United Nations

United Nations Office for Project Services

Financial report and audited financial statements

for the year ended 31 December 2017

and

Report of the Board of Auditors

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

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Note

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

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Letters of transmittal

Letter dated 28 March 2018 from the Executive Director and the Chief Financial Officer and Comptroller of the United Nations Office for Project Services addressed to the Chair of the Board of Auditors

The United Nations Office for Project Services (UNOPS) hereby submits its annual financial statements for the year ended 31 December 2017.

We acknowledge that:

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

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

(*Signed*) Grete **Faremo**
Executive Director

(*Signed*) Aïssa **Azzouzi**
Chief Financial Officer/Comptroller

Letter dated 24 July 2018 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Office for Project Services for the year ended 31 December 2017.

(*Signed*) Rajiv **Mehrishi**
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 financial statements of the United Nations Office for Project Services (UNOPS), which comprise the statement of financial position (statement I) as at 31 December 2017 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UNOPS as at 31 December 2017 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

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

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

The Executive Director of UNOPS is responsible for the other information, which comprises the financial report for the year ended 31 December 2017, contained in chapter III below, but does not include the financial statements and our auditor's report thereon.

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

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

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

The Executive Director is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as the Executive Director determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- Draw conclusions as to the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of UNOPS to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause UNOPS to cease to continue as a going concern.

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

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

Report on other legal and regulatory requirements

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

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

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
Chair of the Board of Auditors
(Lead Auditor)

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

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

24 July 2018

Chapter II
Long-form report of the Board of Auditors

Summary

1. The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Office for Project Services (UNOPS) for the year ended 31 December 2017 and examined a range of managerial issues. The Board examined financial transactions and operations at UNOPS headquarters in Copenhagen, the Argentina operations centre, the Geneva office and the Peace and Security Cluster, New York.

Opinion

2. In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UNOPS as at 31 December 2017 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Overall conclusion

3. The financial position of UNOPS remains sound, and the reported surpluses continue to contribute to a significant operational reserve. UNOPS needs to formulate a strategy for the effective utilization of its increasing surpluses. UNOPS migrated to oneUNOPS, a new enterprise resource planning system. Gaps in data validation in oneUNOPS were noted. These need to be addressed to improve the quality of data and enhance support for decision-making.

4. UNOPS, in its strategic plan for the period 2014–2017, committed to advancing sustainable procurement practices by implementing sustainable sourcing strategies for partners and embedding minimum sustainability requirements in the evaluation criteria for solicitation documents. UNOPS adopted 31 sustainable procurement criteria checklists in this connection. There is a need to review the checklists to address all sustainability concerns under various procurement categories. Furthermore, the application of these checklists in the procurement process needs to be monitored.

Key findings

Financial performance and management

5. UNOPS continued to deliver an overall surplus with respect to its operations. For the financial year 2017, its surplus was $28.97 million (2016: $31.28 million). Its operational reserves had increased by $27.0 million to $158.6 million as at 31 December 2017, exceeding by $137.9 million the minimum level of $20.7 million set by the Executive Board. Although UNOPS has previously outlined its commitment to using these reserves for future projects that support its goals, no firm plans have yet been established in that regard.

6. The overall financial health of UNOPS is robust. Unlike in previous years when liquidity had been under pressure, with current liabilities exceeding current assets, current assets exceeded current liabilities in 2017, owing mainly to a shift in the investment portfolio from long-term to short-term investments. UNOPS has sufficient financial resources to meet its total liabilities, which include obligations to discharge project agreements over future years.

Project management

7. The engagement acceptance policy of UNOPS seeks to manage risks in a consistent manner on behalf of the organization, protect managers by clarifying their delegated authority, provide tools to support their decision-making and escalate decisions with organization-wide impact to the Executive Director. The Executive Director established, in accordance with financial rule 107.03, an engagement acceptance committee under his chairmanship to evaluate partner agreements with high-risk profiles that may have potential organization-wide consequences, and to determine whether or not to continue pursuing such agreements on the basis of submissions made by the developer offices. The Board observed that the submissions made to the committee captured the process followed and action taken only through email, which did not facilitate transparent review or monitoring. There was no visible trail of the various pieces of advice, recommendations, directives or approvals from reviewers/approvers that would have indicated whether these had been acted upon by the offices submitting the proposals. There was no mechanism in place for receiving regular updates on the actions taken by project offices to mitigate the risks. UNOPS stated that its enterprise portfolio and project management system and its enterprise risk management system, which were under development, would address the cited issues.

8. Delays in the financial closure of projects continued, with 9 of the 20 projects on a watchlist for closure by December 2017 having remained open as of May 2018. As delays in financial closure could lead to the non-acceptance of excess expenditure by clients/donors, it is desirable that a system be developed to avoid such delays. UNOPS stated that it had updated oneUNOPS to provide automated reminders to the personnel responsible for financial closure.

9. According to the strategic plan for the period 2014–2017, UNOPS is to advance sustainable procurement practices by implementing sustainable sourcing strategies for partners. One of the specific actions to be taken at the solicitation stage is to embed the minimum sustainability requirements desired into the qualification, technical and financial evaluation criteria for solicitation documents. UNOPS adopted 31 sustainable procurement criteria checklists, covering 31 subcategories under 12 sustainability criteria. Those checklists have been made applicable to various procurement categories. The Board noted that, although there were checklists for the local sourcing of the main elements of products and for reserving a minimum portion of contracted labour opportunities for local communities, women and traditionally disadvantaged groups, those checklists had not been made applicable to all procurement categories. The Board noted the need to review the applicability of various checklists to the various procurement categories.

10. In the test check of procurement exercises carried out in selected field offices, the Board noted the non-application of sustainable procurement checklists to the contracts finalized in 2017. UNOPS stated that the sustainable procurement criteria checklists did not constitute minimum standards, nor were they mandatory, and that they served as guidance for field procurement officials in developing their definitions of requirements. UNOPS added that it would establish a mandatory but flexible framework for the sustainable procurement of certain categories of goods and services, or for contracts of a certain value. While appreciating the future road map of UNOPS for sustainable procurement, the Board noted the need to ensure the incorporation of sustainability concerns into the procurement process.

Gender mainstreaming

11. According to the UNOPS corporate framework on gender mainstreaming, adopted in 2013, UNOPS activities are to be designed and implemented in a manner that contributes to gender equality in clearly defined ways.

12. However, the Board found no detailed action plans for gender mainstreaming in 16 of the 20 projects sampled.

13. The Board also noted that the role of gender focal points was voluntary in nature, with no specific budget. Furthermore, the Board noted that only 32 of the 80 field offices had submitted gender action plans to United Nations Headquarters by April 2018.

Recommendations

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

(a) **Ensure the timely implementation and operationalization of the enterprise portfolio and project management system and the enterprise risk management system, as planned;**

(b) **Develop a system in oneUNOPS that triggers action for financial closure immediately after operational closure, so that financial closure can be completed within the targeted period;**

(c) **Establish a mandatory framework for sustainable procurement applicable to the procurement of goods and services in certain categories or beyond a certain contract value or in certain markets;**

(d) **Strengthen its reporting and monitoring mechanism with respect to the mainstreaming of gender into projects, by ensuring that the documentation of gender mainstreaming becomes an intrinsic part of the project management process;**

(e) **Strengthen the role of gender focal points by providing necessary resources, such as time and budget, for the effective discharge of their roles and responsibilities.**

Key facts

$834.00 million	Total revenue
$815.86 million	Total expenses
$10.82 million	Net financial income
$28.97 million	Surplus for the year ended 31 December 2017
$158.64 million	Operational reserves at 31 December 2017, against a minimum level of reserves of $20.7 million as prescribed by the Executive Board
$1.99 billion	Total assets
$1.84 billion	Total liabilities

A. Mandate, scope and methodology

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

2. The Board of Auditors has audited the financial statements of UNOPS for the financial year ended 31 December 2017 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the financial regulations and rules of UNOPS as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNOPS as at 31 December 2017 and its financial performance and cash flows for the year then ended, in accordance with IPSAS. This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the UNOPS governing body and whether they had been properly classified and recorded in accordance with the UNOPS financial regulations and rules.

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

5. The Board also reviewed UNOPS operations under financial regulation 7.5 of the Financial Regulations and Rules of the United Nations, with a focus on the performance of UNOPS with respect to sustainable procurement. During the course of the audit, the Board visited UNOPS headquarters in Copenhagen, the Argentina operations centre, the Geneva office and the Peace and Security Cluster, New York. The Board also took note of work carried out by the UNOPS Internal Audit and Investigations Group to provide coordinated audit coverage.

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

B. Follow-up to previous recommendations

7. Up to the year ended 31 December 2016, 55 recommendations of the Board were outstanding. The status of implementation of those recommendations is presented in table II.1.

Table II.1
Status of implementation of recommendations

	Fully implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
Total	**15**	**36**	**3**	**1**
Percentage	27	66	5	2

Source: Analysis by the Board of Auditors.

8. The Board noted that the rate of implementation of recommendations, at 27 per cent, was much lower than the 38 per cent implementation rate achieved during the previous year. The Board also noted that, of the 39 recommendations that either were under implementation or had not been implemented, 9 pertained to periods ranging from two to five years. In addition, the Board noted that the target dates for the implementation of recommendations had been revised a number of times.

9. UNOPS stated that the target implementation dates for recommendations had been assigned by the respective directors in agreement with the Finance Group. UNOPS also stated that in early 2018, the Executive Board had made clear to UNOPS management its expectation that the target dates reported to the Executive Board would be systematically adhered to. UNOPS added that all recommendations of the Board of Auditors scheduled for implementation in 2018 were included in the oversight recommendation implementation target set out in the responsible managers' scorecards for 2018.

10. The Board appreciates the efforts undertaken by UNOPS to ensure a higher rate of implementation with respect to the recommendations, but notes that the rate has consistently declined, from 51 per cent in 2015 to 38 per cent in 2016 to 27 per cent in 2017. The Board encourages the Administration to ensure the implementation of the road map laid down by it and to increase the overall implementation rate with respect to the outstanding recommendations. The details regarding the progress made in the implementation of all previous recommendations are contained in the annex to chapter II.

C. Financial performance and management

Financial results

11. In General Assembly decision 48/501, UNOPS was established as a separate, self-financing entity to provide capacity-building services, including project management, procurement and the management of financial resources. To cover its expenses, UNOPS charges clients fees for services rendered. In 2017, UNOPS reported a surplus of $28.97 million, representing 3.5 per cent of the expenditure of $815.86 million that it had incurred. The surplus had decreased from $31.28 million in 2016.

12. The surplus that UNOPS generates from its project activities is used to cover its central support costs. As shown in table II.2, since 2014 UNOPS has generated surpluses from its project activities ranging from $66.29 million to $89.73 million. During that period, the net surplus generated each year has included net finance income.

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

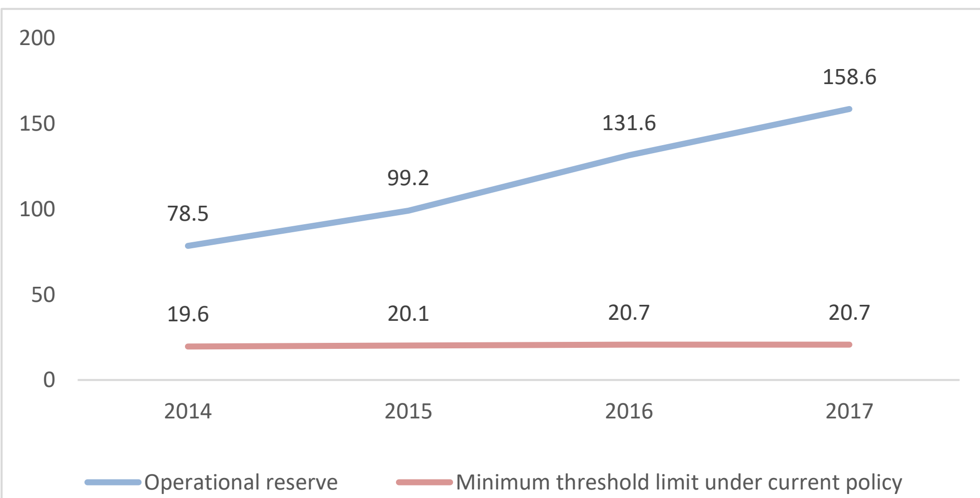
	2017	*2016*	*2015*	*2014*
Surplus from project activities[a]	**89 731**	**86 701**	**87 168**	**66 299**
Miscellaneous and non-exchange revenue	2 374	2 127	2 841	7 820
Non-project expenses[b]	(73 956)	(68 767)	(78 259)	(66 975)
Surplus from operations	**18 149**	**20 061**	**11 750**	**7 144**
Net finance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

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

Operational reserves

13. In 2013, the Executive Board approved a policy to establish a minimum operational reserve, which is set at the equivalent of four months of the average management expenses for the previous three years. As at 31 December 2017, this equated to $20.7 million. The reported operational reserves as at 31 December 2017 were $158.64 million (2016: $131.59 million), which exceeded the minimum target set by $137.94 million (2016: $110.9 million). The reported surpluses have continued to contribute to the operational reserve.

Figure II.I
Operational reserves as at 31 December 2017
(Millions of United States dollars)



Source: UNOPS financial statements.

14. In its report for the year ended 31 December 2015 (A/71/5/Add.11, chap. II), the Board had recommended that management reassess the approved minimum level of operational reserves and consider how the reserve surplus might be utilized. The Board noted that UNOPS had not reassessed the required levels of minimum

operational reserves, approved by the Executive Board in 2013. Furthermore, UNOPS had not formulated any strategy or road map for the effective utilization of the mounting surpluses.

15. UNOPS stated that, in its budget estimates for the biennium 2018–2019, it had reassessed the use of available resources and had established an additional budget for investments as well as for risk mitigation. This would further address UNOPS resourcing beyond the current operational requirements. UNOPS added that the investments would also be considered during the four-year planning process, which was aligned with the strategic priorities reflected in the approved strategic plan for the period 2018–2021.

16. While acknowledging the assertion of UNOPS, the Board noted that UNOPS had not revisited the levels of its minimum operational reserves. Furthermore, UNOPS had not identified specific areas for the potential use of reserves.

Financial management

17. The Board has analysed the financial health of UNOPS using a range of key ratios, as set out in table II.3. Unlike in previous years when liquidity had been under pressure, with current liabilities exceeding current assets, current assets exceeded current liabilities in 2017, owing mainly to a shift in the investment portfolio from long-term to short-term investments. The overall financial position of UNOPS remained sound during the year.

Table II.3
Financial ratios

Description of ratio	*31 December 2017*	*31 December 2016*	*31 December 2015*	*31 December 2014*
Current ratio[a] Current assets: current liabilities	1.02	0.35	0.85	0.63
Total assets: total liabilities[b] Assets: liabilities	1.09	1.09	1.07	1.07
Cash ratio[c] Cash + short-term investments: current liabilities	0.95	0.29	0.82	0.56
Quick ratio[d] Cash + short-term investments + accounts receivable: current liabilities	1.01	0.35	0.84	0.62
Project surplus[e] **(margin percentage)***f* Direct project revenue — direct project expenses	$89.7 million (10.8 per cent)	$86.7 million (11 per cent)	$87.2 million (12.8 per cent)	$66.3 million (10.0 per cent)
Net surplus (margin percentage)*f* Revenue — expenses	$28.97 million (3.47 per cent)	$31.3 million (3.96 per cent)	$14.3 million (2.1 per cent)	$9.9 million (1.5 per cent)

Source: UNOPS financial statements.

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

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

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

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

[e] Direct project revenue and expenses relate to the project revenue/expenses reported in note 16.

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

Growth and innovation reserve

18. Regulation 22.02 of the financial regulations and rules of UNOPS[1] provides that within the UNOPS accounts, the following reserves may be established: (a) an operational reserve, at a level set by the Executive Board; and (b) a growth and innovation reserve, to invest in the future revenue-generating ability of UNOPS.

19. According to the financial regulations and rules, the purpose of the operational reserve is to guarantee the financial viability and integrity of UNOPS as a going concern and also to provide for temporary deficits, fluctuations or shortfalls in resources, uneven cash flows, unplanned increases in expenses and costs or any other contingencies, and to ensure continuity in the implementation of the projects undertaken by UNOPS.

20. The Board observed that, as at 31 December 2017, the operational reserve balance was $158.64 million, compared with the minimum operational reserve requirement of $20.7 million. Furthermore, the Board noted that the operational reserve had been constantly increasing over the past four years, from $78.5 million in December 2013 to $158.64 million in December 2017. However, UNOPS had thus far not established a growth and innovation reserve, as provided in the financial regulations and rules.

21. The Board appreciates the fact that the decision to create a reserve is solely the responsibility of the Executive Director, but holds that it may be appropriate to create a growth and innovation reserve to invest in the future revenue-generating ability of UNOPS, given the long-term trend of increases in the operational reserve.

Investment management

22. UNOPS took over investment management functions from UNDP with effect from 1 January 2016 and entered into a long-term agreement on 18 December 2015 to appoint an investment manager to manage its investments. Schedule 1 of the agreement, inter alia, provided for investment objectives under three designated portfolios, restrictions on investment under each portfolio and return targets to be complied with by the investment manager.

23. UNOPS also entered into a long-term agreement (master custody agreement) for the appointment of a custodian of cash and securities. An Investment Committee, consisting of a Chair and a maximum of six members (including the Chief Financial Officer and the General Counsel of UNOPS) appointed by the Executive Director, was constituted to guide and monitor the investment activities. The investment objectives and restrictions on investments are amended from time to time on the advice of the Committee.

Records, accounts, information and audit of investment manager and custodian

24. The agreement with the investment manager specifies that, in relation to performance of its duties, the investment manager shall:

- Maintain accurate and systematic records and accounts in respect of the performance of its obligations under the agreement.
- Furnish, compile and make available at all reasonable times to the customer any records, accounts or other information, oral or written, which the customer may reasonably request in respect of the performance by the investment manager of its obligations under the agreement.

[1] Operational directive No. 3 (Rev. 1) has been revised to Executive Office directive EOD.ED.2017.04, with effect from 13 March 2017.

- Allow the customer or its authorized agents to inspect and audit such records, accounts or other information upon reasonable notice.

25. Similarly, the agreement with the custodian required the custodian to provide periodic statements of account (at least annually) showing all receipts and disbursements and the property held under each account and the market values thereof. A statement of account must be approved either by written notice delivered to the custodian or by the client's failure to object to the account statement within six months of the date on which the account statement was delivered to the client.

26. The Board noted that UNOPS had not prescribed any set of records and accounts to be maintained by the investment manager in line with the provisions of the agreement. Although UNOPS had stated that it had an open channel of communication with the investment manager, that channel did not seem to be regular or effective, as the Investment Committee, at its meeting held on 7 September 2017, had insisted on monthly liaison meetings. The Board also observed that, approximately two years after it had entered into the agreement with the investment manager, UNOPS had not inspected or audited the records and accounts maintained by the investment manager, which was provided for in the agreement.

27. UNOPS stated that it held the investment manager accountable and evaluated the manager's performance against the benchmark assigned to the investments being managed.

28. While noting the response of UNOPS, the Board is of the opinion that it would be desirable for UNOPS to carry out inspections and audits of the records of the investment manager at regular intervals to obtain assurance that the investment interests of UNOPS are safeguarded.

29. The Board perused the monthly reports submitted by the custodian, which included investment history, market value summary, asset class performance and asset level performance with regard to the portfolio. The Board noted that, other than the statement of accounts provided by the custodian, the agreement provided for no means by which UNOPS could periodically review, inspect, verify or audit the value of holdings under the responsibility of the custodian. While the agreement with the investment manager provided for the inspection rights of UNOPS, the agreement with the custodian did not provide for such inspection. As the custodian was performing the responsibilities relating to the physical custody of the cash and securities of UNOPS and other custodial obligations, the review/inspection of holdings by UNOPS at periodic intervals was desirable to ensure that the interests of UNOPS were safeguarded.

30. Admitting that no review of the custodian's reports had been undertaken to date, UNOPS stated that it had outsourced the custody of its assets to the custodian and expected that the execution of transactions would be carried out by the custodian in the best interest of the clients, in line with market convention, and added that UNOPS did not have the ability to audit the transactions executed by the custodian. UNOPS also informed the Board that it received monthly accounting records from the custodian, which were cross-checked with and applied on a monthly basis to UNOPS financial accounts.

31. At the end of December 2017, UNOPS held investments worth $1.73 billion. The Board is of the view that, given the value of the holdings, periodic returns on investment provided by the custodian are very important for accounting and financial reporting of the investment activities of UNOPS. In addition, the periodic review of the relevant records and their audit, through authorized third parties, is desirable.

32. **The Board recommends that UNOPS: (a) prescribe the records and information to be provided by the investment manager and undertake periodic**

inspection of the records and audit of the funds management in line with the provisions set out in the agreement; and (b) review the contract agreement with the custodian and include provisions for the conduct of an independent inspection and/or audit of relevant records of the custodian pertaining to UNOPS investment.

33. UNOPS, in its response, stated that the Finance Group, together with the members of its Investment Committee, had discussed with the investment manager how to present information on and records of UNOPS investment activities in a manner that would be suitable to UNOPS. It added that the way in which the investment manager presented its monthly and quarterly reports had had to be redesigned, and that it believed that the format was now optimal. UNOPS also added that it inspected the records of the investment manager's transactions on a monthly basis, by completing a reconciliation of information provided by the custodian, which was the physical holder of the assets, and the transaction reports provided by the investment manager. UNOPS explained the segregation of duties between the investment manager and the custodian, stating that the accounts of the custodian were subject to an independent audit. UNOPS also stated that it did not currently have the in-house capacity to audit the investment manager and relied on the custodian, as the guardian of the physical assets, to ensure oversight and compliance on the part of the investment manager with respect to the terms of the UNOPS investment management agreement. UNOPS added that hiring an independent auditing firm to conduct an audit of the records of the investment manager might not be cost-effective.

34. The Board acknowledges the response of the Administration and appreciates the action reported to have been taken. The Board holds that, while the investment manager and the custodian are highly regulated, UNOPS needs to obtain assurance regarding their effective functioning in order to safeguard its interests.

D. Project management

Engagement acceptance

35. The engagement acceptance policy of UNOPS seeks to manage risks in a consistent manner on behalf of the organization, to protect managers by clarifying their delegated authority, to provide tools to support their decision-making and to escalate decisions having organization-wide impact to the Executive Director. The revised opportunity and engagement acceptance process and quarterly assurance, introduced in 2016, consider and evaluate risk during the engagement assurance process, covering engagement, legal, financial, reputational, mandate and other risks.

