during the contractual term of the leases. Typically, at the inception, the duration of contractual leases for premises entered into by UNDP is between 1 and 5 years.

Contingent assets

33.3. At 31 December 2016, UNDP had a contingent asset for a compound in South Sudan over which there is an ownership dispute. Owing to that dispute, UNDP has not recognized the land and buildings in the compound as property, plant and equipment. The fair value of the land and buildings was last assessed by independent valuators in 2011 at $8.9 million.

33.4. At 31 December 2016, UNDP had $1.265 billion in non-regular resources contribution agreements signed with donors for which revenue has not been recognized in the financial statements. This amount represents contributions due from donors (excluding contributions from programme country Governments for development activities in their country offices), revenue from which will be recorded in future accounting periods in accordance with the Programme's revenue-recognition accounting policy. In addition, UNDP had regular resources contributions of $183.158 million pledged and subject to approval by donor governments for future periods through 2019. These contributions will be recognized in future periods when cash is received in accordance with the revenue-recognition accounting policy.

Contingent liabilities

33.5. In the normal course of operations, UNDP is subject to claims which have been categorized as: (a) corporate and commercial claims; (b) administrative law claims; and (c) other claims.

33.6. As at 31 December 2016, corporate and commercial and administrative law claims totalled $4.890 million. No impairment or allowance for loss has been recorded as the occurrence, amount and timing of outflow is not certain. UNDP does not expect the ultimate resolution of any of the proceedings to which it is party to have a significant adverse effect on its financial position, performance or cash flows.

33.7. UNDP is a partner organization with the International Computing Centre, which is based in Geneva. The memorandum of understanding between the two organizations provides for financial responsibility of both partner organizations should any third-party claim or liability arise within certain conditions. As at 31 December 2016, there were no such claims.

Note 34
Structural change

34.1. UNDP corporate restructuring began in 2014, to improve institutional effectiveness through better functional and geographic integration at headquarters and the regional level, in order to meet strategic plan objectives. As at 31 December 2016, a restructuring provision of $0.147 million has been recognized to account for the direct expenses arising from the restructuring that are not associated with the ongoing activities of UNDP. The related outflows are primarily for estimated separation costs, which are expected to be incurred throughout 2017 and may change should the affected staff members obtain continued employment with UNDP or other United Nations agencies. The movement in the provision for restructuring from 31 December 2015 to 31 December 2016 is provided below:

(Thousands of United States dollars)

	31 December 2015	*Amounts used*	*Increases*	*31 December 2016*
Provision for restructuring	2 472	(2 325)	–	147

34.2. Expenses in 2016 relating to the structural change, including the above provision, are $0.479 million. Effective implementation of the structural changes includes staff relocation to the regional hubs and shared service centres, separation costs, technical expertise to support implementation and investments in training, capability and technology to support new functions and improved business processes.

34.3. Details of the structural change expenses on statement II, statement of financial performance, are provided below:

(Thousands of United States dollars)

Expenses	*Expenses from statement of financial performance 2016*	*Structural change expenses*	*Total excluding structural change expenses*
Contractual services	1 878 893	(293)	1 878 600
Staff costs	891 979	310	892 289
Supplies and consumables used	767 670	(264)	767 406
General operating expenses	835 933	(205)	835 728
Grants and other transfers	203 432	–	203 432
Other expenses	57 543	(3)	57 540
Depreciation and amortization	18 104	(24)	18 080
Finance costs	5 972	–	5 972
Total	**4 659 526**	**(479)**	**4 659 047**

Note 35
Events after reporting date

The reporting date for these financial statements is 31 December 2016. There have been no material events, favourable or unfavourable, that occurred between the date of the financial statements and the date when the financial statements were authorized for issue that would have had a material impact on these statements.

Note 36
Additional disclosure

36.1
Total expenses by cost classification

(Thousands of United States dollars)

	2016
Development	
Programme	3 877 984
Development effectiveness	166 233
United Nations development coordination	128 913
Management	360 557
Special purpose	71 169
Other	257 556
Elimination[a]	(202 886)
Total expenses	**4 659 526**

[a] This adjustment is required to remove the effect of internal UNDP cost recovery.

36.2
Programme expenses by executing entity/implementing partner and responsible party

The executing entity/implementing partner is the entity that has management responsibility and accountability for project implementation and results. The executing entity/implementing partner may contract with a responsible party to implement and practically deliver outputs.

36.2 (a)
Programme expenses by executing entity/implementing partner

(Thousands of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Total*
Governments	157 554	965 227	620 150	697	1 743 628
International non-governmental organizations	1 978	18 088	13 137	–	33 203
National non-governmental organizations	925	6 706	6 440	–	14 071
Food and Agriculture Organization of the United Nations	225	–	–	–	225
International Atomic Energy Agency	–	–	39	–	39
International Civil Aviation Organization	–	–	113	–	113
International Labour Organization	94	–	–	–	94
International Maritime Organization	–	–	864	–	864
International Telecommunication Union	–	902	–	–	902
United Nations Centre for Human Settlements	333	–	–	–	333
Department of Economic and Social Affairs	–	–	10	–	10
United Nations Industrial Development Organization	26	–	–	–	26
United Nations Institute for Training and Research	–	–	538	–	538
United Nations Office for Project Services	2 637	12 221	37 989	–	52 847
United Nations Educational, Scientific and Cultural Organization	23	(1)	755	–	777
United Nations Volunteers Programme	–	–	–	29 169	29 169
World Health Organization	60	3 128	138	–	3 326
World Meteorological Organization	–	9	–	–	9
United Nations Development Programme	213 419	1 627 736	138 490	18 165	1 997 810
Total programme expenses	**377 274**	**2 634 016**	**818 663**	**48 031**	**3 877 984**

36.2 (b)
Programme expenses by responsible party

"Responsible party" refers to the party responsible for contractual implementation and practical delivery of outputs.

