



**United Nations**

**United Nations Entity for Gender Equality  
and the Empowerment of Women**

**Financial report and audited  
financial statements**

**for the year ended 31 December 2018**

**and**

**Report of the Board of Auditors**

**General Assembly**

**Official Records**

**Seventy-fourth Session**

**Supplement No. 5L**





**United Nations Entity for Gender Equality and the  
Empowerment of Women**

**Financial report and audited  
financial statements**

**for the year ended 31 December 2018**

**and**

**Report of the Board of Auditors**



United Nations • New York, 2019

*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.

## Contents

<i>Chapter</i>	<i>Page</i>
Letters of transmittal . . . . .	5
I. Report of the Board of Auditors on the financial statements: audit opinion . . . . .	7
II. Long-form report of the Board of Auditors . . . . .	10
Summary . . . . .	10
A. Mandate, scope and methodology . . . . .	13
B. Findings and recommendations . . . . .	14
1. Follow-up of previous years' audit recommendations . . . . .	14
2. Financial overview . . . . .	14
3. Procurement . . . . .	16
4. Internal control framework . . . . .	18
5. Asset management . . . . .	19
6. Programme and project management . . . . .	20
C. Disclosures by management . . . . .	21
1. Write-off of cash, receivables and property . . . . .	21
2. Ex gratia payments . . . . .	22
3. Cases of fraud and presumptive fraud . . . . .	22
D. Acknowledgement . . . . .	23
Annex	
Status of implementation of recommendations up to the year ended 31 December 2017 . . . . .	24
III. Certification of the financial statements . . . . .	36
IV. Financial report for the year ended 31 December 2018 . . . . .	37
A. Introduction . . . . .	37
B. Resource mobilization and funding status . . . . .	37
C. Major achievements, institution-building and progress on organizational effectiveness and efficiency in 2018 . . . . .	38
1. Implementation of strategic priorities . . . . .	38
2. Organizational effectiveness and efficiency . . . . .	40
3. Transparency and accountability . . . . .	41
4. External audit recommendations . . . . .	42
D. Financial performance . . . . .	43

---

V.	Financial statements for the year ended 31 December 2018 .....	48
I.	Statement of financial position as at 31 December 2018 .....	48
II.	Statement of financial performance for the year ended 31 December 2018 .....	49
III.	Statement of changes in net assets/equity for the year ended 31 December 2018 .....	50
IV.	Statement of cash flow for the year ended 31 December 2018 .....	51
V.	Statement of comparison of budget and actual amounts for the year ended 31 December 2018 .....	52
	Notes to the financial statements .....	53

---

Letters of transmittal

**Letter dated 30 April 2019 from the Executive Director of the United Nations Entity for Gender Equality and the Empowerment of Women addressed to the Chair of the Board of Auditors**

Pursuant to financial rule 1202 of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), enclosed are the financial statements for the year ended 31 December 2018. These statements have been prepared and signed by the Director of the Division of Management and Administration.

*(Signed)* Phumzile **Mlambo-Ngcuka**  
Executive Director  
United Nations Entity for Gender Equality  
and Empowerment of Women

---

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

I have the honour to transmit to you the financial statements of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) for the year ended 31 December 2018.

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



## Chapter I

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

#### **Opinion**

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

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

#### **Basis for opinion**

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled “Auditor’s responsibilities for the audit of the financial statements”. We are independent of UN-Women, in accordance with the ethical requirements that are 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 auditor’s report thereon**

Management is responsible for the other information, which comprises the financial report for the year ended 31 December 2018, 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**

Management 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 UN-Women 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 UN-Women 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 UN-Women.

### **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 misstatement, 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 UN-Women.
- 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 UN-Women 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 UN-Women to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings,

including any significant deficiencies in internal control that we identify during our audit.

#### **Report on other legal and regulatory requirements**

In our opinion, the transactions of UN-Women 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 UN-Women 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 UN-Women.

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

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

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

24 July 2019

## Chapter II

### Long-form report of the Board of Auditors

#### *Summary*

By its resolution [64/289](#), the General Assembly established the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women). UN-Women provides guidance and technical support to all Member States, at their request, on gender equality, the empowerment and rights of women and gender mainstreaming. It is mandated to work in consultation with national machineries for women and civil society organizations and to operate as part of the resident coordinator system within the United Nations country team by leading and coordinating the team's work on gender equality and the empowerment of women. The Board of Auditors noted that UN-Women spent \$380.26 million against total revenue of \$404.72 million for the year ended 31 December 2018.

The Board of Auditors audited the financial statements and reviewed the operations of UN-Women for the year ended 31 December 2018. The audit was carried out at United Nations Headquarters in New York and was preceded by interim audit field visits to the country office in Mexico and the Americas and the Caribbean Regional Office.

#### **Scope of the report**

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

#### **Overall conclusion**

The Board did not identify significant errors, omissions or misstatements from the review of financial records of UN-Women for the year ended 31 December 2018. The Board concluded that UN-Women provides and applies controls that allow reasonable mitigation of the risks present. However, we identified scope for improvement in areas such as field procurement activities, programmes and operations, liquidation of partner advances, as well as compliance with rules, regulations and instructions at both headquarters and the field offices.

## Key findings

### *Non-compliance regarding procurement plans*

The Board observed on 7 November 2018 that 7 of the 60 offices reviewed had not submitted their procurement plan on SharePoint, the online platform used by UN-Women. This resulted in non-compliance with section 4.1. of the contract, procurement and management policy, which stipulates that country offices, multi-country offices, regional offices, which include offices with a programme presence, and the headquarters business unit shall create online procurement plans at the beginning of each year and/or as the need arises and shall maintain and update them throughout the year.

The Board analysed the consolidated procurement plan information available on the online platform of UN-Women. In this context, the Americas and the Caribbean Regional Office incorporated into its procurement plan only some purchasing lines referring to programmes and to the programme presence office in Uruguay.

In addition, the Board observed that two programme presence offices and seven country offices that report to the Americas and the Caribbean Regional Office did not provide information on acquisitions related to their programmes and failed to submit their procurement plans in a timely manner.

### *Insufficient evidence of the selection and review of the expenditure sample*

In accordance with section 4.1 on advances of the UN-Women policy on cash advances and other transfers to partners, a Project Manager shall determine and review a sample of the implementing partner expenditures. Under the policy, photocopies or preferably scanned copies of the sampled originals must be retained, along with the funding authorization and certificate of expenditure form and evidence of sample selection and results.

However, the policy did not establish a standard format for offices to document the process of sample selection and the outcome of the review.

The Board is of the view that UN-Women has not established a revision format that reflects all procedures and conclusions of the review of the expenditures liquidation of implementing partners and that allows for the documenting of exceptions that could arise from the review.

### *Delays in creating and approving the accounts payable journal entries*

The Board observed in the Mexico country office that the accounts payable journal entries were created and approved within a period ranging from 17 to 77 days, instead of being completed in 10 business days as required.

## Main recommendations

The Board recommends that UN-Women:

### *Non-compliance regarding procurement plans*

- (a) (i) **Establish a dashboard or system to ascertain the difficulties that country offices face in complying with the regulations on procurement plans, with a view to identifying improvements that could be made to this oversight mechanism, including with respect to communication and coordination, and evaluating its impact on the efficiency of the purchasing process;**

- (ii) **Consider establishing, at the programme formulation stage, obligatory reporting on the procurement plans of projects that are executed under programmes;**

*Insufficient evidence of the selection and review of the expenditure sample*

- (b) **When conducting assurance on the liquidation of advances to partners, determine a standard review format in order to ensure the validity of the selection process, while documenting any exceptions that could arise from the review.**

The Board recommends that the Mexico country office:

*Delays in creating and approving the accounts payable journal entries*

- (c) (i) **Improve the processing timelines of the funding authorization and certificate of expenditure forms;**
- (ii) **Strengthen the training process of the implementing partners, with a focus on the processing of the funding authorization and certificate of expenditure form.**

#### **Key facts**

6	Regional offices
5	Multi-country offices
48	Country offices
7	Liaison offices
34	Programme presence countries
992 staff	Employed by UN-Women
901 non-staff	Non-staff personnel working for UN-Women
\$403.53 million	Budget for 2018
\$404.72 million	Total revenue for the year 2018
\$380.26 million	Total expenses for the year 2018
\$26.80 million	Reserves as at 31 December 2018
\$384.30 million	Voluntary contributions for the year 2018
\$78.95 million	After-service health insurance, repatriation benefits and death benefits liability as at December 2018

## A. Mandate, scope and methodology

1. The United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) was established in 2010 to support, address and contribute to gender equality and the empowerment and the advancement of women. UN-Women supports States Members of the United Nations as they set global standards for achieving gender equality and works with governments and civil society to design laws, policies, programmes and services needed to ensure that the standards are effectively implemented and truly benefit women and girls worldwide. It works globally to make the vision of the Sustainable Development Goals a reality for women and girls and stands behind the equal participation of women in all aspects of life, focusing on four strategic priorities: (a) women lead, participate in and benefit equally from governance systems; (b) women have income security, decent work and economic autonomy; (c) all women and girls live a life free from all forms of violence; and (d) women and girls contribute to and have greater influence in building sustainable peace and resilience, and benefit equally from the prevention of natural disasters and conflicts and humanitarian action. UN-Women also coordinates and promotes the work of the United Nations system in advancing gender equality, and in all deliberations and agreements linked to the 2030 Agenda for Sustainable Development. The Entity works to position gender equality as fundamental to the Sustainable Development Goals and a more inclusive world.

2. The Board of Auditors has audited the financial statements of UN-Women and has reviewed its operations for the year ended 31 December 2018, 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, as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly, the financial position of UN-Women as at 31 December 2018 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies of UN-Women.

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

5. The Board also reviewed the operations of UN-Women under regulation 7.5 of the Financial Regulations and Rules of the United Nations, under which the Board may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the operations of UN-Women.

6. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with UN-Women management, whose views have been appropriately reflected in the report.

## B. Findings and recommendations

### 1. Follow-up of previous years' audit recommendations

7. The Board noted that there were 16 recommendations outstanding up to the year ended 31 December 2017, of which six (38 per cent) have been fully implemented and 10 (62 per cent) are under implementation. Details of the status of implementation of the previous years' recommendations are provided in the annex to chapter II.

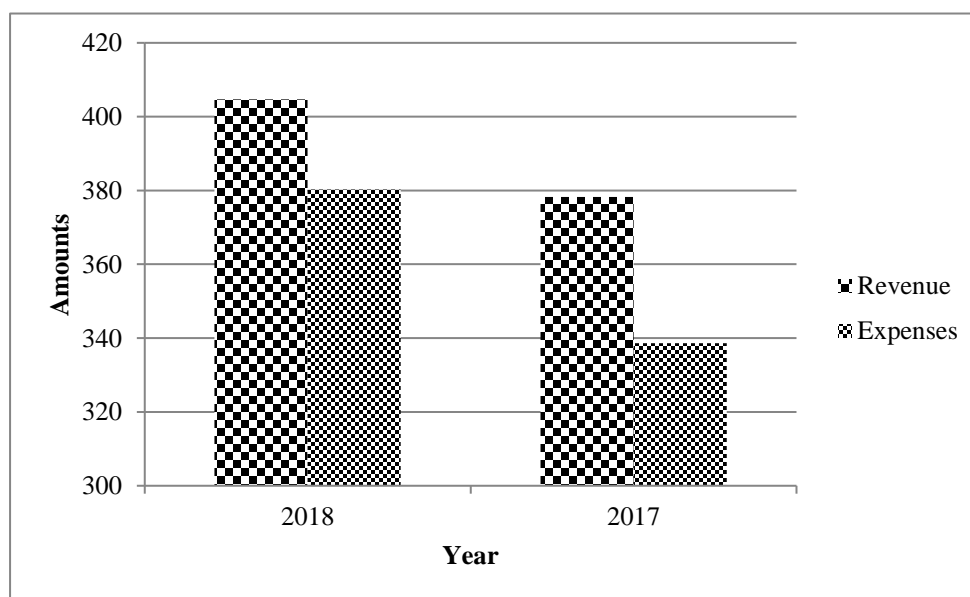
### 2. Financial overview

#### *Financial performance*

8. Total revenue during the year under review was \$404.72 million (2017: \$378.25 million) against total expenses of \$380.26 million (2017: \$338.62 million), resulting in a surplus for the year of \$24.46 million (2017: surplus of \$39.64 million). The recorded surplus resulted from an increase in revenue from donors' voluntary contributions of 6.6 per cent, also the investment revenue increased by 44.6 per cent, while expenses raised by 12.3 per cent in 2018 as compared with 2017. A comparison of revenue and expenses for the financial years 2017 and 2018 is illustrated in figure II.I.

Figure II.I

#### **Financial performance pattern for 2017 and 2018**

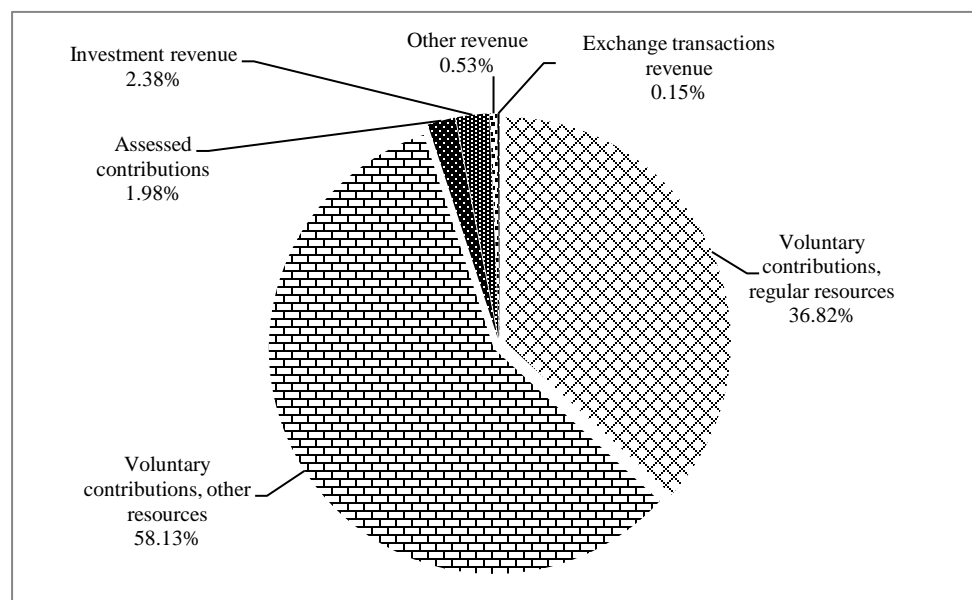


Source: Board analysis of UN-Women financial statements for 2018.

9. Voluntary contributions form a major part of UN-Women revenues. Of the reported revenue of \$404.72 million (2017: \$378.25 million), the voluntary contributions amounted to \$384.30 million (2017: \$360.65 million), representing the largest part of the revenue (94.95 per cent of total revenue). Figure II.II illustrates the sources of revenue for 2018.



Figure II.II  
Revenue by source in 2018



Source: Board analysis of UN-Women financial statements for 2018.

#### Financial position

10. UN-Women had total assets of \$541.48 million and total liabilities of \$128 million. Of its total assets, \$274.23 million, equivalent to 50.64 per cent, represented balances in cash and cash equivalents and short-term investments. Current assets amounted to \$333.98 million against current liabilities of \$50.61 million, resulting in net current assets of \$283.37 million. The significant excess of current assets over current liabilities demonstrates good short-term financial strength. In 2018, cash and cash equivalents decreased by 19.5 per cent, from \$71.18 million in 2017 to \$57.30 million in 2018, owing to classification of part of cash in bank accounts and cash equivalents as investments.

11. Table II.1 contains key financial ratios derived from the financial statements, mainly from the statements of financial position.

Table II.1  
Ratio analysis

Ratio	31 December 2018	31 December 2017
<b>Current ratio<sup>a</sup></b>		
Current assets: current liabilities	6.60	6.17
<b>Total assets: total liabilities<sup>b</sup></b>		
Assets: liabilities	4.23	4.07
<b>Cash ratio<sup>c</sup></b>		
Cash plus investments: current liabilities	5.42	4.04
<b>Quick ratio<sup>d</sup></b>		
Cash plus investments plus accounts receivable: current liabilities	5.80	4.99

(Footnotes on following page)

(Footnotes to Table II.1)

*Source:* Board analysis of UN-Women financial statements as at 31 December 2018.

<sup>a</sup> A high ratio indicates an entity's ability to pay off its short-term liabilities.

<sup>b</sup> A high ratio is a good indicator of solvency.

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

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

12. The analysis indicates that UN-Women has a good liquidity position and is able to meet its short-term obligations with its most liquid assets. In 2018, all ratios increased compared with those of the previous year. The Board noted an increment in the current ratio owing to a considerable increase in current assets of 24.6 per cent, compared with a 16.5 per cent increase in current liabilities. The significant increase in current assets resulted from the classification of part of cash in bank accounts and cash equivalents as short-term investments. Cash and investments of \$274.23 million (2017: \$175.34 million) continued to provide a high level of liquidity.

### 3. Procurement

#### *Non-compliance regarding procurement plans*

13. In accordance with section 4.1 of the contract, procurement and management policy, country offices, multi-country offices, regional offices, which include offices with a programme presence, and the headquarters business unit shall create online procurement plans at the beginning of each year and/or as the need arises and shall maintain and update them throughout the year.

14. On 7 November 2018, the Board found that, of the 60 offices reviewed, 7 offices (Haiti, Iraq, Kazakhstan, Nigeria, occupied Palestinian territories, South Africa and Sudan) had not submitted their procurement plans on SharePoint, the online platform used by UN-Women.

15. The Board analysed the information available on the online platform of UN-Women and noted that the Americas and the Caribbean Regional Office incorporated into its procurement plans only some purchasing lines referring to programmes and to the programme presence office in Uruguay. Moreover, the following country offices that report to the Regional Office did not provide information on acquisitions related to their programmes and failed to submit their procurement plans in a timely manner: Bolivia (Plurinational State of), Ecuador, El Salvador, Guatemala, Haiti, Mexico and Paraguay.

16. UN-Women indicated that, in compliance with the contract, procurement and management policy, the headquarters Procurement Section had developed an online planning tool accessible through SharePoint for offices to upload their procurement plans. The headquarters Procurement Section is responsible for monitoring the use of the tool and for providing global data consolidation. UN-Women found this recommendation to be relevant and has swiftly implemented it by publishing, every quarter starting from the first quarter of 2019, a list of offices that do not submit procurement plans, which serves as a monitoring mechanism.

17. The Americas and the Caribbean Regional Office agreed with the facts presented, which indicated a breach in compliance related to the requirement to submit procurement plans and update them on a quarterly basis. In addition, the Regional Office indicated that the context of annual planning exercises had been changing in recent years as part of the evolution of the Entity. The Regional Office

recognized that headquarters had developed tools with input from the regional and country offices and that their integration in a coordinated strategy would generate greater appropriation of the potential results by the users at different levels.

18. The Mexico country office explained that, in accordance with section 4.1<sup>1</sup> of the contract, procurement and management policy, it uses an Excel-based tool outside SharePoint for the preparation of procurement plans. By using this tool, the country office can provide information beyond the mandatory fields established on the online procurement tool. Furthermore, on the basis of its experience in project and programme implementation with the online SharePoint tool, the Mexico country office pointed out some areas for improvement that would make it more efficient (such as uploading item by item), which would lead to efficiency gains in procurement at the country office level.