36. The Executive Director, in accordance with financial rule 107.03, established an engagement acceptance committee under his chairmanship. The purpose of the committee is to evaluate partner agreements with high-risk profiles that may have potential organization-wide consequences, and to determine whether or not to continue to pursue those agreements. The developer of the proposal or the submitting office fills out the engagement acceptance committee submission form, attaches the required supporting documents and submits it to the secretariat of the committee. The submission is examined by all reviewers. The engagement summary is prepared by the committee secretariat and submitted to the Executive Director/Deputy Executive Director, who may ask for more details and documents. If the Executive Director/Deputy Executive Director approves the engagement, he or she so notifies the committee secretariat, which in turn notifies the submitting offices. The minimum documents required to be submitted by the submitting office to the engagement acceptance committee are the following:

(a) Engagement acceptance committee submission form;

(b) Engagement proposal/draft legal agreement;

(c) Risk assessment for engagement with high risk;

(d) Due diligence form for new partners.

37. During 2017, the engagement acceptance committee received 81 submissions from various regional offices, approved 68 engagements and deferred decisions in 4 cases. The remaining 9 submissions were notes to file regarding earlier cases or clarifications. The Board reviewed a sample of 13 projects and observed that the above-mentioned documents had been submitted to the engagement acceptance committee secretariat through official UNOPS email. The email trail was then recorded on an engagement acceptance committee tracking list, maintained on the corporate UNOPS intranet and retained for a period of five years, in accordance with UNOPS policy on the retention of documents. The Board observed that the documents submitted by submitting officers had not been uploaded to oneUNOPS,[2] which was intended to be used for all the activities undertaken by UNOPS, including those related to project management, procurement, finance and human resources. The committee's decisions were uploaded to the oneUNOPS system to provide evidence and an audit trail with respect to those decisions in order to proceed with the relevant engagement.

38. The Board noted that, in the documents submitted to the engagement acceptance committee, the submitting offices outlined the risks and mitigation measures to be taken into account during implementation. However, new risks might arise during the implementation of the projects, and UNOPS headquarters should be continuously updated on risks throughout the engagement process to ensure satisfactory risk management. In all the cases reviewed, the Board noted that the risks to projects had been discussed in emails, summarized by the committee secretariat and noted by the reviewers and the Executive Director. In some cases, such as the integrated Yemen urban services emergency project, the committee had asked the submitting office to elaborate further on the key risks and proposed mitigations in place in order to support their submission, and to include identified appropriate mitigation measures. The submitting office had submitted a detailed document on identified risks and risk mitigation measures, on the basis of which the project had been approved.

39. The Board noted that capturing the process carried out and action taken only in emails was not facilitating review and monitoring in a transparent manner. There was no visible trail of the various pieces of advice, recommendations, directives and approvals from reviewers/approvers that would have indicated whether these had been acted upon by the submitting offices. Furthermore, there was no functional mechanism in place at UNOPS Headquarters for receiving regular updates on the actions taken by project offices to mitigate the risks with respect to which the engagement acceptance committee had obtained assurance.

40. UNOPS stated that oneUNOPS did not provide for the online processing of engagement acceptance committee proceedings, but captured the decision to approve the engagement; that the enterprise portfolio and project management system and the enterprise risk management system, which were being developed, would address the lack of reporting processes with respect to risk and the consequent monitoring of risk at both the operational (in terms of projects) and strategic levels.

[2] oneUNOPS is the new enterprise resource planning solution of UNOPS. It was designed to replace three legacy systems, namely, Atlas, Global Contracting System and the management workspace information tool. oneUNOPS was deployed on 1 January 2016.

41. In this regard, the Board observed that the enterprise portfolio and project management system and the enterprise risk management system were in the development stage and targeted for full implementation by mid-2019. Until that time, as these components were developed for the capture of data for analysis, review and follow-up, there was a need to keep track of the key discussion outputs and actions taken in accordance with assurances, on the basis of which the enterprise acceptance committee had approved engagements, so that action taken on risks identified would be monitored.

42. **The Board recommends that UNOPS expedite the implementation and operationalization of the enterprise portfolio and project management system and the enterprise risk management system as planned.**

43. UNOPS agreed that there was a need for the timely implementation of the enterprise portfolio and project management system and the enterprise risk management system as planned, and stated that it had established an internal project structure to implement and govern the timely delivery of this initiative.

Projects pending financial closure

44. Rule 116.07 (a) of the financial regulations and rules of UNOPS stipulates that as soon as project activities have ceased, they shall be declared operationally completed and a financial report shall be prepared, in conformity with established procedures and reflecting actual expenditures to date. Rule 116.07 (c) requires the financial completion of project activities within 18 months after the month in which they are operationally completed or terminated.

45. The Board noted that 45 projects that had been operationally closed before 31 March 2016 remained pending for financial closure as at 30 September 2017, after the prescribed period of 18 months following the project end date. UNOPS stated that those projects were on the watch list and would be closed by the end of December 2017.

46. The Board test-checked a sample of 20 of the 45 projects and noted that only 9 had been financially closed by May 2018. UNOPS stated that it had recently updated oneUNOPS to ensure that personnel responsible for the financial closure of projects would receive automated reminders to do so.

47. UNOPS should monitor project closures to avoid delays in financial closures, as such delays may lead to the non-acceptance of excess expenditure by the clients/donors at a later date, which would ultimately result in the writing-off of the excess expenditure and an avoidable financial burden for UNOPS.

48. **The Board recommends that UNOPS initiate the process of the financial closure of projects soon after they have been operationally closed, so as to complete the process within the stipulated period.**

49. **The Board also recommends that UNOPS develop a system in oneUNOPS that triggers action for financial closure immediately after operational closure, so that financial closure can be completed within the targeted period.**

50. UNOPS accepted both recommendations, while agreeing that there was a need for a more systematic approach to moving from operational closure to financial closure. UNOPS added that this was already within the scope of enterprise portfolio and project management system functionality through the stages, notifications and tasking functions of the system.

E. Sustainable procurement

Completeness of the sustainable procurement criteria checklist

51. According to its strategic plan for the period 2014–2017, UNOPS is to advance sustainable procurement practices by implementing sustainable sourcing strategies for partners. These include such actions as the use of labour-based approaches, social inclusion and due diligence with regard to social concerns in supplier operations. One of the specific actions to be taken at the solicitation stage is to embed the minimum sustainability requirements desired into the qualification, technical and financial evaluation criteria for the solicitation document. UNOPS adopted 31 sustainable procurement criteria checklists, covering 31 subcategories under 12 sustainability criteria, as shown in table II.4.

Table II.4
Sustainability criteria checklists

Identification number	*Sustainability criterion*	*Subcategory*
1	General	Supplier commitment to sustainability
2		Sustainability implementation in contract execution
3	Third-party certification	Social or environmental certification
4	Air	Carbon offsets
5		Volatile organic compounds
6	Best value for money	Local after-sales service
7		Warranty
8		Life cycle costing
3	Capacity	Skills or knowledge transfer
10	Contracted labour	Gender equality
11		Local labour
12		Traditionally disadvantaged groups
13	Energy	Energy efficiency or conservation
14		Generates clean/renewable energy
15	Materials	Non-toxic materials
16		Recyclable
17		Biodegradable or compostable
18		Locally sourced
19		Organic
20		Recycled content
21		Sustainably harvested materials

Identification number	*Sustainability criterion*	*Subcategory*
22	Packaging	Recycled
23		Recyclable
24		Reduced packaging
25		Take-back
26	Quality and durability	Maintenance
27		Modular construction
28		Reusability
29	Waste	Take-back
30		Waste management
31	Water	Water efficiency and/or conservation

Source: UNOPS data.

52. The procurement categories to which each checklist was applicable were indicated on the checklist. The checklists also provided information on, inter alia, the sustainability clause (what is expected of the bidder), proposed verification (what documentation is to be sought from the bidder) and considerations (the message to be conveyed by UNOPS). Of the 31 checklists, 2 were applicable to both goods and services, 24 to goods and 5 to services.

53. The Board observed that under two procurement categories, "highway and road construction" and "construction and repairs", only two checklists, namely, those pertaining to "supplier commitment to sustainability" and "sustainability implementation in contract execution", had been made applicable. The Board noted that, although there were checklists on sourcing the main elements of a product locally and reserving a minimum portion of contracted labour opportunities for local communities, women and traditionally disadvantaged groups, the checklists had not been made applicable to those two procurement categories.

54. The Board also noted that one of the sustainability criteria checklists applicable to services was related to skills or knowledge transfer, with a sustainability clause stating that the bidder would include a practical plan for transferring the skills or knowledge to local beneficiaries. The Board observed that the checklist had not been made applicable to the procurement categories "computer hardware maintenance support services" and "software maintenance and support", although 168 purchase orders worth $1.98 million and 148 purchase orders worth $2.02 million had been issued for procurement in those categories during 2016 and 2017, respectively.

55. The non-application of certain checklists to some of the procurement categories would leave gaps in the implementation of the sustainability criteria throughout the procurement process. The Board noted the need to address those gaps, and also to review the applicability of the various checklists to the various procurement categories.

56. UNOPS stated that it believed in the importance of continuous improvement and therefore continued to make regular updates to the sustainable procurement criteria checklist. UNOPS added that in the biennium 2018–2019, it would update the tool and other related guidance to include stronger provisions for the sustainable

procurement of infrastructure and the procurement of information technology equipment and services, as well as the inclusion of gender considerations. It agreed that the checklist did not cover all procurement categories of products purchased by UNOPS, but believed that it would be more beneficial to continue to focus on the main categories of products that it procured and to promote greater adoption of these criteria over time.

57. **The Board recommends that UNOPS review the applicability of its sustainable procurement criteria checklists to address all relevant and important sustainability concerns under various procurement categories.**

Application of sustainable procurement criteria checklist in the procurement process

58. According to section 15.2.2 of the UNOPS Procurement Manual, the solicitation stage of the procurement process is critical for the implementation of sustainable procurement, as the solicitation documents will include the evaluation criteria against which the offers will be evaluated. The preparation of solicitation documents is also important, as some of its key elements, including the definitions of requirements, will be incorporated into the contract and used during contract management to monitor performance. One of the specific considerations at this stage is to embed the desired minimum requirements into the qualification, technical and financial evaluation criteria for the solicitation documents. Sustainability criteria can be embedded into tender documents as mandatory or voluntary disclosure criteria, in accordance with the sustainable procurement criteria checklist. The Procurement Manual also indicates that care should be taken to balance sustainability considerations with other non-sustainability considerations. The Board examined the application of the sustainable procurement criteria checklists at UNOPS headquarters in Copenhagen, and the country offices in Geneva and Buenos Aires.

59. The Board noted that UNOPS headquarters had issued purchase orders for 212 articles during 2016 and 2017, for a total value of $97.19 million. The Board selected a sample of 12 out of the 212 articles, with a purchase value of $75.29 million, for further examination. UNOPS indicated which checklists were applicable to the 12 articles. The Board noted that the criteria recommended for the evaluation could be either prequalification criteria or mandatory pass/fail. The Board considered the recommended criteria of mandatory pass/fail to be minimum sustainability criteria. The findings of the Board are presented in table II.5.

Table II.5
Application of sustainable procurement criteria checklists at UNOPS headquarters

Articles procured	*Year(s) of purchase*	*No. of criteria applicable*	*No. of criteria adopted by UNOPS*
Ambulances	2016, 2017	10	2
Armoured fighting vehicles	2016	10	3
Automobiles or cars	2017	10	2
Buses	2016	10	3
Cargo trucks	2016	10	3
Light trucks or sport utility vehicles	2016, 2017	10	2
Motorcycles	2016, 2017	10	2
Station wagons	2016, 2017	10	2
Diesel generators	2016, 2017	6	2

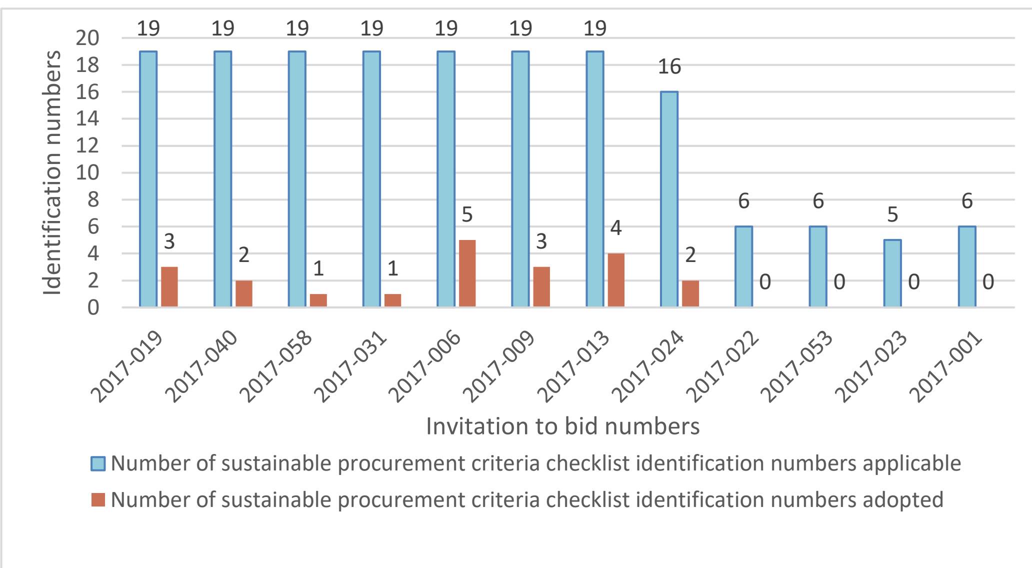
Articles procured	Year(s) of purchase	No. of criteria applicable	No. of criteria adopted by UNOPS
Marine cargo transport	2016, 2017	2	1
Air pollution monitoring or measurement services	2017	2	1
Environmental sciences advisory services	2016, 2017	2	0

Source: Information provided by UNOPS.

60. The Board noted that, out of the 75 contracts finalized in 2017 by the Europe and Central Asia regional office in Geneva, 9 were for the procurement of goods and 66 were for the procurement of services. The Board randomly selected five goods contracts and 21 services contracts for analysis. Of the selected goods contracts, two were for medical supplies and pharmaceuticals, two for computer equipment and accessories, and one for laboratory and scientific equipment. Similarly, of the 21 services contracts, 8 were for hotel and meetings services, 8 to information technology/computer services and 5 for health-care services. The Board observed that the number of sustainable procurement criteria applicable to those product/service categories ranged from 5 to 19; however, none of the sustainable procurement criteria had been made applicable to any of the contracts.

61. At the Argentina operations centre, the Board analysed 12 contracts (8 for the procurement of goods and 4 for the procurement of services) out of the 20 contracts finalized by UNOPS during 2017, and observed that not all of the applicable checklists had been applied to the contracts, as shown in figure II.II.

Figure II.II
Non-adoption of sustainability requirements according to the sustainable procurement criteria checklist



62. The Board found nothing on record to indicate that the applicability of the checklists to the solicitation process had been discussed and deliberately not applied.

63. UNOPS stated that, according to section 15.2 of the UNOPS Procurement Manual, all its personnel involved in procurement activities should consider sustainable procurement to the extent possible within the context of their work, the

country, the industry sector and the supply market. In line with that general objective, the sustainable procurement criteria checklist had been developed as a guideline for field procurement officials to use in developing their definitions of requirements. However, the criteria set out in the checklist did not constitute minimum standards, nor should they be regarded as such. Furthermore, UNOPS stated that it agreed in principle that opportunities existed to improve the way in which sustainable procurement was implemented, and added that the organization had made much progress in that regard. During the biennium 2018–2019, UNOPS would establish a mandatory but flexible framework for the sustainable procurement of certain categories of goods and services or for contracts of a certain value.

64. The Board noted the response of UNOPS and the efforts that it had made to achieve sustainability in procurement. The Board observed the need for further efforts to ensure the embedding of sustainability concerns into the procurement process and to take forward its vision and mission.

65. **The Board recommends that UNOPS review the sustainability framework to ensure the embedding of sustainability concerns based on the category of goods/services procured as well as the value of the contract.**

66. **The Board also recommends that a mechanism be put in place to assess satisfactory compliance with the essential elements of the framework.**

F. Gender mainstreaming

67. According to the UNOPS corporate framework on gender mainstreaming, adopted in 2013, UNOPS activities are to be designed and implemented in such a manner as to contribute to gender equality in clearly defined ways. In the UNOPS strategic plan for the period 2014–2017, it is envisaged that all project managers will receive advice, support and knowledge to deliver products and services in a sustainable manner and that tools for community engagement, gender equality and capacity development will be integral to project management services. Some of the suggested instruments for the mainstreaming of gender into UNOPS projects are project gender analysis; a gender mainstreaming plan; a community engagement plan for ensuring support for the employment of women with different cultural backgrounds; and a gender mainstreaming checklist and toolkit.

68. The Board test-checked supporting documents related to 20 high-value ongoing projects carried out in 2017 to evaluate whether the suggested instruments were being used in project management by UNOPS. The Board found no detailed action plans for gender mainstreaming in relation to 16 of the 20 projects test-checked. The Board also observed that at present, the gender mainstreaming approach relied heavily on the approach taken by donors or was being driven by certain offices, such as the Europe and Central Asia regional office, which had developed sex-disaggregated data[3] regarding all UNOPS personnel in the Europe and Central Asia region.

Role of gender focal points

69. In UNOPS, there are 93 gender focal points, who have been assigned duties aimed at mainstreaming gender into projects. They are expected to review project proposals and assist project developers in using such tools as gender analysis, a gender toolkit, gender action plans and gender mainstreaming checklists for UNOPS

[3] Sex-disaggregated data are data that are collected and analysed separately on males and females. This typically involves asking “who” questions in a survey (who provides labour, who makes decisions and who owns and controls land and other resources) or may involve asking men and women about their individual roles and responsibilities.

project proposals; provide advice on addressing gender-related issues in project management at the design, monitoring and implementation stages; and identify opportunities for collaboration with other United Nations entities or regional networks/platforms to work on gender mainstreaming issues.

70. The Board noted that the Director and the manager of gender focal points must jointly ensure that adequate time was allocated to allow the gender focal points both to carry out their regular responsibilities and to perform their roles as focal points effectively. In the 2017 report on UNOPS under the United Nations System-wide Action Plan on Gender Equality and the Empowerment of Women, it was highlighted that the revised terms of reference for gender focal points did not specify a particular percentage of working hours that each focal point was expected to dedicate to the role. The Board found that the role of gender focal points was voluntary in nature. Furthermore, the Board observed that there was no specific budget for gender focal points.

71. Field offices of UNOPS are required to prepare gender action plans and to list the various gender mainstreaming actions to be taken. The Board observed that, out of the 80 UNOPS offices around the world, only 32 had sent their gender action plans to UNOPS headquarters as of April 2018. Furthermore, updates on only eight gender action plans were available at UNOPS headquarters. This showed that UNOPS headquarters had not put in place a monitoring or guidance system for the preparation and improvement of gender action plans. In addition, the Board observed that the role of UNOPS headquarters with regard to policymaking, training and monitoring capacity with respect to the mainstreaming of gender into projects was very limited, as the relevant documents were not being uploaded to oneUNOPS.

72. UNOPS stated that it had yet to establish systems for the organisation-wide tracking of the implementation of gender mainstreaming.

73. **The Board recommends that:**

(a) **UNOPS strengthen its reporting and monitoring mechanism with respect to the mainstreaming of gender into projects, by ensuring that the documentation of gender mainstreaming becomes, as far as feasible, an intrinsic part of the project management process. UNOPS should also ensure the preparation of gender action plans by all gender focal points;**

(b) **The role of gender focal points be strengthened by providing necessary resources, such as time and a budget, for the effective implementation of their roles and responsibilities.**

74. UNOPS agreed with both recommendations and stated that the gender mainstreaming strategy for the period 2018–2021, which laid out the approach to and timelines for better institutionalizing measures to mainstream gender into projects, including planning, monitoring and reporting, was currently in the consultation phase across the organization and was expected to be launched by the second quarter of 2018. The amendments to relevant operational instructions would institutionalize the requirements in 2019. UNOPS also stated that the strategy would also take into consideration the recommendations resulting from the audit, which would inform the development of a staged actionable plan. Furthermore, UNOPS stated that the designation of heads of programmes (or equivalent roles) in country offices in February 2018 had made the role mandatory for those who would be responsible for the delivery of the gender mainstreaming strategy for the period 2019–2021 in the country offices, adding that it would be more formalized with the launch and adoption of the strategy and the associated plan, to be promulgated in 2018.

G. oneUNOPS enterprise resource planning system

Data validation checks

75. Data are considered to be of high quality if they are “fit for use” in the intended operational, decision-making and other areas. The good quality of data is a prerequisite for realizing organizational value through business intelligence and data analytics. The usefulness of an enterprise resource planning project in ensuring improved decision-making and forecasting depends on the quality of the data that it uses. Accordingly, the Board reviewed the data relating to procurement and personnel in order to perform validation checks on the data.

76. From an analysis of the data relating to 26,941 purchase order lines issued during 2017, the Board noted certain discrepancies, as follows:

(a) The column under the heading “EXT.Reference” was required to be populated with references to the solicitation method used. However, the Board noted that the field was populated with various other values, such as numerical values, addresses, dates, city names and email addresses;

(b) The Board noted 10 instances of incorrect purchase order dates, including future dates ranging from 1 June 2018 to 30 June 2021.[4] Moreover, 3,777 instances in which purchase order delivery dates preceded the purchase order data were noted;

(c) In 33 instances, the field for the purchase order delivery date had been left blank, which could adversely affect the monitoring of the status of deliveries;

(d) The solicitation method to be used for procurement is also determined by the value of the goods or services procured; for example, shopping can be used only when the value of the goods or services procured is less than $5,000, and the request for quotation can be used when the value of the goods or services procured is less than $50,000. In 111 cases, the solicitation method used was not compatible with the value of the goods or services procured according to the Procurement Manual, while the method of solicitation was not mentioned in 12,766 cases.

Data on personnel

77. From its scrutiny of human resources data, the Board noted that, out of 14,486 lines of data, fields such as gender, nationality and country had been left blank in 9 lines, 134 lines and 750 lines, respectively. Furthermore, in 750 records, no values had been recorded in respect of information relating to contracts, including “to” and “from” dates with respect to contracted position, contract type, position identification and position status.

78. The lack of data and the presence of incompatible data reflect insufficient validation checks on the data entered into oneUNOPS. The Board is of the view that the incorporation of validation controls into oneUNOPS would ensure the correctness and enhance the quality of data, which in turn would support better decision-making.