(Thousands of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Total*
Governments	144 144	974 675	606 938	701	1 726 458
International non-governmental organizations	664	97 277	13 161	–	111 102
National non-governmental organizations	1 750	44 710	4 111	25	50 596
International Atomic Energy Agency	–	–	39	–	39
Economic Commission for Europe	–	(1)	46	–	45
Economic Commission for Latin America and the Caribbean	–	8	–	–	8
Economic and Social Commission for Asia and the Pacific	–	256	–	–	256
Food and Agriculture Organization of the United Nations	277	2 413	2 259	–	4 949
International Civil Aviation Organization	–	–	113	–	113
International Labour Organization	94	539	636	–	1 269
International Maritime Organization	–	–	864	–	864
International Organization for Migration	2	2 789	9	–	2 800
International Trade Centre	–	–	105	–	105
International Telecommunication Union	–	902	–	–	902
Other United Nations entities	(1)	51	618	–	668
Joint United Nations Programme on HIV/AIDS	–	95	–	–	95
United Nations Capital Development Fund	1 074	–	918	–	1 992
United Nations Human Settlements Programme	(295)	742	32	–	479
Department of Economic and Social Affairs	243	473	–	–	716
United Nations Volunteers Programme	–	–	–	29 093	29 093
United Nations Convention to Combat Desertification	–	–	72	–	72
United Nations Environment Programme	–	493	25	–	518
United Nations Educational, Scientific and Cultural Organization	81	1 405	699	–	2 185
United Nations Population Fund	100	5 057	–	–	5 157
United Nations High Commissioner for Refugees	(397)	468	–	–	71
United Nations Children's Fund	–	6 712	–	–	6 712
United Nations Industrial Development Organization	26	981	–	–	1 007
United Nations Entity for Gender Equality and the Empowerment of Women	90	2 427	–	–	2 517
United Nations Institute for Training and Research	–	252	970	–	1 222
United Nations Office on Drugs and Crime	–	112	114	–	226
United Nations Office for Project Services	1 376	15 550	41 450	6 982	65 358
United Nations Relief and Works Agency for Palestine Refugees	–	12	–	–	12
World Food Programme	–	1 615	–	–	1 615
World Health Organization	–	3 638	374	–	4 012

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Total*
World Meteorological Organization	–	9	–	–	9
World Tourism Organization	18	672	–	–	690
United Nations Joint Human Rights Office	–	561	–	–	561
United Nations Development Programme	228 028	1 469 123	145 110	11 230	1 853 491
Total programme expenses	**377 274**	**2 634 016**	**818 663**	**48 031**	**3 877 984**

36.3
Programme expenses by geographical region

(Thousands of United States dollars)

	Africa	*Arab States*	*Asia and the Pacific*	*Europe and Commonwealth of Independent States*	*Latin America and the Caribbean*	*Global and others*	*Total*
Expenses							
Contractual services	316 323	207 380	646 009	159 585	309 078	159 257	1 797 632
Staff costs	81 039	46 366	53 789	9 730	23 714	71 395	286 033
Supplies and consumables used	275 542	115 625	65 221	104 869	153 502	14 078	728 837
General operating expenses	248 298	139 199	155 846	60 176	147 520	76 409	827 448
Grants and other transfers	28 373	48 661	25 693	26 889	25 660	44 145	199 421
Other expenses	7 323	7 993	3 153	1 937	6 375	3 096	29 877
Depreciation and amortization	2 059	834	1 752	639	423	244	5 951
Finance costs	795	707	163	366	737	17	2 785
Total	**959 752**	**566 765**	**951 626**	**364 191**	**667 009**	**368 641**	**3 877 984**

36.4
Reimbursable support services and miscellaneous activities

36.4 (a)
Statement of financial position

(Thousands of United States dollars)