19. While the Board acknowledges the efforts of management to continue to enhance its oversight of and its provision of technical support to the offices, the Board considers that the above-mentioned seven offices should include qualified procurement activities in the online planning tools, with a view to avoiding the possibility of making unnecessary and unjustified purchases and, ultimately, obtaining better value for money for UN-Women.

**20. The Board recommends that UN-Women establish a dashboard or system to ascertain the difficulties that country offices face in complying with the regulations on procurement plans, with a view to identifying improvements that could be made to this oversight mechanism, including with respect to communication and coordination, and evaluating its impact on the efficiency of the purchasing process.**

**21. The Board recommends that UN-Women consider establishing, at the programme formulation stage, obligatory reporting on the procurement plans of projects that are executed under programmes.**

*Purchase order clean-up*

22. The UN-Women finance manual and standard operating procedures of December 2018 updated the periodic procurement closure instructions of February 2016 and contain accounting procedures and guidelines to be used by field offices to ensure that the Entity's financial data provides an accurate and reliable basis for financial reporting and decision-making.

23. In accordance with section E.12.4.1 of the standard operating procedures, offices must regularly review their open purchase orders and close all those that are no longer required. These steps should be completed regularly, and at the latest by the twenty-sixth of each month.

24. However, during our visit to the Americas and the Caribbean Regional Office, the Board identified 388 purchase orders that had not been closed by November 2018, even though they had already been paid. The Board also noted nine purchase orders with an extended active period without approval.

25. The Americas and the Caribbean Regional Office explained that the procedure of closing the orders is a sensitive process because if a purchase order is closed by mistake, the process cannot be reversed. Mass closures of purchase orders were therefore generated at the end of each semester, in June and December 2018.

<sup>1</sup> That section states that offices, departments, units or projects may utilize other procurement planning tools/spreadsheets as necessary and in addition to the online procurement plan for UN-Women to support the oversight and monitoring of procurement activities at the business unit/project level.

26. Furthermore, the Americas and the Caribbean Regional Office indicated that purchase orders with an extended active period without approval had the charts of accounts of operating units that were not part of the Regional Office. The nine cases mentioned above were resolved, and purchase orders are now following the payment process. For this reason the Regional Office stated that as from the financial year 2019 charts of accounts that do not come under the purview of a Regional Office budget will no longer be accepted.

27. In addition, UN-Women indicated that during 2019 the Americas and the Caribbean Regional Office adjusted its standard operating procedures. Since then, and as part of the month-end certification exercise, only active purchase orders are kept open.

28. While the Board takes note of the response, the Board considers that semi-annual mass closures of purchase orders and purchase orders “pending approval” for long periods represent a breach of the regulations. In addition, the Board considers that this situation represents a deficiency in the management of the closing procedure of the purchase order.

**29. The Board recommends that the Americas and the Caribbean Regional Office comply with timely Atlas purchase order clean-up processes as established in the finance manual and standard operating procedures.**

#### **4. Internal control framework**

##### *Segregation of duties in the Atlas enterprise resource planning system*

30. First, section 5.10.1 of the internal control policy of UN-Women establishes that there must be a separation of duties in order to implement an appropriate level of checks and balances upon the activities of individuals, and therefore to minimize the risk of error or fraud and to help detect these kinds of occurrences. This requirement is set out in regulation 24.5 of the financial regulations and rules of UN-Women.

31. Second, section 5.10.4 of the internal control policy states that certain staff members may need to have both the Project Manager and Committing Officer profiles if they must act as Project Manager on some transactions and as Committing Officer on other transactions. In these cases, the Procurement Section will run reports on a quarterly basis to monitor the use of these profiles and address any infractions in the use of these authorities as appropriate.

32. Finally, section 5.12.1 of the internal control policy indicates that smaller offices may face special challenges in implementing adequate internal controls. The operating size, staffing complement and span of management control all impact how smaller offices should best implement effective internal controls. In such rare cases where tasks cannot be effectively separated, the offices shall be required to institute compensating controls that can help to reduce the risks caused by an insufficiency of segregation, including the need to focus more attention on monitoring.

33. During the visit to the Americas and the Caribbean Regional Office and the Mexico country office, the Board did not identify a compensating control that allowed for the monitoring of the activities and transactions of users with a double profile, such as Project Manager and Committing Officer.

34. The Board observed in the Panama office that six users had more than one profile in the Atlas enterprise resource planning system: a Committing Officer profile at different levels (Senior Manager, Manager Level 2 or Manager Level 1) and a Project Manager profile.

35. Moreover, at the Mexico country office two users had more than one profile in Atlas, namely, a Committing Officer profile (Manager Level 2) and a Project Manager profile.

36. In accordance with the information provided by the two offices, the Board noted that a Project Manager who creates an order is not allowed to also approve it. Management therefore designates another user to approve the purchase orders.

37. In addition, each office mentioned a quarterly profiles review, named internal control framework matrix, which establishes roles, responsibilities, delegated authorities and accountability. The offices used this query to monitor the segregation of duties between the internal control framework roles for the first quarter of 2019. Furthermore, the UN-Women Procurement Section will run quarterly reports to monitor the use of the Project Manager and Committing Officer profiles, as they relate to the approval of requisitions and associated purchase orders.

38. Management explained that the Americas and the Caribbean Regional Office identified a query in Atlas that contained the data of the Project Manager and Committing Officer who approved the e-requisitions and corresponding purchase orders. While the Mexico country office audit did not identify any errors regarding the lack of segregation of duties, it will continue to closely monitor the segregation of duties as part of the month-end closure process.

39. While the Board notes the response and acknowledges the management initiatives, UN-Women needs to ensure that the envisaged benefits from the control are realized through compliance with the monitoring requirements established in section 5.10 of the internal control policy of UN-Women, which addresses at the transactional level any infractions in the use of these authorities, as appropriate.

**40. The Board recommends that the Americas and the Caribbean Regional Office and the Mexico country office comply with the control established in the internal control policy of UN-Women and that the Procurement Section run reports every quarter to monitor the use of profiles and address any infractions in the use of these authorities, as appropriate.**

**41. The Board recommends that UN-Women assess options for preventive controls in order to avoid the creation and approval of transactions by the same staff member.**

## **5. Asset management**

### *Physical asset verification*

42. According to paragraph 5.2.5.4 of the asset management policy of UN-Women, the Asset Manager/Operations Manager will be responsible for planning and managing the biannual physical asset verification process. This exercise will reconcile the physical existence of assets against the Atlas asset in-service report.

43. In our survey of the physical inventory of the Mexico country office, it was not possible to identify the location of assets. They had to be found by using their technical specifications. Even though management has a documentary record of the location of the assets, that record had not been updated.

44. Management indicated that as a result of the physical verification exercise, some differences were detected regarding custodians. Those differences were attributed to personnel movements in the office (new hiring and contract terminations) that had taken place prior to the day of the physical verification.

**45. The Board recommends that the Mexico country office ensure that the asset in-service report shows exactly where assets are located.**

*Unsuitable tagging of assets*

46. According to paragraph 5.2.4.1.1 of the asset management policy of UN-Women, all assets with a value equal to or greater than \$1,000 should be tagged immediately upon receipt to facilitate oversight and control. Any suitable tagging convention may be used as long as it is done consistently and serves the purpose (oversight and control).

47. During our physical asset verification in the Mexico country office, the Board detected deficiencies in the tagging of assets, with tagging stickers entirely or partially detached. Therefore, assets could be located only by using their technical specifications.

48. Management explained that the aforementioned situation has been resolved and new tag numbers (more resistant and appropriate) with a bar code (Quick Response code) have been already attached to the identified assets. In addition, management remarked that the Mexico country office currently shares its premises and some offices with the United Nations Population Fund (such as the information technology room and the storage room). However, in the new premises that the country office will occupy from May 2019, there will be adequate storage space available for information technology equipment, which will guarantee the proper safeguarding of the assets.

**49. The Board recommends that the Mexico country office use a more durable and visible asset tag. The office should ensure that the asset tag contains the same asset information as the asset management module in Atlas.**

*Absence of non-capital asset management*

50. Paragraph 5.2.5.3 of the asset management policy of UN-Women establishes that there is no certification requirement for non-capital assets (assets with a value of between \$500 and \$1,000). However, the Head of Office shall ensure that non-capital assets are properly safeguarded and accounted for by the custodians.

51. During our visit to the Americas and the Caribbean Regional Office, the Board noted that the Regional Office does not maintain a standard criterion for asset registration in Atlas. Such assets as monitors or printers were registered in Atlas. However, not all of the non-capital assets with similar characteristics were registered.

52. Management explained that the Regional Office will update the list of non-capital assets. In addition, it will ensure that all assets details, such as the non-capital asset identification number, serial number (if applicable), correct description, quantity, cost, location and custodian will be correctly specified.

**53. The Board recommends that the Americas and the Caribbean Regional Office update the list of non-capital assets.**

**54. The Board recommends that the Americas and the Caribbean Regional Office implement a mechanism to identify assets by location to expedite supervision and control of non-capital assets.**

## **6. Programme and project management**

*Delays in creating and approving the accounts payable journal entries*

55. In accordance with paragraph 4.4 of the UN-Women policy on cash advances and other transfers to partners, the accounts payable journal entries have to be prepared and approved no later than 10 business days after the receipt of the funding authorization and certificate of expenditure form.

56. The review of the dates of submission of three funding authorization and certificate of expenditure forms and the respective accounts payable journal entries registered by the Mexico country office showed that the entries were created and approved within a period ranging from 17 to 77 days.

57. The Board was informed by management that in some cases the form was not approved on time because the implementing partner had not provided all the supporting documentation. For this reason, the approval process was delayed.

58. The Board is of the view that the delayed approval of funding authorization and certificate of expenditure forms may affect the payment of subsequent advances to the implementing partner. It may also have an impact on the timely recognition of expenditure in the financial statements.

**59. The Board recommends that the Mexico country office improve the processing timelines of the funding authorization and certificate of expenditure forms.**

**60. The Board recommends that the Mexico country office strengthen the training process of the implementing partners, with a focus on the processing of the funding authorization and certificate of expenditure form.**

*Insufficient evidence of the selection and review of the expenditure sample*

61. In the policy on cash advances and other transfers to partners of UN-Women, subsection (a) on funding authorization and certificate of expenditure reports and receipts of advances of section 4.1 on reporting indicates that, to determine the sample size and selection criteria for the supporting expenditure documentation, the Operations Manager shall assess the implementing partner or responsible party using criteria such as type of partnership (new partner or existing partner), stratification of outstanding advances and risks, which will determine if the partner assessment is “good”, “satisfactory” or “poor”, and subsequently determine the sample selection of total value of liquidation. Under the policy, photocopies or preferably scanned copies of the sampled originals must be retained, along with the funding authorization and certificate of expenditure form and evidence of sample selection and results.

62. The Board noted that the Mexico country office did not have a separate record for the documentation of the sample selection exercise and for the results of the Project Manager review required under the policy.

63. Management indicated that the result of the review was reflected through the funding authorization and certificate of expenditure form once the column for “actual project expenditure” and “expenditure accepted by agency” contained the same amount, which meant that the review was “satisfactory”.

**64. The Board recommends that UN-Women, when conducting assurance on the liquidation of advances to partners, determine a standard review format in order to ensure the validity of the selection process, while documenting any exceptions that could arise from the review.**

## **C. Disclosures by management**

### **1. Write-off of cash, receivables and property**

65. In accordance with regulation 21.1 of its financial regulations and rules, UN-Women informed the Board that losses of receivables were written off in the amount of \$48,116.

## **2. Ex gratia payments**

66. In accordance with regulation 20.6 of its financial regulations and rules, UN-Women informed the Board that no ex gratia payments had been paid in 2018.

## **3. Cases of fraud and presumptive fraud**

67. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularities (including those resulting from fraud). 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.

68. During the audit, the Board made enquiries of management regarding its oversight responsibility for assessing the risks of material misstatements resulting from fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that management has identified or that have been brought to its management attention. The Board also enquired whether management had knowledge of any actual, suspected or alleged fraud, and this included enquiries of the Office of Internal Oversight Services.

69. UN-Women informed the Board that five cases of presumptive fraud were under investigation as at 31 December 2018, as described further below.

70. During 2018, the five cases of fraud and presumptive fraud were reported to the Office of Internal Oversight Services of the United Nations and remained under investigation at 31 December 2018.

71. As at 31 December 2018, two of five cases carried forward by the Office of Audit and Investigations of the United Nations Development Programme were closed as substantiated. Those cases were connected. It was concluded that a financial loss in the amount of \$4,079 was likely to have been suffered by UN-Women. The other three cases remained open as at 31 December 2018. They were closed in the first quarter of 2019. Fraud or presumptive fraud was not substantiated. However, it was concluded that there was a loss to UN-Women of \$2,345,985 resulting from activities not fully carried out by a civil society organization between 1 December 2010 and 31 December 2014 in accordance with the agreement. In this regard it is noted that an audit report by an external auditing firm covering expenditures of the civil society organization in the amount of \$1,425,018 over the period from 1 January 2013 to December 2014 was unqualified. That audit report highlighted several concerns regarding the internal controls of the civil society organization, but concluded that only \$3,130 (0.2 per cent) of the amount under audit was questionable. On this note it was highlighted that the investigation was performed approximately three years after the audit, and that not all information was made available to the investigators.

72. In addition, during 2018, there was evidence of potential wrongdoing by a service contractor: the taking of \$4,904 of organization funds without authorization. UN-Women was unable to recover the funds, and the service contractor's contract was terminated.

73. UN-Women informed the Board that the above-mentioned information is provided on the understanding that fraud and presumptive fraud cases are those with a potential financial impact relating to procurement fraud, theft and embezzlements and entitlements fraud.



## **D. Acknowledgement**

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

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

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

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

24 July 2019

## Annex

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

No.	Audit report year	Report reference	Recommendation of the Board	UN-Women response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
1.	2016	A/72/5/Add.12, chap. II, para. 15	UN-Women agreed with the Board's recommendation that it comply with advance regulations to ensure that advances are recovered promptly through payroll and corrective actions are taken in a timely manner.	<p>UN-Women stated that, as part of its month-end closure process, field offices are required to review all outstanding advance balances to ensure that advances are being recovered.</p> <p>On a bimonthly basis the UN-Women Finance Section at headquarters performs a full reconciliation on the general ledger accounts for staff receivables to ensure that recoveries are established and are being made via payroll, reconciling any issues in the chart of accounts to ensure that recoveries are offsetting the correct advance and following up with regional and country office payroll sections on items that are not being recovered.</p> <p>In addition, the development of the capacities of all staff through webinars and monthly supervision by headquarters and regional offices has improved compliance with recovery actions for staff advances. For its part, headquarters continues to reconcile monthly all the anticipated personnel accounts and publishes advanced lists of seniority on the intranet. The offices are required to review those lists and take corrective measures in accordance with the</p>	According to the analysis of the Board, UN-Women has taken the actions necessary to implement this recommendation. Therefore, the Board considers this recommendation to be implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UN-Women response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
2.	2016	A/72/5/Add.12, chap. II, para. 42	UN-Women agreed with the Board's recommendation that it: (a) ensure that the selection of implementing partners is strengthened and the requirements of the programme and operations manual regarding the selection process are adhered to; and (b) perform partner risk rating to identify the score for each implementing partner against the tolerable risk levels.	<p>monthly closing instructions, which are certified by the Head of the office.</p> <p>UN-Women had finalized the revision of the programme and operations manual in December 2016, which included development of a call-for-proposals process for an improved rigorous selection of implementing partners. In addition, it had incorporated risk management components in the evaluation of proposals. In addition, UN-Women is in the process of finalizing the development of a partner and grant agreement management system, which will enhance compliance for partner selection processes in line with the programme and operations manual. The launch of the system has been placed on hold pending the revision and adoption of the new partner agreement, which will replace the current project cooperation agreement and letter of agreement templates.</p> <p>The revised "due diligence process" was shared with a field reference group on 26 March 2019 for its input.</p>	<p>The Board verified that there is a delay in meeting the deadlines for the implementation of this recommendation (fourth quarter of 2018). However, UN-Women is conducting additional consultations to implement the partner and grant agreement management system. It is a work in progress that will be completed in the near future.</p> <p>Therefore, the Board considers this recommendation to be under implementation.</p>		X		

No.	Audit report year	Report reference	Recommendation of the Board	UN-Women response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
3.	2016	<a href="#">A/72/5/Add.12</a> , chap. II, para. 58	The Board recommends that UN-Women: (a) expedite the development of policy and guidelines that clearly define the rationale for the establishment of programme presences and the management of programme and field presences; and (b) develop business cases for the already established programme and field presences so as to suit the current needs and situation.	Following the corporate evaluation on regional architecture, the Programme Division is in the process of developing the country presence assessment tool, which when completed will define the criteria for country presences. Upon completion and acceptance by the executive leadership team, the tool will be rolled out, accompanied by a policy and guidance on its application.  UN-Women management has formed an interdivisional task force as its Change Management Group. The Group has presented a draft strategy for country typology development to senior management. The Group is further elaborating on the strategy, while keeping abreast of developments in the broader discussion of United Nations development system reform.	The Board considers that the implementation of this recommendation is ongoing. In addition, a delay in meeting the deadline was detected (first quarter of 2019). Therefore, the Board considers this recommendation to be under implementation.		X		
4.	2016	<a href="#">A/72/5/Add.12</a> , chap. II, para. 81	UN-Women agreed with the Board's recommendation that it: (a) consider the use of the implementing agent code in the chart of accounts for Atlas to enhance efficiency and effectiveness; (b) work closely with the global auditors to review the audit process to ensure that project audit reports are submitted in a timely	As at 13 April 2017, UN-Women had already taken action regarding the implementing partner with adverse opinion and received a refund of \$311,790 from that partner, which was 49 per cent of the total amount of \$633,523 cited as the basis for the adverse and qualified opinion. UN-Women stated that it takes seriously negative opinions received from project audits and takes immediate action to	According to the analysis of the Board, parts (a) and (b) of the recommendation have been implemented. However, regarding part (c), UN-Women is evaluating the capacity of the Audit Coordination Unit. Therefore, the Board considers part (c) of the recommendation to be under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	UN-Women response	Board's assessment	Status after verification		
						Implemented	Under implementation	Not implemented
			manner; and (c) enhance the capacity of the Audit Coordination Unit to ensure that it supports effectively the oversight function in the organization.	<p>address and follow up with all partners on the resolution of all audit issues and recommendations.</p> <p>UN-Women had started reviewing the use of the implementing agent code during 2017 and that would be phased in for all new projects, as past advances needed to be liquidated to the same chart of accounts as issuance. The implementing agent code will allow for easier review of expenditure by partner where the implementing agent code is included in the chart. Any inaccuracies in the chart will result in understating expenditure by partner, so that will need to be monitored. The relevant UN-Women components will review other entities' automations to see if UN-Women could benefit from them once all advances and liquidations fully employ the implementing agent code.</p> <p>In addition, UN-Women worked closely with the global auditors to complete the 2018 audit reports by the deadline of 30 April 2019. It has been determined that one of the main factors contributing to the inability to meet the deadline of 30 April for the submission of audit reports each year is the difficulty of scheduling the audit fieldwork in a timely manner as it coincides with the</p>				