79. UNOPS stated that the Procurement Group, in collaboration with the Information and Communications Technology Group, had drafted the technical requirements for the implementation of the required changes in the procurement module of oneUNOPS and that implementation would begin by mid-April 2018 and be completed by the end of 2018. UNOPS also stated that it was confident about the integrity of its human resources data and performed checks and approvals with regard

[4] The audit was conducted from 9 April to 4 May 2018.

to its human resources data/data entry in accordance with established system workflows.

80. **The Board recommend that UNOPS carry out the required changes in oneUNOPS and review the validation rules to ensure the correctness of the data related to procurement and personnel.**

81. UNOPS agreed with the recommendation.

Position titles

82. From the human resources data obtained from oneUNOPS, the Board observed that 2,552 unique position titles were being used in oneUNOPS, including the names of some United Nations entities, such as the Office of the United Nations High Commissioner for Refugees (UNHCR), the World Health Organization, the United Nations Development Programme, the United Nations Environment Programme (UNEP), the United Nations Mission in South Sudan and the United Nations Human Settlements Programme. The Board noted that of the 2,552 position titles, 1,677 were used only once.

83. With regard to position titles for personnel of UNOPS partners (examples referred to included "UNHCR" and "UNEP"), UNOPS stated that the use of such titles should not be governed by UNOPS, and that they were solely internal markers for those specific resources to indicate specific client relationships.

84. As regards the positions of UNOPS personnel, UNOPS stated that its practice was in line with the International Civil Service Commission (ICSC) framework, as the primary indicator of position hierarchy. Furthermore, UNOPS recognized that more could be done to further strengthen its approach to the categorization of positions.

85. The Board observed that the issue of the multiplicity of position titles needed to be addressed. This would also help to prevent the use of superfluous/ redundant/misleading titles in the organization.

86. **The Board recommends that UNOPS review the position titles in use across the organization and continue its efforts to standardize them in line with the ICSC framework in a time-bound manner.**

87. UNOPS agreed with the recommendation and stated that it recognized the benefits of the standardization of job titles and had built into its plans for 2018 activities focused on a review of the position titles of its personnel and ensuring that an appropriate policy and related guidelines were in place.

H. Business continuity and disaster recovery planning

88. Business continuity and disaster recovery planning are integral parts of the overall risk management of an organization. It is of greater importance when an organization utilizes enterprise resource management systems in which all business-critical information is hosted and managed. In accordance with section 16 (p) of the UNOPS strategic risk management planning framework, UNOPS set up a business continuity planning and disaster recovery framework in 2010 through an administrative instruction (AI/CSG/2010/01). The plan is to be tested annually to ensure credible recovery preparedness and is to be updated on a regular basis. Each office/operations centre, director and project centre manager is also responsible for the training of personnel in business continuity and disaster recovery planning.

89. The Board reviewed the business continuity and disaster recovery plans uploaded to the intranet and observed that:

(a) The plans in respect of five offices (in Guinea-Bissau, the Niger, the Philippines, Sierra Leone and Yemen) were under preparation;

(b) The business continuity and disaster recovery plans for the offices in North America and South Sudan had not been reviewed and updated since 2012, and the plan for the office in Tunisia had not been reviewed and updated since 2015. In addition, the Board found no records of the review and updating of the business continuity and disaster recovery plans for 20 field offices;[5]

(c) The plans uploaded to the intranet in respect of nine offices/operations centres[6] had not been signed by the approving authorities;

(d) The plans for the offices in the Central African Republic, Guinea, Mali and South Sudan had not been tested. Furthermore, no information was available on the testing of the plans for the offices in Colombia, Guatemala, Jerusalem and New York;

(e) Officials had not been trained in the offices in Bangladesh, the Central African Republic and Nepal, and information on training was not available regarding the offices in Colombia and Guatemala.

90. UNOPS stated that the business continuity and disaster recovery plan for the office in South Sudan would be prepared soon, while the plans for the 20 offices cited by the Board were in progress. UNOPS added that there was no prescribed time frame for the updating of business continuity and disaster recovery plans and that the heads of the respective offices would determine the need and the periodicity for such updating, on the basis of regular review and testing of the plans. While the Board agrees that the updating of the plans should be linked to the results of strategic reviews and testing, it is of the view that a centrally prescribed periodicity for updating is advisable.

91. UNOPS also stated that the team reviewing the administrative instruction had concluded that its updating should be linked to the testing of the plans, with regular reviews to ensure that they were up to date and correct. It was the responsibility of the plan owner/head of office to determine, through this process of testing and review, when the changes to a plan were so substantial that the plan itself needed to be updated.

92. **The Board recommends that UNOPS prescribe the periodicity for the updating of the business continuity and disaster recovery plans and ensure that all units update their business continuity and disaster recovery plans within the time frame so prescribed.**

93. While agreeing with the recommendation, UNOPS stated that the team, during its recent review and updating of the administrative instruction, had concluded that the updating of these plans should be linked to their testing through regular reviews to ensure that they were up to date and correct. UNOPS added that that it was the responsibility of the plan owner/head of office, through this testing and review process, to determine when the changes to the plans were so substantial that the plans themselves needed to be updated. UNOPS also stated that, because the plans should reflect the need for testing and review, the setting of specific timelines was unnecessary, since regular updates would be carried out by the various offices.

[5] Brazil, China, Colombia, Costa Rica, El Salvador, Ghana, Guatemala, Haiti, Honduras, Iraq, Jordan, Mali, Morocco, Nepal, Paraguay, Peru, Latin America and Caribbean regional office, Senegal, Somalia and Syrian Arab Republic.

[6] Myanmar operational hub, Cambodia, Kosovo, New York, Africa regional office, Latin America and Caribbean regional office, Saint Lucia, South Sudan and Bangkok shared service centre.

94. The Board holds that, although regular updates are expected to be carried out, it is desirable that a periodicity for updating be prescribed to ensure that any updating of plans is not missed for any reason.

I. Purchase of ambulance for the UNOPS Peace and Security Cluster, Sudan

95. The Board observed that the UNOPS Peace and Security Cluster, Sudan, had raised a request for quotation to UN Web Buy (a United Nations global e-commerce solution) to purchase three Toyota (ex-stock) three-seat ambulance for project No. 92291, "Mine action in support of the United Nations African Union Hybrid Mission in Darfur", on 21 June 2016. The Board also noted that, in the email from UN Web Buy to the Cluster, the "right-hand drive" steering orientation of ambulances had been referred to as a required feature for Uganda.

96. The Board noted that it had finally been decided to purchase three Nissan Patrol ambulances, owing to the non-availability of Toyota ambulances, and that a revised quotation had been raised indicating that its steering orientation was "right-hand drive" and specifying the delivery location as Entebbe, Uganda. However, the Board observed that the ambulance was required for the Sudan, where the steering orientation was to be "left-hand drive". The purchase order had been approved by the UNOPS Peace and Security Cluster, New York. Subsequently, in late October 2016, it was discovered that the ambulances were right-hand drive instead of left-hand drive, as required for the Sudan.

97. The Board observed that, although the UN Web Buy team lead had emphasized the review of the quotation, the Peace and Security Cluster had not thoroughly verified the purchase order before its approval. As a result of the procurement of right-hand drive ambulances, the Board noted that UNOPS had had to write off a loss of $64,914.

98. The UNOPS Peace and Security Cluster stated that this had been an isolated and unique case. The Cluster acknowledged its oversight and indicated that the non-standard practice of shipping to an intermediate country requiring a different steering orientation had contributed to the erroneous purchase. It was also indicated that, to avoid such a situation in the future, UN Web Buy had undertaken a number of measures and had launched Web Buy Plus in March 2017. In addition, UNOPS stated that it would continue to improve its internal controls in the area of procurement.

99. While acknowledging the response, the Board noted that the loss of $64,914 could have been avoided through more responsible procurement management.

100. **The Board recommends that UNOPS strengthen its internal control mechanism to initiate procurement activities with clear and correct specifications.**

101. UNOPS agreed with the recommendation.

J. Management disclosures

Write-off of losses of cash, receivables and property

102. Management has informed the Board that, in 2017, it formally wrote off assets in the amount of $711,738, including, inter alia, overspending of $99,321,[7] ineligible

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

expenses charged to projects amounting to $391,457 and client specifications not followed amounting to $126,273. As at 31 December 2017, management had also reported provisions of $16.2 million for bad and doubtful debts.

Ex gratia payments

103. UNOPS informed the Board that it had not made any ex gratia payments in 2017.

Cases of fraud and presumptive fraud

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

105. During the audit, the Board makes enquiries of management regarding its oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks of fraud that management has identified or that have been brought to its attention. The Board also enquires as to whether management has any knowledge of actual, suspected or alleged fraud. The Administration has informed the Board that there were 30 fraud cases in 2017. In addition, the Administration informed the Board that only 6 of those 30 cases had a monetary impact of $246,857.

K. Acknowledgements

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

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) Mussa Juma **Assad**
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Annex

Status of implementation of recommendations up to the year ended 31 December 2016

					Status after verification			
No.	*Document reference and audit report year(s)*	*Recommendation of the Board*	*Administration's response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1	A/67/5/Add.10, chap. II, para. 48, 2010–2011	Draw lessons from its existing projects and consider measures to enable it to close projects in time, and address the backlog of projects needing closure. Analyse all currently listed projects and identify projects to be closed.	Out of the remaining 23 projects, 5 have been financially closed, 10 are financially frozen, the financial closure of 2 has been initiated and 6 have been operationally closed. Project closure is now managed by the Finance Group.	The Board notes the progress made on the timely closure of the projects and observes that more than 80 per cent of the projects have been operationally closed within the prescribed time frame. In the light of that progress, the Board considers the recommendation to have been implemented.	X			
2	A/68/5/Add.10 and A/68/5/Add.10/Corr.1, chap. II, para. 44, 2012	(a) Appoint a fraud risk owner, or senior risk officer, at a suitably senior level, to be accountable for the active management of fraud risks throughout UNOPS activities; (b) Perform a comprehensive organization-wide fraud risk assessment to identify the major types of fraud risk that UNOPS faces; (c) Define UNOPS tolerance to different types of fraud risk and ensure that fraud controls are commensurate with that risk appetite.	(a) In accordance with recent organizational changes and the governance, risk and compliance initiative, the UNOPS governance structure has been revamped to strengthen the segregation of policy/ control entities and operational functions: • Responsibility for UNOPS corporate risk management and the enterprise risk management framework, together with the design of the internal control framework, has been assigned to the Finance Group, under the responsibility of the UNOPS Chief Financial Officer • Ownership of operational risks is assigned to engagement authorities holding relevant	The Board notes the progress made on the development of a risk management framework and observes that the development of an enterprise risk management application is ongoing. Hence, the recommendation is considered to be under implementation.		X		

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			delegations of authority at the regional and country levels • Corporate units, such as policy groups and supporting entities, respectively, provide policy advice and implementation support for ensuring the efficient and effective management of risks and risk-informed decision-making by holders of delegations of authority (b) As previously reported, a fraud risk assessment was conducted in December 2016 to identify the major types of fraud risks faced by UNOPS. (c) UNOPS has no tolerance for any type of fraud. The implementation of the enterprise risk management framework through an online platform is expected to enhance the management of escalation and control mechanisms with respect to key risks across levels. In addition, UNOPS has nearly completed the implementation of its new governance, risk and compliance framework. This has been done through the reorganization of UNOPS and the complete revision of its legislative framework on the basis of governance, risk and compliance principles (the few outstanding policies will be promulgated shortly).					

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3	A/68/5/Add.10 and A/68/5/Add.10/Corr.1, chap. II, para. 82, 2012	Develop a mechanism to generate better information on the post-completion performance of buildings.	The development of such a mechanism is still planned for June 2018, owing to competing priorities.	The Board notes that the revision of the design planning manual is still under way. Therefore, the recommendation is considered to be under implementation.		X		
4	A/69/5/Add.11 and A/69/5/Add.11/Corr.1, chap. II, para. 34, 2013	Take practical steps to implement enterprise risk management strategies, policies and procedures across the entity without further delay. Specifically: • Identify, document and assess key risks to achieving strategic objectives • Regularly update and monitor risk information that can be aggregated at the entity level • Document risk tolerances so that they are understood and applied throughout the organization • Use risk registers to record the likelihood of a risk materializing, the impact of the risk, the proposed mitigating actions and the assessed level of risk post-mitigation • Assign risk owners to take responsibility for monitoring and controlling each risk	As a result of recent organizational changes, since January 2018 the responsibility for UNOPS corporate risk management and the enterprise risk management framework has been transferred from the Risk and Quality Group to the Finance Group, under the responsibility of the UNOPS Chief Financial Officer. Building on the work undertaken during the biennium 2016–2017 on the risk framework and governance, risk and compliance, the Finance Group is coordinating with the Infrastructure and Project Management Group in order to further enhance and integrate the operational and organizational components of enterprise risk management. In this regard, the following activities are under way: (a) An operational directive on risk has been promulgated; (b) A UNOPS office instruction on risk management is expected to be promulgated during 2018; (c) Owing to the expanded scope of the KeepSite project (an information and	The Board notes the progress made on the development of a risk management framework and observes that the development of an enterprise risk management application is ongoing. Hence, the recommendation is considered to be under implementation.		X		

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			communications technology platform adopted for the automatization of risk and project management in UNOPS), the revision of risk requirements is in progress. The initial risk prototype is expected to be piloted at both the operational and organizational levels starting in the third quarter of 2018 and to be fully rolled out across the organization by the end of 2018. UNOPS has nearly completed the implementation of its new governance, risk and compliance framework. This has been done through the reorganization of UNOPS and the complete revision of its legislative framework on the basis of governance, risk and compliance principles (the few outstanding policies will be promulgated shortly).					
5	A/70/5/Add.11 and A/70/5/Add.11/Corr.1, chap. II, para. 36, 2014	Reconfirm the level of expected savings arising from the implementation of enterprise resource planning and seek to obtain viable benchmark cost data to inform a review of the realized process cost benefits.	Engagement is currently under way with a selected partner (Gartner), and we anticipate that the report will be finalized by May 2018.	The Board notes the assessment of the benefits realization. Hence, the recommendation is considered to be under implementation.		X		
6	A/70/5/Add.11 and A/70/5/Add.11/Corr.1, chap. II, para. 39, 2014	Further explore opportunities to improve business process efficiency by standardizing work practices and processes, delegations of authority and alignment of access rights to improvements in the internal	The review of the internal control framework is still ongoing.	The Board notes the response of UNOPS and considers the recommendation to be under implementation.		X		

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		control framework and based on the needs of the business.						
7	A/70/5/Add.11 and A/70/5/Add.11/Corr.1, chap. II, para. 58, 2014	(a) Obtain feedback from practice groups on the performance of the People and Change Practice Group as a business partner; (b) Manage and monitor the benefits of recent organizational reforms, including the Global Shared Service Centre; (c) Develop a measure covering the cost-efficiency of the human resources function, such as the human resources staff to workforce ratio.	We will provide the human resources efficiency ratio, i.e., the number of Global Shared Service Centre personnel for human resources management/total number of personnel. Part (c) of the recommendation is to be concluded in the coming days.	The Board notes that the action described in part (c) of the recommendation has yet to be concluded. Hence, the recommendation is considered to be under implementation.		X		
8	A/70/5/Add.11 and A/70/5/Add.11/Corr.1, chap. II, para. 62, 2014	The People and Change Practice Group, working with the other practice groups, collect and assess information on the knowledge and experience of its workforce to inform future skills and workforce planning.	As part of the UNOPS global priority regarding knowledge management, the People and Change Practice Group committed to conducting a version of skills-mapping entitled "Access to skills and expertise". This project has been scoped and is currently being validated by the regional knowledge management focal points. As soon as the scope of the project has been determined and confirmed, we will move towards information technology implementation, whose timing is dependent on information and communications technology resourcing, which is in the process of being confirmed in the coming months (information technology realignment is currently ongoing).	The Board notes the response of management and considers the recommendation to be under implementation.		X		

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9	A/70/5/Add.11 and A/70/5/Add.11/Corr.1, chap. II, para. 70, 2014	Monitor turnover rates as a result of resignations, to inform its workforce planning.	UNOPS will provide the turnover rates for past years. We have just concluded the analysis of turnover rates.	The Board notes that the analysis has been concluded but the figures for past years have not been provided. Hence, the recommendation is considered to be under implementation.		X		
10	A/70/5/Add.11 and A/70/5/Add.11/Corr.1, chap. II, para. 75, 2014	(a) Fully test future business case assumptions to ensure that they are supported by evidence and adequately reviewed; (b) Closely monitor the impact of changes to terms for local contractors to ensure that the expected benefits are realized in practice; (c) Implement measures to address the very high turnover levels among international individual contractors, subject to a careful analysis of the causes of turnover and characteristics of such positions.	The new audit report regarding the review of the Bangkok shared service centre describes the impact of the establishment of the centre and provides an independent evaluation of the cost and functional efficiency gains made.	The Board notes that staff turnover has been further reduced, from 32 per cent in 2015 to 23 per cent in 2017. However, the Board considers that the response of management does not address the other aspects of the recommendation. Hence, the recommendation is considered to be under implementation.		X		
11	A/70/5/Add.11 and A/70/5/Add.11/Corr.1, chap. II, para. 88, 2014	Evaluate the impact of its recent additional investment in training, including as to whether the type and distribution of training provided is addressing the gaps between current workforce skills and future business needs.	A new learning management system has been implemented and has been tracking all data concerning learning at UNOPS since 15 January 2018. Additionally, a comprehensive learning needs assessment was conducted in cooperation with all regions, with detailed input provided by various countries. A detailed global gap analysis was completed and the plan for learning activities based on	The Board notes that a new learning management system has been implemented. Furthermore, the Board notes that a gap analysis has been conducted with respect to a few pilot programmes, and that the results of the systematic approach to measuring the impact of training will be available during the year. Hence, the	X			

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			latent learning needs has been adjusted accordingly. During 2017, a standard evaluation of the quality of all learning programmes was fully implemented and a few pilot programmes were evaluated in detail, with the resulting impact and behavioural changes observed. In 2018, a working group has been established to define a systematic approach to measuring the impact of learning programmes. The results of selected programmes will be available throughout the year, depending on the duration of the programmes.	recommendation is considered to have been implemented.				
12	A/70/5/Add.11 and A/70/5/Add.11/Corr.1, chap. II, para. 101, 2014	Review the merit award scheme to ensure that it is consistently aligned to the achievement of its objective of a break-even.	Analysis and presentation/evaluation have been completed.	The Board notes that the merit reward system has been evaluated by UNOPS. However, further action to align it to the achievement of its objective of a break-even has not yet been carried out. Hence, the recommendation is considered to be under implementation.		X		
13	A/71/5/Add.11, chap. II, para. 15, 2015	The Board recommends that UNOPS reassess the approved minimum level of operational reserves in order to take into account actuarial gains and losses previously incurred and the inclusion of property, plant and equipment.	In its budget estimates for the biennium 2018–2019, UNOPS has reassessed its use of available resources and has established an additional budget for investments as well as for risk mitigation. This further addresses UNOPS resourcing beyond the current operational requirements. Accordingly, the investments will also be	The Board notes that the approved minimum level of operational reserves has not been reassessed. Hence, the Board considers the recommendation not to have been implemented.			X	

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			considered during the four-year planning process, which is aligned with the strategic priorities reflected in the approved strategic plan for the period 2018–2021. Consequently, management considers this recommendation to have been implemented.					
14	A/71/5/Add.11, chap. II, para. 16, 2015	The Board further recommends that UNOPS consider how the reserve surplus might be utilized, in the context of a strategic review of UNOPS operational resourcing needs.	In its budget estimates for the biennium 2018–2019, UNOPS has reassessed its use of available resources and has established an additional budget for investments as well as for risk mitigation. This further addresses UNOPS resourcing beyond the current operational requirements. Accordingly, the investments will also be considered during the four-year planning process, which is aligned with the strategic priorities reflected in the approved strategic plan for the period 2018–2021. Consequently, management considers this recommendation to have been implemented.	UNOPS has indicated that it has submitted a concept note for the approval, implementation and monitoring of investments from the reserve surplus. However, no further progress in this regard has been presented. Hence, the recommendation is considered to be under implementation.		X		
15	A/71/5/Add.11, chap. II, para. 32, 2015	The Board recommends that, if adopted, the new governance, risk and compliance framework be used to support the development of a statement on internal control to bring together the structure of the processes and the assurances that underpin them.	UNOPS has completed the implementation of its new governance, risk and compliance framework. This has been done through the reorganization of UNOPS and the complete revision of its legislative framework on the basis of governance, risk and compliance principles, thereby improving UNOPS internal control.	The Board notes the progress made in the implementation of the governance, risk and compliance framework in UNOPS. However, the response of management does not address the substantive question of supporting the statement on internal control. Hence, the recommendation is		X		

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			The new legislative framework of UNOPS is organized around the Executive Director principles, which establish the core principles that shall underline all of UNOPS activities, and support the organization's new governance, risk and compliance framework. Under the Executive Director principles are Executive Office directives, Executive Office instructions, operational directives and operational instructions. Directives establish high-level principles and main roles and responsibilities in their respective areas, while instructions provide mandatory processes to operationalize the directives. More detailed processes and guidance are provided in the UNOPS process and quality management system. Executive Office directives include one Executive Office directive on the UNOPS organizational principles and governance model, which establishes principles such as the segregation of duties (in particular among the oversight, management, control and assurance functions), the delegation of authority, management by exception and risk-based decision-making. It is completed through an Executive Office instruction on the UNOPS organizational structure, whereby UNOPS has reorganized itself to enforce the	considered to be under implementation.				

