United Nations

United Nations Population Fund

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. 5H

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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 30 April 2018 from the Executive Director of the United Nations Population Fund addressed to the Chair of the Board of Auditors

Pursuant to financial rule 116.3 (b) of the United Nations Population Fund, I have the honour to submit the financial statements of the Fund for the year ended 31 December 2017, which I hereby approve.

(*Signed*) Natalia **Kanem**
Executive Director

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 Population Fund 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 Population Fund (UNFPA), 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 flow (statement IV) and the statement of comparison of budget with 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 UNFPA 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 UNFPA, 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 is responsible for the other information, which comprises the financial report for the year ended 31 December 2017, contained in chapter IV 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 management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of UNFPA 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 UNFPA 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 UNFPA.

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 UNFPA.

- 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 UNFPA 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 UNFPA 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 with regard to, 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 UNFPA 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 UNFPA 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 UNFPA.

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

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

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

24 July 2018

Chapter II
Long-form report of the Board of Auditors

Summary

The United Nations Population Fund (UNFPA) assumes a leading role in the United Nations system in promoting population programmes. The Fund is mandated to build the knowledge and capacity to respond to needs in population and family planning; to promote public awareness on population problems in both developed and developing countries; and to provide possible strategies to deal with population problems in the forms and means best suited to the needs of individual countries.

UNFPA works with more than 2,700 staff serving 155 countries and in partnership with other United Nations agencies, governments, civil society and the private sector to support gender-sensitive policies and programmes. It is funded primarily from voluntary contributions that are categorized as earmarked or unearmarked.

Scope of the report

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

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly, in all material respects, the financial position of UNFPA 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). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

The Board also reviewed UNFPA operations under United Nations financial regulation 7.5, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations. The report also includes a brief commentary on the status of implementation of previous recommendations.

Audit opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of UNFPA as at 31 December 2017 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Overall conclusion

The Board did not identify any material misstatements that might affect its opinion on the UNFPA financial statements. The Board noted that UNFPA is in good financial health and that management has undertaken some initiatives to enhance its operations by introducing new systems such as the Global Programming System (phase II) for managing implementing partners and workplans, and revision of various policies to strengthen controls over its operation. However, the Board noted scope for improvement both at headquarters and in field offices in the areas of risk management processes, a harmonized approach to cash transfers, procurement and contract management, human resources management and Information and Communication

Technology. While UNFPA has taken a number of initiatives in response to the identified deficiencies, the Board considers that UNFPA needs to strengthen and widen the scope of its initiatives to include measures to correct deficiencies noted during the audit by fully implementing the Board's recommendations so that it delivers its mandate effectively and efficiently.

Key findings

The Board has identified a number of issues that require management intervention, as highlighted below.

(a) Internal control system

Lack of a formalized enterprise risk management policy

While substantial improvement had been made in the implementation of the enterprise risk management process across UNFPA business units, including the establishment of risk mitigation measures, the Board observed that the entity had not yet formalized the enterprise risk management policy. The Board is of the view that the policy document will provide guidance on the general rule for adherence to risk assessment and mitigation procedures.

(b) Harmonized approach to cash transfers

Inadequate microassessment of implementing partners

From the review of 30 implementing partners' assessment reports at three country offices, the Board found that the microassessments of 28 implementing partners[1] were concluded without documenting the work done to support the conclusions. Also, microassessments for six implementing partners with signed workplans amounting to $0.6 million had not yet been conducted at the Mongolia and Mali country offices. In addition, there was no documentation on how samples of transactions for spot checking were determined, and no follow-up was done on the implementation of the previous microassessment recommendations. The Board considers that these deficiencies were mainly caused by inadequate control by UNFPA over the microassessment of implementing partners done by the service providers and the lack of a field in the Implementing Partners Assurance System module that could enable the follow-up on the implementation of the microassessment recommendations.

(c) Information technology

Management of Active Directory domain services

A total of 18 accounts of 45 domain users in the Active Directory were still enabled, despite the fact that the users had already separated from the UNFPA Cambodia country office. In addition, 39 domain users with enabled Active Directory account status had their password set to never expire, contrary to the information and communications technology (ICT) security policy, while 9 users who were the current staff of UNFPA had inactive domain account status for more than two years. The Board is of the view that the inadequate management and configuration of the Active Directory is caused by the lack of clearly defined procedures for the governance of the Active Directory's infrastructure, security and design. The deficiency also highlights the need for adequate review of the technical adequacy of outsourced ICT support services.

[1] 30 implementing partners were reviewed.

Recommendations

With regard to the above findings, the Board recommends that UNFPA:

Lack of a formalized enterprise risk management policy

(a) **Formalize the enterprise risk management policy to guide staff at country offices and to supplement the guidance in place for managing the enterprise risks.**

Inadequate microassessment of implementing partners

(b) **(i) Strengthen control over the microassessment of implementing partners done by the service providers to ensure that microassessment reports are supported by details of the work done and provide a clear basis for their conclusions; (ii) conduct microassessment of all implementing partners who are required to be microassessed; and (iii) establish a field in the Implementing Partners Assurance System module that could enable follow-up on implementation of the microassessment recommendations.**

Management of Active Directory domain services

(c) **(i) Conduct review and configure the Active Directory to remove all separated staff; (ii) enforce domain password policy in accordance with ICT security policy and add all computers that are not in the Active Directory; (iii) establish mechanism to ensure that the management information system unit conducts periodic surveys of the country offices to review the adequacy of outsourced ICT support services; and (iv) establish procedures for the governance of the Active Directory infrastructure, its security and design.**

Key facts

$374.30 million	UNFPA budget for development and management activities
$1,112.55 million	Revenue reported
$926.87 million	Total expenses
155	Number of countries served by UNFPA
1,387	Number of implementing partners working with UNFPA
2,079	UNFPA local staff
700	UNFPA international staff
$270.29 million	Total amount spent by implementing partners in 2017 for delivery of programme activities on behalf of UNFPA
$656.58 million	Expenses spent directly by UNFPA in 2017

A. Mandate, scope and methodology

1. The United Nations Population Fund (UNFPA) is an international development agency that assumes a leading role in the United Nations system in promoting population programmes. The Fund is mandated to build the knowledge and capacity to respond to needs in population and family planning; to promote awareness of population problems in both developed and developing countries; and to provide possible strategies to deal with population problems in the forms and means best suited to the needs of individual countries.

2. UNFPA works with more than 2,700 staff serving 155 countries and in partnership with other United Nations agencies, governments, civil society and the private sector to support gender-sensitive policies and programmes.

3. The Board of Auditors has audited the financial statements of UNFPA and has reviewed its operations 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 article VII of the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. The latter 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.

4. 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 UNFPA 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). That included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing body and whether revenue and expenses had been properly classified and recorded in accordance with the UNFPA Financial Regulations and Rules. The audit included a general review of the 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 audit was carried out through field visits to country offices in Angola, Cambodia, Mali, Mongolia, Rwanda and Guinea, as well as through a review of financial transactions and operations at headquarters in New York.

6. In addition to the audit of the financial statements, the Board carried out reviews of UNFPA operations in accordance with regulation 7.5 of the Financial Regulations and Rules of the United Nations. Also, in carrying out the audit, the Board coordinated with the Office of Audit and Investigation Services of UNFPA in the planning of its audits, to avoid duplication of efforts and to determine the extent of reliance that can be placed on the latter's work.

7. The present report covers matters that the Board considers should be brought to the attention of the General Assembly. The report was discussed with UNFPA, and the views of the management have been appropriately reflected.

B. Findings and recommendations

1. Follow-up on previous recommendations

8. Of the 33 outstanding recommendations up to the period ended 31 December 2016, 24 recommendations (73 per cent) have been implemented, 8 recommendations (24 per cent) are still under implementation and 1 recommendation (3 per cent) was

overtaken by events. The implementation of outstanding recommendations awaits the establishment of strategies, new policies and management tools so as to strengthen UNFPA operations. The Board is of the view that UNFPA must exert further effort in implementing the outstanding recommendations. Details of the status of implementation of recommendations from prior years are set out in annex I.

2. Financial overview

Financial position

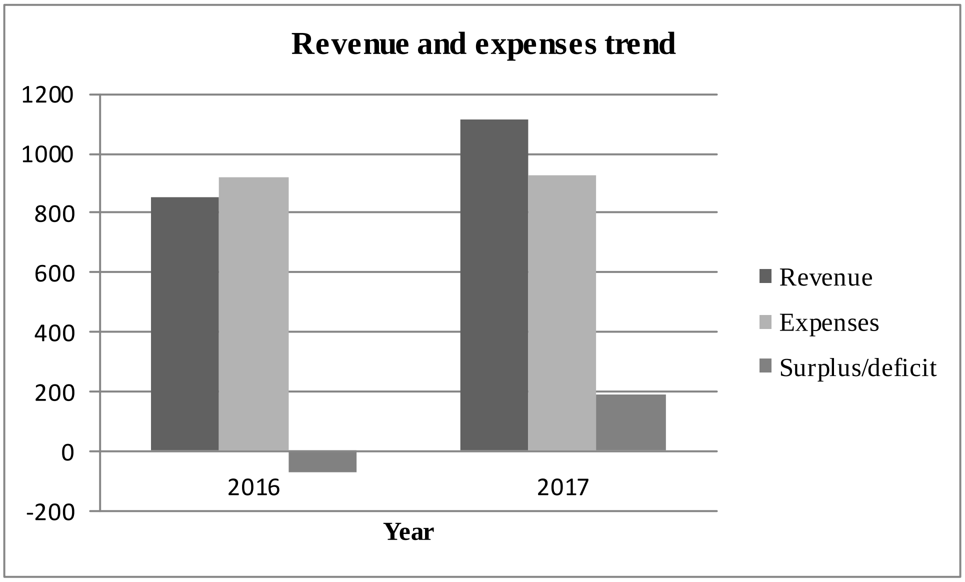
9. The total assets of UNFPA increased by $229.88 million (20 per cent), from $1,146.35 million in 2016 to $1,376.23 million as at 31 December 2017. The increase was primarily a result of the increase in contributions receivable and working capital investments. Likewise, the total liabilities increased by $99.80 million (23 per cent), from $434.92 million in 2016 to $534.72 million in 2017. The increase in the liabilities is mainly due to the increase in long-term employee benefits liabilities attributed to changes in major assumptions of the actuarial valuation, such as improved life expectancy projections and decrease in the discount rate for after-service health insurance from 4.17 per cent in 2016 to 3.91 per cent in 2017.

Operating results

10. In 2017, UNFPA reported total revenues of $1,112.55 million (2016: $850.45 million) and total expenses of $926.87 million (2016: $922.52 million), representing a surplus of $185.68 million (2016: deficit of $72.07 million), as shown in figure II.I. The surplus is a consequence of the timing of the recognition of revenue and expenses and the increase in contribution revenue as a result of successful resource mobilization efforts.

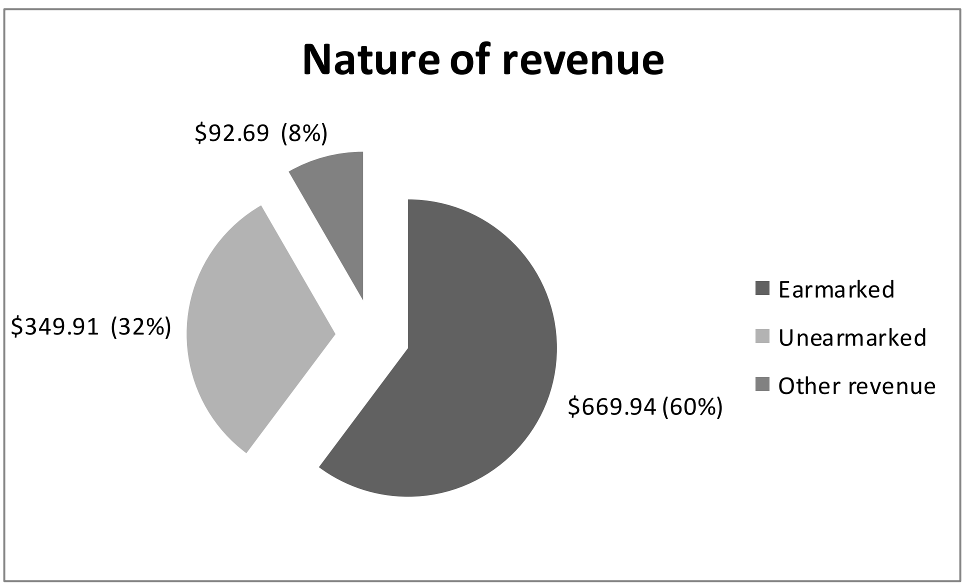
11. Of the total revenues, $669.94 million (2016: $446.77 million) related to earmarked contributions, $349.91 million (2016: $346.96 million) related to unearmarked contributions and $92.69 million (2016: $56.72 million) related to other sources of revenue, as shown in figure II.II. Total revenue has increased by 31 per cent, or $262.10 million, owing to an increase in earmarked contributions, reflecting the fact that UNFPA activities continue to be predominantly financed by earmarked funds and executed on the basis of specific donor requirements. UNFPA continues to pursue the broadening of its donor base by engaging middle-income and emerging-economy countries as well as donors from the private sector.

Figure II.I
Revenue, expenses and surplus/deficit of the United Nations Population Fund for 2016 and 2017
(Millions of United States dollars)



Source: UNFPA financial statements for 2017.

Figure II.II
Revenue of the United Nations Population Fund, 2017
(Millions of United States dollars)



Source: UNFPA financial statements for 2017.

Ratio analysis

12. The analysis of the main financial ratios (see table II.I) confirms that UNFPA has sufficient current assets to meet its short-term obligations with its liquid assets. Despite the sound financial position exhibited by all ratios, the current ratio declined from 5.7 to 4.3 owing to a decrease of $125.10 million in respect of cash, cash

equivalents and short-term investments. This decrease resulted from a shift in the composition of the UNFPA investment portfolio from short-term to long-term instruments in order to obtain higher rates of return on resources that are not immediately needed.

Table II.1
Ratio analysis

Description of ratio	*31 December 2017*	*31 December 2016*
Current ratio[a]		
Current assets: current liabilities	4.3	5.7
Total assets: total liabilities[b]	2.6	2.6
Cash ratio[c]		
Cash plus current investments: current liabilities	2.8	4.0
Quick ratio[d]		
Cash plus investments plus accounts receivable: current liabilities	3.9	5.2

Source: Board analysis of UNFPA financial statements for the period ended 31 December 2017.
[a] A high ratio indicates the ability of an entity 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 the liquidity of an entity, obtained 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 convert into cash. A higher ratio means a more liquid current position.

3. Internal control system

Evaluation of risk assessment process

13. Enterprise risk management is a comprehensive process designed to identify, assess and respond to risks that could affect the ability of the Fund to effectively achieve its mandates and objectives. The Board reviewed the progress made in implementing enterprise risk management in UNFPA and noted substantial progress in the implementation of enterprise risk management process across business units, including the establishment of risk mitigation measures. However, the Board observed the following issues which require management attention for improvement:

Lack of a formalized enterprise risk management policy

14. In 2015, UNFPA established an enterprise risk management process to ensure that a comprehensive and effective enterprise risk management strategy is maintained for a successful risk management process and creating a focused, harmonized and sustainable risk management culture at UNFPA. However, UNFPA had not yet formalized the enterprise risk management policy, therefore the country offices use guidance notes and some learning materials developed by the head office to align their risks and responses with the established enterprise risk management in the myRisk application module.[2] The Board found that those documents did not have sufficient details and guidance, for example, on the criteria for ranking the risks as low, medium or high during risk assessment.

15. The Board is of the view that the formalization of the enterprise risk management policy is necessary to increase staff awareness of the entire corporate

[2] This is a module used for managing risks in the strategic information system.

risk management process. The policy document will provide guidance on the general rule for adherence to risk assessment and mitigation procedures.

16. **UNFPA agreed with the Board's recommendation to formalize the enterprise risk management policy to guide staff at country offices and supplement the guidance in place for managing the enterprise risks.**

Inadequate performance of risk mitigation measures process

17. In May 2017, UNFPA launched the risk response module with a global mitigation library integrated in the strategic information system/myRisks application. In this module, business units are required to choose standard mitigation measures from the global mitigation library to mitigate critical and high risks for each risk factor assessed. The business units are also required to prepare an action plan by choosing action items from the mitigation action items or adding their own local action items and reflecting the action deadline date for each action item.

18. However, the Board noted that UNFPA lacks a preliminary quality review process that would give assurance over the reduced risks rating and the mitigation measures applied by the country offices. For instance, at the two of the six country offices visited, the Board found that the country offices reduced risk ratings from a high- to a low-risk rating without documenting any mitigation measures or devising action plans to mitigate identified risks. Further, all country offices visited by the Board did not have any bases for reducing risks levels from one level to another and did not have in place supporting documents for the risk mitigation process.

19. UNFPA informed the Board that the entity will perform a preliminary quality review of all mitigated risks by designated quality reviewers in 2018. UNFPA also explained that the strategic information system/myRisk application does not allow the risk to be reduced unless an action plan is prepared and supporting documentation then uploaded. The button to reduce the risk is enabled only when three conditions are met: (a) the narrative "action taken" text is entered; (b) the date of taking action is entered; and (c) supporting documentation is uploaded while responding to the action plan.

20. The Board takes note of the management responses, but considers that the lack of a preliminary review of mitigation strategies and the absence of action plans may deter the early detection of errors, which would improve the quality of the risk response process at the country offices. Also, the controls that were explained were implemented after the completion of the Board's audit and were not in effect in field offices at which deficiencies had been noted. The Board considers that until the controls introduced in the application are implemented and consistently enforced, the risk mitigation process remains a risk area for UNFPA at the country office level.

21. **The Board recommends that (a) UNFPA establish a preliminary quality review process to ensure that the reduction of risks rating at country offices and the application of risk mitigation measures are done properly and documented; (b) country offices establish the bases for risk reduction and ensure that the supporting documents for risk mitigation measures are available and aligned strategically with the risk action plans; and (c) country offices establish action plans for the risks which were identified as high.**

4. Harmonized approach to cash transfers

Inadequate microassessment of implementing partners

22. The United Nations Development Group launched a revised harmonized approach to cash transfers framework in April 2014 in which it is stipulated that the microassessment of implementing partners must be undertaken by a qualified third-

party service provider to ensure independence and the application of technical expertise. The Board's review of the implementing partners microassessment management identified the following deficiencies:

(a) A sample of 30 implementing partners (implementing partners) microassessment reports reviewed by the Board showed that the contracted service providers' conclusions on the microassessments of 28 implementing partners (93 per cent) conducted between 2013 and 2016 at the Mali, Cambodia and Guinea country offices were made without documenting the work done. In Guinea, for example, 75 per cent of the areas of evaluation had no scores assigned on them for any of the four implementing partners engaged by the country office, and 91 per cent of the evaluation dimensions that had been set had no documented conclusions drawn on them for the assessments conducted. With these deficiencies, it will be difficult for UNFPA to obtain the required assurance from the microassessments undertaken.

(b) The Mongolia and Mali country offices had not yet performed microassessments of six out of 36 implementing partners engaged in 2017, with total workplans amounting to $595,964. Without the microassessment results, the country offices will not have the proper basis for overall risk rating (low, moderate, significant or high) of the implementing partners. While delays in assessing implementing partners are mitigated by a high risk rating assigned to the implementing partner until the assessment is uploaded, the Board considers that assessing implementing partners is crucial in guiding management decisions on the appropriate type and frequency of assurance activities and on the cash transfer modality for each of the implementing partners, as required under paragraph 7.16 of the harmonized approach to cash transfers framework.

(c) The records maintained in Implementing Partners Assurance System and implementation documentation for the harmonized approach to cash transfers indicated that the Mongolia and Cambodia country offices did not document action plans for follow up on microassessment recommendations in the Implementing Partners Assurance System. This increases the risk of failure in monitoring the implementation of the microassessment recommendations and the re-occurrence of the same weaknesses noted in previous assessments.

23. UNFPA stated that a checklist to support the quality control of offices over the new microassessments had been issued to staff in June 2018. The focus of the quality review by staff would ensure that sufficient supporting information (in the comment field, including narrative detail) is provided by the assessor to substantiate the ratings. In addition, management stated that the entity would continue to review Implementing Partners Assurance System data and follow up with offices to ensure that all required microassessments are conducted within the prescribed time frame and the guidance on microassessment follow up would be released.

24. Despite the explanations provided, the Board is of the view that UNFPA must correct the deficiencies noted so that the entity obtains the intended benefits of conducting microassessments for the implementing partners with which it engages.

25. **The Board recommends that UNFPA (a) strengthen control over the implementing partners microassessment process carried out by the service providers, to ensure that the microassessment reports are supported by details of the work done and provide a clear basis for their conclusions; (b) conduct microassessments of all implementing partners who are required to be microassessed; and (c) establish a field in the Implementing Partners Assurance System module that could enable follow-up on the implementation of the microassessment recommendations.**

Management of spot-check process

26. According to the harmonized approach to cash transfers framework, the assurance activities (which aim to improve the effectiveness of the monitoring of implementing partners) include microassessments, spot checks and auditing. As per the UNFPA spot-check guidance, UNFPA country offices are required to establish the timing, frequency and staff assigned to conduct spot checks at the beginning of the year in the assurance plan.

27. During its audit for the year under review, the Board identified weaknesses in spot-check management for 14 out of 37 implementing partners at the Angola, Mongolia and Rwanda country offices, which require management attention as follows:

(a) Spot checkers did not follow up on the implementation of the previous microassessment recommendations as required under part III.1 of the UNFPA guidance on spot checks. The Board considers that in the absence of follow-ups of microassessment recommendations, country offices would not be in a position to know whether or not the recommendations have been implemented properly;

(b) There was no documentation on how samples of transactions were determined for all 14 implementing partners reviewed. This is contrary to part II of the UNFPA guidance on spot checks, which insists on the importance of documenting the source of the sample selected and sampling procedures;

(c) The verification of the usage of assets in accordance with their purposes was not performed by the spot checkers for 13 out of 14 selected implementing partners, contrary to part III.3 of the UNFPA guidance on spot checks. The Board considers that the failure to cover assets use is mainly due to a lack of a separate sheet for verification of assets in the tool used by the spot checkers. The country offices therefore lacked assurance as to whether the usage of assets by implementing partners was for the intended purposes;

(d) There were delays of five to seven months in conducting spot checks for all 11 implementing partners at Mongolia country office, contrary to the assurance plan. Also, there were delays of more than a month in uploading the spot-check reports to the Implementing Partners Assurance System for the same implementing partners at the Mongolia country office, and two implementing partners at the Angola country office. The Board is of the view that delays in conducting spot checks as per the assurance plan and in uploading spot-check reports highlights that the assurance plan in place is unrealistic.

28. UNFPA stated that management stressed the importance of improving the spot-check processes in guidance issued to offices during 2017 and will reiterate this point further in the 2018 guidance. UNFPA management will also improve the verification of assets during spot checks by appropriate means, as required, and will continue to monitor the 2018 assurance plans to ensure that the required spot checks are conducted and uploaded to the Implementing Partners Assurance System promptly.

29. **The Board recommends that UNFPA country offices ensure that: (a) spot checkers follow up on the implementations of previous microassessment recommendations during spot checking and maintain evidence to confirm the follow-up so as to provide assurance to UNFPA; and (b) the spot-check activities are conducted effectively and efficiently, in accordance with established guidance, including by clearly documenting criteria and how samples of transactions are determined.**

30. **The Board further recommends that UNFPA (a) improve the spot-check test tool in terms of content to include a separate sheet for verification of assets; and**

(b) spot checks are conducted as per established assurance plan and spot checks reports are uploaded to the Implementing Partners Assurance System in a timely manner.

5. Programme management

Inadequate utilization of the global programming system

31. In November 2014, UNFPA launched an electronic programme management system known as the global programming system. The system is an Atlas module used for the creation, management and storage of workplans, as well as for managing the budgets for programme activities. In June 2017, UNFPA launched global programming system phase II, in which implementing partners have access to the system for the direct creation and submission of both funding authorization and certificate of expenditure forms and progress reports to UNFPA. As at the time of the Board's interim audit (October to November 2017), phase II had been implemented by country offices under the East and Southern Africa regional office (global programming system II is implemented in phases).

32. The Board reviewed 19 out of 22 workplans at the Angola, Guinea and Rwanda country offices and noted that 14 workplans were signed in hard copy prior to operational review in the global programming system, contrary to the requirements set out in paragraph 8 of global programming system user guide.[3] In addition, the signed hard copy of workplans amounting to $8 million had been incorrectly reported in the global programming system as $4.2 million and therefore underreported by $3.8 million. This led to differences between the workplan amount and the amount sent to commitment control. For instance, at the Guinea country office, the workplans were operationally reviewed in the global programming system 212 days after the hard copies had been signed and the amounts in the hard copies were different than those sent to commitment control by $3.4 million. The Board considers that the discrepancy is mainly caused by the failure to update the global programming system and is concerned that such differences may affect the accuracy of budget and expenditure records.

33. UNFPA informed the Board that management will ensure adherence to the established workflow of creation, review, printing and signature of workplans generated by the global programming system (as per the global programming system user guide, version 4, of December 2016) and will also include related assessment criteria in the global programming system and workplan compliance assessment. In addition, UNFPA will continue to monitor dashboards and alert country and regional offices when deviations from the established workflow have been detected.

34. **The Board recommends that UNFPA country offices (a) ensure that workplans are created, operationally reviewed and printed from the global programming system before being signed by implementing partners to avoid discrepancies between signed workplans and global programming system data; and (b) update the budget information in the global programming system when changes arise.**

Inadequate implementation of the resource mobilization strategy

35. Section 3.3 of the UNFPA enhanced resource mobilization strategy explains the roles and responsibilities of country, regional and head offices in the formulation of

[3] Paragraph 8 of the global programming system user guide of 2014 provides that a workplan approval is the last step required in the system before the workplan can be signed with the implementing partner and implementation begins. Workplans can be approved only if they have been submitted for approval first.

a successful resource mobilization strategy and requires the country office resource mobilization plan to articulate how the country office will mobilize resources nationally or regionally, the estimated cost of implementing the programme and what support the office would require, if any.

36. From the review of resource mobilization plans and country programme documents at the Angola, Rwanda and Cambodia country offices, the Board observed that the country offices managed to mobilize only $6.2 million of the budgeted collection of $12.2 million. Management attributed the shortfall to factors such as: inadequate skills for mobilization of resources (at the Angola country office); premature reduction of direct budget support; and the fact that some donor contributions went to other sectors based on the division of labour set forth within the Governments in which donors are streamlined with respect to the sectors they would support.

37. In addition, the Board noted that the Cambodia country office's resource mobilization plan had no activities identified to ensure the accomplishment and attainment of the resource mobilization strategic objectives. Further, the country office had also not developed donor mapping and a donor management profile as one of the strategies to enhance and encourage donor contributions, as required under the UNFPA resource mobilization plan.

38. UNFPA stated that resource mobilization capacity is integrated into the required skill sets for country and regional office managers. Additionally, the resource mobilization branch has developed a number of training modules and webinars to build capacity.

39. While acknowledging the management responses, the Board is of the view that UNFPA must set realistic targets and take into account factors that might impede the achievement of the target. Also, the effective implementation of resource mobilization strategies and implementation plans is necessary for the country office to plan in advance where and how much to mobilizes, as well as which analysis of the achievements in resources mobilization should be carried out.

40. **The Board recommends that UNFPA ensure country offices: (a) build the capacity of its staff on resources mobilization to enhance the effectiveness of its resource mobilization function; and (b) develop donor mapping and a donor management profile in accordance with their strategy to enhance and encourage donor contributions.**

6. Procurement and contract management

Lack of contracts registration database at the field offices

41. Part 15.10 (5) of the United Nations Procurement Manual (1 July 2013) recommends the use of information technology-based contract management and reporting systems for good administration, monitoring and maintenance of the contract files. This is required to assure clarity over actions taken and events that occur during the course of the contract.

42. From the review of contract records and documents, the Board found that all six country offices visited during the audit had not developed an automated contract management and maintenance module. The field offices maintained contract files in manual form, an arrangement that could cause difficulties in managing the contracts and their documentation, as well as in monitoring and reporting on contracts. For instance, the Board noted that UNFPA is unable to provide real-time procurement information or reports on the amount of procurements made through purchase orders, contracts, long-term agreements and emergency procurements from all its field

offices and other units. A database of contracts is imperative to allow for the smooth implementation and management of contracts.

43. UNFPA stated that they will continue to advise country offices to register and maintain contract files and related documents for effective contract management and administration. The current system implementation does not support automated contract management. UNFPA will consider the implementation of automated contract management at the time of new enterprise resource planning implementation.

44. The Board considers that automating the management and maintenance of contracts is critical for efficient contract administration and monitoring. It also minimizes the risks of loss in managing contract files due to the dynamic nature of the procurement function.

45. **The Board recommends that UNFPA consider developing an integrated contract management application to enable country offices and units to register and maintain contract files and related documents for effective contract management and administration.**

Procurements made outside the procurement plans

46. In section 4.3.1 of the UNFPA policies and procedures manual for regular procurement (April 2015), it is emphasized that procurement planning is a mandatory requirement for all UNFPA procuring business units and for the field offices (during the first quarter of every year). The procurement focal point in the country office is responsible for collecting and consolidating all goods and services that are foreseen to be procured by the field office during the same calendar year. Based on this information, a local procurement plan should be developed no later than 31 March of each year.