	Reimbursable support services	*Management service agreements*	*United Nations Volunteers programme*	*Special activities*	*Junior Professional Officers programme*	*Reserve for field accommodation*	*Government cash counterparts contributions*	*Total*
Assets								
Current assets								
Cash and cash equivalents	77 302	4 477	11 006	8 766	4 141	1 551	2 160	109 403
Investments	320 881	18 595	45 630	36 391	15 017	6 441	8 974	451 929
Receivables: non-exchange transactions	–	–	–	591	2 196	–	–	2 787
Receivables: exchange transactions	265	–	3 229	21	–	55	–	3 570
Advances issued	1 039	13 478	58	720	–	–	–	15 295
Loans to Governments	–	–	–	–	–	590	–	590
Inventories	877	–	–	8	–	–	–	885
Other current assets	207	–	–	1	–	2	–	210
Total current assets	**400 571**	**36 550**	**59 923**	**46 498**	**21 354**	**8 639**	**11 134**	**584 669**
Non-current assets								
Investments	196 094	11 363	27 885	22 239	9 177	3 936	5 484	276 178
Loans to Governments	–	–	–	–	–	6 013	–	6 013
Property, plant and equipment	64 050	–	1 188	9 204	–	9 800	–	84 242
Intangible assets	6 787	–	777	–	–	–	–	7 564
Total non-current assets	**266 931**	**11 363**	**29 850**	**31 443**	**9 177**	**19 749**	**5 484**	**373 997**
Total assets	**667 502**	**47 913**	**89 773**	**77 941**	**30 531**	**28 388**	**16 618**	**958 666**

36.4 (a)
Statement of financial position (continued)

(Thousands of United States dollars)

	Reimbursable support services	*Management service agreements*	*United Nations Volunteers programme*	*Special activities*	*Junior Professional Officers programme*	*Reserve for field accommodation*	*Government cash counterparts contributions*	*Total*
Liabilities								
Current liabilities								
Accounts payable and accrued liabilities	7 984	210	7 138	959	13 182	1	–	29 474
Advances payable	140	–	–	340	18	–	–	498
Funds received in advance and deferred revenue	6 370	–	–	5 427	–	18	–	11 815
Funds held on behalf of donors	–	–	–	191	–	–	–	191
Employee benefits	15 787	–	16	17	–	–	–	15 820
Other current liabilities	2 447	–	40	48	549	42	–	3 126
Provision for restructuring	147	–	–	–	–	–	–	147
Total current liabilities	**32 875**	**210**	**7 194**	**6 982**	**13 749**	**61**	**–**	**61 071**
Non-current liabilities								
Funds received in advance and deferred revenue	7 252	–	–	–	–	–	–	7 252
Employee benefits	369 333	–	–	–	–	–	–	369 333
Other non-current liabilities	–	–	11	–	–	–	–	11
Total non-current liabilities	**376 585**	**–**	**11**	**–**	**–**	**–**	**–**	**376 596**
Total liabilities	**409 460**	**210**	**7 205**	**6 982**	**13 749**	**61**	**–**	**437 667**
Net assets/equity								
Reserves	115 969	–	–	–	–	25 000	–	140 969
Accumulated surpluses	142 073	47 703	82 568	70 959	16 782	3 327	16 618	380 030
Total net assets/equity	**258 042**	**47 703**	**82 568**	**70 959**	**16 782**	**28 327**	**16 618**	**520 999**
Total liabilities and net assets/equity	**667 502**	**47 913**	**89 773**	**77 941**	**30 531**	**28 388**	**16 618**	**958 666**

36.4 (b)
Statement of financial performance

(Thousands of United States dollars)

	Reimbursable support services	*Management service agreements*	*United Nations Volunteers programme*	*Special activities*	*Junior Professional Officers programme*	*Reserve for field accommodation*	*Total*
Revenue							
Voluntary contributions	11 331	8 694	13 235	40 511	15 171	–	88 942
Revenue: exchange transactions	90 690	–	12 445	91 323	–	1 037	195 495
Investment revenue	4 810	401	584	129	–	–	5 924
Other revenue	216 899	1 721	12 006	4 426	–	1	235 053
Total revenue	**323 730**	**10 816**	**38 270**	**136 389**	**15 171**	**1 038**	**525 414**
Expenses							
Contractual services	44 867	1 526	15 801	19 175	–	62	81 431
Staff costs	253 836	–	9 318	99 155	13 180	140	375 629
Supplies and consumables used	29 590	5 242	1 069	5 603	–	29	41 533
General operating expenses	94 328	455	15 576	31 294	3 483	36	145 172
Grants and other transfers	3 188	–	12	807	–	–	4 007
Other expenses	2 757	225	623	798	–	6	4 409
Depreciation and amortization	7 961	–	184	734	–	281	9 160
Finance costs	825	–	7	12	1	–	845
Total expenses	**437 352**	**7 448**	**42 590**	**157 578**	**16 664**	**554**	**662 186**
Surplus/(deficit) for the year	**(113 622)**	**3 368**	**(4 320)**	**(21 189)**	**(1 493)**	**484**	**(136 772)**

36.5
Cost-sharing: government and third-party cost-sharing: statement of financial performance

(Thousands of United States dollars)