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			above principles. It is completed through one Executive Office instruction on the delegation of authority and accountability framework to distribute authority, together with accountability to the most appropriate level in the organization. The operational directives and operational instructions also reflect the governance, risk and compliance principles with regard to various areas (such as human resources, ethics, finance, engagement and partnership acceptance, project management, procurement, safety and security, internal audit and investigation) and include specific cross-cutting operational directives and operational instructions on strategy, risk management, compliance, due diligence and internal control.					
16	A/71/5/Add.11, chap. II, para. 33, 2015	The Board further recommends that UNOPS consider the implementation plan for the new framework, ensuring that it is sufficiently detailed, clear and realistic, incorporating sufficient training and communication plans, and has clear accountabilities and clear linkage to other UNOPS initiatives.	UNOPS has completed the implementation of its new governance, risk and compliance framework. This has been done through the reorganization of UNOPS and the complete revision of its legislative framework on the basis of the governance, risk and compliance principles, thereby improving the organization's internal control. The new legislative framework of UNOPS is organized around the Executive Director	The Board notes the progress made by UNOPS in the operationalization of the new framework. However, the response does not indicate whether sufficient training and communication plans have been factored into that operationalization. Hence, the recommendation is considered to be under implementation.		X		

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			principles, which establish the core principles that shall underlie all UNOPS activities and support the organization's new governance, risk and compliance framework. Under the Executive Director principles are Executive Office directives, Executive Office instructions, operational directives and operational instructions. Directives establish high-level principles and main roles and responsibilities in their respective areas, while instructions provide mandatory processes to operationalize the directives. More detailed processes and guidance are provided in the UNOPS process and quality management system. Executive Office directives include one Executive Office directive on the UNOPS organizational principles and governance model, which establishes principles such as the segregation of duties (in particular among the oversight, management, control and assurance functions), the delegation of authority, management by exception and risk-based decision-making. It is completed through an Executive Office instruction on the UNOPS organizational structure, whereby UNOPS has reorganized itself to enforce the above principles. It is completed through one Executive Office instruction on the delegation of					

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			authority and accountability framework to distribute authority, together with accountability to the most appropriate level in the organization. The operational directives and operational instructions also reflect the governance, risk and compliance principles with regard to various areas (such as human resources, ethics, finance, engagement and partnership acceptance, project management, procurement, safety and security, internal audit and investigation) and include specific cross-cutting operational directives and operational instructions on strategy, risk management, compliance, due diligence and internal control.					
17	A/71/5/Add.11, chap. II, para. 38, 2015	The Board recommends that UNOPS ensure that the certification of projects in line with the manuals is incorporated within oneUNOPS workplans, to reinforce compliance.	The certification of projects in line with the manuals is now a formal part of the procurement e-sourcing system, which went live on 1 January 2018.	The Board has verified the validity of the response of management and considers the recommendation to have been implemented.	X			
18	A/71/5/Add.11, chap. II, para. 44, 2015	The Board recommends that, on receipt of the system controls and configuration report, UNOPS evaluate the recommendations made by the external consultant to consider whether it provides sufficient assurance and, in the event of any weaknesses, undertake a review to determine whether	Deloitte follow-up completed on 17 December 2017.	The Board notes that action on four of the items highlighted in the report of the consultant have yet to be completed. Hence, the recommendation is considered to be under implementation.		X		

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		any such weaknesses have been exploited.						
19	A/71/5/Add.11, chap. II, para. 48, 2015	The Board reiterates its previous recommendation that UNOPS obtain viable benchmark cost data to inform a review of the benefits arising from process improvements.	Engagement is currently under way with a selected partner (Gartner), and we anticipate that the report will be finalized by May 2018.	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		
20	A/71/5/Add.11, chap. II, para. 49, 2015	The Board recommends that future significant investments be subject to, in advance, a more robust analysis of process benefits and cost savings to better inform the evaluation of a project's success and to inform future implementation.	Engagement is currently under way with a selected partner (Gartner), and we anticipate that the report will be finalized by May 2018.	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		
21	A/71/5/Add.11, chap. II, para. 63. 2015	The Board recommends that UNOPS strengthen its engagement acceptance and risk management processes so that they are sufficiently robust to support the assessment of new or novel lines of business.	UNOPS implemented the governance, risk and compliance framework on 1 January 2018. In particular, UNOPS has promulgated the following operational directives and operational instructions to strengthen its engagement acceptance and risk management processes so that they are sufficiently robust to support the assessment of new or novel lines of business: the operational directives on the management of UNOPS partners and resulting agreements (promulgated on 13 October 2017) and on risk management (promulgated on 15 March 2018). Under the operational directive on the management of UNOPS partners and resulting agreements, the organization has promulgated the operational instructions on:	The Board notes that the operational directives and operational instructions under the new governance, risk and compliance framework have been promulgated and that the enterprise portfolio and project management system and the enterprise risk management system are under development, which will help in better monitoring and managing risks in projects from the opportunity stage to the closure stage. In view of the progress made, the recommendation is considered to be under implementation.		X		

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			project management (underpinned by the Project Management Manual and related processes included in the UNOPS process and quality management system tool), the design review of infrastructure works, UNOPS works contracts, construction supervision and quality management. In addition, the operational instruction on engagement acceptance, which has been drafted, has been issued to the Legislative Framework Committee for promulgation by 31 March 2018.					
22	A/71/5/Add.11, chap. II, para. 90, 2015	The Board recommends that, as part of its efforts to strengthen engagement acceptance processes, UNOPS take steps to prevent the practice of signing agreements without engagement authority, for example, by amending the oneUNOPS system to prevent non-compliance.	In order to strengthen its engagement acceptance processes, UNOPS has programmed the delegation of authority function in oneUNOPS and separated pre-engagement approval from initiation approval (by delegation of authority holders level 3) in the engagement acceptance process, and those two steps from the finalization step in oneUNOPS. This will enable UNOPS to identify cases of non-compliance and accommodate the field offices in signing engagements, while a project can be operationalized in oneUNOPS only after the signed legal agreement has been uploaded to oneUNOPS. The officer-in-charge function is no longer relevant under the new	The Board has verified the action taken in this regard and considers the recommendation to have been implemented.	X			

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			governance, risk and compliance framework.					
23	A/71/5/Add.11, chap. II, para. 95, 2015	The Board recommends that UNOPS: (a) conduct a comprehensive review of the pricing policy to consider how best to take risk into account in ways that are consistent, transparent and evidence-based; and (b) develop a policy for the use of accumulated financial surpluses arising from "risk increments" received but not ultimately required.	UNOPS has strengthened its current pricing policy to incorporate a unified risk assessment. According to paragraph 3.4.a of the UNOPS pricing policy, when the engagement has characteristics that are associated with risks to UNOPS, a fee increment can be added to the indirect cost. A risk calculator that has subsequently been rolled out globally and incorporated into UNOPS systems for pricing allows project managers to consistently and transparently establish a risk increment on the basis of their local circumstances. Accordingly, UNOPS is maintaining consistent, transparent and evidence-based risk assessment during its pricing of engagements.	The Board notes the progress made by UNOPS in the implementation of the recommendation. The Board, however, also notes that no progress has been made in developing a policy for the use of accumulated financial surpluses arising from "risk increments" received but not ultimately needed. Hence, the recommendation is considered to be under implementation.		X		
24	A/72/5/Add.11, chap. II, para. 20, 2016	The Board recommends that UNOPS obtain the post facto approval of the Executive Board with respect to the original and final management budgets, including each line item.	It is within the mandate of the UNOPS Executive Director to approve UNOPS annual budget allotments without consulting the Executive Board if the net revenue target remains positive. Therefore, it was not necessary to request the Executive Board to approve the final budget.	The Board notes that the Executive Director shall have the authority to redeploy resources within the approved managed budget provided the net revenue target remains unchanged. A change in the net revenue target would necessitate the approval of the Executive Board. Hence, the recommendation is considered not to have been implemented.			X	

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25	A/72/5/Add.11, chap. II, para. 21, 2016	The Board also recommends that UNOPS include explanations of material differences in items between the original and final management budgets and between the final budget and the actual amounts in the financial statements.	Tables showing and explaining the material differences in items between the original and final management budgets and between the final budget and the actual amounts were included in the notes to the 2017 financial statements of UNOPS.	The Board notes that in the financial statements for 2017, UNOPS has explained variations of more than 20 per cent between budget and actual amounts. Hence, the recommendation is considered to have been implemented.	X			
26	A/72/5/Add.11, chap. II, para. 25, 2016	The Board recommends that UNOPS reassess the adequacy of internal controls relating to bank payments and strengthen supervisory checks to ensure that such incidents of double payment, overpayment or excess payment do not occur in the future.	The following concrete actions have been taken to strengthen the payment process aimed at eliminating double payment, overpayment and excess payment: (a) Integration of oneUNOPS into e-banking platforms: over the past five months, we have successfully managed to integrate oneUNOPS into the following major UNOPS bank accounts: • Headquarters bank accounts: BBVA — four bank accounts, and JP Morgan — one bank account • Field office bank accounts: seven UNOPS Citibank accounts in Bangladesh, Jordan, Lebanon and Pakistan Briefly, the integration into the e-banking platforms eliminates the possibility of processing manual payments, which, in many cases, were the cause of double payment, overpayment or excess payment. As a next step, we have planned to finalize, by the end of June,	The Board notes that UNOPS has integrated 12 bank accounts with oneUNOPS to reduce the cases of double payment and overpayment. For the remaining accounts, the integration process is in progress. For supplier data management, the action cited by UNOPS is in progress. Hence, the recommendation is considered to be under implementation.		X		

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			the integration of 17 UNOPS bank accounts within Ecobank in Africa and 4 accounts within Citibank in Israel, Morocco and South Africa. (b) System improvements: the possibility of making the same payment twice was locked in oneUNOPS. (c) Supplier data management: system control was added to oneUNOPS in March to reduce the creation of duplicate profiles in the system, for which the following items need to be incorporated: • Prevent and flag the creation of suppliers with the same International Bank Account Number (IBAN) • Prevent and flag the creation of suppliers with the same email address • Be able to record justification details in the event that duplicate IBANs are to be created As a next step, the following system control features for supplier data management will be added to oneUNOPS: • Justification for closure field • Automation of closure of resources — UNOPS personnel • Automation of closure of unused vendors after a given number of months • Justification for non-matching account holder/vendor name					

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			In short, the above-listed actions will certainly help to mitigate the risk of double payment, overpayment and excess payment.					
27	A/72/5/Add.11, chap. II, para. 30, 2016	The Board recommends that UNOPS establish a well-defined management reporting and monitoring structure and define the role of headquarters directors (practice leads) for each practice.	UNOPS considers the recommendation to have been implemented with the promulgation of Executive Office instruction EOI.ED.2018.01 on 22 February 2018.	The Board notes that EOI.ED.2017.02, on the organizational principles and governance model, and EOI.ED.2018.01, on organizational structure, which clearly define roles, have been promulgated. However, the Executive Office instructions on the delegation of authority and accountability have not yet been promulgated. Hence, the recommendation is considered to be under implementation.		X		
28	A/72/5/Add.11, chap. II, para. 36, 2016	The Board recommends that UNOPS review the role of Integrated Practice Advice and Support vis-á-vis the practice groups to enable the speedy implementation, where considered relevant by the practice, of advisories and solutions provided by Integrated Practice Advice and Support.	As part of the implementation of the governance, risk and compliance framework, the role of Integrated Practice Advice and Support and the Bangkok shared service centre (then the Corporate Support Practice Group) was reviewed vis-á-vis the practice groups, where the mandate of Integrated Practice Advice and Support was deepened and expanded by moving the category management functions and team from the practice groups to the Bangkok shared service centre and Integrated Practice Advice and Support. Moreover, and as recommended by the Board, the	The Board notes that, consequent to the implementation of the governance, risk and compliance framework with effect from 1 January 2018, the role of Integrated Practice Advice and Support has been restated and laid down clearly. Hence, the recommendation is considered to have been implemented.	X			

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			project management and infrastructure advisory was included in the remit of the Bangkok shared service centre and Integrated Practice Advice and Support. All of these changes were effective on 1 January 2018.					
29	A/72/5/Add.11, chap. II, para. 37, 2016	The Board also recommends that UNOPS assess the feasibility of including the project management sphere in the remit of Integrated Practice Advice and Support.	As part of the implementation of governance, risk and compliance, the role of Integrated Practice Advice and Support and the Bangkok shared service centre (then the Corporate Support Practice Group) was reviewed vis-á-vis the practice groups, where the mandate of Integrated Practice Advice and Support was deepened and expanded by moving the category management functions and team from the practice groups to the Bangkok shared service centre and Integrated Practice Advice and Support. Moreover, and as recommended by the Board, the project management and infrastructure advisory was included in the remit of the Bangkok shared service centre and Integrated Practice Advice and Support. All of these changes were effective on 1 January 2018.	The Board notes that, consequent to the implementation of the governance, risk and compliance framework as from 1 January 2018, the role of Integrated Practice Advice and Support has been restated and laid down clearly. Hence, the recommendation is considered to have been implemented.	X			
30	A/72/5/Add.11, chap. II, para. 44, 2016	The Board recommends that UNOPS consider establishing a financial disclosure policy for its personnel that is aligned with the financial disclosure policy of the United	The financial disclosure and conflict of interest programme for 2017 is now complete; the pilot is therefore over. The Ethics Office is reviewing the results of the pilot and will make	The Board notes the response of the Administration and considers recommendation to be under implementation.		X		

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		Nations Secretariat (as defined in ST/SGB/2006/6).	an appropriate recommendation to management. Management's decision on the Board's recommendation will be made by the target date, i.e., 30 June 2018.					
31	A/72/5/Add.11, chap. II, para. 50, 2016	The Board recommends that UNOPS ensure compliance with its administrative instruction on business continuity and disaster recovery planning at all its offices and components and include information technology assets, data and systems.	UNOPS is fully committed to ensuring compliance with all aspects outlined in the administrative instruction on business continuity and disaster recovery planning. All new offices are asked to provide a business continuity plan early on once the office is established, while other offices are tasked with revising their plans regularly. In addition, a new draft office instruction to replace the administrative instruction is currently in its final stages.	The Board notes that the drafting of a new office instruction on business continuity and disaster recovery planning is still in progress. Furthermore, the Board observes that certain offices do not yet have an updated business continuity and disaster recovery plan. Hence, the recommendation is considered to be under implementation.		X		
32	A/72/5/Add.11, chap. II, para. 58, 2016	The Board recommends that UNOPS review the performance of oneUNOPS to determine whether all the intended controls are in place and effectively working, whether the intended benefits of the new systems are being realized, and whether information system delivery components are adequately aligned with the intended business requirements, including management information reports.	Engagement is currently under way with a selected partner (Gartner), and we anticipate that the report will be finalized by May 2018.	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		
33	A/72/5/Add.11, chap. II, para. 68, 2016	The Board recommends that UNOPS review the procedures and practices for project closure and address the deficiencies that contribute to	Further to the promulgation of the operational directive on the management of UNOPS partners and resulting agreements on 13 October 2017, the Project	The Board notes that the Project Management Manual was issued by UNOPS in February 2018. As the procedures and	X			

No.	Document reference and audit report year(s)	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
		delay in the completion of the project closure process.	Management Manual was issued, along with the operational instruction on project management, on 22 February 2018. The project stages are specified in the operational instruction on project management, and the Project Management Manual specifies the steps, roles and responsibilities in the closure process. This is also reflected in the processes included in the UNOPS process and quality management system tool.	practices have been reviewed and action has been taken to streamline them, the recommendation is considered to have been implemented.				
34	A/72/5/Add.11, chap. II, para. 73, 2016	The Board recommends that UNOPS review its project management information system, along with the transition to oneUNOPS, so that centralized information on project status, including extensions and reasons for delayed implementation, are captured for better management oversight.	Further to the promulgation of the operational directive on the management of UNOPS partners and resulting agreements on 13 October 2017, the Project Management Manual was issued, along with the operational instruction on project management, on 22 February 2018. In addition, the operational instruction on the acceptance of engagement agreements was promulgated on 3 April 2018. It specifies that the engagement acceptance process is to be followed for all engagements and their associated amendments by the appropriate decision-making authority. In order to centralize the information about project status and enable better project management oversight, the development of an enterprise portfolio and project management system is being	The Board notes the progress made in this regard and that an enterprise portfolio and project management system is being developed to centralize the information about project status and enable better project management oversight. In view of the response of the Administration, the recommendation is considered to be under implementation.		X		

					Status after verification			
No.	*Document reference and audit report year(s)*	*Recommendation of the Board*	*Administration's response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
			contracted (with a supplier already having been selected) to systematize the Manual and integrate the engagement development, acceptance and assurance processes.					
35	A/72/5/Add.11, chap. II, para. 79, 2016	The Board recommends that UNOPS spell out its sustainability policy in the form of an operational directive to prioritize projects and programmes with higher contributions to sustainability.	UNOPS implemented the governance, risk and compliance framework on 1 January 2018. Under the operational directive on the management of UNOPS partners and resulting agreements, the organization has already promulgated operational instructions on: project management, the design review of infrastructure works, UNOPS works contracts, construction supervision and quality management. In addition, the operational instruction on project management is underpinned by the Project Management Manual and related processes included in the UNOPS process and quality management system tool. These operational instructions, along with the promulgated operational instructions on procurement procedures and safety and security management, integrate the contributions of UNOPS to its partners for sustainability results.	The Board notes that the operational directive (OD.EO.2017.02) on the management of UNOPS partners and resulting agreements states that UNOPS shall advance sustainable implementation practices as an integral part of the management of all relevant resulting agreements. Furthermore, the operational instruction (OI.IPMG.2018.01) on project management states that UNOPS shall strive to advance sustainable implementation practices in the management of all engagements and their related projects. In view of the above, the recommendation is considered to have been implemented.	X			
36	A/72/5/Add.11, chap. II, para. 80, 2016	The Board also recommends that UNOPS realign its business processes and delivery practices with its mandate of delivering sustainability and clearly lay	The UNOPS strategic plan for the period 2018–2021 clearly lays down priority service lines and key focus areas for the delivery of sustainable products and services to contribute	The Board notes that the new governance, risk and compliance framework has been rolled out and is in the process of being implemented. The Board	X			

No.	Document reference and audit report year(s)	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
		down priority service lines, key focus areas, activities, projects and partners for the delivery of sustainable products and services, so as to contribute towards helping countries achieve sustainable development.	towards helping countries achieve sustainable development. To support the implementation of the strategic plan, we have rolled out a revised governance, risk and compliance framework to simplify UNOPS and further empower managers. The framework introduces a revised structure that, inter alia, separates policy/control from operational functions (effective 1 January 2018). At the same time, we are simplifying our governance by significantly reducing the number of operational policies. The revision of the policy framework will be completed shortly. As a demand-driven organization, UNOPS responds to ever-evolving partner needs and requirements and adapts to the changing environments in which we operate. In this context, decisions on entering into new engagements take place during the engagement acceptance process, which is currently under review with a view to, inter alia, embedding sustainability considerations. In addition, UNOPS is revising its standards management framework for the acceptance and delivery of its projects to enhance environmental and social screening.	also notes that the strategic plan for the period 2018–2021 lays down sustainable implementation approaches. Hence, the recommendation is considered to have been implemented.				
37	A/72/5/Add.11, chap. II, para. 81, 2016	The Board further recommends that UNOPS build a portfolio management	The Project Management Manual was issued, along with the operational instruction on	The Board notes the progress made in this regard. The development		X		

No.	Document reference and audit report year(s)	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
		model to optimize the portfolio of delivery practices so as to ensure the maximization of sustainability considerations, as well as its own financial viability.	project management, on 22 February 2018. The development of an enterprise portfolio and project management system is being contracted (with a supplier already having been selected) to systematize the Manual and integrate engagement development, acceptance and assurance processes. The development of the system is expected to begin in April. This will enable better integration of organizational adherence to policies and principles.	of an enterprise portfolio and project management system is in progress, which will standardize procedures for results reporting at the output and outcome levels by capturing data through the business process, including sustainability parameters. Hence, the recommendation is considered to be under implementation.				
38	A/72/5/Add.11, chap. II, para. 87, 2016	The Board recommends that UNOPS establish and adopt a sustainability screening tool to screen projects against sustainability standards at the design stage, fixing sustainability targets and deliverables to facilitate the monitoring of progress during the life of a project.	UNOPS issued the Project Management Manual, along with the operational instruction on project management, on 22 February 2018. The Manual includes social and environmental screening aspects in line with the operational directive on occupational health and safety and social and environmental management, promulgated on 13 March 2017 and applicable to all advisory or implementation projects. In addition, better-defined project outputs are included in the newly drafted project initiation document template (currently in the trial stage). The Manual and related mandatory requirements will be further systemized through the development of an enterprise portfolio and project management system, which will integrate the engagement	The Board notes that the project initiation document template has been drafted and is currently in the trial stage. In addition, the systemization of the mandatory requirements set out in the Project Management Manual, through the development of an enterprise portfolio and project management system, is in progress. Hence, the recommendation is considered to be under implementation.		X		

No.	Document reference and audit report year(s)	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			development, acceptance and assurance processes. Those processes are specified in the operational instruction on the acceptance of engagement agreements, promulgated on 3 April 2018.					
39	A/72/5/Add.11, chap. II, para. 95, 2016	The Board recommends that UNOPS incorporate sustainability targets and deliverables into project initiation documents, for mandatory screening and monitoring, measurement and reporting of sustainability contributions at all stages of the project life cycle, from engagement acceptance, quarterly assurance and project progress reports to project closure reports.	UNOPS implemented the governance, risk and compliance framework on 1 January 2018. Under the operational directive on the management of UNOPS partners and resulting agreements, promulgated on 13 October 2017, the organization has already promulgated operational instructions on: project management, the design review of infrastructure works, UNOPS works contracts, construction supervision, quality management and the acceptance of engagement agreements. The Project Management Manual was issued, along with the operational instruction on project management, on 22 February 2018. The project initiation document template has been drafted and is currently in the trial stage.	The Board notes that the project initiation document template has been drafted and is currently in the trial stage. Hence, the recommendation is considered to be under implementation.		X		
40	A/72/5/Add.11, chap. II, para. 102, 2016	The Board recommends that UNOPS establish a standard procedure for sustainability results reporting at the output and outcome levels by capturing data through the business process, to be measured against predefined sustainability standard	The supplier for the enterprise portfolio project management system has already been selected. The development of the system is expected to begin in April 2018, with a first version to be released by October 2018. A workshop was conducted from 19 to 23 March 2018 on	The Board notes that the development of the enterprise portfolio project management system is in progress, which will standardize procedures for results reporting at the output and outcome levels by capturing data		X		

No.	Document reference and audit report year(s)	Recommendation of the Board	Administration's response	Board's assessment	Status after verification			
					Implemented	Under implementation	Not implemented	Overtaken by events
		indicators, targets and deliverables, and having the results validated through a verification mechanism.	requirements and prioritization with respect to integrating the engagement development, acceptance and assurance processes into one system. Data will be captured throughout the business process and systematically measured against predefined standard indicators, targets and deliverables to contribute to our partners' intended sustainable results.	throughout the business process, including sustainability parameters. Hence, the recommendation is considered to be under implementation.				
41	A/72/5/Add.11, chap. II, para. 106, 2016	The Board recommends UNOPS to bring out a time bound plan for mandatory adoption of project management toolkits across UNOPS.	The Project Management Manual was issued, along with the operational instruction on project management, on 22 February 2018. The development of an enterprise portfolio and project management system is to begin in April, with a first version to be released by August 2018. Furthermore, UNOPS is developing related online training as part of the roll-out strategy in support of the mandatory implementation of the Manual. A training-of-trainers session is planned for October 2018 to ensure the full compliance and understanding of project personnel with regard to the requirements set out in the Manual and the use of the system.	The Board notes that the development of the enterprise portfolio and project management system is in progress, which will standardize procedures for results reporting at the output and outcome levels by capturing data throughout the business process, including sustainability parameters. Hence, the recommendation is considered to be under implementation.		X		
42	A/72/5/Add.11, chap. II, para. 111, 2016	The Board recommends that UNOPS (a) develop a time-bound plan for covering all country offices under the environmental management system, in compliance with	A time-bound plan has been established. Uniform practices that are required have been promulgated in an Executive Office instruction and are being implemented at field offices	The Board notes that the Executive Office instruction on the implementation of three levels of requirements for health and safety and	X			