No.	Audit report year	Report reference	Recommendation of the Board	UN-Women response	Board's assessment	Status after verification		
						Implemented	Under implementation	Not implemented
5.	2017	<a href="#">A/73/5/Add.12</a> , chap. II, para. 17	UN-Women agreed with the Board recommendation to (a) continue with its efforts to ensure that field offices comply with the fraud risk assessment plan developed at its headquarters, and perform fraud risk assessments that will enable management to focus on mitigating actions designed to prevent and detect instances of fraud; and (b) continue to provide adequate awareness training for staff on fraud risk assessment to ensure that the approach and methodology are aligned with best practices.	<p>annual session of the Commission on the Status of Women and the preparation of the implementing partners for the conference.</p> <p>Analysis has been conducted to further assess the capacity of the Audit Coordination Unit. This analysis feeds into the ongoing functional review of the Division of Management and Administration and the Human Resources Section, which is part of the organization-wide change management process and will determine what additional capacity (if any) is required.</p>	The Board verified that UN-Women is progressing within the committed deadlines (fourth quarter of 2019), therefore the implementation of the recommendation is in progress.		X	

No.	Audit report year	Report reference	Recommendation of the Board	UN-Women response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
6.	2017	<a href="#">A/73/5/Add.12</a> , chap. II, para. 21	The Board recommends that the UN-Women Fiji multi-country office establish a mechanism and timelines to ensure that it advises and monitors the risk assessment processes in the countries under its jurisdiction in order to facilitate the achievement of the corporate enterprise risk management objectives.	questions on how to prevent, detect and respond to fraud; and (c) support risk focal points in completing fraud risk assessments in line with the organizational plan.  The UN-Women multi-country office in Fiji has established a consultative mechanism to review the risk assessment process with each of the countries in the Pacific in which it has a presence. The risk matrix for the office is kept up to date with relevant inputs from quarterly consultations with each of the countries under its jurisdiction. UN-Women requests the Board to close this recommendation as it has been implemented.	According to the analysis of the Board, UN-Women has taken the actions necessary to implement this recommendation. Therefore, the Board considers this recommendation to be implemented.	X			
7.	2017	<a href="#">A/73/5/Add.12</a> , chap. II, para. 27	UN-Women agreed with the Board recommendation to improve the link between the results management system tool and Atlas system so that the information in the results management system is up to date in order to facilitate timely and accurate decision-making.	UN-Women started the information and communications technology project to make the necessary adjustments and improvements to the results management system, including with regard to the linkages with Atlas. This will ensure a more robust system that provides timely and relevant information for accurate decision-making.	The Board verified that this work is in progress. The Entity indicated that it expects the results management system to be updated in the short term. The link between the system and Atlas will be improved, allowing for updated information in the annual reports module of the system. However, the Board verified that there is a delay in meeting the deadlines for the implementation of this recommendation (fourth quarter of 2018). Therefore, the Board considers this recommendation to be under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	UN-Women response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
8.	2017	<a href="#">A/73/5/Add.12</a> , chap. II, para. 31	UN-Women agreed with the Board recommendation to expedite the review of its grants modality in the programme and operational manual in order to provide more clarity on grants management.	UN-Women informed the Board that the small grants policy has undergone assurance review, and final edits are being made. The policy is pending adoption.	The Board verified that there is a delay in meeting the deadlines for the implementation of this recommendation (third quarter of 2018). However, the small grants policy has undergone assurance review, and final edits are being made. This work is in progress and will be completed in the near future. Therefore, the Board considers this recommendation to be under implementation.		X		
9.	2017	<a href="#">A/73/5/Add.12</a> , chap. II, para. 36	The Board recommends that UN-Women (a) strengthen its compliance with the implementing partners selection process and ensure that its field offices conduct capacity assessment of implementing partners in a proper manner, in accordance with the requirements of the programme and operations manual; and (b) perform partner risk rating to identify the score for each implementing partner against the tolerable risk levels.	UN-Women has revised the partner selection due diligence process and shared the relevant documentation with the pertinent field reference group for review. The due diligence process includes a risk rating based on the capacity assessment and selection of the partner. UN-Women is also developing a partner and grants agreement management system, which will be launched after the adoption of the new partner agreement template.	The Board verified that there is a delay in meeting the deadlines for the implementation of this recommendation (fourth quarter of 2018). Notwithstanding the above, the launch of the system has been put on hold pending the revision and adoption of the new partner agreement, which will replace the current project cooperation agreement and letter of agreement templates. This work is in progress. Therefore, the Board considers this recommendation to be under implementation.		X		



No.	Audit report year	Report reference	Recommendation of the Board	UN-Women response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
10.	2017	<a href="#">A/73/5/Add.12</a> , chap. II, para. 43	UN-Women agreed with the Board recommendation to (a) work closely with the global auditors to review the audit process in order to ensure that project audit reports are submitted on time; and (b) strengthen accountability in field offices for the assessment and monitoring of implementing partners by endeavouring to include key performance indicators for the implementation of audit recommendations on financial findings as part of the country office assessment tool.	UN-Women is examining the audit implementation monitoring system being used by other agencies in order to streamline its current monitoring system. The enhanced system would provide data to be used as key performance indicators in the country office assessment tool.	The Board verified that UN-Women is taking initiatives to adopt the recommendation. Part (a) of the recommendation is considered implemented. Regarding part (b), the Entity will work on an updated guide that ensures that the partners selected are those that have controls to mitigate the risk of expenditure without documentary support. In addition, UN-Women will work to include a key performance indicator related to the financial findings of the audits of the implementing partners. All of the above is planned for the fourth quarter of 2019. Therefore, the Board considers this recommendation to be under implementation.		X		
11.	2017	<a href="#">A/73/5/Add.12</a> , chap. II, para. 44	The Board further recommends that UN-Women (a) ensure that conclusive assessments of the prior year's qualified audit report financial findings are conducted to determine the causes and prevent recurrence of the weaknesses identified; and (b) consider introducing policies that	UN-Women is developing a new procedure for the resolution of audit recommendations arising from project partner audits that is in the process of being approved. UN-Women is proposing a matrix relating to financial and non-financial findings, differentiated by types of audit opinions, and thresholds for level of clearance. The project expenditures are reviewed by	The Board verified that there is a delay in meeting the deadlines for the implementation of this recommendation (fourth quarter of 2018). However, regarding part (a) of the recommendation, the Board verified that UN-Women is conducting a conclusive assessment and,		X		

No.	Audit report year	Report reference	Recommendation of the Board	UN-Women response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
			address weaknesses in project management that lead to ineligible expenditure and that guide the administration on proper accounting for ineligible expenditure in prior years to avoid potential misstatements in the financial statements.	UN-Women at the time of reporting in line with its cash advance policy.	regarding part (b), that a new procedure for the resolution of the audit recommendations that arise from the audits of project partners has been drafted and is undergoing a consultative approval process. In addition, UN-Women is proposing a matrix related to financial and non-financial findings, differentiated by the type of audit opinions, the threshold for the level of authorization and the low threshold for the cost-benefit ratio. This work is in progress. Therefore, the Board considers this recommendation to be under implementation.				
12.	2017	<a href="#">A/73/5/Add.12</a> , chap. II, para. 49	UN-Women agreed with the Board recommendation to enforce the use of the Global Accountability and Tracking of Evaluation system by updating information on management response to the evaluation reports in a timely manner and to strengthen oversight of the implementation of evaluation recommendations.	UN-Women informed the Board that the Entity had strengthened oversight of the implementation of evaluation recommendations in 2018 after finalizing the restructuring of the Programme Division. In addition, UN-Women explained that through the country office assessment tool, the Entity is able to monitor the status of implementation of evaluation recommendations.	The Entity has strengthened the Global Accountability and Tracking of Evaluation system. In addition, UN-Women is using the country office assessment tool to monitor the status of implementation of evaluation recommendations. According to the analysis of the Board, the recommendation has been implemented.			X	

No.	Audit report year	Report reference	Recommendation of the Board	UN-Women response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
13.	2017	<a href="#">A/73/5/Add.12</a> , chap. II, para. 52	UN-Women agreed with the Board recommendation to expedite the development of an action plan/guidelines that will provide guidance across the organization for making it inclusive of and accessible for persons with disabilities.	<p>In December 2018, UN-Women launched the strategy on the empowerment of women and girls with disabilities, which follows a three-pronged approach: (a) normative frameworks, policies and programmes; (b) strategic partnerships; and (c) inclusive management.</p> <p>UN-Women is also actively engaged in the United Nations inter-agency activities related to disability, including the technical networks. The United Nations Disability Inclusion Strategy, including its policy and accountability framework, has been endorsed by UN-Women at the technical level and was also endorsed at the system-wide level by the High-level Committee on Management and the High-level Committee on Programmes of the United Nations System Chief Executives Board for Coordination, at their sessions held on 3 and 4 April and on 8 and 9 May 2019, respectively.</p> <p>Finally, the accountability framework provides a mechanism for reporting on and tracking implementation through 15 common system indicators that are focused on four areas: leadership, strategic planning and management; inclusiveness; programming; and organizational culture. The framework includes timetables,</p>	According to the analysis of the Board, UN-Women has taken the actions necessary to implement this recommendation. Therefore, the Board considers this recommendation to be implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UN-Women response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
14.	2017	<a href="#">A/73/5/Add.12</a> , chap. II, para. 57	The Board recommends that after a feasibility assessment, UN-Women consider establishing a global individual consultants monitoring tool to record key details on the hiring of consultants, including such information as analysis of total hiring cost, performance measurement and supervisor's comments at every stage of the assignment, based on the agreements made with each individual consultant.	technical guidance and allocation of responsibilities required for full implementation of the policy.  UN-Women stated that it would conduct an analysis of requirements and a feasibility study to sufficiently address the identified needs, while taking into consideration the limited available resources, the organizational impact and other organizational priorities.	The Board of Auditors verified that the Entity plans to implement the recommendation during the fourth quarter of 2019.  UN-Women reported that the analysis of the requirements and the feasibility study for the establishment of a global monitoring tool for individual consultants was finalized in the last quarter of 2018.  UN-Women is now reviewing current systems and processes, as well as those under development, to see how, in implementing the recommendation, it can take advantage of existing mechanisms to reduce the financial burden for the organization and avoid duplication of efforts.  Once the aforementioned review has been completed, the findings and recommendations will be reviewed and a decision will be made on the way forward. It is a work in progress.			X	

No.	Audit report year	Report reference	Recommendation of the Board	UN-Women response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
15.	2017	<a href="#">A/73/5/Add.12</a> , chap. II, para. 60	The Board recommends that UN-Women (a) set a clear reference of the plan to configuration management database; (b) review the backup procedure for headquarters data centre and conduct the backups as per the disaster recovery plan; and (c) update the disaster recovery plan when new applications/websites are added.	The disaster recovery plan has been updated to reference where configurations are stored.	Therefore, the Board considers this recommendation to be under implementation. The Board verified that this recommendation has been implemented.	X			
16.	2017	<a href="#">A/73/5/Add.12</a> , chap. II, para. 63	The Board recommends that UN-Women expedite the development of a new information and communications technology (ICT) strategy aligned with its overall strategy.	The updated UN-Women ICT strategy has been approved by the senior management team.	According to the analysis of the Board, UN-Women has taken the actions necessary to implement this recommendation. Therefore, the Board considers this recommendation to be implemented.	X			
<b>Total</b>						<b>6</b>	<b>10</b>	<b>-</b>	<b>-</b>
<b>Percentage</b>						<b>38</b>	<b>62</b>	<b>-</b>	<b>-</b>

## Chapter III

### Certification of the financial statements

#### **Letter dated 30 April 2019 from the Director of the Division of Management and Administration of the United Nations Entity for Gender Equality and the Empowerment of Women addressed to the Chair of the Board of Auditors**

Pursuant to financial rule 1201, 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 for the year ended 31 December 2018.

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 auditors continually review 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 Board of Auditors and internal auditors 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 UN-Women, in accordance with the service level agreements currently in force.

*(Signed)* Moez **Doraid**

Director  
Division of Management and Administration  
United Nations Entity for Gender Equality  
and the Empowerment of Women

## Chapter IV

### Financial report for the year ended 31 December 2018

#### A. Introduction

1. The Executive Director of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) has the honour to submit the financial report for the year ending 31 December 2018, together with the audited financial statements and the report of the Board of Auditors. This submission is made in compliance with regulations 12.1 and 26.2 of the financial regulations and rules of UN-Women. The annual financial statements cover all the resources for which the Executive Director is responsible.

2. The financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and were transmitted to the Board of Auditors on 30 April 2019. The Advisory Committee on Administrative and Budgetary Questions has received the financial statements of UN-Women for 2018, as required by financial rule 1202. The Board of Auditors has given its opinion and report on the 2018 financial statements, both of which are also submitted to members of the Executive Board.

3. The achievement of gender equality, the empowerment of women and girls and the realization of their human rights are objectives in themselves as well as prerequisites and drivers for sustainable development, peace and security and human rights and humanitarian action. UN-Women has completed its eighth year of operating as a composite entity since its creation by the General Assembly in resolution [64/289](#). The Assembly, the Economic and Social Council and the Commission on the Status of Women provide guidance for the normative support functions of UN-Women; the Assembly, the Council and the Executive Board of UN-Women provide guidance for its operational activities.

#### B. Resource mobilization and funding status

4. Since its inception in 2011, UN-Women has continued to strive towards the critical level of \$500 million in revenue per annum, and resource mobilization remains a corporate organizational priority. Income projections were articulated in the Entity's 2018–2019 integrated budget, the income projections were set at \$440 million, \$200 million for regular resources (unearmarked/core) and \$240 million for other resources (earmarked/non-core). In 2018, UN-Women achieved its largest-ever revenue since the creation of the organization, \$392.3 million (2017: \$369 million), giving a strong impetus to the first year of the implementation of the UN-Women Strategic Plan 2018–2021.

5. UN-Women is funded mainly by voluntary contributions (95.0 per cent in 2018), comprising regular resources and other resources to finance its operational activities. Assessed contributions (2.0 per cent in 2018) are received from the United Nations Secretariat to contribute to the normative support functions of UN-Women.

6. Voluntary contributions in 2018 comprised \$149.0 million in regular resources (2017: \$146.4 million) and \$235.3 million in other resources (2017: \$214.2 million). While the increase is positive, funding gaps remain in relation to the integrated budget, as endorsed by the Executive Board, with shortfalls in regular resources of \$51.0 million, or 25 per cent of budgeted projections, and in other resources of \$4.7 million.

7. A total of 104 Governments contributed to UN-Women resources in 2018, providing 77 per cent of the total voluntary funding. The 15 largest government contributors in 2018 were Sweden, Norway, Japan, United Kingdom of Great Britain and Northern Ireland, Switzerland, Australia, Finland, United States of America, Denmark, Canada, Germany, Netherlands, Italy, European Commission and Belgium.

8. Private-sector revenue (corporations, foundations and individual donors) was \$23.0 million in 2018. Among the top private sector contributors were the Bill and Melinda Gates Foundation, the International Olympic Committee and NAMA Women Advancement Establishment.

9. Contributions received through United Nations interorganizational arrangements were \$50.4 million. The top three United Nations system contributors in 2018 were the Multi-Partner Trust Fund Office, which administers joint programme funds, the United Nations Development Programme (UNDP) and the United Nations Peacebuilding Fund.

10. Resource mobilization and fundraising activities are continuously intensified, guided by a strategic partnership and resource mobilization strategy that aims to: (a) deepen engagement with partners, including through the structured dialogue on financing, partner consultations, engagement in assessments such as the Multilateral Organization Performance Assessment Network and championing United Nations reform vehicles such as the Secretary-General's funding compact; (b) invest in growing private individual giving, through a strengthened national committee network; and (c) generate revenue from movements, events, advocacy campaigns and appeals, such as "HeforShe" and the twenty-fifth anniversary of the Beijing Platform for Action, inter alia.

## **C. Major achievements, institution-building and progress on organizational effectiveness and efficiency in 2018**

### **1. Implementation of strategic priorities**

11. The year 2018 represented the first year of implementation of the UN-Women strategic plan 2018–2021 and its five outcome areas: (a) a comprehensive and dynamic set of global norms, policies and standards on gender equality and women's empowerment is strengthened and implemented; (b) women lead, participate in and benefit equally from governance systems; (c) women have income security, decent work and economic autonomy; (d) all women and girls live a life free from violence; (e) women and girls contribute to and have greater influence in building sustainable peace and resilience, and benefit equally from the prevention of natural disasters and conflicts and from humanitarian action.

12. Based on those priorities, UN-Women delivered programme support in 107 countries and territories in 2018, with programme expenditures reaching a record \$285.7 million, a 15 per cent increase from 2017. Programme expenditures in the field have increased by 73 per cent over the past five years.

13. At the end of its first year of implementation of its strategic plan, the overall performance of UN-Women against its milestones set for 2018 is positive. In total, 75 per cent of all indicators in the strategic plan have reached their expected milestone. With only six development results indicators for which progress against the milestones is below 60 per cent, performance is particularly strong at the output level, despite resource constraints.

14. UN-Women has continued to contribute to the development and strengthening of global norms, policies and standards on gender equality and women's



empowerment. In 2018, 29 intergovernmental processes saw an enhanced focus on gender equality and women's empowerment with UN-Women inputs. At the fourteenth session of the Conference of the Parties to the Convention on Biological Diversity, gender-responsiveness was recognized as a stand-alone principle for the post-2020 global biodiversity framework. UN-Women, in partnership with the Convention secretariat, helped focus attention on gender perspectives among the parties to the Convention by identifying and advocating for entry points for gender mainstreaming.

15. At the sixty-second session of the Commission on the Status of Women, held in 2018, the participants agreed on a comprehensive road map to realize gender equality and the empowerment of women and girls living in rural areas in its agreed conclusions. All the recommendations contained in the Secretary-General's report prepared by UN-Women were reflected in the outcome. The Commission attracted the participation of over 4,400 civil society representatives from 600 organizations. UN-Women facilitated discussions on accountability mechanisms to ensure that rural women and girls are not left behind.

16. UN-Women supported Member States and other stakeholders with policy advice and dialogue opportunities on the gender-responsive implementation of the 2030 Agenda, including for the high-level political forum on sustainable development. This included technical support to Governments to prepare voluntary national reviews, the presentation of evidence and data in regional forums and the dissemination of knowledge products. Eighty-one per cent of national reports integrated a gender perspective. To support the gender-responsive implementation of the Global Compact for Safe, Orderly and Regular Migration, UN-Women developed a guide with Governments and United Nations partners.

17. In 2018, UN-Women, in collaboration with partners, contributed to major achievements towards gender equality and women's empowerment. Across all areas, 44 laws were adopted or reformed to strengthen women's human rights in 25 countries. UN-Women supported over 10,000 aspiring women leaders to increase their skills for effective political campaigns. Twenty-one national women's machineries and 211 women's organizations enhanced their capacity to advocate for and monitor gender-responsive plans and budgets. Women's economic empowerment was strengthened, with the development of effective policy frameworks in 28 countries, with a focus on decent work, social protection, unpaid care, procurement and land rights. Eight new cities started initiatives to prevent and respond to sexual harassment against women in public spaces and over 2.2 million practitioners accessed the Virtual Knowledge Centre to End Violence against Women and Girls.