	Third-party cost-sharing	*Government cost-sharing*	*Total*
Revenue			
Voluntary contributions	2 247 466	827 680	3 075 146
Revenue: exchange transactions	97	759	856
Investment revenue	7 089	14 641	21 730
Other revenue	2 759	580	3 339
Total revenue	**2 257 411**	**843 660**	**3 101 071**
Expenses			
Contractual services	706 830	394 026	1 100 856
Staff costs	124 435	14 606	139 041
Supplies and consumables used	411 113	217 451	628 564
General operating expenses	444 030	147 007	591 037
Grants and other transfers	133 135	15 909	149 044
Other expenses	11 222	8 821	20 043
Depreciation and amortization	3 109	172	3 281
Finance costs	1 390	760	2 150
Total expenses	**1 835 264**	**798 752**	**2 634 016**
Surplus/(deficit) for the year	**422 147**	**44 908**	**467 055**
Net assets/equity			
Closing net assets/equity as at 31 December 2015	1 521 332	780 030	2 301 362
Closing net assets/equity as at 31 December 2016	**1 943 479**	**824 938**	**2 768 417**

36.6 (a)
Top five trust funds: statement of financial position

(Thousands of United States dollars)

	Global Environmental Facility	*Law and Order Trust Fund for Afghanistan*	*UNDP Thematic Trust Fund for Crisis Prevention and Recovery*	*Multilateral Fund for the Implementation of the Montreal Protocol*	*Programme of Assistance to the Palestinian People*
Assets					
Current assets					
Cash and cash equivalents	59 819	48 018	2 654	13 012	2 609
Investments	248 430	199 268	10 851	54 042	10 836
Receivables: non-exchange transactions	100	–	–	–	–
Receivables: exchange transactions	155	–	100	–	11
Advances issued	11 468	–	1 601	32	608
Inventories	189	–	–	–	–
Other current assets	1	–	–	–	–
Total current assets	**320 162**	**247 286**	**15 206**	**67 086**	**14 064**
Non-current assets					
Investments	151 818	121 775	6 631	33 025	6 622
Property, plant and equipment	1 868	1 503	632	45	530
Intangibles	–	–	–	–	9
Total non-current assets	**153 686**	**123 278**	**7 263**	**33 070**	**7 161**
Total assets	**473 848**	**370 564**	**22 469**	**100 156**	**21 225**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	8 107	419	192	56	5 680
Advances payable	2 314	25	1 338	–	54
Funds held on behalf of donors	79	–	–	–	–
Employee benefits	1	–	4	1	–
Other current liabilities	5	–	–	–	–
Total current liabilities	**10 506**	**444**	**1 534**	**57**	**5 734**
Total liabilities	**10 506**	**444**	**1 534**	**57**	**5 734**

36.6 (a)
Top 5 trust funds: statement of financial position (continued)

(Thousands of United States dollars)

	Global Environmental Facility	*Law and Order Trust Fund for Afghanistan*	*UNDP Thematic Trust Fund for Crisis Prevention and Recovery*	*Multilateral Fund for the Implementation of the Montreal Protocol*	*Programme of Assistance to the Palestinian People*
Net assets/equity					
Reserves	–	–	–	–	3 000
Accumulated surpluses	463 342	370 120	20 935	100 099	12 491
Total net assets/equity	**463 342**	**370 120**	**20 935**	**100 099**	**15 491**
Total liabilities and net assets/equity	**473 848**	**370 564**	**22 469**	**100 156**	**21 225**

36.6 (b)
Top five trust funds: statement of financial performance

(Thousands of United States dollars)

	Global Environmental Facility	*Law and Order Trust Fund for Afghanistan*	*UNDP Thematic Trust Fund for Crisis Prevention and Recovery*	*Multilateral Fund for the Implementation of the Montreal Protocol*	*Programme of Assistance to the Palestinian People*
Revenue					
Voluntary contributions	442 901	400 010	(1 379)	44 713	2 987
Revenue: exchange transactions	3	–	–	–	–
Investment revenue	3 943	2 760	302	773	118
Other revenue	1 572	4	13	641	–
Total revenue	**448 419**	**402 774**	**(1 064)**	**46 127**	**3 105**
Expenses					
Contractual services	188 621	297 982	10 313	23 086	13 146
Staff costs	23 037	3 137	9 770	2 015	137
Supplies and consumables used	52 140	1 030	1 166	834	164
General operating expenses	77 362	17 535	11 151	4 786	2 298
Grants and other transfers	35 206	(577)	1 747	189	123
Other expenses	3 906	19	65	209	116
Depreciation and amortization	241	260	110	8	80
Finance costs	131	3	24	1	–
Total expenses	**380 644**	**319 389**	**34 346**	**31 128**	**16 064**
Surplus/(deficit) for the year	**67 775**	**83 385**	**(35 410)**	**14 999**	**(12 959)**

36.7 (a)
Funding windows: statement of financial position

(Thousands of United States dollars)

	Sustainable development and poverty eradication	*Governance for peaceful and inclusive societies*	*Climate change and disaster risk reduction*	*Emergency development response to crisis and recovery*
Assets				
Current assets				
Cash and cash equivalents	148	1 743	2 456	385
Investments	617	7 242	10 202	1 602
Total current assets	**765**	**8 985**	**12 658**	**1 987**
Non-current assets				
Investments	377	4 426	6 235	979
Property, plant and equipment	–	–	–	14
Total non-current assets	**377**	**4 426**	**6 235**	**993**
Total assets	**1 142**	**13 411**	**18 893**	**2 980**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	–	–	–	13
Total current liabilities	**–**	**–**	**–**	**13**
Total liabilities	**–**	**–**	**–**	**13**
Net assets/equity				
Accumulated surpluses	1 142	13 411	18 893	2 967
Total net assets/equity	**1 142**	**13 411**	**18 893**	**2 967**
Total liabilities and net assets/equity	**1 142**	**13 411**	**18 893**	**2 980**