No.	Document reference and audit report year(s)	Recommendation of the Board	Administration's response	Board's assessment	Status after verification			
					Implemented	Under implementation	Not implemented	Overtaken by events
		ISO 14001 certification, in line with the commitment in the strategic plan for the period 2014–2017; (b) adopt uniform practice across all offices to deliver environmentally sustainable infrastructure until such time that all other offices are brought under the environmental management system adopted under the International Organization for Standardization ISO 14001 certification programme; and (c) augment human resources for the peer review system through the health, safety and environment subgroup.	under the direction of regional directors. One full-time resource and seven specialists on retainer contracts have been added to the health, safety and environment team at the head office.	social and environmental management (EOI.CSG.2017.01) was promulgated in September 2017. A time-bound plan has been established for covering all country offices under the ISO 14001-compliant environmental management system in line with the commitment in the strategic plan for the period 2014–2017. Manpower has also been augmented. Hence, the recommendation is considered to have been implemented.				
43	A/72/5/Add.11, chap. II, para. 115, 2016	The Board recommends that UNOPS prescribe appropriate methods for verifying and validating in order to ensure that the third parties and/or local contractors employing labourers for the implementation of UNOPS projects comply with the standards laid down in the policy for sustainable infrastructure.	UNOPS implemented the governance, risk and compliance framework on 1 January 2018. Under the operational directive on the management of UNOPS partners and resulting agreements, promulgated on 13 October 2017, the organization has promulgated operational instructions on UNOPS works contracts and construction supervision. Those operational instructions cover methods for verifying and validating third parties and/or local contractors to enforce contractually agreed conditions derived from the policy for sustainable infrastructure.	The Board notes that UNOPS has promulgated an operational directive on the management of partners and resulting agreements (OD.EO.2017.02) and operational instructions on construction supervision (OI.IPMG.2018.06) and works contracts (OI.IPMG.2018.07). However, the operational directive and the operational instructions do not lay down checks and validations to ensure that the third parties and/or local contractors employing labourers for the implementation of UNOPS projects comply			X	

No.	Document reference and audit report year(s)	Recommendation of the Board	Administration's response	Board's assessment	Status after verification			
					Implemented	Under implementation	Not implemented	Overtaken by events
				with the standards laid down in the policy for sustainable infrastructure. Hence, the recommendation is considered not to have been implemented.				
44	A/72/5/Add.11, chap. II, para. 120, 2016	The Board recommends that UNOPS take steps to establish a distinct innovation fund, as envisaged in the strategic plan for the period 2014–2017.	For the investment fund, UNOPS has established a dedicated cost centre (B3603 — CIF — corporate investment fund), together with a dedicated project (B3603-01 — unallocated investment pool). This project is receiving the currently unallocated balance in accordance with the annual budgeting process, against donor code 9005 (UNOPS investment projects). Any distribution of the funds to approved investment projects is also monitored through the unique donor code 9005. Thus, the implementation of investment fund-related activities can be tracked at any point in time. Therefore, UNOPS has established all the required elements to ensure that a dedicated account exists for identifying investment-related activities.	The Board notes that the distribution of the funds to approved investment projects is monitored through the unique donor code 9005, and that UNOPS has established a dedicated account for identifying investment-related activities. However, a reserve has not been created for that purpose and has yet to be approved by the Executive Director. Hence, the recommendation is considered to be under implementation.		X		
45	A/72/5/Add.11, chap. II, para. 128, 2016	The Board recommends that UNOPS, while finalizing its strategic plan for the period 2018–2021, consider aligning its long-term business strategies and delivery practices with the requirements of the	The UNOPS strategic plan for the period 2018–2021 clearly lays down priority service lines and key focus areas for the delivery of sustainable products and services to contribute towards helping countries achieve the Sustainable Development Goals. On	The Board notes that the strategic plan for the period 2018–2021 defines the strategy of UNOPS for the delivery of sustainable products and services. Hence, the recommendation is	X			

No.	Document reference and audit report year(s)	Recommendation of the Board	Administration's response	Board's assessment	Status after verification			
					Implemented	Under implementation	Not implemented	Overtaken by events
		Sustainable Development Goals.	11 September 2017, the Executive Board endorsed the strategic plan for the period 2018–2021, recognizing its solid foundation in Member State decisions, policy guidance and international agreements and the needs of people and countries. Consequently, management considers this recommendation to have been implemented.	considered to have been implemented.				
46	A/72/5/Add.11, chap. II, para. 137, 2016	The Board recommends that UNOPS integrate the lists of sanctioned vendors contained in other external vendor databases, such as the United Nations Global Marketplace, with oneUNOPS.	The project to integrate the United Nations Global Marketplace and oneUNOPS vendor databases was initiated by the Project Board (composed of directors and senior colleagues from relevant practices) on 7 December 2017. The project team has already developed the functional requirements document, and, as a next step, a Project Board meeting will be convened to obtain approval for moving into the next phase of the project: implementation. The exact timing of the implementation will be known at that stage, pending technical estimation from the Information and Communications Technology Operational Governance Panel.	The Board notes the progress made and considers the recommendation to be under implementation.		X		
47	A/72/5/Add.11, chap. II, para. 143, 2016	The Board recommends that UNOPS comply with its Procurement Manual in respect of observing the minimum number of days allowed for the submission of bids, in order to provide a vendor with a sufficient	A new functionality designed to ensure policy compliance has already been developed in the e-sourcing system. Through this functionality, the system detects the minimum tender period for the tender in compliance with policy (depending on the	The Board notes that this concern has been addressed in the e-sourcing platform. The use of the e-sourcing platform has been mandatory since 1 January 2018. Hence, the	X			

No.	Document reference and audit report year(s)	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
		number of days to prepare and submit a bid.	solicitation method, the type of requirement, whether the process is carried out under emergency procurement procedures, etc.) and does not allow the tender to be posted if the tender period given falls short of the specified minimum, unless a justification is provided and approved by the procurement authority in the system.	recommendation is considered to have been implemented.				
48	A/72/5/Add.11, chap. II, para. 148, 2016	The Board recommends that UNOPS ensure adherence to the provisions of the Procurement Manual related to the preselection of vendors and to the exception provisions under the financial regulations and rules.	UNOPS accepted the recommendation and has already implemented the following: • An updated Procurement Manual (revision 6) was issued in May 2017, with an effective date of 1 June 2017. A number of improvements were introduced, including further clarification regarding the provisions on preselection and exceptions (sect. 6.8). A global webinar was conducted in which all changes to the Manual were explained, including the clarification on preselection, and an additional webinar was carried out exclusively for members of contracts and property committees (which typically review preselection processes) • Preselection processes are covered in relevant UNOPS procurement training courses, including procurement operations training • The Procurement Group has reviewed minutes of meetings	The Board notes, from an examination of sample minutes of meetings of Headquarters contracts and property committees, that the issues raised have been deliberated in detail to ensure adherence. Furthermore, from time to time, tip sheets have been issued by Headquarters contracts and property committees providing guidelines/clarifications on various issues. In view of the action taken, the recommendation is considered to have been implemented.	X			

No.	Document reference and audit report year(s)	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			involving recent preselection processes reviewed by contracts and property committees, and they include a clear verification that the preselection process is being carried out in accordance with policy					
49	A/72/5/Add.11, chap. II, para. 153, 2016	The Board recommends that UNOPS make efforts to validate the best price available by way of a formal solicitation method, costing studies, market research and expert consultation, wherever feasible.	UNOPS accepted the recommendation and has already implemented the following: • An updated Procurement Manual (revision 6) was issued in May 2017, with an effective date of 1 June 2017. A number of improvements were introduced, including further clarification regarding the provisions regarding justification of the reasonableness of cost (sect. 8.7.1) making it mandatory when fewer than three substantially compliant offers have been received, and recommended in all other instances • Together with the launch of the revised Procurement Manual, a global webinar was conducted in which all changes to the Manual were explained, including the clarification regarding justification of the reasonableness of cost • The process of carrying out an assessment or validation of price is covered in relevant UNOPS procurement training courses, including	The Board notes, from an examination of sample minutes of meetings of Headquarters contracts and property committees, that the issues raised are deliberated in detail to ensure adherence. Furthermore, from time to time, tip sheets have been issued by Headquarters contracts and property committees providing guidelines/ clarifications on various issues. In view of the action taken, the recommendation is considered to have been implemented.	X			

No.	Document reference and audit report year(s)	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			procurement operations training • The Procurement Group has reviewed the minutes of meetings involving recent processes reviewed by members of contracts and property committees, which include detailed consideration of these issues					
50	A/72/5/Add.11, chap. II, para. 156, 2016	The Board recommends that UNOPS review its existing standard operating procedures relating to vendor database management to ensure that it has a strong system of checks with defined formats for data, data validation and alerts regarding duplicates in the oneUNOPS system, in order to enhance the quality of data sets.	Significant work has been undertaken to increase controls with regard to vendors in oneUNOPS. In the June 2017 release of oneUNOPS, the following validations were added or enhanced: • A new bank account validation process • Duplicate name • For personal vendor records, resource name and date of birth validation • Email address • A new payment flag for check-based vendors • A supplier clean-up committee was created, with participation by the Information and Communications Technology Group, the Finance Group, the Global Shared Service Centre, the Internal Audit and Investigations Group and the Bangkok shared service centre. This body has prioritized and monitored ongoing support for supplier data clean-up	The Board notes that validations have been added or enhanced in oneUNOPS. The Board also notes that a systematic review of vendor data has been undertaken and that a review of the supplier database and its clean-up are ongoing. Hence, the recommendation is considered to be under implementation.		X		

No.	Document reference and audit report year(s)	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			More recently, the following additional validations were introduced in the March release: • Bank account uniqueness validation in test (with a justification field for duplicates) • IBAN uniqueness validation in test (with a justification field for duplicates) • Email uniqueness validation in test (with a justification field for duplicates) In addition, colleagues in the Finance Group/Global Shared Service Centre have been undertaking a systematic review of vendor data and have closed more than 24,000 inactive vendors. Further enhancements will be ongoing, as vendor management will be continuously optimized. However, given the scope of the changes moved into production, the comprehensive review and the mass closure of 24,000 suppliers, support for automated mass updates and the creation of the supplier clean-up committee, which will monitor and support this task going forward, we assert that this observation has been addressed.					
51	A/72/5/Add.11, chap. II, para. 167, 2016	UNOPS agreed with the Board's recommendation that it finalize guidance on the conduct of background checks for new recruits.	For leadership positions, reference checks are being carried out; for all other positions, this process is currently under review. In addition, UNOPS is joining	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		

No.	Document reference and audit report year(s)	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			efforts with other United Nations entities to establish thematic lists for certain types of misconduct (e.g., sexual exploitation and abuse).					
52	A/72/5/Add.11, chap. II, para. 174, 2016	The Board recommends that UNOPS formulate policy directives and implementing instructions for the creation of an inclusive and accessible workplace for employees with disabilities.	Owing to other emerging high priorities (such as the implementation of a gender parity strategy), the deadline has been moved to the end of 2018. Note that this is among the responsibilities associated with the post of Diversity and Inclusion Specialist, for which recruitment is currently under way.	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		
53	A/72/5/Add.11, chap. II, para. 175, 2016	The Board further recommends that, as an enabling action towards making the organization more inclusive and accommodating towards people with disabilities, UNOPS endeavour to maintain data on employees with disabilities and complete an accessibility assessment of all its offices, digital platforms and processes, as a matter of priority.	Owing to other emerging high priorities (such as the implementation of a gender parity strategy), the deadline has been moved to the end of 2018. Note that this is among the responsibilities associated with the post of Diversity and Inclusion Specialist, for which recruitment is currently under way.	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		
54	A/72/5/Add.11, chap. II, para. 180, 2016	The Board recommends that UNOPS ensure the implementation of its policy regarding the booking of tickets at least seven days in advance of the travel date. Systems should be enabled to capture the data related to booking, to allow for better monitoring	The request for information was raised in the fourth quarter of 2017. The evaluation showed that seeking an alternative provider in the marketplace would not yield additional benefits with regard to travel planning. The current provider of UNOPS is, however, changing to a different system (Cytric Travel and Expense) by	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		

No.	Document reference and audit report year(s)	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			the second quarter of 2018. The initial presentation of the Cytric system showed it to be a better option for planning travel in advance. With the abolishment of operational directive No. 11 (revision 3), on travel policy, quarterly travel plans are no longer a requirement in UNOPS. Owing to the nature of UNOPS work, it is difficult to plan travel in advance; however, it is done whenever possible. For example, for all travel related to training, the list of participants must be shared with directors for endorsement at least four weeks in advance to facilitate planning and early booking of flights.					
55	A/72/5/Add.11, chap. II, para. 181, 2016	The Board further recommends that UNOPS ensure regular preparation of a quarterly travel plan as an enabling tool for effectively monitoring ad hoc official duty travel and making cost-effective flight reservations.	The request for information was raised in the fourth quarter of 2017. The evaluation showed that seeking an alternative provider in the marketplace would not yield additional benefits with regard to travel planning. The current provider of UNOPS is, however, changing to a different system (Cytric Travel and Expense) by the second quarter of 2018. The initial presentation of the Cytric system showed it to be a better option for planning travel in advance. With the abolishment of operational directive No. 11 (revision 3), on travel policy, quarterly travel plans are no longer a requirement in UNOPS. Owing to the nature of UNOPS work, it is difficult to plan travel	In view of the response of the Administration, the Board considers the recommendation to have been overtaken by events.				X

					Status after verification			
No.	*Document reference and audit report year(s)*	*Recommendation of the Board*	*Administration's response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
			in advance; however, it is done whenever possible. For example, for all travel related to training, the list of participants must be shared with directors for endorsement at least four weeks in advance to facilitate planning and early booking of flights.					
	Total				**15**	**36**	**3**	**1**
	Percentage				**27**	**66**	**5**	**2**

Chapter III
Financial report for the year ended 31 December 2017

A. Introduction

1. In accordance with the financial regulations and rules of the United Nations Office for Project Services (UNOPS), the Executive Director of UNOPS has certified the 2017 financial statements of the organization and is pleased to submit them to the Executive Board and the General Assembly, and to make them publicly available. The financial statements have been audited by the Board of Auditors, and its unqualified audit opinion and report are attached. Overall, UNOPS is financially robust and is continuing to make the necessary strategic investments in order to accomplish its strategic plan for 2018–2021.[8]

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

2. The UNOPS strategic plan for 2018–2021 focuses on implementation for impact, strengthening the capacities of the organization in its three main areas of delivery, namely, project management, infrastructure and procurement, with strategic emphasis on sustainability, focus and excellence.

3. In order to achieve those objectives, UNOPS continued to benchmark its organizational maturity against internationally recognized standards and best practices in use by public and private organizations.

4. Achievements during 2017 included:

(a) UNOPS continued to implement refinements to and additional features of its new enterprise resource planning system in 2017, including dedicated enterprise risk management functionality;

(b) The UNOPS e-sourcing system was scaled up to increase efficiency and transparency, generate data for decision-making and ensure consistency and compliance. The system became mandatory for all UNOPS procurement as at 1 January 2018;

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

(d) UNOPS maintained its global International Organization for Standardization (ISO) 9001 certification (quality management systems). In addition, UNOPS was assessed by the European Foundation for Quality Management, which awarded it a five-star silver rating on its global excellence index of best-performing organizations. Following a scope expansion and the issuance of a new institutional policy, UNOPS expanded its ISO 14001-certified environmental management system to cover its activities and facilities. In 2017, operations in Sierra Leone and Tunisia were certified, adding to existing certifications in Afghanistan, Denmark, Ghana, Kosovo, Myanmar, Sri Lanka and the State of Palestine;

(e) The same expanded institutional policy covers certifications in health and safety management systems — Occupational Health and Safety Assessment Series 18001 — which now applies to all UNOPS activities and facilities. In addition to

[8] As calibrated through Executive Board decision 2017/26.

certifications in Denmark, Kosovo, Myanmar and the State of Palestine, operations in Ghana were certified in 2017. This achievement forms the basis for UNOPS compliance with CEB/2015/HLCM/7/Rev.2, on the adoption of occupational safety and health systems in all United Nations system organizations;

(f) By the end of 2017, the implementation rate of audit recommendations stood at 92 per cent. Twelve of the recommendations had been open for more than 18 months. Details of UNOPS audit and investigation findings made in 2017 are available in the report of the UNOPS Ethics Office on its activities in 2017 (DP/OPS/2018/4).

C. Results of the United Nations Office for Project Services in 2017

Highlights

5. The mission of UNOPS is to help people build better lives and to help countries achieve sustainable development. UNOPS is a demand-driven and self-financing organization without any assessed contributions from Member States and relies on the revenue that it earns from the implementation of projects and the provision of high-quality transactional and advisory services.

6. In 2017, UNOPS supported the United Nations in addressing critical humanitarian emergencies, vital development initiatives, and peace and security priorities in such countries as Colombia, Myanmar, Somalia, the Syrian Arab Republic and Yemen. The year saw a rise in demand for UNOPS services, and for a second consecutive year UNOPS saw an increase in the implementation support provided directly to Governments, which now represents more than a third of the UNOPS portfolio. Across more than 80 countries, UNOPS-supported projects created more than 2.1 million days of paid work for local people. Women undertook more than 370,000 of these days of work. The infrastructure activities of UNOPS included work on more than 2,300 km of roads, 35 schools, 47 hospitals and 243 health clinics. Almost $540 million worth of procurement spending went to local suppliers, both lessening environmental impacts by reducing emissions, and directly supporting national economies. During the course of project implementation, more than 2.1 million days of paid work for local people were created through UNOPS projects in 2017, with 22 per cent of them undertaken by women. UNOPS provided more than 40,000 days of technical assistance to its partners, down from 50,000 in 2016. In addition, UNOPS helped to develop local capacity by supporting more than 8,500 training days. Approximately 57 per cent of all projects supported by UNOPS reported one or more activities that contributed to the development of national capacity, reflecting an increase compared with the 55 per cent reported for 2016. A full account is provided in the annual report of UNOPS (DP/OPS/2018/2).

7. The financial performance of UNOPS in 2017 can be summarized in the following headline figures:

(a) UNOPS maintained the value of the net services it delivered at $1,846.5 million. The amount comprised $741.9 million in respect of projects delivered on behalf of UNOPS and $1,104.6 million in respect of projects delivered on behalf of other organizations;

(b) The net surplus for the year was $29 million;

(c) The reserves at year-end stood at $158.6 million, exceeding the minimum threshold established by the Executive Board. This figure takes into account the impact of actuarial loss on post-employment benefits and fair value gains on financial instruments held as available for sale, amounting to $2.3 million and $0.407 million, respectively, recognized in the statement of changes in net assets.

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

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

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

(a) *Statement of financial position*. This statement shows the financial status of UNOPS as at 31 December 2017 by reporting the overall value of its assets and liabilities. It provides information about the extent to which resources are available for UNOPS to continue delivering partner services in the future;

(b) *Statement of financial performance*. This statement measures the net surplus or deficit as the difference between revenues and the corresponding expenses incurred. The net surplus or deficit is a useful measure of the overall financial performance of UNOPS and indicates whether the organization achieved its self-financing objective for the period;

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

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

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

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

Financial performance

11. In 2017, the net delivery of UNOPS services amounted to $1.8 billion, consisting of services delivered on behalf of UNOPS and services delivered on behalf of its partners. This reflects the total volume of resources handled by UNOPS during the period and represents an increase of approximately 25 per cent compared with the $1.4 billion in service delivery recorded in 2016.

12. In 2017, total revenue as reported in the statement of financial performance, representing the actual income attributable to UNOPS, amounted to $834 million, reflecting an increase of 5.6 per cent compared with 2016 ($789.9 million). The increase was due mainly to changes in the composition of delivery on behalf of UNOPS and on behalf of other organizations.

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

behalf of its partners, that is, by acting as an agent, only the net revenue is reported on the statement.

14. The difference between gross delivery and IPSAS revenue figures consists of $1,104.6 million in agency contracts, which are "pass-through" transactions, as explained in the notes to the statements. The table below provides a summary of revenue and expenses against the three core services of UNOPS: infrastructure, project management and procurement. The figures are derived from the financial statements that report the same IPSAS figures against the five principal activities (see note 16).

15. After deducting annual expenses and long-term employee liabilities charges, the net surplus for 2017 was $29 million, compared with the net surplus for 2016 of $31.3 million.

Revenue and expenses

(Millions of United States dollars)

	IPSAS revenue	*Add agency transactions*	*Total gross delivery*
Revenue			
Infrastructure	204.0	1.6	205.6
Project management	566.9	630.2	1 197.2
Procurement	60.7	472.7	533.4
Miscellaneous revenue	2.4	–	2.4
Non-exchange revenue	–	–	–
Total revenue	**834.0**	**1 104.6**	**1 938.6**

	IPSAS expenses	*Add agency transactions*	*Total gross expenses*
Expenses			
Infrastructure	(193.1)	(1.6)	(194.7)
Project management	(504.0)	(630.2)	(1 134.2)
Procurement	(44.8)	(472.7)	(517.5)
Total project expenses	**(741.9)**	**(1 104.6)**	**(1 846.5)**
Less: UNOPS administrative costs	(74.0)		(74.0)
Total expenses	**(815.9)**		**(1 920.4)**
Surplus from services	18.1		18.1
Add: net financial income	10.8		10.8
UNOPS 2017 surplus	**29.0**		**29.0**

United Nations Office for Project Services delivery and direct support

16. UNOPS delivery amounted to $1.8 billion in 2017, compared with $1.4 billion in 2016. It was thus a record year in terms of financial turnover. The growth can be attributed to an increase in government demand for UNOPS services, which almost doubled in 2017.

17. Direct support provided to Governments accounted for the largest increase in delivery value, accounting for $662 million, compared with $352 million in 2016.