47. The Board reviewed procurement transactions amounting to $812,948 out of $1.4 million procurements made at the six country offices visited and noted that goods and services amounting to $371,813 (47 per cent) procured at the Angola, Guinea, Mali, Mongolia and Rwanda country offices were not in the respective country office's procurement plan. The Board also noted that the procurement plan format used at the Angola country office for local procurements had no details adequate to enable the linkage of the actual procurement documents with the plan, thus hindering the comparison of the actual procurements against the plan. For instance, the plan had no estimated amount and time of the procurements to be made. The items to be procured were also presented in groups rather than as separate procurement items.

48. UNFPA acknowledged the importance of procurement planning and stated that they will continue to ensure that field offices, to the extent possible, adhere to the procurement plans, in the prescribed format, for procuring goods and services above certain thresholds, and that the procurement plans are regularly updated by field offices. UNFPA assured the Board that it will consider linking the actual procurement to the procurement plan in the implementation of the new enterprise resource planning.

49. **The Board recommends that UNFPA: (a) adhere to the procurement plans when making procurements and ensure that all relevant procured items are included in the procurement plans to facilitate monitoring of procurement activities and efficiency in the use of resources; and (b) in collaboration with the Procurement Services Branch, continue monitoring local procurement plans against actual procurement.**

Lack of needs assessment for reproductive health commodities

50. Section 4.3.1 of the UNFPA policies and procedures manual for regular procurement (April 2015) requires the country offices to plan the procurement of reproductive health commodities and medical devices. Need assessments for reproductive health commodities are very important activities that must be carried out by the country offices, as this allows UNFPA to respond to inventory requirements and emergencies.

51. From the review of inventory reports at the six country offices visited, the Board noted that the Mali and Guinea country offices had developed their procurement plans for reproductive health commodities and inventory to be procured by the Procurement Services Branch through consolidating the implementing partners' forecasted needs. However, the country offices were unable to provide evidence to confirm that the commodity need assessments were conducted before planning; and whether the forecasts were evaluated before being incorporated into the procurement plan. The Board considers that this weakness is due to a lack of guidance from the head office on how the country offices should perform the needs assessment of their inventories. The Board is also of the view that the country offices must enhance collaboration with the implementing partners who originate the needs, to have an appropriate basis of their inventory needs.

52. UNFPA informed the Board that the new policy on the provision of programme supplies requires the procurement plans and activities for reproductive health commodities to be based on rigorous needs assessments and forecasts. Also, the reproductive health supplies procurement plans will be reviewed to ensure, among other things, their reasonableness with respect to national supply plans and the soundness of underlying forecasts and needs assessments.

53. While it did not identify any instances of a shortage of inventory due to the non-performance of a needs assessment, the Board still considers that the policy explained must be supported by close collaboration among stakeholders to ensure effectiveness in planning. The Board also considers that UNFPA will need to enforce implementation of the introduced policy to ensure that a needs assessment for reproductive health commodities is performed.

54. **The Board recommends that UNFPA country offices: (a) collaborate with the appropriate stakeholders to enhance needs assessments on regular commodities in the country for proper and effective planning; and (b) increase the office involvement in the forecasting analysis of reproductive health commodities to identify actual inventory needs.**

7. Inventory management

Inadequate monitoring of distributed inventories

55. Part A.4.4 and A.8 of the UNFPA policies and procedure manual on inventory management (2012) require UNFPA field offices to monitor how goods are distributed to implementing partners or beneficiaries and to ensure inventories are properly safeguarded, stored and managed so as to safeguard the best interests of final beneficiaries.

56. During its review of inventory management at the Mali, Angola and Guinea country offices, the Board noted that after the handover of the inventory to the implementing partners, the country offices did not carry out further follow-up on the activities performed to ensure that the inventory was properly distributed to end users and other beneficiaries. In addition, the country offices neither monitored the implementation of implementing partners' distribution plans nor followed up to

confirm whether the supplies actually reached the final beneficiaries in the distribution chain.

57. UNFPA informed the Board that the new policy on the provision of programme supplies contains a requirement for the implementing partners to submit quarterly reports to UNFPA. This measure along with other information would provide a comparison between the planned and actual distribution of inventory. In addition, the Board was informed that the new policy establishes a requirement for implementing partner inventory spot checks and audits, which will include within their scope the verification of the use of the inventory up until delivery to the beneficiary facilities.

58. The Board takes note of the management initiatives, but considers that UNFPA will need to enforce implementation of the introduced policy to ensure adequate monitoring of the distribution of inventory through the implementing partners. The Board considers it crucial that the measures taken fully address the weaknesses identified in order to ensure that the distributed inventory reaches the final beneficiaries, as well as provide a basis for UNFPA to properly account for such inventory.

59. **The Board recommends that UNFPA monitor the distribution process to ensure that inventory is handed over to the intended beneficiaries by the implementing partners and get assurance on whether inventory has been utilized as intended.**

Controls over the inspection of inventory receipts

60. Part A.4.10 and B.2.5 of the UNFPA inventory policy and procedures manual (2012) state that it is the responsibility of UNFPA staff to inspect the goods and to ensure full correspondence between the goods ordered, the shipping documents specifications and the goods physically received. Normally, a detailed receipt and inspection report should be prepared and signed by the receiving UNFPA staff member to document this process.

61. At the six country offices visited, the Board reviewed procedures used in the inspection of inventory on arrival at the point of entry and during the handover of inventory to implementing partners and noted that during the period from January to September 2017, the Guinea and Rwanda country offices procured inventory with total cost of $2.8 million. However, the country offices had no receipt and inspection reports on the procured inventory. Such a report is prepared when inventory is received and cleared at the point of entry to ensure the goods received are as shown in the supporting shipping documents and to confirm if all goods were received and no goods were damaged or otherwise altered.

62. The Board also noted that, upon arrival in the country, inventory was delivered directly from the port to the government warehouse, where the physical condition and quantity were checked. However, no formal receiving and inspection processes or results thereof were documented. In addition, UNFPA was unable to confirm that its personnel were involved at all times in checking the inventories received. While the Board did not find any shortage or damage in the inventories, it considers that the weakness exposes the country offices to the risk of not being able to detect shortages, damage or quality problems in the inventory supplied so as to take corrective action in a timely manner.

63. UNFPA explained that the new policy on the provision of programme supplies includes comprehensive guidance (including receiving and inspection report templates) on the process to be followed upon receipt of the goods, to provide reasonable assurance that the right goods were received in the right quantities and the right conditions. Also, it includes a receipt and inspection report to be completed by

responsible personnel to document the receiving and inspection results. The country offices have received dedicated training on the new processes and reporting templates.

64. The Board takes note of the management initiative to introduce a new policy in 2018 and the relevant training conducted. However, until the measures introduced are implemented and consistently enforced, the Board considers that inventory deliveries remain a risk area in the UNFPA supply chain at the country office level.

65. **The Board recommends that UNFPA country offices implement and enforce the introduced policy to ensure that receipt and inspection of inventories at the point of entry are monitored and receipt and inspection reports are prepared to comply with the inventory management policies and procedures.**

8. Human resources management

Management of staff with disability

66. Section 2.1 of the Secretary-General's bulletin of 19 June 2014 advocating for employment and accessibility for staff members with disabilities in the United Nations Secretariat (ST/SGB/2014/3) stipulates that the Organization is committed, within existing resources or with any additional resources approved for this purpose by the General Assembly to: (a) create a non-discriminatory and inclusive workplace with non-discriminatory recruitment and employment conditions and equal access to continuous learning, professional training opportunities and career advancement; and (b) take appropriate measures to ensure that reasonable accommodation is provided to staff members with disabilities.

67. From the review of UNFPA proactiveness with respect to the implementation of the Secretary-General's bulletin, the Board observed that UNFPA has neither established a policy for handling staff with disabilities nor appointed a focal person to deal with persons with disabilities. The Board considers that a policy on staff with disabilities would encourage and demonstrate a non-discriminatory and inclusive working environment for current and prospective UNFPA staff members.

68. UNFPA stated that they would develop a policy on persons with disabilities according to the best practices within the United Nations system and that the new policy would be promulgated in 2018.

69. **The Board recommends that UNFPA establish a policy on handling staff with disabilities to demonstrate a non-discriminatory and inclusive working environment for staff members.**

9. Consultants and temporary assistance

Inadequate management of Consultant Monitoring Tool (CMT)

70. UNFPA launched the new Consultant Monitoring Tool on 1 February 2017. The Consultant Monitoring Tool is an online monitoring system for individual consultants and provides a way to track the use of individual consultants across UNFPA and to serve as a data and document repository. The system registers information on consultants in a centralized database for easier tracking of such information, thereby giving UNFPA a better overview of the use of consultants and rapidly providing information on any issue that might arise.

71. However, as of November 2017, a total of 54 (35 per cent) of 155 UNFPA country offices were not using the tool effectively and consistently. For instance, at the Guinea, Mali and Mongolia country offices, the details of 13 individual consultants had not been uploaded and created in the tool, while the records of 39 (75 per cent) of 52 contracted individual consultants were uploaded in the tool after

delays ranging from five days to eight months, which is contrary to the UNFPA policy and procedures for contracting individual consultants.

72. The Board also noted inconsistency in records in the Consultant Monitoring Tool in terms of total fee amounts compared to the rate paid per day and the number of working days. This make it difficult to determine if the fee is based on either output delivery or working days. For instance, three out of five individual consultants at the Cambodia country office had unrealistic records on the number of working days and rate payable per day compared to the total fee paid, contrary to the Consultant Monitoring Tool guidance, which requires user to calculate daily rates by dividing the consultant fee by the number of working days so as to make consultant costs comparable. In Guinea, two out of the 15 individual consultants used by the country office were paid final payments before their contracts' expiration dates and the assessment of work performed.

73. UNFPA stated that it will develop and implement strategies to increase compliance with the Consultant Monitoring Tool, including monitoring the tool and reaching out directly to countries where deficiencies are apparent as well as regularly sending reminders. Similarly, country offices will be reminded to ensure that final payment is only to be made in accordance with the applicable policies.

74. The Board is of the view that inadequate utilization of the Consultant Monitoring Tool and the delays in creating and updating information in the Tool relating to recruited individual consultants may impede the monitoring of consultants by the Department of Human Resources when validating the consultants' records to ensure that all the requirements for contracting the consultant have been met.

75. **The Board recommends that UNFPA: (a) strengthen controls over country offices to ensure effective utilization of the launched Consultant Monitoring Tool by uploading all required individual consultants' information in the Tool on time and prior to the issuance of an individual consultant contract; (b) ensure that final payments to individual consultants are made at the end of the contract period and after the assessment of the performance of the individual consultants; and (c) include a field in the Tool's system which allows the distinction of individual consultant fees based on either output delivery or working days.**

Need to strengthen approval of salary advances through e-service application

76. In February 2016, UNFPA established the use of an e-service application for staff advances as an extension of the Atlas e-services application that automates the submission and approval workflow. In this regard, all salary advances were required to be submitted and approved through the established application. In addition, the approval of all salary advances was mandated to be carried out centrally by the Director of the Division for Human Resources.

77. From the review of staff with outstanding salary advances, the Board found that salary advances for 6 out of 16 staff had not been requested or approved through the e-service application despite having been issued after February 2016, when the e-services application had been established. Management attributed the noted deficiency to the lack of awareness of UNFPA processes by heads of office.

78. Furthermore, while five service contract holders were given salary advances, according to the UNFPA recruitment guide for managers (2017), service contract holders are not staff members as defined in the Staff Regulations and Rules of the

United Nations and therefore are not entitled to salary advances. The policy requires salary advances to be granted only to UNFPA staff.[4]

79. UNFPA explained that the Division of Human Resources continues to closely monitor and follow up on the approval of salary advances. It also increases the awareness of all staff members regarding the new process of applying for salary advances. The instruction by the Director of Human Resources to use the online system will be uploaded to the UNFPA policy and procedure manual. Management will develop a guidance note to clarify the exceptional circumstances under which salary advances to service contract holders might be permissible.

80. The Board is of the view that application of salary advances outside the e-service application may deter UNFPA from ensuring proper follow-up on the outstanding salary advances and thus increases the risk of default.

81. **The Board recommends that UNFPA: (a) ensure that all salary advances are requested and approved through the e-service application for easy monitoring and follow up by the head office; (b) issue instructions to the heads of office to create awareness on the use of salary advance's e-service application and to ensure that all staff use the e-service application; and (c) establish a guidance note to govern the procedures for granting salary advances to service contract holders.**

10. Travel management

Technical limitations in Atlas enterprise resource planning

82. According to the paragraph 6 of the UNDP travel policy (used by UNFPA), a travel request is a formal document to be used in securing approval for travel and travel expenses. The request must be submitted for all travel performed by individuals travelling on official business organized and due to be paid by UNDP. The policy further states that the request is created electronically in Atlas via the travel and expense module. For country offices and business units outside of New York that are not using the travel and expense module, the authorization process is performed through a written authorization or requisition in Atlas.

83. During its review of travel and expenses at the six country offices visited, the Board found that payment requests, travel requisitions and travel authorization forms were processed and approved manually by the country offices. The process was tedious and involved a significant amount of paper work. Consequently, certain control measures, such as the restriction that a staff member not receive an advance of any travel payment before accounting for outstanding advances, were not undertaken effectively.

84. The Board found that the travel and expense module available in Atlas has not been introduced in those country offices, thus necessitating a manual process. Without an automated process, UNFPA is not in a position, globally, to obtain the travel data (including daily subsistence allowance, terminal expenses payments and other related travel expenses) in real time.[5]

85. While UNFPA acknowledged the benefits of extending the travel and expenses module functionality to the field, it informed the Board that the entity is piloting the Atlas travel and expense module in one regional office (the Asia-Pacific Regional

[4] Section I of the salary advance policy provides that all staff members administered under the 100, 200 or 300 Series of the UN Staff Rules are eligible for a salary advance, provided the staff member's contract covers the duration of the advance and meets the qualifying conditions in the case of internationally recruited staff and locally recruited staff.

[5] The travel module has been automated at headquarters only.

Office, in Bangkok). It is anticipated that some lessons learned from this exercise will be used to design and set up a global travel and expense module in the new planned enterprise resource planning solution.

86. The Board is of the view that UNFPA must address the technical limitations in the Atlas enterprise resource planning solution to ensure the availability of complete and reliable travel data in real time so as to improve the management of travel activities at country offices.

87. **The Board recommends that UNFPA establish an enterprise resource planning solution which will have a global travel and expenses module at all country offices to facilitate the travel management activities and reporting, including reporting of travel data globally in real time.**

11. Information technology

Management of Active Directory domain services

88. Active Directory is a directory service developed for supporting user log-on processes, authentication and the enforcement of security policies for all computers. It provides for the centralized management and configuration of operating systems. In addition, section 9 of UNFPA information and communications technology (ICT) security policy requires user passwords to be changed periodically, and the current policy requires password to be changed every 90 days.

89. At the Cambodia country office, the Board noted that the Active Directory user accounts with 45 domain users included 18 separated staff. Also, 39 domain users with an enabled Active Directory account status had their password set to never expire, and 9 users had had an inactive domain account status for more than two years while being staff members at the Cambodia country office.

90. Furthermore, the operating system of the Active Directory replica server at the country office is Windows Server version 2008, release 2. The Board noted that the most recent Windows update for the server was in May 2013, which makes the server susceptible to malicious attacks and security loopholes. Furthermore, 5 of the 8 available user computers (or 63 per cent) were not connected to the Active Directory.

91. UNFPA informed the Board that, with the support of the Information Technology Solutions Office, the entity will undertake a full review of the current data in the central Active Directory system to remove separated staff and to identify the country offices by their autonomous Active Directory system. After this process, the entity will issue necessary instructions to guide the country offices. Furthermore, management explained that the domain password policy will be enforced for all users defined in the central Active Directory system, and an alternative mitigation mechanism will be established for decentralized Active Directory systems.

92. The Board is of the view that inadequate usage, configuration and management of the Active Directory increase the risks of security breaches and loss of confidential information as well as malicious attacks.

93. **The Board recommends that UNFPA: (a) conduct a review and configure the Active Directory regularly to remove all separated staff; (b) enforce the domain password policy in accordance with the ICT security policy and add all computers that are not in the Active Directory; (c) establish a mechanism to ensure that the Management Information Services unit conducts periodic surveys of the country offices to review the adequacy of outsourced ICT support services; and (d) establish procedures for the governance of the Active Directory infrastructure, its security and design.**

Lack of information security awareness training

94. Section 8.2.2 of the ISO/IEC 27002 standard states that all employees of the organization and, where relevant, contractors and third-party users should receive appropriate awareness training and regular updates in organizational policies and procedures, as relevant for their job function.

95. However, the Board noted that the UNFPA ICT security policy of 2016 and staff learning and career development policy of 2010 does not stipulate the requirement for ICT security awareness training. In addition, while the UNFPA Management Information Services risk register of 2016 requires UNFPA to conduct user awareness training and to use a secure web gateway to prevent malicious attacks, these measures have not been taken.

96. UNFPA explained that the user awareness course was not published owing to ongoing structural changes, whereby the Management Information Services was to become the Information Technology Solutions Office under the ICT transformation project, and that the review of the course content was in progress. Also, management explained that, in the absence of a specific policy, ICT security awareness and related training were addressed by coordinated initiatives.

97. The Board is of the view that, as the ICT transformation project could not eliminate the necessity of ICT security awareness training, and taking into account the fact that most UNFPA applications are migrating to the cloud, information security awareness training is necessary, as lack of awareness exposes UNFPA staff to the risks of improper handling of sensitive information and usage of ICT systems.

98. **The Board recommends that UNFPA: (a) incorporate the requirements for ICT security awareness training in the existing policies; and (b) make it mandatory and establish an enforcement mechanism for all staff members to complete information security awareness training.**

C. Disclosures by management

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

99. UNFPA informed the Board that it had formally written off losses of $313,396 (2016: $312,277). The write-offs included contributions receivable of $115,463; property, plant and equipment of $179,886; staff receivables of $17,727; and project cash advances of $320 (see annex II).

2. Ex gratia payments

100. During the year under review, there was no ex gratia payment reported by the UNFPA.

3. Cases of fraud and presumptive fraud

101. In accordance with the International Standards on Auditing (ISA 240), the Board planned its audits of the financial statements so that it had 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.

102. During the audit, the Board made enquiries of management regarding their oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks

that management had identified or brought to their attention. The Board also inquired as to whether management had any knowledge of any actual, suspected or alleged fraud, including enquiries from the Office of Audit and Investigation Services. The additional terms of reference governing the external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in the report.

103. In 2017, the Board did not identify any cases of fraud, other than the 10 cases of fraud or presumptive fraud amounting to $41,345 that had been reported to the Board by UNFPA.

D. Acknowledgement

104. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director of UNFPA and her staff.

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

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

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

24 July 2018

Annex I

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

					Status of verification			
	Report reference	*Recommendation*	*Action reported by the management*	*Board assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1.	A/70/5/Add.8, paragraph 23	The Board recommends that UNFPA: (a) update the guidelines for decentralized offices to clearly define and outline the different arrangements for decentralized offices for establishing and managing operations; (b) continue to develop comprehensive business cases and seek retroactive approval for the remaining decentralized offices; and (c) incorporate the organization chart of decentralized offices and its reporting lines into the organization structure of country offices.	UNFPA undertook a comprehensive review of all its decentralized offices with regard to the availability of business cases and approvals from regional offices. UNFPA secured retroactive approvals where required. The existing guidelines for decentralized offices have been retired, as all aspects of managing such offices are already included in existing operational policies (e.g., petty cash, real estate and asset management) and programmatic policies (e.g., workplan and monitoring). As for defining and outlining different arrangements and the rules governing the establishment of such offices, these are included in the new organizational restructuring policy, which was issued in June 2018.	The Board reviewed the organizational restructuring policy and agreed with management.	X			
2.	A/70/5/Add.8, paragraph 28	The Board recommends that UNFPA: (a) ensure that monitoring and assessment visits are undertaken for effective evaluation of the implementation of activities at decentralized offices; (b) define the role of the focal points for decentralized offices and provide clear guidance on what support and oversight the focal points should provide; and (c) establish performance targets and set systematic monitoring and assessment criteria for the focal points to ensure that they deliver according to the UNFPA mandate.	The Division for Human Resources worked on the changes to the existing decentralized office guidelines. A final policy has been reviewed and issued on June 2018.	The Board reviewed the policy and agreed with management.	X			

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification: Implemented	Under implementation	Not implemented	Overtaken by events
3.	A/70/5/Add.8, paragraph 39	The Board recommends that UNFPA: (a) strengthen its monitoring procedures for implementing partners to ensure adequate performance of programme implementation activities; and (b) prepare monitoring plans that can be achieved within the time frame.	The global programming system phase II functionality was launched in the second quarter of 2017 and includes workplan progress reporting by implementing partners. The payments will be contingent on adequate and timely reporting by implementing partners on implementation progress and results. The phase II functionality also require timely submission of the funding authorization and certificate of expenditure forms, which is a prerequisite for making any payments to implementing partners. The global programming system also includes a mandatory workflow for the workplan progress reports.	The Board reviewed management responses and agreed with management.	X			
4.	A/70/5/Add.8, paragraph 60	The Board recommends that UNFPA: (a) establish a robust supply chain mechanism to ensure that there is effective delivery and distribution of procured inventories to the intended beneficiaries by field offices; and (b) develop tools that will enable country offices to monitor the timeliness and effectiveness of inventory distribution, including regular tracking of key metrics, such as percentage of execution of distribution plans and inventory levels held at service delivery points.	UNFPA has developed an inventory system called “shipment tracker”. In addition, senior management has reviewed the policy that covers the entire reproductive health commodity provision process, including the monitoring of the supplies given to governmental and non-governmental organizations. New guidelines on programme supplies have been issued.	The Board reviewed the management responses and agreed with management.	X			
5.	A/71/5/Add.8, paragraph 31	The Board recommends that UNFPA: (a) ensure that the correct budget information is updated in the global programming system and that reconciliation of budget information is made between the amounts to be sent to commitment control and the workplan amounts for such activities; and (b) consider introducing new features into the	UNFPA has fully launched phase II of the global programming system, and space for the inclusion of non-financial information with regard to the progress reports of implementing partners has been developed. Also, improved guidance on when the commitment control amount can differ from the workplan amount has been issued and included in the revised workplan policy.	The Board reviewed the management responses and agreed with management.	X			

					Status of verification			
	Report reference	*Recommendation*	*Action reported by the management*	*Board assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
		system to include non-financial information on the progress reports of implementing partners.						
6.	A/71/5/Add.8, paragraph 35	The Board recommends that UNFPA: (a) continue with its initiatives to improve the capacity of implementing partners such that workplan progress reports reflect the achievement of results at a particular period of time and clearly assess the progress made towards planned targets; and (b) conduct quality assurance upon receipt of the progress reports and address any weaknesses noted.	A thorough workflow has been established for the processing of programmatic monitoring reports, called “workplan progress reports”, which now requires formal approval by UNFPA inside the global programming system. The system also tracks submission and approval history, providing additional transparency to the process. The rollout of the global programming system phase II functionality includes an unprecedented training component for the implementing partners on the use of the system, but also regarding monitoring at large.	The Board reviewed management responses and agreed with management.	X			
7.	A/71/5/Add.8, paragraph 45	The Board recommends that UNFPA: (a) use the Atlas-generated purchase order as the primary contracting tool for the purchase of goods and for encumbering funds before delivery of goods and services, to minimize the risk of misstating commitments and to ensure compliance with the procurement procedures and internal control framework; and (b) ensure that the Procurement Services Branch monitors the country offices to ensure that they comply with the procurement rules and regulations.	A spot-check tool for the monitoring of this guidance has been launched and the result generated from this tool, revealing that a very large number of country offices did not use purchase orders as the primary contracting tool for the purchase of goods has been shared with all country offices for reflection. The Procurement Services Branch will continue to run spot checks and inform country offices on the progress made.	The Board assessed the effort made by management on the monitoring of procurement activities and is satisfied with management efforts.	X			

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification: Implemented	Under implementation	Not implemented	Overtaken by events
8.	A/71/5/Add.8, paragraph 59	The Board recommends that UNFPA: (a) carry out a human resources needs assessment and review the existing service contracts so as to reduce their use for UNFPA core functions; and (b) monitor the recruitment process of service contract holders to ensure that they are recruited for non-core functions that are mandated by the UNDP service contract handbook adopted by UNFPA.	Effective from 2017, resources needs assessments and the review of service contract holders are an integral part of any office realignment. A human resources plan, documenting human resources needs and changes is also presented as part of the documentation for review by the programme review committee for new country programmes. This process is now a standard process for evaluating and assessing human resources needs at the country offices level. In addition, country office realignments include all staffing needs and changes and requests for any conversion or request for new service contract holder positions, which are reviewed and approved at the regional and headquarters level.	The Board reviewed management responses regarding the process of performing staff needs assessments and the conversion of service contracts to fixed term at some of the country offices. The Board agreed with management.	X			
9.	A/71/5/Add.8, paragraph 64	The Board recommends that UNFPA: (a) speed up the updating of the inventory policy and procedures manual for consistency and uniformity of contents and directives in the new inventory system; and (b) ensure that in future, for any changes to the system, policy has to be updated in line with the adoption of the new system.	UNFPA has issued new guidelines on the management of programme supplies to replace the policy and procedures on inventory management in place since 2012.	The Board reviewed the management responses and is satisfied with management's actions in implementing the recommendation.	X			
10.	A/71/5/Add.8, paragraph 68	The Board recommends that UNFPA: (a) clearly include in the manual the roles, responsibilities and scope of the oversight bodies and other personnel involved in the inventory management process; and (b) design a standard job description for the role of inventory focal point, including the competence requirements.	UNFPA has issued new guidelines on the management of programme supplies to replace the policy and procedures on inventory management in place since 2012. The new guidelines elaborate extensively on roles and responsibilities, at both the business unit and job position level, for the process.	The Board reviewed the management responses and agreed with management.	X			

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification: Implemented	Under implementation	Not implemented	Overtaken by events
11.	A/71/5/Add.8, paragraph 74	The Board recommends that UNFPA: (a) align the inventory valuation policies and guidelines so as to maintain consistency in determining the cost of inventory; (b) perform a comparison between cost and net replacement cost for all inventories; and (c) establish a mechanism that captures current replacement costs of all inventories to improve inventory valuation during stocktaking and the closure of accounts.	The valuation of inventory has been clarified in the new version of the inventory management policy. UNFPA performed comparisons between cost and current replacement cost for all inventory older than six months as part of the accounts closure procedures for 2017. The same procedure will be applied at each year's end going forward.	The Board reviewed the management responses and agreed with management.	X			
12.	A/71/5/Add.8, paragraph 78	The Board recommends that UNFPA: (a) incorporate the cost projections on the use of the reserve for field accommodation fund into its integrated budget for the period 2018–2021; and (b) review the threshold amount of the reserve for field accommodation with regards to the changing environment.	UNFPA reviewed and revised the threshold amount for the reserve for field accommodation and included a proposal of $14.1 million as a premises capital plan in its integrated budget for 2018–2021 proposals (DP/FPA/2017/10). However, given the resource constraints, and following extensive consultations with member States, UNFPA proposed to defer the establishment of the premises capital plan at this point and consider it at the next budget revision, in December 2018. The Executive Board approved this proposal in its September 2017 decision on the integrated budget, 2018–2021. However, UNFPA action depends on the approval of the Executive Board. If the Executive Board does not approve the premises capital plan in September 2018, it will remain deferred until the next budget revision. As there was no appetite from the Executive Board to reintroduce the premises capital plan in the revised budget, UNFPA sought utilization of the regional financing arrangement for headquarters expenditures as a working solution.	Since the establishment of the premises capital plan has been deferred, and the fact that the Executive Board has no appetite to continue with the project, the Board considers the recommendation as having been overtaken by events.				X

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification			
					Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
13.	A/71/5/Add.8, paragraph 88	The Board recommends that UNFPA: (a) conduct an information security risk assessment and review its ICT policies annually; (b) develop and implement an information classification policy; and (c) adopt internationally accepted standards in managing information security for controls that will have a significant impact on the organization.	The information classification is a part of the UNFPA document management policy, which will now include 3 key components: Information classification, document management and records management. The information classification policy will establish formal sensitivity classification and handling procedures for any form of information produced in UNFPA. The document management policy will specify the process of storing and handling information within the office of the relevant office document folders under iDocs, while the records management policy will guide offices on how to manage official organizational records within iDocs. Drafting of the document management policy is completed. Additionally, a new item is the draft information classification policy, which was issued on 1 June 2018.	The Board is satisfied with the action taken by management.	X			
14.	A/71/5/Add.8, paragraph 94	The Board recommends that UNFPA: (a) develop and implement a project management guideline which defines the basis for adopting the Projects in Controlled Environment (PRINCE2) or Agile methodology for the ICT project management process; (b) develop and implement ICT project prioritization criteria to be used by the ICT Board in decision-making; and (c) establish a mechanism to capture the costs of internally developed software.	The incorporation of project management guidelines in the ICT transformation project has strengthened the broader governance approach. Similarly, the issuance of the new policy titled "Policy and procedures for information and communications technology" clarify the ICT governance, including through the delineation of roles and responsibilities between the Executive Committee and the ICT Board. The ICT Board terms of reference and composition have been changed, under the ICT transformation project, to also incorporate the management of ICT projects. The project approval criteria are defined in the newly developed software development life cycle policy.	The Board reviewed the management responses and agreed with management.	X			