36.7 (b)
Funding windows: statement of financial performance

(Thousands of United States dollars)

	Sustainable development and poverty eradication	*Governance for peaceful and inclusive societies*	*Climate change and disaster risk reduction*	*Emergency development response to crisis and recovery*
Revenue				
Voluntary contributions	1 134	13 371	18 918	3 428
Investment revenue	8	40	3	17
Total revenue	**1 142**	**13 411**	**18 921**	**3 445**
Expenses				
Contractual services	–	–	22	161
Supplies and consumables used	–	–	–	105
General operating expenses	–	–	6	208
Other expenses	–	–	–	4
Total expenses	–	–	**28**	**478**
Surplus/(deficit) for the year	**1 142**	**13 411**	**18 893**	**2 967**

36.8
All trust funds established by the United Nations Development Programme: schedule of financial performance

(Thousands of United States dollars)

Name of trust fund	*Net assets 31 December 2015*	*Revenue*	*(Expenses)*	*Closing net assets 31 December 2016*
Fund manager: UNDP Africa				
African Peer Review Mechanism of the New Partnership for Africa's Development	801	8	5	814
Belgium Trust Fund for Support to the Elections Project in the Democratic Republic of the Congo	2 806	(2 801)	–	5
Belgium Trust Fund for Trade Capacity Development for Poverty Reduction and Human Development for Sub-Saharan Africa	30	–	(18)	12
Canadian International Development Agency/UNDP Trust Fund to Support "Recensement général de la population et de l'habitat" in Sénégal	17	–	–	17
Comoros transitional arrangement	106	(106)	(1)	(1)
EEC Trust Fund for Appui institutionnel au CINDAH, au niveau national et provincial	258	(258)	–	–
EEC Trust Fund for Election Observation Mission to Nigeria	5	–	(6)	(1)
EEC Trust Fund for Support to the National Institute of Statistics of Rwanda	(1)	8	–	7
EEC Trust Fund for Support to the project d'appui au cycle electoral en Guinee-Bissau, 2008-10	–	–	(3)	(3)
EEC: Project "CHOC Cameroon: Change Habits-Oppose Corruption"	10	(10)	–	–
EEC: 2005 Census Support Initiatives in Nigeria	465	1	–	466
EEC: Appui à la mise en place des centres de brassage dans le cadre de la reforme du secteur sécuritaire en République démocratique du Congo	3	(3)	–	–
EEC: Appui à la stratégie nationale de lutte antimines: appui au démarrage du Centre de lutte contre les mines en Casamance	16	(25)	–	(9)
EEC: Appui au processus électoral en Mauritanie	(3)	2	–	(1)
EEC: Appui aux élections législatives 2007 (phase 1)	(30)	36	–	6
EEC: Capacity Development Component of the Parliamentary Reform Programme III	86	(85)	–	1
EEC: Capacity support for sustainable management of energy resources with the Economic Community of West African States and the West African Economic and Monetary Union	77	–	(14)	63
EEC: Eritrea Trust Fund for Support to the Mine Action Capacity-building Programme	134	(134)	–	–
EEC: Programme d'appui à la bonne gouvernance au Tchad	81	132	–	213
EEC: Republic of Congo Trust Fund for the project "Collecte et destruction des armes pour le développement"	(30)	29	–	(1)
EEC: Support for deepening democracy in the United Republic of Tanzania	31	–	4	35
EEC: Support for election observation in the United Republic of Tanzania	1	(1)	–	–
EEC: Support for internally displaced persons/expellees/return/resettlement: health facility in Eritrea	1	(2)	–	(1)
EEC: Support for legislative and presidential elections in Niger	1	(1)	–	–