The largest partnership with a host Government during 2017 was with Argentina, followed by Peru, Ethiopia, Honduras and El Salvador, in that order. Total direct support provided to Governments constituted 37 per cent of delivery, compared with 25 per cent in 2016. The largest donor Government to which UNOPS delivery can be directly attributed was that of the United Kingdom of Great Britain and Northern Ireland, followed by those of the United States of America, Canada, Japan and the Republic of Korea, in that order.

18. In 2017, 32 per cent of UNOPS delivery was on behalf of the United Nations system, down from 43 per cent in 2016. In real terms, this represented delivery of approximately $579 million, compared with $600 million in 2016. The largest United Nations partner was the Secretariat, most significantly the Department of Political Affairs, the Department of Peacekeeping Operations and the Department of Field Support, which together accounted for approximately $314 million. That delivery comprised the provision of support for the peace and security work of the United Nations Mine Action Service. Other 2017 trends among United Nations partners included a fifth consecutive year of increasing delivery on behalf of the Office of the United Nations High Commissioner for Refugees, which rose from $70 million in 2016 to $80 million in 2017. Other strong partnerships included support provided to the United Nations Environment Programme and the World Health Organization.

19. In 2017, the countries to which UNOPS delivered the most support were Myanmar, Argentina, Somalia, South Sudan and Mali, in that order. In 2016, they were Myanmar, Somalia, Mali, South Sudan and Afghanistan. A full account is provided in the annual report of UNOPS (DP/OPS/2018/2).

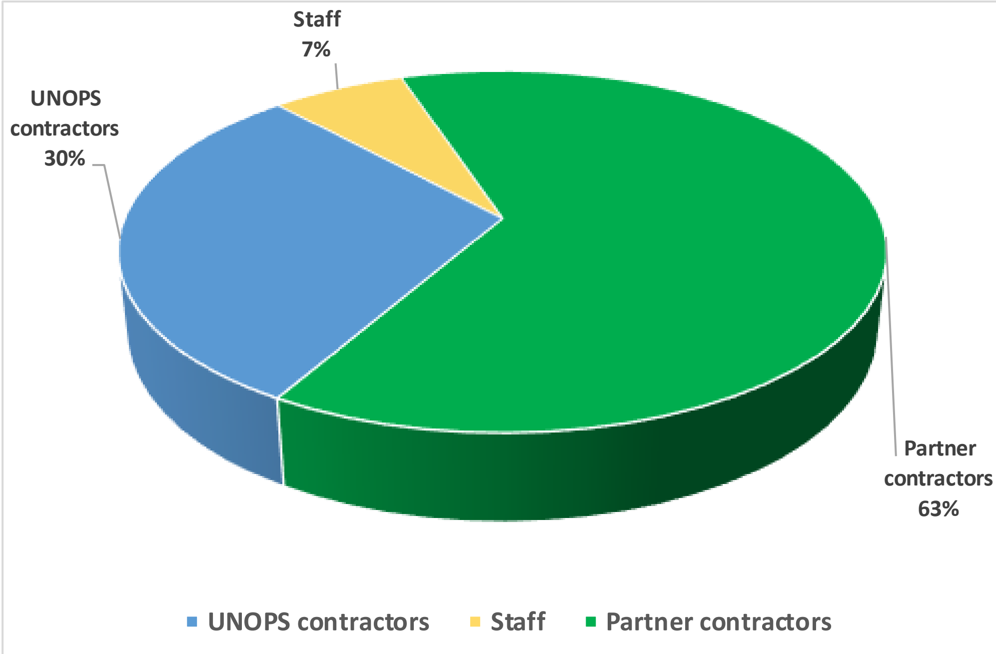
Assets and liabilities

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

Personnel and employee benefits

21. UNOPS has a highly skilled and engaged workforce. At the end of 2017, the number of individuals on UNOPS contracts stood at 11,428, up from 10,978 in 2016. Of those individuals, 766 were staff and 10,662 had individual contractor agreements. UNOPS administers personnel contracts on behalf of a range of partners. In 2017, 7,249 of the total number of individual contractors were partner personnel. This is illustrated in the figure below.

Status and deployment of individuals on UNOPS contracts



Source: UNOPS People and Change Practice Group.

22. A survey of UNOPS personnel revealed engagement levels that exceeded internationally recognized benchmarks for high-performing organizations. Out of more than 3,100 responses (reflecting a response rate of 82 per cent), 83 per cent were favourable, indicating high levels of engagement and intent to stay in the organization.

23. In 2017, UNOPS established a dedicated panel composed of senior managers across all regions to advise on gender equality in the workforce, covering such areas as recruitment, professional development, inclusive leadership and accountability. Following a consultative process, recommendations from the panel formed the basis of a gender parity strategy to be implemented as from 2018. The three goals of the strategy will be updated annually in reports to the Executive Board.

24. In 2017, 87 members of UNOPS senior management in countries where the organization maintains physical offices were nationals of the duty station country, representing 17 per cent of the total number of 552. In the previous year, 84 senior managers out of a total of 491 were nationals of the duty station country, representing 18 per cent of the total number (senior management is defined as staff employed at grade ICS-11 and above). In 2017, 2,676 UNOPS personnel were based at hardship duty stations (locations rated B to E on the International Civil Service Commission hardship scale). Of those personnel, 1,195 were based in locations rated E.

25. More than 2,100 colleagues benefited from UNOPS learning opportunities in 2017. Eighty-one per cent of participants rated learning opportunities as “extremely relevant” or “very relevant” to their work. Forty-six per cent of participants were women, and 85 per cent were based in field locations. To strengthen health and safety capacity, UNOPS provided training in related disciplines for 248 personnel, 64 of whom obtained certifications from the Institution of Occupational Safety and Health. In addition to mandatory courses on gender awareness and the prevention of harassment, sexual harassment, and abuse of authority in the workplace, more than 571 received anti-corruption training.

26. As at 31 December 2017, the liability to fund after-service health-care and end-of-service benefits for qualifying staff members stood at $84.0 million. This liability was independently estimated by an actuarial firm. The details of the calculations are contained in note 12. While this amount represents the best estimate of the liability of UNOPS, it remains subject to a degree of uncertainty, which is reported in the sensitivity analysis. In recognition of this uncertainty, the actuarial assumptions will be kept under review and the estimate of the liability will be updated on an annual basis.

Financial position at the end of 2017

27. As at 31 December 2017, UNOPS had assets of $1,996.5 million, which more than covered liabilities of $1,837.8 million, leaving net assets of $158.6 million.

28. The most significant assets were cash and investments, which amounted to $1,872.6 million at the end of 2017, compared with $1,534.8 million at the end of 2016.

29. About 78 per cent of UNOPS cash and investments reflect contributions that have been received in advance from partners towards the cost of the implementation of the projects. The strong cash position of UNOPS demonstrates that it can continue to fund a similar portfolio of future programmes of work with its partners.

Operational reserves

30. As at 31 December 2017, after an allowance had been made for all known liabilities, the operational reserves held by UNOPS stood at $158.6 million. Significantly, a $2.3 million actuarial loss pertaining to the valuation of employee benefits at year-end as well as a $0.407 million fair value gain on available-for-sale financial instruments were recognized and have increased the total reserves.

31. On the basis of the minimum operational reserve requirement calculation basis approved by the Executive Board in September 2013, UNOPS was required to maintain, at a minimum, $20.7 million in operational reserves as at 31 December 2017. This is based on the requirement to maintain four months of the average actual management expenses of the previous three years.

Liquidity

32. The statement of cash flows shows that cash and cash equivalents held by UNOPS increased by $36.7 million during 2017. UNOPS continues to retain a strong working capital position.

Budget outcome

33. IPSAS requires the preparation of a statement of comparison of budget and actual amounts. The statement reports actual revenue and expenses against the Executive Board-approved management budget covering UNOPS administrative costs for the biennium 2016–2017.

34. For 2017, the overall budgetary outcome was positive, with UNOPS achieving a surplus of $18.1 million from its delivery of services, with an additional $10.8 million in finance income. The UNOPS net revenue from management fees, reimbursable services and advisory income totalled $85.9 million in 2017, representing an increase of 3 per cent compared with the budgeted target of $83.7 million.

D. System of internal control and its effectiveness

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

Main elements of the system of internal control

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

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

38. As part of the continuous risk management process, UNOPS has implemented a mandatory infrastructure design review process when to be carried out when it is involved in the construction of buildings and other infrastructures. The UNOPS Design Planning Manual for Buildings and the manual covering transport-related infrastructures were issued in 2015, together with related guidance materials. These will assist in mitigating UNOPS exposure to infrastructure-related risks.

Effectiveness of the system of internal control

39. The UNOPS system of internal control is a continuous process designed to guide, manage and monitor UNOPS core activities. As a result, the system can only provide a reasonable, and not absolute, assurance of effectiveness. Similarly, risks can never be entirely eliminated; however, internal controls help to reduce the likelihood of failure in achieving the expected results and objectives. The Executive Director has therefore reviewed the effectiveness of the system, as reinforced by the UNOPS risk management processes. The review was informed by regular meetings of the Executive Director with major elements of the governance arrangements, including the Executive Board, the Strategy and Audit Advisory Committee, the Audit Advisory Subcommittee, the Director of the Internal Audit and Investigations Group, the Ethics Officer, the Legislative Framework Committee and the Board of Auditors. She also took into account the views of senior managers and staff at Headquarters and

in the field, as well as those of partners and key stakeholders. On the basis of her review, she provided a reasonable, but not absolute, assurance of the effectiveness of the internal control system and confirmed that she was not aware of any significant issues.

40. In 2016, UNOPS implemented a new enterprise resource planning system, designed to better integrate operational processes and systems. This new system increases the quality of information for management decision-making and enables UNOPS to provide more efficient operational support to partners. The system is a vital element of the continued efforts to optimize UNOPS risk management systems and systematically reinforce internal controls, segregation of duties and compliance. The enterprise resource planning system went live on 1 January 2016. UNOPS continued to implement refinements to and additional features of its new enterprise resource planning system in 2017, including a dedicated enterprise risk management functionality.

E. Looking ahead

Strategic plan for 2018–2021

41. The Executive Board endorsed the UNOPS strategic plan, 2018–2021,[9] at its second regular session, in September 2017. The plan builds on the UNOPS midterm review and was developed after extensive consultation with UNOPS stakeholders. In its decision 2017/26, the Board recognized the plan’s solid foundation in Member State decisions, policy guidance and international agreements and the needs of people and countries, including in the most fragile situations. The ambitions of UNOPS for the planning period are structured around three strategic contribution goals: (a) to enable partners through efficient management support services; (b) to help people through effective specialized expertise; and (c) to support countries in expanding the pool and effect of resources. These in turn are supported by four management goals. The Board expressed support for the strategic goals of UNOPS and appreciation for its intent to engage more strategically with Governments and other partners. In September 2020, the midterm review of the UNOPS strategic plan, 2018–2021, will be presented to the Board.

UNOPS financial viability

42. The UNOPS finance team has assessed the capability and resilience of UNOPS to continue operating at its current level of activity throughout 2018.

[9] DP/OPS/2017/5.

Chapter IV

Financial statements for the period ended 31 December 2017

United Nations Office for Project Services

I. Statement of financial position as at 31 December 2017

(Thousands of United States dollars)

	Reference	*31 December 2017*	*31 December 2016*
Assets			
Non-current assets			
Intangible assets	Note 6	2 594	2 270
Property, plant and equipment	Note 5	10 734	10 635
Long-term investments	Note 9	201 217	1 122 613
Total non-current assets		**214 545**	**1 135 518**
Current assets			
Inventories	Note 7	6 833	5 343
Accounts receivable	Note 10		
Project accounts receivable		48 331	37 168
Prepayments		42 908	35 638
Other accounts receivable		12 478	10 967
Short-term investments	Note 9	1 235 261	12 764
Cash and cash equivalents	Note 11	436 118	399 373
Total current assets		**1 781 929**	**501 253**
Total assets		**1 996 474**	**1 636 771**
Liabilities			
Non-current liabilities			
Employee benefits	Note 12	84 019	77 430
Total non-current liabilities		**84 019**	**77 430**
Current liabilities			
Employee benefits	Note 12	21 727	20 290
Accounts payable and accruals	Note 13	268 459	131 950
Project cash advances received	Note 14		
Deferred revenue		824 835	709 812
Cash held as agent		634 885	561 807
Short-term provisions	Note 19	3 909	3 896
Total current liabilities		**1 753 815**	**1 427 755**
Total liabilities		**1 837 834**	**1 505 185**
Net assets		**158 640**	**131 586**
Reserves			
Operational reserves	Note 15	158 640	131 586
Total liabilities and reserves		**1 996 474**	**1 636 771**

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

United Nations Office for Project Services

II. Statement of financial performance for the period ended 31 December 2017

(Thousands of United States dollars)

	Reference	*31 December 2017*	*31 December 2016*
Revenue	Note 16		
Revenue from project activities		831 630	787 807
Miscellaneous revenue		2 374	2 127
Non-exchange revenue		–	–
Total revenue		**834 004**	**789 934**
Expenses			
Contractual services	Note 16	331 997	268 666
Other personnel costs — other personnel	Note 17	195 621	188 008
Salaries and other benefits — staff	Note 17	125 670	131 317
Operational costs	Note 16	67 011	70 122
Supplies and consumables		64 862	78 853
Travel		31 212	29 678
Other expenses	Note 16	(4 498)	(882)
Depreciation on property, plant and equipment	Note 5	3 414	3 599
Amortization of intangible assets	Note 6	566	512
Total expenses		**815 855**	**769 873**
Finance income	Note 18	14 555	13 109
Foreign exchange gains/(losses)	Note 18	(3 738)	(1 890)
Net finance income		**10 817**	**11 219**
Surplus for the period		**28 966**	**31 280**

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

United Nations Office for Project Services

III. Statement of changes in net assets for the period ended 31 December 2017

(Thousands of United States dollars)

	Reference	
Opening balance as at 1 January 2016	Note 15	**99 191**
Actuarial gains/(losses) for the period		(2 034)
Increase in fair value reserve		3 149
Surplus for the period		31 280
Opening balance on 1 January 2017	Note 15	**131 586**
Actuarial gains/(losses) for the period		(2 319)
Increase in fair value reserve		407
Surplus for the period		28 966
Closing balance as at 31 December 2017	Note 15	**158 640**

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

United Nations Office for Project Services

IV. Statement of cash flows for the period ended 31 December 2017

(Thousands of United States dollars)

	Reference	*31 December 2017*	*31 December 2016*
Cash flows from operating activities			
Surplus for the financial period		28 966	31 280
Non-cash movements:			
Amortization of intangible assets	Note 6	566	512
Depreciation of property	Note 5	3 414	3 599
Finance income	Note 18	(14 555)	(13 109)
Foreign exchange gains/losses	Note 18	3 738	1 890
Net surplus before changes in working capital		**22 129**	**24 172**
Changes in working capital			
Increase/(decrease) in provision for doubtful debts	Note 10	902	96
Decrease/(increase) in inventories	Note 7	(1 490)	(2 713)
Decrease/(increase) in accounts receivable	Note 10	(13 576)	(26 452)
Decrease/(increase) in prepayments	Note 10	(7 270)	(27 513)
Decrease/(increase) in employee benefits (net of actuarial gains)	Note 12	5 707	6 618
Increase/(decrease) in accounts payable and accruals	Note 13	136 509	(43 792)
Increase/(decrease) in project cash advances received	Note 14	188 101	222 155
Increase/(decrease) in short-term provisions	Note 19	13	(7 318)
Cash flow impact on changes in working capital		**308 896**	**121 081**
Finance income received on cash and cash equivalents	Note 18	4	24
Net cash flows from operating activities		**331 029**	**145 277**
Cash flows from investing activities			
Acquisitions of intangible assets — net	Note 6	(890)	(68)
Acquisitions of property, plant and equipment — net	Note 5	(3 513)	(1 605)
Proceeds from maturity of investments	Note 9	1 826 891	1 692 646
Purchase of investments	Note 9	(2 123 157)	(1 806 696)
Interest income received on investments	Note 18	24 553	20 494
Interest allocated to projects	Note 18	(14 431)	(11 472)
Net cash flows from investing activities		**(290 547)**	**(106 701)**
Add: foreign exchange gains/losses	Note 18	(3 738)	(1 890)
Net increase in cash and cash equivalents		**36 744**	**36 686**
Cash and cash equivalents at the beginning of the period		**399 373**	**362 687**
Cash and cash equivalents at the end of the period		**436 118**	**399 373**

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

United Nations Office for Project Services

V. Statement of comparison of budget and actual amounts for the period ended 31 December 2017

(Thousands of United States dollars)

	Reference	*Biennial 2016–2017 management budget*[a] *Original*	*2017 management budget* *Original*	*2017 management budget* *Final*	*2017 actual amounts* *Actuals*	*Difference between final budget and actuals*
Total revenue for the period	Note 22	**138 700**	**69 350**	**83 700**	**85 971**	**2 271**
Expenses						
Posts		35 100	17 550	13 339	12 483	(856)
Common staff costs		20 500	10 250	7 790	9 264	1 474
Travel		8 800	4 400	4 506	4 557	51
Consultants		43 000	21 500	33 827	32 094	(1 733)
Operating expenses		13 700	6 850	13 623	12 952	(671)
Furniture and equipment		2 200	1 100	397	320	(77)
Reimbursements		2 300	1 150	940	746	(194)
Provisions		13 100	6 550	–	(4 594)	(4 594)
Total expenses for the period		**138 700**	**69 350**	**74 422**	**67 822**	**(6 600)**
Net finance income/cost		–	–	–	10 817	10 817
Surplus/(deficit) for the period		**–**	**–**	**9 278**	**28 966**	**19 688**

[a] DP/OPS/2015/5.

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

United Nations Office for Project Services
Notes to the financial statements

Note 1
Reporting entity

1. The mission of UNOPS is to expand the capacity of the United Nations system and its partners to implement peacebuilding, humanitarian and development operations that matter for people in need. UNOPS is a self-financing organization, without any assessed contributions from Member States, and relies on the revenue that it earns from project implementation and other services. UNOPS was established as an independent entity on 1 January 1995; its headquarters is located in Copenhagen.

2. UNOPS activities and its management budget are set by its Executive Board. The UNOPS mandate, reconfirmed by the Board in 2010, is to act as a service provider for various actors in the development, humanitarian and peacekeeping arenas, including the United Nations, the agencies, funds and programmes of the United Nations system, donor and recipient Governments, intergovernmental organizations, international and regional financial institutions, non-governmental organizations, foundations and the private sector. The role of UNOPS is to be a central resource for the United Nations system in procurement and contract management, as well as in civil works and physical infrastructure development, including the relevant capacity development activities. UNOPS delivers value added contributions by providing efficient, cost-effective services to development partners in the areas of project management, human resources, financial management and common/shared services. UNOPS follows a results-oriented approach to the services that it provides. It launches and implements new project operations quickly, transparently and in a fully accountable manner. UNOPS customizes its services to individual partners' needs, offering everything from stand-alone solutions to long-term project management. Services include:

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

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

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

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

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

Note 2
Basis for preparation

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

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

6. These financial statements are prepared on an accrual basis and cover the period from 1 January to 31 December 2017.

7. There are currently no exposure drafts or standards issued by the IPSAS Board which have any bearing on the financial statements and disclosures of UNOPS for the period ended 31 December 2017.

Note 3
Summary of significant accounting policies

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

(a) Project accounting

9. IPSAS 9: Revenue from exchange transactions distinguishes between a contract where UNOPS acts as a principal and a contract where UNOPS acts as an agent. Therefore, revenue from a project in which UNOPS acts as a principal is recognized in full on the statement of financial performance, while in the case of projects in which UNOPS operates as an agent on behalf of its partners, only the net revenue is reported on the statement of financial performance. Additional information on these agency transactions is provided in note 16. Regardless of the status of UNOPS as principal or agent, all project-related receivables and payables are recognized in the statement of financial position at period-end and reflected in the statement of cash flows. In particular, where UNOPS receives amounts in advance from partners, the excess of cash received over costs and expenses incurred is treated as project cash advances received and reported as a liability; for projects in which the costs incurred exceed the cash received from the client, the balance is reported as a receivable.

(b) Functional and presentation currency

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

(c) Financial instruments

11. On 1 January 2016, UNOPS made a change in its accounting policy on investments from “held to maturity” to “available for sale”. Initial recognition of assets is measured at fair value plus transaction costs that are directly attributable to their acquisition. An increase or decrease in the principal on United States Treasury inflation-protected securities is recognized through surplus or deficit in the statement of financial performance. For other available-for-sale instruments, their fair value is used for subsequent measurement on the basis of quoted market prices obtained from knowledgeable third parties, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in net assets/equity shall be recognized in surplus or deficit. UNOPS holds its investments in three different portfolios, and the types of securities held in them vary, as indicated below:

(a) Working capital (relates to contributions received against projects): 100 per cent of nominal United States Treasury bonds (with an allowable allocation of 20 per cent to supranational, sovereign and agency debt);

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

(c) After-service health insurance (relates to post-employment benefits): United States Treasury inflation-protected securities and United States dollar investment-grade corporate bonds.

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

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

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

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

(d) Property, plant and equipment

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

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

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

Table 1
Depreciation of property, plant and equipment

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

(e) Intangible assets

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

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

Table 2
Amortization of intangible assets

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

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

(f) Inventories

22. Bulk raw materials purchased in advance for the implementation of projects and supplies on hand at the end of the financial period are recorded as inventories. The inventories are valued at the lower of cost and net realizable value. Cost is estimated using the “first in, first out” method.

(g) Leases

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

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

(h) Employee benefits

25. UNOPS recognizes the following categories of employee benefits:

(a) Short-term employee benefits due to be settled within 12 months after the end of the accounting period in which employees render the related service;

(b) Post-employment benefits;

(c) Other long-term employee benefits;

(d) Termination indemnity.

Short-term employee benefits

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

Post-employment benefits

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

28. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. UNOPS and the Pension Fund, in line with the other organizations participating in the Fund, are not in a position to identify the proportionate share of UNOPS of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNOPS has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. The actuarial valuations are carried out using the projected unit credit method. UNOPS recognizes actuarial gains and losses in the period in which they occur directly in net assets/equity.

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

Other long-term employee benefits

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

Termination benefits

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

(i) Provisions and contingencies

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

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

(j) Revenue

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

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

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

(k) Expenses

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

(l) Taxation

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

(m) Net assets/equity

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

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

(n) Segment reporting

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

(o) Budget comparison

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

amended by the Board or through the exercise of delegated authority by the Executive Director to redeploy funds within the approved biennial administrative budget, as well as to increase or reduce funds, provided that the net revenue target for the biennium as established by the Board remains unchanged.