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification: Implemented	Under implementation	Not implemented	Overtaken by events
15.	A/71/5/Add.8, paragraph 98	The Board recommends that UNFPA: (a) develop, document, test and implement a comprehensive ICT disaster recovery plan that takes into consideration all critical business systems and their dependencies; and (b) review and test the disaster recovery plan regularly and document the reviews and tests conducted.	An ICT disaster recovery plan has been finalized, and the tests have been performed.	The Board reviewed the management responses and agreed with management.	X			
16.	A/72/5/Add.8, paragraph 18	The Board recommends that UNFPA: (a) ensure country offices perform risk assessments effectively by documenting realistic justifications and causes and tailoring them to the specific field office environment, as required by the guidance notes on conducing risk assessment in the enterprise risk management system; and (b) document possible causes, risk ratings and justifications and allocate focal points for the additional risks identified by country offices.	The online system has been modified to add automated risk ratings based on impact and probability. The guidance note has also been revised to include the new features.	The Board acknowledge the management efforts towards implementation of enterprise risk management in the organization. The Board agrees with the management responses.	X			
17.	A/72/5/Add.8, paragraph 22	The Board recommends that UNFPA: (a) ensure that country offices develop the risk score matrices for the identified and assessed risks to support the risk ranking process; and (b) continue training the personnel of country offices on enterprise risk management tools and concepts so as to ensure that the risk assessment process, specifically with regard to the application of risk matrices in risk ranking, is performed adequately.	The online system has been modified to add automated risk ratings based on impact and probability.	The Board is satisfied with management efforts in implementing the recommendation.	X			

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification: Implemented	Under implementation	Not implemented	Overtaken by events
18.	A/72/5/Add.8, paragraph 27	The Board recommends that UNFPA: (a) ensure that country offices prepare supporting documents of the risk assessment process for review and easy reference by the regional office; and (b) enhance the regional office's risk assessment review and monitoring mechanisms to facilitate the achievement of the enterprise risk management corporate objective.	A feature that enables the uploading of supporting documentation for review by the regional office has been added to the online application.	The Board is satisfied with management efforts in implementing the recommendation.	X			
19.	A/72/5/Add.8, paragraph 32	The Board recommends that UNFPA: (a) strengthen control over microassessment reports from the service providers to ensure that the reports are supported by details of the work done and provide a clear basis for their conclusions; and (b) ensure that implementing partners are given microassessments and plans are established to follow up on the findings and recommendations of the microassessment with UNFPA implementing partners or implementing partners shared with other agencies.	Priority was given to the quality review of spot checks and additional guidance for the quality assurance of microassessments and the follow-up to microassessments and to spot checks. The quality review of current microassessments will be more meaningful towards the end of 2018, after the relevant guidance has been issued and applied.	The implementation of the planned management action is still to come.		X		
20.	A/72/5/Add.8, paragraph 36	The Board recommends that UNFPA: (a) consider providing adequate training to spot checkers on how to conduct spot checks so as to improve the quality of spot checks; (b) ensure that the implementation of microassessment recommendations are followed up during spot checking and that evidence to that effect be maintained by the spot checkers so as to provide supported assurance to UNFPA; and (c) ensure that the spot check activities are conducted effectively and efficiently, in accordance with established guidance.	The Director, Division of Management Services, has conducted various webinars to ensure quality assurance over spot checks. New guidance on spot checks is pending for final approval and issuance.	The Board acknowledge management efforts in ensuring the quality of spot checks. Approval of the new guidance is awaited.		X		

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification: Implemented	Under implementation	Not implemented	Overtaken by events
21.	A/72/5/Add.8, paragraph 40	The Board recommends that UNFPA: (a) ensure that the workplans are prepared and approved in the global programming system prior to being signed by implementing partners and before the programme activities commence in order to avoid discrepancies between signed workplans and records in the global programming system; and (b) perform periodic checks and reconciliations between the budgets of the workplans and global programming system records in order to correct and update information in the global programming system.	In 2016, the workplan workflow was revised, ensuring the segregation of duties and introducing an additional operational review. Workplan progress reports are now created in the global programming system. The global programming system pre-populates the workplan progress reports, and implementing partners have online access to the system where they fill out the progress reports. Such reports have set deadlines by which the implementing partner must complete them.	The Board reviewed management responses and agreed with the management.	X			
22.	A/72/5/Add.8, paragraph 45	The Board recommends that UNFPA ensure that country offices provide information on annual supplier performance, business volume and savings achieved to the lead United Nations agencies for all long-term agreement holders that are piggybacked with other agencies so that evaluations can be conducted.	Follow-up with country offices has been carried out by the Procurement Services Branch, to obtain feedback from the Operations Manager's team and to enable them to share their experience with implementing this request and the usual response they have received from those agencies. The feedback is being analysed, and consideration will be given as to whether the procurement procedures should be changed. The next steps will be decided on the basis of the feedback received.	Implementation of management actions based on the feedback received from country offices is awaited.		X		
23.	A/72/5/Add.8, paragraph 50	The Board recommends that UNFPA field offices adhere to local procurement plans when making procurements and ensure that all the procured items are included in the local procurement plans to facilitate the monitoring of procurement activities and efficiency in the use of resources.	UNFPA attaches great importance to procurement planning and will make every effort to ensure that country offices prepare and update procurement plans as required by the procurement policy. The Procurement Services Branch is adding a monitoring spot check for local procurement to ensure that it is in line with actual procurement on a yearly basis. UNFPA has also provided clarity in the procurement	Implementation of the management actions is awaited.		X		

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification: Implemented	Under implementation	Not implemented	Overtaken by events
			procedures on the fact that the plan shall be in line with actual procurement on quarterly basis and is also of the view that a level of flexibility is needed to take into account unforeseen circumstances, including force majeure.					
24.	A/72/5/Add.8, paragraph 55	The Board recommends that UNFPA improve its procurement procedures for documentation during the receiving and inspection of goods and services procured by keeping evidence of receipt even if goods/services are in good order.	UNFPA has finalized its policy and procedures for the management of programme supplies, including templates for receiving and inspection. The Procurement Services Branch has issued new inspection and delivery templates, which are to be used in-country when: (a) inspecting all goods upon arrival; and (b) when handing over goods to implementing partners.	The Board reviewed management responses and agreed with the management.	X			
25.	A/72/5/Add.8, paragraph 61	The Board recommends that UNFPA country offices: (a) collaborate with the appropriate stakeholders to enhance needs assessments on regular commodities in the country for proper planning; and (b) increase country office involvement in the forecasting analysis of reproductive health commodities before they are incorporated into inventory procurement plans.	Covered in the policy on the provision of programme supplies, Overall, the policy now details the key requirements related to needs assessment and forecasting, with clear requirements related to reproductive health commodities, medical equipment and humanitarian supplies. It covers the role of the national coordination mechanism and how UNFPA should leverage these for the purpose of forecasting. It mandates the use of comprehensive national-level supply plans, as a basis for supply prioritization, and clarifies and enhances the requirements for procurement planning.	The Board reviewed management responses and agreed with the management.	X			

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification			
					Implemented	Under implementation	Not implemented	Overtaken by events
26.	A/72/5/Add.8, paragraph 65	UNFPA agreed with the Board's recommendation to: (a) establish a mechanism that would enable the organization to capture the leave points balances as at the reporting date and not as at the payroll finalization date in order to report accurate leave days and liability; and (b) strengthen its internal controls over the leave approval process by introducing a time limit on the approval of leave requests to ensure the timely and realistic capturing of leave points as at the reporting date.	UNFPA, in consultation with UNDP, will explore the possibility of establishing a mechanism to run a separate leave reconciliation process at the end of the year to capture the leave taken after the payroll finalization date to ensure that the report reflects accurate leave days and the liability. For example, another payroll report could be processed/run in the first week of January just for payroll reporting. UNFPA has also strengthened internal controls over the leave approval process by revising its policy on leave recording and management requiring that supervisors must approve leave within a reasonable period not exceeding 30 calendar days. UNFPA will develop an additional Atlas report to monitor exceptions.	The Board reviewed the revised leave policy and agreed with the management. The establishment of a mechanism for the reconciliation of reports to monitor leave exceptions is awaited.		X		
27.	A/72/5/Add.8, paragraph 70	The Board recommends that UNFPA: (a) ensure that a profile in the roster is created before individual consultants are hired in order to facilitate online performance evaluation and references in the future; (b) update the contract periods of individual consultants in the roster and ensure that the contract periods recorded in the roster match those that are signed in order to enable the effective assessment of individual consultant performance; and (c) conduct an individual consultant performance assessment in the consultant roster immediately after the completion of an assignment and ensure that final payment of the fee is released only after the individual consultant's performance assessment has been completed.	The main page of the Consultant Monitoring Tool has been modified so that it now demands and displays the consultant's roster identification number. The hiring manager and Consultant Monitoring Tool monitor can readily see if a consultant who is being hired has created a profile and roster identification number. A review of a sample of 2017 assessments was conducted recently. It was found that most assessment in the sample correctly indicated the contract period corresponding with the period indicated in the contract as shown in the Consultant Monitoring Tool. The few that did not correctly indicate the period were readily identified and a query email sent to the responsible persons in those country offices to request an explanation and correction. The frequency of this type of mistake will	The Board acknowledges management efforts and assesses the recommendation as having been implemented.	X			

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification: Implemented	Under implementation	Not implemented	Overtaken by events
			lessen, if not be completely eliminated, as the reminder in the Atlas assessment form is implemented.					
28.	A/72/5/Add.8, paragraph 74	The Board recommends that UNFPA: (a) expedite the recruitment process and conversion of service contracts to fixed-term appointments to support core operations that are held by staff with service contracts; and (b) comply with UNFPA policies and procedures on the use of service contract modalities in the implementation of country office programmes and operations with regard to the recruitment of service contract staff for not more than five years.	The use of service contracts at UNFPA has contributed to expediting the recruitment process. In the past, the standard trend was that 120 days elapsed from the time a vacancy was closed to the selection of a candidate. In the first quarter of 2017, that has been brought down to 90 days. The recruitment process was also expedited owing to new initiatives such as the leadership pool, the rotation exercise, the decentralization of the recruitment of technical positions to the regional offices and upgrade of the eRecruit system.	The Board reviewed management responses and agreed with management.	X			
29.	A/72/5/Add.8, paragraph 79	The Board recommends that UNFPA: (a) formalize the policy and guidelines for the usage of the reserve; (b) review and justify the approved reserve amount of $10 million, taking into account the financial projections of UNFPA; and (c) maintain the reserve at the approved amount.	The humanitarian funding response has been updated jointly. Language was enhanced as required and a detailed risk-control matrix developed. The quantification analysis was developed and provided to the Director of the Division of Management Services. The Director made a recommendation to the Executive Director to set the reserve at $5 million, which was accepted.	The Board has reviewed the actions taken by management and considers the recommendation as implemented.	X			
30.	A/72/5/Add.8, paragraph 85	The Board recommends that UNFPA: (a) ensure compliance with the salary advance policy and strengthen conditions for the recovery of advances from staff, especially in situations where the staff member with outstanding advances separates from UNFPA; and (b) continue the review of the outstanding advances to establish the respective causes and recovery mechanisms to ensure that the advances are recovered and cleared from active and separated staff.	In December 2017, the consultant developed a draft separation checklist for local staff. The checklist was finalized and will be sent to Human Resources Strategic Partners and international operations managers for testing and feedback. The Division for Human Resources will ensure that reminders will be sent to the field to ensure consistent implementation of the separation checklist process. This will take place after the checklist has been tested. The consultant had been engaged to review outstanding staff salary	The Board acknowledges the management efforts on the clearance of outstanding salary advances. The finalization and implementation of guidance on the separation process so as to comply with the salary advance policy is awaited.		X		

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification: Implemented	Under implementation	Not implemented	Overtaken by events
			advances, follow up with the respective offices and develop draft guidance on the separation process for local staff. Adjustments, write-offs or provisions were recorded, as considered appropriate.					
31.	A/72/5/Add.8, paragraph 90	The Board recommends that UNFPA: (a) ensure that the country offices obtain authorization from UNFPA headquarters for all project cash advances above the threshold as stated in the policy; (b) set a time limit for holding the project cash advance per activity per staff in the policies and procedures on project cash advances to minimize prolonged project cash advance balances; and (c) strengthen supervisory and monitoring controls at the level of country offices to ensure compliance with the established policies and procedures.	The Finance Branch is finalizing its review of the project cash advance policy to ensure that the necessary controls and fraud risk factors are included in the policy. A second draft has been developed and is under review. Once the policy is finalized, the necessary webinars will be conducted to ensure understanding of the policy in the field. Reports are under development but require further enhancement and testing. The material developed by the internal control framework consultant supported this exercise and contributed to the identification of specific parameters that must be included in the development of the reports.	The implementation of management action is awaited.		X		
32.	A/72/5/Add.8, paragraph 95	The Board recommends that UNFPA: (a) update the list of shadow IT applications to ensure it includes all regions; (b) conduct a review of shadow IT applications in accordance with policy; and (c) establish control mechanisms to determine risks associated with shadow IT applications.	(a) The shadow IT applications list is updated; (b) The shadow IT review has been carried out; (c) The shadow IT applications are following the software life cycle development procedure, which includes risk assessment.	The Board acknowledges management efforts and assesses the recommendation as implemented.	X			

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification			
					Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
33.	A/72/5/Add.8, paragraph 100	The Board recommends that UNFPA put in place a mechanism for monitoring the adoption of software policies and procedures and ensure their compliance across the entity.	Management Information Services has already drafted a Software life cycle development policy. This policy is currently being reviewed by stakeholders and, along with the abovementioned shadow IT monitoring process, will help UNFPA to monitor the adoption and compliance of software policies. The policy and the monitoring of shadow IT will not address the whole of the recommendation. Another mechanism to monitor policy compliance is being defined.	The implementation of management action is awaited.		X		
Total			**33**		**24**	**8**	**0**	**1**
Total percentage			**100**		**73**	**24**	**0**	**3**

Annex II

Summary of assets written off

(United States dollars)

Category (assets, inventory and cash)	*Current year*	*Previous year*	*Increase/(decrease)*
Contributions receivable	115 463	144 275	(28 812)
Inventory	0	20 833	(20 833)
Operating fund advances	0	86 249	(86 249)
Property, plant and equipment	179 886	11 308	168 578
Garnishment	0	630	(630)
Staff receivables	17 727	24 579	(6 852)
Value added tax	0	24 116	(24 116)
Petrol	0	287	(287)
Project cash advance	320	0	320
Total	**313 396**	**312 277**	**1 119**

Chapter III
Certification of the financial statements

Letter dated 30 April 2018 from the Director of the Division for Management Services of the United Nations Population Fund addressed to the Chair of the Board of Auditors

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

I acknowledge that:

The management is responsible for the integrity and objectivity of the financial information included in these financial statements;

The financial statements have been prepared in accordance with the International Public Sector Accounting Standards and include certain amounts that are based on the management's best estimates and judgments;

Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that, overall, policies and procedures are implemented with an appropriate segregation of duties. The Internal Auditor continually reviews the accounting and control systems;

The management provided the Internal Auditor with full and free access to all accounting and financial records;

The recommendations of the United Nations Board of Auditors and Internal Auditor are reviewed by the management. Internal control procedures have been revised or are in the process of revision, as appropriate, in response to those recommendations.

I am in receipt of a letter of certification from the Deputy Assistant Administrator, Deputy Director and Chief Finance Officer, Bureau of Management, United Nations Development Programme (UNDP), which provides the same assurances with respect to UNDP accounting procedures and related systems of control to the extent that services are provided by UNDP to the United Nations Population Fund (UNFPA), as per the management agreement currently in force and its subsequent amendments, and in conformity with UNFPA financial rule 116.3 (a).

(*Signed*) Andrew **Saberton**
Director
Division for Management Services

Chapter IV
Financial report for the year ended 31 December 2017

Introduction

1. The present report summarizes the information provided in the UNFPA financial statements for the year ended 31 December 2017 and highlights significant matters and trends related to the Fund's financial position and performance.

Financial performance

Trends in contribution revenue

2. UNFPA is primarily funded from voluntary contributions that are either unrestricted as to use (referred to as "unearmarked", "core" or "regular" resources) or earmarked by the donors for a specific purpose, programme or activity (referred to as "earmarked", "non-core" or "other" resources).

3. Gross unearmarked contributions decreased by $2.9 million, or 0.8 per cent, to $349.9 million (2016: $352.8 million), owing primarily to the defunding of UNFPA by a major donor country, which contributed $30.7 million in 2016. This shortfall was almost fully offset by generous additional contributions from other donors.

4. Gross earmarked contributions[6] grew in 2017 to $717.6 million (before cost recovery charges and refunds to donors),[7] marking an increase of $231.8 million, or 47.7 per cent, from 2016 ($485.8 million) as a result of successful resource mobilization efforts, favourable foreign exchange rates movements and delays in signing some contribution agreements from the end of 2016 to the first quarter of 2017. As at the end of 2017, the share of earmarked resources as a percentage of total gross contribution revenue had increased by 9.3 basis points, to 67.2 per cent (2016: 57.9 per cent), reflecting the increased reliance of UNFPA on earmarked revenue.

5. Consistent with previous years, the majority of contributions to UNFPA were received from a small number of donors. In 2017, the top 10 donors accounted for 89.4 per cent of gross unearmarked contribution revenue (2016: 87.4 per cent) and 80.6 per cent of gross earmarked contribution revenue (2016: 81.5 per cent). UNFPA continues to pursue the broadening of its donor base by engaging middle-income and emerging economy countries, as well as private sector donors.

6. Refunds to donors increased by $4.1 million, or 95.3 per cent, to $8.4 million in 2017 (2016: $4.3 million). Notwithstanding the increase, refunds continue to represent only 1.2 per cent of gross earmarked contribution revenue for the year (2016: 0.9 per cent) reflecting the high implementation rate of programme activities funded from earmarked resources.

Other revenue

7. Other revenue increased significantly by $36.0 million, or 63.5 per cent, to $92.7 million in 2017 (2016: $56.7 million), owing mainly to $26.6 million in foreign currency exchange gains on contributions receivable, cash in banks and investment accounts. The increase is also a result of $9.2 million growth in investment revenue, attributable to higher rates of return earned by both the working capital and after-

[6] Gross earmarked contributions are the amounts specified in the contribution agreements signed with donors, recognized as revenue consistent with UNFPA accounting policies.

[7] Earmarked contributions are presented net of cost recovery charges (which are reflected under other revenue) and refunds to donors in the statement of financial performance.

service health insurance investment portfolios; $4.4 million growth in cost recovery charges,[8] owing to higher programme implementation in 2017; and $1.6 million growth in procurement revenue, owing to a higher value of third party procurement orders fulfilled by UNFPA in 2017.

8. Part of the increase in other revenue was offset by reclassification from contribution to other revenue of $5.8 million in 2016, but not in 2017, for total income taxes paid by UNFPA on behalf of taxpayers of one member State. Reclassification was not performed in 2017 since there was no qualifying contribution revenue received from the member State during the year.

Future revenue flows and continuity of operations

9. As at 31 December 2017, UNFPA had agreements signed for $239.7 million in future contributions (2016: $257.7 million), of which $202.5 million corresponded to earmarked resources (2016: $238.8 million). This future revenue is of great importance as it enables continuity of UNFPA operations.

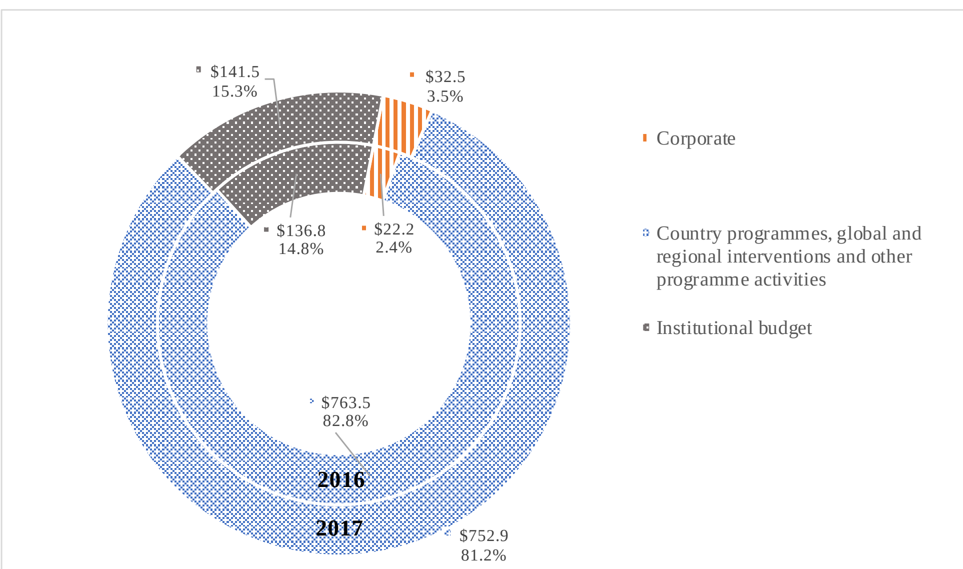
Expenses: overview

10. Total expenses increased by $4.4 million, or 0.5 per cent, to $926.9 million in 2017 (2016: $922.5 million). Expenses for activities funded from earmarked resources grew by $33.1 million, or 6.4 per cent, to $547.9 million (2016: $514.8 million), primarily owing to an expansion of humanitarian response programmes funded by several large donors. The increase in earmarked expenses was partially offset by a decrease of $28.7 million, or 7.0 per cent, in unearmarked expenses (from $407.7 million in 2016 to $379.0 million in 2017), mainly as a result of prudent financial management in response to the reduced unearmarked contribution revenue levels.

11. Figure IV.I provides an overview of expenses by type of activity.

Figure IV.I
Total expenses by type of activity

(Millions of United States dollars)



[8] Cost recovery charges are deducted from the amount of earmarked contributions and presented as other revenue in the statement of financial performance.

12. Total programme expenses (country programmes, global and regional interventions and other programme activities) decreased by $10.6 million, or 1.4 per cent, to $752.9 million in 2017 (2016: $763.5 million). The decrease is partially a result of the continued prudent management of unearmarked resources, as discussed above, and the reclassification of 41 staff posts (net) from global and regional interventions to the institutional budget, in line with the findings of the midterm review of the strategic plan. This reclassification is also the main driver behind the $4.7 million increase in the institutional budget expenses in 2017.

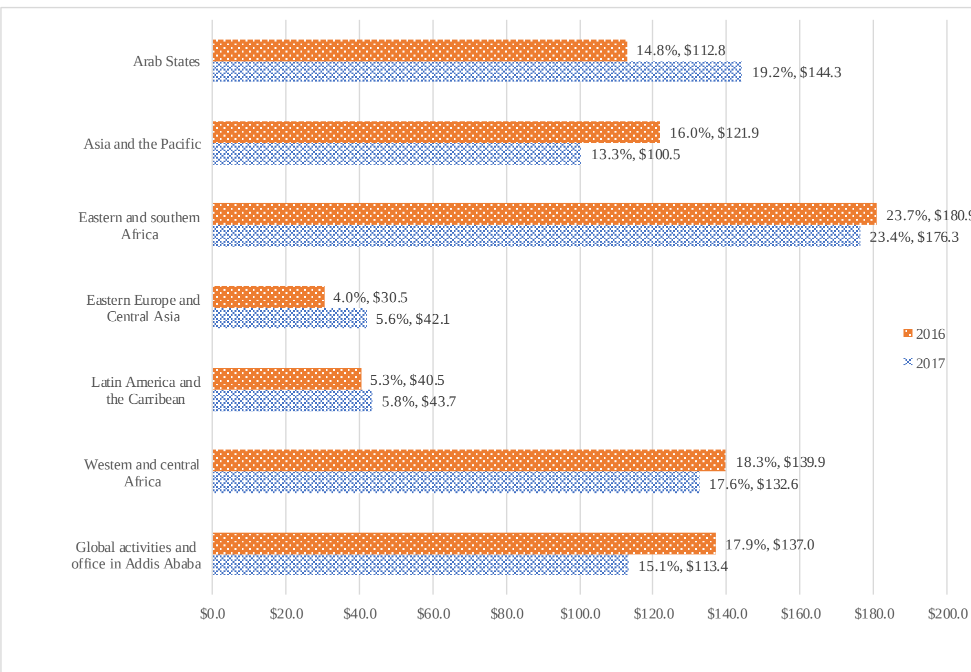
13. Corporate activities expenses, which include costs incurred in furtherance of the UNFPA mandate that cannot be unequivocally assigned to specific strategic plan outcomes, increased by 46.4 per cent, to $32.5 million, in 2017 (2016: $22.2 million), primarily owing to higher foreign exchange losses, increased provisions for doubtful accounts and after-service health insurance interest and service costs.

Expenses: breakdown by region, nature and purpose

14. Figure IV.II presents the breakdown of programme expenses by region.

Figure IV.II
Expenses on country programmes, global and regional interventions and other programme activities by region

(Millions of United States dollars)



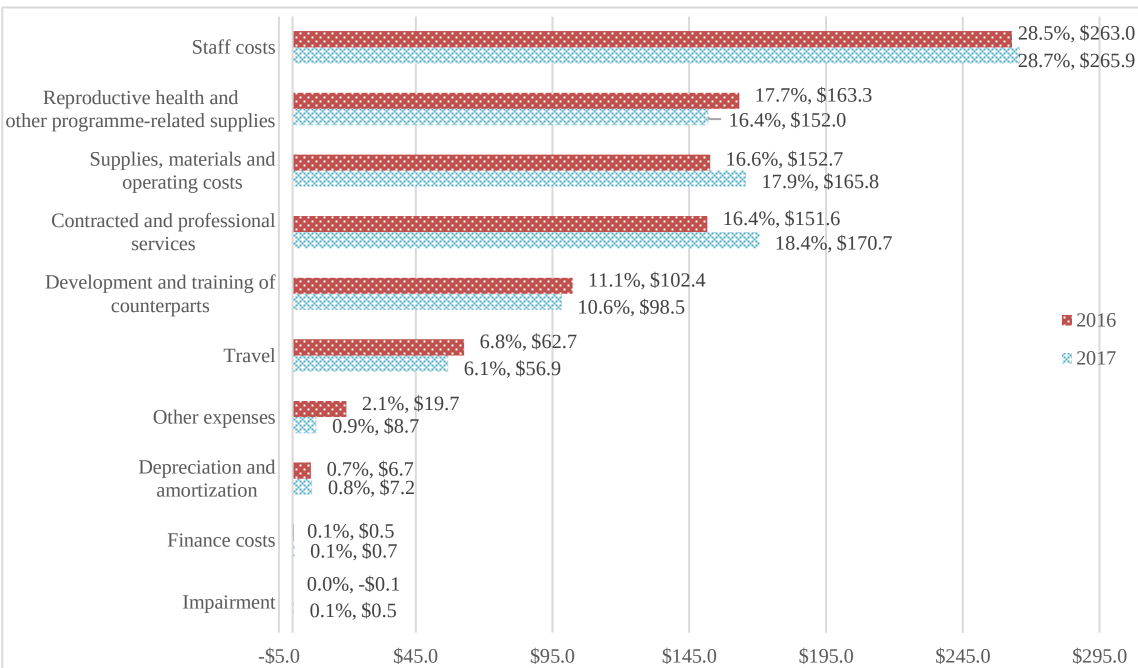
15. As in previous years, and in line with the role of UNFPA as a field-based organization, the great majority of the Fund's programme expenses were incurred in the field ($639.5 million, or 84.9 per cent, in 2017 and $626.5 million, or 82.1 per cent, in 2016). The regions with the largest programme expenses were Eastern and southern Africa ($176.3 million, or 23.4 per cent), Arab States ($144.3 million, or 19.2 per cent), and Western and central Africa ($132.6 million, or 17.6 per cent). The region with the highest year-on-year growth was the Arab States, where programme expenses increased by $31.5 million, or 27.9 per cent, owing mainly to the expansion in humanitarian response activities in several countries in the region.

16. Expenses for global activities[9] amounted to $113.4 million, or 15.1 per cent of total programme expenses (2016: $137.0 million, or 17.9 per cent). Of that amount, $78.9 million, or 69.6 per cent (2016: $95.1 million, or 69.4 per cent), corresponded to global UNFPA Supplies[10] activities, primarily for procurement of reproductive health commodities.

17. The Fund's success in delivering its mandate is dependent on its skilled and competent national and international staff. In 2017, UNFPA spent $265.9 million on staff costs,[11] which represents 28.7 per cent of total expenses for the year (2016: $263.0 million, or 28.5 per cent). At the end of 2017, 83.8 per cent (2016: 83.3 per cent) of UNFPA staff were based in field offices.

18. The nature of expenses incurred by UNFPA, as shown in Figure IV.III, changed little from 2016 to 2017.

Figure IV.III
Total expenses by nature
(Millions of United States dollars)



19. Expenses for contracted and professional services increased the most of all the categories, by $19.1 million (12.6 per cent), owing mainly to larger personnel costs for programme activities implemented by non-governmental organizations, including in humanitarian settings. The increase of $13.1 million, or 8.6 per cent, in the category of supplies, materials and operating costs was also partially caused by expanded activities of implementing partners and resulting higher support costs, as well as an

[9] Including expenses of the liaison office in Addis Ababa.

[10] UNFPA Supplies is the Fund's flagship thematic programme dedicated to expanding access to family planning in countries with the greatest needs, so that women and adolescent girls can access a choice of contraceptives no matter where they live.