Name of trust fund	*Net assets 31 December 2015*	*Revenue*	*(Expenses)*	*Closing net assets 31 December 2016*
EEC: Support for Swaziland gender programme	(1)	–	1	–
EEC: Support for the election observation mission to Nigeria in April 2007	214	–	–	214
EEC: Support for the implementation of the integrated drylands development programme	(41)	–	44	3
EEC: Support for the International Colloquium on Women's Empowerment, Leadership Development, International Peace and Security and the follow-up in Liberia	–	(1)	1	–
EEC: Support to internally displaced persons/expellees/return/resettlement (food security) in Eritrea	2	(1)	–	1
EEC: Support to shared funding for the joint governance assessment for Rwanda	(1)	–	1	–
EEC: Supporting citizen access to justice in Mozambique	(204)	–	–	(204)
EEC: Transfer of knowledge through expatriate nationals in Mali	199	–	54	253
EEC-Comoros: Appui à la mise en oeuvre de l'accord sur les dispositions transitoires	(274)	274	–	–
European Commission: Joint Donor Basket Fund to support Nigeria's 2007 elections	2 562	–	–	2 562
European Union election observation mission to Liberia	–	(4)	4	–
Extension of the Eritrean landmine impact survey	74	(74)	–	–
Finland Trust Fund for National Technical Cooperation Assessment and Programme Activities	72	1	(16)	57
Fonds fiduciaire du Programme des Nations Unies pour le développement concernant l'organisation pour l'harmonisation en Afrique du droit des affaires	(62)	–	2	(60)
Humanitarian Information Coordination-Zimbabwe	3	(3)	–	–
Fourth Summit of the African, Caribbean and Pacific Heads of State and Government-Mozambique	–	1	–	1
Justice and security trust fund for Liberia	3 617	19	(2 464)	1 172
Support for capacity-building for the National Demining Institute in Mozambique	8	–	–	8
Support for the organization of municipal elections in Niger	2	(2)	–	–
Support to the Malawi tripartite elections — 2004	1	(1)	–	–
Trust Fund with Norway for Support for Governance in Africa	286	26	1	313
UNDP Trust Fund for Angola	32	(4)	(2)	26
UNDP Trust Fund for Assistance to Refugee-Related Development Projects in Africa	(62)	–	70	8
UNDP Trust Fund for Demobilization Reintegration Rehabilitation and Recovery in Sierra Leone	1	–	(1)	–
UNDP Trust Fund for Namibia	29	(29)	–	–
UNDP Trust Fund for Receipt of Payments by Users of the African Project Development Facility	1	–	–	1
UNDP Trust Fund for Rwanda	1	2	–	3
UNDP Trust Fund for Support to the Reform Agenda in Nigeria	451	(452)	–	(1)
UNDP Trust Fund for the Mozambique Mine Clearance Programme	291	3	(28)	266
UNDP Trust Fund for the United Nations Educational and Training Programme for Southern Africa	769	5	(290)	484
UNDP Trust Fund to Combat Poverty and Hunger in Africa	167	(21)	(35)	111

Name of trust fund	*Net assets 31 December 2015*	*Revenue*	*(Expenses)*	*Closing net assets 31 December 2016*
UNDP/Belgium Trust Fund for Support to the Electoral Process in South Africa	45	–	–	45
UNDP/EEC Trust Fund Agreement for the Africa 2000 Network Programme: Grants in Burkina Faso, Cameroon and Uganda	1	(1)	–	–
UNDP/Norway Trust Fund for Assistance to the Electoral Process in Mozambique	(370)	–	–	(370)
UNDP: "Appui au processus électoral en Guinée"	3	–	–	3
Total UNDP Africa	**12 681**	**(3 472)**	**(2 691)**	**6 518**
Fund manager: UNDP Arab States				
Arab Human Development Report	52	(33)	–	19
EC-UNDP: Joint electoral assistance project in Yemen	(105)	–	(8)	(113)
EEC Trust Fund for Djibouti for the project Réinsertion des déplacés à travers la (ré)construction des logements détruits et endommagés dans les zones affectées par le conflit	–	–	1	1
EEC Trust Fund for Interim Disarmament, Demobilization and Reintegration Programme in the Sudan	–	–	1	1
EEC Trust Fund for Providing Operational and Logistical Support to the Office of the Quartet Representative	31	(42)	–	(11)
EEC/Sudan: Post-Conflict Community-based Recovery and Rehabilitation Programme	178	–	(179)	(1)
EEC: Programme of Assistance to the Palestinian People Governance Strategy Group Coordinator	213	(169)	(46)	(2)
EEC: Projet d'appui à la décentralisation et aux collectivités locales	–	(2)	1	(1)
EEC: Somalia: Support for Rule of Law and Security in Somalia	2	(2)	–	–
EEC: Sudan: Capacity Development for Good Aid Management	46	(49)	2	(1)
EEC: Sudan: Promotion of Equality, Tolerance and Peace through the Dissemination of the Comprehensive Peace Agreement and of the Transitional Legal Framework in Southern Sudan	6	–	–	6
Information and Communication Technology Trust Fund for Egypt	1 055	63	(310)	808
Support to Iraq reconstruction	(85)	391	(305)	1
Trust Fund for Poverty Alleviation in the Arab Region	26	(35)	(13)	(22)
UNDP: Trust Fund for the Programme of Assistance to the Palestinian People	28 452	3 105	(16 064)	15 493
Total UNDP Arab States	**29 871**	**3 227**	**(16 920)**	**16 178**
Fund manager: UNDP Asia and Pacific				
Australian Development Assistance Bureau/UNDP Programme Trust Fund	47	–	–	47
Cambodia Climate Change Alliance Trust Fund	(1)	–	–	(1)
EEC/EU: China Biodiversity Programme	21	(21)	–	–
EEC: Capacity-strengthening Component of Rural Employment Opportunities for Public Assets	7	–	(7)	–
EEC: Governance for Equitable Development Strengthening Rule of Law and Civil Society Participation in China	(1)	–	1	–
EEC: Lao People's Democratic Republic: Saravane Governance, Public Administration Reform and Decentralized Service Delivery Project	10	(10)	–	–