43. The budget and financial statements of UNOPS are prepared on an accrual basis. In the statement of financial performance, expenses are classified according to their nature. In the approved management budget, expenses are classified by cost components or the source of funding against which the expenses will be charged. As required under IPSAS 24: Presentation of budget information in financial statements, the approved budget is reconciled with the actual amounts presented in the financial statements, quantifying differences in accounting bases and classification.

(p) Critical accounting estimates and judgments

44. The preparation of financial statements in accordance with IPSAS necessarily includes the use of accounting estimates, management assumptions and judgment. The areas where estimates, assumptions or judgment are significant to UNOPS financial statements include, but are not limited to, post-employment benefit obligations; provisions; and revenue recognition. Actual results could differ from the amounts estimated in these financial statements.

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

Post-employment benefits and other long-term employee benefits

46. The present value of the employee benefits obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Actuarial assumptions are established to anticipate future events and are used in calculating post-employment benefits and other long-term employee benefits. Note 12 records the assumptions made during the calculation and a sensitivity analysis of the assumptions.

Provisions

47. Significant judgment is required in the estimation of present obligations that arise from past events, including legal claims and onerous contracts. These judgments are based on prior UNOPS experience with such issues and are the best current estimate of the liability. Management believes that the total provisions for legal matters are adequate, on the basis of currently available information. Additional information is disclosed in notes 19 and 20.

Allowances for doubtful accounts receivable

48. UNOPS has provisions for doubtful receivables, which are detailed in note 10. Such estimates are based on analysis of ageing of customer balances, specific credit circumstances, and historical trends and UNOPS experience, also taking into account economic conditions. Management believes that the impairment allowances for these doubtful debts are adequate, on the basis of currently available information. As these doubtful debt allowances are based on management estimates, they may be subject to change as better information becomes available.

Revenue recognition

49. Revenue from exchange transactions is measured according to the stage of completion of the contract. The measurement requires an estimate of costs incurred

but not yet paid for, and total project costs. The estimates are prepared by technically qualified staff and advisers, which reduces, but does not eliminate, uncertainty.

Note 4
Financial risk management

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

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

52. The principal objectives of the investment guidelines are:

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

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

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

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

(a) Preservation of capital is the primary objective;

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

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

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

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

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

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

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

Currency risk

55. UNOPS receives contributions from funding sources and clients in currencies other than the United States dollar and is therefore exposed to foreign currency exchange risk arising from fluctuations in currency exchange rates. UNOPS also makes payments in currencies other than the United States dollar. The main foreign currency exposure is with regard to the euro, owing to partner reporting requirements.

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

57. The table below shows, as at 31 December 2017, the impact on surplus of the year if the major currencies weakened/strengthened by 10 per cent, which is management's upper estimate of possible movements in the exchange rates against the United States dollar, with all other variables held constant.

Table 3
Impact of currency risk on surplus

	EUR	*ARS*	*RSD*	*XOF*	*XCD*	*COP*	*ILS*	*MMK*	*HNL*	*NPR*
+10 per cent	11 176	1 116	951	357	271	163	153	(205)	(253)	(374)
-10 per cent	(11 176)	(1 116)	(951)	(357)	(271)	(163)	(153)	205	253	374

Abbreviations: ARS, Argentine peso; COP, Colombian peso; EUR, euro; HNL, Honduran lempira; ILS, new Israeli shekel; MMK, Myanmar kyat; NPR, Nepalese rupee; RSD, Serbian dinar; XCD, East Caribbean dollar; XOF, CFA Franc.

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

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

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

Credit risk

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

62. UNOPS investment guidelines limit the amount of credit exposure to any one counterparty and include minimum credit quality requirements. The credit risk mitigation strategies set out in the guidelines include conservative minimum credit criteria of investment grade for all issuers with maturity and counterparty limits by credit rating. The investment guidelines require continuing monitoring of issuer and

counterparty credit ratings. Permissible investments are limited to fixed-income instruments of sovereign, supranational, governmental or federal agencies and banks.

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

Interest rate risk

64. UNOPS is exposed to interest rate risk on its interest-bearing assets. The average duration risk in the working capital portfolio is circa 0.47. The UNOPS Investment Committee regularly monitors the rate of return on the investment portfolio compared with the benchmarks specified in the investment guidelines.

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

Liquidity risk

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

Note 5
Property, plant and equipment

67. At 31 December 2017, the net book value of UNOPS property, plant and equipment was $10.7 million. UNOPS also held $45.8 million ($56.0 million in 2016) worth of assets as a custodian under service concession arrangements.

68. The table below summarizes property, plant and equipment held by UNOPS as at 31 December 2017 under each of the classes mentioned in note 3.

Table 4
Property, plant and equipment by class
(Thousands of United States dollars)

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

Table 5
Property, plant and equipment by class — 2016 comparatives
(Thousands of United States dollars)

	Administrative budget	*Project*	*Total*
Vehicles	1 159	3 375	4 533
Land and buildings	2 574	92	2 666

	Administrative budget	*Project*	*Total*
Plant and equipment	490	821	1 311
Communications and information technology equipment	994	218	1 212
Leasehold improvements	260	354	614
Net carrying amounts as at 31 December 2016	**5 477**	**4 860**	**10 337**

69. As at 31 December 2017, there were no assets in transit (2016: $0.298 million).

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

Table 6
Movement in property, plant and equipment

(Thousands of United States dollars)

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

Note 6
Intangible assets

Table 7
Intangible assets

(Thousands of United States dollars)

	Internally generated computer software	*Other computer software*	*Intangible assets under construction*	*Total*
Gross carrying amounts as at 1 January 2017	**2 756**	**294**	**–**	**3 050**
Additions	506	53	–	559
Cost adjustments	348	–	–	348
Disposals	–	(87)	–	(87)

	Internally generated computer software	*Other computer software*	*Intangible assets under construction*	*Total*
Gross carrying amounts as at 31 December 2017	**3 610**	**260**	**–**	**3 870**
Accumulated amortization and impairment as at 1 January 2017	(546)	(234)	–	(780)
Amortization	(530)	(36)	–	(566)
Removal of amortization on asset disposal	–	70	–	70
Accumulated amortization and impairment as at 31 December 2017	**(1 076)**	**(200)**	**–**	**(1 276)**
Net carrying amounts as at 31 December 2017	**2 534**	**60**	**–**	**2 594**

Table 8
Intangible assets — 2016 comparatives
(Thousands of United States dollars)

	Internally generated computer software	*Other computer software*	*Intangible assets under construction*	*Total*
Gross carrying amounts as at 1 January 2016	**147**	**226**	**2 609**	**2 982**
Additions	2 609	68	(2 609)	68
Disposals	–	–	–	–
Gross carrying amounts as at 31 December 2016	**2 756**	**294**	**–**	**3 050**
Accumulated amortization and impairment as at 1 January 2016	(87)	(181)	–	(268)
Amortization	(459)	(53)	–	(512)
Removal of amortization on asset disposal	–	–	–	–
Accumulated amortization and impairment as at 31 December 2016	**(546)**	**(234)**	**–**	**(780)**
Net carrying amounts as at 31 December 2016	**2 210**	**60**	**–**	**2 270**

71. The gross carrying value of intangible assets amounted to $2.6 million at year-end, which includes internally developed computer software, other computer software (acquired) and intangible assets under construction.

72. Internally developed software relates to the development of the UNOPS management workspace, which creates a unified reporting platform for all business areas (including finance, human resources, procurement, project management, and results and performance management) and the development cost of phase 1 of oneUNOPS, which was launched on 1 January 2016.

Note 7
Inventories

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

Table 9
Inventories

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Inventories	6 833	5 343

Table 10
UNOPS offices holding inventories

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Afghanistan	14	35
Democratic Republic of the Congo	–	156
Haiti	3	11
Indonesia	22	–
Kenya	7	–
Peace and Security Cluster	6 787	4 773
Senegal	–	11
Sierra Leone	–	343
Sri Lanka	–	14
Total	**6 833**	**5 343**

Note 8
Financial instruments

Table 11
Financial assets

(Thousands of United States dollars)

	31 December 2017				*31 December 2016*			
	Cash and cash equivalents	*Loans and receivables*	*Available-for-sale investments*	*Total*	*Cash and cash equivalents*	*Loans and receivables*	*Available-for-sale investments*	*Total*
Investments (note 9)	–	–	1 436 478	1 436 478	–	–	1 135 377	1 135 377
Accounts receivable, excluding prepayments (note 10)	–	60 809	–	60 809	–	48 135	–	48 135
Cash and cash equivalents (note 11)	436 118	–	–	436 118	399 373	–	–	399 373
Total	**436 118**	**60 809**	**1 436 478**	**1 933 405**	**399 373**	**48 135**	**1 135 377**	**1 582 885**

Table 12
Financial liabilities at amortized cost
(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Accounts payable and accruals (note 13)	268 459	131 950
Cash held by UNOPS as agent (note 14)	634 885	561 807
Total	**903 344**	**693 757**

Note 9
Investments

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

75. The portfolio is composed as follows:

Table 13
Investment portfolio
(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Long-term investments	201 217	1 122 613
Short-term investments	1 235 261	12 764
Cash and cash equivalents — money market funds and time deposits	299 808	195 293
Total	**1 736 286**	**1 330 670**

Table 14
Fair value levels
(Thousands of United States dollars)

	Level 1	*Level 2*	*Level 3*	*Total*
Available-for-sale financial assets	–	1 436 478	–	1 436 478

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

76. The money market funds and time deposits are classified under cash equivalents, of which $280 million is managed by the UNOPS treasury and $19 million by an external investment manager.

77. The risk appetite of UNOPS was reviewed in 2017, resulting in a change to the working capital asset allocation to lower risk and volatility. As a result, a significant proportion of the asset allocation was changed from United States Treasury inflation-protected securities and United States corporate debt with long-term maturities (greater than a year) to United States Treasuries with maturities of less than a year. The movements in short- and long-term investments for the period are as follows:

Table 15
Movements in investments
(Thousands of United States dollars)

	2017	*2016*
Opening balance as at 1 January	**1 135 377**	**1 014 115**
Additions (purchases of investments)	2 123 157	1 806 696
Disposals (proceeds from maturity of investments)	(1 826 892)	(1 692 646)
Recognition of amortized costs	4 429	4 063
Fair value adjustment	407	3 149
Closing balance as at 31 December	**1 436 478**	**1 135 377**
Current portion (short-term investments)	1 235 261	12 764

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

79. Accrued interest of $5.9 million ($5.4 million in 2016) has been included in the statement of financial position as "other accounts receivable" (see note 10 for further details).

Short-term investments

80. Short-term investments are those investments with final maturities at purchase between 91 and 365 days. They consist of corporate bonds, unit trust bonds, time deposits and unit trust equity maturing within one year of the reporting date.

Table 16
Short-term investments
(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Time deposits	116 973	–
Equity instruments	10 018	–
Bonds	1 108 270	12 764
Total short-term investments	**1 235 261**	**12 764**

Long-term investments

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

Table 17
Bonds and equity instruments
(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Bonds and equity instruments	201 217	1 122 613

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

Table 18
Credit rating distribution of investments
(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
AAA	1 164 265	758 316
AA+	40 677	11 262
AA	413	12 457
AA-	47 199	76 438
A+	102 020	48 542
A	22 914	102 685
A-	4 795	67 100
BBB+	25 020	32 612
BBB	107	3 497
BBB-	–	501
Unrated[a]	29 068	21 967
Total	**1 436 478**	**1 135 377**

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

Note 10
Accounts receivable

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

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

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

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

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

Table 19
Accounts receivable
(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Project accounts receivable (gross)	56 568	44 449
Bad debt allowance	(8 237)	(7 281)
Project accounts receivable (net)	**48 331**	**37 168**

	31 December 2017	31 December 2016
Other accounts receivable (gross)	12 545	11 021
Bad debt allowance	(67)	(54)
Other accounts receivable (net)	**12 478**	**10 967**
Total accounts receivable (net), excluding prepayments	**60 809**	**48 135**
Prepayments	42 908	35 638
Total accounts receivable (net), including prepayments	**103 717**	**83 773**

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

86. As at 31 December 2017, receivables of $8.2 million ($7.3 million in 2016) were impaired and provisions were made against them; see table 25 for details. This value excludes provisions made against receivables from the United Nations Development Programme (UNDP) that are shown separately in table 22.

87. As at 31 December 2017, receivables of $21.4 million ($18.2 million in 2016) were past due but not impaired, as there is no recent history of default regarding those receivables. The ageing of those receivables exceeds three months.

Table 20
Ageing of receivables
(Thousands of United States dollars)

	Current 0–3 months	Overdue 3–6 months	Overdue 6–12 months	Overdue >12 months	Total
Accounts receivable	39 350	10 003	5 505	5 951	60 809

Project accounts receivable

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

Table 21
Project accounts receivable
(Thousands of United States dollars)

	31 December 2017	31 December 2016
Project implementation-related receivables (net)	26 772	30 915
Accounts receivable from UNDP[a]	19 665	5 278
Accounts receivable from other United Nations agencies	1 894	975
Total project accounts receivable	**48 331**	**37 168**

[a] In 2017, the interfund with UNDP had a net receivable balance.

89. Project implementation-related receivables arise in connection with projects that have incurred expenditure and are awaiting further funding from partners and from the receivables originating from the UNWebBuy online procurement tool. Also included in project-related receivables are amounts receivable from the United Nations Office on Drugs and Crime, the Office of the United Nations High

Commissioner for Refugees, the United States Agency for International Development, the Department of Field Support of the United Nations Secretariat and the European Union. The nature of those agreements typically requires that UNOPS perform services prior to invoicing the client and receiving cash/payment.

90. Of the balance of project receivables of $48.3 million ($37.2 million in 2016), $3.4 million ($3.1 million in 2016) relates to cash advances due from customers for construction contracts for the period ended 31 December 2017, as detailed in note 16.

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

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

Table 22
Accounts receivable — UNDP
(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Receivable from UNDP		
Cumulative project expenses and fees due to UNOPS	22 730	2 078
Bad debt allowance	(1 703)	(2 613)
Net project advances/receivable	**21 027**	**(535)**
Cumulative advances/(payables) for disbursement of payments on behalf of UNOPS	(1 362)	5 813
Payable to UNDP for services	-	-
Net amounts receivable/(payable) from/to UNDP	**19 665**	**5 278**

Other accounts receivable

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

Table 23
Other accounts receivable
(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Staff receivables	1 544	1 783
Accrued interest income	5 915	5 424
Miscellaneous receivables	5 019	3 760
Total other accounts receivable	**12 478**	**10 967**

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

95. The accrued interest income is composed of interest accruals on investments. Of this amount, a portion has been allocated to project cash advances received, and the balance has been recognized in the statement of financial performance under finance income (see note 18 for further details).

Prepayments

Table 24
Prepayments
(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Prepayments	42 908	35 638

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

Bad debt allowance

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

Table 25
Movement in bad debt allowance
(Thousands of United States dollars)

	2017	*2016*
Opening balance as at 1 January		
Project-related	7 281	7 149
Other accounts receivable	54	90
Opening balance	**7 335**	**7 239**
Net increase (decrease) in provision for receivables impairment		
Increase	1 477	164
Receivables written off during the year as uncollectable	(105)	(60)
Unused amounts reversed	(470)	(8)
Net increase (decrease)	**902**	**96**
Closing balance as at 31 December		
Project-related	8 237	7 281
Other accounts receivable	–	54
Closing balance	**8 237**	**7 335**

98. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The project-related provisions amount above excludes a provision of $1.7 million (2.6 million in 2016) related to UNDP interfund balances, which are shown separately in table 22.

Note 11
Cash and cash equivalents

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

Table 26
Cash and cash equivalents
(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Cash at banks and on hand	136 310	204 172
Impaired cash balances	–	(92)
Money market funds and time deposits	299 808	195 293
Total cash and cash equivalents	**436 118**	**399 373**

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

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

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

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

Table 27
Cash at banks
(Thousands of United States dollars)

Currency	*31 December 2017*	*31 December 2016*
United States dollar	67 524	62 037
Euro	41 012	47 698
Japanese yen	4 960	1 062
Argentine peso	3 163	57 441
CFA franc	2 184	2 241
Bangladeshi taka	1 512	19
Swedish krona	1 272	41
Paraguayan guarani	1 162	687
Other currencies	13 376	32 591
Subtotal cash at banks	**136 165**	**203 817**
Cash on hand	**145**	**263**
Total	**136 310**	**204 080**

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

Table 28
Credit rating distribution of cash at banks
(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
AA-	181	586
A+	45 236	71 939
A	16 101	19 660
A-	2 566	998
BBB+	41 724	65 926
BBB	–	3 044
BBB-	13	317
BB+	14	–
BB	246	287
BB-	3 457	5 264
B+	–	22
B	4 788	5 379
B-	1 868	–
Unrated	19 971	30 487
Subtotal cash at banks	**136 165**	**203 909**
Cash on hand	**145**	**263**
Total	**136 310**	**204 172**

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

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

Table 29
Credit rating distribution of money market funds and time deposits
(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
AAA	52 786	80 293
AA-	5 000	–
A+	30 023	50 000
A	10 000	48 000
BBB+	30 000	17 000
BB-[a]	170 000	–
Total	**297 809**	**195 293**

[a] This relates to funds that were briefly held at Citibank Argentina at year-end and later moved to Headquarters.

Note 12
Employee benefits

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

(a) Short-term employee benefits: accrued annual leave, current portion of home leave;

(b) Long-term employee benefits: non-current portion of home leave;

(c) Post-employment benefits: all benefits relating to after-service health insurance and repatriation grant;

(d) Termination benefits: benefits related to termination of contract.

Table 30
Employee benefits liabilities
(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Short-term employee benefits	20 915	20 158
Long-term employee benefits	428	332
Post-employment benefits	83 590	77 098
Termination benefits	813	132
Total employee benefits liabilities	**105 746**	**97 720**
Current portion	21 727	20 290
Non-current portion	84 019	77 430

Short-term employee benefits

108. Short-term employee benefits are composed of:

Table 31
Short-term employee benefits
(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Annual leave entitlements	19 200	18 012
Home leave entitlements (current portion)	1 591	2 146
Assignment grant on first appointment or reassignment	124	–
Total short-term employee benefits liabilities	**20 915**	**20 158**

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

Long-term employee benefits

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

Post-employment benefits

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

Table 32
Post-employment benefits liabilities
(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
After-service health insurance	66 464	59 839
Repatriation grants	16 806	17 259
Death benefit	320	0
Total post-employment benefits	**83 590**	**77 098**

112. Post-employment benefits consist of after-service health insurance, repatriation grants, death benefit and pension plans. After-service health insurance is a plan that allows eligible retirees and their eligible family members to participate in the full medical insurance plan. A repatriation grant is an entitlement payable to Professional staff on separation, together with related costs in travel and shipment of household effects. The actuarial valuation of liabilities regarding after-service health insurance, repatriation grant and death benefit was undertaken by independent professional actuaries. At the end of 2017, total employee benefits liabilities amounted to $83.6 million ($77.1 million in 2016). They are established in accordance with the Staff Regulations of the United Nations and Staff Rules for staff members in the Professional and General Service categories.

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

After-service health insurance

114. The year-end liabilities for after-service health insurance are derived from the actuarial valuation conducted at year-end 2017.

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

116. The major assumptions used by the actuary to determine the liabilities for after-service health insurance as at 31 December 2017 were a discount rate of 3.85 per cent, an inflation rate of 2.2 per cent, health-care escalation rates being dependent on the medical plan to which the employee is affiliated; age-related morbidity; and retirement and mortality assumptions consistent with those used by the Pension Fund in making its own actuarial valuation of pension benefits.

117. On the basis outlined above, the net present value of the UNOPS accrued liability as at 31 December 2017, net of contributions from plan participants, was estimated by actuaries at $66.4 million ($59.8 million in 2016).

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

Table 33
Impact of medical cost trend on after-service health insurance liabilities
(Thousands of United States dollars)

	Defined benefit obligations	*Service cost and interest cost*
One percentage point increase	13 933	1 163
One percentage point decrease	(10 940)	(888)

Repatriation grant

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

120. The major assumptions used by the actuary were a discount rate of 3.56 per cent, annual salary increases based on salary scales, grade and step, and travel cost increases of 2.20 per cent per annum. Furthermore, assumptions related to retirement, withdrawal and mortality are made consistent with those used by the Pension Fund.

121. On the basis outlined above, the net present value of the UNOPS accrued liability as at 31 December 2017 was estimated by actuaries at $16.8 million ($17.3 million in 2016).

122. A sensitivity analysis has been performed on the assumptions used in the actuarial valuation. An increase in the discount rate by 0.25 per cent, with all other assumptions held constant, would result in a decrease in the net present value of the liability by 2.5 per cent. A decrease in the discount rate by 0.25 per cent, with all other assumptions held constant, would also result in an increase in the net present value of the liability by 3 per cent.

Accounting for post-employment benefits

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

Table 34
Movement in post-employment liabilities
(Thousands of United States dollars)

	Repatriation	*After-service health insurance*	*Death benefit*	*Total 2017*	*Total 2016*
Liability as at 1 January	**17 259**	**59 838**	**0**	**77 097**	**70 853**
Current service cost	1 880	2 306	30	4 216	3 887
Interest cost	594	2 406	12	3 012	2 873
Benefits paid	(2 065)	(860)	0	(2 925)	(2 550)

	Repatriation	*After-service health insurance*	*Death benefit*	*Total 2017*	*Total 2016*
Actuarial losses/(gains)	(862)	2 774	278	2 190	2 034
Other	–	–	–	–	–
Liability as at 31 December	**16 806**	**66 464**	**320**	**83 590**	**77 097**

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

Table 35
Impact of post-employment benefits on financial performance
(Thousands of United States dollars)

	Repatriation	*After-service health insurance*	*Death benefit*	*Total 2017*	*Total 2016*
Current service cost	1 880	2 306	30	4 216	3 887
Interest cost	594	2 406	12	3 012	2 873
Expenses as at 31 December	**2 474**	**4 712**	**42**	**7 228**	**6 760**

125. The total expense has been included under “salaries and employee benefits” in the statement of financial performance, and the actuarial losses of $2.3 million ($2.0 million losses in 2016) has been recognized under “reserves” in the statement of financial position.

126. The principal actuarial assumptions were as follows:

Table 36
Principal actuarial assumptions

	Repatriation	*After-service health insurance*	*Death benefit*
Discount rate	3.56 per cent	3.85 per cent	3.42 per cent
Future salary increases (on top of inflation)	United Nations salary scale	United Nations salary scale	United Nations salary scale
Inflation rates	2.2 per cent	2.2 per cent	2.2 per cent
Mortality rate	United Nations scales	United Nations scales	United Nations scales
Turnover rate	UNOPS scales	UNOPS scales	UNOPS scales

United Nations Joint Staff Pension Fund

127. The Regulations of the United Nations Joint Staff Pension Fund provide 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.