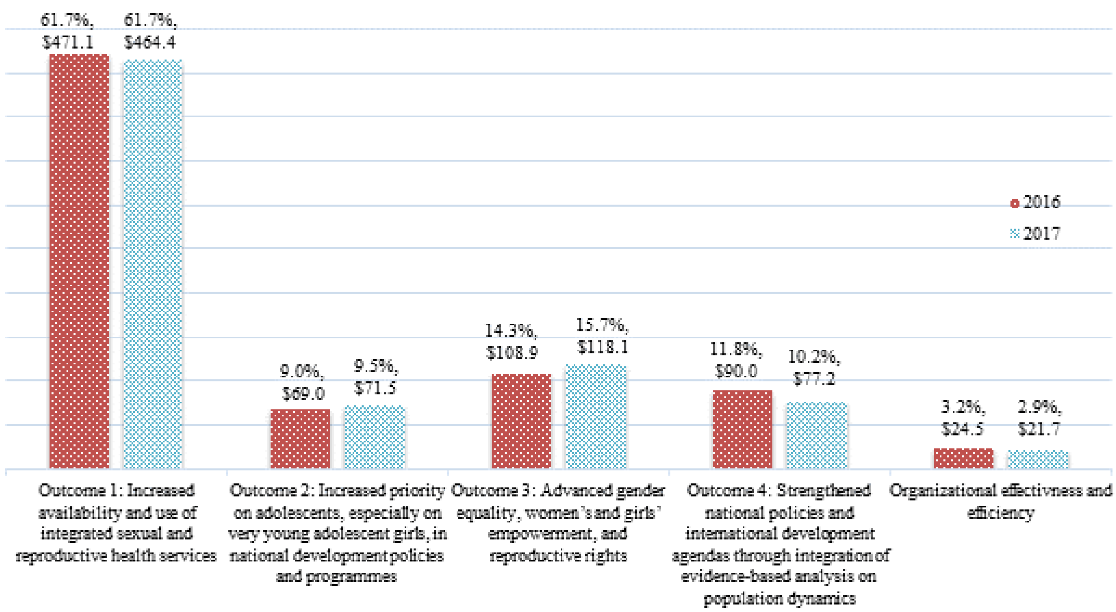
[11] The term "staff" includes all staff members who are appointed by or on behalf of the Executive Director of UNFPA pursuant to the United Nations Staff Regulations under appointment authority delegated to the Executive Director by the Secretary-General (ST/SGB/2004/10, effective 1 June 2004, and General Assembly decision 58/555 on personnel matters relating to UNFPA). It includes all staff members holding continuing, fixed-term and temporary contracts.

increase in facilities and transportation costs in countries with large-scale humanitarian operations.

20. Expenses for reproductive health and other programme-related supplies decreased by $11.3 million, or 6.9 per cent, owing primarily to the timing of procurement activities and a corresponding increase in the value of programme supplies orders not yet delivered to UNFPA at the end of the year. Other expenses decreased by $11.0 million, or 55.8 per cent, owing to lower foreign exchange losses on contributions receivable.

21. Figure IV.IV presents the breakdown of programme expenses by strategic plan outcomes.

Figure IV.IV
Expenses for country programmes, global and regional interventions and other programme activities by contributions to outcomes and outputs of the strategic plan for 2014–2017
(Millions of United States dollars)



22. Consistent with prior years, more than half of UNFPA programme expenses ($464.4 million, or 61.7 per cent of the total) related to outcome 1, increased availability and use of integrated sexual and reproductive health services (2016: $471.1 million, or 61.7 per cent). Expenses related to other strategic plan outcomes also remained consistent.

Net results for the year

23. UNFPA finished 2017 with a surplus of $185.7 million, compared with a deficit of $72.1 million in 2016. Most of this surplus ($147.1 million) corresponded to earmarked resources and reflects the difference in the timing of recognition of revenue and expenses, as well as an increase in contribution revenue for the year.

24. In 2017, UNFPA implemented 94.6 per cent of its adjusted unearmarked resources budget (2016: 96.5 per cent). The implementation rate was higher for development activities, at 96.9 per cent (2016: 97.7 per cent), than for management activities, at 90.0 per cent (2016: 93.5 per cent). Statement V provides more details about budgetary performance for 2017 and for the full four years of the strategic plan for 2014–2017. Note 23 provides a reconciliation between statement V prepared on a

budget comparable basis and cash flow, revenue and expenses presented on a full accrual basis.

Financial position

Assets and liabilities

25. As at 31 December 2017, total assets and liabilities of UNFPA amounted to $1,376.2 million and $534.7 million, respectively (2016: $1,146.3 million and $434.9 million).

26. At the end of the year, total current assets amounted to $640.8 million (2016: $776.3 million), while total current liabilities were equal to $148.9 million (2016: $135.7 million). The current ratio was 4.3 at 31 December 2017 (2016: 5.7), indicating that UNFPA had sufficient resources to meet its current obligations. The decrease in the current ratio from 2016 to 2017 is mainly due to the shift in investments from cash, cash equivalents and short-term instruments (which decreased by $125.1 million) towards long-term instruments (which increased by $329.1 million), the latter being made with the aim of securing higher rates of return on resources that are not immediately needed.

Cash and cash equivalents and investments

27. Total cash, cash equivalents and investments held by UNFPA increased by $204.0 million, or 27.0 per cent, to $960.5 million as at 31 December 2017 (2016: $756.5 million), owing mainly to the excess of contributions collected over disbursements.

28. UNFPA maintains its investments in two separate portfolios. The working capital investment portfolio, designed to meet the Fund's working capital needs and managed by UNDP under a service level agreement, is limited to investment-grade, highly marketable fixed-income securities, with maturities aligned to UNFPA liquidity requirements. This portfolio, measured at amortized cost, was valued at $723.3 million as at 31 December 2017 (2016: $641.5 million) and generated an average yield of 1.3 per cent throughout the year (2016: 1.0 per cent).

29. A separate portfolio was established in 2016, jointly with other United Nations organizations and managed by two independent investment managers, to invest resources allocated for funding after-service health insurance liabilities in diversified, higher-yielding financial instruments, similar to those of the United Nations Joint Staff Pension Fund. The portfolio invests primarily in fixed-income securities and equities. Throughout 2016 and 2017, UNFPA transferred $165.0 million to this portfolio, which increased its market value to $190.6 million as at 31 December 2017, with annual rates of return ranging between 15.23 per cent and 16.26 per cent for the different portfolio components.

30. Detailed information about UNFPA investments is disclosed in notes 4 and 25 to the financial statements.

Inventories

31. The total value of inventories under UNFPA control, consisting of reproductive health commodities and other programme-related supplies procured for distribution to beneficiaries or sale to third parties, decreased by $8.0 million, or 17.3 per cent, to $38.3 million as at 31 December 2017 (2016: $46.3 million). The decrease was due primarily to a lower volume of purchases in 2017 and more agile clearance and delivery of goods to the national partners responsible for their distribution.

32. Inventory balances are presented net of provisions for impairment losses of $0.5 million, created in 2017 to write down inventories with doubtful future service potential owing to extended in-transit periods, limited remaining shelf life or partial obsolescence.

Contributions receivable

33. Contributions receivable increased by $32.5 million, or 11.5 per cent, to $314.6 million as at 31 December 2017 (2016: $282.1 million).

34. Unearmarked contributions receivable increased by $11.1 million, or 56.6 per cent, to $30.7 million (2016: $19.6 million), owing primarily to 2017 core contributions committed by two major donor governments being collected in the first months of 2018.

35. Earmarked contributions receivable increased by $21.4 million, or 8.2 per cent, to $283.9 million (2016: $262.5 million) mainly because of an increase in contributions receivable from several large donors for multi-year projects in certain programme countries due for payment as from 1 January 2018.

36. Allowances for doubtful contributions receivable recognized in 2017 amounted to $1.1 million, covering aged earmarked contributions receivable of $0.5 million due from a donor country and multiple unearmarked contributions receivable, totalling $0.6 million, due from donors with a prior history of non-payment or older than 3 years as at 31 December 2017.

Operating fund advances

37. Total operating fund advances outstanding at the end of the year increased by $0.4 million, or 5.5 per cent, to $7.7 million (2016: $7.3 million). The net increase is attributable to larger outstanding amounts due from United Nations organizations implementing UNFPA programme activities, which grew to $2.8 million as at 31 December 2017 (2016: $1.4 million), and the increase of $0.9 million in the amount of allowances for doubtful accounts. Of the latter amount, $0.5 million was for advances issued to two programme country governments under the sector-wide approach to development activities, which were provided for owing to the non-availability of financial reports.

Property, plant and equipment and intangible assets

38. As at 31 December 2017, UNFPA held property, plant and equipment (or fixed assets) of $33.3 million (2016: $34.8 million). As in 2016, the largest classes within property, plant and equipment were vehicles, with a net book value of $11.6 million, or 34.8 per cent of the total (2016: $12.2 million, or 35.1 per cent), followed by buildings, with a net book value of $10.3 million, or 30.9 per cent of the total (2016: $10.7 million or 30.7 per cent). Owing to the austerity measures, UNFPA deferred the replacement of certain institutional budget-funded fixed assets, such as vehicles and generators, that normally would have been considered due for replacement. That contributed to an increase in the cost of fixed assets kept in service past their standard useful lives to $20.6 million as at 31 December 2017 (2016: $16.1 million).

39. Intangibles as at 31 December 2017 totalled $0.6 million, the same as in 2016, consisting primarily of externally acquired and internally developed software.

Accounts receivable and payable

40. Prepayments and other assets increased by $2.4 million, or 12.8 per cent, to $21.1 million as at 31 December 2017 (2016: $18.7 million), owing mainly to an

increase in reimbursements due to UNFPA for pre-financing of certain programme activities.

41. Prepayments and other assets included allowances for doubtful accounts of $1.1 million (2016: $0.7 million), comprising mostly aged value added tax reimbursement claims, the collection of which was assessed as doubtful.

42. Accounts payable increased by $12.4 million, or 13.7 per cent, to $103.0 million as at 31 December 2017 (2016: $90.6 million) owing mainly to an increase in funds held by UNFPA on behalf of other United Nations organizations in the capacity of administrative agent, and higher prepayments for third-party procurement orders received but not yet fulfilled by UNFPA as at the end of the year.

Employee benefits

43. Employee benefits liabilities increased by $86.6 million, or 26.3 per cent, to $415.8 million (2016: $329.2 million), owing mainly to an increase in the after-service health insurance liabilities, as determined on the basis of an independent actuarial valuation study. The study is carried out on an annual basis and considers a number of financial and demographic factors and assumptions, which get updated periodically to incorporate the latest available information. The study as at 31 December 2017 included updates of many key demographic assumptions, such as improved life expectancy projections, which were among the main reasons for the after-service health insurance liabilities increase.

44. The increase in employee benefits liabilities drove up the unfunded portion of those liabilities by $42.0 million, to $172.5 million at the end of 2017 (2016: $130.5 million), in spite of $44.6 million in additional liability funding, comprising $23.2 million in investment revenue (2016: $3.2 million); $6.4 million in payroll recovery charges (2016: $7.7 million); and a $15.0 million transfer from fund balances otherwise available for programming (2016: nil).

Fund balances and reserves

45. Reserves and fund balances increased by $130.1 million, or 18.3 per cent, totalling $841.5 million at 31 December 2017 (2016: 711.4 million).

46. The amount of the operational reserve and reserve for field accommodation balances remained virtually unchanged from the previous year, amounting to $70.5 and $5.0 million respectively. The humanitarian response reserve balance increased by $5.0 million as a result of the allocation of unearmarked resources made by management to operationalize this mechanism.

47. Designated unearmarked fund balances, which represent funds set aside by management for special purposes and not available for programming, increased by $4.5 million, owing primarily to an allocation of $2.9 million to cover the future costs of the comprehensive resources review, as well as revenue earned for the provision of procurement services.

48. The deficit under undesignated unearmarked resources grew by $25.7 million in 2017, owing mainly to the $69.5 million actuarial valuation loss on after-service health insurance liabilities, partially offset by the unearmarked resources surplus for the year. Total funds made available for programming for 2018 amounted to $48.5 million (2017: 30.0 million). Note 14 to the accompanying financial statements provides additional details on this amount.

49. Undesignated fund balances under earmarked resources increased by $146.1 million, or 21.9 per cent, to reach $812.4 million as at 31 December 2017 (2016: $666.3 million), owing mainly to the large surplus for the year. The fund

balances amount includes contributions of $283.9 million not yet collected, and thus not available for programming, as at 31 December 2017 (2016: $262.5 million).

Conclusion

50. UNFPA closed the 2017 fiscal year in good financial health thanks to the large amount of earmarked contribution revenue recognized during the year and through the continued exercise of prudent financial management.

Chapter V

Financial statements for the year ended 31 December 2017

United Nations Population Fund

I. Statement of financial position as at 31 December 2017[a]

(Thousands of United States dollars)

	Reference	*As at 31 December 2017*	*As at 31 December 2016*
Assets			
Current assets			
Cash and cash equivalents	Note 3	184 391	213 582
Investments maturing within one year	Note 4	228 973	324 880
Inventories	Note 5	38 314	46 308
Contributions receivable (exchange transactions)	Note 6	350	293
Contributions receivable (non-exchange transactions)	Note 6	159 889	165 291
Prepayments and other current assets	Note 6	21 128	18 676
Operating fund advances	Note 7	7 745	7 318
Total		**640 790**	**776 348**
Non-current assets			
Investments maturing after one year	Note 4	547 154	218 047
Contributions receivable (non-exchange transactions)	Note 6	154 361	116 514
Other non-current assets	Note 6	3	10
Property, plant and equipment	Note 8	33 291	34 823
Intangible assets	Note 9	631	605
Total		**735 440**	**369 999**
Total assets		**1 376 230**	**1 146 347**
Liabilities			
Current liabilities			
Accounts payable and accruals	Note 10	102 979	90 645
Employee benefits	Note 12	34 147	34 595
Other current liabilities and deferred revenue	Note 13	11 778	10 492
Total		**148 904**	**135 732**
Non-current liabilities			
Employee benefits	Note 12	381 656	294 645
Other non-current liabilities and deferred revenue	Note 13	4 159	4 540
Total		**385 815**	**299 185**
Total liabilities		**534 719**	**434 917**
Net assets		**841 511**	**711 430**

United Nations Population Fund

I. Statement of financial position as at 31 December 2017[a] (continued)

(Thousands of United States dollars)

	Reference	*As at 31 December 2017*	*As at 31 December 2016*
Reserves and fund balances			
Reserves			
Operational reserve	Note 14	70 535	70 505
Humanitarian response reserve	Note 14	5 000	–
Reserve for field accommodation	Note 14	5 000	5 000
Total reserves		**80 535**	**75 505**
Fund balances			
Designated unearmarked fund balances	Note 14	43 022	38 460
Undesignated unearmarked and earmarked fund balances			
Unearmarked resources	Note 14	(94 477)	(68 818)
Earmarked resources	Schedule B	812 431	666 283
Total fund balances		**760 976**	**635 925**
Total reserves and fund balances		**841 511**	**711 430**

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

United Nations Population Fund

II. Statement of financial performance for the year ended 31 December 2017[a]

(Thousands of United States dollars)

	Reference	*2017*	*2016*
Contribution revenue			
Unearmarked contributions	Schedule A	349 914	352 808
Less: transfer to other revenue for reimbursement of tax charges	Note 15	–	(5 851)
Subtotal	**Note 15**	**349 914**	**346 957**
Earmarked contributions	Note 15	678 297	451 110
Less: refunds to donors	Note 15	(8 356)	(4 336)
Subtotal	**Note 15**	**669 941**	**446 774**
Total contribution revenue	**Note 15**	**1 019 855**	**793 731**
Other revenue	Note 16	92 694	56 722
Total revenue		**1 112 549**	**850 453**
Expenses			
Staff costs	Note 18	265 916	263 033
Reproductive health and other programme-related supplies	Note 18	152 041	163 268
Development and training of counterparts	Note 18	98 528	102 446
Supplies, materials and operating costs	Note 18	165 779	152 696
Contracted and professional services	Note 18	170 663	151 553
Finance costs	Note 18	695	546
Travel	Note 18	56 924	62 675
Depreciation and amortization	Notes 8, 9, 18	7 206	6 682
Impairment	Note 18	449	(76)
Other expenses	Note 18	8 668	19 695
Total expenses		**926 869**	**922 518**
Surplus/(deficit) for the year	**Statements III and IV**	**185 680**	**(72 065)**

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

United Nations Population Fund

III. Statement of changes in net assets for the year ended 31 December 2017[a]

(Thousands of United States dollars)

	Reference	*Fund balances*	*Reserves*	*Total net assets*
Balance as at 31 December 2015		**710 978**	**83 394**	**794 372**
Movements in fund balances and reserves in 2016				
Transfers to/from operational reserve		7 889	(7 889)	–
Transfer to/from humanitarian response reserve		–	–	–
Actuarial loss on employee benefits liabilities		(11 288)	–	(11 288)
Gain in fair value of investments recognized in net assets		411	–	411
Transfers within UNFPA resources				
Reserve for field accommodation		(696)	696	–
(Deficit)/surplus for the year	Statement II	(71 369)	(696)	(72 065)
Total movements during the year		**(75 053)**	**(7 889)**	**(82 942)**
Balance as at 31 December 2016	**Statement I**	**635 925**	**75 505**	**711 430**
Movements in fund balances and reserves in 2017				
Transfers to/from operational reserve	Note 14	(30)	30	–
Actuarial loss on employee benefits liabilities	Note 14	(69 472)	–	(69 472)
Gain in fair value of investments recognized in net assets	Note 14	13 955	–	13 955
Other movement in fund balances		(82)	–	(82)
Transfers within UNFPA resources				
Reserve for field accommodation	Note 14	(988)	988	–
Humanitarian response reserve	Note 14	(5 000)	5 000	–
Surplus/(deficit) for the year	Note 14, statement II	186 668	(988)	185 680
Total movements during the year		**125 051**	**5 030**	**130 081**
Balance as at 31 December 2017	**Statement I**	**760 976**	**80 535**	**841 511**

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

United Nations Population Fund

IV. Cash flow statement for the year ended 31 December 2017[a]

(Thousands of United States dollars)

	Reference	*2017*	*2016*
Cash flows from operating activities			
Surplus/(deficit) for the year	Statement II	185 680	(72 065)
Foreign-exchange holding (gain)/loss on cash and cash equivalents		(1 359)	130
(Gain)/loss in fair value of investments recognized in surplus/(deficit)	Note 4	(2 170)	440
Depreciation and amortization	Notes 8, 9, 18	7 206	6 682
Impairment and write-off of property, plant and equipment		185	9
Loss on disposal of property, plant and equipment and intangible assets	Note 18	153	395
Investment revenue/gain	Note 16	(17 030)	(7 788)
Increase/(decrease) in provisions/allowances for doubtful accounts	Notes 5, 6, 7	2 763	(143)
Decrease/(increase) in inventories	Note 5	7 542	12 653
(Increase)/decrease in contributions receivable	Note 6, Statement III	(33 121)	18 813
(Increase)/decrease in prepayments and other assets	Note 6	(2 687)	10 770
(Increase)/decrease in operating fund advances	Note 7	(1 353)	3 610
Increase/(decrease) in accounts payable and accruals	Note 10	12 334	(21 582)
Increase/(decrease) in employee benefits liabilities	Notes 12, Statement III	86 130	26 577
Increase/(decrease) in other liabilities and deferred revenue	Notes 11, 13	1 088	7 729
Actuarial loss on employee benefits liabilities	Statement III	(69 472)	(11 288)
Net cash flows from operating activities		**175 889**	**(25 058)**
Cash flows from investing activities			
Purchase of/adjustments to property, plant and equipment and intangible assets	Notes 8, 9	(6 660)	(8 239)
Proceeds from sale of property, plant and equipment		567	384
Purchase of investments	Note 4	(761 106)	(249 534)
Maturities of investments	Note 4	499 270	388 922
Sale of investments	Note 4	43 951	16 919
Interest received	Notes 4, 6, 16	9 931	12 394
Dividends received	Notes 6, 16	1 823	372
Gain on sale of investments	Note 16	5 968	230
Net cash flows from investing activities		**(206 256)**	**161 448**
Cash flows from financing activities			
Payment of finance lease liabilities	Note 11	(183)	(37)
Net cash flows from financing activities		**(183)**	**(37)**
Net increase/(decrease) in cash and cash equivalents		**(30 550)**	**136 353**
Cash and cash equivalents at the beginning of the year	Note 3	213 582	77 359
Foreign-exchange holding gain/(loss) on cash and cash equivalents		1 359	(130)
Cash and cash equivalents end of the year	Note 3	**184 391**	**213 582**

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

The cash flow statement is presented using the “indirect method”.

United Nations Population Fund

V (a). Statement of comparison of budget with actual amounts for the year ended 31 December 2017[a]

(Thousands of United States dollars)

	2017			
Budget line	*Original budget*	*Final budget*	*Budget utilization*	*Variance/balance of resources*
Development activities				
Development effectiveness	30 537	30 432	29 669	763
Programmes	208 660	220 410	213 408	7 002
Management activities				
Recurring costs	114 631	115 408	107 540	7 868
Non-recurring costs	6 508	5 734	1 209	4 525
United Nations development coordination	2 304	2 319	2 319	–
Total	**362 640**	**374 303**	**354 145**	**20 158**

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

V (b). Statement of comparison of budget with actual amounts for the strategic plan cycle for 2014–2017[a]

(Thousands of United States dollars)

	2014–2017			
Budget line	*Original budget*	*Final budget*	*Budget utilization*	*Variance/balance of resources*
Development activities				
Development effectiveness	149 300	127 300	121 962	5 338
Programmes	1 427 100	1 179 600	1 115 875	63 725
Management activities				
Recurring costs	487 100	457 400	421 989	35 411
Non-recurring costs	19 100	16 700	7 472	9 228
United Nations development coordination	8 600	8 500	8 604	(104)
Total	**2 091 200**	**1 789 500**	**1 675 902**	**113 598**

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

The scope of the budget for the purpose of statement V includes the institutional budget and programme activities funded from unearmarked resources. Further details are provided in note 2 (xxiv) to the financial statements.

United Nations Population Fund
Notes to the financial statements

Note 1
Mission statement, organizational objectives and reporting entity

Mission statement

The United Nations Population Fund (UNFPA) is the lead United Nations agency that supports the integration of population issues into the global development agenda in order to ensure inclusive policies for individual well-being and resilience, sustained inclusive economic growth and sustainable development. UNFPA supports countries to promote and protect the human rights of all persons, including through ensuring universal access to sexual and reproductive health, especially for women and young people; to build capacity for the collection, analysis and use of population data for policies and programmes to eliminate poverty and redress inequality as well as effectively monitor progress; and to ensure that every pregnancy is wanted, every childbirth is safe and every young person's potential is fulfilled, while protecting the environment for current and future generations.

Organizational objectives

The Fund works to advance the right to sexual and reproductive health by accelerating progress towards achieving the goals of the International Conference on Population and Development beyond 2014 and the 2030 Agenda for Sustainable Development, including the unfinished Millennium Development Goal to improve maternal health, with priority on reducing maternal deaths and achieving universal access to sexual and reproductive health services, including voluntary family planning. Through that focus, the Fund aims to improve the lives of underserved populations, especially women, adolescents and youth, in more than 150 countries and achieve three transformative results: zero preventable maternal deaths; zero unmet need for family planning and zero gender-based violence and harmful practices against women and girls by 2030.

The Fund's work is guided by its expertise in population dynamics, human rights and gender equality, and driven by country needs. The Fund is a catalyst for action and advocacy, partnering with governments, other United Nations organizations, civil society and the private sector to make a positive difference in the lives of billions of people, especially those most in need. In addition, the Fund helps countries use population data to anticipate tomorrow's challenges through providing empowering technical guidance, policy advice, training and support, and it advocates for the mobilization of the resources and political will necessary to accomplish its work.

UNFPA is guided by, and promotes, the goals and principles of the Programme of Action of the International Conference on Population and Development (1994), the key actions for the further implementation of the Programme of Action and the Framework of Action for the follow-up to the Programme of Action of the International Conference on Population and Development beyond 2014. In particular, UNFPA is committed to advancing sexual and reproductive health and reproductive rights, gender equality and male responsibility, and to the autonomy and empowerment of women and girls everywhere. All couples and individuals have the right to decide freely and responsibly the number and spacing of their children, as well as the right to the information and means to do so. UNFPA believes that safeguarding and promoting those rights and promoting the well-being of adolescents and youth, especially girls, are development goals in themselves, in addition to being critical to achieving inclusive and transformational sustainable development.

UNFPA firmly believes that meeting those goals will contribute to improving the quality of life and to the universally accepted aim of achieving sustainable development for current and future generations. The goals are an integral part of all efforts to achieve sustained and sustainable social and economic development that meets human needs, ensures well-being and protects the natural resources on which all life depends. UNFPA recognizes that all human rights are universal, indivisible, interdependent and interrelated — they apply to all people in all cases.

UNFPA supports efforts to ensure a coherent, coordinated United Nations that is responsive to the transformational 2030 Agenda for Sustainable Development, including a field presence, under the leadership of a strengthened resident coordinator in a collegial and participatory resident coordinator system. UNFPA plays an active and leading role in the inter-agency processes to facilitate progress towards the achievement of United Nations reform goals for greater development impact.

UNFPA continues to assist in the mobilization of resources from both developed and developing countries, following the commitments made by all countries in the Programme of Action as well as in related United Nations major conferences and summits to ensure that the goals of the International Conference on Population and Development are met.

Reaching the goals of the Programme of Action is also essential for achieving the 2030 Agenda for Sustainable Development, whose goal of leaving no one behind is fully aligned with the Programme of Action, and have the overarching aim of ending extreme poverty, ensuring that all persons enjoy human rights and protect the environment for current and future generations. The focus of the two interlinked agendas on demographic dividends, youth and women's empowerment and gender equality, resilience and data for development makes the special expertise of UNFPA in reproductive health and reproductive rights and population and development issues even more relevant to the worldwide collaborative effort of achieving the Sustainable Development Goals. UNFPA, working in multiple partnerships, supports gender-sensitive policies and programmes to achieve the Sustainable Development Goals. Those partnerships are customized to national and local circumstances.

Reporting entity

UNFPA is a subsidiary organ of the General Assembly. It receives overall policy guidance from the Assembly and the Economic and Social Council. On administrative, financial and programme matters, UNFPA reports to its governing body: the Executive Board of the United Nations Development Programme (UNDP), UNFPA and the United Nations Office for Project Services (UNOPS).

UNFPA has its headquarters in New York and operates through a network of more than 130 regional, subregional, country and liaison offices around the world.

Note 2
Accounting policies

Summary of significant accounting policies

The financial statements reflect the application of the following significant accounting policies.

(i) Accounting convention

The financial statements have been prepared on the accrual basis of accounting in accordance with the Financial Regulations and Rules of UNFPA and the International Public Sector Accounting Standards (IPSAS).

(ii) Financial period

The period covered by the financial statements is the year ended 31 December 2017.

(iii) Unit of account

The unit of account used in the financial statements is the United States dollar. Where transactions have been made in other currencies (henceforth referred to as "foreign currencies"), the equivalent in United States dollars is established using the appropriate United Nations operational rate of exchange.

Units of currency, assets giving right to units of currency and liabilities to be paid in units of currency are classified as monetary items. All other items are classified as non-monetary items.

The amounts in the statements and schedules are rounded to the nearest thousand dollars and in the notes to the nearest million or thousand dollars, as indicated. Totals may not add up as a result of rounding.

(iv) Cash and cash equivalents

Cash and cash equivalents include cash on hand and money market and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Financial instruments classified as cash equivalents include investments with a maturity of three months or less from the date of acquisition.

(v) Financial assets

Financial assets maturing within one year of the reporting date are classified as current assets. Financial assets with a maturity date of more than one year after the reporting date are classified as non-current assets.

UNFPA classifies financial assets into the following categories: held to maturity; available for sale; loans and receivables; and at fair value through surplus or deficit. The classification, which depends on the purpose for which the financial instruments are acquired, is determined at initial recognition and re-evaluated at each reporting date. All financial assets are initially measured at fair value. Loans and receivables are recognized on the date they originated, while all other financial assets are recognized on the trade date, which is the date UNFPA becomes a party to the contractual provision of the instrument.

IPSAS classification	*Financial asset*
Held to maturity	Investments other than after-service health insurance fund investments
Available for sale	After-service health insurance fund investments
Loans and receivables	Cash and cash equivalents, contributions receivable and other receivables
Fair value through surplus or deficit	Derivative assets

Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the entity has the positive intention and ability to hold to maturity. They are initially recognized at fair value plus transaction costs, and are subsequently carried at amortized cost, calculated using the effective interest method. UNFPA classifies its working capital investment portfolio as held-to-maturity.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets either designated in this category or not classified in any of the other categories. They are initially recognized at fair value plus transaction costs and are subsequently measured at fair value at the reporting date, with any resultant gains or losses recognized directly in net assets/equity, except for foreign exchange-related gains or losses on monetary items, which are recognized in surplus or deficit in the statement of financial performance. Fair values used for subsequent measurement are based on quoted market prices in an active market. When an available-for-sale financial asset is derecognized, the gain or deficit accumulated in net assets/equity is reclassified to surplus or deficit in the statement of financial performance. Interest on available-for-sale financial assets is calculated using the effective interest method. UNFPA classifies its after-service health insurance investment portfolio as available-for-sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair value plus transaction costs and are subsequently measured at amortized cost using the effective interest method, less any impairment losses, if applicable. Their market value is also disclosed in the notes to the financial statements. Interest revenue is recognized on a time-proportion basis using the effective interest rate method.

Contributions receivable from exchange and non-exchange transactions are stated at nominal values less any allowances for doubtful amounts.

Fair value through surplus or deficit financial assets

Fair value through surplus or deficit financial assets are financial assets either designated in this category on initial recognition or held for trading. They are initially recognized at fair value and any transaction costs are expensed. They are subsequently measured at fair value at each reporting date, with any resultant fair value gains or losses recognized through surplus or deficit in the statement of financial performance.

