United Nations

Fund of the United Nations Environment Programme

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. 5G

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Report of the Board of Auditors

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Note

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

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Letters of transmittal

Letter dated 31 March 2019 from the Acting Executive Director of the United Nations Environment Programme addressed to the Chair of the Board of Auditors

In accordance with regulation 6.2 and rule 106.1 of the Financial Regulations and Rules of the United Nations, I have the honour to transmit the financial report and accounts of the United Nations Environment Programme, including associated trust funds and other related accounts, for the year ended 31 December 2018, which I hereby approve on the basis of the attestations of the Chief Finance Officer, the United Nations Office at Nairobi and the Chief, Financial Management Services, United Nations Environment Programme.

Copies of these financial statements are made available to both the Advisory Committee on Administrative and Budgetary Questions and the Board of Auditors.

(*Signed*) Joyce **Msuya**
Acting Executive Director
United Nations Environment Programme

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 report of the Board of Auditors on the financial statements of the United Nations Environment Programme 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 Fund of the United Nations Environment Programme (UNEP), 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 (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget to 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 financial statements present fairly, in all material respects, the financial position of UNEP 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 UNEP, in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Acting Executive Director of UNEP 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

The Executive Director of UNEP 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 UNEP 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 UNEP 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 UNEP.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- Conclude on 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 UNEP 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 UNEP to cease to continue as a going concern.

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

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

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of UNEP that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

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

(*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

The United Nations Environment Programme (UNEP) is mandated to assist and support Member States to protect the environment by inspiring, informing and giving them the means to improve the living standards of their populations without compromising those of future generations. UNEP headquarters is in Nairobi, but it has a global presence of six regional offices, eight liaison offices and collaborative arrangements and secretariat functions in several other countries. It has 1,276 staff members, 468 of whom are based in Nairobi.

Scope of the report

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

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UNEP 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 UNEP operations in accordance with financial regulation 7.5 of the United Nations, 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 the previous years' recommendations.

Audit opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UNEP 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 found no major deficiencies in the area of operation and financial management. However, the Board identified scope for improvement in areas such as programme management; revenue management; accounting management; human resources management; information and communications technology; travel; and fraud cases management.

Key findings

The Board has identified a number of issues that need to be considered by management in order to enhance the effectiveness of UNEP operations. In particular, the Board highlights the key findings set out below.

Project management in the Programme Information and Management System

In the light of the results-based management approach, with respect to verifying performance monitoring and reporting through the Programme Information and Management System (PIMS), it was possible to determine that, of a total of 648 projects registered in the system, 149 appear as ongoing projects and 53 as inactive. During the revision it was possible to determine that 50 of the 149 ongoing projects have already reached their end date according to the information available in PIMS: 4 of them in 2015, 5 in 2016, 18 in 2017 and 23 during 2018. When asked, UNEP explained that it monitors the aging projects using a separate Excel tracking tool. Regarding the inactive projects, UNEP explained that when it began to populate PIMS with information, there were projects for which no documentation or records could be verified in the previous software, namely, the Integrated Management Information System (IMIS), and which were left in status "inactive".

Management of information on Global Environment Facility projects

With respect to verifying management of projects financed by the Global Environment Facility (GEF), it was possible to determine that, for this matter, there is software that differs from that used for managing non-GEF projects. As the information comes from various applications and/or software, the management of data has to be done through manual spreadsheets to keep track of the totality of current projects.

In addition, from the review of a project sample of 25 cases, the Board has determined, among other things, that there is no centralized information on the Umoja code and/or IMIS to link the financial information for the total number of projects registered; for some projects currently under implementation, the evaluation of the amount of the executed budget and the total cost of projects on a specific date is hindered by the fact that it has to be manually calculated, that is, that the total expenditure to date in Umoja must be added to the total expended in IMIS; considering the details provided by the audited entity, only for eight cases was information obtained to analyse compliance with the planned duration of projects; of those projects, the planned duration was not fulfilled in seven cases.

Absence of memorandum of understanding to establish a regulatory framework for the secretariat of the Basel, Rotterdam and Stockholm Conventions

In response to the Board's request that it submit a document regarding the indirect cost to be covered by programme support costs, on 29 November 2018, the audited entity attached a template sent by the headquarters including the services to be provided. However, there are still ongoing discussions about which services will be covered by the headquarters and its share of the programme support costs. Moreover, the entity added that, given the existing uncertainty in these matters, it is difficult for the secretariat of the Basel, Rotterdam and Stockholm Conventions to estimate costs which may be shifted from programme support costs to the core budget of the three Conventions.

The template of services mentioned above should be attached to a memorandum of understanding concerning the arrangements for the provision of secretariat functions by UNEP to each of the Basel, Rotterdam and Stockholm Conventions. The memorandum of understanding shall list, among other subjects, the services covered by the activities financed from extrabudgetary contributions. However, the process towards the development of the memorandum of understanding was initiated in 2012 and, as of November 2018, the memorandum of understanding between UNEP and the secretariat of the Basel, Rotterdam and Stockholm Conventions had not yet been issued.

Inadequate implementation of the enterprise risk management policy at the UNEP Regional Office for Europe and the secretariat of the Basel, Rotterdam and Stockholm Conventions

In the case of the UNEP Regional Office for Europe, as of November 2018, there was evidence neither that the framework had been implemented at that Office, nor of the preparation of risk registers. Concerning the secretariat of the Basel, Rotterdam and Stockholm Conventions, we were provided with a list of potential risks for this period. The response received does not however comply with the risk-log matrix set out in the UNEP programme manual and its topics.

Non-compliance with several provisions of UNEP policy and procedures on unidentified deposits

From the review of 10 cases of unidentified deposits, the Board determined, among other things, that UNEP requested the Treasury of the United Nations Office at Nairobi to provide more detailed information on two cases 579 days after the funds were deposited. Moreover, in the remaining eight cases, UNEP did not prove that it had consulted the Office in accordance with the policy and procedures on unidentified deposits. In addition, the Board noted that in eight of the cases the audited entity has not sent the letters to donors to request more information about the deposits. In the other two cases the agency presented evidence of the letter to donors; however, no letter was sent within two weeks after receipt of the first report, as established in the policy and procedures on unidentified deposits. Furthermore, the agency did not present evidence of sending the letters and their reception by the sponsor. Finally, 2 of the 10 cases were not registered in GL account No. 39201010, so that they remained for more than three months without identification; therefore the agency did not proceed as indicated in standard operating procedure 109.

Recommendations

The Board’s main recommendations are that UNEP:

Project management in the Programme Information and Management System

(a) **Update the Programme Information and Management System with complete and up-to-date project information, in order to ensure appropriate management and an integral future migration to Umoja, establishing control mechanisms that secure results-based management;**

Management of information on Global Environment Facility projects

(b) **Carry out a review and consolidation of all current UNEP-GEF projects, with the necessary information to ensure adequate accountability and programme management;**

(c) **In addition, that UNEP take measures to integrate and to improve the management of information, in order to ensure compliance with the objectives of the programme;**

Absence of memorandum of understanding to establish a regulatory framework for the secretariat of the Basel, Rotterdam and Stockholm Conventions

(d) **Establish the proper liaison between its headquarters and the secretariat of the Basel, Rotterdam and Stockholm Conventions in order to agree on the indirect costs that will be covered by their share of the programme support costs and the services to be provided to the Conferences of the Parties to the Conventions;**

(e) **Moreover, that the secretariat of the Basel, Rotterdam and Stockholm Conventions liaise with UNEP headquarters and the Conferences of the Parties to the Conventions in order to finalize and enact a memorandum of understanding. This instrument shall include the arrangements for the provision of secretariat functions by UNEP to each of the Conventions, aiming to establish a regulatory framework that sets out clear responsibilities, transparency, guidance and accountability between the parties and the member States;**

Inadequate implementation of the enterprise risk management policy at the UNEP Regional Office for Europe and the secretariat of the Basel, Rotterdam and Stockholm Conventions

(f) **Establish proper coordination with its Regional Office for Europe and the secretariat of the Basel, Rotterdam and Stockholm Conventions, in order to obtain that they systematically manage risks and facilitate effective implementation of their mandated activities under the United Nations enterprise risk management and internal control policy;**

(g) **In addition, the Board of Auditors recommends that the UNEP Regional Office for Europe and the secretariat of the Basel, Rotterdam and Stockholm Conventions maintain an updated risk log, in accordance with the UNEP programme manual;**

Non-compliance with several provisions of UNEP policy and procedures on unidentified deposits

(h) **Strengthen its controls to comply with the unidentified deposits identification process, in order to reduce amounts not allocated to programmes/projects, guaranteeing compliance with the policy and procedures on unidentified deposits and the standard operating procedure on the matter.**

Key facts

$153.24 million	Original Environment Fund and regular budget
$95.51 million	Final Environment Fund and regular budget
$741.75 million	Revenue
$558.53 million	Expenses
1,276	Staff members

A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements of the Fund of UNEP and reviewed its operations for the financial period ended 31 December 2018 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations and 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.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of the Fund of UNEP as at 31 December 2018 and its financial performance and cash flows for the financial period then ended, and that they have been properly prepared in accordance with IPSAS. The audit included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies, and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules. It also 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.

3. The Board also reviewed UNEP operations under 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 UNEP operations.

4. 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 UNEP management, whose views have been appropriately reflected in the report.

United Nations Environment Programme: background

5. UNEP is the designated authority of the United Nations system with respect to environmental issues at the global and regional levels. Its mandate is to coordinate the development of environmental policy consensus by keeping the global environment under review and bringing emerging issues to the attention of Governments and the international community for action. The mandate and objectives of UNEP emanate from General Assembly resolution 2997 (XXVII) of 15 December 1972 and subsequent amendments adopted at the United Nations Conference on Environment and Development in 1992, the Nairobi Declaration on the Role and Mandate of UNEP, adopted at the nineteenth session of the UNEP Governing Council, and the Malmö Ministerial Declaration of 31 May 2000. It was founded as a result of the United Nations Conference on the Human Environment held in June 1972 and has its headquarters in Nairobi.

6. UNEP is the leading global environmental authority which sets the global environmental agenda, promotes coherent implementation of the environmental dimension of sustainable development within the United Nations system and serves as an authoritative advocate for the global environment. Headquartered in Nairobi, UNEP works through its divisions, regional, liaison and out-posted offices, plus a growing network of collaborating centres of excellence. UNEP also hosts several secretariats of environmental conventions, and inter-agency coordinating bodies.

7. The United Nations Office at Nairobi provides administrative and financial services to UNEP, including procurement, human resources and information and communications technology. Many of the recommendations made by the Board to UNEP require joint action with the United Nations Office at Nairobi.

Global Environment Facility

8. UNEP is an implementing agency of the Global Environment Facility (GEF), which funds projects in developing countries on biodiversity, climate change, international waters, land degradation, ozone layer depletion and persistent organic pollutants. GEF receives contributions from 39 donor countries. The adoption and evaluation of the programmes of GEF are the responsibility of its Council.

9. UNEP manages the funds allocated to it from GEF through six trust funds, which are subject to annual audits by the Board. For the financial year ended 31 December 2018, the trust funds collected total revenue of $125.54 million and incurred total expenses of $111.12 million. The Board also provides an annual audit opinion on these trust funds at the request of UNEP and the World Bank, which is the GEF Trustee.

Multilateral environmental agreements

10. Over the years, UNEP activities have given rise to a number of conventions and associated protocols on major environmental challenges. These have generated multilateral environmental agreements, each requiring countries to develop specific mechanisms and fulfil agreed obligations for improving the environment. UNEP provides the secretariat functions to 15 multilateral environmental agreements and discloses in its financial statements the transactions of the trust funds it manages directly, in support of the activities of the agreements and conventions in implementing their agreed protocols and programmes. The Board's audit of UNEP includes an examination of balances relating to multilateral environmental agreements.

B. Findings and recommendations

1. Follow-up of previous years' recommendations

11. Of the 17 recommendations outstanding as at 31 December 2017, 3 recommendations (18 per cent) have been implemented, 13 recommendations (76 per cent) are still under implementation and 1 recommendation (6 per cent) has been overtaken by events. Details on the status of implementation of these recommendations are set out in the annex.

2. Financial overview

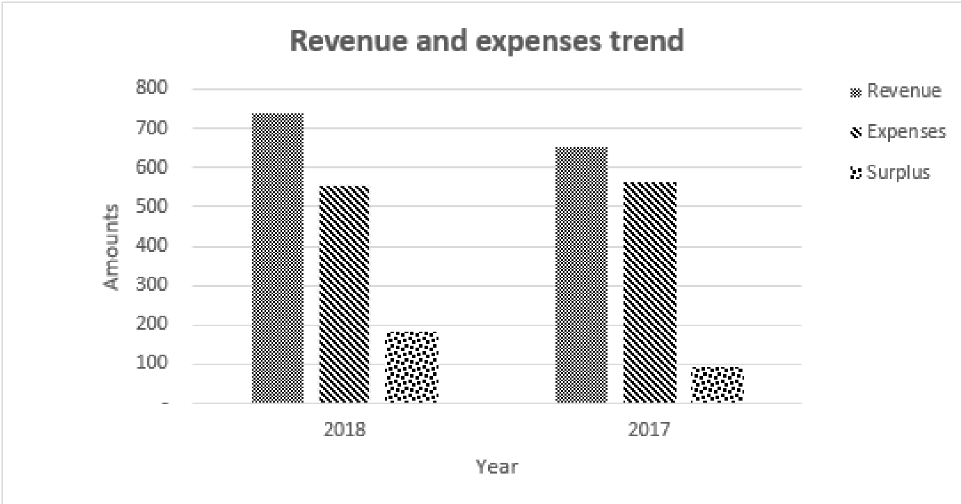
Financial performance and position

12. In 2018, UNEP reported total revenue of $741.75 million (2017: $655.92 million) and total expenses of $558.53 million (2017: 562.24 million), resulting in a surplus of $183.22 million (2017: 93.68 million). The increase in surplus was mainly attributed to the increase in assessed contributions, voluntary contributions and other transfers and allocations received from United Nations internal funds of $22.71 million, $42.00 million and $23.21 million, respectively. Total assets as at 31 December 2018 amounted to $2,085.36 million (2017: $1,863.18 million), comprising current assets of $1,465.68 million (2017: $1,107.58 million) and non-current assets of $619.68 million (2017: $755.60 million). Total liabilities amounted to $427.31 million (2017: $402.79 million), resulting in net assets of $1,658.05 million (2017: $1,460.38 million).

13. A comparison of revenue and expenses for the financial years 2017 and 2018 is illustrated in the figure below.

Financial performance pattern

(Millions of United States dollars)



Source: UNEP financial statements for 2018 and 2017.

Revenue analysis

14. Voluntary contributions form a major part of the revenues of UNEP. During 2018, UNEP received total contributions of $543.21 million (2017: $478.50 million), of which $296.25 million (2017: $254.25 million), equivalent to 55 per cent, represents voluntary contributions from various donors. The remaining $246.96 million (2017: $224.26 million), equivalent to 45 per cent, represents assessed contributions from Member States. In 2018, voluntary contributions increased by $42.00 million (17 per cent). The increase in revenue was largely attributed to the increase in the voluntary contributions from donors and other United Nations entities in 2018.

Expense analysis

15. Grants and other transfers for the period amounted to $269.74 million (2017: $281.43 million), which accounts for 48 per cent of the total expenses of $558.53 million. The reported amount of grants and transfers includes outright grants and transfers to implementing agencies, partners and other entities as well as quick-impact projects.

Ratio analysis

16. Table II.1 contains key financial ratios analysed from the UNEP financial statements, mainly from the statement of financial position.

Table II.1
Ratio analysis

Ratio	*31 December 2018*	*31 December 2017*
Current ratio[a]		
Current assets: current liabilities	6.07	5.41
Asset to liabilities ratio[b]		
Total assets: total liabilities	4.88	4.63
Cash ratio[c]		
Cash plus investments: current liabilities	3.24	2.66
Quick ratio[d]		
Cash plus investments plus accounts receivable: current liabilities	4.80	4.08

Source: UNEP 2018 financial statements.

[a] A high ratio (defined as greater than 1:1) indicates an entity's ability to pay off its short-term liabilities.

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

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

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

17. The analysis of ratios above indicates the healthy financial position of UNEP as at 31 December 2018. UNEP has a strong liquidity position as indicated by current, quick and cash ratios. In addition, the solvency of UNEP remains strong as measured by the ratio of total assets to total liabilities. During the year under review, the revenue of UNEP increased by $85.83 million, with a decrease in expenses of $3.70 million, resulting in a surplus of $183.22 million. Total assets increased by $222.18 million or 11.92 per cent, while total liabilities recorded an increase of $24.52 million or 6.09 per cent. A combination of all these fluctuations resulted in the improved liquidity and increase in solvency ratios for UNEP in 2018.

3. Programme management

Project management in the Programme Information and Management System

18. The United Nations system organizations have been implementing results-based management, focusing on the results-based management policy elements defined in General Assembly resolutions 67/226 of 21 December 2012 and 71/243 of 21 December 2016, in which the Assembly affirmed the importance of results-based management as an essential element of accountability.

19. According to the UNEP programme manual,[1] the results-based management approach is a fundamental principle of the operations of the United Nations Environment Programme. It is the cornerstone of UNEP efforts to demonstrate results in tangible terms. According to the manual, as a central feature of the approach, all UNEP projects must have a project intervention strategy for results-based management that includes a clear theory of change that shows how a project's products and services will lead to behavioural or institutional change, leading to long-term project impact.

[1] Available at https://wecollaborate.unep.org/display/PPMM, last accessed on 11 June 2019.

20. The data for UNEP projects performance monitoring and reporting are based on an aggregation of performance data reported by project managers in the Programme Information and Management System (PIMS).