18. The Entity's engagement in peace, security and humanitarian action continued in 2018. References to women, peace and security were included in 76.5 per cent of resolutions and other key documents of the Security Council. Thirty-one experts were deployed in 12 conflict-affected countries to support sexual and gender-based violence investigations. In 2018, 325,500 women and girls received humanitarian assistance and benefited from disaster risk reduction and resilience work by UN-Women in 48 countries. Seventy-seven million people live in 16 countries where disaster risk reduction better identifies and addresses the needs and inclusion of women and girls.

19. Geographically, the highest level of expenditure was in sub-Saharan Africa, followed by Asia-Pacific and the Arab States. Thematically, peace and security and humanitarian action had the highest expenditure. UN-Women also further increased its programmatic focus, with a 15 per cent reduction in the total number of outcomes and outputs pursued by all offices as compared with 2017, partly due to the enhanced focus of the Strategic Plan.

20. UN-Women continued to lead, coordinate and promote the accountability of the United Nations system on gender equality and women's empowerment in 2018. Sixty-six United Nations entities reported under the updated United Nations System-Wide Action Plan on Gender Equality and the Empowerment of Women in 2018, showing overall compliance with commitments, at 58 per cent. UN-Women continued its work to promote gender parity in the United Nations system and developed the *Enabling Environment Guidelines* in support of gender parity, with comprehensive recommendations, through a participatory process. UN-Women, jointly with UNDP, led the finalization and roll-out of the updated United Nations country team System-wide Action Plan gender equality scorecard, which provides a framework for United Nations country teams to report against performance indicators for common processes. In 2018, 70 per cent of United Nations Development Assistant Frameworks featured gender-specific results at the outcome level. UN-Women was present in 68 out of the 73 United Nations country teams with joint programmes on Sustainable Development Goal 5, while the total number of those joint programmes grew to 145.

21. UN-Women also actively engaged in the repositioning of the United Nations development system, including by participating in more than 20 interagency bodies at the global level to ensure that ongoing reforms support more coherent system-wide results for gender equality and women's empowerment. UN-Women also made necessary adjustments to its programming and other processes to contribute to the new generation of United Nations country teams, including through revamped United Nations Development Assistant Frameworks, reinvigorating the role of the resident coordinator system and other aspects of the reform.

## **2. Organizational effectiveness and efficiency**

22. Organizational effectiveness and efficiency have continued to show significant progress. After eight years of operations, UN-Women continues to improve systems for performance management and reporting, financial accountability, audit, human resource management, risk management and operational infrastructure, and has a strong independent evaluation function. In 2018, it received a seventh consecutive unqualified audit report, confirming that the financial statements are in accordance with IPSAS and that transactions tested as part of the audit have in all significant respects been in accordance with the financial regulations and rules of UN-Women.

23. UN-Women continued its efforts to strengthen and expand partnerships for gender equality and women's empowerment. The Entity worked closely with civil society at various level, including by steering 92 initiatives of civil society advisory groups. UN-Women also worked with diverse groups and continued its engagement with men and boys, as well as faith leaders and youth.

24. The Entity's visibility in the media continued to increase with 33,000 news articles mentioning UN-Women in 2018, representing a 41 per cent increase in media mentions from 2017. Social media reached 8.2 million followers in 2018. During International Women's Day in 2018, media coverage reached 90 countries, with 5,000 media reports. During the 16 Days of Activism to End Violence against Women, 4,400 media reports in almost 80 countries were issued. The UN-Women website was visited by 4.2 million unique visitors in 2018, a 10 per cent increase from 2017. UN-Women also convened the Unstereotype Alliance, a global coalition of 29 industry leaders to eliminate gender bias and stereotypes in advertising.

25. UN-Women further enhanced the quality of its programmes in 2018, including through a new knowledge management strategy, enhanced knowledge production and sharing and strengthened capacity to plan and capture results, good practices and lessons learned. In line with the Entity's results-based management standards, UN-Women launched the first gender-responsive results-based management e-course

for staff and partners, to strengthen programming and national efforts to achieve development results. In 2018, UN-Women also launched an internal “one-stop-shop” portal to strengthen its corporate policy, procedures and guidance framework.

26. Throughout 2018, UN-Women continued to improve the management of human and financial resources. The Entity further improved its management systems and processes, focusing on increased transparency and accountability and enhancing efficiency and effectiveness. In 2018, UN-Women enhanced its risk management framework globally, including components of the fraud risk management programme. An inter-agency online fraud and corruption awareness training course was rolled out in 2018. Work is under way to increase the coverage of fraud training for personnel and third parties, coupled with fraud risk assessments for all risk units. UN-Women also streamlined recruitment processes, with the roll-out of a new e-recruitment solution, and increased inter-agency collaboration to leverage resources on sourcing and reference-checking. A corporate performance scorecard was introduced to support senior managers overseeing financial and human resources, drawing on automated reports.

27. UN-Women witnessed steady progress in the timeliness of donor reports, improving from 60 per cent in 2017 to 68 per cent in 2018. In 2019, the Entity will further enhance capacity-building, accountability and timeliness for donor reports at country and regional levels by leveraging its Virtual Global Service Centre and regional offices.

28. The 2018 Multilateral Organization Performance Assessment Network assessment highlighted the significant progress of UN-Women since 2014 in improving its organizational effectiveness and capacity to meet current and anticipated needs through enhanced systems, processes and structures, as well as a stronger results focus. It noted the Entity’s clear strategic vision, strong commitment to results-based management and accountability and use of evaluations in programming, as well as the improvements made to financial systems, operational management and audit arrangements.

29. Furthermore, building on ongoing United Nations reforms, a comprehensive change management process was initiated to strengthen organizational effectiveness and efficiency. It also seeks to address institutional weaknesses identified in lessons learned from the last seven years. This draws on recommendations from evaluations, audits and external assessments, such as the Multilateral Organization Performance Assessment Network, including on accountability, efficient delivery and sustainability of results.

### **3. Transparency and accountability**

30. The Results Management System allowed UN-Women to link results to resources, thereby improving the Entity’s decision-making process with regard to resource allocations and expenditures. UN-Women reached sixth place on the 2018 Aid Transparency Index among the 22 United Nations agencies that publish their information under the International Aid Transparency Initiative. This is the Entity’s highest transparency score to date and a significant improvement from 2017, which can be attributed to increased results-based management capacity, as well as new ICT information and communications technology (ICT) systems.

31. The Independent Evaluation and Audit Services were successfully established in January 2018, co-locating the Independent Evaluation Service with the new in-house Internal Audit Service. A new governance framework including the Charter of the Independent Evaluation and Audit Services and the Charter of the Internal Audit Service was also presented to the Executive Board.

32. The Charter of the Independent Evaluation and Audit Services sets out that the Services shall provide: credible evidence on the performance of UN-Women to achieve gender equality and the empowerment of women; and assurance that UN-Women's governance, risk management and control processes are adequate, effective and functioning as intended to meet the strategic and organizational objectives. Independent Evaluation and Internal Audit are two distinct services but with one overarching goal – to assist UN-Women to achieve its strategic, programmatic and organizational objectives.

33. UN-Women is seeing a continuing trend towards a stronger culture of evaluation, which is exhibited through improved performance against the nine evaluation key performance indicators. In conformity with the evaluation policy, 87 per cent of regional and country offices had carried out at least one evaluation during 2014–2018. Eighty-eight per cent of the evaluation reports were externally assessed as being either good or very good, with significant improvements noted in country portfolio evaluations and regional evaluations. In response to demand for increasing high-level and strategic evaluations, 35 per cent of country offices conducted country portfolio evaluations from 2015 to 2018. Ninety-five per cent of evaluations completed in 2018 received a management response. The implementation of key actions showed an improved use of evaluative evidence.

34. The Audit Advisory Committee of UN-Women reported to the Executive Board at its annual session in 2018 on the advice that it has provided to the Executive Director. The Committee has met regularly with senior management and contributes to the promotion of a culture of oversight. The Committee receives regular updates from the Division of Management and Administration on budget and financial issues, and in particular on improvements in financial reporting. Its members assist the Executive Director in her oversight duties. In its 2018 report, the Committee commended UN-Women on receiving an unqualified audit opinion from the Board of Auditors for the seventh consecutive year since its inception.

35. Nine internal audit engagements related to the 2018 audit plan were conducted by the Internal Audit Service in 2018. All reports were issued by mid-February 2019. Two audit reports related to the completion of the 2017 audit plan were also issued by the UNDP Office of Audit and Investigations in early 2018. Those 11 audit reports generally covered programme, governance and operational arrangements in the relevant offices or functions of UN-Women. Three audits were rated as “satisfactory”, seven as “some improvement needed”, and one as “major improvement needed”. In addition, 18 financial audits, conducted by outsourced contractors, of the expenditure and assets related to selected projects directly implemented by UN-Women resulted in unqualified audit opinions on the project statements of expenditure and statements of fixed assets. All audit reports are publicly available, which enhances the transparency of the Entity's activities for donors and Member States. As at 31 December 2018, the implementation rate of internal audit recommendations prior to those made in 2018 was 99 per cent. On the basis of the internal audit work performed in 2018, the annual overall opinion of the Internal Audit Service is that no significant weaknesses were identified in the Entity's governance, risk management and control processes that would seriously compromise the achievement of the strategic and operational objectives of UN-Women.

#### **4. External audit recommendations**

36. The management of UN-Women is committed to taking action to implement the external audit recommendations issued by the Board of Auditors. During the financial year 2018, UN-Women implemented 5 of the 12 recommendations issued in 2017 by the Board, and 7 are under implementation. Similarly, 17 of the 20 recommendations issued in 2016 were implemented and 3 are under implementation. All

recommendations issued prior to 2015 have been implemented. The implementation rate for prior years' external audit recommendations is 38 per cent as at 31 December 2018. The Entity's implementation rate for internal audit recommendations remained constant at 99 per cent in 2018.

## D. Financial performance

37. As total revenue for UN-Women was \$404.7 million and total expenses were \$380.3 million, the Entity recorded a surplus of \$24.5 million for the year ended 31 December 2018, compared with a surplus of \$39.6 million for 2017.

### Financial performance by funding source

(Thousands of United States dollars)

	<i>Regular resources</i>	<i>Other resources</i>	<i>Assessed</i>	<i>Elimination</i>	<i>2018</i>	<i>2017</i>
Total revenue	153 280	259 399	9 214	(17 175)	404 718	378 250
Total expenses	158 729	228 172	10 534	(17 175)	380 260	338 615
Surplus/(deficit) for the year	(5 449)	31 227	(1 320)	–	24 458	39 635

38. The increase in voluntary contributions from donors in 2018 of \$23.7 million was represented by an increase in regular resources of \$2.6 million and an increase in other resources of \$21.1 million.

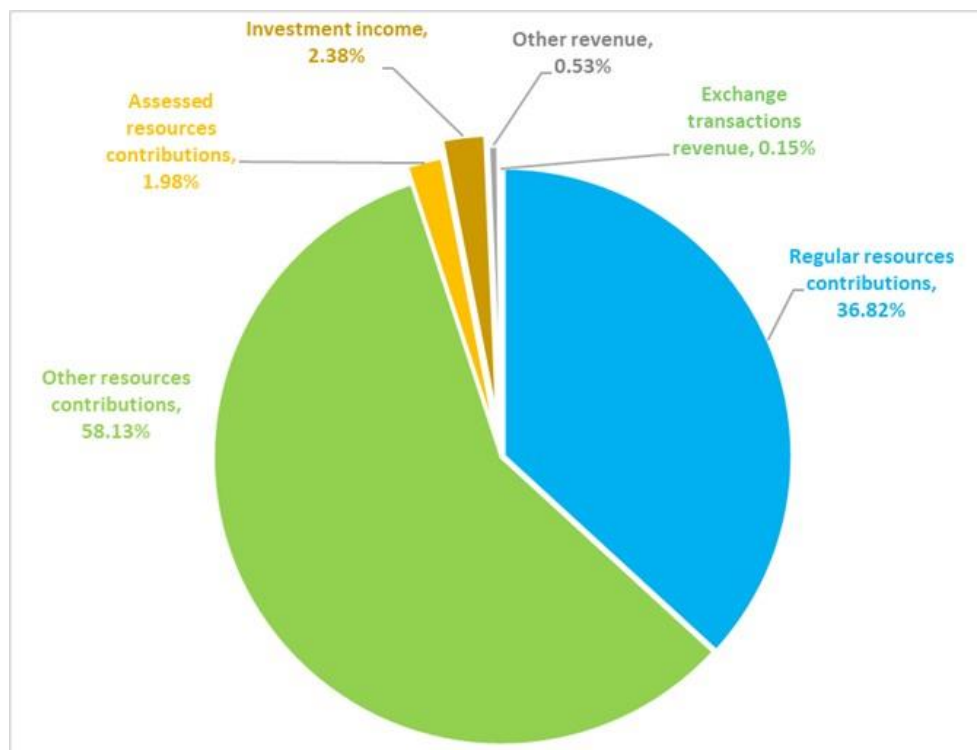
### Revenue analysis

(Thousands of United States dollars)

	<i>Regular resources</i>	<i>Other resources</i>	<i>Assessed</i>	<i>Elimination</i>	<i>2018</i>	<i>2017</i>
Contributions	149 031	235 264	8 032	–	392 327	368 964
Investment revenue	3 617	6 007	–	–	9 624	6 655
Other revenue	632	17 521	1 182	(17 175)	2 160	2 044
Exchange transactions revenue	–	607	–	–	607	587
Total	153 280	259 399	9 214	(17 175)	404 718	378 250

39. The total revenue for 2018 includes revenue received and receivable, in accordance with IPSAS. UN-Women recognizes regular resource revenue when funds are received from the donor or where there is a signed agreement or letters of exchange (pledges are not recognized). UN-Women recognizes other resource revenue from non-exchange transactions when written confirmation in the form of a signed donor agreement is received from a donor. Revenue is recognized in the financial statements in the period to which they relate. The matching principle of revenue and expense does not apply for non-exchange transactions (see note 2 of the financial statements).

Figure IV.1  
2018 revenue by nature



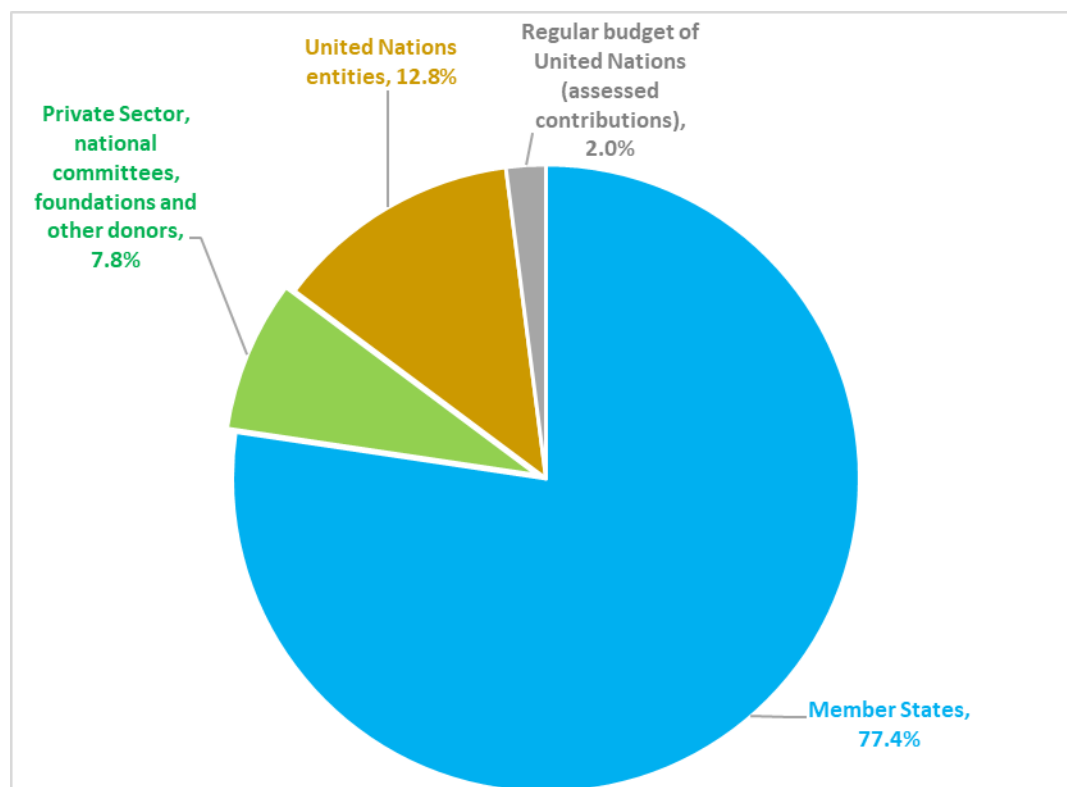
40. Of the total revenue of \$404.7 million (2017: \$378.2 million), contributions accounted for \$392.2 million (2017: \$368.9 million) and comprised:

(a) Voluntary regular resources of \$149.0 million, or 36.82 per cent (2017: \$146.4 million, or 38.68 per cent), which are unearmarked and fund the operational requirements and projects and programmes of UN-Women;

(b) Voluntary other resources of \$235.3 million, or 58.13 per cent (2017: \$214.2 million, or 56.60 per cent), which are earmarked for specific programmes and projects;

(c) Assessed resources from the United Nations regular budget of \$8.0 million, or 1.98 per cent (2017: \$8.3 million, or 2.20 per cent), which fund the normative and intergovernmental work of UN-Women.

Figure IV.II  
2018 voluntary contributions by donor type



41. Figure IV.II shows the breakdown of contributions revenue for 2018 by donor type, as follows:

(a) UN-Women revenue is mostly sourced from government and intergovernmental agencies, which contributed \$303.5 million, or 77.37 per cent (2017: \$296.8 million, or 80.45 per cent), of the revenue;

(b) United Nations entities contributed \$50.0 million, or 12.75 per cent (2017: \$41.8 million, or 11.33 per cent);

(c) The private sector, national committees, foundations and other donors contributed \$30.8 million, or 7.83 per cent (2017: \$22 million, or 5.96 per cent);

(d) Assessed revenue from the Secretariat contributed \$8.0 million, or 2.0 per cent (2017: \$8.3 million, or 2.25 per cent).

**Expenditure analysis**

(Thousands of United States dollars)

	<i>Regular resources</i>	<i>Other resources</i>	<i>Assessed</i>	<i>Elimination</i>	<i>2018</i>	<i>2017</i>
Employee benefits	80 376	37 057	9 151		126 584	115 870
Contractual services	22 505	78 207	136		100 848	88 118
Grants and other transfers	–	10 845	–		10 845	9 118
Supplies and maintenance	2 397	6 968	154		9 519	10 203
Operating costs	33 067	67 933	922	(17 175)	84 747	76 301
Travel	13 850	23 378	164		37 392	30 455
Depreciation and amortization	2 594	747	3		3 344	3 174
Finance costs	145	122	–		267	258
Other expenses	3 795	2 915	4		6 714	5 118
<b>Total</b>	<b>158 729</b>	<b>228 172</b>	<b>10 534</b>	<b>(17 175)</b>	<b>380 260</b>	<b>338 615</b>

42. In accordance with IPSAS, the total expenses for 2018 amount to \$380.3 million (2017: \$338.6 million) and represent expenses incurred, both paid and payable. Of the total expenses, regular resources represent \$158.7 million, or 41.7 per cent (2017: \$141.4 million, or 41.7 per cent), other resources (after reduction for elimination items) represent \$211 million, or 55.5 per cent (2017: \$188.5 million, or 55.7 per cent) and assessed expenses represent \$10.5 million, or 2.8 per cent (2017: \$8.8 million, or 2.6 per cent). The other resource expenses for the year include programme and project delivery during the year from unspent 2017 budgets, as well as current-year budgets.