UNFPA classifies derivatives as financial assets at fair value through surplus or deficit. Derivatives are contracted with creditworthy institutions and are used to manage foreign exchange risk or to minimize deviations from benchmark allocations within investment portfolios. The fair value of derivatives is obtained from counterparties and is compared with internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Assets in this category are classified as current assets if they are expected to be realized within 12 months of the reporting date. UNFPA does not apply hedge accounting for derivatives.

Impairment of financial assets

All categories of financial assets are assessed at each reporting date to determine whether there is objective evidence that an asset or group of assets is impaired.

Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in value of the asset. Impairment losses are recognized in surplus or deficit in the statement of financial performance in the year in which they arise and reduce the amounts of relevant financial assets either directly or through the use of allowance accounts.

Contributions receivable

An analysis of outstanding contributions receivable is carried out with particular reference to receivables that remain unpaid beyond their due date and/or at the expiry date of the earmarked contribution agreement.

Contributions receivable relating to regular resources are presumed to be impaired and an allowance for their value is made if they are outstanding for more than three years or are due from donors with a prior history of non-payment, as evidenced by other amounts due from the same donors and written off during the year.

Earmarked contribution revenue and the related receivables are reduced when a mutual understanding is reached between UNFPA and donors to reduce contributions prior to the expiration of agreements. Contributions receivable not paid as at the expiry date of the agreements are considered impaired, and an allowance recorded, when UNFPA has not received any communications from the donors confirming their intention to pay the contributions, or when donors have taken a unilateral decision to withdraw from the agreements.

(vi) Inventories

UNFPA inventory consists primarily of reproductive health commodities and other programme-related supplies, controlled by UNFPA and held for distribution to beneficiaries, typically through implementing partners, or for sale to third parties. Inventory is valued at the lower of cost and current replacement cost, less any impairment losses, and is expensed when control is transferred from UNFPA to implementing partners or other third parties. As at the reporting date, UNFPA inventory goods are either located in identifiable premises or are in transit to their destination locations.

Inventory procured with funding from the Global Contraceptive Commodity Programme revolving fund (set up to acquire stocks of reproductive health kits primarily for use in humanitarian response activities) and the AccessRH revolving fund (set up to build inventory of contraceptives in order to reduce supply lead times) is measured using the weighted average cost method. Inventory procured for direct delivery to field offices or for regional pre-positioning is measured at actual cost.

The cost of inventory includes its purchase price, conversion costs (for example, kit assembly services) and other costs incurred in bringing the goods to their intended location and condition (for example, freight costs). For inventory under the control of field offices, the amount of other costs is determined on the basis of standard costs. For inventory acquired through a non-exchange transaction (for example, contributions in kind), the fair value is deemed to be equal to cost.

Items of property, plant and equipment en route to implementing partners as at the reporting date are recorded as property, plant and equipment-like inventory in transit.

(vii) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost comprises purchase price plus any other costs directly attributable to bringing an asset to its intended location and condition suitable for its use. Repairs, maintenance and insurance costs are not capitalized but expensed as incurred. Where an asset is acquired through donation or the nominal right to use, the fair market value as at the date of acquisition by UNFPA is deemed to be its cost.

The capitalization threshold for property, plant and equipment is $1,000. For asset classes subject to depreciation, a full month's depreciation is charged in the month in which the assets become available for use. No depreciation is charged in the month of the asset's disposal.

Leasehold improvements are recognized as property, plant and equipment at their cost and depreciated over the lower of the remaining useful life of the improvement and the lease term. The capitalization threshold for leasehold improvements is $5,000.

Depreciation is provided over the estimated useful lives of the assets using the straight line method. Land and heritage assets are not subject to depreciation. The estimated useful life ranges for the different classes of property, plant and equipment are set out below.

Property, plant and equipment class	*Estimated useful life*
Vehicles	7 years
Furniture and fixtures	6–10 years
Information and communications technology equipment	5–11 years
Leasehold improvements	5 years
Buildings	30 years

(viii) Impairment of property, plant and equipment

UNFPA property, plant and equipment are not held for the primary objective of generating a commercial return and are considered "non-cash-generating" for the purpose of assessing impairment.

Impairment reviews are undertaken for all property, plant and equipment at least annually and before each reporting date. If any indication of impairment exists, UNFPA estimates the recoverable service amount of the affected assets and writes them down accordingly.

(ix) Intangible assets

Intangible assets are capitalized if their cost exceeds the $5,000 threshold, except for internally developed software, for which the capitalization threshold is $100,000. UNFPA classifies all activities associated with the internal development of intangible assets as pertaining to either a research phase or a development phase. Costs incurred for research phase activities are expensed when incurred. Directly attributable costs incurred for development phase activities, for intangible assets that have met the recognition criteria, are capitalized. Directly attributable costs include personnel costs, services, supplies and materials consumed in generating the assets. Development costs that do not meet the capitalization criteria are expensed as incurred.

Amortization is provided over the estimated useful life of the assets using the straight line method. The estimated useful life ranges for the different classes of intangible assets are set out below.

Intangible asset class	*Estimated useful life*
Software acquired separately	3–10 years
Internally developed software	3–10 years
Licenses and rights	The shorter of the agreement term and useful life in a range of 2–6 years
Intangible assets under development	Not amortized

(x) Financial liabilities

UNFPA classifies financial liabilities into the following categories: other financial liabilities and at fair value through surplus or deficit.

IPSAS classification	*Financial liability*
Other financial liabilities	Accounts payable, accrued liabilities, operating fund payables, payables in respect of unspent balances on expired funds and other liabilities
Fair value through surplus or deficit	Derivative liabilities

Other financial liabilities

Other financial liabilities are mainly accounts payable in respect of goods and services that have been received by UNFPA but have not been paid for as at the reporting date, operating fund payables, payables in respect of unspent balances on expired funds and other miscellaneous items such as unapplied cash deposits. They are initially recognized at fair value and, when applicable, subsequently measured at amortized cost using the effective interest rate method. Other financial liabilities due for settlement within 12 months are recognized at their nominal value.

Fair value through surplus or deficit financial liabilities

Fair value through surplus or deficit financial liabilities are financial liabilities either designated in this category on initial recognition or held for trading. They are initially recognized at fair value and any transaction costs are expensed. They are subsequently measured at each reporting date, with any resultant fair value gains or losses recognized through surplus or deficit in the statement of financial performance.

UNFPA classifies derivatives as financial liabilities at fair value through surplus or deficit. Derivatives are contracted with creditworthy institutions and are used to manage foreign exchange risk or to minimize deviations from benchmark allocations within investment portfolios. They include derivatives embedded in time deposits that permit the instrument to be repaid by counterparties in an alternative currency in exchange for a higher yield. Their fair value is obtained from counterparties and is compared with internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Liabilities are classified as current if they are expected to be settled within 12 months of the reporting date. UNFPA does not apply hedge accounting for derivatives.

(xi) Employee benefit liabilities

UNFPA recognizes employee benefits liabilities for benefits to which its employees are entitled.

Employees are defined as staff members, within the meaning of Article 97 of the Charter of the United Nations, whose employment and contractual relationship is defined by a letter of appointment, subject to regulations promulgated by the General Assembly pursuant to Article 101, paragraph 1, of the Charter. In practice, this means those persons with a temporary, fixed-term or continuing contract, including Junior Professional Officers.

UNFPA employee benefits are classified into short-term, post-employment and other long-term benefits.

Short-term employee benefits

Short-term employee benefits include annual and home leave entitlements.

Annual leave is an accumulating compensated absence. UNFPA recognizes a liability for the value of accumulated leave days, up to a maximum of 82.5 days, as at the reporting date, with up to 60 days commutable to cash upon separation from service.

Home leave travel is available to eligible staff and dependants serving in qualifying countries. The home leave liability represents the expected travel cost of the next home leave entitlement for qualifying staff, as adjusted for the proportion of service yet to be performed until the benefit is vested.

Owing to the short-term nature of these entitlements, short-term employee benefits liabilities are not discounted for the time value of money.

Post-employment employee benefits

Post-employment benefits, payable upon separation from UNFPA, include the following benefits:

(a) After-service health insurance, which provides worldwide coverage for necessary medical expenses of eligible former staff members and their dependants. The after-service health insurance liability represents the present value of the share of UNFPA medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff;

(b) End-of-service entitlements, which comprise repatriation grants and reimbursement of shipping costs and travel expenses.

These benefits are categorized as defined benefit plans. Defined benefit plans are those where the obligation of UNFPA is to provide agreed benefits and therefore UNFPA bears the actuarial risk, that is, that the benefits will cost more or less than expected.

The liability for defined benefit plans is measured at the present value of the defined benefit obligation. Changes in the liability amounts resulting from actuarial gains or losses are recognized in net assets. All other changes are recognized in the statement of financial performance in the period in which they occur.

The discount rate used to determine the present value of the liability is based on high-quality corporate bond rates.

United Nations Joint Staff Pension Fund

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

The Pension Fund exposes participating organizations to actuarial risks associated with the current and former employees of other participating organizations, with the result that there is no consistent and reliable basis for allocating the obligations, plan assets and costs to individual organizations participating in the plan. UNFPA and the Pension Fund, in line with the other participating organizations, are not in a position to identify the UNFPA proportionate share of the defined benefit obligations, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Therefore, UNFPA has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. UNFPA contributions to the Pension Fund during the financial period are recognized as expenses in the statement of financial performance.

Other long-term employee benefits

Other long-term employee benefits include workers' compensation provided under Appendix D to the United Nations Staff Rules in the event of death, disability, injury or illness attributable to the performance of official duties on behalf of the United Nations.

Obligations for this benefit are valued through independent actuarial valuation study. Resulting actuarial gains or losses are recognized in the net assets and all other changes in liability are recognized in the statement of financial performance.

(xii) Revenue

UNFPA is primarily funded from voluntary contributions that fall into two distinct categories:

(a) Unearmarked contributions (also referred to as "regular", "core" or "unrestricted" contributions), which represent resources that are unrestricted as to their use;

(b) Earmarked contributions (also referred to as "other", "non-core" or "restricted" contributions), which represent resources that are earmarked as to their use. These include trust funds and special funds. Special funds include the Junior Professional Officers programme, procurement services and other funds.

For both types of contributions, revenue is recognized upon the earlier of the receipt of cash or signing of a binding agreement. Very exceptionally, where resources are provided subject to specific conditions or when contributions are explicitly given for a specific year, recognition may be deferred until those conditions have been satisfied.

UNFPA participates in joint funding arrangements with other United Nations organizations and acts as the administrative agent for some pooled funds. The UNFPA share of those pooled contributions is recognized at the time of disbursement of the funds by the administrative agent.

Contributions of goods in kind are recognized as contributions on the face of the financial statements. Contributions of goods in kind are initially recorded at their fair value on the date of signing of enforceable agreements determined by reference to observable market values or by independent appraisals. Contributions of services in kind are not recognized as revenue. A majority of services in kind relate to various consulting and personnel services received free of charge.

Revenue from the sale of goods to external parties is recognized upon transfer of the goods; revenue from performing procurement services is recognized when procurement services are rendered.

(xiii) Refunds to donors

Refunds arising on expiry or termination of agreements are recognized upon receipt of relevant requests from donors or when contract language or prior experience indicate that a refund is likely. All refunds to donors are shown as a reduction in contributions revenue. Refunds to donors are disclosed in statement II, notes 15 and 24 (b), and schedule B.

(xiv) Expenses

A significant percentage of programme activities is implemented by governments and non-governmental organizations.

Expenses incurred by governments and non-governmental organizations for the implementation of programme activities on behalf of UNFPA are recorded in the UNFPA accounts on the basis of reports provided by these implementing partners documenting their use of resources. Although UNFPA cannot impose a specific accounting framework on its implementing partners, they are required to report to UNFPA on an accrual basis. Where UNFPA decides to advance funds to its implementing partners, the advances are made on the basis of approved workplans and are liquidated on the basis of the reports submitted. Advances to implementing partners that remain outstanding at the end of the year are classified as “operating fund advances” in statement I.

Where programme activities are implemented by United Nations organizations, these organizations also provide UNFPA with reports documenting their use of UNFPA resources. These reports define expenses according to the accounting policies of the United Nations agency reporting the expenses.

Indirect costs charged to activities funded by earmarked contributions to cover costs related to the management and administration of such activities are not shown as expenses except in note 24 (b) and schedule B. Indirect costs are recovered based on the following rates:

(Percentage)

Agreement type	*Rate*
Standard co-financing agreements signed after 1 January 2014	8
Thematic trust funds	7
Contributions from programme governments contributing to their own country programme	5
Umbrella agreements	0–8
Co-financing agreements signed prior to 2014, with cost extension signed after 1 January 2014	8
Co-financing agreements signed prior to 2014, without cost extension signed after 1 January 2014	7

(xv) Exchange gains and losses

All exchange gains and losses, including those arising from contributions receivable, accounts payable, cash and cash equivalents, investments, advances and other monetary balance sheet accounts, are reported within "other revenue" and "other expenses" in the statement of financial performance. All monetary assets and liabilities held in currencies other than the United States dollar are revalued using the United Nations operational rate of exchange in effect as at the reporting date or, in the case of foreign currency investments maintained in the after-service health insurance investment portfolio, a close approximation thereof.

(xvi) Leases

Leases are classified as either operating or finance leases.

Finance leases are leases that transfer substantially all the risks and rewards incidental to ownership of an item of property, plant and equipment to UNFPA, regardless of whether or not the legal title is eventually transferred to UNFPA. The lease term for a finance lease normally covers the majority of the estimated useful life of the leased item. Property, plant and equipment acquired under a finance lease is recorded in the asset registry and is subject to depreciation in the same way as purchased property, plant and equipment. The value capitalized equals the lower of the fair value of the leased item and the present value of the minimum lease payments, as calculated at the inception of the lease.

Operating leases are leases other than finance leases. Operating lease expenses are recognized on a straight line basis over the lease term. The value of future lease payments within the current lease term for non-cancellable agreements is disclosed in the notes to these financial statements.

(xvii) Donated rights to use

In a number of locations UNFPA occupies premises at no cost through donated rights to use agreements granted by the host governments. Based on the length of agreements (or "lease term") and termination clauses, the donated rights to use can be similar to nominal operating leases or nominal finance leases. In the latter case, UNFPA is given control over premises for as long as the organization operates in the country and uses the premises.

In the case of operating lease-similar agreements (principally short term), an expense and a corresponding revenue amount equal to the annual market rent of similar premises is recognized in the statement of financial performance. In the case of finance lease-similar agreements (principally long term), the fair market value of the property is capitalized and revenue is recognized immediately upon assuming control of the premises for the same amount, unless the property is transferred to UNFPA with specific conditions. In those situations, a deferred revenue amount is recognized equal to the entire fair market value of the property. This liability is progressively recognized as revenue over the shorter of the useful life of the property and the right-to-use term in the amount equal to the property's depreciation expense for the same period.

(xviii) Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount. UNFPA recognizes provisions when all of the following three requirements are satisfied: (a) UNFPA has a present legal or constructive obligation as a result of past events; (b) it is probable that UNFPA will be required to settle the obligation; and (c) a reliable estimate can be made of the obligation amount.

Contingent liabilities represent possible obligations that arise 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 UNFPA; or present obligations that arise from past events but that are not recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations; or the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognized, but are disclosed if material.

Contingent assets represent possible assets that arise 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 UNFPA. Contingent assets are not recognized, but are disclosed if an inflow of economic benefits or service potential is probable.

(xix) Related parties disclosures

Relevant transactions with third parties related to UNFPA are disclosed. Related parties to UNFPA are those with the ability to exercise significant influence over UNFPA financial and operating decisions. For UNFPA, these are key management personnel and close members of the family of key management personnel, identified as members of the UNFPA Executive Committee, the Director of the Office of Audit and Investigation Services, the Director of the Evaluation Office and the Chiefs of the Procurement and Management Information Services branches. Any other individual acting in one of these roles as officer-in-charge for three months or more in a calendar year is also included. UNFPA discloses the value of transactions with these parties, including salaries and any loans obtained at conditions not generally available.

The UNFPA Executive Board is also considered a related party of the organization as a whole; there are no transactions to be reported. Significant financial transactions occur with UNDP, but they are not separately disclosed, as UNDP does not have the power to influence the financial and operating policy decisions of UNFPA and given that all transactions for services provided to UNFPA occur under normal arm's length conditions.

(xx) Commitments

Commitments are future liabilities to be incurred by UNFPA on contracts entered into by the reporting date and that UNFPA has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (amount of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that will be delivered to UNFPA in future periods, non-cancellable minimum lease payments and other non-cancellable commitments. The value of commitments as at 31 December is not recognized in the statement of financial position and is disclosed in the notes to financial statements. Commitments related to employment contracts are excluded from this disclosure.

(xxi) Procurement services

Following approval by the Governing Council at its fortieth session, in 1993, UNFPA receives funds for the procurement of supplies, equipment and services on behalf and at the request of governments, the United Nations and its funds, programmes and specialized agencies, other intergovernmental institutions and non-governmental organizations. UNFPA receives a handling fee in respect of these procurement services at a standard rate established by the Executive Board, which was 5 per cent in 2017, recorded as part of other revenue.

These services have been reported under schedule B and schedule C. Note 16 provides further disclosure on the revenue for procurement services.

(xxii) Use of estimates

These financial statements necessarily include amounts based on estimates and assumptions by management. Estimates include, but are not limited to, fair value of assets, impairment losses, useful lives, accrued charges, after-service health insurance and other employee benefits liabilities and contingent assets and liabilities. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

Accounting estimates used by management for the preparation of these statements are consistent with the estimates used for the purpose of the 2016 financial statements.

(xxiii) Transitional provisions

UNFPA did not apply any transitional provisions for the year ended 31 December 2017.

(xxiv) Comparison of budget with actual amounts

UNFPA prepares its budget on a modified cash basis.

A comparison between budget and actual amounts on a budget comparable basis is presented in statement V. The scope of the budget for the purpose of this statement encompasses the institutional budget plus programme activities funded from unearmarked resources. The organization’s institutional budget was prepared on a quadrennial basis for the period 2014–2017 and annualized by management for the purpose of determining internal resource allocation.

The original budget is based on the projected unutilized surpluses brought forward and the initial projections of contributions for the year. The final budget reflects the actual figures for both these elements at the time of the final allocation.

Expenses on a modified cash basis for budgeted activities are presented as budget utilization.

Comparisons between actual amounts on a budget comparable basis and actual amounts reported in the financial statements are shown in note 23.

(xxv) Adoption of new accounting standards

In 2017, UNFPA adopted four new accounting standards:

- IPSAS 35 — Consolidated financial statements;
- IPSAS 36 — Investments in associates and joint ventures;
- IPSAS 37 — Joint arrangements;
- IPSAS 38 — Disclosure of interests in other entities.

The adoption of these standards did not have a significant impact on UNFPA accounts as presented in these financial statements.

(xxvi) Changes in accounting policies, accounting estimates or presentation

In 2017, UNFPA changed the accounting method for workers' compensation obligations. The impact of this change on the UNFPA financial statements, which is not significant, is disclosed in note 12.

Workers' compensation obligations arise upon occurrence of the qualifying events, such as service-related death or injury. Administration of this benefit is performed by the United Nations on behalf of other organizations of the United Nations system, including UNFPA. The United Nations can claim and receive partial or full reimbursement of the benefits payable from third parties, such as entities causing qualifying events or their insurance providers.

Before 2017, liabilities for workers' compensation were recognized on the date when benefits were due for payment to beneficiaries or upon receipt of third-party reimbursements, whichever came first. Liability amounts outstanding at the end of the year were reported as part of accounts payable. In 2017, these liabilities were reclassified into other long-term employee benefits, and measured on the basis of an independent actuarial study. The change was applied with effect from 1 January 2017 and resulted in an increase of employee benefits liabilities of $0.45 million, a decrease in accounts payable of $0.01 million and a decrease in net assets of $0.44 million.

(xxvii) Future accounting changes

IPSAS 39: Employee benefits will replace IPSAS 25: Employee benefits, on 1 January 2018 and will be adopted by UNFPA effective the same date. According to the initial assessment performed by management, adoption of this standard is not expected to have a significant impact on the UNFPA financial statements.

Note 3
Cash and cash equivalents

Cash and cash equivalents held by UNFPA as at the reporting date comprise:

(Thousands of United States dollars)

	As at 31 December 2017	*As at 31 December 2016*
Cash		
Cash on hand	1	–
Cash at banks	46 627	23 272
Cash held by investment managers	6 178	2 968
Cash equivalents[a]		
Money market funds	131 585	52 060
Time deposits	–	125 000
Bonds	–	10 282
Total	**184 391**	**213 582**

[a] Financial instruments with a maturity of three months or less from the date of acquisition are classified as cash equivalents.

Cash required for immediate disbursements is maintained on hand and at banks, in United States dollars and in foreign currencies, as shown in note 25.

Cash held by investment managers represents cash held within the after-service health insurance investment portfolio, in overnight sweep accounts, pending reinvestment into long-term financial instruments or for rebalancing purposes. Note 4 provides more details on the purpose and composition of the Fund's investment portfolios.

Cash equivalents are highly liquid financial instruments, such as money market funds, time deposits and bonds, that are held in the UNFPA working capital investment portfolio and are available for meeting UNFPA liquidity requirements upon maturity.

UNFPA exposure to credit risk, market risk and currency risk and its risk management activities related to financial assets, including cash and cash equivalents, are discussed in note 25.

Note 4
Investments

UNFPA maintains two separate investment portfolios.

The working capital investment portfolio, managed by UNDP on behalf of UNFPA, following UNDP investment guidelines and its governance framework, is limited to high-quality, highly marketable fixed-income securities, with maturities aligned to UNFPA liquidity requirements. Investments are registered in the name of UNFPA and are held by a custodian appointed by UNDP. Throughout 2017, this portfolio was classified as held to maturity, carried at amortized cost, and measured using the effective interest method.

Financial instruments with maturity periods of longer than three months held in this portfolio as at the reporting date were as follows:

(Thousands of United States dollars)

	As at 31 December 2017		*As at 31 December 2016*	
	Market value	*Amortized cost*	*Market value*	*Amortized cost*
Bonds	514 949	516 762	439 374	439 191
Commercial papers	49 942	49 953	–	–
Time deposits	25 000	25 000	15 000	15 000
Total	**589 891**	**591 715**	**454 374**	**454 191**
Of which:				
Maturing within one year	228 404	228 557	324 833	324 880
Maturing after one year	361 487	363 158	129 541	129 311
Total	**589 891**	**591 715**	**454 374**	**454 191**

In addition, the working capital investment portfolio included $131.6 million in financial instruments with maturities of three months or less, reported under cash and cash equivalents (see note 3).

Bonds held in the working capital investment portfolio as at the reporting date included the following:

(Thousands of United States dollars)

	As at 31 December 2017		*As at 31 December 2016*	
Bond types	*Market value*	*Amortized cost*	*Market value*	*Amortized cost*
Commercial banks	55 554	55 645	44 584	44 531
Non-United States sovereign obligations	233 802	234 671	97 391	97 477
Supranational organizations	86 368	86 883	152 305	152 333
United States government and agencies	84 559	84 561	135 069	134 810
Corporate	54 666	55 002	10 025	10 040
Total	**514 949**	**516 762**	**439 374**	**439 191**

In 2017, the average yield on the working capital investment portfolio was 1.3 per cent (2016: 1.0 per cent).

A separate portfolio was established in 2016, jointly with other United Nations organizations, to invest resources allocated to fund after-service health insurance liabilities. This portfolio is managed by two independent external investment managers, and is governed by after-service health insurance investment guidelines. Consistent with its purpose, this portfolio consists of diversified, higher-yielding financial instruments, which include cash and cash equivalents, fixed-income securities and equities. Investments are classified as available for sale and carried at fair market value.

Financial instruments with maturity periods of longer than three months held in this portfolio as at the reporting date were as follows:

(Thousands of United States dollars)

	As at 31 December 2017		As at 31 December 2016	
	Market value	*Base cost*	*Market value*	*Base cost*
Fixed-income securities	66 914	66 076	34 186	35 311
Equities	117 498	102 240	54 550	53 454
Total	**184 412**	**168 316**	**88 736**	**88 765**
Of which:				
Fixed-income securities maturing within one year	416	417	–	–
Fixed-income securities maturing after one year and equities	183 996	167 899	88 736	88 765
Total	**184 412**	**168 316**	**88 736**	**88 765**

In addition, the after-service health insurance investment portfolio included $6.2 million in cash and financial instruments with maturities of three months or less, reported under cash and cash equivalents (see note 3).

UNFPA did not have impaired investments during the year. The organization's exposure to credit, liquidity and market risks and the related risk management activities are discussed in note 25.

Of the total cash and investments held as at 31 December 2017, $381.3 million were restricted in use as follows (2016: $324.2 million):

	Reference	*Amount*
Funds held by UNFPA on behalf of other United Nations organizations in the capacity of administrative agent	Note 10	$23.8 million
Funding for employee benefits liability[a]	Note 12	$243.3 million
Operational reserve	Note 14	$70.5 million
Humanitarian response reserve	Note 14	$5.0 million
Reserve for field accommodation	Note 14	$5.0 million
Principal amount of the private endowment trust	Note 14 (c)	$33.7 million

[a] Including the investments held in the after-service health insurance investment portfolio.

Movements of investments within the working capital investment portfolio during 2017 were as follows:

(Thousands of United States dollars)

	Time deposits		Commercial papers		Bonds		Total	
	2017	*2016*	*2017*	*2016*	*2017*	*2016*	*2017*	*2016*
Opening balance	15 000	25 000	–	–	439 191	678 073	454 191	703 073
Add: purchases	165 000	80 000	74 735	–	397 567	63 733	637 302	143 733
Less: maturities	(155 000)	(90 000)	(25 000)	–	(319 270)	(298 922)	(499 270)	(388 922)
Amortization	–	–	218	–	(726)	(3 693)	(508)	(3 693)
Closing balance	**25 000**	**15 000**	**49 953**	**–**	**516 762**	**439 191**	**591 715**	**454 191**

Movements of investments within the after-service health insurance investment portfolio during 2017 were as follows:

(Thousands of United States dollars)

	Fixed-income securities		*Equities*		*Total*	
	2017	*2016*	*2017*	*2016*	*2017*	*2016*
Opening balance	34 186	–	54 550	–	88 736	–
Add: purchases	40 490	39 691	83 314	66 110	123 804	105 801
Less: maturities	–	–	–	–	–	–
Less: sales	(9 423)	(4 263)	(34 528)	(12 656)	(43 951)	(16 919)
Amortization	(302)	(117)	–	–	(302)	(117)
Gain/(loss) in fair value recognized in:						
Surplus/(deficit)	1 578	(440)	592	–	2 170	(440)
Net assets	385	(685)	13 570	1 096	13 955	411
Closing balance	**66 914**	**34 186**	**117 498**	**54 550**	**184 412**	**88 736**

Note 5
Inventories

Inventories held by UNFPA as at the reporting date were as follows:

(Thousands of United States dollars)

	As at 31 December 2017	*As at 31 December 2016*
Reproductive health and other programme-related supplies, of which:	37 821	43 822
In transit	26 565	28 841
In stock	11 256	14 981
Property, plant and equipment-like inventory in transit	1 035	2 576
Provisions for impairment losses	(542)	(90)
Total	**38 314**	**46 308**

The inventory movements during 2017 and 2016 are summarized as follows:

(Thousands of United States dollars)

	2017	*2016*
Inventory held as at 1 January	46 308	58 959
Additions	136 140	143 187
Issues	(143 410)	(155 559)
Provisions for impairment losses	(452)	2
Inventory adjustments and write-downs	(272)	(281)
Inventory held as at 31 December	**38 314**	**46 308**

Note 6
Contributions receivable, prepayments and other assets

(a) Contributions receivable

Contributions receivable as at the reporting date, presented net of allowances for doubtful accounts, were as follows:

(Thousands of United States dollars)

	As at 31 December 2017	*As at 31 December 2016*
Non-exchange transactions		
Contributions receivable (current)	159 889	165 291
Unearmarked resources	30 664	19 558
Earmarked resources	129 225	145 733
Contributions receivable (non-current)	154 361	116 514
Earmarked resources	154 361	116 514
Exchange transactions		
Contributions receivable (current)	350	293
Total	**314 600**	**282 098**

Non-exchange transactions are those transactions for which UNFPA receives a consideration from another entity without directly giving approximately equal value in exchange. UNFPA unearmarked and earmarked contributions are classified as non-exchange transactions.

Exchange transactions are defined as transactions for which UNFPA provides goods or services to third parties and receives from them an approximately equal value in exchange. Those transactions are similar to “commercial” exchanges. Based on the business model of UNFPA, procurement activities on behalf of third parties are currently the only exchange transactions.

The distinction between current and non-current receivables is based on their due date. Current contributions receivable are expected to be collected within 12 months of the reporting date, and non-current receivables are expected to be collected after that date.

Contributions receivable from unearmarked resources represent amounts committed in current and prior years but not yet collected by the end of the reporting period. Contributions receivable from earmarked resources mainly relate to amounts that will become due and are to be collected in future years in relation to multi-year donor agreements.

Ageing analysis

Details of contributions receivable as at 31 December 2017 were as follows:

(Thousands of United States dollars)

	2017		*2016*	
	Unearmarked	*Earmarked*	*Unearmarked*	*Earmarked*
2013	–	529	115	178
2014	127	–	129	–
2015	162	–	162	13
2016	161	–	19 231	7 245
2017	30 770	2 699	–	–
Contributions receivable due as at 31 December	**31 220**	**3 228**	**19 637**	**7 436**
Contributions receivable not yet due as at 31 December	–	281 237	36	255 104
Allowances for doubtful contributions receivable	(556)	(529)	(115)	–
Total	**30 664**	**283 936**	**19 558**	**262 540**

A breakdown of contributions receivable from unearmarked and earmarked resources by donor is provided in schedules A and B, respectively (excluding allowances for doubtful contributions receivable).