21. In the light of the results-based management approach, with respect to verifying performance monitoring and reporting through PIMS, it was possible to determine that of a total of 648 projects registered in the system, 149 appear as ongoing projects and 53 as inactive.

22. During the review the Board determined that 50 of the 149 ongoing projects have already reached their end date according to the information available in PIMS: 4 of them in 2015, 5 in 2016, 18 in 2017 and 23 during 2018.

23. When asked about that situation, UNEP explained that, with information from PIMS and the Project Review Committee process, it monitors the aging projects using a separate Excel tracking tool. It communicates with the respective divisions and regional offices to request notification of their plans, which can be either project extension or project completion. A project is marked as completed only if the project manager confirms that all activities have been completed and all reporting in PIMS has been done. The last communication to the divisions and regional offices was sent in September 2017, with regular reminders. An email communication on the aging projects, as at October 2018, was planned to go out by the following week. Two project revisions were currently under way.

24. On being asked about the situation regarding inactive projects, UNEP explained that when it began to populate PIMS with information, all projects and related Integrated Management Information System (IMIS) accounts were defaulted to status inactive. After detailed review of the available documentation and IMIS records, the projects were then reassigned to status completed, ongoing, closed, cancelled etc. Those that had no documentation or IMIS records could not be verified and were left in status “inactive”.

25. Management informed the Board that the Policy and Programme Division has already issued a guidance memo to kick-start the process of establishing the status of projects in PIMS with a view of cleaning the data and reflecting the correct information on the projects.

26. We considered that UNEP is not maintaining up-to-date information in PIMS about the performance of projects, which would allow it to determine their current situation and achieve the completion of their outcomes in accordance with the relevant planning. Thus, for example, there is no certainty in regard to which current projects are in an extension or have been completed. Similarly, there is no clarity about the real status of the 53 inactive projects.

27. UNEP has mentioned that it is not investing heavily in PIMS, since it is planned that all information on substantive and financial projects will be monitored in the Umoja Extension 2 project portfolio module. However, there is no certainty about when the Umoja Extension 2 project will be launched, and it seems crucial that the full information be available at that time in order to carry out the migration process.

28. The Board of Auditors is of the opinion that complete and reliable information about the projects and their results plays a key role in supporting effective decision-making, limiting arbitrary actions and enhancing effectiveness, efficiency and impact, in accordance with the United Nations results-based management policy. Besides, a separate Excel tracking tool does not seem appropriate for controlling performance monitoring and reporting, as it does not ensure transparency and credibility as changes in data cannot be traced.

29. **The Board recommends that UNEP update PIMS with complete and up-to-date project information to ensure appropriate management and an integral future migration to Umoja, establishing control mechanisms that secure results-based management.**

30. UNEP accepts this recommendation and accepted the Board's assertion that "Complete and reliable information about the projects and their results plays a key role in supporting effective decision-making". The audited entity also mentioned that it has recently established a Business Intelligence Steering Committee to ensure that consistent, clear, accurate and reliable data are available to decision makers. Within this context management reports that it has already initiated the processes for clean-up of the project data, maintaining the integrity of project information and ensuring that the correct status of the projects is established. UNEP will moreover continue with the implementation of the project management system under Umoja Extension 2 as part of the United Nations Secretariat-wide process.

Accountability for project managers

31. According to the manual, a project manager holds the primary responsibility for ensuring that the desired results are delivered within the project's budget and agreed timeline.

32. Under the overall coordination of the head of the branch/unit of the division or regional office managing a project, the project manager is responsible for the operational completion of a project within the planned timeframe. In collaboration with implementing partners, the project manager is responsible for, among other matters, (a) verifying that all activities have been completed and, in collaboration with the Project Steering Committee, holding a final validation meeting and preparing the final report on the project's results; (b) liaising with the implementing partners to obtain their reports and the financial documentation required; (c) ensuring that the final evaluation report is completed and confirmed (in writing) by the Evaluation Office; and (d) collecting evidence on the project's contribution to the UNEP programme of work and the Sustainable Development Goals.

33. Considering the crucial role of the project managers, in the light of the results-based management approach, we have reviewed the performance monitoring and reporting of projects through PIMS.

34. According to that information, there are 149 ongoing projects. We took a sample of 30 of them, in which it was possible to determine the following situations:

(a) There is a position of Project Manager Supervisor, which is not defined in the UNEP programme manual;

(b) In 7 of the 30 projects, the supervisor was also the project manager; in addition, one person was supervising six projects;

(c) Of the 30 projects, 27 are reported at the same time as "off track" and with "incomplete reporting".

35. About the supervisor and project manager being the same person, UNEP explained that it had noted the discrepancy in three projects and back-up duplicates in two projects and would correct those with the project teams.

36. About the role of supervisor, UNEP has stated that the supervisor of the project manager is the latter's first reporting officer in accordance with the UNEP supervisory reporting line. The supervisor is scheduled to validate the project reporting of the project manager in PIMS to ensure timeliness, quality and accuracy of project reporting. This is a new feature introduced in PIMS for the June 2017 reporting, and awareness of supervisors still requires strengthening. UNEP added that this is an item

that was covered in a recent results-based management training course organized by the Policy and Programme Division with participation of staff from various UNEP offices, indicating also that the online results-based management training modules are currently being updated.

37. Moreover, regarding the risk assessment of ongoing projects, UNEP has answered that since the training on results-based management was transformed into online instead of in-person training a few years ago, new project managers find it more difficult to understand the UNEP results-based management approaches, including the PIMS reporting requirements. It added that online results-based management modules are currently under development and that a recent results-based management training course covering staff from out-posted offices took place in Nairobi early in October 2018, indicating also that, once the new modules are developed, webinars are planned to resume the training of project managers on results-based management, including on the use of PIMS.

38. In addition, considering that UNEP has mentioned that it marks a project as completed only if the project manager confirms that all activities have been completed and all reporting in PIMS has been done, UNEP has been asked what the course of action will be if the project manager does not comply with the reporting activities or any other obligation. However, the Programme has not provided information related to the accountability of project managers and there is no procedure in the UNEP programme manual.

39. Subsequently, the Board was informed by management that the wording in the programme manual would be edited to clarify that the role of the supervisor is the same as the current roles and functions of the head of branch/unit in a division or regional office, which are clearly spelled out in the programme manual. In addition, the organization will consider ways of mobilizing the resources necessary to provide appropriate project management training and strengthen the UNEP results-based management training programme.

40. The duplication of functions between project managers and project manager supervisors that was detected, added to the high number of projects qualified as “off track” and “incomplete reporting” (90 per cent of the analysed cases) implies, in the Board’s view, that there are staff arrangements to be made related to the said positions, both of which play a critical role in ensuring performance monitoring and reporting.

41. **The Board recommends that UNEP conduct a staffing assessment related to the positions of project manager and supervisor. This assessment could be related to work distribution, recruitment needs, employee redeployment and training, or any other evaluation suitable to determine the measures needed to ensure adequate performance monitoring and reporting.**

42. UNEP indicated that it undertakes performance monitoring and reporting as one of the key steps of the project cycle in accordance with the project manual. As part of the United Nations Secretariat, staff performance and appraisal, including the project manager/supervisor relationship, is governed at UNEP by ST/AI/2010/5 on the performance management and development system, which sets out clear roles, responsibilities and criteria for staff members, supervisors, and performance evaluations. In addition, UNEP follows rigorous procedures for assessing staff to determine their suitability in terms of the competencies, experiences and qualifications to meet the requirements of any position.

43. **In addition, the Board recommends to regulate the supervisor position, setting out its obligations and responsibilities in the UNEP programme manual, in accordance with what the agency has indicated.**

44. UNEP accepted this recommendation, indicating that the programme manual will be edited to clarify that the role of supervisor is in line with the intent of that role as indicated.

45. **Despite actions that have already been taken, the Board recommends also that UNEP establish an appropriate training course for both positions as well as complete guidelines regulating the accountability process for their obligations set out in the UNEP programme manual.**

46. UNEP accepted this recommendation, mentioning that it has completed results-based management training and also a results-based management "train the trainers" course, and that this capability is now fully embedded in the organization. However, UNEP will consider ways of mobilizing the resources necessary to augment the existing training.

Agreements with implementing partners at the UNEP Regional Office for Europe

47. The UNEP programme manual states that environmental issues require concerted efforts from all sectors of our increasingly interconnected global society. Partnerships offer a mechanism to foster such joint action as well as an opportunity for non-traditional actors to become involved in the work of the United Nations and contribute to the international environmental agenda.

48. In this context, UNEP has a partnership policy and procedures, established in 2011. In section 6.3, "Information management," it is indicated: "The initiating Division shall maintain an electronic file on each partnership, which should include the legal instrument, the partnership dossier (including results of due diligence procedure and recommendation), decision(s) of the Partnership Committee, and related audit and evaluation documentation".

49. UNEP adds that the relevant officer will be in charge of the regular monitoring and evaluation of the implementation of the partnership agreement. According to the organization, with the support of the Office for Operations, the Partnership Committee will review and learn lessons on the previous year's partnerships, and when relevant, share them with the senior management team.

50. In addition, the UNEP programme manual notes that the project manager, among other things, leads, coordinates, guides and monitors the work of the team members and implementing partners; and also maintains records of communications, financial records, and implementation progress. Furthermore, the programme manual stipulates that the project manager is responsible for the operational completion of a project within the planned timeframe.

51. As of November 2018, the UNEP Regional Office for Europe has 39 active projects, 35 of them in execution and 4 that have not yet started. The responsible offices for the projects are the Europe Office, the Vienna Office, the Brussels Office and the Division of Technology, Industry and Economics, Paris (thematic division of UNEP, now called the Economy Division) with 28, 5, 4 and 2 projects respectively. However, the agency informed us of the total cost of only 27 of the projects, for the sum of $33,794,871.

52. In this context, four projects of the Europe Office were reviewed, in the light of their relationship with their implementing partners, corresponding to 21 agreements, of which 20 present findings.

53. In 3 of the 21 agreements reviewed, the audited entity did not provide the supporting documents for the expected results or outputs achieved.

54. From the revision of the amendments made to the original agreements, the Board determined that in two cases the date of submission of the deliverable was modified

when the delivery date had already expired. In addition, in two other cases, it was observed that the period of the agreement increased threefold, and in one of them the contribution of UNEP increased by 266 per cent.

55. Regarding the final reports that the implementing partner must deliver to UNEP, in the course of the audit it was found that the Regional Office did not submit the reports for four agreements. In three other cases, the reports were delivered to UNEP after the deadline and, in four cases, the reports did not contain the date of submission to the agency.

56. On the other hand, the Board determined that, by the audit date, November 2018, the unspent balances of one agreement, in the amount of $513,711.03, had not been refunded to UNEP by the implementing partner. The termination date of the agreement was 31 December 2016. In addition, in three other cases, we are not aware if the audited entity has the information about the unspent balances since the Programme did not provide us with the necessary data. On the foregoing, it is necessary to point out that the agreements with the implementing partners established clauses on refunds of unspent balances.

57. Finally, in 10 cases, UNEP did not demonstrate having carried out the evaluation of the implementing partners.

58. The Board of Auditors considers that the modifications/amendments to the agreements that triple the agreement term and the amount to pay – as in the cases observed – demonstrate the need to improve the planning regarding the implementation of the projects. Therefore, to reduce the gap between the execution and the final cost of the approved projects, it is necessary to estimate the real need for resources for achieving the objectives.

59. Regarding the absence of records on the implementation of the projects and compliance with the agreements, the UNEP programme manual states that the project managers are responsible for those records and for the operational completion of a project within the planned timeframe. Insufficient control over those records increases the risk that projects will not be completed in the planned period and that timely monitoring of the fulfilment of the projects' objectives and of implementing partner performance will not be carried out.

60. **The Board recommends that UNEP establish measures to guarantee that the digital folders contain all the files that support the implementation of the projects and the performance of the implementing partners.**

61. **In addition, the Board recommends that UNEP improve its project planning process, in order to avoid significant variations in terms of deadlines and allocated funds.**

62. **The Board recommends that UNEP establish a control system on unused funds, in order to periodically report and take collection action when appropriate.**

63. **Finally, the Board recommends that UNEP take the necessary steps to obtain the currently unused funds under its agreements.**

64. UNEP accepted the above recommendations, indicating that the United Nations Secretariat is in the process of establishing a system-wide policy framework on the management of implementing partners and end beneficiaries to complement the grantor module under Umoja Extension 2, which was launched on 31 December 2018. UNEP as the lead agency for this module has already deployed it and conducted training across all offices to ensure its full implementation. The module and the policy will significantly improve management of the relationships with the implementing

partners, from due diligence, engagement, implementation, monitoring and reporting to collecting unused funds.

Management of information on Global Environment Facility projects

65. According to the UNEP programme manual, regarding the mandate and legal framework, one of the operating principles is results-based management, which is a life-cycle approach to management that integrates strategy, people, resources, processes and measurements to improve decision-making, transparency, accountability and delivery of results that are long-lasting. Results-based management supports the medium-term strategy 2018-2021 for UNEP, which indicates that the Programme will continue to strengthen planning and delivery processes, based on the progressive use of results-based management and strategic partnerships.

66. To sum up, results-based management is established in the proposed programme of work for programme management and support. That approach is the cornerstone of UNEP efforts to demonstrate results in tangible terms.

67. With respect to verifying management of projects financed by the Global Environment Facility (GEF), it was possible to determine that, for this matter, there is software that differs from that used for managing non-GEF projects, such as the Advanced DGEF Database Information System (ADDIS), Anubis and IMIS. In this regard, as the information comes from various applications and/or software, the Board noted that the management of data has to be done through manual spreadsheets to keep track of the totality of current projects.

68. Moreover, in response to a request for details of the achievement monitoring results, indicators and expected result for the projects without an IDIS identification, management explained that it would be quite complex with present capabilities to do such a review for all the projects concerned, due to the absence of online information on the management processes carried out.

69. From the sample of 25 projects analysed, it was possible to determine that:

70. There is no centralized information on the Umoja code and/or IMIS to link the financial information for the total number of projects registered. For the management it was possible to obtain most of the information only when verifying one by one the cases of the sample.

71. In 28 per cent of the cases, there is no correlation between the identification code of the projects provided by management and the one stated in the associated documentation analysed by the audit team. This issue can be identified, for example when analysing the agreement documents.

72. It is very cumbersome to evaluate the amount of executed budget for projects currently under implementation that were transitioned from the legacy IMIS system to Umoja in 2015. The process is hindered by the fact that the amount has to be manually calculated, that is, that the total expenditure to date in Umoja must be added to the total expended according to IMIS.

73. Management has no systematization of implementing partners and of start and end dates of projects. This means that there is no implementing partner data base that makes it possible to trace a history of each project.

74. Considering the details provided by the audited entity, only for eight cases could the audit team obtain information to analyse compliance with the planned duration of projects. Of those projects, the planned duration was not fulfilled in seven cases.

75. In this regard, management informed the Board of Auditors that since 2015 it has been aware of this important gap and the desirability of having a single database

system in UNEP. In this context, the staged roll-out of the various Umoja modules by the United Nations Secretariat in New York has meant that it is taking some time to converge all of the data within a single system. During this prolonged transition, it is necessary to rely on multiple sources for tracking the project data.

76. In addition, UNEP indicated that more than 50 per cent of the projects currently under implementation were transitioned from the legacy IMIS system to Umoja in 2015 and the total amount of the executed budget must be manually calculated.

77. Subsequently, the Board of Auditors noticed that there was an absence of automatic centralization and consolidation of information, meaning that it has to be collected from different sources, which hinders the management of projects, affecting their proper evaluation and the achievement of their objectives.

78. In addition, the information to be managed manually involves a risk associated with modification and/or deletion of data, either intentionally or by mistake. In the event that the information is automated, the aforementioned risk is mitigated to the extent that the control environment of the software is adequate.

79. **The Board recommends that UNEP carry out a review and consolidation of all current UNEP-GEF projects, with the necessary information to ensure adequate accountability and programme management.**

80. **The Board in addition recommends that UNEP take measures to integrate and to improve the management of information, in order to ensure compliance with the objectives of the Programme.**

81. UNEP accepted these recommendations. The management indicated that the implementation of the planned modules of Umoja Extension 2, which incorporates programme and project management, budgeting, implementing partners and resource mobilization, will facilitate consolidation and better management of financial information and at the same time eliminate the need to maintain multiple systems.

Inadequate implementation of the enterprise risk management policy at the UNEP Regional Office for Europe and the secretariat of the Basel, Rotterdam and Stockholm Conventions

82. In November 2011, the United Nations Secretariat issued its enterprise risk management policy. Through this document, the United Nations adopted an integrated enterprise risk management and internal control framework to address both the strategic risks associated with the execution of mandates and objectives and the risks inherent in daily operations that support the achievement of those mandates.

83. The UNEP programme manual states that the risks and issues logs can help programme personnel to identify and better mitigate risks and address other issues in a timely fashion. The manual includes a risk log matrix that sets out the different structural categories of the internal control integrated framework. The manual also states that that log should be updated every quarter, during programme coordination meetings, when follow-up on management actions is reviewed and new risks and issues are identified.

84. In the case of the UNEP Regional Office for Europe, as of November 2018 there was no evidence that the framework had been implemented at that Office, or of the preparation of risk registers.

85. Concerning the secretariat of the Basel, Rotterdam and Stockholm Conventions, in response to the request of the Board of Auditors to submit a document regarding its risk management, on 29 November 2018, the Administrative Officer of the Administration and Resources Oversight Branch provided a list with potential risks for this period. The response received does not however comply with the risk log

matrix, set out in the UNEP manual, which also includes topics such as risk likelihood, impact, severity, urgency or the mitigation plan, among others, which have not been covered by the secretariat.