128. UNOPS financial obligation to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly (currently 7.9 per cent

for participants and 15.8 per cent for member organizations), together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the 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 Pension Fund as at the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.

129. The latest actuarial valuation was performed as at 31 December 2017; however, the results had yet to be published by the Pension Fund (this was expected in June 2018). Therefore, the previous valuation is referred to below. The previous actuarial valuation, as at 31 December 2015, revealed an actuarial surplus of 0.16 per cent (a deficit of 0.72 per cent in the 2013 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as at 31 December 2015 was 23.54 per cent of pensionable remuneration, compared with the actual contribution rate of 23.70 per cent.

130. At 31 December 2015, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 141.1 per cent (127.5 per cent in the 2013 valuation). The funded ratio was 100.9 per cent (91.2 per cent in the 2013 valuation) when the current system of pension adjustments was taken into account.

131. After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2015, 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 also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of reporting, the General Assembly had not invoked the provision of article 26.

132. In 2017, UNOPS contributions paid to the Pension Fund amounted to $15.6 million ($16.5 million in 2016). Except for the effects of inflation, there are no indications of a material change in the expected contribution in 2018.

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

Termination benefits

134. At year-end, UNOPS had termination entitlement liabilities amounting to $0.813 million ($0.132 million in 2016).

Note 13
Accounts payable and accruals

Table 37
Accounts payable and accruals
(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Accounts payable	139 347	56 931
Accruals	129 112	75 019
Total	**268 459**	**131 950**

Accounts payable

135. Balances of accounts payable as at 31 December 2017 are shown below.

Table 38
Accounts payable
(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Accounts payable to other United Nations entities	1 355	562
Accounts payable other	137 992	56 369
Total accounts payable	**139 347**	**56 931**

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

Accruals

137. The accrued charges amounting to $129 million ($75.0 million in 2016) are financial liabilities in respect of goods or services that were received or provided to UNOPS during the reporting period but not yet invoiced.

Note 14
Project cash advances received

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

Table 39
Project cash advances received
(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Deferred revenue	824 835	709 812
Cash held by UNOPS as agent	634 885	561 807
Total	**1 459 720**	**1 271 619**

139. Of the balance in deferred revenue of $824.8 million ($709.8 million in 2016), $424.1 million ($424.4 million in 2016) relates to cash advances on construction contracts for the period ended 31 December 2017, as detailed in note 16.

Note 15
Operational reserves

140. The operational reserves were as follows:

Table 40
Operational reserves
(Thousands of United States dollars)

	2017	*2016*
Opening balance as at 1 January	131 586	99 191
Adjustment on property, plant and equipment capitalization	–	–
Adjusted opening balance, 1 January	131 586	99 191
Surplus for the period	28 966	31 280
Reserve balance before actuarial movement and fair value adjustment	**160 552**	**130 471**
Actuarial gains/losses	(2 319)	(2 034)
Increase in fair value reserve	407	3 149
Closing reserve balance as at 31 December	**158 640**	**131 586**

141. The current operational reserves requirement, approved by the Executive Board, provides that the operational reserves should be equivalent to four months of the average of the administrative expenditure for the past three years of operation. On the basis of this formula, for the period ended 31 December 2017, the minimum operational reserves requirement was $20.7 million.

142. The main purpose of the operational reserves is to provide for temporary deficits, fluctuations or shortfalls in resources, uneven cash flows, unplanned increases in expenses and costs or any other contingencies, and to ensure continuity in the implementation of the projects undertaken by UNOPS. Therefore, the total reserve of $158.6 million consists of:

- Minimum operational reserves: $20.7 million
- Accumulated surplus: $137.9 million

Note 16
Revenue and expenses

Non-exchange revenue

143. During 2017, UNOPS received a total of $0.366 million in non-exchange revenue, of which $0.364 million was a donation of the net book value of assets gifted by donors upon the completion of projects. The remaining balance relates to cash donations received through the UNOPS Engage platform

Exchange revenue

144. The exchange revenue of UNOPS comprised $831.6 million ($787.8 million in 2016) in revenue from project activities and $2.4 million ($2.1 million in 2016) from miscellaneous revenue. The revenue and expenses from UNOPS project activities were as follows:

Table 41
Revenue and expenses from project activities
(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Construction contracts (infrastructure)	204 002	192 308
Procurement	60 720	51 633
Fund management	92 460	86 773
Human resources administration	31 263	39 514
Other project management	443 185	417 579
Total project-related revenue	**831 630**	**787 807**
***Less*: project expenses**		
Construction contracts	193 125	178 886
Procurement	44 783	41 860
Fund management	72 599	68 436
Human resources	14 469	24 559
Other project management	416 923	387 365
Total project-related expenses	**741 899**	**701 106**
Net revenue from project activities	**89 731**	**86 701**

145. During the period, UNOPS revenue was reported using the categories in the table above. For operational reasons and as described in the annual report, UNOPS analyses its revenue according to the following three core service categories: project management, infrastructure and procurement. These categories are detailed in note 1.

Construction contracts

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

Table 42
Construction contracts — revenue and expenses
(Thousands of United States dollars)

	Cumulative	*Recognized in prior years*	*Recognized in current year*
Revenue	1 534 816	1 330 814	204 002
Expense	(1 440 953)	(1 247 828)	(193 125)
Surplus	**93 863**	**82 986**	**10 877**

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

Table 43
Construction contracts — amounts due to/from customers
(Thousands of United States dollars)

	Projects with net deferred revenue balance	*Projects with net balance project receivable*	*Total*
Cash advances received including accrued interest[a]	(847 732)	(48 646)	(896 378)
Revenue recognized over the life of the contract[b]	423 603	52 032	475 635
Amounts due (to)/from customers included in deferred revenue and project receivables, respectively	**(424 129)**	**3 386**	**(420 743)**
Retentions			8 087

[a] As at 31 December 2017.
[b] For the year ended 31 December 2017.

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

Operational costs and other expenses

149. Operational costs of $67.0 million ($70.1 million in 2016) relate to expenses incurred by UNOPS for a range of activities, which included payments for:

- Rental of office space and leases: $16.9 million
- Maintenance of buildings and equipment: $15.3 million
- Utilities: $2.1 million

Other expenses comprise:

- Movements in provisions: ($4.6 million)
- Other expenses: $0.1 million

Contractual services

150. Contractual services of $332.0 million ($268.7 million in 2016) relate to expenses incurred for a range of UNOPS activities, some of which included payments to:

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

Note 17
Employee benefits expenses

Table 44
Employee benefits expenses
(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Salaries	73 117	80 416
After-service health insurance	4 709	4 384
Annual leave	814	1 383
Home leave	61	171
Defined contribution plan	15 595	16 406
Repatriation grant	2 539	2 445
Other short-term employee benefits expenses	28 835	26 112
Expenses related to staff	**125 670**	**131 317**
Other personnel expenses	195 621	188 008
Total employee benefits expenses	**321 291**	**319 325**

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

152. In October 2014, UNOPS implemented a provident fund scheme for all UNOPS local individual contractors. The provident fund is a defined contribution plan. The employer contributions of 15 per cent of local individual contractors' agreement fees are fixed and are recognized as an expense. The contractors contribute 7.5 per cent of their fee on a monthly basis. The responsibility of UNOPS is to establish arrangements to provide a provident fund facility, and to monitor and cover administrative costs related to these arrangements. The balance of funds held for the benefit of UNOPS local individual contractors by the provident fund as at 31 December 2017 was $31.0 million ($21.9 million in 2016), which was included under other personnel expenses in 2017.

153. In accordance with the contract with UNOPS, the provident fund is administered and held by Zurich International on behalf of the local individual contractors. UNOPS obtained financial statements of Zurich International in respect of the year ended 31 December 2017 that were audited by PricewaterhouseCoopers AG, chartered accountants, who gave an unqualified opinion on the statements.

Note 18
Finance income and costs

Table 45
Finance income and costs
(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Finance income		
Total finance income received on investments	24 553	20 494
Recognition of amortized cost (note 9)	4 429	4 063
Total finance income attributable to UNOPS on investments	**28 982**	**24 557**
Finance income/cost allocated to projects	(14 431)	(11 472)
Net finance income retained by UNOPS	**14 551**	**13 085**
Finance income on UNOPS bank balances	4	24
Total finance income	**14 555**	**13 109**

Table 46
Net exchange rate gain/loss
(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Net foreign exchange gains (loss)	(3 738)	(1 890)

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

Note 19
Short-term provisions

Table 47
Short-term provisions for other liabilities and charges
(Thousands of United States dollars)

	1 January 2017	*Additional provisions*	*Written-off or unused amounts reversed*	*31 December 2017*
Claims	–	–	–	–
Leasehold restoration provisions	50	–	–	50
Onerous contracts provisions	3 846	159	(146)	3 859
Total	**3 896**	**159**	**(146)**	**3 909**

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

Note 20
Contingencies

Contingent liabilities

156. The project-related claims that remained open at year-end are reflected in the table below. There were no staff-related claims outstanding at the reporting date. Claims for which provision was made are reflected in note 19.

Table 48
Contingent liabilities
(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Project-related claims from clients	508	–
Staff-related claims	–	401
Total contingent liabilities	**508**	**401**

Contingent assets

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

Note 21
Commitments

Lease commitments

158. UNOPS leases office premises in field locations under non-cancellable and cancellable operating lease agreements. When they are cancellable, UNOPS is required to give a one- to six-month notice of termination of the lease agreements. The lease terms are between 1 and 10 years. Some of these operating lease agreements contain renewal clauses that enable UNOPS to extend the terms of the leases at the end of the original lease terms and escalation clauses that may increase annual rent payments on the basis of increases in the relevant market price indexes in the respective countries where the field offices are located.

159. The operating expenses include lease payments for an amount of $8.7 million ($11.3 million in 2016) recognized as operating lease expenses during the year in the statement of financial performance under “operational costs”.

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

Table 49
Lease commitments
(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Within one year	4 872	1 836
Later than one year and not later than five years	8 758	3 499
Later than five years	794	2 387
Total operating lease commitments	**14 424**	**7 722**

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

162. As at 31 December 2017, the total future minimum lease payments under sublease agreements that UNOPS expects to receive on such agreements that cannot be cancelled was only $0.605 million ($0.057 million in 2016), owing mainly to the 30-day notice period and the 2017 end date of most significant sublease agreements.

163. Sublease payments amounting to $2.7 million were received in 2017 ($2.1 million in 2016). They were recognized as operating lease revenue during the year in the statement of financial performance, included under miscellaneous revenue.

Open commitments

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

Table 50
Open commitments
(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Management-related commitments	3 210	1 588
Project-related commitments	430 882	143 805
Total	**434 092**	**145 393**

Note 22
Reconciliation of the statement of comparison of budget and actual amounts

Table 51 (a)
Statement of comparison of original and final budget amounts
(Thousands of United States dollars)

	Biennial 2016–2017 management budget (original)	*2017 management budget (original)*	*2017 management budget (revised)*	*Variance between original and final 2017 budgets*	*Percentage*	*Explanation*
Revenue	**138 700**	**69 350**	**83 700**	**14 350**	**21**	Increased demand for UNOPS services
Posts	35 100	17 550	13 339	(4 211)	(24)	Decrease in UNOPS staff positions
Common staff costs	20 500	10 250	7 790	(2 460)	(24)	As above
Travel	8 800	4 400	4 506	106	2	
Consultants	43 000	21 500	33 827	12 327	57	Increased use of consultants to support increased demand for UNOPS services
Operating expenses	13 700	6 850	13 623	6 773	99	Increased demand for UNOPS services
Furniture and equipment	2 200	1 100	397	(703)	(64)	Budget adjustment based on actual needs

	Biennial 2016–2017 management budget (original)	*2017 management budget (original)*	*2017 management budget (revised)*	*Variance between original and final 2017 budgets*	*Percentage*	*Explanation*
Reimbursements	2 300	1 150	940	(211)	(18)	
Provisions	13 100	6 550	–	(6 550)	–	No foreseen need for provisions
Total expenses for the period	**138 700**	**69 350**	**74 422**	**5 072**	**7**	
Surplus/(deficit) for the period	**–**	**–**	**9 278**	**–**	**–**	

Table 51 (b)
Statement of comparison of budget and actual amounts
(Thousands of United States dollars)

	Biennial 2016–2017 management budget (original)	*2017 management budget (original)*	*2017 management budget (final)*	*2017 actual amount (actual)*	*Difference final budget and actual at 31 December 2017*	*Percentage*	*Explanation*
Revenue	**138 700**	**69 350**	**83 700**	**85 971**	**2 271**	**3**	
Posts	35 100	17 550	13 339	12 483	(856)	(6)	
Common staff costs	20 500	10 250	7 790	9 264	1 474	19	
Travel	8 800	4 400	4 506	4 557	51	1	
Consultants	43 000	21 500	33 827	32 094	(1 733)	(5)	
Operating expenses	13 700	6 850	13 623	12 952	(671)	(5)	
Furniture and equipment	2 200	1 100	397	320	(77)	(19)	
Reimbursements	2 300	1 150	940	746	(194)	(21)	Reduced usage of UNDP services
Provisions	13 100	6 550	–	(4 594)	(4 594)	–	
Total expenses for the period	**138 700**	**69 350**	**74 422**	**67 822**	**(6 600)**	**(9)**	
Net finance income/cost and forex gains/losses	–	–	–	10 817	10 817	–	
Surplus/(deficit) for the period	**–**	**–**	**9 278**	**28 966**	**19 688**	**–**	

Table 51 (c)
Statement of comparison of budget and actual amounts
(Thousands of United States dollars)

	Actual amounts on comparable basis	*Basis difference (excludes intangible assets and property, plant and equipment capitalized)*	*Entity difference (includes projects)*	*Reclassification*	*Amounts in IPSAS financial statements*	*Classification in statement of financial performance*
Revenue	**85 971**	**–**	**748 033**	**–**	**834 004**	Revenue
Posts	12 484	–	113 186	–	125 670	Salaries and employee benefits
Common staff costs	9 264	–	(9 264)	–	–	Salaries and employee benefits
Travel	4 557	–	26 655	–	31 212	Travel
Consultants	32 094	–	495 524	–	527 618	Contractual services
Operating expenses	12 952	–	54 059	–	67 011	Operational costs
Furniture and equipment	320	(423)	64 965	–	64 862	Supplies and consumables
Reimbursements and other	746	–	3 234	–	3 980	Other, amortization and depreciation of intangible assets and property, plant and equipment
Provisions	(4 594)	–	96	–	(4 498)	Other expense
Total expenses for the period	**67 823**	**(423)**	**748 455**	**–**	**815 855**	
Net finance income/(cost)	10 817			–	10 817	
Surplus/(deficit) for the period	**28 966**	**(423)**	**423**		**28 966**	

165. The budget scope of UNOPS is restricted to the management budget, including the net surplus earned on projects. It does not include the revenue and expenses incurred on projects, which represent an entity difference in the reconciliation between the IPSAS statement of financial performance and the actual amounts on a comparable basis to the budget.

166. The UNOPS budget and accounts are prepared on the same basis, except for the acquisition of property, plant and equipment and intangible assets and non-exchange revenue. The statement of financial position, the statement of financial performance, the statement of changes in net assets and the statement of cash flows are prepared on a full accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the statement of comparison of budget and actual amounts is prepared on an accrual basis, except for the acquisition of property, plant and equipment and intangible assets. The approved budget covers the biennium 2016–2017. The annual budget for 2017 was included in statement V.

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

Reconciliation of actual amounts from budgetary basis to financial statement basis

168. As required under IPSAS 24, the actual amounts presented on a comparable basis to the budget shall be reconciled with the actual amounts presented in the financial statements, identifying separately any basis, timing and entity differences, where the financial statements and the budget are not prepared on a comparable basis. There may also be differences in formats and classification schemes adopted for the presentation of the financial statements and the budget.

169. According to statement V, the actual revenue for 2017 was 3 per cent higher than the final budgeted amount of $83.7 million. Total management expenditure was about 9 per cent lower compared with the budgeted amount of $74.4 million. Variances at the individual line item level reflect the combined spending decisions of the managers of various budgets in UNOPS in the course of 2017. Savings in one expense category can also be used to address additional, unforeseen requirements in other expense categories.

170. Basis differences occur when the approved budget is prepared on a basis other than the accounting basis.

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

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

173. Presentation differences are due to differences in the format and classification schemes adopted for presentation of the statement of cash flows and the statement of comparison of budget and actual amounts.

174. A reconciliation between the actual amounts on a comparable basis and the actual amounts in the statement of cash flows for the period ended 31 December 2017 is presented below.

Table 52
Reconciliation with the statement of cash flows
(Thousands of United States dollars)

	Operating	*Investing*	*Total*
Actual amount on a comparable basis as presented in the budget and actual comparative statement	28 966	–	28 966
Basis differences (capitalization of intangible assets)	–	–	–
Entity differences (project income)	3 980	–	3 980
Changes in working capital	308 896	–	308 896
Movement in investments and interest received	(10 813)	(290 546)	(301 360)
Subtotal	**331 029**	**(290 546)**	**40 482**
Net foreign exchange gains	–	–	(3 738)
Actual amount in the statement of cash flows	**331 029**	**(290 546)**	**36 744**

Note 23
Segment reporting

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

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

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

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

Table 53
Segment reporting
(Thousands of United States dollars)

	Africa region	*Asia region*	*Europe and Central Asia region*	*Headquarters*	*Latin America and Caribbean region*	*Middle East region*	*Total*
Revenue							
Revenue from project activities	145 351	90 699	366 452	28 583	167 634	32 911	831 630
Miscellaneous revenue	70	1 356	–	348	–	599	2 374
Non-exchange revenue	–	–	–	–	–	–	–
Total revenue	**145 421**	**92 055**	**366 452**	**28 931**	**167 634**	**33 510**	**834 004**
Expenses							
Contractual services	44 810	26 234	144 354	6 079	102 898	7 622	331 997
Other personnel costs	41 062	31 201	60 433	25 958	27 598	9 369	195 621
Salaries and employee benefits	5 478	6 079	84 121	22 030	3 396	4 567	125 670
Operational costs	18 953	5 551	17 193	11 857	9 415	4 042	67 011
Supplies and consumables	18 753	7 834	23 676	2 003	12 013	583	64 862
Travel	6 002	4 219	13 541	3 778	2 509	1 163	31 212
Other expenses	11	46	30	(4 592)	7	–	(4 498)
Depreciation of property, plant and equipment	866	225	59	1 762	229	273	3 414
Amortization of intangible assets	4	17	4	536	4	–	566
Total expenses	**135 939**	**81 406**	**343 411**	**69 411**	**158 069**	**27 619**	**815 855**
Finance income	–	–	–	14 555	–	–	14 555
Net foreign exchange gains/(losses)	–	–	–	(3 738)	–	–	(3 738)
Net finance income	**–**	**–**	**–**	**10 817**	**–**	**–**	**10 817**
Surplus for the period	**9 482**	**10 649**	**23 041**	**(29 663)**	**9 565**	**5 891**	**28 966**

Note 24
Related parties

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

180. UNOPS maintains a working relationship with the Executive Board and reimburses part of the travel costs, subsistence allowances and office expenses incurred by members of the Board in discharging their official duties, as well as a share of the cost of the Secretariat. The cost of this amounted to approximately $0.02 million during 2017 ($0.01 million in 2016). Members of the Board are elected each year by the Economic and Social Council in accordance with the rules of procedure on membership. Executive Board members are not considered key management personnel of UNOPS as defined under IPSAS.

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

Key management personnel

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

Table 54
Key management personnel
(Thousands of United States dollars)

	2017	*2016*
Number of full-time positions	2	2
Aggregate remuneration		
Base compensation and post adjustment	414	426
Other entitlements	107	49
Post-employment benefits	115	139
Total remuneration	**636**	**614**
Outstanding advances against entitlements	1	2
After-service health insurance, repatriation grant and leave liability	385	308

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

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

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

186. In 2017, there were no known instances of executive management personnel facing conflicts of interest that could potentially influence decision-making, either stemming from the ordinary course of business or with regard to business relationships with family members, other related individuals or vendors.

Note 25
Services in kind

187. Services in kind for the period amounted to $4.0 million ($4.3 million in 2016), $3.7 million of which is attributed to the estimated market rental value of office space provided by the Government of Denmark to accommodate the UNOPS headquarters in Copenhagen.

Note 26
Events after reporting date

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

189. As at the date of signature of the UNOPS financial statements and related notes for the period ended 31 December 2017, there have been no other material events, favourable or unfavourable, that have occurred between the balance sheet date and the date on which the financial statements were authorized for issue that would have affected the statements.

Glossary of technical terms

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

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

Operational reserve	Accumulated surplus built up over past years and the actuarial gains and losses in respect of post-employment benefits.
Property, plant and equipment	Tangible assets (including project assets) under the control of UNOPS and: • Used by UNOPS to generate revenue • Expected to be used during more than one reporting period
Principal and agent	IPSAS draws a distinction between transactions that an entity undertakes on its own behalf (principal) and those that it undertakes on behalf of others (agent). The distinction is whether the economic benefits arising from the contract accrue to UNOPS, except to the extent that a fee may be levied for providing an agency service.
Provisions	A liability of uncertain timing or amount.
Segment	The three UNOPS regional offices and headquarters.
Staff	A generic term that covers permanent staff and individual contractors. See also "employee".
Transitional provisions	On first implementation of IPSAS, individual standards give relief from the immediate application of aspects of the standard if certain specified criteria are met. This is important, because some standards are complex to apply and require significant time to collect the information necessary to enable full implementation. UNOPS has applied all the standards from 1 January 2012 and adopted one important transitional provision in the 2013 financial statements under which UNOPS will take up to five years to implement IPSAS with regard to the recognition of property, plant and equipment.
Treasury bill	Short-term debt obligation backed by a sovereign State.
Trust funds	Moneys administered by UNOPS on behalf of a donor for the benefit of recipients. These transactions are typically classified as agency.

Annex

United Nations Office for Project Services local individual contractors provident fund summary for the period ended 31 December 2017

(Thousands of United States dollars)

	2017	*2016*
Opening balance, 1 January	21 935	13 735
Contribution/premium	15 965	14 775
Payouts	(6 117)	(5 317)
Funds not earmarked for the fund	(3 628)	(2 100)
Earnings/loss	2 861	842
Closing balance	**31 016**	**21 935**

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