Allowances for doubtful contributions receivable

The movement in the allowances for doubtful contributions receivable is summarized as follows:

(Thousands of United States dollars)

	2017	*2016*
Allowances at 1 January	**(115)**	**(144)**
Contributions receivable for which collection is now considered doubtful	(1 085)	(115)
Contributions receivable written off	115	144
Recoveries and reversals of contributions receivable for which collection was previously considered doubtful	–	–
Allowances at 31 December	**(1 085)**	**(115)**

(b) Prepayments and other current and non-current assets

Prepayments and other current and non-current assets as at the reporting date comprised the following:

(Thousands of United States dollars)

	As at 31 December 2017	*As at 31 December 2016*
Prepayments and other current assets		
Accrued dividends	84	40
Accrued interest	3 229	3 155
Advances to staff	3 694	3 633
Due from other United Nations organizations	1 902	1 521
Prepayments	3 108	3 899
Receivables from procurement activities	389	201
Miscellaneous accounts receivable	9 822	6 912
Less: allowances for doubtful account receivable	(1 100)	(685)
Total	**21 128**	**18 676**
Other non-current assets		
Long-term receivables	3	10
Total	**3**	**10**

The movement in the allowances for doubtful advances to staff and miscellaneous accounts receivable is summarized as follows:

(Thousands of United States dollars)

	2017	*2016*
Allowances at 1 January	**(685)**	**(699)**
Accounts receivable for which collection is now considered doubtful	(736)	(209)
Accounts receivable written off	14	50
Recoveries and reversals of accounts receivable for which collection was previously considered doubtful	307	173
Allowances at 31 December	**(1 100)**	**(685)**

Note 7
Operating fund advances

Operating fund advances by category of implementing partners as at the reporting date were as follows:

(Thousands of United States dollars)

	As at 31 December 2017	*As at 31 December 2016*
Governments	3 014	3 467
Intergovernmental institutions and non-governmental organizations	2 829	2 414
United Nations organizations	2 830	1 439
Less: allowances for doubtful advances	(928)	(2)
Total	**7 745**	**7 318**

The movement in the allowances for doubtful operating fund advances is summarized as follows:

(Thousands of United States dollars)

	2017	*2016*
Allowance at 1 January	**(2)**	**(100)**
Advances for which collection is now considered doubtful	(926)	(2)
Advances written off	–	86
Recoveries and reversals of advances for which collection was previously considered doubtful	–	14
Allowance at 31 December	**(928)**	**(2)**

Note 8
Property, plant and equipment

Property, plant and equipment (or fixed assets) movements during 2017 and 2016 are summarized as follows:

(Thousands of United States dollars)

	Land		*Buildings*		*Furniture and fixtures*		*Information and communications technology equipment*		*Vehicles*		*Leasehold improvements*		*Assets under construction and not yet available for use*		*Total*	
	2017	*2016*	*2017*	*2016*	*2017*	*2016*	*2017*	*2016*	*2017*	*2016*	*2017*	*2016*	*2017*	*2016*	*2017*	*2016*
Cost																
As at 1 January	227	227	12 899	12 661	4 891	4 655	18 561	18 109	31 056	30 636	5 699	5 208	1 164	564	74 497	72 060
Additions	–	–	14	243	307	381	1 791	1 768	2 459	3 832	978	534	879	1 164	6 428	7 922
Disposals	–	–	(39)	(3)	(394)	(217)	(1 649)	(1 546)	(2 313)	(3 765)	(70)	(9)	–	–	(4 465)	(5 540)
(Impairment)/impairment reversal	–	–	–	–	–	–	–	–	(5)	2	–	–	–	–	(5)	2
Adjustments/reclassifications	–	–	89	(2)	(8)	72	118	230	945	351	11	(34)	(1 164)	(564)	(9)	53
As at 31 December	**227**	**227**	**12 963**	**12 899**	**4 796**	**4 891**	**18 821**	**18 561**	**32 142**	**31 056**	**6 618**	**5 699**	**879**	**1 164**	**76 446**	**74 497**
Accumulated depreciation																
As at 1 January	–	–	2 227	1 801	2 975	2 718	11 324	10 592	18 904	19 362	4 244	3 607	–	–	39 674	38 080
Depreciation charges	–	–	432	428	440	413	2 231	2 103	3 314	2 773	578	646	–	–	6 995	6 363
Disposals	–	–	(4)	(1)	(316)	(158)	(1 438)	(1 371)	(1 702)	(3 231)	(54)	(8)	–	–	(3 514)	(4 769)
Adjustments/reclassifications	–	–	–	(1)	(4)	2	4	–	–	–	–	(1)	–	–	–	–
As at 31 December	**–**	**–**	**2 655**	**2 227**	**3 095**	**2 975**	**12 121**	**11 324**	**20 516**	**18 904**	**4 768**	**4 244**	**–**	**–**	**43 155**	**39 674**
Net book value as at 1 January	**227**	**227**	**10 672**	**10 860**	**1 916**	**1 937**	**7 237**	**7 517**	**12 152**	**11 274**	**1 455**	**1 601**	**1 164**	**564**	**34 823**	**33 980**
Net book value as at 31 December	**227**	**227**	**10 308**	**10 672**	**1 701**	**1 916**	**6 700**	**7 237**	**11 626**	**12 152**	**1 850**	**1 455**	**879**	**1 164**	**33 291**	**34 823**

A physical count of fixed assets was performed and the results reconciled to values in the fixed asset register as at 31 December 2017. The physical count and the corresponding fixed asset values are certified by management at both headquarters and field offices.

Assets under construction and not yet available for use pertain primarily to property, plant and equipment items in transit as at the reporting date. Fixed assets that were under construction and not yet available as at the end of 2016 were placed in service in 2017 and are presented in their respective categories.

UNFPA occupies one office building under a commercial finance lease arrangement. Its net book value as at the end of 2017 was $0.6 million.

The value of outstanding commitments for fixed assets procured for use by UNFPA and implementing partners as at 31 December 2017 was $5.1 million (2016: $1.7 million). As at 31 December 2017, the cost of fully depreciated property, plant and equipment items which were still in use amounted to $20.6 million (2016: $16.1 million).

Note 9
Intangibles

Intangible assets movements during 2017 and 2016 and balances as at the reporting date are summarized as follows:

(Thousands of United States dollars)

	Software acquired separately		*Software developed internally*		*Intangible assets under development*		*Total*	
	2017	*2016*	*2017*	*2016*	*2017*	*2016*	*2017*	*2016*
Cost								
As at 1 January	774	785	501	350	93	–	1 368	1 135
Additions	16	20	144	–	48	93	208	113
Disposals	(19)	(31)	–	–	–	–	(19)	(31)
Adjustments/reclassifications	–	–	126	151	(93)	–	33	151
As at 31 December	**771**	**774**	**771**	**501**	**48**	**93**	**1 590**	**1 368**
Accumulated amortization								
As at 1 January	667	454	96	9	–	–	763	463
Amortization charges	50	232	161	87	–	–	211	319
Disposals	(15)	(19)	–	–	–	–	(15)	(19)
As at 31 December	**702**	**667**	**257**	**96**	**–**	**–**	**959**	**763**
Net book value as at 1 January	**107**	**331**	**405**	**341**	**93**	**–**	**605**	**672**
Net book value as at 31 December	**69**	**107**	**514**	**405**	**48**	**93**	**631**	**605**

In addition to recognized intangible assets, UNFPA uses other intangible items under its control that did not meet the recognition criteria of IPSAS 31: Intangible assets, and the Fund's accounting policies. These items include: (a) the business intelligence and analytics platform for financial, programme and other management data analysis and reporting; (b) the messaging and collaboration platform providing access to various applications such as email, calendar, file storage and other functionalities; and (c) the document management system.

In 2017, UNFPA incurred research and development expenditures of $0.5 million that did not meet the recognition criteria for intangible assets and thus were expensed during the year (2016: $1.0 million). As at 31 December 2017, UNFPA did not have any commitments for purchases of intangible assets. The cost of fully amortized intangible assets which were still in use by the end of 2017 amounted to $0.56 million (2016: $0.55 million), corresponding primarily to the licence for a suite of office productivity applications procured at a cost of $0.50 million.

Note 10
Accounts payable and accruals

Accounts payable and accruals as at the reporting date comprised the following:

(Thousands of United States dollars)

	As at 31 December 2017	*As at 31 December 2016*
Accounts payable	23 959	25 059
Accrual liability	24 760	24 618
Administrative agent payable	23 811	16 181
Advances from procurement activities	16 654	10 286
Due to United Nations organizations	–	14
Operating funds payable	6 379	11 119
Payable held by investment manager	130	–
Unspent balances on expired funds	7 286	3 368
Total	**102 979**	**90 645**

The "administrative agent payable" reflects contributions received and administered by UNFPA for programme activities to be implemented in conjunction with other United Nations system organizations and to be distributed based on an agreed programme of work.

Note 11
Finance lease liability

As at 31 December 2017, UNFPA had one finance lease agreement for an office building in one programme country. In 2017, UNFPA made leasing payments of $0.20 million for those premises, fulfilling its remaining obligation under the agreement. This payment is disclosed in statement IV as cash flows from financing activities.

Note 12
Employee benefits

Employee benefit liabilities as at the reporting date are shown below.

(Thousands of United States dollars)

	As at 31 December 2017	*As at 31 December 2016*
Current employee benefits liabilities		
Short-term employee benefits		
Accumulated annual leave	22 474	22 878
Accumulated home leave	2 864	2 988
Post-employment and other long-term employee benefits		
Repatriation benefits (inactive staff)[a]	647	649
Repatriation benefits (active staff)	3 013	3 242
After-service health insurance	5 128	4 838
Workers' compensation	21	–
Total current employee benefits liabilities	**34 147**	**34 595**
Non-current employee benefits liabilities		
Repatriation benefits (active staff)	26 382	24 776
After-service health insurance	354 793	269 869
Workers' compensation	481	–
Total non-current employee benefits liabilities	**381 656**	**294 645**
Total employee benefits liabilities	**415 803**	**329 240**

[a] Inactive staff are those who had already separated from UNFPA by the reporting date.

Accumulated annual leave

Staff members holding fixed-term, temporary and continuing appointments accrue annual leave on a monthly basis up to a maximum of 82.5 days as at the reporting date, which can be utilized as compensated time off or commuted to cash, up to a maximum of 60 days, upon separation from service. UNFPA values this liability through the actual computation of accumulated days of annual leave unused as at the reporting date, based on the salary scale as at that date, without discounting.

Accumulated home leave

This liability represents the accumulated amount of anticipated travel costs for eligible staff and their dependants for their next home leave as at the reporting date. It is accrued as service is rendered, is not discounted and cannot be compensated upon end of service.

Post-employment and other long-term employee benefits

Post-employment benefits provided by UNFPA to its staff include after-service health insurance and certain repatriation benefits. Both are categorized as defined benefit plans. Other long-term employee benefits include workers' compensation under Appendix D to the United Nations Staff Rules.

Liabilities for defined benefit plans and workers' compensation are established separately for each benefit through independent actuarial studies, by discounting the probable future payments to present value. A full actuarial valuation is normally performed every two years. In the year when a full valuation is not performed, liabilities are established through roll-forward of the prior-year data, which includes reviewing and updating key assumptions, such as discount rates and medical cost trend rates.

Post-employment and other long-term employee benefits liabilities as at 31 December 2017 were established on the basis of full actuarial valuation studies, which introduced the use of a new reference curve for discount rates, the Aon Hewitt yield curve for the United States, different from the Citigroup pension discount curve used previously. This change was introduced in order to harmonize financial assumptions in the measurement of employee benefits liabilities across United Nations organizations.

Repatriation benefits

Staff members meeting certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to repatriation grants, which are based upon length of service, travel and removal expenses. Those benefits are collectively referred to as repatriation benefits.

The present value of the accrued liability for repatriation benefits of active staff as at the reporting date was estimated using the following assumptions:

(Percentage)

	2017	*2016*
Single equivalent discount rate	3.46	3.50
Annual salary increase	3.97 to 9.27[a]	4.00 to 9.80[a]
Travel cost increase	2.20	2.25

[a] Different rates were applied based on age and category of staff members.

A separate liability was established towards accrued repatriation benefits not yet claimed by former staff members as at the reporting date, but for which the organization remains liable.

After-service health insurance

Upon end of service, staff members and their dependants may elect to participate in a defined benefit UNFPA health insurance plan, provided they have met certain eligibility requirements, including 10 years of participation in a UNFPA health insurance plan for those who were recruited after 1 July 2007 and 5 years for those who were recruited prior to this date. That benefit is referred to as after-service health insurance.

The major assumptions used to determine the liabilities for after-service health insurance as at the reporting date are summarized in the table below.

(Percentage)

	2017	*2016*
Single equivalent discount rate	3.91	4.17
Health-care cost trend rates:		
United States, non-Medicare plans	5.70, grading down to 3.85 over 15 years	6.00, grading down to 4.50 over 7 years
United States, Medicare plans	5.50, grading down to 3.85 over 15 years	5.70, grading down to 4.50 over 6 years
United States, dental plans	4.80, grading down to 3.85 over 15 years	4.90, grading down to 4.50 over 7 years
Non-United States (Switzerland)	4.00, grading down to 3.05 over 10 years	4.00 (flat)
Non-United States (euro zone)	4.00, grading down to 3.65 over 5 years	4.00 (flat)

The discount rates were set on the basis of the market yields on high-quality corporate bonds with maturity dates approximating the terms of future payments.

Retirement, withdrawal and mortality assumptions are consistent with those used by the United Nations Joint Staff Pension Fund for actuarial valuation of pension benefits.

In determining the valuation of residual after-service health insurance liability, contributions from plan participants are considered. Thus, contributions from retirees and a portion of contributions from active staff are deducted from the gross liability to arrive at the residual liability of UNFPA in accordance with the cost-sharing ratios authorized by the General Assembly. Those ratios are summarized below.

(Percentage)

Plan	*By retiree*	*By organization*
United States plans	33.30	66.70
Non-United States plans	50.00	50.00
Medical Insurance Plan (MIP)	25.00	75.00

On the basis outlined above, the present value of the accrued liability for after-service health insurance as at 31 December 2017, net of contributions from plan participants, was as follows:

(Thousands of United States dollars)

	As at 31 December 2017	*As at 31 December 2016*
Gross liability	565 800	430 874
Offset from contributions made by plan participants	(205 879)	(156 167)
Net liability	**359 921**	**274 707**

Workers' compensation

Workers' compensation under Appendix D to the United Nations Staff Rules provides coverage to UNFPA employees in the event of death, disability, injury or illness attributable to the performance of official duties. A summary of key assumptions used by actuaries to value workers' compensation liability is provided in the table below:

(Percentage)

	2017
Single equivalent discount rate	3.83
Cost of living adjustment rate	2.20

Mortality was derived from life tables provided by the World Health Organization.

Movement in post-employment and other long-term employee benefits

Movements in the post-employment and other long-term employee benefits liabilities during 2017 are summarized as follows:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits (active staff)*	*Workers' compensation*	*Total*
As at 31 December 2016	**274 707**	**28 018**	**–**	**302 725**
Changes in accounting for workers' compensation as at 1 January 2017	–	–	442	442
Expenses recognized in 2017				
Current service cost	11 388	1 885	45	13 318
Interest cost	11 350	922	3	12 275
Total expenses recognized in 2017	**22 738**	**2 807**	**48**	**25 593**
Actual benefits paid	(3 281)	(2 231)	(20)	(5 532)
Experience adjustments in benefits paid	(1 759)	(1 124)	1	(2 882)
Actuarial losses	67 516	1 925	31	69 472
As at 31 December 2017	**359 921**	**29 395**	**502**	**389 818**

More detailed information on the change in accounting for workers' compensation benefits is provided in note 2, section xxvii.

The current service cost for after-service health insurance and repatriation benefits is the increase in liability resulting from benefits vested to employees through services rendered in 2017. The current service cost for workers' compensation is for addition of accident year 2017 liabilities and changes to the compensation plan.

The interest cost is the increase resulting from future employee benefits being closer to settlement.

"Actual benefits paid" are the amounts paid by UNFPA during the year in health insurance premiums (employer share), repatriation benefits and workers' compensation benefits. "Experience adjustments in benefits paid" is the difference between actual benefits paid and estimates used in the actuarial valuation study, recognized as expenses in the statement of financial performance.

An actuarial loss/(gain) arises when the actuarial assessment differs from the long-term expectation of the obligations. It results from experience adjustments (differences between the previous actuarial assumptions and what has actually occurred) and changes in financial and demographic assumptions. Actuarial losses/(gains) are recognized as a change in net assets (statement III). A summary of accumulated actuarial losses as at the reporting date is presented below.

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits (active staff)*	*Workers' compensation*	*Total*
As at 31 December 2016	67 303	11 066	–	78 369
Current period	67 516	1 925	31	69 472
As at 31 December 2017	**134 819**	**12 991**	**31**	**147 841**

Actuarial losses resulting from the 2017 actuarial study were primarily due to changes in the demographic assumptions, including improvements in the life expectancy of beneficiaries (for after-service health insurance liability); actual travel shipment costs being higher than expected (for repatriation benefits); and decreases in discount rates.

The table below summarizes the present value of the post-employment benefits liabilities and experience adjustments for the current and previous four reporting periods. The liability for workers' compensation is excluded since there were no qualifying experience adjustments in the past four years.

(Thousands of United States dollars)

	2017	*2016*	*2015*	*2014*	*2013*
After-service health insurance					
Liability as at 31 December	359 921	274 707	246 966	282 022	209 399
Experience adjustments included in the liability amounts	31 800	(1 596)	(1 228)	93	(607)
Repatriation benefits (active staff)					
Liability as at 31 December	29 395	28 018	29 172	23 994	24 406
Experience adjustments included in the liability amounts	1 472	(1 635)	6 649	(1 311)	(323)

Sensitivity analysis

The table below demonstrates the sensitivity of post-employment benefits and workers' compensation liabilities as well as combined service and interest costs to a 1.00 per cent change in the single equivalent discount rate or health-care cost trend rate (all other assumptions remaining constant).

(Thousands of United States dollars)

	After-service health insurance			
	Year-end liability	*Sum of service and interest costs*	*Repatriation benefits liability (active staff)*	*Workers' compensation liability*
Single equivalent discount rate				
1.00 per cent increase	(64 377)		(2 342)	(47)
1.00 per cent decrease	85 726		2 707	57
Health-care cost trend rate				
1.00 per cent increase	86 476	8 307		
1.00 per cent decrease	(66 024)	(6 137)		
Cost of living adjustment rate				
1.00 per cent increase				60
1.00 per cent decrease				(49)

Funding for employee benefits liabilities

As at 31 December 2017, the unfunded portion of after-service health insurance and other employee benefits liabilities was as follows:

(Thousands of United States dollars)

	As at 31 December 2017		
Employee benefits liabilities	*Accrued liability*	*Funded liability*	*Unfunded liability*
After-service health insurance	359 921	214 202	145 719
Repatriation benefits	30 042	3 977	26 065
Annual leave	22 474	22 474	–
Home leave	2 864	2 694	170
Workers' compensation	502	–	502
Total	**415 803**	**243 347**	**172 456**

In 2017, employee benefits liabilities were funded through:

(a) Net investment revenue of $23.2 million generated by funds set aside for funding of the after-service health insurance liabilities. In 2016, UNFPA, jointly with other United Nations organizations, started investing those funds in a separate portfolio generating a higher rate of return than the working capital investment portfolio. Notes 4 and 25 provide more details on these investments;

(b) Accruals for after-service health insurance (net of premium payments), repatriation benefits, annual leave and home leave from payroll charges of $6.4 million;

(c) Transfers from fund balances otherwise available for programming of $15.0 million.

(Thousands of United States dollars)

	As at 31 December 2016	Increase/ (decrease) in liability	Net increase/ (decrease) in funding	As at 31 December 2017
	Unfunded liability			Unfunded liability
After-service health insurance	101 276	85 214	40 771	145 719
Repatriation benefits	25 242	1 375	552	26 065
Annual leave	2 073	(404)	1 669	–
Home leave	1 888	(124)	1 594	170
Workers' compensation	–	502	–	502
Total	**130 479**	**86 563**	**44 586**	**172 456**

Changes to the conditions of service and staff entitlements

In December 2015, the General Assembly adopted resolution 70/244, in which it approved a series of changes to the conditions of service and future entitlements of staff, including an increase in the mandatory age of retirement for some employees and the adoption of unified salary scales. Those changes were incorporated into and are reflected in the results of the 2017 actuarial valuation study.

Pension benefits

UNFPA 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.

The plan exposes UNFPA to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund. As there is no consistent and reliable basis for allocating the related liabilities/assets and costs to individual organizations, UNFPA and other participants in the Pension Fund are not in a position to identify their share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and therefore have treated the plan as if it were a defined contribution plan, in line with the requirements of IPSAS 25; thus the UNFPA share of the related net liability/asset position of the United Nations Joint Staff Pension Fund is not reflected in the financial statements.

The Regulations of the Pension Fund state that the Pension Board shall have an actuarial valuation made of the Pension 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.

The financial obligation of UNFPA to the United Nations Joint Staff Pension Fund consists of its mandated contribution, at the rate established by the General Assembly, currently 7.9 per cent for the participants and 15.8 per cent for the organizations, of the applicable pensionable remuneration, together with their 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 the 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 the deficiency an amount proportionate to the total contributions, which it paid during the three years preceding the valuation date.

During 2017, the Pension Fund identified anomalies in the census data utilized in the actuarial valuation performed as at 31 December 2015. As a result, as an exception to the normal biennial cycle, the Pension Fund decided to roll forward the participation data as at 31 December 2013 to 31 December 2016, for use in its 2016 financial statements. An actuarial valuation as at 31 December 2017 is currently being performed.

The rolling forward of the participation data as at 31 December 2013 to 31 December 2016 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 150.1 per cent (127.5 per cent in the 2013 valuation). The funded ratio was 101.4 per cent (91.2 per cent in the 2013 valuation) when the current system of pension adjustments was taken into account.

After assessing the actuarial sufficiency of the United Nations Joint Staff Pension Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2016, for deficiency payments under article 26 of the Regulations of the Pension Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of preparation of these financial statements, the General Assembly had not invoked the provision of article 26.

During 2017, contributions paid to the United Nations Joint Staff Pension Fund by UNFPA, recognized as expenses in statement II, amounted to $32.4 million (2016: $31.9 million).

The Board of Auditors carries out an annual audit of the United Nations Joint Staff Pension Fund and reports to the Pension Board on the audit every year. The Fund publishes quarterly reports on its investments (available from www.unjspf.org).

Note 13
Other current and non-current liabilities and deferred revenue

Other current and non-current liabilities and deferred revenue as at the reporting date comprised the following:

(Thousands of United States dollars)

	As at 31 December 2017	*As at 31 December 2016*
Current		
Other current liabilities	301	404
Deferred revenue	10 920	10 088
Derivative liabilities	557	–
Total	**11 778**	**10 492**
Non-current		
Deferred revenue	4 159	4 540
Total	**4 159**	**4 540**

Deferred revenue includes the unamortized portion of the donated right to use premises (finance lease-similar) ($4.3 million), contributions to regular and other resources received in advance ($7.6 million), future revenue to be recognized upon acceptance by one donor of project expenditures pre-financed by UNFPA ($3.0 million) and the value of the remaining rent-free period given by the landlord of UNFPA headquarters in New York ($0.2 million).

Note 14
Unearmarked resources — movements in reserves and fund balances

(Thousands of United States dollars)

	Undesignated funds		*Designated funds*				*Reserves*			*2017*	*2016*
	Programmable fund balance	*After-service health insurance and employee benefits fund*	*Procurement services*	*Comprehensive resources review*	*Private endowment trust*	*Total fund balances*	*Operational reserve*	*Humanitarian response reserve*	*Reserve for field accommodation*	*Total reserves and fund balances*	*Total reserves and fund balances*
	(Note 14 (e))	*(Note 12)*	*(Note 14 (a))*	*(Note 14 (b))*	*(Note 14 (c))*		*(Note 14 (d))*	*(Note 14 (e))*	*(Note 14 (f))*		
Balance as at 1 January	**61 661**	**(130 479)**	**3 059**	**–**	**35 401**	**(30 358)**	**70 505**	**–**	**5 000**	**45 147**	**64 732**
Net excess/(shortfall) of revenue over expenses	40 171	(1 027)	–	–	418	39 562	–	–	(988)	38 574	(8 601)
Changes in allocations											
After-service health insurance and employee benefits fund	(15 000)	15 000	–	–	–	–	–	–	–	–	–
Comprehensive resource review	(2 877)	–	–	2 877	–	–	–	–	–	–	–
Transfers within reserves											
To operational reserve	(30)	–	–	–	–	(30)	30	–	–	–	–
To humanitarian response reserve	(5 000)	–	–	–	–	(5 000)	–	5 000	–	–	–
To reserve for field accommodation	(988)	–	–	–	–	(988)	–	–	988	–	–
Transfers within UNFPA resources	42	–	1 267	–	–	1 309	–	–	–	1 309	(107)
Other adjustments to resource balances											
Gain in fair value of investments recognized in net assets	–	13 955	–	–	–	13 955	–	–	–	13 955	411
Actuarial loss on employee benefits liabilities	–	(69 472)	–	–	–	(69 472)	–	–	–	(69 472)	(11 288)
Other employee benefits	–	(433)	–	–	–	(433)	–	–	–	(433)	–
Balance as at 31 December	**77 979**	**(172 456)**	**4 326**	**2 877**	**35 819**	**(51 455)**	**70 535**	**5 000**	**5 000**	**29 080**	**45 147**
Net total		**(94 477)**			**43 022**				**80 535**		

Of the $78.0 million available in the programmable fund balance, only $48.5 million is available for programme activities in 2018 after the following adjustments are made to align the fund balance with the budgetary basis: undepreciated property, plant and equipment net of unamortized donated rights to use arrangement (finance lease-similar) and other liabilities ($25.9 million); inventory ($1.2 million); outstanding advances issued under a sector-wide approach modality ($1.0 million); and other internally restricted amounts ($1.4 million).

Distinction between designated and undesignated fund balances: "designated" refers to the portion of regular resource balance that is designated for a special purpose and is not available for programming; "undesignated" refers to the remaining portion of the resource balance.

(a) Procurement services fund

The procurement services designated fund reflects funds set aside for covering the cost of procurement activities undertaken by the Procurement Services Branch of UNFPA on behalf of field offices, headquarters units and third-party clients. Charges for procurement activities in 2017 exceeded actual procurement expenses by $1.3 million, increasing the fund balance to $4.3 million as at the end of the year.

(b) Comprehensive resources review fund

The comprehensive resources review designated fund was established in 2017 to enable continued implementation of the change management initiative launched by UNFPA management to ensure optimal alignment between the strategic plan, resource allocation and organizational structures. The fund is a continuation of a provision approved by the Executive Board (see DP/2017/2, decision 2016/10) at the midterm review of the integrated budget (see DP/FPA/2016/3).

(c) Private endowment trust fund

This fund was created through an endowment from the estate of the late Forrest E. Mars. The balance of $35.8 million comprises the principal of $33.7 million plus cumulative interest earned of $6.9 million, less cumulative eligible expenses of $4.8 million from the date the fund was created. Under the terms of the trust agreement, UNFPA is bound to reimburse proportionately the trustee or the trustee's heirs for any potential liability in the event of a valid claim against the estate.

(d) Operational reserve

The purpose of the operational reserve is to provide for temporary fund deficits and to ensure the continuity of programme implementation in the event of downward fluctuations or shortfalls in resources, uneven cash flows, unplanned increases in actual costs or other contingencies. In accordance with the UNFPA Financial Regulations and Rules endorsed by the Executive Board, the reserve balance is set at 20 per cent of annual unearmarked resources contribution revenue (excluding government contributions to local office costs).

The amount of the reserve was increased by $0.03 million in 2017 to adjust it to 20 per cent the amount of regular resources contribution revenue in that year.

(e) Emergency fund and humanitarian response reserve

The Executive Board of UNDP, UNFPA and UNOPS established two distinct mechanisms for UNFPA offices to expedite the financing of humanitarian-related interventions: an emergency fund and a humanitarian response reserve.

The emergency fund enables UNFPA offices to rapidly respond to crises before other funding becomes available. The fund was allocated $5.0 million in regular resources in 2017, of which $4.6 million was spent. These expenses are included in the "net excess/(shortfall) of revenue over expenses" in the "programmable fund balance" column of the table above.

The humanitarian response reserve was established to pre-finance humanitarian response interventions, enabling UNFPA offices to promptly commence activities before the funding committed in signed donor agreements is received. The reserve is funded through an allocation of regular resources and replenished upon receipt of the pre-financed donor contributions. At the end of 2017, $5 million was allocated to the reserve to allow the pre-financing of humanitarian interventions as from 1 January 2018.

(f) Reserve for field accommodation

At its thirty-eighth session, in 1991, the Governing Council approved the establishment of a reserve for field accommodation for the biennium 1992–1993 and authorized the Executive Director to make drawdowns from it for the purpose of financing the UNFPA share of construction costs for common premises under the auspices of the Joint Consultative Group on Policy. In 2017, $1.0 million in qualifying expenses were charged to the reserve and the same amount was replenished in order to bring the reserve level back to $5.0 million.