**Financial position by funding source**

(Thousands of United States dollars)

	<i>Regular resources</i>	<i>Other resources</i>	<i>Assessed</i>	<i>31 December 2018</i>	<i>31 December 2017</i>
Total assets	193 588	344 382	3 511	541 481	507 693
Total liabilities	86 141	35 354	6 509	128 004	124 810
<b>Total net assets/equity</b>	<b>107 447</b>	<b>309 028</b>	<b>(2 998)</b>	<b>413 477</b>	<b>382 883</b>

43. Total net assets/equity by segment (see note 5 to the financial statements) comprise:

(a) Regular resources, the cash required to fund operations for the first few months of the new financial year while UN-Women awaits new voluntary contributions from donor Governments, funds for employee benefits and liabilities;

(b) Other resources, the unspent budgets for earmarked projects and programmes, which will be expensed in future periods in accordance with donor agreements;

(c) Other items in relation to the financial position by segment as at 31 December 2018, including:

(i) Current assets of \$334 million exceeding current liabilities of \$50.6 million by \$283.4 million, indicating that the liquidity of UN-Women is



very strong (current assets ratio of 6.6:1; 2017: 6:2:1), with regular resources representing \$111.8 million and other resources \$219.2 million;

(ii) Investments and cash and cash equivalents amounting to \$470.6 million (2017: \$403.7 million), with cash and short-term investments of \$274.2 million for less than 12 months and \$196.3 million for long-term investments;

(iii) Accounts receivable or unpaid voluntary contributions agreements amounting to \$19.5 million (2017: \$41.6 million), of which 95 per cent are from other resources for earmarked projects and programmes;

(iv) Employee benefits (contractual obligations to employees, both current and retired) in the amount of \$90.0 million (2017: \$92.9 million). The main liability relates to after-service health insurance of \$64 million (2017: \$68 million), which has been funded in the amount of \$55.1 million, or 86 per cent (2017: \$47.6 million, or 70 per cent). The portion of the liability for after-service health insurance for the category of active employees not yet fully eligible is \$40.2 million, or 62.6 per cent of the total accrued liability for after-service health insurance;

(v) Reserves include operational reserves of \$26.5 million and field accommodation reserves of \$1 million, as approved by the Executive Board in its decision 2012/8.

## Chapter V

### Financial statements for the year ended 31 December 2018

#### United Nations Entity for Gender Equality and the Empowerment of Women

#### I. Statement of financial position as at 31 December 2018

(Thousands of United States dollars)

	<i>Reference</i>	<i>31 December 2018</i>	<i>31 December 2017</i>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	Note 6	57 295	71 176
Investments	Note 7	216 936	104 163
Accounts receivable	Note 8	19 504	41 584
Advances	Note 9	34 881	31 424
Other assets	Note 10	5 349	19 609
Inventories	Note 11	13	34
<b>Total current assets</b>		<b>333 978</b>	<b>267 990</b>
<b>Non-current assets</b>			
Investments	Note 7	196 334	228 327
Other assets	Note 10	7	7
Property, plant and equipment	Note 12	11 019	11 145
Intangible assets	Note 13	143	224
<b>Total non-current assets</b>		<b>207 503</b>	<b>239 703</b>
<b>Total assets</b>		<b>541 481</b>	<b>507 693</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	Note 14	20 946	8 866
Employee benefits	Note 15	12 625	11 482
Other liabilities	Note 16	17 040	23 094
<b>Total current liabilities</b>		<b>50 611</b>	<b>43 442</b>
<b>Non-current liabilities</b>			
Employee benefits	Note 15	77 393	81 368
<b>Total non-current liabilities</b>		<b>77 393</b>	<b>81 368</b>
<b>Total liabilities</b>		<b>128 004</b>	<b>124 810</b>
<b>Net assets</b>		<b>413 477</b>	<b>382 883</b>
<b>Net assets/equity</b>			
Accumulated surplus/(deficit)	Note 17	386,677	352 970
Reserves	Note 18	26 800	29 913
<b>Total net assets/equity</b>		<b>413 477</b>	<b>382 883</b>

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

**United Nations Entity for Gender Equality and the Empowerment of Women**

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

(Thousands of United States dollars)

	<i>Reference</i>	<i>2018</i>	<i>2017</i>
<b>Revenue</b>			
Voluntary contributions	Note 19	384 295	360 650
Assessed contributions	Note 20	8 032	8 314
Investment revenue	Note 21	9 624	6 655
Other revenue	Note 22	2 160	2 044
Exchange transactions revenue	Note 23	607	587
<b>Total revenue</b>		<b>404 718</b>	<b>378 250</b>
<b>Expenses</b>			
Employee benefits	Note 24	126 584	115 870
Contractual services	Note 24	100 848	88 118
Grants and other transfers	Note 24	10 845	9 118
Supplies and maintenance	Note 24	9 519	10 203
Operating costs	Note 24	84 747	76 301
Travel costs	Note 24	37 392	30 455
Depreciation and amortization	Note 24	3 344	3 174
Finance costs	Note 24	267	258
Other expenses	Note 24	6 714	5 118
<b>Total expenses</b>		<b>380 260</b>	<b>338 615</b>
<b>Surplus/(deficit) for the year</b>		<b>24 458</b>	<b>39 635</b>

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

**United Nations Entity for Gender Equality and the Empowerment of Women**

**III. Statement of changes in net assets/equity for the year ended  
31 December 2018**

(Thousands of United States dollars)

	<i>Reference</i>	<i>2018</i>	<i>2017</i>
Net assets/equity at the beginning of the year		382 883	347 671
Movement during the year			
Current year surplus/(deficit)		24 458	39 635
Refunds to donors	Note 17	(2 077)	(2 330)
Changes in fair value of available-for-sale investments	Note 18	(4 733)	3 849
Actuarial gains/(losses)	Note 17	12 946	(5 942)
Net assets/equity at the end of the year		413 477	382 883

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

## United Nations Entity for Gender Equality and the Empowerment of Women

### IV. Statement of cash flow for the year ended 31 December 2018

(Thousands of United States dollars)

	<i>Reference</i>	<i>2018</i>	<i>2017</i>
<b>Cash flows from operating activities</b>			
Net surplus/(deficit) for the year		24 458	39 635
Interest revenue		(8 955)	(7 123)
Amortization on investments		(173)	962
Dividend revenue		(496)	(494)
In-kind revenue (assets)		–	(298)
Unrealized (gain)/loss on foreign exchange		3 386	88
Depreciation and amortization expense	Note 24	3 344	3 174
(Increase)/decrease in accounts receivable		22 080	(31 655)
(Increase)/decrease in other assets		14 817	(8 983)
(Increase)/decrease in inventories		21	42
(Increase)/decrease in advances		(3 457)	6 800
Increase/(decrease) in accounts payable		12 081	(625)
Increase/(decrease) in employee benefits		(2 832)	14 099
Increase/(decrease) in other liabilities		(6 054)	1 518
(Gains)/losses on sale of property, plant and equipment		264	64
Refunds to donors	Note 17	(2 077)	(2 330)
Change in fair value of available-for-sale investments		254	(353)
Actuarial gains/(losses)	Note 17	12 946	(5 942)
<b>Net cash generated from operating activities</b>		<b>69 607</b>	<b>8 579</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(3 410)	(2 493)
Purchases of intangible assets		(4)	(13)
Proceeds from sales of property, plant and equipment		13	34
Purchases of investments – held to maturity	Note 7.1	(271 510)	(272 587)
Maturities of investments – held to maturity	Note 7.1	188 845	232 415
Interest received		8 578	5 768
Dividend received		489	492
Movement in investments – available for sale		(3 103)	(1 910)
<b>Net cash generated from investing activities</b>		<b>(80 102)</b>	<b>(38 294)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(10 495)</b>	<b>(29 715)</b>
Cash and cash equivalent at beginning of year		71 176	100 979
Effect of exchange rate changes on cash and cash equivalents		(3 386)	(88)
<b>Cash and cash equivalent at end of year</b>	Note 6	<b>57 295</b>	<b>71 176</b>

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

**United Nations Entity for Gender Equality and the Empowerment of Women**
**V. Statement of comparison of budget and actual amounts for the year ended  
31 December 2018**

(Thousands of United States dollars)

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual expenditure on comparable basis</i>	<i>Difference between final budget and actual amounts</i>
Regular budget activities	8 062	8 973	10 529	(1 556)
Development activities				
Programme	342 000	299 159	273 754	25 405
Development effectiveness	24 300	23 778	20 438	3 340
Subtotal	366 300	322 937	294 192	28 745
United Nations development coordination	13 200	13 767	13 038	729
Management activities				
Recurring	52 800	51 489	45 626	5 863
Evaluation	3 300	3 144	2 654	490
Audit and investigations	2 900	2 502	2 170	332
Subtotal	59 000	57 135	50 450	6 685
Special purpose activities				
Resource mobilization	500	429	264	165
ICT transformation	1 000	287	147	140
Subtotal	1 500	716	411	305
<b>Total budget</b>	<b>448 062</b>	<b>403 528</b>	<b>368 620</b>	<b>34 908</b>
<b>Total institutional budget</b>	<b>98 000</b>	<b>95 396</b>	<b>84 337</b>	<b>11 059</b>

The accompanying notes are an integral part of these financial statements; see also note 26.

## **United Nations Entity for Gender Equality and the Empowerment of Women**

### **Notes to the financial statements**

#### **Note 1**

##### **Reporting entity**

The United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) was established by the General Assembly in its resolution [64/289](#) of 2 July 2010 and became operational in January 2011. Grounded in the vision of equality enshrined in the Charter of the United Nations, UN-Women works towards the elimination of discrimination against women and girls; the economic empowerment of women; the achievement of equality between women and men as partners and beneficiaries of development, human rights, humanitarian action and peace and security.

UN-Women is mandated to support intergovernmental bodies, such as the Commission on the Status of Women, in their formulation of policies, global norms and standards. The Entity mobilizes political will and resources to help Member States implement those standards, standing ready to provide suitable technical and financial support to those countries that request it and to forge successful partnerships with civil society. Furthermore, UN-Women has been assigned the mandate to hold the United Nations system accountable for its own commitment on gender equality through the system-wide action programme.

UN-Women is governed by its Executive Board, which consists of representatives of its Member States. The Executive Board guides the strategic direction and policies of the Entity to ensure that all operational aspects of the activities of UN-Women are executed effectively by the Executive Director and Under-Secretary-General.

UN-Women is headquartered in New York and is expanding its presence at the regional and country levels. The Entity's regional architecture comprises 6 regional offices, 5 multi-country offices, 47 country offices and programme presences in 34 other countries, which enables it to pursue its goals of achieving gender equality and the empowerment of women. UN-Women serves the donor community and partners with liaison offices in Abu Dhabi, Addis Ababa, Brussels, Copenhagen, Geneva, Tokyo and Washington, D.C.

#### **Note 2**

##### **Significant accounting policies**

###### **(a) Basis of preparation and authorization for issue**

###### **Authorization for issue**

In accordance with financial regulation 12.1 of UN-Women, the Executive Director is responsible for the financial statements of the Entity. The Director, Division of Management and Administration, has certified that, to the best of his knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the financial statements and supporting schedules. On 30 April 2019, the Executive Director authorized these financial statements to be submitted for audit.

###### **Statement of compliance with the International Public Sector Accounting Standards**

The financial statements of UN-Women have been prepared on an accrual and going concern basis in accordance with the International Public Sector Accounting Standards (IPSAS) and the financial regulations and rules of UN-Women.

**Basis of recognition of revenue and expenses**

Under the accrual basis of accounting, revenue and expenses (except for non-exchange transactions) are recognized in the financial statements in the period to which they relate.

*Revenue*

Voluntary contributions for regular resources are recognized as revenue when there is a signed agreement or letter of exchange (from a designated official of a Government), other than a pledge, or on a cash basis at the time that funds are received. Cash received relating to future financial years is recognized as deferred income at year-end. Where a signed agreement or letter of exchange is received from a donor the contribution will be recognized as revenue on the date of the last signature to the agreement (unless expressly stated otherwise in the agreement). For multi-year core contributions, revenue is recognized in the financial statements for the period to which the funds relate and are received in accordance with the payment schedule in the agreement, or, in the absence of a schedule of multiple payments, revenue will be recognized equally over the period of the agreement.

Voluntary contributions for other resources are recognized as revenue when written confirmation is received from a donor during the financial year, based on the fair value of the benefit received unless any stipulation defers this recognition. Where a written agreement is received from a donor the contribution will be recognized as revenue on the date of the last signature to the agreement (unless expressly stated otherwise in the agreement). Multi-year agreements are apportioned by calendar year over the period of the agreement and are recognized when conditions are met.

Assessed contributions are issued as an annual allotment from the United Nations regular budget and are assessed and approved for a two-year budget period. The amount of those contributions is then apportioned between the two years and recognized on a monthly basis.

In-kind contributions, except services, that directly support approved operations and activities, which have budgetary impact and can be reliably measured, are recognized at fair value as expense and contribution. Those contributions include use of premises and utilities.

In-kind contributions of services are not recognized, but the estimated cost saving is disclosed.

Donated property, plant and equipment are valued at fair market value and recognized as fixed assets and contribution. The donated right to use an asset is valued at the fair market value of the right to use. The excess of the fair market value of the right to use over any sums actually paid is shown as contribution income together with a matching expense. When transferred assets are received as contributions in kind and conditions requiring their return upon non-performance are disclosed in the agreements, a liability is initially recognized. When these conditions are satisfied, the revenue is recognized. When restrictions are disclosed in the agreements which do not require their return, the revenue is recognized upon confirmation of contributions.

Revenue from exchange transactions is recognized when it is probable that future economic benefits or service potential will flow to UN-Women and those benefits can be measured reliably. Revenue should be measured at the fair value of the consideration received or receivable. When the consideration is cash or in a monetary amount, measurement shall be at this amount.



### *Expenses*

Expenses are recognized when goods are delivered and services are rendered. Project expenses are recognized once UN-Women receives a financial report from the partner in order to evidence the completion of activities.

Under IPSAS, the matching principle of revenue and expense does not apply for non-exchange transactions. The focus of IPSAS is the financial position, which is evidenced by the recognition of assets when there is sufficient control and of liabilities when the criteria to recognize liabilities exist. As a consequence, the excess of revenue over expenses results in a surplus (or the excess of expenses over revenue results in a deficit), which is carried forward to the accumulated surplus or deficit. Accumulated surplus represents the unexpended portion of contributions to be utilized for future operational requirements of UN-Women.

#### **(b) Foreign currency transactions**

The functional and reporting currency of UN-Women is the United States dollar. Where transactions have been made in currencies other than the United States dollar, the amounts are translated into United States dollars at the prevailing United Nations operational rates of exchange at the date of the transaction. Monetary assets and liabilities in currencies other than the United States dollar are translated into the United States dollar at the prevailing United Nations operational rate of exchange in effect at the reporting date. Non-monetary assets and liabilities denominated in a currency other than the United States dollar that are measured at historical cost are translated at the exchange rate in effect at the date of the transaction. Foreign exchange gains and losses, both realized and unrealized, resulting from such transactions are accounted for in the statement of financial performance.

#### **(c) Financial instruments**

Financial instruments are recognized when UN-Women becomes a party to the contractual provisions of the instrument until such time as when the rights to receive cash flows from those assets have expired or have been transferred and UN-Women has transferred substantially all the risks and rewards of ownership.

#### **Financial assets classification**

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

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

All categories of financial assets are assessed at each reporting date to determine whether there is objective evidence that an investment or group of investments is impaired. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in the value of the asset. Impairment losses are recognized in

surplus or deficit in the statement of financial performance (directly or through the use of an allowance account) in the year in which they arise.

#### *Held-to-maturity financial assets*

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturities that UN-Women has the positive intention and ability to hold to maturity. They are initially recorded at fair value plus transaction costs and subsequently recognized at amortized cost calculated using the effective interest method. UN-Women classified part of its investment portfolio as held-to-maturity assets.

#### *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 recorded at fair value plus transaction costs and subsequently reported at fair value with any resultant fair value gains or losses recognized directly in net assets/equity. Interest on available-for-sale financial assets is calculated using the effective interest method. 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. Fair values used for subsequent measurement are based on quoted market prices from reputable vendors.

#### *Loans and receivables*

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

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus transaction costs and subsequently reported at amortized cost calculated using the effective interest method. Interest revenue is recognized on a time proportion basis using the effective interest rate method on the respective financial asset. As at 31 December 2018, UN-Women did not have any loans.

Accounts receivable are stated at fair value, comprising nominal value less allowance for estimated irrecoverable amounts. An allowance is established when there is objective evidence, based on a review of outstanding amounts at the reporting date, that UN-Women will not be able to collect all amounts due according to the original terms of the receivable.

Advances and other receivables are stated at fair value, comprising nominal value less allowance for estimated irrecoverable amounts. Advances represent cash advance payments to partners contracted in the context of programme execution. These advances are recognized at fair value as a receivable. The expense is recognized in the statement of financial performance once UN-Women receives a financial report from the partner to evidence completion of activities. Advances also include payments on behalf of United Nations agencies and staff members are also issued cash advance payments which are recognized at fair value as receivables. The expense is recognized when the advance is liquidated through a claim or repayment of the advance. Other receivables represent prepayments on contracts where goods or services are yet to be delivered or rendered.

*Fair value through surplus or deficit financial assets*

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

**(d) Inventories**

Inventories held for distribution at no charge are stated at the lower of cost and current replacement cost. As there is no related revenue for inventory distributed, the expense is recognized when the goods are distributed. No-charge publication materials that would be defined as inventory are technical publications that relate directly to the programmatic and normative operations and are under the control of UN-Women. These publications must also have longevity where their content remains relevant and valid for more than a 12-month period to be defined as inventory. Publications produced by partners and held for distribution or used by them are not considered to be under the control of UN-Women and therefore are not inventory. No-charge publication materials and campaign brochures prepared by UN-Women for only advertising and promotional information purposes are not inventory. These items normally do not have longevity and are generally used within a 12-month period, as they are produced for a one-off event or purpose, and therefore the value of any remaining materials on hand at year-end would be significantly depreciated. Accordingly, the cost of publication material and campaign brochures used for advertising and promotional information is recognized as an expense when incurred.

Inventories held for sale are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Cost is determined using the first-in, first-out inventory valuation method. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories acquired through a non-exchange transaction (e.g., donated goods) is measured as their fair value at the date of acquisition. As at 31 December 2018, UN-Women did not have any inventories held for sale and had not acquired any inventory through a non-exchange transaction.

**(e) Property, plant and equipment**

Property, plant and equipment are stated at historic cost less accumulated depreciation and any impairment losses. The capitalization threshold for property, plant and equipment for which UN-Women has control is a total cost of at least \$1,000 per unit. Depreciation is provided for property, plant and equipment over the estimated useful life of each asset using the straight-line method, except for land, which is not subject to depreciation. Historic cost includes expenditures directly attributable to the acquisition of assets. Subsequent costs are included in the asset's

carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to UN-Women and the cost can be measured reliably. The estimation of the useful life of the asset is a matter of judgment based on the experience of UN-Women with similar assets. Therefore, the useful life of an asset may be shorter than its economic life. Repair and maintenance costs are charged to the statement of financial performance during the financial period in which they are incurred.