Name of trust fund	*Net assets 31 December 2015*	*Revenue*	*(Expenses)*	*Closing net assets 31 December 2016*
EEC: Strengthening the Capacity of the National Assembly and Supporting Lao People's Democratic Republic in the International Criminal Court	3	(3)	–	–
EEC: Support for Improving Health, Nutrition and Population in the Chittagong Hill Tracts	172	(173)	–	(1)
EEC: Support for the National Initiative for Civic Education	2	(1)	–	1
EEC: Support for the Restoration of Tsunami-affected Livelihoods — Maldives	38	(35)	(3)	–
EEC: Support provincial governance strengthening programme in Solomon Islands	37	–	–	37
EEC: Support security sector review in Timor-Leste — capacity development facility	7	(7)	–	–
EEC: Support strengthening response to internal displacement in Mindanao	1	–	(1)	–
EEC: Support the justice system — activating village courts in Bangladesh	129	421	(534)	16
EEC: Trust Fund for Promotion of Development and Confidence-Building in Chittagong Hills Tracts	1	(2)	–	(1)
Law and Order Trust Fund for Afghanistan	286 735	402 774	(319 389)	370 120
Trust Fund for Support to the Full Implementation of the Convention on Cluster Munitions in the Lao People's Democratic Republic within the Framework of the Vientiane Declaration on Aid Effectiveness	3 429	1 445	(3 767)	1 107
UNDP Afghanistan Emergency Trust Fund	(151)	151	–	–
UNDP/Republic of Korea Trust Fund	345	173	–	518
UNDP/Republic of Korea Trust Fund in Support of the Tumen River Area Development Programme	610	606	(437)	779
Total UNDP Asia/Pacific	**291 441**	**405 318**	**(324 137)**	**372 622**
Fund manager: UNDP Bureau for Policy and Programme Support				
Capacity 2015 Trust Fund	32	(17)	–	15
Capacity 21 Trust Fund	–	(15)	–	(15)
EC/UNDP: Collaboration to advance the post-crisis needs assessment and early recovery agendas II	34	(30)	–	4
EEC: ACE Electoral Knowledge Network: Practitioner's Network	1	–	–	1
Forest Carbon Partnership Facility	13 338	4 489	(5 897)	11 930
Global Capacity Development Facility	168	29	(145)	52
Green Climate Fund	–	1 350	–	1 350
Integrated Framework Trust Fund for Trade-related Technical Assistance to Least Developed Countries, window 1	10	–	–	10
Integrated Framework Trust Fund for Trade-related Technical Assistance to Least Developed Countries, window 2	1 041	(1 026)	–	15
Multilateral Fund for the Implementation of the Montreal Protocol	85 101	46 127	(31 129)	100 099
Netherlands: Trust Fund for Special Action Programme for Public Administration and Management	34	–	(1)	33
Trust Fund for the Global Environmental Facility	395 564	448 421	(380 644)	463 341
Trust Fund to Combat Desertification and Drought	2 203	2 050	(1 890)	2 363
UNDP Energy account	716	(55)	(22)	639

Name of trust fund	*Net assets 31 December 2015*	*Revenue*	*(Expenses)*	*Closing net assets 31 December 2016*
UNDP Trust Fund for Support to Capacity Development for Reform	2	–	–	2
UNDP: Thematic Trust Fund for Crisis Prevention and Recovery	56 346	(1 063)	(34 346)	20 937
UNDP: Thematic Trust Fund for Democratic Governance	10 139	2 426	(6 812)	5 753
UNDP: Thematic Trust Fund on Energy for Sustainable Development	602	3	(224)	381
UNDP: Thematic Trust Fund on Environment	66 459	554	(14 043)	52 970
UNDP: Thematic Trust Fund on Gender	1 542	7	(1 135)	414
UNDP: Thematic Trust Fund on Information and Communication Technology	771	2	(369)	404
UNDP: Thematic Trust Fund on Poverty Reduction for Sustainable Development	3 731	47	(2 566)	1 212
UNDP: Thematic Trust Funds on HIV/AIDS	556	3	(555)	4
UNDP: Trust Fund for Crisis Post-conflict and Recovery Situations	406	–	–	406
UNDP: Trust Fund for Public-Private Partnerships for the Urban Environment	110	(9)	–	101
UNDP: Trust Fund for Sustainable Social Development, Peace and Support to Countries in Special Situations	2 369	22	–	2 391
UNDP: Trust Fund for World Summit on Social Development	3	–	–	3
Total UNDP Bureau for Policy and Programme Support	**641 278**	**503 315**	**(479 778)**	**664 815**
Fund manager: UNDP Bureau for Management Services				
Trust Fund for Implementation of UNDP Business Plan Initiatives 2000-2003	90	(89)	(1)	–
UNDP 2001 Trust Fund	295	(296)	1	–
Total UNDP Bureau for Management Services	**385**	**(385)**	**–**	**–**
Fund manager: UNDP Bureau for Management Services/Division for Resource Planning and Coordination				
UNDP Trust Fund for the Developing Countries Afflicted by Famine and Malnutrition	(1)	–	1	–
Total UNDP Bureau for Management Services/Division for Resource Planning and Coordination	**(1)**	**–**	**1**	**–**
Fund manager: UNDP Bureau of External Relations and Advocacy				
Fonds d’affectation spécial français	–	–	5	5
Republic of Korea/UNDP: Sustainable Development Goals Trust Fund	–	2 206	(130)	2 076
UNDP Trust Fund for International Partnership	491	(48)	(343)	100
UNDP Trust Fund for Private Sector in Development	835	6	(654)	187
UNDP/Italy: Trust Fund for Anti-Poverty Partnership Initiatives	87	1	(47)	41
UNDP/Republic of Korea: Millennium Development Goals Trust Fund for Programming Fund-based Cooperation	6 715	27	(6 163)	579
Total UNDP Bureau of External Relations and Advocacy	**8 128**	**2 192**	**(7 332)**	**2 988**