Note 15
Contribution revenue

Contribution revenue comprises the following:

(Thousands of United States dollars)

	2017	*2016*
Unearmarked (core) contributions	349 914	352 808
Less: transfers to other revenue for reimbursement of tax charges	–	(5 851)
Subtotal	**349 914**	**346 957**
Contributions earmarked for:		
Co-financing	673 441	446 300
Junior Professional Officers	4 608	3 773
Contributions in kind	248	1 037
Less: refunds to donors	(8 356)	(4 336)
Subtotal	**669 941**	**446 774**
Total	**1 019 855**	**793 731**

The breakdown of unearmarked and earmarked contributions by donor is detailed in schedules A and B, respectively. Earmarked contributions in this note are presented net of UNFPA indirect costs of $39.3 million (2016: $34.7 million), which are shown in note 16, under fees for support services.

"Contributions in kind" represents the value of goods received by UNFPA and utilized for its programmatic activities.

Note 16
Other revenue

Other revenue comprises the following:

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Total*	
	2017	*2016*	*2017*	*2016*	*2017*	*2016*
Fees for support services	39 036	34 443	2 238	1 497	41 274	35 940
Investment revenue	15 459	6 661	1 571	1 127	17 030	7 788
Net currency revaluation adjustments and gains on foreign exchange — contributions receivable	3 049	–	18 811	–	21 860	–
Net currency revaluation adjustments and gains on foreign exchange — others	5 191	215	–	239	5 191	454
Premises occupied based on donated right to use — operating-lease similar	3 694	3 865	–	–	3 694	3 865
Premises occupied based on donated right to use — finance-lease similar	181	181	–	–	181	181
Reimbursement of tax charges	–	5 851	–	–	–	5 851
Revenue from sale of UNFPA inventory	–	–	2 390	1 633	2 390	1 633
Miscellaneous revenue	1 043	878	31	132	1 074	1 010
Total	**67 653**	**52 094**	**25 041**	**4 628**	**92 694**	**56 722**

Fees for support services include the amount of indirect costs charged to other resources of $39.3 million (2016: $34.7 million); fees earned by UNFPA for performing administrative agent functions of $0.4 million (2016: $0.2 million); and handling fees for performing procurement services of $1.6 million (2016: $0.9 million).

Investment revenue can be further broken down as follows:

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Total*	
	2017	*2016*	*2017*	*2016*	*2017*	*2016*
Interest revenue	7 624	6 019	1 571	1 127	9 195	7 146
Dividend revenue	1 867	412	–	–	1 867	412
Realized gain on sale of investments	5 968	230	–	–	5 968	230
Total	**15 459**	**6 661**	**1 571**	**1 127**	**17 030**	**7 788**

Revenue and expense (see note 18) in the amount of $3.7 million was recognized for the donated right-to-use (operating lease-similar) premises occupied in 2017 (2016: $3.9 million) by UNFPA under this type of agreement, based on the annual rental value of similar premises as calculated by an external independent consultant.

Revenue and a depreciation charge of $0.2 million were recognized with regard to the donated right-to-use (finance lease-similar) premises occupied by UNFPA in 2017 (same as in 2016), based on the asset valuation provided by an external independent consultant.

Note 17
Expenses by implementing agent

Total expenses, as presented in statement II, can be further broken down on the basis of the implementation modality used, as follows:

(Thousands of United States dollars)

	2017	*2016*
Activities implemented by:		
Governments	89 976	109 962
Non-governmental organizations	177 002	137 610
United Nations organizations	3 314	1 899
Activities implemented by UNFPA	656 577	673 047
Total expenses	**926 869**	**922 518**

In 2017, 35.5 per cent of programme activities were implemented by governments and non-governmental organizations (2016: 32.4 per cent). Total expenses for programme activities are disclosed in schedule D.

Note 18
Expenses by nature

Total expenses, as presented in statement II, can be further broken down on the basis of their nature, as follows:

(Thousands of United States dollars)

	2017	*2016*
Staff costs		
Staff salaries	159 764	161 159
Pension contributions	32 363	31 894
Other employee benefit costs	73 789	69 980
Subtotal, staff costs	**265 916**	**263 033**
Reproductive health and other programme-related supplies		
Reproductive health supplies	130 486	147 236
Other programme-related supplies	21 555	16 032
Subtotal, reproductive health and other programme-related supplies	**152 041**	**163 268**
Development and training of counterparts	98 528	102 446
Subtotal, development and training of counterparts	**98 528**	**102 446**
Supplies, materials and operating costs		
Supplies and materials	21 513	18 391
Rent, repairs and maintenance	42 310	37 998
Printing, publications and media	27 776	29 189
Transportation and distribution	30 631	23 996
Other operating costs	43 549	43 122
Subtotal, supplies, materials and operating costs	**165 779**	**152 696**

	2017	*2016*
Contracted and professional services		
Contracted and professional services with individuals	131 651	109 044
Contracted and professional services with companies	36 120	38 303
United Nations Volunteers expenses for contracted services	2 892	4 206
Subtotal, contracted and professional services	**170 663**	**151 553**
Finance costs (mainly bank charges)	695	546
Subtotal, finance costs	**695**	**546**
Travel	56 924	62 675
Subtotal, travel	**56 924**	**62 675**
Depreciation and amortization		
Depreciation	6 995	6 363
Amortization	211	319
Subtotal, depreciation and amortization	**7 206**	**6 682**
Impairment and reversals of impairment losses		
Impairment losses	452	3
Reversals of impairment losses	(3)	(79)
Subtotal, impairment and reversals of impairment losses	**449**	**(76)**
Other expenses		
Premises occupied based on donated right to use	3 694	3 865
Transfers and losses on disposal of property, plant and equipment and intangible assets	153	395
Net currency revaluation adjustments and losses on foreign exchange — contributions receivable	–	11 586
Net currency revaluation adjustments and losses on foreign exchange — others	1 718	3 656
Doubtful accounts expenses and write-offs	3 004	183
Other	99	10
Subtotal, other expenses	**8 668**	**19 695**
Total expenses	**926 869**	**922 518**

Note 19
Unearmarked resources — programme activities by region and country/territory, and institutional budget

(a) Total expenses for programme activities by region and country/territory

(Thousands of United States dollars)

	2017	*2016*
Western and central Africa		
Country/territory programmes		
Benin	1 449	1 642
Burkina Faso	2 018	2 471
Cameroon	3 091	2 906
Cape Verde	500	508
Central African Republic	1 436	1 619
Chad	2 884	2 821
Congo	726	1 188
Côte d'Ivoire	2 641	2 912
Equatorial Guinea	507	545
Gabon	476	621
Gambia	838	809
Ghana	1 563	2 594
Guinea	2 523	2 765
Guinea-Bissau	755	808
Liberia	1 783	1 447
Mali	2 715	2 931
Mauritania	1 161	1 008
Niger	2 955	3 216
Nigeria	6 102	5 971
Sao Tome and Principe	375	472
Senegal	1 819	2 053
Sierra Leone	1 459	1 830
Togo	1 523	1 401
Subtotal, country/territory programmes	**41 299**	**44 538**
Regional projects	4 325	4 580
Total	**45 624**	**49 118**
Eastern and southern Africa		
Country/territory programmes		
Angola	1 845	1 681
Botswana	501	630
Burundi	2 066	1 589
Comoros	799	786
Democratic Republic of the Congo	7 171	8 082
Eritrea	1 049	878
Eswatini	704	731

	2017	*2016*
Ethiopia	4 269	5 492
Kenya	3 057	5 136
Lesotho	678	751
Madagascar	3 739	3 966
Malawi	1 845	2 233
Mauritius	88	80
Mozambique	3 016	3 875
Namibia	717	900
Rwanda	1 532	2 124
South Africa	1 016	1 366
South Sudan	2 608	3 873
Uganda	3 003	4 192
United Republic of Tanzania	2 843	4 127
Zambia	1 913	2 303
Zimbabwe	2 030	2 481
Subtotal, country/territory programmes	**46 489**	**57 276**
Regional projects	3 375	3 824
Total	**49 864**	**61 100**
Arab States		
Country/territory programmes		
Algeria	198	262
Djibouti	546	729
Egypt	1 095	1 571
Iraq	1 165	1 496
Jordan	547	870
Lebanon	540	647
Libya	788	552
Morocco	729	931
Oman	200	294
Somalia	2 724	4 357
State of Palestine	1 211	1 181
Sudan	3 494	3 318
Syrian Arab Republic	1 218	1 000
Tunisia	394	388
Yemen	2 554	2 486
Subtotal, country/territory programmes	**17 403**	**20 082**
Regional projects	2 864	4 256
Total	**20 267**	**24 338**

	2017	*2016*
Asia and the Pacific		
Country/territory programmes		
Afghanistan	3 560	5 068
Bangladesh	5 152	6 904
Bhutan	549	734
Cambodia	1 752	2 391
China	1 902	1 592
Democratic People's Republic of Korea	753	723
India	4 502	7 329
Indonesia	1 856	3 158
Iran (Islamic Republic of)	781	997
Lao People's Democratic Republic	1 046	1 729
Malaysia	385	452
Maldives	249	272
Mongolia	784	1 063
Myanmar	2 051	3 102
Nepal	2 449	3 506
Pacific multi-country programme[a]	2 655	3 027
Pakistan	3 799	5 765
Papua New Guinea	1 576	1 408
Philippines	2 404	3 778
Sri Lanka	649	838
Thailand	787	989
Timor-Leste	1 073	1 482
Viet Nam	1 957	3 143
Subtotal, country/territory programmes	**42 671**	**59 450**
Regional projects	5 100	6 113
Total	**47 771**	**65 563**
Latin America and the Caribbean		
Country/territory programmes		
Argentina	101	198
Bolivia (Plurinational State of)	915	988
Brazil	1 066	1 186
Caribbean multi-country programme, English-and Dutch-speaking[b]	1 522	1 271
Chile	148	173
Colombia	723	933
Costa Rica	366	417
Cuba	350	484
Dominican Republic	466	527
Ecuador	620	765
El Salvador	706	761
Guatemala	1 091	1 243

	2017	*2016*
Haiti	1 983	2 242
Honduras	760	1 079
Mexico	866	846
Nicaragua	806	951
Panama	389	382
Paraguay	644	862
Peru	956	736
Uruguay	554	599
Venezuela (Bolivarian Republic of)	413	477
Subtotal, country/territory programmes	**15 445**	**17 120**
Regional projects	3 924	4 629
Total	**19 369**	**21 749**
Eastern Europe and Central Asia		
Country/territory programmes		
Albania	503	490
Armenia	472	498
Azerbaijan	346	414
Belarus	295	316
Bosnia and Herzegovina	409	424
Georgia	511	565
Kazakhstan	495	411
Kosovo	291	296
Kyrgyzstan	680	709
Republic of Moldova	411	463
Serbia	637	361
Tajikistan	750	747
The former Yugoslav Republic of Macedonia	302	294
Turkey	672	720
Turkmenistan	459	463
Ukraine	832	524
Uzbekistan	655	713
Subtotal, country/territory programmes	**8 720**	**8 408**
Regional projects	3 794	5 268
Total	**12 514**	**13 676**
Office in Addis Ababa	527	952
Global programme and other headquarter activities	19 364	21 791
Total programme expenses	**215 300**	**258 287**

(Footnotes on following page)

(Footnotes to note 19 (a) table)

[a] The Pacific multi-country programme implements programme activities in the following countries and territories: the Cook Islands, Fiji, Kiribati, the Marshall Islands, the Federated States of Micronesia, Nauru, Niue, Palau, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu and Vanuatu.

[b] The Caribbean multi-country programme, English- and Dutch-speaking, implements programme activities in the following countries and territories: Anguilla, Antigua and Barbuda, the Bahamas, Barbados, Belize, Bermuda, the British Virgin Islands, the Cayman Islands, Dominica, Grenada, Guyana, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, the Netherlands Antilles (Aruba, Curaçao and St. Maarten), Suriname, Trinidad and Tobago and the Turks and Caicos Islands.

Schedule D provides a breakdown by nature of total programme expenses funded with unearmarked resources referenced above.

(b) Institutional budget

(Thousands of United States dollars)

	2017	*2016*
Gross expenses	141 508	136 783
Credits to the institutional budget:		
Indirect costs charged to other resources	(39 036)	(34 675)
Local governments' contributions to country offices' costs	(290)	(282)
Total	**102 182**	**101 826**

Note 20
Provisions, contingent assets and contingent liabilities

As at 31 December 2017, UNFPA did not have any material provisions.

Contingent assets for all donor agreements in force as at 31 December 2017 which did not meet the revenue recognition criteria were estimated at $239.7 million (2016: $257.7 million), of which $202.5 million related to earmarked resources (2016: $238.8 million). Those contributions will be recognized in future periods when revenue recognition criteria are met.

As at 31 December 2017, UNFPA had a limited number of immaterial contingent liability cases that represented ongoing legal and administrative law claims. The total projected outflow for such cases as at 31 December 2017 was estimated at $0.7 million (2016: $1.4 million). Owing to the uncertainty of the outcomes of the cases, neither a liability nor provision was recorded as at the reporting date, as the occurrence and timing of outflow is not certain. UNFPA does not expect the ultimate resolution of any of the proceedings to which it is party to have a significant adverse effect on its financial position, performance or cash flows.

Note 21
Related parties disclosures

Relevant transactions with key management personnel were as follows:

(Thousands of United States dollars)

	Key management personnel				
	Number of individuals	*Compensation and post adjustment*	*Other entitlements*	*Pension plan and health benefits*	*Total remuneration*
2017	23	4 571	1 412	950	6 933
2016	26	5 354	1 616	1 073	8 043

The aggregate remuneration paid to key management personnel includes net salaries, post adjustment, entitlements such as representation and other allowances, assignment and other grants, rental subsidies, shipment costs and employer pension and current health insurance contributions.

Key management personnel are also eligible for post-employment benefits at the same level as other employees and are ordinary members of the United Nations Joint Staff Pension Fund. The present value of the accrued liabilities for after-service health insurance and repatriation benefits for key management personnel as at 31 December 2017 was estimated at $10.5 million (2016: $8.2 million).

There were no loans or advances granted to key management personnel and their close family members, which were not available to other categories of staff in accordance with the United Nations Staff Rules.

Note 22
Events after the reporting date

The UNFPA reporting date is 31 December 2017. In accordance with the UNFPA Financial Regulations and Rules, these financial statements were signed and submitted to the Board of Auditors by the Executive Director on 30 April 2018.

As at the date of signature of the UNFPA financial statements for the year ended 31 December 2017, there were no material events, favourable or unfavourable, that occurred between the reporting date and the date on which the financial statements were authorized for issue that would have affected the statements.

Note 23
Presentation of budget information and comparison between actual amounts on a budget comparable basis and actual amounts reported in the financial statements

Statement V provides a comparison between the original budget, the final budget and the actual expenses incurred during 2017, presented on a budgetary comparable accounting basis. Differences between the original and the final budget are due to elements that become known to management in the course of the year, such as final projections of regular contributions to be received and prior-year distributable fund balances. Differences between the final budget and budget utilization amounts are due to underutilization of internally allocated resources.

The reconciliation between the amount of actual expenses for the year 2017 presented in statement V (comparison of budget with actual amounts for the year ended 31 December 2017) and in statement IV (cash flow statement for the year ended 31 December 2017) is shown below. Differences are due to “basis” differences and scope (or "entity") differences. Basis differences are differences between the budgetary and the financial reporting basis of accounting. Entity differences represent the increase/(decrease) in cash and cash equivalents for activities that are out of the scope of the approved budget.

(Thousands of United States dollars)

	Operating activities	*Investing activities*	*Financing activities*	*Total*
Total actual expenses on budget comparable basis (statement V)	(351 522)	(2 539)	(84)	(354 145)
Basis differences	(1 394)	315	–	(1 079)
Entity differences	528 805	(204 032)	(99)	324 674
Net increase/(decrease) in cash and cash equivalents (statement IV)	**175 889**	**(206 256)**	**(183)**	**(30 550)**

Reconciliation between the actual surplus or deficit on a budgetary comparable basis (modified cash) and on a financial reporting comparable basis (full accrual) is shown below. For revenue, the budget is based upon revenue projections, estimates of unutilized resources from the previous year and share of operating reserve released/set aside during the year, while financial statements show revenue on the full accrual basis. For expenses, the difference is mainly attributable to the treatment of capital items such as property, plant and equipment and inventory.

(Thousands of United States dollars)

Actual net surplus on a budget comparable basis (statement V)	**20 158**
Difference between revenue on accrual basis and final budgetary allocations	(2 308)
Difference between expenses on budgetary basis and an accrual basis	(2 663)
Actual net surplus on a financial reporting comparable basis for activities included in the scope of the budget	**15 187**

Note 24
Segment reporting

Segment information is based on the principal activities and sources of financing of UNFPA. As such, UNFPA reports separate financial information for two main segments: unearmarked resources and earmarked resources.

(a) Segment reporting of the statement of financial position as at 31 December 2017

UNFPA considers cash, cash equivalents and investments as "joint assets" between segments. It also considers selected accounts payable (e.g., inter-fund accounts) and employee benefits as "joint liabilities" between segments. Revenue and expenses related to these joint items are attributed to the segment in the normal course of operations. Therefore, in accordance with IPSAS, UNFPA attributes joint assets and liabilities to segments. Cash, cash equivalents and investments have been attributed based on the respective fund balances of the segments, while accounts payable and employee benefits have been attributed based on the number of personnel charged to each funding source.

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Total*	
	2017	*2016*	*2017*	*2016*	*2017*	*2016*
Assets						
Current assets						
Cash and cash equivalents	59 811	80 689	124 580	132 893	184 391	213 582
Investments maturing within one year	74 272	122 737	154 701	202 143	228 973	324 880
Inventories	1 140	1 360	37 174	44 948	38 314	46 308
Contributions receivable (exchange transactions)	–	–	350	293	350	293
Contributions receivable (non-exchange transactions)	30 664	19 558	129 225	145 733	159 889	165 291
Prepayments and other current assets	15 847	12 588	5 281	6 088	21 128	18 676
Operating fund advances	775	2 213	6 970	5 105	7 745	7 318
Total	**182 509**	**239 145**	**458 281**	**537 203**	**640 790**	**776 348**
Non-current assets						
Investments maturing after one year	177 481	82 376	369 673	135 671	547 154	218 047
Contributions receivable (non-exchange transactions)	–	–	154 361	116 514	154 361	116 514
Other non-current assets	–	10	3	–	3	10
Property, plant and equipment	30 892	31 927	2 399	2 896	33 291	34 823
Intangible assets	626	605	5	–	631	605
Total	**208 999**	**114 918**	**526 441**	**255 081**	**735 440**	**369 999**
Total assets	**391 508**	**354 063**	**984 722**	**792 284**	**1 376 230**	**1 146 347**
Liabilities						
Current liabilities						
Accounts payable and accruals	14 362	14 844	88 617	75 801	102 979	90 645
Employee benefits	27 942	29 920	6 205	4 675	34 147	34 595
Other current liabilities and deferred revenue	3 661	4 694	8 117	5 798	11 778	10 492
Total	**45 965**	**49 458**	**102 939**	**86 274**	**148 904**	**135 732**
Non-current liabilities						
Employee benefits	312 304	254 918	69 352	39 727	381 656	294 645
Other non-current liabilities and deferred revenue	4 159	4 540	–	–	4 159	4 540
Total	**316 463**	**259 458**	**69 352**	**39 727**	**385 815**	**299 185**
Total liabilities	**362 428**	**308 916**	**172 291**	**126 001**	**534 719**	**434 917**
Net assets	**29 080**	**45 147**	**812 431**	**666 283**	**841 511**	**711 430**
Reserves and fund balances						
Reserves						
Operational reserve	70 535	70 505	–	–	70 535	70 505
Humanitarian response reserve	5 000	–	–	–	5 000	–

	Unearmarked resources		*Earmarked resources*		*Total*	
	2017	*2016*	*2017*	*2016*	*2017*	*2016*
Reserve for field accommodation	5 000	5 000	–	–	5 000	5 000
Total reserves	**80 535**	**75 505**	**–**	**–**	**80 535**	**75 505**
Fund balances						
Designated unearmarked fund balances	43 022	38 460	–	–	43 022	38 460
Undesignated unearmarked and earmarked fund balances						
Unearmarked resources	(94 477)	(68 818)	–	–	(94 477)	(68 818)
Earmarked resources	–	–	812 431	666 283	812 431	666 283
Total fund balances	**(51 455)**	**(30 358)**	**812 431**	**666 283**	**760 976**	**635 925**
Total reserves and fund balances	**29 080**	**45 147**	**812 431**	**666 283**	**841 511**	**711 430**

UNFPA costs for acquisition of fixed and intangible assets from both unearmarked and earmarked resources are summarized in the table below:

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Total*	
	2017	*2016*	*2017*	*2016*	*2017*	*2016*
Property, plant and equipment	4 133	6 335	2 295	1 587	6 428	7 922
Intangible assets	203	113	5	–	208	113
Total	**4 336**	**6 448**	**2 300**	**1 587**	**6 636**	**8 035**

(b) Segment reporting of the statement of financial performance for the year ended 31 December 2017

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Elimination*[a]		*Total*	
	2017	*2016*	*2017*	*2016*	*2017*	*2016*	*2017*	*2016*
Contribution revenue								
Unearmarked contributions	349 914	352 808	–	–	–	–	349 914	352 808
Less: transfers to other revenue for reimbursement of tax charges	–	(5 851)	–	–	–	–	–	(5 851)
Subtotal	**349 914**	**346 957**	**–**	**–**	**–**	**–**	**349 914**	**346 957**
Earmarked contributions	–	–	717 589	485 820	(39 292)	(34 710)	678 297	451 110
Less: refunds to donors	–	–	(8 356)	(4 336)	–	–	(8 356)	(4 336)
Subtotal	**–**	**–**	**709 233**	**481 484**	**(39 292)**	**(34 710)**	**669 941**	**446 774**
Total contribution revenue	**349 914**	**346 957**	**709 233**	**481 484**	**(39 292)**	**(34 710)**	**1 019 855**	**793 731**
Other revenue	67 653	52 094	25 041	4 628	–	–	92 694	56 722
Total revenue	**417 567**	**399 051**	**734 274**	**486 112**	**(39 292)**	**(34 710)**	**1 112 549**	**850 453**

	Unearmarked resources		*Earmarked resources*		*Elimination*[a]		*Total*	
	2017	*2016*	*2017*	*2016*	*2017*	*2016*	*2017*	*2016*
Expenses								
Staff costs	214 779	218 001	51 137	45 032	–	–	265 916	263 033
Reproductive health and other programme-related supplies	4 933	7 559	147 108	155 709	–	–	152 041	163 268
Development and training of counterparts	19 859	27 873	78 704	74 608	(35)	(35)	98 528	102 446
Supplies, materials and operating costs	63 250	71 346	141 786	116 025	(39 257)	(34 675)	165 779	152 696
Contracted and professional services	42 067	52 199	128 596	99 354	–	–	170 663	151 553
Finance costs	276	177	419	369	–	–	695	546
Travel	21 396	25 895	35 528	36 780	–	–	56 924	62 675
Depreciation and amortization	6 755	6 249	451	433	–	–	7 206	6 682
Impairment	449	(76)	–	–	–	–	449	(76)
Other expenses	5 229	(1 571)	3 439	21 266	–	–	8 668	19 695
Total expenses	**378 993**	**407 652**	**587 168**	**549 576**	**(39 292)**	**(34 710)**	**926 869**	**922 518**
Surplus/(deficit) for the year	**38 574**	**(8 601)**	**147 106**	**(63 464)**	**–**	**–**	**185 680**	**(72 065)**

[a] The presentation in the present table reflects the gross performance of each segment and the elimination column is therefore necessary to remove the effect of inter-segment activities. Amounts in the elimination column consist of $39.257 million in indirect costs and a $0.035 million contribution of UNFPA to joint programmes where the organization serves as a managing agent.

Note 25
Financial risk management

Valuation

Financial assets

The table below shows the value of UNFPA financial assets held as at the reporting date based on the IPSAS classification adopted by UNFPA.

(Thousands of United States dollars)

	Held to maturity	*Available for sale*	*At fair value through surplus or deficit*	*Loans and receivables*	*Total*
Cash and cash equivalents	131 585	6 178	–	46 628	184 391
Investments	591 715	184 412	–	–	776 127
Contributions receivable[a]	–	–	–	313 787	313 787
Other receivables[b]	–	–	–	12 923	12 923
Total financial assets	**723 300**	**190 590**	**–**	**373 338**	**1 287 228**

[a] Excludes in-kind contributions receivable of $0.8 million.
[b] Excludes prepayments, education grant advances and amounts due from the United Nations organizations, totalling $8.2 million, as disclosed in note 6 (b).

Held-to-maturity financial assets are carried at amortized cost; as at the reporting date, the book value of these assets (measured at amortized cost) exceeded their market value by $1.8 million (2016: the market value exceeded the book value by $0.2 million).

Available-for-sale financial assets are carried at fair market value, determined on the basis of unadjusted quoted prices in active markets for identical assets. IPSAS 30: Financial instruments: disclosures, defines a three-tier fair value measurement hierarchy, based on the significance of the inputs used in the valuation, with level 1 using the most reliable inputs (unadjusted quoted prices in active markets for identical assets or liabilities), and level 3 using the least reliable (inputs not based on observable market data). Measurement for all UNFPA investments carried at fair value was determined at level 1 of the IPSAS hierarchy.

As at the reporting date, UNFPA had no financial assets recorded at fair value through surplus or deficit (2016: $0.1 million).

The carrying values of loans and receivables are a reasonable approximation of their fair value.

Financial liabilities

The table below shows the value of UNFPA financial liabilities held as at the reporting date, based on the IPSAS classification adopted by UNFPA.

(Thousands of United States dollars)

	At fair value through surplus or deficit	*Other financial liabilities*	*Total*
Accounts payable and accruals	–	102 979	102 979
Other current liabilities	557	301	858
Total financial liabilities	**557**	**103 280**	**103 837**

As at the reporting date, UNFPA had $0.6 million in financial liabilities recorded at fair value through surplus or deficit (2016: nil), arising from foreign currencies exchange contracts held as part of the after-service health insurance investment portfolio. Net exchange losses of $1.9 million, both realized and unrealized, generated by such contracts during the year were recognized through surplus or deficit in the statement of financial performance.

Financial liabilities amounting to $103.3 million as at 31 December 2017 were classified as other financial liabilities (2016: $91.1 million). Since all these liabilities are due for settlement within 12 months from the reporting date, they are carried at their nominal amounts.

Exposure to risks

UNFPA is exposed to a variety of financial risks, including:

(a) Credit risk: the risk that financial loss to UNFPA may arise from the failure of third parties to meet its financial/contractual obligations to UNFPA;

(b) Liquidity risk: the likelihood that UNFPA may not have adequate funds to meet its obligations when they fall due;

(c) Market risk: the possibility that UNFPA may incur significant financial losses owing to unfavourable movements in interest rates, foreign currency exchange rates and prices of investment securities.

Analysis of credit risk

Credit risk arises mostly from cash and cash equivalents, investments and contributions receivable. The carrying value of financial assets is the maximum exposure to credit risk.

Credit risk mitigation strategies for financial instruments are defined in the investment guidelines for both the working capital and after-service health insurance investment portfolios, and limit the extent of credit exposure to any single counterparty, by setting minimum credit quality requirements and limits by issue and financial instrument type. The investment guidelines require ongoing monitoring of issuer and counterparty credit ratings. The working capital investment portfolio (76 per cent of total investments) is limited to investment-grade fixed-income instruments of sovereign, supranational, governmental or federal agencies, and banks.

Ratings from the three leading credit rating agencies, Moody's, Standard & Poor's and Fitch, are used to evaluate the credit risk of financial instruments. As at the reporting date, UNFPA portfolios comprised primarily investment-grade instruments, as shown in the following tables (presented using Standard & Poor's rating convention).

Concentration of fixed-income investments by credit rating, working capital investment portfolio[a]

(Thousands of United States dollars)

2017	*AAA*	*AA+*	*AA*	*AA-*	*A+*	*A*	*Total*
Time deposits	–	–	–	25 000	–	–	25 000
Commercial papers	–	24 953	10 000	–	–	15 000	49 953
Bonds	288 354	59 396	77 982	69 568	9 999	11 463	516 762
Total	**288 354**	**84 349**	**87 982**	**94 568**	**9 999**	**26 463**	**591 715**

2016	*AAA*	*AA+*	*AA*	*AA-*	*A+*	*A*	*Total*
Time deposits	–	–	–	15 000	–	–	15 000
Bonds	262 664	64 268	20 174	70 066	22 019	–	439 191
Total	**262 664**	**64 268**	**20 174**	**85 066**	**22 019**	**–**	**454 191**

[a] Excludes investments classified as cash and cash equivalents.

Concentration of fixed-income investments by credit rating, after-service health insurance investment portfolio[a]

(Thousands of United States dollars)

2017	*AAA*	*AA+*	*AA-*	*A+*	*A*	*BBB+*	*BBB*	*BBB-*	*BB+*	*United States Treasury*	*Not rated*	*Total*
Fixed-income securities	1 116	1 037	785	2 605	1 080	4 993	1 761	107	–	9 903	43 527	66 914
Total	**1 116**	**1 037**	**785**	**2 605**	**1 080**	**4 993**	**1 761**	**107**	**–**	**9 903**	**43 527**	**66 914**

2016	*AAA*	*AA+*	*AA-*	*A+*	*A*	*BBB+*	*BBB*	*BBB-*	*BB+*	*United States Treasury*	*Not rated*	*Total*
Fixed-income securities	–	451	431	1 138	686	2 623	769	–	109	4 435	23 544	34 186
Total	**–**	**451**	**431**	**1 138**	**686**	**2 623**	**769**	**–**	**109**	**4 435**	**23 544**	**34 186**

[a] Excludes investments classified as cash and cash equivalents.