UN-Women is deemed to control an asset if it can use or otherwise benefit from the asset in pursuit of its objectives and if the Entity can exclude or regulate the access of third parties to the asset. This can be the case when UN-Women is implementing a project directly. Project assets that are not controlled by UN-Women are expensed as incurred. Leasehold improvements are recognized as assets, valued at cost and depreciated over the lesser of the remaining useful life of the improvements or the lease term. Impairment reviews are undertaken for all assets at least annually.

The estimated useful life ranges in years for property, plant and equipment classes are set out in the table below.

<i>Class</i>	<i>Estimated useful life</i>
Land	Not applicable
Buildings	
Permanent	50
Temporary	10
Furniture and fixtures	8
Communications and information technology equipment	5–6
Vehicles	7
Machinery and equipment	5
Security equipment	5

**(f) Intangible assets**

Under IPSAS, intangible assets with a finite life are carried at cost less accumulated amortization and any impairment loss. Intangible assets are capitalized provided they have a useful life of more than one year and a cost exceeding \$5,000 for externally acquired and a cost exceeding \$100,000 for internally generated. Amortization is provided on a straight-line basis on all intangible assets of finite life in accordance with its useful life. Where the intangible asset has an indefinite useful life, it will not be amortized but will be reviewed for impairment by comparing its recoverable service amount with its carrying amount.

The estimated useful life ranges in years for intangible asset classes are set out in the table below.

<i>Class</i>	<i>Estimated useful life</i>
Externally acquired	5
Internally developed	5
Copyrights and patents	3

**(g) Leases**

Leases where the lessor retains a significant portion of the risks and rewards inherent to ownership are classified as operating leases. Payments made under

operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease. The value of the future lease payments within the current lease term is disclosed in note 28.

Leases where the lessee retains a significant portion of the risks and rewards inherent to ownership are classified as finance leases. UN-Women has not entered into any finance leases.

**(h) Employee benefits**

UN-Women recognizes the following employee benefits:

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

(b) Long-term employee benefits, which are due to be settled beyond 12 months after the employees render the related service and include:

(i) Post-employment benefits (see Pension and After-Service Health Insurance below);

(ii) Other long-term employee benefits;

(c) Termination benefits.

Short-term employee benefits are measured at their nominal value based on accrued entitlements at current rates of pay. These benefits may include, at year-end, remuneration, accrued annual leave, home leave liability and other short-term benefits.

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

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

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

The after-service health insurance plan extends subsidized health insurance coverage to retirees and their dependants under the same health insurance schemes as for active staff based on certain eligibility requirements. The after-service health insurance plan is a defined benefit plan.

Other long-term employee benefits are employee benefits that do not fall due wholly within 12 months after the end of the financial period and include long-term compensation in the event of death, injury or illness.

Termination benefits generally include indemnities for voluntary redundancy and are expected to be settled within 12 months of the reporting period.

**(i) Financial liabilities**

*Other financial liabilities*

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

Payables and accruals arising from the purchase of goods and services are recognized initially at fair value and subsequently measured at amortized cost when goods are delivered or services are rendered and accepted by UN-Women. Liabilities are stated at invoice amounts less payment discounts at the reporting date. The liability is estimated where invoices are not available at the reporting date.

Other liabilities include deferred income, representing funds received in advance for future years from multi-year donor agreements which are apportioned by calendar year over the period of the agreement and recognized when conditions are met. Other payables represent reimbursable services rendered by the United Nations and United Nations agencies.

*Fair value through surplus or deficit financial liabilities*

Fair value through surplus or deficit financial liabilities are liabilities that are designated on initial recognition or are held for trading. They are initially recorded at fair value, and any transaction costs are expensed. The liabilities are measured at fair value again at each reporting date, and any resultant fair value gains or losses are recognized through surplus and deficit.

UN-Women classifies derivatives as financial liabilities at fair value through surplus and deficit in the statement of financial performance. Derivatives are used to manage foreign exchange risk and are contracted with creditworthy counterparties. These include derivatives embedded in time deposits that permit the instrument to be repaid by counterparties in an alternative currency in exchange for a higher yield. The fair value of derivatives is obtained from counterparties and is compared to internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Liabilities in this category are classified as current liabilities if they are expected to be settled within 12 months of the reporting date. As at 31 December 2018, UN-Women had no open foreign exchange derivative instruments positions in this category and did not have any embedded derivatives requiring separate accounting at fair value through surplus or deficit in the statement of financial performance. UN-Women does not apply hedge accounting for derivatives.

**(j) Provisions and contingent liabilities**

Provisions are made for future liabilities and charges where UN-Women has a present legal or constructive obligation as a result of past events, it is probable that UN-Women shall be required to settle the obligation and a reliable estimate can be made of the obligation.

Other obligations, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their

existence shall be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of UN-Women and the liability can be reliably estimated.

**(k) Commitments**

Commitments are future expenses to be incurred by UN-Women on contracts entered into by the reporting date and that the Entity 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 UN-Women in a future period, non-cancellable minimum lease payments and other non-cancellable commitments. The value of commitments as at 31 December 2018 is not recognized in the statement of financial position but is disclosed in the notes to financial statements. Commitments related to employment contracts are excluded from this disclosure.

**Note 3**

**Change in accounting policy**

UN-Women conducted the annual review of useful lives of assets for the financial year ended 31 December 2018. On the basis of the review, it was decided that the useful lives for four categories of assets would be amended prospectively from 1 May 2019. The estimated useful life range for communications and information technology equipment changed, from 5–6 years to 6–8 years; for vehicles from 7 years to 9 years; for furniture from 8 to 10 years; and for office equipment from 5 to 7 years.

**Note 4**

**Critical accounting estimates and judgments**

The preparation of financial statements in accordance with IPSAS necessarily includes the use of accounting estimates and management assumptions and judgment. The areas where estimates, assumptions or judgment are significant to the financial statements of UN-Women include, but are not limited to, post-employment benefits obligations, provisions, financial risk on accounts receivable and advances, accrued charges, contingent assets and liabilities, and degree of impairment of accounts receivable, advances, investments and property, plant and equipment. Actual results could differ from those estimates. Changes in estimates are recognized in the period in which they became known.

**Note 5**

**Segment reporting**

Segment reporting is required to evaluate an entity's past performance and to make decisions about an entity's future allocation of resources. UN-Women reports the following segments:

- (a) The regular resources segment reflects the operations of voluntarily donated funds to UN-Women to be used to achieve the mandate of UN-Women at the discretion of the Executive Director of UN-Women;
- (b) The other resources segment represents earmarked voluntarily donated funds to UN-Women for specific projects;
- (c) The assessed resources segment represents sums assessed on Member States and transferred to UN-Women by the General Assembly.

Inter-segment transactions are disclosed in the segment reporting but eliminated in the statement of financial position and statement of financial performance.

**Statement of financial position by segment as at 31 December 2018**

(Thousands of United States dollars)

	2018			Total	31 December 2017
	Regular resources	Other resources	Assessed resources		
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	21 470	35 653	172	57 295	71 176
Investments	83 545	132 514	877	216 936	104 163
Accounts receivable	249	18 595	660	19 504	41 584
Advances	3 134	31 725	22	34 881	31 424
Other assets	3 429	738	1 182	5 349	19 609
Inventories	13	–	–	13	34
<b>Current assets</b>	<b>111 840</b>	<b>219 225</b>	<b>2 913</b>	<b>333 978</b>	<b>267 990</b>
<b>Non-current assets</b>					
Investments	73 573	122 172	589	196 334	228 327
Other assets	7	–	–	7	7
Property, plant and equipment	8 025	2 985	9	11 019	11 145
Intangible assets	143	–	–	143	224
<b>Non-current assets</b>	<b>81 748</b>	<b>125 157</b>	<b>598</b>	<b>207 503</b>	<b>239 703</b>
<b>Total assets</b>	<b>193 588</b>	<b>344 382</b>	<b>3 511</b>	<b>541 481</b>	<b>507 693</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable	17 208	3 738	–	20 946	8 866
Employee benefits	8 023	3 689	913	12 625	11 482
Other liabilities	11 727	5 313	–	17 040	23 094
<b>Current liabilities</b>	<b>36 958</b>	<b>12 740</b>	<b>913</b>	<b>50 611</b>	<b>43 442</b>
<b>Non-current liabilities</b>					
Employee benefits	49 183	22 614	5 596	77 393	81 368
<b>Total liabilities</b>	<b>86 141</b>	<b>35 354</b>	<b>6 509</b>	<b>128 004</b>	<b>124 810</b>
<b>Net assets</b>	<b>107 447</b>	<b>309 028</b>	<b>(2 998)</b>	<b>413 477</b>	<b>382 883</b>
<b>Net assets/equity</b>					
Accumulated surplus/(deficit)	86 125	279 878	(1 678)	364 325	315 826
Current year surplus/(deficit)	(5 449)	31 227	(1 320)	24 458	39 635
Actuarial gains/(losses)	(29)	–	–	(29)	(12 975)
IPSAS reserve	–	–	–	–	12 814
Refunds to donors	–	(2 077)	–	(2 077)	(2 330)
Reserves	26 800	–	–	26 800	29 913
<b>Total net assets/equity</b>	<b>107 447</b>	<b>309 028</b>	<b>(2 998)</b>	<b>413 477</b>	<b>382 883</b>

Total net assets/equity in accordance with the statement of financial position by segment includes:



(a) Regular resources: the cash required to fund operations for the first few months of the new financial year while UN-Women waits for new voluntary contributions from donor Governments;

(b) Other resources: the unspent budgets for earmarked projects and programmes which will be expensed in future periods in accordance with donor agreements.

UN-Women costs for acquisitions of property, plant and equipment and intangible assets from both regular and other resources are summarized in the table below.

(Thousands of United States dollars)

	2018			2017
	Regular resources	Other resources	Total	
Property, plant and equipment	2 118	1 290	3 408	2 791
Intangible assets	4	–	4	13
<b>Total</b>	<b>2 122</b>	<b>1 290</b>	<b>3 412</b>	<b>2 804</b>

#### Statement of financial performance by segment for the year ended 31 December 2018

(Thousands of United States dollars)

	2018					2017
	Regular resources	Other resources	Assessed resources	Elimination	Total	
<b>Revenue</b>						
Contributions	149 031	235 264	8 032	–	392 327	368 964
Investment revenue	3 617	6 007	–	–	9 624	6 655
Other revenue	632	17 521	1 182	(17 175)	2 160	2 044
Exchange transactions revenue	–	607	–	–	607	587
<b>Total revenue</b>	<b>153 280</b>	<b>259 399</b>	<b>9 214</b>	<b>(17 175)</b>	<b>404 718</b>	<b>378 250</b>
<b>Expenses</b>						
Employee benefits	80 376	37 057	9 151	–	126 584	115 870
Contractual services	22 505	78 207	136	–	100 848	88 118
Grants and other transfers	–	10 845	–	–	10 845	9 118
Supplies and maintenance	2 397	6 968	154	–	9 519	10 203
Operating costs	33 067	67 933	922	(17 175)	84 747	76 301
Travel costs	13 850	23 378	164	–	37 392	30 455
Depreciation and amortization	2 594	747	3	–	3 344	3 174
Finance costs	145	122	–	–	267	258
Other expenses	3 795	2 915	4	–	6 714	5 118
<b>Total expenses</b>	<b>158 729</b>	<b>228 172</b>	<b>10 534</b>	<b>(17 175)</b>	<b>380 260</b>	<b>338 615</b>
<b>Surplus/(deficit) for the period</b>	<b>(5 449)</b>	<b>31 227</b>	<b>(1 320)</b>	<b>–</b>	<b>24 458</b>	<b>39 635</b>

The elimination items represent the indirect costs charged by UN-Women in relation to the management of other resources and are based on the rate of recovery of 8 per cent established by the Executive Board of UN-Women in its decision 2013/2

of 8 February 2013, with effect from 1 January 2014 (7 per cent in prior years). These indirect costs charged were recognized during the year as an increase in support cost income, and at year-end those amounts comprised the elimination items.

**Note 6**  
**Cash and cash equivalents**

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Cash in bank accounts	4 544	26 226
Petty cash	30	19
Money market, term deposits and commercial paper	52 721	44 931
<b>Total</b>	<b>57 295</b>	<b>71 176</b>

Cash and cash equivalents comprise balances held by field offices, money market account balances, term deposits and commercial paper with terms of less than three months. Cash required for immediate disbursement is maintained in cash and bank accounts. Money market and deposit accounts are available at short notice. Cash and cash equivalents relates to both regular resources and other resources.

**Note 7**  
**Investments**

(Thousands of United States dollars)

	<i>Closing balance 31 December 2018</i>	<i>Closing balance 31 December 2017</i>
<b>Current investments</b>		
Investments – held to maturity	216 786	104 071
Investments – available for sale	150	92
<b>Total current investments</b>	<b>216 936</b>	<b>104 163</b>
<b>Non-current investments</b>		
Investments – held to maturity	154 263	184 314
Investments – available for sale	42 071	44 013
<b>Total non-current investments</b>	<b>196 334</b>	<b>228 327</b>
<b>Total investments</b>	<b>413 270</b>	<b>332 490</b>

Investments include held-to-maturity and available-for-sale financial assets that are managed by UNDP and available-for-sale assets that are held and managed by external investment managers.

UN-Women had no impaired investments during the year. The exposure of UN-Women to credit risk, market risk and currency risks, and its risk management activities related to financial assets, including investments, are discussed in note 25.

The Entity's cash and cash equivalents and investments include funding for after-service health insurance, repatriation and death benefits in the amount of \$62.9 million, in accordance with note 15, operational reserve, in the amount of \$26.5 million, and field accommodation reserve, in the amount of \$1 million, in

accordance with note 18. Investments relate to both regular resources and other resources.

## 7.1

### Investments – held-to-maturity financial assets

(Thousands of United States dollars)

	<i>Closing balance 31 December 2017</i>	<i>Purchases</i>	<i>Maturities</i>	<i>Amortization</i>	<i>Unrealized gains/losses</i>	<i>Reclassification non-current to current</i>	<i>Closing balance 31 December 2018</i>	<i>Fair value</i>
<b>Current investments</b>								
Money-market instruments	10 000	150 000	(95 000)	–	–	–	65 000	65 000
Bonds and notes	94 071	4 993	(94 066)	1	–	146 787	151 786	151 446
<b>Subtotal</b>	<b>104 071</b>	<b>154 993</b>	<b>(189 066)</b>	<b>1</b>	<b>–</b>	<b>146 787</b>	<b>216 786</b>	<b>216 446</b>
<b>Non-current investments</b>								
Bonds and notes	184 315	116 516	–	220	–	(146 787)	154 264	153 713
<b>Subtotal</b>	<b>184 315</b>	<b>116 516</b>	<b>–</b>	<b>220</b>	<b>–</b>	<b>(146 787)</b>	<b>154 264</b>	<b>153 713</b>
<b>Total investments held to maturity</b>	<b>288 386</b>	<b>271 509</b>	<b>(189 066)</b>	<b>221</b>	<b>–</b>	<b>–</b>	<b>371 050</b>	<b>370 159</b>

Held-to-maturity financial assets are carried at amortized cost calculated by using the effective interest method. As at 31 December 2018, the fair value of those assets was lower than the book value by \$0.891 million. Fair values are based on quoted market prices from reputable vendors. The average yield on investments for 2018 was 1.94 per cent (2017: 1.39 per cent).

## 7.2

### Investments – available-for-sale financial assets

(Thousands of United States dollars)

	<i>Closing balance 31 December 2018</i>	<i>Closing balance 31 December 2017</i>
<b>Current investments</b>		
Bonds	150	92
<b>Total current investments</b>	<b>150</b>	<b>92</b>
<b>Non-current investments</b>		
Equities	25 806	23 780
Equities – fair value adjustments	(291)	4 150
Bonds	17 096	16 078
Bonds – fair value adjustments	(541)	5
<b>Total non-current investments</b>	<b>42 070</b>	<b>44 013</b>
<b>Total available-for-sale investments</b>	<b>42 220</b>	<b>44 105</b>

Available-for-sale financial assets represent investments managed by external investment managers for after-service health insurance (see notes 7 and 25).

**Note 8**  
**Accounts receivable**

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Contributions receivable	19 504	41 866
Less: allowance for impairment of receivables	–	(282)
<b>Total accounts receivable</b>	<b>19 504</b>	<b>41 584</b>

Contributions receivable represents uncollected revenue committed to UN-Women by donors. The allowance for impairment on receivables is calculated based on an aged analysis of the outstanding balance.

**Note 9**  
**Advances**

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Advances provided to United Nations agencies	6 558	4 506
Advances provided to other partners	26 537	25 262
<i>Shown by fund type:</i>		
Regular resources (unearmarked)	1 148	1 413
Other resources (earmarked)		
Cost-sharing	16 582	12 686
Trust Fund to End Violence against Women	7 592	8 988
Fund for Gender Equality	1 215	2 175
Less: Allowance for impairment of advances to partners	(67)	(153)
<b>Subtotal</b>	<b>33 028</b>	<b>29 615</b>
Advances to staff	1 853	1 809
<b>Total advances</b>	<b>34 881</b>	<b>31 424</b>

Advances from non-exchange transactions relates to transfers made to partners in connection with programme execution, and to staff. Such advances are recognized as an asset and are stated at historical cost less an allowance for impairment.

Advances to partners are reduced and expenses are recognized when certified expense reports are received from partners. As at 31 December 2018, approximately 99.4 per cent of the total outstanding advances provided to partners are aged less than 12 months and relate to implementation of programmatic activities.

Advances to staff include salary and rental advances and prepaid education grants, which are generally settled within a 12-month period.

**Note 10**  
**Other assets**

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
<b>Current assets</b>		
Interest and dividends receivable	2 248	1 691
Derivative assets	–	11 196
Security deposit	–	4
Receivables from United Nations agencies:		
United Nations Development Programme	–	3 525
Miscellaneous accounts receivable	3 101	3 193
<b>Subtotal</b>	<b>5 349</b>	<b>19 609</b>
<b>Non-current assets</b>		
Security deposit	7	7
<b>Subtotal</b>	<b>7</b>	<b>7</b>
<b>Total other assets</b>	<b>5 356</b>	<b>19 616</b>

Miscellaneous accounts receivable includes value added tax/sales tax, rental and tax reimbursements due from the United Nations, miscellaneous receivables due and expenditures paid in advance.