86. Management indicated that UNEP Regional Office for Europe and the secretariat of the Basel, Rotterdam and Stockholm Conventions will continue to implement a risk management strategy, including the use of a risk log, until further guidance from UNEP when a United Nations system harmonized risk management approach, proposed through the United Nations system network, is adopted.

87. The Board of Auditors is of the view that ineffective risk management may have an adverse impact on the implementation of the UNEP mandate. Moreover, not implementing the risk log to determine, evaluate and manage risks affects the ability of an organization to achieve its objectives.

88. **The Board recommends that UNEP establish proper coordination with its Regional Office for Europe and the secretariat of the Basel, Rotterdam and Stockholm Conventions, in order to obtain that they systematically manage risks and facilitate effective implementation of their mandated activities under the United Nations enterprise risk management and internal control policy.**

89. **In addition, the Board recommends that the UNEP Regional Office for Europe and the secretariat of the Basel, Rotterdam and Stockholm Conventions maintain an updated risk log, in accordance with the UNEP programme manual.**

90. Management accepted these recommendations. UNEP mentioned that it is represented in a task force of the United Nations Secretariat that aims at developing a model, to be used as both an implementation road map and a benchmarking tool for risk management. UNEP also indicated that, as an interim measure, the secretariat of the Basel, Rotterdam and Stockholm Conventions has already taken the initiative to identify risk areas using a risk log adapted to the context of the Conventions and a strategic approach to evaluate and address risks related to its operations by the following clusters: funding and resource mobilization; human resources; and cross-functional aspects of business continuity. The risk management is guided by key levels of defence including regulations, rules and administrative guidelines; audits and governance oversight.

Absence of memorandum of understanding to establish a regulatory framework for the secretariat of the Basel, Rotterdam and Stockholm Conventions

91. In February 2010, the Conferences of the Parties to the Basel, Rotterdam and Stockholm Conventions invited the Executive Director of UNEP, in consultation with the Director General of the Food and Agriculture Organization of the United Nations (FAO), to establish joint management involving the Executive Secretaries of the Basel, Rotterdam and Stockholm Conventions for joint services and joint activities, creating the secretariat of the Conventions, as a partner of UNEP.[2]

92. As a regulatory framework, UNEP, by the UNEP programme manual, adopted the guidelines for the use of United Nations standard legal instruments. By that document, UNEP recognizes the memorandum of understanding as a framework of commitments through which UNEP and its partners confirm that they share a common understanding and endeavour, define strategic alliances, and agree/define areas of common interest, spheres of cooperation and mutual operational engagements. Moreover, the manual indicates also that a memorandum of understanding does not

[2] Established by synergies decisions BC-IX/10 (Basel Convention), RC-4/11 (Rotterdam Convention) and SC-4/34 (Stockholm Convention), on enhancing cooperation and coordination among the Basel, Rotterdam and Stockholm Conventions, sect. IV, para.2.

cover financial agreements. Where a memorandum of understanding has been signed, relevant implementation agreements are required to detail financial and programmatic/ administrative arrangements.

93. In addition, in May 2017, UNEP adopted a standard management procedure on programme support costs. The purpose of this procedure is to recover the incremental cost incurred when supporting activities financed from extrabudgetary contributions. However, according to the standard management procedure, only indirect costs – which are defined as those that cannot be traced unequivocally to specific activities, projects or programmes – can be recovered by programme support costs.

94. The above-mentioned standard management procedure also highlights, in its section 3, the common interest that multilateral environmental agreements for which UNEP provides the secretariat, such as the secretariat of the Basel, Rotterdam and Stockholm Conventions, have in promoting programme support cost generation. It also provides reassurance that proceeds from specific funds are not subsidizing the indirect support cost of other funds.

95. In response to the Board of Auditors' request that it submit a document regarding the indirect cost to be covered by programme support costs, on 29 November 2018, the audited entity attached a template sent by the headquarters including the services to be provided. However, it also mentioned that there are still ongoing discussions about which services will be covered by the headquarters and its share of the programme support costs. Moreover, the entity added that, given the existing uncertainty about which services will still be covered under programme support costs and about the actual cost of services which have so far been covered under programme support costs, it is difficult for the secretariat of the Basel, Rotterdam and Stockholm Conventions to estimate costs which may be shifted from programme support costs to the core budget of the three Conventions. This topic and related questions are likely to come up during the budget group discussions at the Conferences of the Parties to the Conventions in April–May 2019.

96. According to the secretariat of the Basel, Rotterdam and Stockholm Conventions, the template of services mentioned above should be attached to a memorandum of understanding concerning the arrangements for the provision of secretariat functions by UNEP to each of the Conventions. The memorandum of understanding shall list, among other subjects, the services covered by the activities financed from extrabudgetary contributions. However, the Administrative Officer of the Administration and Resources Oversight Branch mentioned that the process towards the development of the memorandum of understanding was initiated in 2012 and, as of November 2018, the memorandum of understanding between UNEP and the secretariat of the Basel, Rotterdam and Stockholm Conventions had not yet been issued.

97. In this regard, UNEP had been designated to carry out the secretariat functions by the Conventions. This was stipulated in article 16 of the Basel Convention, article 19 of the Rotterdam Convention and article 20 of the Stockholm Convention. However, the responsibilities and accountabilities relating to the delivery of secretariat services by UNEP to the three conventions are not stipulated in any formal document.

98. Management indicated that the secretariat is institutionally incorporated within the administrative structure of UNEP, including adhering to United Nations and UNEP regulations, rules and related guidelines while also enabling it to operate with sufficient autonomy to remain accountable to the governing bodies of the Basel, Rotterdam and Stockholm Conventions on programmatic matters. This autonomy is formalized through the delegation of authority from the UNEP Executive Director to the Executive Secretary of the Basel, Rotterdam and Stockholm Conventions.

99. In addition, the agency informed the Board that the United Nations Environment Assembly adopted, in May 2016, resolution 2/18 on the relationship between the United Nations Environment Programme and the multilateral environmental agreements for which it provides the secretariats. In order to implement that resolution, and in consultation with the secretariats of the multilateral environmental agreements, UNEP prepared a framework including an indicative but non-prescriptive list of administrative and support services it provides to the various secretariats. The document also indicates the services covered by the share of programme support costs retained by UNEP.

100. Management reported that the secretariat has liaised with UNEP towards the development of a memorandum of understanding since 2012, as requested by the Conferences of the Parties and under the guidance of the Bureau. At their last meetings, the Conferences of the Parties reiterated their request for the secretariat to finalize the draft memorandum of understanding with UNEP (and FAO for the Rotterdam Convention) for possible adoption at their 2019 meetings. The revised drafts of the memorandum of understanding, taking into account the relevant United Nations Environment Assembly resolutions, are under review.

101. Accordingly, UNEP and the secretariat of the Basel, Rotterdam and Stockholm Conventions will review, update and present to the Conferences of the Parties at their next meetings the memorandum of understanding including the related annexes that govern their administrative relationships and arrangements. As at 7 December 2018, the text of the draft memorandum of understanding has been informally cleared by UNEP, except for the list of services to be financed through the programme support income, which is still under consideration and is expected to be finalized in the first quarter of 2019.

102. The Board of Auditors estimates that the absence of certainty in regard to the secretariat services to be covered by UNEP headquarters, and its share of the programme support costs, undermines the establishment of the aforementioned memorandum of understanding, as it keeps the parties from the understanding of a whole set of functions to be assumed by UNEP and its sources of funding. This absence of clarity may also hinder the appropriate group discussions held with the Conferences of the Parties to the Conventions.

103. On the other hand, the Board of Auditors considers that the absence of a memorandum of understanding between UNEP and the Conferences of the Parties to the aforementioned conventions undermines its regulatory framework. This situation may result in the misunderstanding of responsibilities relating to the delivery of secretariat services by UNEP, which may hinder transparency towards the parties and accountability to the States parties to the Conventions.

104. **The Board recommends UNEP to establish the proper liaison between its headquarters and the secretariat of the Basel, Rotterdam and Stockholm Conventions in order to agree on the indirect costs that will be covered by their share of the programme support costs and the services to be provided to the Conferences of the Parties to the Conventions.**

105. **In addition, the Board recommends the secretariat of the Basel, Rotterdam and Stockholm Conventions to liaise with UNEP headquarters and the Conferences of the Parties to the Conventions in order to finalize and enact a memorandum of understanding. This instrument shall include the arrangements for the provision of secretariat functions by UNEP to each of the Conventions, aiming to establish a regulatory framework that sets out clear responsibilities, transparency, guidance and accountability between the parties and the member States.**

106. The management indicated that three memorandums of understanding between UNEP and the respective Conferences of the Parties to the Basel, Stockholm and Rotterdam Conventions (the secretariat of the latter being jointly administered with FAO) were formally submitted to the Conferences of the Parties in April 2019, adopted and signed.

Absence of indicators in work plans

107. One of the operational principles of UNEP, which guides the way it approaches its work and adopts its decisions, is the strategic regional presence. According to the medium-term strategy 2018–2021, a strengthened strategic regional presence will propel the work of UNEP towards regional and global consensus and policy coherence on key issues relating to the environmental dimension of sustainable development.

108. Another operating principle of UNEP is results-based management. In its medium-term strategy it is stated that UNEP will continue to strengthen planning and delivery processes, based on the progressive use of results-based management and strategic partnerships. It is also indicated that UNEP work in specific regions, subregions and countries will provide a particularly fertile terrain for ensuring coherence in the implementation of its planned results across subprogrammes.

109. According to the UNEP programme manual, results-based management is a life-cycle approach to management that integrates strategy, people, resources, processes and measurements to improve decision-making, transparency, accountability and delivery of results that are long-lasting. The approach focuses on achieving results, implementing performance measurement, learning, as well as reporting performance.

110. For its part, the Regional Office for Europe prepared an annual workplan for the year 2018, as a tool to help divisions/regional offices to understand how the delivery of the UNEP medium-term strategy/programme of work cascades down to the level of their respective regional office. In addition, it should be noted that all divisions and regional offices must aim to achieve and monitor the results in the programme of work and ensure that adequate administrative support is delivered to achieve the results, as expressed in the annual workplan.

111. The workplan of the Regional Office for 2018 describes the goals and criteria for success in relation to four areas: (1) overarching targets of the Regional Office for the year, based on the programme of work for 2018–2019; (2) major contributions of the division/regional office to the organization-wide goals in 2018; (3) plans to deliver major outputs of the programme of work for which the division/office is accountable and ensure adequate management of its project portfolio; and (4) measures to be taken to ensure administrative efficiency to support implementation of the medium-term strategy and programme of work.

112. In this regard, for example, in relation to area No. 1, there is stated under heading A the target of “Strengthening the regional presence”. For this target, the objectives are (a) to continue strengthening the organization’s presence in the Pan-European region in order to assist countries in the implementation of their national environmental programmes, policies, plans and laws; and (b) to contribute to the delivery of the new corporate strategy for strengthening regional/subregional/ country presence and strengthening subregional and in-country presence in Central Asia, the Russian Federation and the Western Balkans. However, the workplan has not stated the activities to be carried out during 2018 to achieve the objective, or the measurement method of objective achievement and the periodicity of progress assessment.

113. The Board of Auditors determined that the objectives of the annual workplans of the Regional Office for Europe are not specific, achievable or measurable, nor was

a deadline established for their achievement. The Board of Auditors considers that the lack of specific indicators in the annual workplans of the Regional Office makes it impossible to know whether the proposed objectives have been met, keeps management from taking measures in case of deviation, and hinders the process of providing feedback for the next periods.

114. **The Board recommends that the UNEP Regional Office for Europe consider, in its next annual workplans, performance indicators for monitoring, reporting and measuring the impact of its activities in the region, so as to implement the UNEP operating principle of results-based management.**

115. Management accepted this recommendation, indicating that it will ensure that the next workplan of the UNEP Europe Office will include measurable performance indicators in line with results-based management.

4. Revenue management

Misstatement in the records of the weekly deposit report

116. UNEP has a policy and procedures on unidentified deposits, established in 2014. The policy and procedures define the steps to determine an unidentified deposit, the timelines in which the investigation work should be conducted and, if the deposit remains unidentified, the criteria to be applied to redeploy it. The Financial Management Services (Contributions Unit) in the Corporate Services Division reviews, on a daily basis, the bank statements to identify the payer and purpose of every deposit. As required by the policy and procedures, the Contributions Unit makes a weekly report about the deposits, including the deposits not identified, for which the identifier “UID” is used.

117. The Board observed that, to do the weekly reports, UNEP maintains an Excel spreadsheet entitled “2018 UNEP weekly contributions” which includes the data for UNEP deposits about the sponsor, bank account, value date, amount, grant type fund, grant and the information necessary for the registration in Umoja, among other items. This spreadsheet is updated every week and submitted as a report to comply with the requirements of the policy and procedures.

118. Regarding the 2018 UNEP weekly contributions file, the following deficiencies were noted:

(a) Registering the same sponsor with different denominations;

(b) In the “fund” and “grant” fields, non-related concepts were written on some occasions whereas in other cases they were left without information;

(c) It was noted that bank charges were recorded only from week 17 of 2018; this was not previously done.

119. On the other hand, the Board of Auditors compared 26 cases of the file of 2018 UNEP weekly contributions with the one named “UNEP contributions for the period January to October 2018”, which contains the information registered in Umoja. The following paragraphs describe the situations detected after this comparison.

120. In the weekly report the information related to the sponsor, the amount deposited, the fund, the grant and the value date are recorded. However, with this information, it was not possible to find nine deposits in the contribution report from January to October (Umoja). In addition, the Board observed that in 5 of the 26 cases reviewed there exists a match between the sponsor and the fund, but the amount registered in Umoja is different from the amount of the deposit recorded in the weekly report.

121. UNEP clarified that the weekly report indicates the cash received whereas the income record shows income received in 2018. Therefore, part of the deposits was used to offset prior years' receivables that were not part of 2018 income. At a first stage, management explained that information in weekly reports should be the same as that in Umoja. Subsequently, it indicated that the information in the weekly report is dynamic and manually updated on the basis of new and additional information received from the recipients of the funds or the donor. The agency added that once all parameters pertaining to a deposit are identified, Umoja becomes the source of information. UNEP will consult the Accounts Section and the Information and Communications Technology Services at the United Nations Office at Nairobi to look for ways to automate the updating of historical and new information in the weekly report while ensuring that it is comparable to Umoja records for each deposit.

122. The Board of Auditors considers that the deficiencies detected in the weekly deposit report and the difficulties in associating that information with Umoja may hinder the accuracy and integrity of the data. In addition, since the weekly report is the initial registration for all UNEP deposits, it is important that it is complete and comparable, and that errors are reduced to a minimum. Undesirable outcomes such as processing mistakes might arise if these considerations are not taken into account. In the same vein, the Board is of the view that the changes made after the issuance of every weekly report should be registered by UNEP, in order to allow analysis and linkage to what is registered in Umoja.

123. **The Board recommends that UNEP review and enhance its deposit records by standardizing the names and/or sponsor codes, record mandatory information that accounts for the purpose of the funds and ensure that the information in weekly reports is traceable enough to compare it with Umoja records.**

124. UNEP stated that it does not accept this recommendation. The weekly report of deposits is a working document whose information is continuously updated on the basis of additional information received during review, whereas the information in Umoja is the final product after several updates. Posting to Umoja takes place only after several iterations and confirmation of the completeness and correctness of the data.

125. The Board specifies that the recommendation does not imply that the weekly reports should be identical to the information in Umoja but be complete enough to track it and compare it to Umoja. This is to attend to the flaws pointed out in paragraphs 120 and 122 above which showed that there were about 10 months during which no information was found in Umoja about nine deposits registered in the weekly reports. Information should be sufficient to at least track deposits and do a proper comparison regarding their status in Umoja.

Non-compliance with several provisions of the UNEP policy and procedures on unidentified deposits

126. According to the policy and procedures on unidentified deposits, an unidentified deposit is a payment received in any of the UNEP bank accounts for which no adequate information is available on the payer and/or purpose of the deposit to enable its allocation to a programme/project. Every deposit is reviewed by the Contributions Unit to identify the payer and the purpose. In situations where the information is neither clear nor adequate for determination of correct attribution of funds to the project/programme, this unit requests the United Nations Office at Nairobi (Treasury) to provide more detailed information.

127. In addition, if the information remains unclear or inadequate, the agency should conduct internal consultations with the fund management officers, sending them the weekly deposit report. If those officers cannot identify the purpose of an unidentified

deposit where the donor is known, within two weeks of receiving the first deposit report the Financial Management Services prepares a letter to the donor requesting information on the purpose of the contribution. If after three months from the receipt of the first deposit report, no information has been received, the Financial Management Services shall utilize the principles applied to deposits that remain unidentified established in the policy and procedures on unidentified deposits.

128. Furthermore, standard operating procedure 109, about unapplied deposits, of the Budget and Financial Management Service of the United Nations Office at Nairobi indicates that items which remain unidentified after three months or at year-end closure should be moved to the unapplied cash GL account.[3]

129. UNEP had, as at 31 October 2018, $3.06 million in open items in GL account No. 39201010. This means that the items will remain unapplied until relevant information is obtained to facilitate their processing, that is, offsetting against a receivable or transferring to the miscellaneous income GL account.

130. In this context, the Board reviewed 10 cases of unidentified deposits and determined that UNEP had requested the United Nations Office at Nairobi (Treasury) to provide more detailed information about two cases 579 days after the funds were deposited. This was recorded in an email dated 8 October 2018, sent by the Financial Management Services of UNEP to the Treasury Services Unit of the Office. Moreover, in the remaining eight cases, it did not prove that it had consulted the United Nations Office at Nairobi in accordance with the policy and procedures on unidentified deposits.