Name of trust fund	*Net assets 31 December 2015*	*Revenue*	*(Expenses)*	*Closing net assets 31 December 2016*
Fund manager: UNDP Europe/Commonwealth of Independent States				
EEC (European Community Humanitarian Office) Trust Fund for Humanitarian Aid Action to Enhance Staff Safety and Security of the UN and Humanitarian Agencies operating in the North Caucasus-Russian Federation	–	1	(2)	(1)
EEC: Integrated support for decentralization in Albania	13	(13)	–	–
EEC: Border management in Central Asia (phase 7)	3	(4)	–	(1)
EEC: Programme supporting integrated border management systems in the South Caucasus	1	–	(1)	–
EEC: Promoting Integrated Water Management and Fostering Transboundary Dialogue in Central Asia	4	(3)	–	1
EEC: Small and Medium Enterprise Development in the Southeastern Anatolia Region — Turkey	46	–	(35)	11
EEC: Upgrading the local and urban infrastructure in Northern Cyprus (phase II)	286	(285)	–	1
Russian Federation — UNDP Trust Fund for Development	2 007	8 048	(574)	9 481
Trust Fund in Support of Estonia's State Programme for Integration of Non-Estonians into Estonian Society	2	–	(2)	–
UNDP Trust Fund for Urgent Human Needs in Uzbekistan	141	1	(32)	110
Total UNDP Europe/Commonwealth of Independent States	**2 503**	**7 745**	**(646)**	**9 602**
Fund manager: UNDP Geneva				
UNDP Trust Fund for Advocacy	(1)	–	–	(1)
UNDP Trust Fund for Innovative Partnerships with National Governments, Local Authorities, Private Sector, Non-governmental organizations, Academic Institutions and Foundations	7 973	686	(1 532)	7 127
Total UNDP Geneva	**7 972**	**686**	**(1 532)**	**7 126**
Fund manager: UNDP Latin America and the Caribbean				
EEC: Barbados/Overseas Territories of the Caribbean Regional Risk Reduction Initiative	(1)	–	–	(1)
EEC: Ecological and financial sustainable management of the Guiana Shield Eco-region, Guyana	109	–	(2)	107
EEC: Hurricanes Fay, Gustav, Anna and Ike in Haiti — Support to a joint post-disaster needs assessment and recovery planning exercise	1	–	(1)	–
EEC: Rural electrification programme in the Dominican Republic based on renewable energy sources	12	(13)	–	(1)
International Commission Against Impunity in Guatemala	10 055	6 475	(14 097)	2 433
UNDP Trust Fund for Assistance to the Haitian National Police	1	–	(1)	–
UNDP/Spain: Trust Fund for Integrated and Inclusive Development	3 663	24	(1 693)	1 994
Total UNDP Latin America and the Caribbean	**13 840**	**6 486**	**(15 794)**	**4 532**
Fund manager: UNDP Independent Evaluation Office				
Norway Trust Fund for Independent Evaluation Office of UNDP	1	–	(1)	–
Total UNDP Independent Evaluation Office	**1**	**–**	**(1)**	**–**

Name of trust fund	*Net assets 31 December 2015*	*Revenue*	*(Expenses)*	*Closing net assets 31 December 2016*
Fund manager: UNDP Technical Cooperation among Developing Countries				
India, Brazil and South Africa Facility	11 892	2 108	(2 710)	11 290
Perez-Guerrero Trust Fund for Economic and Technical Cooperation among Developing Countries	8 080	792	(601)	8 271
UNDP Trust Fund for the Promotion of South-South Cooperation	3 581	4 519	(1 818)	6 282
Total UNDP Technical Cooperation among Developing Countries	**23 553**	**7 419**	**(5 129)**	**25 843**
Fund manager: UNDP Bureau for Policy and Programme Support/UNDP Bureau for Management Services				
Sustainable development and poverty eradication	–	18 921	(28)	18 893
Governance for peaceful and inclusive societies	–	3 445	(478)	2 967
Climate change and disaster risk reduction	–	13 411	–	13 411
Emergency development response to crisis and recovery	–	1 142	–	1 142
Total UNDP Bureau for Policy and Programme Support/UNDP Bureau for Management Services	**–**	**36 919**	**(506)**	**36 413**
Grand total trust funds	**1 031 652**	**969 450**	**(854 465)**	**1 146 637**

Abbreviations: CNIDAH, Comissão Inter-sectorial Nacional para Desminagem e Assistência Humanitária; EC, European Commission; EEC, European Economic Commission.

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