**Note 11**  
**Inventories**

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
No-charge technical publications	13	34
<b>Total inventories</b>	<b>13</b>	<b>34</b>

**Note 12**  
**Property, plant and equipment**

(Thousands of United States dollars)

	<i>Building</i>	<i>Communication and information technology equipment</i>	<i>Furniture and fixtures</i>	<i>Vehicles</i>	<i>Heavy machinery/ equipment</i>	<i>Security equipment</i>	<i>Leasehold improvements</i>	<i>Total</i>
<b>At 31 December 2017</b>								
Cost	1 954	8 752	1 088	8 848	1 176	799	2 367	24 984
Accumulated depreciation	(409)	(5 337)	(620)	(5 070)	(778)	(470)	(1 155)	(13 839)
<b>Net book value</b>	<b>1 545</b>	<b>3 415</b>	<b>468</b>	<b>3 778</b>	<b>398</b>	<b>329</b>	<b>1 212</b>	<b>11 145</b>
<b>Movements year to 31 December 2018</b>								
Additions	18	1 843	74	988	56	60	632	3 671
Receipt accrual	–	–	(1)	–	–	–	–	(1)
Cost adjustments	(19)	(23)	(3)	(61)	2	(3)	(153)	(260)
Transfers	294	–	–	(294)	–	–	–	–
Transfers – accumulated depreciation	(46)	–	–	46	–	–	–	–
Retirements	–	(544)	(23)	(243)	(41)	(11)	(78)	(940)
Retirements – accumulated depreciation	–	482	7	90	40	11	37	667
Depreciation	(205)	(1 294)	(129)	(929)	(163)	(121)	(422)	(3 263)
<b>Closing net book value as at 31 December 2018</b>	<b>1 587</b>	<b>3 879</b>	<b>393</b>	<b>3 375</b>	<b>292</b>	<b>265</b>	<b>1 228</b>	<b>11 019</b>
<b>At 31 December 2018</b>								
Cost	2 247	10 028	1 135	9 238	1 193	845	2 768	27 454
Accumulated depreciation	(660)	(6 149)	(742)	(5 863)	(901)	(580)	(1 540)	(16 435)
<b>Net book value</b>	<b>1 587</b>	<b>3 879</b>	<b>393</b>	<b>3 375</b>	<b>292</b>	<b>265</b>	<b>1 228</b>	<b>11 019</b>

Assets are reviewed annually to determine if there is any impairment in their value, and as at 31 December 2018 UN-Women did not have any impairment on property, plant and equipment. UN-Women holds fully depreciated property, plant and equipment which is still in use, with a cost of \$4.5 million as at 31 December 2018.

**Note 13**  
**Intangible assets**

(Thousands of United States dollars)

	<i>Externally acquired software</i>	<i>Total</i>
<b>At 31 December 2017</b>		
Cost	403	403
Accumulated amortization	(179)	(179)
<b>Closing net book value as at 31 December 2017</b>	<b>224</b>	<b>224</b>
<b>Movements year to 31 December 2018</b>		
Additions	13	13
Cost adjustments	(9)	(9)
Retirements	(5)	(5)
Amortization	(80)	(80)
<b>Closing net book value as at 31 December 2018</b>	<b>143</b>	<b>143</b>
<b>At 31 December 2018</b>		
Cost	403	403
Accumulated amortization	(260)	(260)
<b>Net book value</b>	<b>143</b>	<b>143</b>

**Note 14**  
**Accounts payable**

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Payables to third parties	4 865	6 965
Payables to United Nations agencies		
United Nations Development Programme	13 955	–
United Nations Capital Development Fund	6	1
United Nations Population Fund	249	189
Accruals	1 871	1 711
<b>Total accounts payable</b>	<b>20 946</b>	<b>8 866</b>

Payables to third parties are related to amounts due for goods and services for which invoices have been received. Payables to United Nations agencies represent expenditures incurred on behalf of UN-Women which are settled in the following year.

Accruals represent estimates for the value of goods or services received, for which invoices have not yet been received and for which the liability has occurred and can be reasonably estimated.

**Note 15**  
**Employee benefits**

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
<b>Current employee benefits</b>		
Accrued annual leave	9 617	8 291
Accrued home leave	1 453	1 405
After-service health insurance	607	503
Repatriation benefits	931	1 269
Death benefit	17	14
<b>Subtotal</b>	<b>12 625</b>	<b>11 482</b>
<b>Non-current employee benefits</b>		
After-service health insurance	63 631	67 450
Repatriation benefits	13 612	13 760
Death benefit	150	158
<b>Subtotal</b>	<b>77 393</b>	<b>81 368</b>
<b>Total employee benefits</b>	<b>90 018</b>	<b>92 850</b>

**(a) Current employee benefits**

The current portion of employee benefits includes annual leave and home leave calculated in accordance with the United Nations Staff Rules and Regulations. Also included are the current portions of accrued after-service health insurance, repatriation benefits and death benefits, as determined by actuarial valuation.

**(b) Non-current employee benefits**

The non-current portion of employee benefits includes the non-current portions of after-service health insurance, repatriation benefits and death benefits, as determined by actuarial valuation.

**Actuarial valuations**

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

The actuarial valuation for after-service health insurance, repatriation benefits and death benefits was prepared for the purpose of providing results for financial disclosure and reporting as at 31 December 2018 in accordance with IPSAS 39: Employee benefits.

**After-service health insurance**

UN-Women provides end-of-service medical benefits for its eligible former staff members and their dependants in the form of insurance premiums for the medical and accident insurance plan. Eligible former staff members are 55 years of age and older and have 5 or more years of service for staff hired before 1 July 2007, or 10 or more years of service for staff hired on or after 1 July 2007 of contributory health insurance coverage prior to retirement.



The non-current portion of after-service health insurance of \$63.6 million includes an obligation for active staff not yet fully eligible amounting to \$40.2 million, which represents active employees who are not yet eligible as at the valuation date and are determined assuming that some portion of each employee group will leave UN-Women prior to meeting the age and service requirements.

The plan is funded to the amount of \$55.1 million as at 31 December 2018, and a funding plan for providing 8 per cent commenced from 1 January 2014. The majority of the assets held to support the plan are separately invested in an after-service health insurance investment account by external fund managers (see notes 7 and 25).

The present value of the defined benefit obligations for post-employment medical insurance is determined using the projected unit credit method, including discounting the estimated future cash outflows.

### **Repatriation benefits**

UN-Women provides end-of-service repatriation benefits (grant and travel and shipment of personal effects) for its eligible staff members and their dependants upon separation. Eligible staff are international appointments who have been separated from active service after qualifying service of one year or longer, who resided at the last duty station outside their country of nationality and have not been summarily dismissed or separated from service on grounds of abandonment of post.

The non-current portion of repatriation benefits of \$13.6 million includes an obligation for active staff not yet fully eligible amounting to \$13.6 million, which represents active employees who are not yet eligible as at the valuation date and which is determined assuming that some portion of each employee group will leave UN-Women prior to meeting the age and service requirements.

The plan is funded to the amount of \$7.7 million as at 31 December 2018, and a funding plan for providing 3.75 per cent commenced from 1 January 2014. The assets held to support the plan are included in the pool of investments of UN-Women (see note 7).

### **Death benefits**

Death benefit is a post-employment defined-benefit plan. The obligation to provide this entitlement is generated when eligible employees report for service. The payment is made upon the death of an employee who leaves behind a surviving spouse or a dependent child. Staff members on full-time continuous service, on fixed-term, or continuing or permanent appointment are eligible to receive death benefits provided that the staff members are married or have dependent children at their death. No benefit is payable in the case of staff members who are unmarried and/or without recognized dependent children. The plan is fully funded to the amount of \$0.2 million as at 31 December 2018 and the assets held to support the plan are included in the pool of investments of UN-Women (see note 7).

The movement in the present value of the defined benefit in accordance with the actuarial valuation was as follows:

(Thousands of United States dollars)

	<i>After-service health insurance</i>	<i>Repatriation benefits</i>	<i>Death benefit</i>
<b>Net defined benefit obligation at the beginning of the year</b>	<b>67 953</b>	<b>15 029</b>	<b>173</b>
<b>Increase of the obligation</b>			
Service cost	5 955	1 399	15
Interest on obligation	2 701	517	6
Actuarial loss/(gain)	(11 848)	(1 087)	(11)
<b>Decrease of the obligation</b>			
Benefit payments	(523)	(1 315)	(16)
<b>Net recognized liability at the end of the year</b>	<b>64 238</b>	<b>14 543</b>	<b>167</b>

The benefit payments set out in the table above are estimated on the basis of the 2017 year-end actuarial valuations. As at 31 December 2018, actual benefit payments made by UN-Women were after-service health insurance in the amount of \$0.4 million and repatriation benefits in the amount of \$0.6 million. No payments related to death benefits were made.

The annual expense amounts recognized in the statement of financial performance are as follows:

(Thousands of United States dollars)

	<i>After-service health insurance</i>	<i>Repatriation benefits</i>
Service cost	5 955	1 399
Interest on obligation	2 701	517
<b>Total expenses recognized</b>	<b>8 656</b>	<b>1 916</b>

### Actuarial assumptions

The end-of-service liabilities were valued using yield curves provided by Aon Hewitt as at 31 December 2018 in order to maintain consistency in actuarial assumptions across the United Nations system. Actuarial valuations were performed using the full discount curves, and once the results were obtained, single equivalent discount rates per scheme were determined for disclosure purposes.

The single equivalent discount rates determined for each scheme are as follows:

<i>Single equivalent discount rates</i>	<i>2018</i>	<i>2017</i>
After-service health insurance	4.72%	3.99%
Repatriation benefits	4.29%	3.6%
Death benefits	4.21%	3.53%

A review was conducted by the actuary of a number of sources and the long-term rate of inflation assumption was based on 2.20 per cent. Other actuarial assumptions were:

Health-care cost trend rates (varies by medical plan)	3.05–3.85%
Salary increase rate (varies by age and staff category)	3.5–9.3%
Per capita claim cost (varies by age)	\$1 142–\$17 276

Benefits under the after-service health insurance plans are attributed in proportion to the years of service from date of hire until full eligibility date, in accordance with the straight-line basis method. Repatriation benefits are attributed based on the benefit formula. Benefits under the death benefit plan are attributed in proportion to the years of service from the date of hire until full eligibility date, in accordance with the straight-line basis method.

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

<i>Rates of death – Pre-retirement</i>	<i>At age 20</i>	<i>At age 69</i>
Male	0.00056	0.00718
Female	0.00031	0.00435
<i>Rates of death – Post-retirement</i>	<i>At age 20</i>	<i>At age 70</i>
Male	0.00062	0.00913
Female	0.00035	0.00561
<i>Rate of retirement – Professionals with 30 or more years of experience</i>	<i>At age 55</i>	<i>At age 70</i>
Male	0.25	1.00
Female	0.25	1.00

### Sensitivity analysis

If the assumptions described above were to change, in accordance with the actuarial report, this would have an impact on the measurement of defined benefit obligations and current service and interest costs as shown in the table below.

(Thousands of United States dollars)

	<i>Change</i>	<i>After-service health insurance</i>	<i>Repatriation benefits</i>	<i>Death benefits</i>
<b>Impact of change in assumptions</b>		64 238	14 543	167
Discount rate sensitivity to end-of-year liability				
Increase of discount rate by	1%	(13 279)	(1 437)	(14)
As a percentage of end-of-year liability		-21%	-10%	-9%
Decrease of discount rate by	(1%)	18 185	1 698	16
As a percentage of end-of-year liability		28%	12%	10%
<b>Effect of change in assumed health-care cost trend rates</b>				
Effect on year-end accumulated post-employment benefit obligation				
Increase of health-care cost trend rate by	1%	18 314	Not applicable	Not applicable
Decrease of health-care cost trend rate by	(1%)	(13 588)	Not applicable	Not applicable
Effect on combined service and interest cost components on net				
Increase of health-care cost trend rate by	1%	2 734	Not applicable	Not applicable
Decrease of health-care cost trend rate by	(1%)	(1 969)	Not applicable	Not applicable

The best estimate of contributions expected by UN-Women to be paid for the next 12 months for after-service health insurance is \$0.6 million, and for repatriation benefits, \$1 million.

#### United Nations Joint Staff Pension Fund

The Regulations of the Pension Fund state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

The financial obligation of UN-Women to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations), together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are payable only if and when the Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each 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, a roll forward of the participation data as at 31 December 2013 to 31 December 2016 was used by the Fund for its financial statements for 2016.

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

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

Should article 26 be invoked owing to an actuarial deficiency, either during the ongoing operation or due to the termination of the United Nations Joint Staff Pension Fund pension plan, deficiency payments required from each member organization would be based on the proportion of that member organization's contributions to the total contributions paid to the Pension Fund during the three years preceding the valuation date. Total contributions paid to the Pension Fund during the preceding three years (2015, 2016 and 2017) amounted to USD 6,931.39 million, of which 0.6 per cent was contributed by the Agency

During 2018, the Entity's contributions paid to the Pension Fund amounted to \$15.2 million (2017: \$14.2 million).

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

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

## Note 16 Other liabilities

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
Deferred income	1 307	317
Funds received in advance	2 908	695
Investment settlements payable	27	11 347
Other accruals	11 677	9 999
Other payables	1 121	736
<b>Other current liabilities</b>	<b>17 040</b>	<b>23 094</b>

Deferred income represents funds received for future years from multi-year donor agreements, which are apportioned by calendar year over the period of the agreement and recognized when timing conditions are met. Funds received in advance represents funds held pending the signing of donor agreements or payment.

Investment settlements payable represent a foreign exchange trade, completed in January 2019 (2017: February 2018). Other accruals represent funds accrued for payments relating to security, learning, information and communications technology, audit and reimbursements due to United Nations jointly funded activities. Other payables represent refunds pending to donors and other liabilities.

**Note 17**  
**Accumulated surplus or deficit**

The movement in the accumulated surplus or deficit during the year is shown below.

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
<b>Accumulated surplus/(deficit) at the beginning of the year</b>	<b>352 970</b>	<b>321 607</b>
Current-year surplus/(deficit)	24 458	39 635
Transfer to operational reserve	(1 620)	–
Refunds to donors	(2 077)	(2 330)
Actuarial gain/(loss)	12 946	(5 942)
<b>Accumulated surplus/(deficit) at the end of the year</b>	<b>386 677</b>	<b>352 970</b>

**(a) IPSAS reserve**

The accumulated surplus includes a balance of \$12.8 million relating to IPSAS reserves. There were no adjustments to the IPSAS reserves during the year.

**(b) Refunds to donors**

Refunds to donors represents funds returned to donors in accordance with agreements after the completion of activities for projects and programmes.

**(c) Actuarial gains or losses**

Actuarial gains relating to after-service health insurance and repatriation benefit obligations in the amount of \$12.9 million are accounted for using the “reserve recognition” approach and are recognized through net assets in the statement of financial position and in the statement of changes in net assets in the year in which they occur (see note 15).

**Note 18**  
**Reserves**

The movement in the reserves during the year is shown below.

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>Movements</i>	<i>31 December 2017</i>
Operational reserve	26 520	1 620	24 900
Field accommodation reserve	1 000	–	1 000
Changes in fair value of available-for-sale investments	(720)	(4 733)	4 013
<b>Total reserves</b>	<b>26 800</b>	<b>(3 113)</b>	<b>29 913</b>

**(a) Operational reserve**

UN-Women maintains an operational reserve of \$26.5 million, the purpose of which is to guarantee the financial viability and integrity of the agency. An increase of \$1.62 million was made to the operational reserve in 2018. The reserve is fully funded and held in irrevocable and promptly available liquid assets which are included in the pool of investments of UN-Women. The elements to be compensated for and covered by it shall be limited to downward fluctuations or shortfalls in resources: uneven cash flows; increases in actual costs as compared to planning estimates or fluctuations in delivery; and other contingencies that result in a loss of resources for which UN-Women has made commitments for programming.

**(b) Field accommodation reserve**

A reserve for field office accommodation of \$1 million was established in accordance with Executive Board decision 2012/8. With the establishment of regional offices and the ongoing potential for increased participation in United Nations common premises, UN-Women may incur additional costs to finance its share. UN-Women can make drawdowns from the reserve, which will be replenished from the accumulated surplus on an annual basis.

**Note 19**  
**Voluntary contributions**

(Thousands of United States dollars)

	2018	2017
Contributions	382 924	359 030
Contributions in kind	1 371	1 620
<b>Total voluntary contributions</b>	<b>384 295</b>	<b>360 650</b>

In-kind contributions representing rent provided by Governments and United Nations agencies amounted to \$1.4 million. In-kind services provided to UN-Women during the year amounted to \$7.2 million (2017: \$7.8 million) and are not recorded as income in these financial statements, in accordance with the accounting policies of UN-Women.

**Note 20**  
**Assessed contributions**

(Thousands of United States dollars)

	2018	2017
Assessed contributions	8 032	8 314
<b>Total assessed contributions</b>	<b>8 032</b>	<b>8 314</b>

Assessed contributions are issued as an annual allotment from the United Nations regular budget.

**Note 21**  
**Investment revenue**

(Thousands of United States dollars)

	2018	Restated 2017
Interest revenue	8 955	7 123
Amortization on investments	173	(962)
Dividend income	496	494
<b>Total investment income</b>	<b>9 624</b>	<b>6 655</b>

Amortization on investments relates to the net bond income balance from amortizing of premiums (debit) and discounts (credit). These premiums and discounts are part of the initial purchase price of bonds and, in observance of accrual accounting principle, are amortized to maturity or call. A credit has resulted because the average bond portfolio during 2018 was overwhelmingly composed of discounted bonds.

**Note 22**  
**Other revenue**

(Thousands of United States dollars)

	2018	2017
Currency exchange gains	756	923
Miscellaneous revenue	1 350	1 121
Fees and support services	17 229	13 686
Less elimination	(17 175)	(13 686)
<b>Total other revenue</b>	<b>2 160</b>	<b>2 044</b>

Miscellaneous revenue represents reimbursement of rent from the United Nations Secretariat, reimbursement from other United Nations entities for provision of services and miscellaneous revenue. The indirect costs charged by UN-Women in relation to the management of other resources are based on the rate of recovery established by the Executive Board and were recognized during the year as an increase in fees and support services revenue, and at year-end those amounts comprised the elimination items (see Note 5).

**Note 23**  
**Exchange transactions revenue**

(Thousands of United States dollars)

	2018	2017
Exchange transactions revenue	607	587
<b>Total exchange transactions revenue</b>	<b>607</b>	<b>587</b>

Revenue from exchange transactions represents the delivery of products, training and technical support for gender equality courses, to other United Nations entities, Governments, civil society organizations and the general public.



**Note 24**  
**Expenses**

(Thousands of United States dollars)

	2018	2017
<b>Employee benefits</b>		
Salary and wages	84 915	79 354
Pension benefits	15 245	14 211
Post-employment and termination benefits	11 320	10 015
Leave benefits	2 550	1 696
Other employee benefits	12 554	10 593
Related agency costs	–	1
<b>Subtotal</b>	<b>126 584</b>	<b>115 870</b>
<b>Contractual services</b>		
Contract services with individuals	69 750	60 284
Contract services with companies	28 434	25 669
United Nations Volunteers costs	2 664	2 165
<b>Subtotal</b>	<b>100 848</b>	<b>88 118</b>
<b>Grants and other transfers</b>	<b>10 845</b>	<b>9 118</b>
<b>Supplies and maintenance</b>		
Maintenance and non-capitalized property	5 681	6 683
Maintenance and non-capitalized information technology and communications equipment	1 518	1 411
Maintenance and non-capitalized software and licences	1 333	996
Consumables	987	1 113
<b>Subtotal</b>	<b>9 519</b>	<b>10 203</b>
<b>Operating costs</b>		
Communication costs	15 193	15 115
Learning, training and recruitment costs	32 038	26 370
Support services paid to United Nations agencies	7 910	8 175
Insurance/warranties	169	168
Rent, leases, utilities	19 423	17 137
Professional services	1 553	2 165
Freight costs	149	83
Other operating costs	6 124	5 056
General management costs	2 188	2 032
<b>Subtotal</b>	<b>84 747</b>	<b>76 301</b>
<b>Travel costs</b>		
Tickets	14 992	11 779
Daily subsistence allowance	19 259	15 717

	2018	2017
Other	3 141	2 959
<b>Subtotal</b>	<b>37 392</b>	<b>30 455</b>
<b>Depreciation and amortization</b>	<b>3 344</b>	<b>3 174</b>
<b>Finance costs</b>		
Bank charges	267	258
<b>Subtotal</b>	<b>267</b>	<b>258</b>
<b>Other expenses</b>		
Stationery and other project expenses	2 629	4 060
Currency exchange losses	4 142	1 011
Losses on property, plant and equipment	264	64
Impairment and prior and current period write-offs	(321)	(17)
<b>Subtotal</b>	<b>6 714</b>	<b>5 118</b>
<b>Total expenses</b>	<b>380 260</b>	<b>338 615</b>

Allowance for impairment of advances to partners under “other expenses” is a negative balance in 2018 owing to the reduction in the allowance from 2017 and a reversal of 2017 impairment of accounts receivable.