131. We noted also that the entity has not sent the letters to donors in eight of the cases to request more information about the deposits. In the other two cases the agency presented evidence of the letter to donors; however, no letter was sent within two weeks after the receipt of the first report, as established in the policy and procedures on unidentified deposits. Furthermore, UNEP did not present evidence of the letters being sent and received by the sponsor.

132. In addition, 2 of the 10 cases were not registered in GL account No. 39201010, so that they remained for more than three months without identification; therefore the agency did not proceed as indicated in standard operating procedure 109.

133. Management informed the Board that it will review its records to determine and allocate the additional resources required to ensure timely processing of unapplied deposits as stipulated in standard operating procedure 109.

134. The Board considers that non-compliance with the deposit identification procedure delays the allocation and financing of UNEP programmes/projects.

135. **The Board recommends that UNEP strengthen its controls to comply with the unidentified deposits identification process, in order to reduce amounts not allocated to programmes/projects, guaranteeing compliance with the policy and procedures on unidentified deposits and the standard operating procedure on the matter.**

136. UNEP accepted this recommendation and stated that management has since implemented the step-by-step review and follow-up on unapplied deposits to ensure compliance with the policy and procedures on unidentified deposits and the standard operating procedure. UNEP also indicated that a review of the resources allocated to processing of unapplied deposits will be undertaken to ensure that the policy is implemented without hindrance.

[3] Account No. 39201010 – unapplied cash.

5. Human resources management

Annual leave

137. Regulation 5.1, under Article V, Annual and special leave, of the Staff Regulations and Rules of the United Nations (see Secretary-General's bulletin ST/SGB/2018/1), establishes that the staff members shall be allowed appropriate annual leave.

138. Moreover, it is stated in rule 5.1:

(a) Annual leave may be taken in units of days and half-days;

(b) Leave may be taken only when authorized. If a staff member is absent from work without authorization, payment of salary and allowances shall cease for the period of unauthorized absence. However, if, in the opinion of the Secretary-General, the absence was caused by reasons beyond the staff member's control and the staff member has accrued annual leave, the absence will be charged to that leave;

(c) All arrangements as to leave shall be subject to the exigencies of service, which may require that leave be taken by a staff member during a period designated by the Secretary-General. The personal circumstances and preferences of the individual staff member shall, as far as possible, be considered.

139. The Board reviewed 204 cases of annual leave, as at 31 December 2018, of a sample of 25 staff members. In this review, it was observed, in the first place, that in 31 cases (15 per cent), although they were finally authorized, the staff used their annual leave without previously requesting it, not having prior approval of their supervisors. In fact, in one case it was observed that the request for leave was submitted 58 working days after its beginning. In 35 cases (17 per cent) the staff annual leave was approved by the supervisors up to 108 working days after the leave's starting date. Finally, four cases were verified in which the leave requests were sent by the official, but, as at the date of this review (May 2019), the leave had not yet been approved. It is important to note that, in these last cases, the corresponding requests were made in August, October and November 2018, which means that they have been unresolved for nine, seven and six months respectively.

140. The Board of Auditors considers that the leave approvals are not being used as a management control mechanism in accordance with the Staff Regulations and Rules of the United Nations. Conversely, in several cases, requests and approval of annual leave have been postponed beyond the deadline established by the cited policy.

141. The Board of Auditors is of the view that maintaining adequate control of staff annual leave contributes to improvement in human resources management.

142. On this matter, UNEP mentioned that it is monitoring leave from a statistical point of view and that it will enhance its mechanisms to identify leave requests that are submitted but not processed. It also mentioned that, in coordination with the United Nations Office at Nairobi, UNEP is already in the process of building capacity through training of time administrators and raising awareness among staff and managers on the requirements for recording and approval of annual leave.

143. **The Board recommends that UNEP improve its monitoring of staff annual leave to ensure that all leave is requested and approved through supervisors in a timely manner in accordance with the Staff Regulations and Rules of the United Nations.**

144. **Moreover, the Board recommends UNEP to perform a periodic and timely review of the leave system to identify absences and, if relevant, apply the charges to the monthly salary of the staff.**

145. Management accepted this recommendation. UNEP stated that it follows the United Nations Secretariat-wide procedure of recording absences not justified by the required documentation as special leave without pay.

6. Information and communications technology

Absence of consolidation of projects information

146. Through bulletin ST/SGB/2004/15, the Secretary-General, for the purposes of defining the proper use of information technology and related resources and data, and of ensuring the security and technical integrity of the system, promulgates in section 3.2 that: "authorized users shall use their best efforts: (a) To ensure the accuracy of any information and communications technology (ICT) data for which they are responsible; (b) To preserve and protect ICT resources and ICT data which may be needed by the Organization for any purpose".

147. When validating the project management process in UNEP, the Board of Auditors noted the use of multiple systems and manual spreadsheets in Excel to record and monitor the projects. In addition, there was no system that consolidated the historical information on all the projects managed by UNEP, either as implementing or as executing agency. Actually, there are four different information systems identified by the Board of Auditors for project information management: PIMS, ADDIS, Anubis and IMIS.

148. UNEP stated that steps have been initiated to consolidate project management information, namely with the Umoja Extension 2 project. The process of integrating data and functionality within Umoja will be gradual and the time line has not yet been ascertained. Therefore, until the fully integrated Umoja Extension 2 becomes available, UNEP will continue to work on enhancing the consolidation, intelligence, and reporting of information via the project information publishing application.

149. The Board of Auditors is of the opinion that having integrated and centralized information easily accessible by authorized users promotes compliance with the rules and regulations of the Organization. This in turn ensures the uniformity of the reporting conditions accepted throughout the Organization, and the communication in a transparent, efficient and responsible way of financial and management results.

150. Having a multiplicity of information systems with similar objectives in the registration and management of projects implies an additional cost in software maintenance. It also generates inefficient use of resources in the preparation of information to be reported by the Administration, resulting in more complex processes. This situation makes it impossible to ensure that data remain intact, free of modifications or alterations by third parties, in accordance with section 3.2 (a) of the aforementioned bulletin.

151. Finally, it is important to consider historical project data, in order to have a complete data sheet, in accordance with section 3.2 (b) of the cited bulletin. This makes it possible to generate indicators to measure the results and expenses incurred at the accounting level that can be linked to each of the corresponding projects and to monitor project management activities.

152. **The Board recommends that UNEP ensure the accuracy of ICT data, preserve and protect ICT resources, related to the consolidation of the management information on projects in one system, considering also in this process the historical projects data, pursuant to bulletin ST/SGB/2004/15.**

153. UNEP accepted this recommendation but indicated that its implementation will depend on the outcome of implementation of the planned modules of Umoja

Extension 2, which are expected to lead to consolidation of the management information in one system.

7. Travel

Delays in submission and approval of travel requests

154. The administrative instruction on official travel (ST/AI/2013/3, sect. 3.3), indicates: "In accordance with staff rule 7.8, all travel arrangements for individuals travelling on behalf of the United Nations, including advance booking and purchase of tickets, should be finalized 16 calendar days in advance of commencement of official travel".

155. When official arrangements exceed this deadline, programme managers must provide a justification. Any change in an approved travel authorization must also be justified and certified by the appropriate programme manager and the relevant executive or administrative office.

156. The aforementioned rule was then updated by standard operating procedure 101 of the Budget and Financial Management Service, on travel requests and advances, which indicates in section A.1 that travel requests are to be created in the Umoja portal (Employee Self Service) under "Travel, shipment and expenses", and submitted at least 21 days before travel begins. If 21 days' notice cannot be given to the Travel Unit, justification must be explained in the travel request and approved by certifying officers.

157. The Board of Auditors reviewed a sample of 25 official trips chosen at random. Of these, 11 do not comply with the 21 days' notice (44 per cent of the whole sample). Moreover, when analysing if the proper justification was given for not complying with the deadline, the Board of Auditors realized that this rule was met only in three cases. This justification was thus not provided for 72 per cent of the cases of the sample that required it.

158. The Board identifies low level of compliance both regarding the 21-day deadline and, especially, in regard to the justification that should be given when the said deadline is not met.

159. **The Board recommends that UNEP strengthen its controls in order to comply with the deadline of 21 days in advance for submission of travel requests, providing the proper justification in the cases when the mentioned rule has not been complied with.**

160. UNEP indicated that the current data (last updated on 9 May 2019) show an overall compliance rate of 62 per cent for over 1,649 official missions compared to a compliance rate of 50 per cent in 2018 and 47 per cent in 2017.

161. In addition, UNEP mentioned that it is monitoring average days for travel certification and approval against service targets and furthermore is monitoring the average number of days before travel submission. Currently the last indicator shows the average at 24 days. UNEP will further develop the dashboards to monitor workflows and number of rejections/amendments to verify if training will be needed at the requesting stage. The functionality for travel justification has recently changed from free text field to a drop-down box of standard justifications. This change was requested to allow meaningful data analysis and follow-up with appropriate staff members. Further guidance to staff on the correct usage of the drop-down box is expected in 2019. This recommendation has therefore been implemented.

8. Fraud cases management

Absence of correspondence between fraud reports

162. UNEP notified the Board of Auditors of one case of fraud and two cases of presumptive fraud reported in the year 2018. The fraud case was related to three UNEP acceptance memorandums addressed to donor Governments and intended to initiate the receipt of contributions for Junior Professional Officers, which were altered in their contents to present banking details of accounts that do not belong to UNEP. In this case, the amount involved was $573,586. Regarding the presumptive fraud cases, the amount involved has still to be calculated.

163. On the other hand, the Board received the 2018 report on cases of fraud and presumptive fraud prepared by the Office of Internal Oversight Services (OIOS). A comparison of the cases reported to the Board by UNEP management and the OIOS data revealed discrepancies. In the first place, the fraud or presumptive fraud cases reported by OIOS total seven, whereas UNEP only reported a total of three. Secondly, except for one situation, there is no correspondence between the cases reported by UNEP and those reported by OIOS. Finally, there is no uniformity in the case identification method used in each report.

164. Taking into consideration these findings, the Board estimates that proper coordination between the two entities is missing. This also means that there is a reasonable basis for believing that the UNEP cases of fraud and presumptive fraud are different from the ones that OIOS handled. That is an undesirable inconsistency that may imply a risk for the entity with financial implications.

165. **The Board recommends that UNEP management devise a suitable mechanism to ensure better coordination between the entity and the Office of Internal Oversight Services for a complete and comprehensive reporting of cases of fraud and presumptive fraud.**

166. UNEP accepted this recommendation, adding that management will initiate consultation with the Office of Internal Oversight Services and the United Nations Office at Nairobi to agree on a mechanism that will allow better management and reporting on cases of fraud and presumptive fraud.

C. Disclosures by management

167. UNEP made the following disclosures relating to write-offs, ex gratia payments and cases of fraud and presumptive fraud.

1. Write-off of cash, receivables and property

168. The Programme informed the Board that, in accordance with financial rule 106.7, UNEP reported that losses of account receivables amounting to $466,450.79 and asset losses of $967.62 were written off in 2018.

2. Ex gratia payments

169. Management confirmed that UNEP did not make any ex gratia payments in 2018.

3. Cases of fraud and presumptive fraud

170. 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 irregularity (including those resulting from

fraud). Our audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

171. During the audit, the Board makes enquiries of management regarding their oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that management has identified or brought to their attention. We also enquire whether management has any knowledge of any actual, suspected or alleged fraud, including enquiries made to the Office of Internal Oversight Services. The additional terms of reference governing external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in its report.

172. In 2018, UNEP reported one case of fraud and two cases of presumptive fraud that were under investigation.

D. Acknowledgement

173. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director and staff members of the United Nations Environment Programme.

(*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	UNEP response	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
1.	2017	A/73/5/Add.7, chap. II, para. 21	The Board recommends that UNEP (a) establish a mechanism to be used to identify receivables from voluntary contributions on regular basis and analyse them according to their due dates; and (b) institute a mechanism to ensure regular communication and follow-up of all overdue pledges, as required under the UNEP programme manual (2016).	UNEP has introduced monthly reports showing the ageing of outstanding accounts receivable. The report shows outstanding receivable balances by office/division and the responsible fund management officer and indicates the due date of the outstanding receivable, the amount and the donor. The first report was sent to fund management officers on 13 March 2019 and was positively received by fund management officers. UNEP will make this a monthly report to all offices to ensure that they have complete information on outstanding contributions. It is expected that this regular report will help with follow-up actions for overdue pledges.	(a) UNEP submitted monthly reports on overdue assessed and voluntary contribution receivables corresponding to the months of March and April 2019, which indicate the outstanding contributions as at the last day of the previous month of the reporting date. The Board of Auditors takes notice of this information as evidence that the recommended mechanism has been implemented. (b) The auditee submitted copy of the emails sent to fund management officers through which the reports on overdue contributions receivables were communicated, including a list of the recipients of these messages, with a total of 181 entries. In addition, during the interim audit, the Programme provided supporting documentation on the regular communications sustained with donors in regard to overdue pledges. Therefore, the recommendation has been implemented.	X			
2.	2017	A/73/5/Add.7, chap. II, para. 25	The Board recommends that UNEP expedite the introduction of a mechanism that will adequately reflect project administrative and ownership challenges in management action plans and follow-up in order to	The Division has set up a system that periodically generates feedback on project implementation challenges, to support management decisions. The process was launched on 18 January 2018. On 26 April 2019, the heads of branches were requested to submit their inputs	The Programme sent information about the decision to introduce a biannual project implementation challenge review, which will enable the Programme to capture and address project implementation challenges from a systemic and divisional perspective. UNEP provided the	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNEP response	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			ensure that comprehensive management action is taken to address the challenges identified.	to the feedback mechanism. The initial feedback from the branches has been received and is under discussion with the head of the Division.	review tool for project implementation challenges, which describes the challenges identified, the actions to be taken and the measures implemented thus far. Thereby this recommendation is considered implemented.				
3.	2017	A/73/5/Add.7, chap. II, para. 30	The Board recommends that UNEP (a) introduce a mechanism to enforce prompt recording of all project financial information in Umoja and regularly update the project financial data in the system; (b) introduce a regular review of project information in Umoja to verify the correctness and completeness of project data; and (c) ensure that all transactions in Umoja are linked to a valid and approved project in support of the programme of work.	(a) UNEP has taken a decision to dedicate resources to the development of the project management system under Umoja Extension 2 that will allow a direct linking of project information to financial information in Umoja. This decision has been made taking into account the fact that the Programme Information and Management System (PIMS) will not have a direct link to Umoja in the future. (b) An initial review of the project information has been undertaken in preparation for the launch of the open data platform. This will become a more regular review. With the implementation of the project management system of Umoja Extension 2, all offices will be required to create entirely new projects in the system through a standardized process in order to be able to complete transactions in Umoja. It is expected that this process will ensure that all financial information in Umoja is linked to the appropriate projects. In January 2019, the portfolio and project management functionality was deployed to entities	(a) The Board of Auditors acknowledges that UNEP is undertaking actions. However, those actions remain to be completed, and the project's financial information is still not linked to PIMS but available in Umoja. Therefore, the Board considers that this recommendation currently remains under implementation. (b) In accordance with the information provided by the audited entity, the reviews performed are related to the establishment of the open data platform but not to the information in Umoja. UNEP also explained the implementation stages of the portfolio and project management functionality and its functionalities at the moment. In this sense, although the system's structure has been planned to establish a strict link between project information and the data in Umoja, these features are not yet operational. Therefore, this recommendation is under implementation. (c) In accordance with the information provided by the audited Programme, the linkage		X		