Of the $43.5 million of fixed-income securities held as at 31 December 2017 and not rated by Standard & Poor's, bonds valued at $9.0 million were rated by Moody's, with assigned ratings ranging from Aaa to Aa2 for $6.1 million, and Ba2 for $2.9 million. The majority of other non-rated fixed-income securities represent investments in exchange-traded funds and mutual funds These funds comprise multiple fixed-income instruments that may be rated individually, but the overall funds are not rated.

A large portion of the contributions receivable is due from sovereign governments and supranational agencies, including other United Nations organizations, which have very low default risk. UNFPA credit exposure on outstanding contributions receivable is further mitigated by the fact that programme activities do not in general commence until cash is received. The UNFPA approach to assessing outstanding contributions receivable for recoverability is described in note 2. An analysis of the age of contributions receivable that are past due as at 31 December 2017 and movements in allowances for doubtful accounts is provided in note 6 (a).

Analysis of liquidity risk

UNFPA uses investments in the working capital investment portfolio to meet its regular cash flow needs. UNDP makes investment decisions with due consideration for UNFPA cash requirements by matching investment maturity with the timing of future cash outlays. Therefore, UNFPA maintains a significant part of its investments in cash equivalents and short-term instruments, sufficient to cover its commitments as and when they fall due, as shown in the following table.

(Thousands of United States dollars)

	31 December 2017	Percentage	31 December 2016	Percentage
Cash equivalents	131 585	18	187 342	29
Subtotal	**131 585**	**18**	**187 342**	**29**
Current investments	228 557	32	324 880	51
Non-current investments	363 158	50	129 311	20
Subtotal	**591 715**	**82**	**454 191**	**71**
Total investments, cash and cash equivalents	**723 300**	**100**	**641 533**	**100**

Analysis of market risk

Market risk is the risk of financial losses due to unfavourable movements in the market prices of financial instruments, including movements in interest rates, foreign exchange rates and price risk.

(a) *Interest rate risk*

Interest rate risk arises from the effects of market interest rate fluctuations on the fair value of financial assets, liabilities and future cash flows of interest revenue. UNFPA is exposed to interest rate risk on its interest-bearing assets.

UNFPA investments in the working capital investment portfolio (76 per cent of the total investments), which is classified as held to maturity, are not marked to market and their carrying amounts are not affected by changes in interest rates.

UNFPA investments in the after-service health insurance portfolio (24 per cent of the total investments), which is classified as available for sale, are carried at fair value. As at 31 December 2017, this portfolio included interest-bearing instruments valued at $66.9 million (9 per cent of the total investments), thus creating exposure to interest rate risk (2016: $34.2 million, 6 per cent of the total investments). The table below demonstrates the interest rate sensitivity of these investments, based on their maturity period.

(Thousands of United States dollars)

	Impact on the financial statements	
Sensitivity variation	Net assets	Surplus/deficit[a]
100 basis point increase	(1 372)	–
50 basis point decrease	686	–

[a] Since the after-service health insurance investment portfolio is classified as available for sale, changes in the fair value are recognized in the net assets, and volatility in the interest rate has no impact on surplus/deficit for the year.

As at 31 December 2017, UNFPA maintained investments of $15.0 million in United States dollar-denominated floating rate fixed-income securities (2016: $10.0 million), all maturing within 3 months from the reporting date. These securities have a variable coupon, which periodically resets to the prevailing market rate, thus exposing UNFPA to fluctuations in future cash flows of interest revenue.

(b) Foreign exchange risk

UNFPA is exposed to currency risk arising from financial assets that are denominated in foreign currencies, and financial liabilities that have to be settled in foreign currencies. The table below summarizes year-end positions of UNFPA financial assets and liabilities by major currency, including those with the largest foreign exchange risk exposure.

(Thousands of United States dollars)

	United States dollar	*Pound sterling*	*Canadian dollar*	*Euro*	*Other*	*At 31 December 2017*
Cash and cash equivalents	137 384	250	3 939	18 035	24 783	184 391
Investments	714 494	7 382	3 858	30 613	19 780	776 127
Contributions receivable	105 601	63 504	55 385	32 846	56 451	313 787
Accounts payable and accruals	(89 692)	(54)	(4)	(209)	(13 020)	(102 979)
Other liabilities (including derivative liabilities)	(859)	–	–	–	1	(858)
Net exposure	**866 928**	**71 082**	**63 178**	**81 285**	**87 995**	**1 170 468**

UNFPA actively manages its net foreign exchange exposure. The UNDP Treasury hedges, on behalf of UNFPA, the currency risk to which UNFPA is exposed when donors pledge and pay contributions at different times and in currencies other than United States dollars. During 2017, contribution revenue in eight different currencies was hedged.

The table below provides a sensitivity analysis of UNFPA net assets and surplus/deficit for the year to movements of key currencies against the United States dollar. Strengthening of the United States dollar will result in a decrease of surplus/deficit and net assets for the year and vice versa.

(Thousands of United States dollars)

	Strengthening of United States dollar by 10 per cent		*Weakening of United States dollar by 10 per cent*	
	Surplus/deficit	*Net assets*	*Surplus/deficit*	*Net assets*
Pound sterling	(6 047)	(415)	7 391	507
Canadian dollar	(5 396)	(347)	6 595	425
Euro	(5 918)	(1 472)	7 233	1 799

The UNDP Treasury uses derivative instruments, such as foreign exchange forwards, options and structured options, to manage the foreign exchange exposure of UNFPA.

(c) Equity price risk

About 62 per cent of the UNFPA after-service health insurance investment portfolio is composed of equities (2016: 59 per cent). The table below presents a price sensitivity of these investments to a 5 per cent change in fair value. The sensitivity pertains to equities classified as available for sale, which are marked to market through net assets/equity. Therefore, changes in prices do not have any impact on surplus/deficit for the year.

(Thousands of United States dollars)

		Impact on financial statements	
Fair values of equities as at 31 December 2017		*Surplus/deficit*	*Net assets*
117 498	5 per cent increase	–	5 875
117 498	5 per cent decrease	–	(5 875)

Note 26
Commitments

As at 31 December 2017, UNFPA commitments for the acquisition of various goods and services contracted but not received, including property, plant and equipment and intangible assets, amounted to $46.9 million (2016: $30.5 million).

UNFPA does not have non-cancellable lease agreements, since its standard agreements include cancellation clauses allowing for early termination with due notice.

Schedules

Schedule A
Unearmarked resources — status of contributions for the year ended 31 December 2017

(Thousands of United States dollars)

Donor	*Balance due to UNFPA as at 1 January*	*Adjustments for prior year*	*Commitments for current year (contribution revenue)*	*Contributions received in advance*	*Exchange gains/(losses)*	*Payments received and movements in contributions received in advance*	*Balance due to UNFPA as at 31 December*
Albania	–	–	1	–	–	1	–
Andorra	–	–	11	–	–	11	–
Angola	–	–	20	–	–	20	–
Armenia	–	–	3	–	–	3	–
Australia	–	–	6 900	7 363	–	14 263	–
Bahamas	–	–	1	–	–	1	–
Bangladesh	25	–	41	–	–	31	35
Belgium	–	–	10 239	–	578	10 817	–
Benin	2	–	3	6	–	11	–
Bhutan	–	–	6	–	–	6	–
Bolivia (Plurinational State of)	–	–	9	–	–	9	–
Bosnia and Herzegovina	–	–	3	–	–	3	–
Botswana	–	–	5	5	–	10	–
Burkina Faso	–	–	13	40	–	53	–
Burundi	–	–	–	1	–	1	–
Cameroon	73	(21)	16	–	–	–	68
Cambodia	–	–	6	–	–	1	5
Canada	–	–	12 131	–	–	–	12 131
Chad	50	–	25	–	–	–	75
Chile	–	–	5	–	–	5	–
China	–	–	1 200	–	–	1 200	–
Cook Islands	–	–	1	–	–	1	–
Costa Rica	–	–	5	–	–	5	–
Côte d’Ivoire	–	–	29	57	–	86	–
Cuba	–	–	5	–	–	5	–
Democratic People’s Republic of Korea	20	–	–	–	–	–	20
Denmark	–	–	43 157	–	490	43 647	–
Djibouti	2	–	–	–	–	–	2
Dominican Republic	–	–	15	–	–	15	–
Egypt	–	–	21	–	–	21	–
El Salvador	–	–	2	–	–	2	–
Equatorial Guinea	30	–	10	–	–	–	40
Eritrea	–	–	5	–	–	5	–
Estonia	–	–	64	71	–	135	–
Eswatini	20	–	10	–	–	–	30

Donor	Balance due to UNFPA as at 1 January	Adjustments for prior year	Commitments for current year (contribution revenue)	Contributions received in advance	Exchange gains/(losses)	Payments received and movements in contributions received in advance	Balance due to UNFPA as at 31 December
Ethiopia	–	–	3	–	–	3	–
Fiji	–	–	3	–	–	3	–
Finland	–	–	20 000	–	–	20 000	–
France	–	–	597	–	–	597	–
Georgia	–	–	20	–	–	20	–
Germany	–	–	25 062	–	–	25 062	–
Ghana	72	(18)	–	–	–	–	54
Guatemala	–	–	2	–	–	–	2
Guinea Bissau	–	–	3	9	–	12	–
Guyana	–	–	1	–	–	–	1
Honduras	–	–	5	–	–	5	–
Iceland	–	–	300	–	–	300	–
India	–	–	505	–	–	505	–
Indonesia	14	–	14	–	–	14	14
Iran (Islamic Republic of)	–	–	63	–	–	63	–
Ireland	–	–	2 988	–	–	2 988	–
Israel	–	–	70	–	–	70	–
Italy	–	–	1 568	–	115	1 683	–
Japan	19 024	–	18 324	–	–	19 024	18 324
Jordan	–	–	50	–	–	50	–
Kazakhstan	–	–	50	–	–	50	–
Kenya	10	–	10	–	–	10	10
Kiribati	–	–	15	–	–	–	15
Kuwait	–	–	10	–	–	10	–
Lao People’s Democratic Republic	3	–	3	3	–	6	3
Lesotho	4	–	3	–	–	–	7
Liechtenstein	–	–	25	–	–	25	–
Luxembourg	–	–	4 509	–	56	4 565	–
Madagascar	5	(5)	30	–	–	16	14
Malaysia	–	–	15	–	–	15	–
Mali	–	–	8	–	–	8	–
Mauritania	3	–	8	–	–	11	–
Mauritius	3	–	–	–	–	3	–
Mexico	–	–	70	–	(1)	69	–
Micronesia (Federated States of)	–	–	3	–	–	3	–
Monaco	–	–	5	–	–	5	–
Mongolia	16	–	12	–	–	12	16
Morocco	–	–	12	–	–	12	–
Mozambique	–	–	5	–	–	5	–
Nepal	5	–	5	–	–	5	5
Netherlands	–	–	37 353	–	–	37 353	–

Donor	*Balance due to UNFPA as at 1 January*	*Adjustments for prior year*	*Commitments for current year (contribution revenue)*	*Contributions received in advance*	*Exchange gains/(losses)*	*Payments received and movements in contributions received in advance*	*Balance due to UNFPA as at 31 December*
New Zealand	–	–	4 164	–	86	4 250	–
Nicaragua	–	–	5	–	–	5	–
Niger	20	(20)	–	–	–	–	–
Norway	–	–	50 784	–	–	50 784	–
Oman	–	–	10	–	–	10	–
Pakistan	–	–	551	–	–	551	–
Panama	–	–	10	–	–	10	–
Papua New Guinea	17	(5)	–	–	–	–	12
Peru	–	–	2	–	–	2	–
Philippines	–	–	33	–	–	33	–
Portugal	–	–	89	–	–	89	–
Qatar	–	–	30	–	–	30	–
Republic of Korea	–	–	101	–	–	101	–
Romania	–	–	10	–	–	10	–
Russian Federation	–	–	300	–	–	300	–
Rwanda	–	–	1	–	–	1	–
Samoa	3	–	3	–	–	–	6
Sao Tome and Principe	–	–	9	5	–	14	–
Saudi Arabia	–	–	500	–	–	500	–
Seychelles	2	–	–	–	–	–	2
Sierra Leone	97	(7)	30	–	–	–	120
Singapore	–	–	5	–	–	5	–
Slovakia	–	–	6	–	–	6	–
Slovenia	–	–	6	–	–	6	–
South Africa	–	–	39	–	–	–	39
Spain	–	–	541	–	(18)	523	–
Sri Lanka	–	–	18	–	–	18	–
State of Palestine	–	–	5	–	–	5	–
Sudan	–	–	60	–	–	30	30
Suriname	–	–	1	–	–	–	1
Sweden	–	–	63 802	–	1 233	65 035	–
Switzerland	–	–	16 427	–	–	16 427	–
Tajikistan	–	–	1	–	–	1	–
Thailand	–	–	147	–	–	147	–
The former Yugoslav Republic of Macedonia	–	–	3	–	–	3	–
Togo	–	–	5	–	–	5	–
Tokelau	2	–	–	–	–	–	2
Tonga	–	–	1	4	–	5	–
Trinidad and Tobago	–	–	5	–	–	5	–
Turkey	–	–	150	–	–	150	–

Donor	*Balance due to UNFPA as at 1 January*	*Adjustments for prior year*	*Commitments for current year (contribution revenue)*	*Contributions received in advance*	*Exchange gains/(losses)*	*Payments received and movements in contributions received in advance*	*Balance due to UNFPA as at 31 December*
Turkmenistan	–	–	6	–	–	6	–
Uganda	24	(9)	15	–	–	15	15
United Arab Emirates	–	–	10	–	–	10	–
United Kingdom of Great Britain and Northern Ireland	–	–	25 873	–	512	26 385	–
Uruguay	5	–	5	–	–	10	–
Vanuatu	–	–	1	–	–	1	–
Viet Nam	–	–	20	–	–	20	–
Zambia	–	–	33	11	(2)	42	–
Zimbabwe	120	(30)	30	–	–	–	120
Private contributions	–	–	85	–	–	85	–
Contributions equal to or less than $500[a]	2	–	1	–	–	1	2
Subtotal	**19 673**	**(115)**	**349 624**	**7 575**	**3 049**	**348 586**	**31 220**
Government contributions to local office costs	–	–	290	–	–	290	–
Total	**19 673**	**(115)**	**349 914**	**7 575**[b]	**3 049**	**348 876**	**31 220**[c]

[a] Includes the Comoros, Myanmar and Palau.
[b] This amount is part of the deferred revenue presented in note 13.
[c] This amount is presented gross of allowance for doubtful accounts of $0.6 million.

Schedule B

Earmarked resources — revenue, expenses and fund balances for the year ended 31 December 2017

(Thousands of United States dollars)

	Fund balances as at 1 January	*Contributions*	*Other revenue and expenses*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Programme expenses*	*Fund balances at 31 December*	*Contributions receivable as at 31 December*
Trust funds									
Afghanistan	97	–	–	–	–	97	97	–	–
African Development Bank	1	–	–	–	–	1	–	1	–
Algeria	156	125	–	–	–	281	(1)	282	125
Andorra and Monaco	1	–	–	–	–	1	–	1	–
Angola	100	–	–	–	–	100	12	88	86
Australia	8 235	10 686	323	(298)	–	18 946	7 223	11 723	6 849
Austria	1 046	–	–	–	–	1 046	542	504	–
Belgium	10 317	7 355	1 329	–	–	19 001	4 599	14 402	10 874
Bill & Melinda Gates Foundation	513	7 197	–	(175)	(24)	7 511	314	7 197	7 197
Botswana	342	58	–	–	–	400	187	213	–
Boyner Holding and Group Companies	3	–	–	(3)	–	–	–	–	–
Brazil	1 359	1 305	(40)	–	–	2 624	359	2 265	1 258
Burkina Faso	4 490	–	–	–	–	4 490	658	3 832	2 715
Cameroon	36	274	–	–	–	310	213	97	–
Canada	85 763	25 741	3 453	–	115	115 072	38 156	76 916	42 976
Central African Republic	52	–	–	–	–	52	10	42	–
Chad	2 862	1 419	–	–	–	4 281	1 144	3 137	2 934
Children’s Investment Fund Foundation	13	496	–	–	–	509	387	122	–
Colombia	202	–	3	–	(8)	197	192	5	–
Congo	1 015	(345)	32	–	–	702	337	365	162
Costa Rica	–	35	–	–	–	35	30	5	–
Côte d’Ivoire	3 434	–	–	–	–	3 434	722	2 712	2 340
Democratic Republic of the Congo	2 500	(1 036)	–	–	–	1 464	809	655	232
Denmark	1 519	25 288	187	78	–	27 072	3 666	23 406	13 013
Dominican Republic	1	–	–	–	–	1	1	–	–

	Fund balances as at 1 January	Contributions	Other revenue and expenses	Refunds	Transfers and adjustments	Total funds available	Programme expenses	Fund balances at 31 December	Contributions receivable as at 31 December
El Salvador	7 642	–	–	–	–	7 642	365	7 277	7 071
Equatorial Guinea	762	–	–	–	–	762	454	308	–
Eswatini	157	–	–	–	–	157	124	33	–
European Commission	12 920	43 415	(115)	(360)	(377)	55 483	32 749	22 734	932
Farmacity S.A.	15	–	–	–	(1)	14	14	–	–
Finland	1 446	5 123	53	–	–	6 622	2 454	4 168	–
Fiotec	–	3 917	–	–	–	3 917	17	3 900	2 548
Ford Foundation	31	250	–	–	–	281	170	111	–
France	4 269	4 327	12	(7)	–	8 601	3 596	5 005	–
Friends of UNFPA	506	3 776	–	(47)	(4)	4 231	1 366	2 865	1 359
Gabon	120	–	–	–	–	120	55	65	–
Gavi Alliance	220	–	–	(2)	–	218	154	64	–
Germany	705	1 018	38	–	–	1 761	813	948	217
Guatemala	851	40 748	413	–	–	42 012	11 267	30 745	442
Haiti	–	8 000	–	–	–	8 000	372	7 628	–
Honduras	2 699	592	(5)	–	–	3 286	1 111	2 175	1 072
Indonesia	360	2 621	–	–	–	2 981	2 504	477	96
Ireland	1 650	1 161	9	(37)	(2)	2 781	1 611	1 170	–
Italy	4 716	9 985	626	(7)	–	15 320	1 970	13 350	6 872
Japan	8 990	14 917	(39)	(573)	–	23 295	16 107	7 188	2 000
Joint Programme-UNFPA: participating agent	15 683	23 354	–	(1 292)	(821)	36 924	21 343	15 581	–
Joint United Nations Programme on HIV/AIDS (UNAIDS)	4 855	4 478	–	1	–	9 334	5 792	3 542	–
Kazakhstan	–	150	–	–	–	150	23	127	–
KfW — Germany	264	–	–	(2)	–	262	262	–	–
Kuwait	17	–	–	–	–	17	–	17	–
Lebanon	246	25	(1)	–	–	270	46	224	–
Liberia	3 305	–	–	–	–	3 305	1 478	1 827	–
Luxembourg	6 018	8 111	701	(16)	–	14 814	1 979	12 835	11 752

	Fund balances as at 1 January	Contributions	Other revenue and expenses	Refunds	Transfers and adjustments	Total funds available	Programme expenses	Fund balances at 31 December	Contributions receivable as at 31 December
MacArthur Foundation	752	515	–	–	–	1 267	486	781	545
Malaysia	209	400	–	–	–	609	296	313	–
Mali	4 661	–	–	–	–	4 661	740	3 921	3 120
Mama Malas	1	3	–	–	–	4	3	1	–
MAS Capital (Pvt) Ltd	–	12	–	–	–	12	4	8	–
Mauritania	1 649	–	–	–	–	1 649	356	1 293	1 170
Mexico	197	161	–	–	–	358	227	131	–
MTN Foundation	11	20	–	–	–	31	25	6	–
Multi-donor	20 948	12 890	533	(240)	–	34 131	20 183	13 948	4 507
Netherlands	9 193	37 645	3	160	–	47 001	9 896	37 105	20 733
New Zealand	2 642	686	5	–	–	3 333	484	2 849	659
Niger	6 258	–	–	–	–	6 258	1 134	5 124	4 173
Nigeria	759	1 815	224	207	–	3 005	1 273	1 732	222
Noble Energy	6 047	–	–	–	–	6 047	816	5 231	3 162
Norway	10 910	13 360	6	(258)	–	24 018	12 059	11 959	2 814
Office for the Coordination of Humanitarian Affairs	16 524	33 273	(1)	(961)	–	48 835	37 156	11 679	–
Oman	228	–	–	–	–	228	25	203	135
Oman, basic terms cooperation agreement	1 380	860	–	–	–	2 240	631	1 609	–
Oyu Tolgoi	133	–	–	–	–	133	114	19	–
Packard Foundation	450	–	–	–	–	450	398	52	–
Paraguay	154	2 932	–	–	–	3 086	108	2 978	2 432
Portugal	51	–	–	–	–	51	29	22	–
Private individuals	23	5	–	–	–	28	12	16	–
Productora de Pulpas Soledad	381	–	–	–	–	381	242	139	–
Qatar	65	200	–	–	–	265	–	265	–
Republic of Korea	8 214	16 638	2	(9)	–	24 845	8 868	15 977	5 175
Republic of Moldova	–	409	–	–	–	409	–	409	–
Russian Federation	545	1 430	–	–	–	1 975	428	1 547	979

	Fund balances as at 1 January	Contributions	Other revenue and expenses	Refunds	Transfers and adjustments	Total funds available	Programme expenses	Fund balances at 31 December	Contributions receivable as at 31 December
Sao Tome and Principe	34	–	–	–	–	34	33	1	–
Saudi Arabia	4 316	–	–	(10)	–	4 306	3 882	424	–
SBI Foundation	–	140	7	–	–	147	94	53	–
Sierra Leone	257	–	–	–	–	257	–	257	–
Small contributions	1 253	2 540	–	(3)	(2)	3 788	2 529	1 259	–
Social Development Center	–	416	–	–	–	416	–	416	208
Sotici Foundation	1	–	–	–	(1)	–	–	–	–
Spain	3 578	1 748	–	–	–	5 326	1 673	3 653	–
Sweden	33 516	45 795	2 817	(20)	–	82 108	22 209	59 899	25 747
Swedish United Nations Association	149	140	(2)	1	–	288	136	152	–
Switzerland	16 441	5 745	72	(86)	–	22 172	5 829	16 343	10 906
Terre des hommes Albania	787	–	9	–	–	796	579	217	204
Thematic Trust Fund — multi-donor	133 574	132 540	4 133	–	705	270 952	131 873	139 079	2 706
Timor-Leste	3	–	–	–	–	3	–	3	–
Toms Shoes Inc.	163	–	–	–	–	163	143	20	–
Turkmenistan	1 000	–	–	–	–	1 000	127	873	699
UNDP — Multi-Partner Trust Fund	11 889	14 669	–	(206)	(1)	26 351	14 119	12 232	–
United Kingdom of Great Britain and Northern Ireland	88 120	78 287	5 525	(2 112)	(1)	169 819	66 627	103 192	63 503
United Nations Children’s Fund	3 094	28 679	–	(68)	–	31 705	18 021	13 684	43
United Nations Development Programme	4 687	8 725	–	(101)	–	13 311	10 090	3 221	352
United Nations Educational, Scientific and Cultural Organization	540	799	–	–	–	1 339	317	1 022	699
United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)	454	969	–	(7)	–	1 416	780	636	197
United Nations Fund for International Partnerships	571	1 428	–	(16)	–	1 983	902	1 081	207

	Fund balances as at 1 January	*Contributions*	*Other revenue and expenses*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Programme expenses*	*Fund balances at 31 December*	*Contributions receivable as at 31 December*
United Nations High Commissioner for Refugees	–	2 410	–	(365)	–	2 045	583	1 462	1 117
United Nations Human Settlements Programme	–	493	–	–	–	493	53	440	–
United Nations Office for Project Services	–	1 342	3	–	–	1 345	208	1 137	–
United Nations Operation in Côte d’Ivoire	–	500	–	(26)	–	474	474	–	–
United Nations Trust Fund for Human Security	1 229	316	–	(46)	–	1 499	581	918	461
United States of America	26 048	5 835	37	(1 448)	–	30 472	28 838	1 634	81
Uruguay	219	764	–	–	–	983	863	120	–
World Bank	383	–	–	–	–	383	378	5	–
World Health Organization	1	–	–	–	–	1	–	1	–
World Vision Australia	51	–	–	–	–	51	49	2	–
Zonta International Foundation	1 861	–	–	(2)	–	1 859	766	1 093	500
Subtotal, trust funds	**629 113**	**712 100**	**20 352**	**(8 356)**	**(421)**	**1 352 788**	**576 608**	**776 180**	**282 578**
Special funds									
Contribution in kind — earmarked (goods)	1 802	248	–	–	–	2 050	1 061	989	813
Donor Reporting Resources	2 625	–	419	–	–	3 044	933	2 111	–
European Union finance specialist post	161	–	–	–	–	161	(1)	162	–
Global Contraceptive Community Programme	5 000	–	–	–	2	5 002	2	5 000	–
Inventory/items in transit — other resources	1 961	–	–	–	–	1 961	904	1 057	–
Junior Professional Officers programme	6 031	4 827	193	–	351	11 402	4 376	7 026	195
Pooled foreign exchange gains/losses for other resources	2 011	–	–	–	378	2 389	(10)	2 399	–
Population Award	1 740	–	20	–	–	1 760	16	1 744	–

	Fund balances as at 1 January	*Contributions*	*Other revenue and expenses*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Programme expenses*	*Fund balances at 31 December*	*Contributions receivable as at 31 December*
Procurement services — non-third party services-related	13 711	–	4 045	–	(1 268)	16 488	2 693	13 795	350
Rafael M. Salas Endowment Fund	1 042	–	12	–	–	1 054	(1)	1 055	–
United Nations Care Global Coordinator	1 087	414	–	–	–	1 501	588	913	–
Subtotal, special funds	**37 170**	**5 489**	**4 689**	**–**	**(537)**	**46 811**	**10 560**	**36 251**	**1 358**
Total	**666 283**	**717 589**	**25 041**	**(8 356)**	**(958)**	**1 399 599**	**587 168**	**812 431**	**283 936**

Note: Contributions and expenses as disclosed in this schedule include "indirect cost" charges of $39.257 million and UNFPA contributions to joint programmes where UNFPA serves as a managing agent of $0.035 million. With the exception of this schedule and note 24 (b), expenses and earmarked contributions in other statements, notes and schedules are shown net of those amounts.

Schedule C
Third-party procurement services

Third-party procurement is procurement conducted by UNFPA, with no direct programme component, at the request and on behalf of third parties (governments, intergovernmental organizations, non-governmental organizations or United Nations entities, including the funds and programmes of the United Nations system and subsidiary organs of the United Nations). Such procurement is related to the UNFPA mandate and is consistent with its aims and policies. The terms of the procurement are specified in a procurement services contract. That contract includes a handling fee payable to UNFPA to defray its costs associated with conducting the procurement.

(Thousands of United States dollars)

	Fund balances as at 31 December 2016 reclassified as liabilities	*Receipts for procurement services*	*Adjustments and transfers*	*Total funds available*	*Cost of procurement services*	*Net advances as at 31 December 2017*
Institutions						
Governments and intergovernmental institutions	10 042	29 123	(968)	38 197	24 012	14 185
UNDP and other United Nations organizations	(105)	3 146	(16)	3 025	3 396	(371)
Non-governmental organizations	148	6 448	172	6 768	4 317	2 451
Total	**10 085**	**38 717**	**(812)**	**47 990**	**31 725**	**16 265**

Schedule D
Unearmarked and earmarked expenses for the year ended 31 December 2017

(Thousands of United States dollars)

	Country programmes, global and regional interventions, and other programme activities				*Institutional budget*		*Corporate*				*Total*			
	Unearmarked		*Earmarked*		*Unearmarked*		*Unearmarked*		*Earmarked*		*Unearmarked*		*Earmarked*	
	2017	*2016*	*2017*	*2016*	*2017*	*2016*	*2017*	*2016*	*2017*	*2016*	*2017*	*2016*	*2017*	*2016*
Staff costs	85 342	94 018	41 998	36 018	113 629	110 663	15 808	13 320	9 139	9 014	214 779	218 001	51 137	45 032
Reproductive health and other programme-related supplies	4 959	7 531	143 418	153 547	(153)	15	127	13	3 690	2 162	4 933	7 559	147 108	155 709
Development and training of counterparts	19 736	27 821	78 704	74 607	43	52	80	–	(35)	(34)	19 859	27 873	78 669	74 573
Supplies, materials and operating costs	44 517	52 501	105 587	83 383	19 654	18 564	(921)	281	(3 058)	(2 033)	63 250	71 346	102 529	81 350
Contracted and professional services	37 707	48 113	128 257	99 071	3 909	3 906	451	180	339	283	42 067	52 199	128 596	99 354
Finance costs	119	130	419	369	7	10	150	37	–	–	276	177	419	369
Travel	18 999	23 915	35 332	36 583	2 650	2 225	(253)	(245)	196	197	21 396	25 895	35 528	36 780
Depreciation and amortization	2 901	3 011	446	431	1 741	1 514	2 113	1 724	5	2	6 755	6 249	451	433
Impairment	(3)	3	–	–	–	(74)	452	(5)	–	–	449	(76)	–	–
Other expenses	1 023	1 244	3 408	21 223	28	(92)	4 178	(2 723)	31	43	5 229	(1 571)	3 439	21 266
Total expenses	**215 300**	**258 287**	**537 569**	**505 232**	**141 508**	**136 783**	**22 185**	**12 582**	**10 307**	**9 634**	**378 993**	**407 652**	**547 876**	**514 866**