## Note 25

### Financial risks

The investment activities of UN-Women are carried out by UNDP under a service-level agreement. Under the terms of the agreement, UNDP applies its investment guidelines and governance framework for the benefit of UN-Women. Investments are registered in the name of UN-Women with marketable securities held by a custodian appointed by UNDP.

The principal objectives of the investment guidelines (listed in order of importance) are:

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

The UNDP investment committee, comprising senior management, meets quarterly to review investment portfolio performance and ensure that investment decisions have complied with the established investment guidelines. UN-Women receives a detailed monthly and quarterly investment performance report from UNDP which shows the composition and performance of the investment portfolio. The Director of Management and Administration, the Deputy Director of Financial Management and the Chief of Budget meet with the UNDP Treasury each quarter to review the investment portfolio performance of UN-Women and provide updated cash flow projections.

In 2016, UN-Women outsourced a portion of the investment management of its after-service health insurance funds. This was done to ensure an adequate level of

investment return given the longer-term nature of the liabilities. Holdings may include cash and cash equivalents, equities and fixed-income securities. As at 31 December 2018, this portfolio was classified as available for sale.

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

UN-Women is susceptible to a variety of financial risks arising from financial instruments to which the Organization is exposed, including:

- (a) Credit risk – the possibility that third parties may not pay amounts when due;
- (b) Liquidity risk – the possibility that UN-Women might not have adequate funds to meet its current obligations as they fall due;
- (c) Market risk – the possibility that UN-Women might incur significant financial losses owing to unfavourable movements in foreign currency exchange rates, interest rates and prices of investment securities.

The tables below show the value of financial assets outstanding at year-end based on the IPSAS classifications adopted by UN-Women.

(Thousands of United States dollars)

	<i>Held to maturity</i>	<i>Available for sale</i>	<i>Receivables</i>	<i>Fair value through surplus or deficit</i>	<i>31 December 2018</i>	<i>31 December 2017</i>
Cash and cash equivalents	–	–	57 295	–	57 295	71 176
Investments	371 050	42 220	–	–	413 270	332 490
Accounts receivable	–	–	19 504	–	19 504	41 584
Advances	–	–	34 881	–	34 881	31 424
Other assets	–	–	5 356	–	5 356	19 616
<b>Total financial assets</b>	<b>371 050</b>	<b>42 220</b>	<b>117 036</b>	<b>–</b>	<b>530 306</b>	<b>496 290</b>

Held-to-maturity financial assets are carried at amortized cost and, as at 31 December 2018, the market value of those assets was lower than book value by \$0.891 million. The carrying values for loans and receivables are a reasonable approximation of their fair value. As at 31 December 2018, available-for-sale assets were carried at fair market value based on quoted prices obtained from knowledgeable third parties. UN-Women had no outstanding balances of financial assets classified as fair value through surplus or deficit.

The tables below show the value of financial liabilities outstanding at year-end based on the IPSAS classifications adopted by UN-Women.

(Thousands of United States dollars)

	<i>Other financial liabilities</i>	<i>Fair value through surplus or deficit</i>	<i>31 December 2018</i>	<i>31 December 2017</i>
Accounts payable	20 946	–	20 946	8 866
Other liabilities	17 040	–	17 040	23 094
<b>Total financial liabilities</b>	<b>37 986</b>	<b>–</b>	<b>37 986</b>	<b>31 960</b>

As at 31 December 2018, UN-Women had no outstanding financial liabilities recorded at fair value through surplus or deficit. The carrying value of other financial liabilities is a reasonable approximation of their fair value.

### Credit risk

UN-Women is exposed to credit risk on its outstanding financial asset balances, primarily cash and cash equivalents, investments, receivables from contributions, advances and other receivables.

UN-Women operates bank accounts in five currencies and in four countries: Norway, Sweden, the United Kingdom of Great Britain and Northern Ireland and the United States of America. For other currencies, UN-Women uses the bank accounts of UNDP and relies upon the risk management processes of UNDP. UN-Women is exposed to default risk of those financial institutions.

With regard to its financial instruments, the UNDP investment guidelines limit the amount of credit exposure to any one counterparty and include minimum credit quality requirements. The credit risk mitigation strategies stated in the investment guidelines include conservative minimum credit criteria of investment grade for all issuers with maturity and counterparty limits by credit rating. The investment guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible investments are limited to fixed income instruments of sovereigns, supnationals, governmental or federal agencies, and banks. Investment activities are carried out by UNDP and UN-Women offices are not authorized to perform investment activities.

Credit ratings from the three leading credit rating agencies, Moody's, Standard & Poor's and Fitch, are used to evaluate credit risk of financial instruments. As at 31 December 2018, the financial investments of UN-Women were in investment grade instruments, as shown in the table below (presented using Standard & Poor's rating convention).

### Credit ratings of investments under UNDP management

(Thousands of United States dollars)

<i>31 December 2018</i>	<i>AAA</i>	<i>AA+</i>	<i>AA-</i>	<i>AA</i>	<i>A+</i>	<i>A</i>	<i>Total</i>
Money-market instruments	–		–		30 000	35 000	65 000
Bonds and notes	163 491	59 428	41 816	36 316	4 999		306 050
<b>Total</b>	<b>163 491</b>	<b>59 428</b>	<b>41 816</b>	<b>36 316</b>	<b>34 999</b>	<b>35 000</b>	<b>371 050</b>

31 December 2017	AAA	AA+	AA-	AA	A+	A	Total
Money-market instruments	–	–	–	10 000	–	–	10 000
Bonds and notes	152 498	14 957	56 020	29 910	9 999	15 001	278 385
<b>Total</b>	<b>152 498</b>	<b>14 957</b>	<b>56 020</b>	<b>39 910</b>	<b>9 999</b>	<b>15 001</b>	<b>288 385</b>

### Credit ratings of investments under external investment managers

(Thousands of United States dollars)

31 December 2018	AAA	AA+	AA-	A+	A	A-	BBB+	BBB	US Treasury	Not Rated	Total
Bonds and notes	181	159	150	496	167	167	366	410	1 282	13 327	16 705
<b>Total</b>	<b>181</b>	<b>159</b>	<b>150</b>	<b>496</b>	<b>167</b>	<b>167</b>	<b>366</b>	<b>410</b>	<b>1 282</b>	<b>13 327</b>	<b>16 705</b>

31 December 2017	AAA	AA+	AA-	A+	A	BBB+	BBB	US Treasury	Not Rated	Total
Bonds and notes	188	271	212	353	261	1 102	336	2 003	11 357	16 083
<b>Total</b>	<b>188</b>	<b>271</b>	<b>212</b>	<b>353</b>	<b>261</b>	<b>1 102</b>	<b>336</b>	<b>2 003</b>	<b>11 357</b>	<b>16 083</b>

For other resources, the financial regulations and rules of UN-Women require that expenditures be incurred only after receipt of funds from the donor, thereby considerably reducing the financial risk to the organization with regard to contributions receivable.

### Liquidity risk

Liquidity risk is the risk that UN-Women will encounter difficulty in meeting its obligations associated with accounts payable, other liabilities and promised transfers of cash to programmes. UN-Women does not have significant liquidity risks, as its operations and investments are managed in accordance with its budget and with due consideration of cash requirements for operating purposes.

Investments are made with due consideration to cash requirements for operating purposes based on cash flow forecasting. The investment approach considers the timing of future funding needs of the organization when selecting investment maturities. UN-Women maintains a portion of its cash and investments in cash and cash equivalents (12 per cent) and current investments (46 per cent) sufficient to cover its commitments as and when they fall due, as shown in the table below and in notes 6 and 7.

(Thousands of United States dollars)

	31 December 2018	Percentage	31 December 2017	Percentage
Cash balances	4 574	1	26 245	7
Cash equivalents	52 721	11	44 931	11
<b>Total cash and cash equivalents (net)</b>	<b>57 295</b>	<b>12</b>	<b>71 176</b>	<b>18</b>
<b>Investments</b>				
Current investments	216 936	46	104 163	26
Non-current investments	196 334	42	228 327	56
<b>Total current and non-current investments</b>	<b>413 270</b>	<b>88</b>	<b>332 490</b>	<b>82</b>
<b>Total investments cash and cash equivalents</b>	<b>470 565</b>	<b>100</b>	<b>403 666</b>	<b>100</b>

**Market risk**

Market risk is the risk that UN-Women is exposed to potential financial losses owing to unfavourable movements in market prices of financial instruments, including movements in interest rates, exchange rates and prices of securities.

*Interest rate risk*

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

- (a) Fair value of financial assets and liabilities;
- (b) Future cash flows.

A portion (10.2 per cent) of the Entity's investment portfolio is classified as available-for-sale investments that are carried at fair value through net assets/equity, which expose UN-Women to interest rate risk. However, a significant portion (89.8 per cent) of the investment portfolio is classified as held-to-maturity, which is not marked-to-market. Changes in interest rates do not have an impact on held-to-maturity book carrying values, and therefore changes in interest rates will have no significant impact on net assets and surplus or deficit reported in the financial statements.

UN-Women invests in United States dollar-denominated floating rate debt, which exposes it to fluctuations of future cash flows. This exposes the organization to a decrease in future cash flows of interest income in a declining interest rate environment and an increase in future cash flows of interest income in an increasing interest rate environment. As at 31 December 2018, UN-Women had no outstanding floating rate fixed-income securities.

*Equity price risk*

In 2018 UN-Women held equity investments in its externally managed portfolio of after-service health insurance funds. The table below presents the price sensitivity of equity investments to a 5 per cent change in equity prices. The sensitivity pertains to equity investments classified as available-for-sale, which are marked to market through net assets/equity; changes in their prices would therefore have no impact on the UN-Women surplus or deficit.

(Thousands of United States dollars)

31 December 2018 market value	Sensitivity variation	Impact on the financial statements	
		Net assets	Surplus or deficit
25 515	5 per cent increase	1 276	–
25 515	5 per cent decrease	(1 276)	–

#### *Foreign exchange risk*

UN-Women is exposed to currency risk arising from financial assets that are denominated in foreign currency and financial liabilities that have to be settled in foreign currency.

UN-Women receives donor contributions primarily in United States dollars, but also in a number of major currencies, including pounds sterling, the euro, the Swedish krona and the Norwegian krone. On an ongoing basis, UN-Women evaluates its need to hold cash and other assets in foreign currencies against its foreign currency obligations during the quarterly meetings with the UNDP Treasury. UN-Women commenced a hedging strategy from March 2015.

At 31 December 2018, all investments of UN-Women were denominated in United States dollars. However, cash balances were held in several non-United States dollar currencies, representing 93.8 per cent of total cash balances.

The UNDP Treasury uses derivative instruments, such as foreign exchange forwards, options and structured options to manage the Entity's foreign exchange exposure. These derivatives are marked-to-market with gains or losses recognized in surplus and deficit in the statement of financial performance. At 31 December 2018, UN-Women had no open derivative positions.

#### *Other price risk*

UN-Women is exposed to price risk arising from movement in the prices of financial instruments which might fluctuate owing to factors other than changes in interest rate or currency fluctuations. The conservative nature of the UNDP investment guidelines mitigates potential exposure to other price risk.

### **Note 26**

#### **Budget reconciliation**

The statement of comparison of budget and actual amounts (statement V) is prepared in the same format as the original approved institutional budget for 2018–2019, with the additional inclusion of assessed contributions (regular budget activities). As the financial statements are prepared in accordance with IPSAS and the budget is prepared on the modified cash basis, the reported financial results (actual) are adjusted to provide for a comparison to the budget as presented in the statement of comparison of budget and actual amounts. The main changes between the IPSAS financial results and the results on a budget basis relate to difference in the treatment of cost of assets, staff-related accrued benefits and the treatment of cash advances to partners and staff members.

The integrated budget is prepared and presented on a biennial basis. The year 2018 represents approximately 50 per cent of the integrated budget estimates for the biennium 2018–2019.

**(a) Regular budget activities – assessed contributions 2018**

For the year 2018, there is a total variance showing overexpenditures of \$1.6 million owing to after-service health insurance reserve contributions (which UN-Women is required to make under its end-of-service liabilities funding plan, while the assessed budget only provides for a pay-as-you-go basis).

**(b) Development activities – voluntary contributions 2018**

**(i) Programme**

The original budgets reflected the original estimates used in the 2018–2019 integrated budget, which were based on total projected resources of \$880 million in voluntary contributions for the biennial period. Total voluntary contributions originally budgeted for 2018 were \$440 million.

Total programme variances are \$25.4 million, split between regular and other resources as follows:

(a) Programme expenditures from regular resources are \$3.2 million lower than the budget. Differences between budgeted and actual expenditure resulted from the higher than actual staff (estimated) costs and post vacancies. Actual delivery rates for the core programme averaged 91.5 per cent;

(b) Programme expenditures from other resources are \$22.2 million lower than the budget. This difference may be the result of factors pertaining to the alignment of the total project budget with expected revenue for the year in situations where the revenue may not have been received before year-end owing to modifications in expected project deliverables and outputs, with the result that the revenue and modified project deliverables are carried forward to the following year. The difference may also be due to the fact that personnel costs are budgeted using pro forma (estimated) costs, whereas actual costs may be lower, and/or due to post vacancies. Projects funded from donor contributions are mostly multi-year, so the deliverables are subject to modification as required during the life cycle of the project, and unspent project resources are carried forward into the following year. The delivery rate averaged 80.9 per cent.

**(ii) Institutional budget (development effectiveness, United Nations coordination, management activities and special purpose)**

The institutional budget comprises the following cost classification categories: development effectiveness; United Nations development coordination; management activities, including evaluation and audit and investigations; and special purpose. The variance between the final budget and expenditures of \$11 million are due mostly to lower actual staff costs resulting from higher than actual pro forma cost estimates and vacant posts. The delivery rate for the institutional budget was 88.4 per cent. The institutional budget is available for spending during the annual budget period only. Any unspent balances revert to the account held by UN-Women, in accordance with financial regulation 18.3, and form part of the accumulated surplus of regular resources.

*Basis adjustments*

The budget is prepared on a modified cash basis and the financial statements are prepared on a full accrual basis in compliance with IPSAS requirements. In order to reconcile the budgetary result with the cash flow statement, the non-cash elements are removed as basis differences. The principal adjustments that have an impact on the reconciliation between the budget and the statement of financial performance are as follows:



- Capital expenditures capitalized and depreciated over their useful life under accrual accounting (generally recorded as current year expenses in the budget);
- Under accrual accounting, employee benefit liabilities are reported in the statement of financial position, and movements in liabilities have an impact on the statement of financial performance;
- Unliquidated obligations are included in budget reporting but are not recognized under accrual accounting.

#### *Timing differences*

There are no timing differences in the reconciliation.

#### *Presentation differences*

Presentation differences are those differences in the format and classification schemes used in the statement of cash flow and in the statement of comparison of budget and actual amounts. As such, the presentation differences in the reconciliation relate to revenue.

#### **Reconciliation: budgetary result with net cash flow**

(Thousands of United States dollars)

	<i>Operating</i>	<i>Investing</i>	<i>Total</i>
Actual amount on comparable basis, as presented in the budget and actual comparative statement	(368 620)	–	(368 620)
Basis differences	26 737	(80 102)	(53 365)
Presentation differences	404 718	–	404 718
<b>Actual amount in statement of cash flow</b>	<b>62 835</b>	<b>(80 102)</b>	<b>(17 267)</b>

#### **Note 27**

##### **Related party transactions**

##### **Governing bodies**

UN-Women is governed by an Executive Board on the basis of General Assembly resolution [64/289](#), which stipulates in paragraph 57 (b) that the Assembly, the Economic and Social Council and the Executive Board of the Entity shall constitute the multi-tiered intergovernmental governance structure for the operational activities and shall provide operational policy guidance to the Entity. The Executive Board comprises 41 members (elected from five regional groups and one contributing group), who do not receive any remuneration from UN-Women.

The Executive Board of UN-Women also engages with the Executive Boards of other United Nations operational entities in an effort to harmonize approaches to operational activities. Those engagements also provide opportunities for sharing experiences and coordinating programme work on gender equality and gender mainstreaming throughout the United Nations system. The work of the Executive Board is guided by its rules of procedure.

##### **Key management personnel**

Key management personnel are the Executive Director, two Assistant Secretaries-General and six senior Directors, as they have the authority for planning, directing and controlling the activities of the Entity and executing the mandate of UN-Women.

(Thousands of United States dollars)

<i>Number of individuals</i>	<i>Compensation and post adjustment</i>	<i>Entitlements</i>	<i>Pension and health plans</i>	<i>Total remuneration 2018</i>	<i>Outstanding advances</i>	<i>Outstanding loans</i>
9	1 622	99	690	2 412	19	–

The aggregate remuneration paid to key management personnel includes: net salaries; post adjustment; entitlements, such as allowances, grants and subsidies; and employer pension and health insurance contributions. Advances are those made against entitlements in accordance with staff rules and regulations. As at 31 December 2018, after-service health insurance, repatriation and death benefits for key management personnel included in employee benefits liabilities amounted to \$3.3 million, as determined by actuarial valuation.

**Note 28****Commitments and contingencies****(a) Open commitments**

As at 31 December 2018, commitments of UN-Women for the acquisition of various goods and services contracted but not yet received amounted to \$30 million (2017: \$17.7 million).

**(b) Lease commitments**

As at 31 December 2018, UN-Women had future obligations for minimal lease payments as set out in the table below.

(Thousands of United States dollars)

	<i>31 December 2018</i>	<i>31 December 2017</i>
<b>Obligations for property leases:</b>		
Within 12 months	8 963	9 224
1–5 years	16 838	20 153
Beyond 5 years	3 862	2 162
<b>Total property lease obligations</b>	<b>29 663</b>	<b>31 539</b>

The typical contractual leases of UN-Women are between 1 and 10 years, but some of the leases permit early termination within 30, 60 or 90 days. Leases often include provisions that allow for multiple renewals and are at rates considerably lower than the existing market rates. The aggregate difference between the leases at contract rates and their respective market rates is recognized as contribution-in-kind revenue.

**(c) Legal or contingent liabilities**

As at 31 December 2018, UN-Women had no known contingent liabilities.

**Note 29**  
**Events after the reporting date**

The reporting date for UN-Women is 31 December of each year. The date of certification and transmittal of the financial statements is 30 April of the year after the financial year-end. On the date of signing these financial statements, there had been no material event, favourable or unfavourable, that had occurred between the balance sheet date and the date on which the financial statements were authorized for issue that would have affected the present statements.

---