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				participating in the initial release of Umoja Extension 2 (Department of Economic and Social Affairs, Economic and Social Commission for Western Asia and Economic and Social Commission for Asia and the Pacific). UNEP is expected to go live with the next release of the portfolio and project management functionality. (c) The Project Review Committee ensures that all projects are linked to the programme of work. Only projects that are reviewed by the Committee are then established in Umoja by the Policy and Programme Division. This control will be further enhanced with the implementation of the portfolio and project management functionality in UNEP.	between project information and Umoja will be established as a prerequisite in order to enable transactions in that system. However, the software characteristics that will ensure that link are not yet operational. Therefore, this recommendation is under implementation.				
4.	2017	A/73/5/Add.7, chap. II, para. 35	The Board recommends that UNEP establish guidelines for field offices on how to assess and select implementing partners who are not-for-profit, public-sector organizations.	UNEP implemented the grantor system on 1 December 2018. Over 200 staff, comprising Programme Management Officers, programme management assistants, Finance Management Officers and finance management assistants, have been trained. Currently, more than 54 payments have been made against contracts with implementing partners in the new system. Headquarters has submitted the first draft of the revised Financial Regulations and Rules to the Advisory Committee on Administrative and Budgetary Questions for review. The proposed amendments to the Financial Regulations and Rules	UNEP submitted the proposed amendments to the Financial Regulations and Rules of the United Nations, which aims to include provisions in order to clarify the framework for the management of implementing partnership. The approval of this framework pending. In addition, considering that a specific UNEP policy on the matter has yet to be designed and issued, and that the entity should have the central role in that process, this recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNEP response	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				relate to establishing a clear regulatory framework for the management of implementing partners, including the award of grants to such partners, and a streamlining and simplification of certain financial regulations. UNEP added that as the implementation of this recommendation is dependent on the deployment of Umoja 2 Extension, which is led by Headquarters, and UNEP has already taken the necessary steps within its control, the Board should consider closing the recommendation.					
5.	2017	A/73/5/Add.7, chap. II, para. 40	The Board recommends that UNEP: (a) in collaboration with the United Nations Office at Nairobi, review on regular basis all the roles that have been granted in Umoja and eliminate all conflicting roles granted to users; and (b) establish procedures to ensure that user roles are reviewed regularly by process owners to ensure that they are commensurate with job descriptions and are not conflicting.	(a) The conflicting roles identified by the auditors (mainly related to requisitioning and the receipt of goods) were deprovisioned. The ones remaining relate to a few cases of small out-posted offices that do not have enough staff to undertake the different roles and where the requested exceptions were granted by the process owners on the basis of the justification provided. The justification is provided by the requesting office to the UNEP Security Liaison Officer, who in turn submits it in Umoja when requesting the role. The Section Chief confirms the request, which is then sent to the functional approvers in Nairobi/ New York for review and approval, after which the role is mapped.	(a) The Board of Auditors identified that, in 16 cases, there is the possibility of a proper distribution of roles, as the offices involved have an adequate number of staff to generate a control that addresses the problem of segregation. On five occasions it was also possible to find other staff members with the same position who could hold the respective conflicting role to enhance segregation. (b) It was verified that a dashboard solution was implemented, whereby a weekly review is carried out of the compatibility of the roles of user accounts. Nevertheless, considering the status with respect to (a), overall, this recommendation is under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNEP response	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				(b) When submitting a role request, the UNEP Security Liaison Officer checks for conflicts between the role requested and the user's existing roles as a first step. The user access provisioning application in Umoja has a conflict detection feature which either prevents the Security Liaison Officer from requesting a conflicting role or forces the Officer to provide justification depending on the role in question. The assigned roles are reviewed on a weekly basis by the UNEP Security Liaison Officers using the business intelligence dashboard to ensure that the roles are compatible, using the role guide for reference.					
6.	2017	A/73/5/Add.7, chap. II, para. 44	The Board recommends that UNEP ensure that all user accounts for separated staff and those that remain dormant for three consecutive months be deactivated on a regular basis and in a timely manner.	UNEP Security Liaison Officers use the business intelligence dashboard to monitor the login activity of staff members on a weekly basis and the staff movement reports from the Human Resources Management Section received on a monthly basis to determine which user roles to deprovision. The employee self-service role, which is not transactional, is normally kept intact after separation to allow the user to process the terminal dues. New York does not allow for the deactivation of accounts which remain active for users after separation but with no transactional functionalities.	When verifying the current situation of active users in Umoja and their last logon dates and comparing it against lists of active and separated staff from UNEP provided by the Human Resources Management Section, the Board of Auditors noted that the respective accounts were deactivated. Therefore, this recommendation has been implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNEP response	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
7.	2017	A/73/5/Add.7, chap. II, para. 49	The Board recommends that UNEP ensure that (a) assets information in Umoja is updated in a timely manner and (b) unserviceable or obsolete assets are promptly identified, written off and disposed of.	A total of 7 of the 14 Nairobi-based assets have been disposed of, with the remainder being in the process of being disposed of. UNEP carries out annual physical asset verification at year end and the beginning of the year to verify whether the asset register tallies with asset positions on the ground. In the future, UNEP plans to undertake the physical verification exercise at the beginning of the fourth quarter, to allow ample time for the disposal of obsolete assets.	For both (a) and (b), of the 18 information and communications technology assets currently located in Nairobi, the Board took a sample and carried out a physical verification of 16 of them. Out of the reviewed assets, 12 were operational and in use, whereas 4 were identified as “for disposal”. This status has been updated in Umoja. However, considering that the assets have not been disposed of in a timely manner, this recommendation is considered under implementation.		X		
8.	2017	A/73/5/Add.7, chap. II, para. 53	UNEP agreed with the Board recommendation to issue a policy document based on the Anti-Fraud and Anti-Corruption Framework.	The guidelines (policy document) underwent the internal review process of consultations and input from directors and executive heads of multilateral environment agreements. However, the fiduciary standards of the Green Climate Fund and the recently approved policies on prohibited practices, anti-money-laundering and counter-financing of terrorism require significant additional measures, which must to be incorporated within the UNEP guidelines. This necessitates further internal consultation on practices, tools and methodologies for these measures.	UNEP submitted its interim anti-fraud and anti-corruption guidelines and a memorandum dated 3 May 2019 by the Director of the Corporate Services Division, who enacts them. These guidelines are to be effective for a limited period on a pilot basis and can therefore be assessed during the implementation time and subsequently adjusted to provide a definitive text. In this regard, as the definitive guidelines are still in the process of being developed, the recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNEP response	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
9.	2016	A/72/5/Add.7, chap. II, para. 24	The Board recommends that UNEP enhance its follow-up efforts with implementing partners to submit the required reports on time so as to expedite financial closure of operationally closed projects.	The Secretariat is in the process of establishing a system-wide policy on the management of implementing partners and end beneficiaries as part of the grantor module under Umoja Extension 2, which was launched on 31 December 2018. UNEP, as the lead agency for this module, has already deployed it and conducted training across all offices to ensure its full implementation. This module will significantly improve the management of the relationships with the implementing partners at their different stages, including due diligence, engagement, implementation, monitoring and reporting, and the collection of unused funds. UNEP will contribute to the enhancement of the system to address new challenges that may arise in the future while dealing with implementing partners.	The Board of Auditors acknowledges that UNEP is in the process of developing Umoja Extension 2. As verified by the Board, thus far, the modules implemented are aligned with the initial stage of project development, which is mainly related to project formulation and the application and selection of implementing partners. However, the features related to project monitoring, reporting and closing are still not operative. Therefore, this recommendation remains under implementation.		X		
10.	2016	A/72/5/Add.7, chap. II, para. 33	The Board recommends that UNEP conduct a regular follow-up with implementing partners to ensure that they comply with the UNEP programme manual by submitting consolidated audited financial statements on completed projects to provide assurance over the expenditure incurred during the implementation of the projects.	The Secretariat is in the process of establishing a system-wide policy on the management of implementing partners and end beneficiaries as part of the grantor module under Umoja Extension 2, which was launched on 31 December 2018. UNEP, as the lead agency for this module, has already deployed it and conducted training across all offices to ensure its full implementation. This module will significantly improve the management of the relationships with the implementing partners from the	The Board of Auditors acknowledges that UNEP is in the process of developing Umoja Extension 2. As verified by the Board of Auditors, thus far, the modules implemented are aligned with the initial stage of project development, which is mainly related to project formulation and the application and selection of implementing partners. However, the features related to project monitoring, reporting and closing are still not operative. Therefore, this recommendation remains under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNEP response	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
				beginning stages of the process – due diligence, engagement, implementation, monitoring and reporting, and the collecting of unused funds. UNEP will contribute to the enhancement of the system to address new challenges that may be experienced in future while dealing with implementing partners.					
11.	2016	A/72/5/Add.7, chap. II, para. 39	UNEP agreed with the Board's recommendation to develop an anti-fraud policy to ensure that a consistent approach to fraud detection, measurement and reporting is in place across all implementing partners.	The guidelines (policy document) underwent the internal review process of consultations and input from directors and executive heads of multilateral environment agreements. However, the fiduciary standards of the Green Climate Fund and the recently approved policies on prohibited practices, anti-money-laundering and counter-financing of terrorism require significant additional measures, which must be incorporated within the UNEP guidelines. This necessitates further internal consultation on practices, tools and methodologies for these measures.	UNEP submitted its interim anti-fraud and anti-corruption guidelines and a memorandum dated 3 May 2019 by the Director of the Corporate Services Division, who enacts them. These guidelines are to be effective for a limited period on a pilot basis and can therefore be assessed during the implementation time and subsequently adjusted to provide a definitive text. In this regard, as the definitive guidelines are still in the process of being developed, the recommendation is considered under implementation.		X		
12.	2016	A/72/5/Add.7, chap. II, para. 68	The Board recommends that UNEP expedite the implementation of enterprise risk management to ensure an effective and efficient risk management process.	UNEP has identified additional human resource to support the implementation of enterprise risk management. Financing for additional human resource has been secured through the Junior Professional Officers Programme.	In accordance with the Board's review, the audited agency demonstrated that it has been taking measures to ensure the existence of personnel to implement enterprise risk management. In this regard, UNEP provided a copy of an email on the negotiations to secure funding for the staff who will work in		X		

						Status after verification			
No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*UNEP response*	*Assessment of the Board*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
					enterprise risk management through the Junior Professional Officers Programme. The Board has also been provided with a draft of the advertisement for the recruitment process of the posts to be delivered to assist UNEP in the implementation of the Secretariat's enterprise risk management and internal control framework. Under the circumstances, and as the process for implementing enterprise risk management in UNEP is in the initial state, this recommendation is considered under implementation.				
13.	2015	A/71/5/Add.7, chap. II, para. 52	The Board recommends that UNEP ensure sufficient controls over the preparation and submission of required project reports by implementing agencies in compliance with the project cooperation agreements.	The Secretariat is in the process of establishing a system-wide policy on the management of implementing partners and end beneficiaries as part of the grantor module under Umoja Extension 2, which was launched on 31 December 2018. UNEP, as the lead agency for this module, has already deployed it and conducted training across all offices to ensure its full implementation. This module will significantly improve the management of the relationships with implementing partners from the beginning of the process – due diligence, engagement, implementation, monitoring and reporting, and the collecting of unused funds.	The Board of Auditors acknowledges that UNEP is in the process of developing Umoja Extension 2. As verified by the Board, thus far, the modules implemented are aligned with the initial stage of project development, which is mainly related to project formulation and the application and selection of implementing partners. However, the features related to project monitoring, reporting and closing are still not operative. Therefore, this recommendation remains under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNEP response	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
14.	2015	A/71/5/Add.7, chap. II, para. 56	The Board recommends that UNEP-GEF: (a) make more effort and follow-ups to ensure that expenditure reports are submitted within the agreed time frames under the signed agreements; and (b) consider the write-off of receivables with respect to which expenditure reports cannot be retrieved and the recoverability of advances has proved to be uncertain.	(a) Management has decided to focus on the development of the implementing partner module for the entire organization rather than developing a system focused on Global Environment Facility projects. The implementing partner system, once fully operational, is expected to have the elements of scheduling and tracking of reports due under the signed agreements with the implementing partners. It is therefore recognized that UNEP-Global Environment Facility specific efforts are now overtaken by the implementation of the implementing partner module. (b) UNEP has made tremendous progress in the cleanup of the old converted balances of implementing partners. Total receivables at the time of conversion to Umoja was $82 million. That amount has now been reduced to $40 million as at 23 April 2019.	(a) The Board of Auditors acknowledges that UNEP is in the process of developing Umoja Extension 2. As verified by the Board, thus far, the modules implemented are aligned with the initial stage of project development, which is mainly related to project formulation and the application and selection of implementing partners. However, the features related to project monitoring, reporting and closing are still not operative. Therefore, this recommendation remains under implementation. (b) The Board of Auditors awaits the finalization of the work on cleaning up old balances that were not cleared prior to Umoja conversion. Thus, at the moment, the recommendation is under implementation.		X		
15.	2015	A/71/5/Add.7, chap. II, para. 67	UNEP agreed with the Board’s recommendation that it review the residual value and the useful lives of all assets and ensure that the asset register is updated to reflect the restated figures after Headquarters has completed the analysis of property, plant and equipment.	The review of the useful lives of fully depreciated assets still in use has been completed by offices/missions, and the initial analysis was conducted. An outcome of the October 2018 meeting of the Task Force on Accounting Standards was that the United Nations System Chief Executives Board for Coordination would conduct a survey of all United Nations agencies on physical assets, including collecting data on the	UNEP provided the report on the review of useful lives of fully depreciated assets still in use. However, there actions remain to be taken with regard to the residual value and the useful lives of the rest of the assets. Therefore, this recommendation remains under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNEP response	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				actual lives of assets. It is expected that the data collected from the agencies across all classes of assets will inform the system-wide policy on useful lives. In this regard, the United Nations Secretariat will await the survey outcome and decisions before taking a final decision on the treatment of fully depreciated assets still in use. In the meantime, the practice of making a top-side adjustment of 10 per cent, endorsed by the Board of Auditors at that time, will continue. This practice was implemented during the preparation of the 2018 financial statements. The Secretariat is in the process of developing a system-wide policy on the useful lives of assets and therefore the implementation of this recommendation is subject to corporate-level decisions at Headquarters. Management considers this recommendation as implemented, as UNEP is not in control of the remaining processes at Headquarters.					
16.	2014	A/70/5/Add.7, chap. II, para. 30	UNEP agreed with the Board's recommendation that it include in the proposed new version of PIMS all key project processes and ensure that consolidated reports are provided and there is improvement in the capacity for the inclusion of all key project processes.	No data was migrated from PIMS to Umoja. Considering the implementation of the new project management module of Umoja Extension 2, further development in PIMS has been stopped. This recommendation has therefore been overtaken by events.	As indicated by UNEP, and considering the documentation provided, this recommendation has been overtaken by events.				X

No.	Audit report year	Report reference	Recommendation of the Board	UNEP response	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
17.	2014	A/70/5/Add.7, chap. II, para. 45	UNEP agreed with the Board's recommendation that it look at ways of ensuring that the Evaluation Office is provided with adequate resources to initiate and manage independent project-level evaluations to the required level, and that project closure time frames are adhered to.	The Executive Director has approved relocation of a P-4 post from the Executive Office to the Evaluation Office, and this is reflected in the budget. Additionally, the 2016 update of the UNEP evaluation policy states that the Evaluation Office aims to undertake evaluations of a high proportion of completed projects. This approach has been adopted to help develop and reinforce a strong evaluation and results-oriented culture among UNEP project managers. Evaluation of all Global Environment Facility funded projects is mandatory at their completion and the Evaluation Office also aims to evaluate all non-Global Environment Facility funded projects with a secured project budget/expenditure above an agreed financial threshold, as set out in the UNEP Programme Manual. Projects of high strategic relevance that fall below this threshold may also be selected for evaluation. Projects that are not selected will commission an external review managed by the project/task manager. In the longer term, and as the standard requirement for projects to produce comprehensive completion reports becomes more firmly established, UNEP will move to a more selective project evaluation approach. A	UNEP provided a memorandum dated 16 January 2019 by the Acting Executive Director indicating the redeployment of the position of P-4 Programme Manager to the Evaluation Unit, aiming to strengthen the evaluation capacity of UNEP. Nevertheless, according to the information available in PIMS, there are at least 87 completed projects with outstanding closing dates. On the other hand, as new resources have just been allocated, the Board of Auditors is of the view that following up on analysing the implementation of this recommendation is important to determine the impact of those resources in the performance of the Evaluation Office. Therefore, this recommendation is under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNEP response	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				proportion of projects will be selected for in-depth evaluation at completion and, in addition, randomly selected project reviews and completion reports will be subject to quality assessment by the Evaluation Office. Management is of the view that while resources available in the Evaluation Office may be insufficient for 100 per cent coverage, it is questionable that a 100 per cent sampling approach would maximize the benefits to UNEP in terms of both accountability and learning that evaluation provide. Considering the actions already taken on the allocation of additional resources, management considers this recommendation as implemented. The adherence to project closure timelines can be reviewed separately in the future.					
Total						**3**	**13**	**0**	**1**
Percentage						**18**	**76**	**0**	**6**

Chapter III
Certification of the financial statements

Letter dated 31 March 2019 from the Chief Finance Officer of the United Nations Office at Nairobi addressed to the Chair of the Board of Auditors

The financial statements of UNEP for the year ended 31 December 2018 have been prepared in accordance with rule 106.1 of the Financial Regulations and Rules of the United Nations (ST/SGB/2013/4) and rule 207.3 of the supplement to the Financial Regulations and Rules of the United Nations (ST/SGB/2015/4).

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. These notes, and the accompanying schedules, provide additional information and clarification of the financial activities undertaken by UNEP during the period covered by these statements.

The certification function defined in financial rules 105.5 and 105.7 to 105.9 of the Financial Regulations and Rules of the United Nations is assigned to UNEP. Responsibility for the accounts and the performance of the approving function, as defined in article VI and financial rule 105.6 of the Financial Regulations and Rules of the United Nations, is assigned to the United Nations Office at Nairobi.

In accordance with the authority assigned to me, I hereby certify that the appended financial statements of the Fund of UNEP for the year ended 31 December 2018 are correct.

(*Signed*) Felista **Ondari**
Chief Finance Officer
United Nations Office at Nairobi

Chapter IV
Administration's financial overview for the year ended 31 December 2018

A. Introduction

1. The Executive Director has the honour to submit herewith the financial report, together with the accounts, of UNEP, including the Environment Fund, associated trust funds and the related accounts, for the year ended 31 December 2018. The financial statements consist of five statements and notes to the financial statements. In accordance with financial rule 106.1, these financial statements were to be transmitted to the Board of Auditors on 31 March 2019.

2. The United Nations Secretariat's business intelligence (BI) tool has been used for the production of various financial reports. BI also facilitates the set of strategies, process applications, data, technologies and technical architectures which are used to support the collection, analysis and presentations. In addition, Systems Applications and Products in Data Processing (SAP)/Business Planning and Consolidation (BPC) was introduced to support the preparation of financial statements and notes. SAP/BPC helps to automate and streamline business forecast, planning and consolidation activities.

3. Regular budget revenue and expense, insofar as they relate to UNEP, are included in Volume I, a related party, but for completeness have also been included in these financial statements.

4. The financial statements and schedules, as well as the notes thereto, are an integral part of the financial report.

B. International Public Sector Accounting Standards sustainability plan

5. This is the fifth year for which the financial statements of UNEP (the organization) have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). To support continued IPSAS compliance, the organization has deployed an IPSAS sustainability plan with ongoing work under five major components that have been identified as the core pillars for IPSAS sustainability, namely:

(a) Management of the benefits of IPSAS: this entails tracking and compiling IPSAS benefits and examining ways of using IPSAS-triggered information to better manage the organization;

(b) Strengthening of internal controls: this includes the deployment and ongoing management of the framework that will support a statement of internal control;

(c) Management of the IPSAS regulatory framework: this includes active participation in the work of the IPSAS Board to formulate new IPSAS or change existing standards, and the related update of the IPSAS Policy Framework and financial rules and guidance, as well as the related changes to systems and processes;

(d) Maintenance of the integrity of Umoja as the backbone for IPSAS-compliant accounting and reporting: this includes ensuring IPSAS compliant processes for new programmes and activities, and automating the production of financial statements via Umoja;

(e) Continued IPSAS training and the deployment of a skills strategy that will support a strengthened finance function.

C. Overview of the financial statements of the year ended 31 December 2018

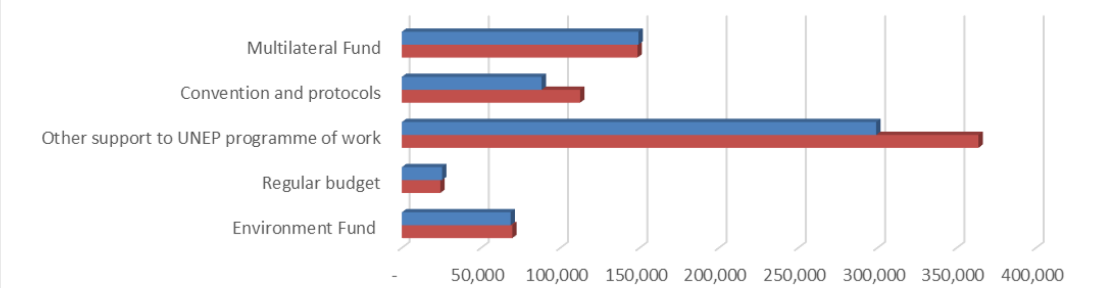
All funds

6. Statements I to IV show the consolidated figures for all UNEP activities, comprising the Environment Fund, the regular budget, other trust funds supporting the UNEP programme of work, trust funds supporting the UNEP multilateral environment agreements and the Multilateral Fund, programme support costs that support the UNEP programme of work and the multilateral environment agreements, and end-of-service and retirement benefits for the year ended 31 December 2018. Statement V reports on the Environment Fund and the regular budget.

7. Comparison between the year ended 31 December 2017 and the current reporting date is provided.

8. The revenue of UNEP for the year ended 31 December 2018, by source of funding, is shown in figures IV.I and IV.II.

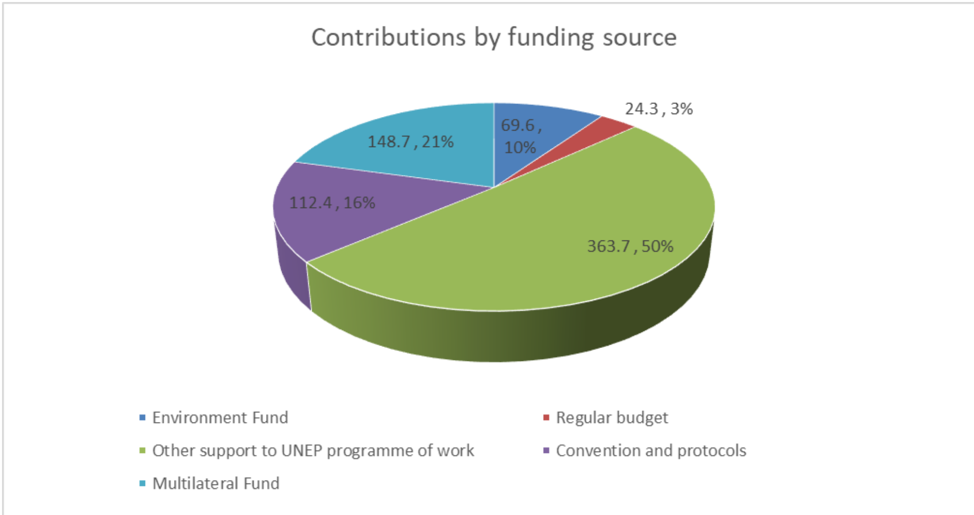
Figure IV.I
2018 contributions, by source of funding
(Thousands of United States dollars)



	Environment Fund	Regular budget	Other support to UNEP programme of work	Convention and protocols	Multilateral Fund
2017	68,579	25,389	299,197	88,189	149,261
2018	69,649	24,252	363,706	112,441	148,662

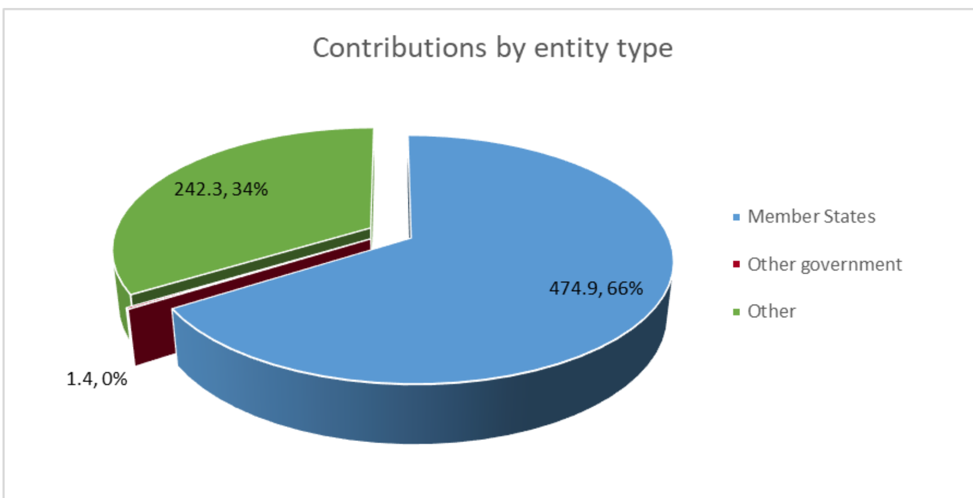
Multilateral Fund revenue is presented less elimination for UNEP internal implementation of $19,626,000 for 2018 and $15,625,000 for 2017.

Figure IV.II
2018 contributions, by source of funding (proportions)
(Millions of United States dollars)



9. The distribution of contributions, by type of contributing entity, is shown in figure IV.III.

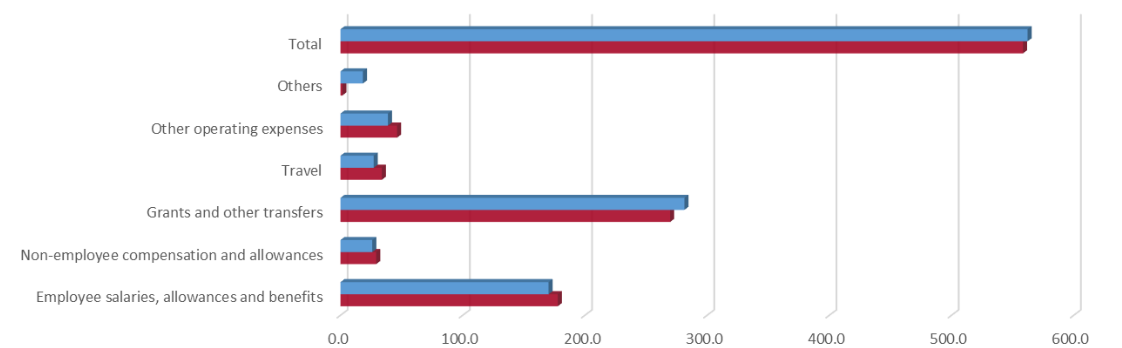
Figure IV.III
Distribution of contributions, by type of entity
(Millions of United States dollars)



10. The contributions are based on IPSAS accounting which includes recognizing donor project funding in full on signing of a funding agreement by both the donor and UNEP. This includes project funding from the Global Environment Facility (GEF) where revenue is recognized in full for multi-year projects following project approval by GEF and receipt of a letter of commitment from the GEF trustee, the International Bank for Reconstruction and Development.

11. Expenditure in 2018 relative to 2017, by type of expense, is shown in figure IV.IV.

Figure IV.IV
Expenditure in 2018 relative to 2017, by type of expense
(Millions of United States dollars)



	Employee salaries, allowances and benefits	Non-employee compensation and allowances	Grants and other transfers	Travel	Other operating expenses	Others	Total
2017	170.3	26.0	281.4	27.2	38.8	18.4	562.24
2018	177.8	29.2	269.7	33.9	46.3	1.5	558.48

12. Total expense for 2018 is $558.5 million.

Key indicators from statement I

13. Total assets increased by 222.3 million (12 per cent) to $2,085.4 million as at 31 December 2018, from $1,863.1 million as at 31 December 2017.

14. Total liabilities increased by $24.5 million (6 per cent) to $427.3 million as at 31 December 2018, from $402.8 million as at 31 December 2017.

15. Net assets increased by $197.7 million (13 per cent) to $1,658.0 million as at 31 December 2018, from $1,460.3 million as at 31 December 2017.

16. Table IV.1 summarizes other key indicators for the year ended 31 December 2018 compared with the year ended 31 December 2017.

Table IV.1
Other key indicators
(Millions of United States dollars)

	2018	*2017*	*Increase/ decrease*	*Change (percentage)*
Assessed contributions revenue	247.0	224.2	22.8	10%
Voluntary contributions revenue	296.2	254.2	42.0	17%
Other transfers and allocations	175.4	152.1	23.3	15%
Total contributions revenue	**718.6**	**630.6**	**88.0**	**14%**
Cash and cash equivalents	81.6	54.9	26.7	49%
Short-term investments	699.8	488.9	210.9	43%
Long-term investments	54.2	153.5	(99.3)	-65%
Total cash and investments	**835.6**	**697.3**	**138.3**	**20%**

	2018	*2017*	*Increase/ decrease*	*Change (percentage)*
Assessed contributions receivable	28.2	30.8	(2.6)	-8%
Voluntary contributions receivable	790.1	718.9	71.2	10%
Total receivables	**818.3**	**749.7**	**68.6**	**9%**
Advance transfers	420.5	401.3	19.2	5%
Other assets	7.9	10.0	(2.1)	-21%
Accounts payable and accrued payables	41.8	26.0	15.8	61%
Employee benefits liabilities	194.5	198.1	(3.6)	-2%
Other liabilities	122.0	95.6	26.37	28%

17. The increase of $71.2 million in voluntary contributions receivable is mainly attributed to the increase in multi-year donor agreements whose payments are due in future years only.

D. End-of-service and post-retirement accrued liabilities

18. The UNEP financial statements reflect end-of-service and post-retirement benefits, comprising after-service health insurance liabilities, annual leave and repatriation benefits. UNEP makes monthly provisions for repatriation benefits at 8 per cent of net salary. In addition, since January 2017, UNEP has also started to make monthly provisions for after-service health insurance at 3 per cent of net salary.

19. The 31 December 2018 accrued balances have been adjusted to reflect the estimated liabilities as at 31 December 2018 as reflected in the 2018 actuarial study calculations by a consulting firm engaged by the United Nations Secretariat on behalf of UNEP. As a result of fully charging these liabilities in the financial statements as at 31 December 2018, an amount of $141.5 million of cumulative unfunded expenditure is shown in note 4, “Segment report”, under the end-of-service and post-retirement benefits segment.

Chapter V

Financial statements and related explanatory notes for the year ended 31 December 2018

United Nations Environment Programme

I. Statement of financial position as at 31 December 2018

(Thousands of United States dollars)

	Notes	*31 December 2018*	*31 December 2017*
Assets			
Current assets			
Cash and cash equivalents	6	81 626	54 916
Investments	7	699 753	488 973
Assessed contributions receivable	8	28 200	30 768
Voluntary contributions receivable	9	349 789	260 498
Other receivables	10	1 309	2 883
Advance transfers	11	297 128	259 573
Other assets	12	7 874	9 968
Total current assets		**1 465 679**	**1 107 579**
Non-current assets			
Investments	7	54 200	153 481
Assessed contributions receivable	8	–	–
Voluntary contributions receivable	9	440 293	458 406
Property, plant and equipment	14	1 524	1 609
Intangible assets	15	234	300
Advance transfers	11	123 425	141 803
Total non-current assets		**619 676**	**755 599**
Total assets		**2 085 355**	**1 863 178**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	16	41 855	25 984
Advance receipts	17	68 915	75 072
Employee benefits liabilities	18	8 613	7 887
Provisions	20	50	55
Other liabilities	21	121 970	95 634
Total current liabilities		**241 403**	**204 632**
Non-current liabilities			
Employee benefits liabilities	18	185 907	198 162
Total non-current liabilities		**185 907**	**198 162**
Total liabilities		**427 310**	**402 794**
Total net of total assets and total liabilities		**1 658 045**	**1 460 384**
Net assets			
Accumulated surpluses/(deficits) – unrestricted	22	1 621 841	1 424 047
Reserves	22	36 204	36 337
Total net assets		**1 658 045**	**1 460 384**

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

United Nations Environment Programme

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

(Thousands of United States dollars)

	Notes	*31 December 2018*	*31 December 2017*
Revenue			
Assessed contributions	23	246 961	224 256
Voluntary contributions	23	296 246	254 248
Other transfers and allocations	23	175 361	152 150
Investment revenue	26	15 015	9 118
Other revenue	24	8 166	16 143
Total revenue		**741 749**	**655 915**
Expense			
Employee salaries, allowances and benefits	25	177 816	170 305
Non-employee compensation and allowances	25	29 222	26 050
Grants and other transfers	25, 31	269 735	281 431
Supplies and consumables	25	316	328
Depreciation	14	183	228
Amortization	15	66	42
Travel	25	33 880	27 218
Other operating expenses	25	46 357	38 835
Exchange losses from the fixed exchange rate mechanism of the Multilateral Fund	25	(1 907)	15 443
Other expenses	25	2 864	2 355
Total expenses		**558 532**	**562 235**
Surplus/(deficit) for the year		**183 217**	**93 680**

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

United Nations Environment Programme

III. Statement of changes in net assets for the year ended 31 December 2018[a]

(Thousands of United States dollars)

	Accumulated surpluses/ (deficits) – unrestricted	*Elimination*	*Accumulated surpluses/ (deficits) – unrestricted after elimination*	*Reserves*	*Total*
Net assets at the beginning of the period	**1 471 569**	**(47 522)**	**1 424 047**	**36 337**	**1 460 384**
UNEP internal implementation elimination					
Changes in net assets	–	(9 413)	(9 413)	–	(9 413)
Transfers to reserves	133	–	133	(133)	–
Actuarial gains (losses)	23 857	–	23 857	–	23 857
Total items recognized directly in net assets	**23 990**	**(9 413)**	**14 577**	**(133)**	**14 445**
Surplus/(deficit) for period	183 217	–	183 217	–	183 217
Net movement in net assets	**207 207**	**(9 413)**	**197 794**	**(133)**	**197 661**
Net assets, end of period	**1 678 776**	**(56 935)**	**1 621 841**	**36 204**	**1 658 045**

[a] See note 22.

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

United Nations Environment Programme

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

(Thousands of United States dollars)

	Note	*31 December 2018*	*31 December 2017*
Cash flow from operating activities			
Surplus/(deficit) for the year		**183 217**	**93 680**
Non-cash movements		–	–
Depreciation and amortization	14, 15	250	270
Actuarial gain/loss on employee benefits liabilities	19	23 857	(53 390)
Transfers and donated property, plant and equipment and intangibles	14, 15	–	(169)
Loss on disposal of property, plant and equipment and intangibles		–	315
Changes in assets			
(Increase)/decrease in assessed contributions receivable	8	2 569	(7 096)
(Increase)/decrease in voluntary contributions receivable	9	(71 179)	(52 606)
(Increase)/decrease in other receivables	10	1 573	(460)
(Increase)/decrease in advance transfers	11	(19 178)	23 547
(Increase)/decrease in other assets	12	2 094	6 623
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities	16	15 871	(18 449)
Increase/(decrease) in advance receipts	17	(6 157)	10 871
Increase/(decrease) in employee benefits payable	18	(11 528)	59 972
Increase/(decrease) in provisions	20	(5)	55
Increase/(decrease) in other liabilities	21	26 336	14 051
Investment revenue presented as investing activities	26	(15 015)	(9 118)
Net cash flows from/(used in) operating activities		**132 705**	**68 096**
Cash flow from investing activities			
Pro rata share of net increases in the cash pool	26	(111 499)	(197 321)
Investment revenue presented as investing activities	26	15 015	9 118
Acquisitions of property, plant and equipment	14	(98)	(384)
Acquisition of intangibles	15	–	(176)
Net cash flows from/(used in) investing activities		**(96 582)**	**(188 763)**
Cash flow from financing activities			
Adjustments to net assets	22	(9 413)	5 869
Net cash flows from/(used in) financing activities		**(9 413)**	**5 869**
Net increase/(decrease) in cash and cash equivalents		26 710	(114 798)
Cash and cash equivalents – beginning of year		54 916	169 714
Cash and cash equivalents – end of year	6	**81 626**	**54 916**

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

United Nations Environment Programme

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2018

(Thousands of United States dollars)

	Publicly available budget				
	Original biennial	*Original annual*	*Final annual*	*Actual expenditure (budget basis)*	*Difference (percentage)*[a]
Executive direction and management	9 500	4 750	6 084	5 684	-7%
Programme of work, comprising:					
Climate change	42 000	21 000	8 116	7 669	-6%
Disasters and conflicts	20 500	10 250	5 213	4 349	-17%
Ecosystem management	40 000	20 000	10 153	9 014	-11%
Environmental governance	25 000	12 500	8 706	7 874	-10%
Chemicals and waste	36 000	18 000	8 381	7 589	-9%
Resource efficiency	49 000	24 500	10 102	10 541	4%
Environment under review	19 000	9 500	7 181	6 682	-7%
Total programme of work	**241 000**	**120 500**	**63 936**	**59 402**	-7%
Fund programme reserve	14 000	7 000	2 000	387	-81%
Programme support	16 000	8 000	4 394	3 872	-12%
Total Environment Fund	**271 000**	**135 500**	**70 330**	**63 661**	**-9%**
United Nations regular budget allocation[b]	35 331	17 737	25 183	21 519	-15%
Total	**306 331**	**153 237**	**95 513**	**85 180**	**-11%**

[a] Actual expenditure (budget basis) less final budget.
[b] The United Nations regular budget allocation is from assessed contributions as reported in Volume I.

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

United Nations Environment Programme

Notes to the 2018 financial statements

Note 1
Reporting entity

The United Nations Environment Programme and its activities

1. The United Nations Environment Programme (UNEP) was established by the General Assembly by its resolution 2997 (XXVII) of 15 December 1972 as an autonomous body and a separate reporting entity within the United Nations, with the Governing Council of UNEP as its policymaking organ and a secretariat to serve as a focal point for environmental action and coordination within the United Nations system. As from June 2014, UNEP adopted universal membership and the United Nations Environment Assembly became its governing body. UNEP is headed by an Executive Director. UNEP is supported by the Environment Fund, a United Nations regular budget allocation, assessed contributions and voluntary contributions from Governments, intergovernmental organizations, foundations, the private sector and other non-governmental sources. UNEP headquarters is off UN Avenue, Nairobi, Kenya, at the United Nations Office at Nairobi complex.

2. The mandate of UNEP, as the leading global environmental authority that sets the global agenda and promotes the coherent implementation of sustainable development within the United Nations system, has been confirmed through various legislative measures, both by the General Assembly and the governing body of UNEP. UNEP also provides the secretariats to several global and regional environmental conventions that have been established in areas related to the UNEP programme mandate.

3. The activities for which UNEP is responsible for fall within programme 11, Environment, of the United Nations biennial programme plan and priorities for the period 2017–2018. The overall objective of programme 11 is to provide leadership and encourage partnership in caring for the environment by inspiring, informing and enabling nations and peoples to improve their quality of life without compromising that of future generations. The main elements of the strategy for achieving the overall objective include: (a) filling the information and knowledge gap on critical environmental issues through more comprehensive assessments; (b) identifying and further developing the use of appropriate integrated policy measures in tackling the root causes of major environmental concerns; and (c) mobilizing action for better integration of international action to improve the environment, particularly in relation to regional and multilateral agreements, as well as United Nations system-wide collaborative arrangements.

The United Nations Environment Programme

4. UNEP is a separate financial reporting entity of the United Nations and includes the Environment Fund, the UNEP United Nations regular budget allocation, trust funds that support the UNEP programme of work, trust funds that support the UNEP multilateral environment agreements and the Multilateral Fund for the Implementation of the Montreal Protocol, related programme support costs for the UNEP programme of work and the multilateral environment agencies and the Multilateral Fund.

Note 2
Basis of preparation and authorization for issue

Basis of preparation

5. In accordance with the Financial Regulations and Rules of the United Nations, the financial statements are prepared on an accrual basis in accordance with International Public Sector Accounting Standards (IPSAS). They have been prepared on a going-concern basis and the accounting policies, as summarized in note 3, have been applied consistently in their preparation and presentation. In accordance with the requirements of IPSAS, these financial statements, which present fairly the assets, liabilities, revenue and expenses of UNEP, and the cash flows over the financial year, consist of the following:

(a) Statement I: statement of financial position;

(b) Statement II: statement of financial performance;

(c) Statement III: statement of changes in net assets;

(d) Statement IV: statement of cash flows (using the indirect method);

(e) Statement V: statement of comparison of budget and actual amounts;

(f) Notes to the financial statements comprising a summary of significant accounting policies and other explanatory notes;

(g) Comparative information in respect of all amounts presented in the financial statements indicated in (a) to (e) above and, where relevant, comparative information for narrative and descriptive information presented in the notes to these financial statements.

6. This is the fifth set of financial statements prepared in compliance with IPSAS, which includes the application of certain transitional provisions, as identified below.

7. The financial statements are prepared for the 12-month period from 1 January to 31 December.

Going concern

8. The going-concern assertion is based on the approval by the General Assembly of the regular budget appropriations for the biennium 2019–2020 and the positive historical trend of the collection of assessed and voluntary contributions over previous years and the fact that the Assembly has taken no decision to cease the operations of the United Nations.

Authorization for issue

9. These financial statements are certified by the Chief Financial Officer of the United Nations Office at Nairobi and approved by the Executive Director of UNEP. In accordance with the Financial Regulations and Rules of the United Nations, these financial statements as at 31 December 2018 are to be transmitted to the Board of Auditors by 31 March 2019. In accordance with financial regulation 7.12, the reports of the Board of Auditors are to be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements authorized for issue on 30 June 2019.

Measurement basis

10. The financial statements are prepared using the historic cost convention except for real estate assets that are recorded at depreciated replacement cost, financial assets

recorded at fair value through surplus or deficit and certain assets as stated in the notes to the financial statements.

Functional and presentation currency

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

12. Transactions in currencies other than the functional currency (foreign currencies) are translated into United States dollars at the United Nations operational rate of exchange (UNORE) at the date of the transaction. UNORE approximates the spot rates prevailing at the date of each transaction. At year-end, monetary assets and liabilities denominated in foreign currencies are translated at the UNORE rate. Non-monetary foreign currency denominated items that are measured at fair value are translated at the UNORE rate at the date on which the fair value was determined. Non-monetary items measured at historical cost in a foreign currency are not translated at year-end.

13. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the statement of financial performance on a net basis.

Materiality and use of judgment and estimates

14. Materiality is central to the preparation and presentation of the organization's financial statements, and its materiality framework provides a systematic method in guiding accounting decisions relating to presentation, disclosure, aggregation, offsetting and retrospective versus prospective application of changes in accounting policies. In general, an item is considered material if its omission or its aggregation would have an impact on the conclusions or decisions of the users of the financial statements.

15. Preparing financial statements in accordance with IPSAS requires the use of estimates, judgments and assumptions in the selection and application of accounting policies and in the reported amounts of certain assets, liabilities, revenues and expenses.

16. Accounting estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: actuarial measurement of employee benefits; selection of useful lives and the depreciation/amortization method for property, plant and equipment/intangible assets; impairment of assets; classification of financial instruments; valuation of inventory; inflation and discount rates used in the calculation of the present value of provisions and classification of contingent assets/liabilities.

Future accounting pronouncements

17. The progress and impact of the following significant future IPSAS Board accounting pronouncements on the organization's financial statements continue to be monitored.

18. **Heritage assets**: The objective of the project is to develop accounting requirements for heritage assets.

19. **Non-exchange expenses**: The aim of the project is to develop a standard or standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits.

20. **Revenue**: The scope of the project is to develop new standard-level requirements and guidance on revenue to amend or supersede that currently located in IPSAS 9: Revenue from exchange transactions, IPSAS 11: Construction contracts, and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers).

21. **Leases**: The objective of the project is to develop revised requirements for lease accounting covering both lessees and lessors in order to maintain alignment with the underlying International Financial Reporting Standard. The project will result in a new IPSAS that will replace IPSAS 13. Approval of a new IPSAS on leases is projected for June 2019.

22. **Public sector measurement**: The objectives of this project include: (a) to issue amended IPSASs with revised requirements for measurement at initial recognition, subsequent measurement and measurement-related disclosure; (b) to provide more detailed guidance on the implementation of replacement cost and cost of fulfilment and the circumstances under which these measurement bases will be used; and (c) to address transaction costs, including the specific issue of the capitalizing or expensing of borrowing costs.

23. **Infrastructure assets**: The objective of the project is to research and identify issues faced by preparers in applying IPSAS 17 to infrastructure assets with a view to providing additional guidance on accounting for infrastructure assets.

Recent and future requirements of the International Public Sector Accounting Standards

24. The IPSAS Board recently issued the following standards: IPSAS 39 in 2016 effective 1 January 2018, IPSAS 40 in 2017 effective 1 January 2019 and IPSAS 41 in August 2018 effective 1 January 2022. The impact of these standards on the organization’s financial statements and the comparative period therein has been evaluated to be as follows.

Standard	*Anticipated impact in the year of adoption*
IPSAS 39	There is no impact on the organization given that the “corridor method” on actuarial gains or losses, which is being eliminated, has never been applied since the adoption of IPSAS in 2014. The organization does not have any plan assets; therefore, there is no impact from application of the net interest approach prescribed under the standard. IPSAS 39 became effective on 1 January 2018. Further analysis will be carried out in the future, should the organization procure plan assets.
IPSAS 40	There is currently no impact on the organization from the application of IPSAS 40, as to date no public sector combinations have been introduced that fall under the UNEP financial statements. The organization will evaluate any such impact of IPSAS 40 on its financial statements for application by 1 January 2019, the effective date of the standard, should such combinations occur.

Standard	*Anticipated impact in the year of adoption*
IPSAS 41	IPSAS 41 substantially increases the relevance of information regarding financial assets and liabilities. It will replace IPSAS 29: Financial instruments – recognition and measurement, and strengthens that standard's requirements by introducing: (a) Simplified classification and measurement requirements for financial assets; (b) A forward-looking impairment model; (c) A flexible hedge accounting model. IPSAS 41 will take effect on 1 January 2022. Its impact on the financial statements will be assessed prior to that date and the organization will be ready to implement the standard by the time it becomes effective.

Note 3
Significant accounting policies

Financial assets classification

25. The classification of financial assets depends primarily on the purpose for which the financial assets are acquired. The organization classifies its financial assets in one of the categories shown below at initial recognition and re-evaluates the classification at each reporting date.

Classification	*Financial assets*
Fair value through surplus or deficit	Investments in cash pools
Loans and receivables	Cash and cash equivalents and receivables

26. All financial assets are initially measured at fair value. The organization initially recognizes financial assets classified as loans and receivables on the date on which they originated. All other financial assets are recognized initially on the trade date, which is the date on which the organization becomes party to the contractual provisions of the instrument.

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

28. Financial assets at fair value through surplus or deficit are those that either have been designated in this category at initial recognition or are held for trading or are acquired principally for the purpose of selling in the short term. These assets are measured at fair value at each reporting date, and any gains or losses arising from changes in the fair value are presented in the statement of financial performance in the period in which they arise.

29. Loans and receivables are non-derivative 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.

30. Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in value of the asset. Impairment losses are recognized in the statement of financial performance in the year in which they arise.

31. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the organization has transferred substantially all risks and rewards of the financial asset.

32. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Financial assets: investment in cash pools

33. The United Nations Treasury invests funds pooled from the United Nations Secretariat entities and other participating entities, including UNEP. These pooled funds are combined in two internally managed cash pools. Participation in the cash pools implies sharing the risk and returns on investments with the other participants. Since the funds are commingled and invested on a pool basis, each participant is exposed to the overall risk of the investments portfolio to the extent of the amount of cash invested.

34. The organization's investment in the cash pools are included as part of cash and cash equivalents, short-term investments and long-term investments in the statement of financial position, depending on the maturity period of the investments.

Financial assets: cash and cash equivalents

35. Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments with a maturity of three months or less from the date of acquisition.

Financial assets: receivables from non-exchange transactions – contributions receivable

36. Contributions receivable represent uncollected revenue from assessed and voluntary contributions committed to the organization by Member States, non-member States and other donors on the basis of enforceable agreements. These non-exchange receivables are stated at nominal value, except for voluntary contributions receivable that will mature in more than 12 months, less impairment for estimated irrecoverable amounts, i.e. the allowance for doubtful receivables. If deemed material, these long-term voluntary contribution receivables are reported at a discounted value calculated using the effective interest method.

37. Voluntary contributions receivable and other receivables are subject to an allowance for doubtful receivables that is calculated at a rate of 25 per cent for outstanding receivables between one and two years; 60 per cent for two to three years; and 100 per cent for those in excess of three years.

38. For assessed contributions receivable, the allowance is calculated at a rate of 20 per cent for those outstanding one to two years; 60 per cent for those between two and three years; 80 per cent for those between three and four years; and 100 per cent for those over four years.

39. Outstanding receivables that are identified as requiring specific allowances are first identified and then the general allowance based on ageing is applied.

40. Decisions for write-offs are considered at the executive body level of the organization, the conventions or the Multilateral Fund, as appropriate.

Financial assets: receivable from exchange transactions – other receivables

41. Other receivables include primarily amounts receivable for goods or services provided to other entities, amounts receivable for operating lease arrangements, and receivables from staff. Receivables from other United Nations reporting entities are also included in this category. Material balances of other receivables are subject to specific review and an allowance for doubtful receivables is assessed based on recoverability and ageing following the general allowance provisions applied to voluntary contributions receivable.

Financial assets: notes receivable

42. Notes receivable consist of promissory notes pledged by Member States in support of the Multilateral Fund.

Other assets

43. Other assets include education grant advances and prepayments, including advances for the United Nations Development Programme (UNDP) Service Clearing Account, which are recorded as an asset until goods are delivered or services are rendered by the other party, at which point the expense is recognized.

Investments accounted for using the equity method

44. The equity method initially records an interest in a jointly controlled entity at cost, adjusted thereafter for the post-acquisition change in the organization's share of net assets. The organization's share of the surplus or deficit of the investee is recognized in the statement of financial performance. The interest is recorded under non-current assets unless there is a net liability position, in which case it is recorded under non-current liabilities. The organization also has entered into arrangements for jointly financed activities where the interests in such activities are accounted for using the equity method.

Advance transfers

45. Advance transfers relate mainly to cash transferred to executing agencies/ implementing partners as an advance in order for them to provide agreed goods or services. Advances issued are initially recognized as assets, and then expenses are recognized when goods are delivered or services are rendered by the executing agencies/implementing partners and confirmed by receipt of certified expense reports, as applicable. In some instances where the partner has not provided financial reports as expected, programme managers make an informed assessment as to whether an accrual is needed. Balances due for a refund are transferred to other receivables which, where necessary, are subject to an allowance for doubtful receivables.

Inventories

46. Inventory balances, if any, are recognized as current assets and include the following categories:

Categories	*Subcategories*
Held for sale or external distribution	Books and publications, stamps
Raw materials and work in progress associated with items held for sale or external distribution	Construction materials/supplies, work in progress
Strategic reserves	Fuel reserves, bottled water and rations reserves
Consumables and supplies	Material holdings of consumables and supplies, including spare parts and medicines

47. The cost of inventory in stock is determined using the average price cost basis. The cost of inventories includes the cost of purchase, plus other costs incurred in bringing the items to the destination and condition for use. Inventories acquired through non-exchange transactions, that is, donated goods, are measured at fair value at the date of acquisition. Inventories held for sale are valued at the lower of cost and net realizable value. Inventories held for distribution at no or nominal charge or for consumption in the production of goods/services are valued at the lower of cost and current replacement cost.

48. The carrying amount of inventories is expensed when inventories are sold, exchanged, distributed externally or consumed by the organization. Net realizable value is the net amount that is expected to be realized from the sale of inventories in the ordinary course of operations. Current replacement cost is the estimated cost that would be incurred to acquire the asset.

49. Holdings of consumables and supplies for internal consumption are capitalized in the statement of financial position only when material. Such inventories are valued by the periodic weighted average or the moving average methods based on records available in the inventory management systems, such as Galileo and Umoja, which are validated through the use of thresholds, cycle counts and enhanced internal controls. Valuations are subject to impairment review, which takes into consideration the variances between moving average price valuation and current replacement cost, as well as slow-moving and obsolete items.

50. Inventories are subject to physical verification based on value and risk as assessed by management. Valuations are net of write-downs from cost to current replacement cost/net realizable value, which are recognized in the statement of financial performance.

Heritage assets

51. Heritage assets are not recognized in the financial statements, but significant heritage assets are disclosed in notes to the financial statements.

Property, plant and equipment

52. Property, plant and equipment are classified into different groups, based on their nature, functions, useful lives and valuation methodologies, such as vehicles; communications and information technology equipment; machinery and equipment; furniture and fixtures; and real estate assets (land, buildings, leasehold improvements, infrastructure and assets under construction). Recognition of property, plant and equipment is as follows:

(a) Property, plant and equipment are capitalized when their cost is greater than or equal to the threshold of $5,000 or $100,000 for leasehold improvements and self-constructed assets;

(b) All property, plant and equipment, other than real estate assets, are stated at historical cost, less accumulated depreciation and accumulated impairment losses. Historical cost comprises the purchase price, any costs directly attributable to bringing the asset to its location and condition and the initial estimate of dismantling and site restoration costs;

(c) Owing to the absence of historical cost information, buildings and infrastructure real estate assets were initially recognized at fair value using a depreciated replacement cost methodology for initial IPSAS implementation. The method involves calculating the cost per unit of measurement, for example the cost per square metre, by collecting construction cost data, utilizing in-house cost data (where available) or using external cost estimators for each catalogue of real estate assets and multiplying that unit cost by the external area of the asset to obtain the gross replacement cost. Depreciation allowance deductions from the gross replacement cost to account for physical, functional and economic use of the assets have been made to determine the depreciated replacement cost of the assets;

(d) With respect to property, plant and equipment acquired at nil or nominal cost, including donated assets, the fair value at the date of acquisition is deemed to be the cost to acquire equivalent assets.

53. Property, plant and equipment are depreciated over their estimated useful lives using the straight-line method up to their residual value, except for land and assets under construction, which are not subject to depreciation. Given that not all components of a building have the same useful lives or the same maintenance, upgrade or replacement schedules, significant components of owned buildings are depreciated using the component approach. Depreciation begins in the month in which the organization gains control over an asset in accordance with international commercial terms and no depreciation is charged in the month of retirement or disposal. Given the expected pattern of usage of property, plant and equipment, the residual value is nil unless residual value is likely to be significant. The estimated useful lives of property, plant and equipment classes are set out below.

Estimated useful lives of property, plant and equipment classes

Class	*Subclass*	*Estimated useful life*
Communications and information technology equipment	Information technology equipment	4 years
	Communications and audiovisual equipment	7 years
Vehicles	Light-wheeled vehicles	6 years
	Heavy-wheeled and engineering support vehicles	12 years
	Specialized vehicles, trailers and attachments	6–12 years
	Marine vessels	10 years
Machinery and equipment	Light engineering and construction equipment	5 years
	Medical equipment	5 years
	Security and safety equipment	5 years

Class	*Subclass*	*Estimated useful life*
	Mine detection and clearing equipment	5 years
	Accommodation and refrigeration equipment	6 years
	Water treatment and fuel distribution equipment	7 years
	Transportation equipment	7 years
	Heavy engineering and construction equipment	12 years
	Printing and publishing equipment	20 years
Furniture and fixtures	Library reference material	3 years
	Office equipment	4 years
	Fixtures and fittings	7 years
	Furniture	10 years
Buildings	Temporary and mobile buildings	7 years
	Fixed buildings, depending on type	25, 40 or 50 years
	Major exterior, roofing, interior and services/utilities components, where component approach is utilized	20–50 years
	Finance lease or donated right-to-use buildings	Shorter of term of arrangement or life of building
Infrastructure assets	Telecommunications, energy, protection, transport, waste and water management, recreation, landscaping	Up to 50 years
Leasehold improvements	Fixtures, fittings and minor construction work	Shorter of lease term or 5 years

54. In exceptional cases, the recorded useful lives for some assets may be different from the useful lives prescribed at the asset subclass level as set out above (although it would remain within the range at asset class level), because when preparing the 2014 IPSAS opening balance a thorough review of the remaining economic useful lives for these assets was made and the result had been entered in the master record of the asset.

55. Where there is a material cost value of fully depreciated assets that are still in use, adjustments to accumulated depreciation and property, plant and equipment are incorporated into the financial statements to reflect a depreciation floor of 10 per cent of historical cost based on an analysis of the classes and useful lives of the fully depreciated assets.

56. The organization chose the cost model for measurement of property, plant and equipment after initial recognition instead of the revaluation model. Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to the organization and the subsequent cost exceeds the threshold for initial recognition. Repairs and maintenance are expensed in the statement of financial performance in the year in which they are incurred.

57. A gain or loss resulting from the disposal or transfer of property, plant and equipment arises where proceeds from disposal or transfer differ from its carrying amount. Those gains or losses are recognized in the statement of financial performance within other revenue or other expenses.

58. Impairment assessments are conducted during annual physical verification procedures and when events or changes in circumstance indicate that carrying amounts may not be recoverable. Land, buildings and infrastructure assets with a year-end, net-book-value greater than $100,000 per unit are reviewed for impairment at each reporting date. The equivalent threshold for other property, plant and equipment items (excluding assets under construction and leasehold improvements) is $25,000.

Intangible assets

59. Intangible assets are carried at cost, less accumulated amortization and accumulated impairment loss. For intangible assets acquired at nil or nominal cost, including donated assets, the fair value at the date of acquisition is deemed to be the cost to acquire. The threshold for recognition is $100,000 for internally generated intangible assets and $5,000 per unit for externally acquired intangible assets.

60. Acquired computer software licenses are capitalized based on costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with the development of software for use by the organization are capitalized as an intangible asset. Directly associated costs include software development employee costs, consultant costs and other applicable overhead costs.

61. Intangible assets with a definite useful life are amortized on a straight-line method, over their estimated useful lives starting from the month of acquisition or when the intangible assets become operational.

62. The useful lives of major classes of intangible assets have been estimated as shown below.

Estimates of useful lives of major classes of intangible assets

Class	*Range of estimate useful life*
Software acquired externally	3–10 years
Software internally developed	3–10 years
Licences and rights	2–6 years (period of licence/right)
Copyrights	3–10 years
Assets under development	Not amortized

63. Annual impairment reviews of intangible assets are conducted where assets are under construction or have an indefinite useful life. Other intangible assets are subject to impairment review only when indicators of impairment are identified.

Financial liabilities: classification

64. Financial liabilities are classified as "other financial liabilities". They include accounts payable, transfer payables, unspent funds held for future refunds, and other liabilities such as inter-fund balance payables. Financial liabilities classified as other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities with duration of less than 12 months are

recognized at their nominal value. The organization re-evaluates the classification of financial liabilities at each reporting date and de-recognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

Financial liabilities: accounts payable and accrued liabilities

65. Accounts payable and accrued liabilities arise from the purchase of goods and services that have been received but not paid for as at the reporting date. Payables are recognized and subsequently measured at their nominal value, as they are generally due within 12 months. Transfers payable within this category relate to amounts owed to executing entities/implementing agencies and partners and residual balances due to be returned to donors.

Advance receipts and other liabilities

66. Advance receipts consist of advance receipts relating to contributions or payments received in advance, assessments or voluntary contributions received for future years and other deferred revenue. Advance receipts are recognized as revenue at the start of the relevant financial year or based on the organization's revenue recognition policies. Other liabilities include liabilities for conditional funding arrangements and other miscellaneous items.

Leases: the organization as lessee

67. Leases of property, plant and equipment where the organization has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the start of the lease at the lower of fair value or the present value of the minimum lease payments. The rental obligation, net of finance charges, is reported as a liability in the statement of financial position. Assets acquired under finance leases are depreciated in accordance with property, plant and equipment policies. The interest element of the lease payment is charged to the statement of financial performance as an expense over the lease term on the basis of the effective interest rate method.

68. Leases where all the risks and rewards of ownership are not substantially transferred to the organization are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance as an expense on a straight-line basis over the term of the lease.

Leases: the organization as lessor

69. The organization often leases out assets under operating leases. Leased-out assets are reported under property, plant and equipment, and lease revenue is recognized in the statement of financial performance over the term of the lease on a straight-line basis.

Donated rights to use

70. Land, buildings, infrastructure assets, machinery and equipment are frequently granted to the organization, primarily by host Governments at nil or nominal cost, through donated right-to-use arrangements. These arrangements are accounted for as operating leases or finance leases, depending on whether an assessment of the agreement indicates that control over the underlying assets is transferred to the organization.

71. Where a donated right-to-use arrangement is treated as an operating lease, an expense and corresponding revenue equal to the annual rental value of the asset or similar property are recognized in the financial statements. Where a donated right-to-

use arrangement is treated as a finance lease (principally with a lease term of over 35 years for premises), the fair market value of the property is capitalized and depreciated over the shorter of the useful life of the property or the term of the arrangement. In addition, a liability for the same amount is recognized, which is progressively recognized as revenue over the lease term. Donated right-to-use land arrangements are accounted for as operating leases where the organization does not have exclusive control over the land and/or title to the land is transferred under restricted deeds.

72. Where title to land is transferred to the organization without restrictions, the land is accounted for as donated property, plant and equipment and recognized at fair value at the acquisition date.

73. The threshold for the recognition of revenue and expense is the yearly rental value equivalent of $5,000 for donated right-to-use premises and $5,000 for machinery and equipment.

Employee benefits

74. Employees comprise staff members, as described under Article 97 of the Charter of the United Nations, whose employment and contractual relationship with the organization are defined by a letter of appointment subject to regulations promulgated by the General Assembly pursuant to Article 101, paragraph 1, of the Charter. Employee benefits are classified into short-term benefits, long-term benefits, post-employment benefits and termination benefits.

Short-term employee benefits

75. Short-term employee benefits are employee benefits (other than termination benefits) that are payable within 12 months after the end of the year in which the employee renders the related services. Short-term employee benefits comprise first time employee benefits (assignment grants), regular daily/weekly/monthly benefits (wages, salaries and allowances), compensated absences (paid sick leave, maternity/ paternity leave) and other short-term benefits (death grant, education grant, reimbursement of taxes, and home leave) provided to current employees on the basis of services rendered. All such benefits that are accrued but not paid are recognized as current liabilities within the statement of financial position.

Post-employment benefits

76. Post-employment benefits comprise the after-service health insurance plan and end-of-service repatriation benefits that are accounted for as defined-benefit plans, in addition to the pension provided through the United Nations Joint Staff Pension Fund.

Defined-benefit plans

77. The following benefits are accounted for as defined-benefit plans: after-service health insurance, repatriation benefits (post-employment benefits) and accumulated annual leave that is commuted to cash upon separation from the organization (other long-term benefits). Defined-benefit plans are those where the organization's obligation is to provide agreed benefits and therefore the organization bears the actuarial risks. The liability for defined-benefit plans is measured at the present value of the defined benefit obligation. Changes in the liability for defined-benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The organization has elected to recognize changes in the liability for defined-benefit plans from actuarial gains and losses directly through the statement of changes in net assets. At the end of the reporting

year, the organization did not hold any plan assets as defined by IPSAS 25: Employee benefits.

78. The defined-benefit obligations are calculated by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds with maturity dates approximating those of the individual plans.

79. **After-service health insurance**: this provides worldwide coverage for necessary medical expenses of eligible former staff members and their dependents. Upon end of service, staff members and their dependents may elect to participate in a defined benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007, and 5 years for those who were recruited prior to that date. The after-service health insurance liability represents the present value of the share of the organization's medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff. A factor in the after-service health insurance valuation is to consider contributions by all plan participants in determining the organization's residual liability. Contributions from retirees are deducted from the gross liability, and a portion of the contributions from active staff is also deducted to arrive at the organization's residual liability in accordance with cost-sharing ratios authorized by the General Assembly.

80. **Repatriation benefits**: Upon end of service, staff members who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based on length of service, and travel and removal expenses. A liability is recognized from when the staff member joins the organization and is measured as the present value of the estimated liability for settling these entitlements.

81. **Annual leave**: The liabilities for annual leave represent unused accumulated leave days that are projected to be settled via a monetary payment to employees upon their separation from the organization. The United Nations recognizes as a liability the actuarial value of the total accumulated unused leave days of all staff members, up to a maximum of 60 days (18 days for temporary staff) as at the date of the statement of financial position. The methodology applies a last-in-first-out assumption in the determination of the annual leave liabilities, whereby staff members access current period leave entitlements before they access accumulated annual leave balances relating to prior periods. Effectively, the accumulated annual leave benefit is accessed more than 12 months after the end of the reporting period in which the benefit arose and, overall, there is an increase in the level of accumulated annual leave days, pointing to the commutation of accumulated annual leave to a cash settlement at end of service as the true liability of the organization. The accumulated annual leave benefit reflecting the outflow of economic resources from the organization at end of service is therefore classified under the category of other long-term benefits, while noting that the portion of the accumulated annual leave benefit that is expected to be settled via monetary payment within 12 months after the reporting date is classified as a current liability. In line with IPSAS 25, other long-term benefits must be valued similarly to post-employment benefits; therefore, the United Nations values its accumulated annual leave benefit liability as a defined, post-employment benefit that is actuarially valued.

Pension plan: United Nations Joint Staff Pension Fund

82. UNEP is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the General Assembly to provide

retirement, death, disability and related benefits to employees. UNJSPF is a funded, multi-employer defined benefit plan. As specified in article 3, paragraph b, of the Regulations of the Fund, membership of the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

83. 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. UNEP and UNJSPF, in line with the other organizations participating in the Fund, are not in a position to identify proportional share of UNEP in the defined-benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNEP has treated this plan as if it were a defined-contribution plan in line with the requirements of IPSAS 39: Employee benefits. The Agency's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

Termination benefits

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

Other long-term employee benefits

85. Other long-term employee benefit obligations are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in which employees provide the related service.

86. **Appendix D benefits**. Appendix D to the Staff Rules of the United Nations governs compensation in the event of death, injury or illness attributable to the performance of official duties on behalf of the United Nations. Actuaries value these liabilities, and changes in the liability are recognized in the statement of financial performance.

Provisions

87. Provisions are liabilities recognized for future expenditure of uncertain amount or timing. A provision is recognized if, as a result of a past event, the organization has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount of the provision is the best estimate of the expenditures expected to be required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the provision is the present value of the amount required to settle the obligation.

Contingent liabilities

88. Any possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the organization are disclosed as

contingent liabilities. Contingent liabilities are also disclosed where present obligations that arise from past events cannot be recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations, or the amount of the obligations cannot be reliably measured.

89. Provisions and contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become more or less probable. If it becomes more probable that such an outflow will be required, a provision is recognized in the financial statements of the year in which the change of probability occurs. Similarly, where it becomes less probable that such an outflow will be required, a contingent liability is disclosed in the notes to the financial statements.

90. An indicative threshold of $10,000 applies in recognizing provisions and/or disclosing contingent liabilities in the notes to the financial statements.

Contingent assets

91. Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the effective control of the organization. Contingent assets are disclosed in the notes when it is more likely than not that economic benefits will flow to the organization.

Commitments

92. Commitments are future expenses that are to be incurred by the organization on contracts entered into by the reporting date and that the organization 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 the organization in future periods, non-cancellable minimum lease payments and other non-cancellable commitments.

Non-exchange revenue: assessed contributions

93. Assessed contributions for the organization comprise the UNEP regular budget allocation and the assessed contributions of its multilateral environment conventions and the Multilateral Fund. Assessed contributions are assessed and approved for a budget period of one or more years. The one-year proportion of the assessed contributions is recognized as revenue at the beginning of the year. Assessed contributions include the amounts assessed on Member States and non-Member States to finance the activities of the organization in accordance with the agreed scale of assessments. Revenues from assessed contributions from Member States and from non-member States are presented in the statement of financial performance.

Non-exchange revenue: voluntary contributions

94. Voluntary contributions and other transfers that are supported by legally enforceable agreements are recognized as revenue at the time the agreement becomes binding, which is the point when the organization is deemed to acquire control of the asset. However, where cash is received subject to specific conditions or when contributions are explicitly given for a specific operation to commence in a future financial year, recognition is deferred until those conditions have been satisfied. Revenue will be recognized up front for all conditional arrangements up to the threshold of $50,000.

95. Voluntary pledges and other promised donations are recognized as revenue when the arrangement becomes binding. These, as well as agreements not yet formalized by acceptance, are disclosed as contingent assets. For unconditional multi-year agreements the full amount is recognized as revenue when the agreement becomes binding.

96. Unused funds returned to the donor are netted against revenue.

97. Revenue received under inter-organizational arrangements represents allocations of funding from agencies to enable the organization to administer projects or other programmes on their behalf.

98. In-kind contributions of goods above the recognition threshold of $5,000 are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to the organization and the fair value of those assets can be measured reliably. Contributions in kind are initially measured at their fair value at the date of receipt determined by reference to observable market values or by independent appraisals. The organization has elected not to recognize in-kind contributions of services but to disclose in-kind contributions of services above the threshold of $5,000 in the notes to the financial statements.

Exchange revenue

99. Exchange transactions are those in which the organization sells goods or services. Revenue comprises the fair value of consideration received or receivable for the sale of goods and services. Revenue is recognized when it can be reliably measured, when the inflow of future economic benefits is probable and when specific criteria have been met, as follows:

(a) Revenue from sales of publications, books and stamps and by the United Nations Gift Shop and Visitor Centre is recognized when the sale occurs and risks and rewards have been transferred;

(b) Revenue from commissions and fees for technical, procurement, training, administrative and other services rendered to Governments, United Nations entities and other partners, including the Global Environment Fund, is recognized when the service is performed;

(c) Exchange revenue also includes income from the rental of premises, net gains on the sale of used or surplus property, plant and equipment, income from services provided to visitors in relation to guided tours, and income from net gains resulting from currency exchange adjustments;

(d) An indirect cost recovery or "programme support cost" is charged to trust funds as a percentage of direct costs, including commitments and other "extrabudgetary" activities, to ensure that the additional costs of supporting activities financed from extrabudgetary contributions are not borne by assessed funds and/or other core resources of the Secretariat. The programme support cost is eliminated for the purposes of financial statement preparation, as disclosed in note 4, "Segment reporting". The funding for the programme support cost charge agreed upon with the donor is included as part of voluntary contributions.

Investment revenue

100. Investment revenue includes the organization's share of net cash pool revenue and other interest revenue. Net cash pool revenue includes any gains and losses on the sale of investments, which are calculated as the difference between sales proceeds and book value. Transaction costs that are directly attributable to investment activities are netted against revenue, and the net revenue is distributed proportionately to all

cash pool participants on the basis of their average daily balances. Cash pool revenue also includes unrealized market gains and losses on securities, which are distributed proportionately to all participants on the basis of year-end balances.

Expenses

101. Expenses are decreases in economic benefits or service potential during the reporting year in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets and are recognized on an accrual basis when goods are delivered and services are rendered, regardless of the terms of payment.

102. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. The allowances and benefits include other staff entitlements, including pension and insurance, staff assignment, repatriation, hardship and other allowances. Non-employee compensation and allowances consist of United Nations Volunteers living allowances and post-employment benefits, consultant and contractor fees, ad hoc experts, International Court of Justice judges' allowances and non-military personnel compensation and allowances.

103. Other operating expenses include acquisition of goods and intangible assets under capitalization thresholds, foreign exchange losses, maintenance, utilities, contracted services, training, security services, shared services, rent, insurance and allowance for doubtful accounts. Other expenses relate to contributions in kind, hospitality and official functions and donations or transfers of assets.

104. Grants and other transfers include outright grants and transfers to implementing agencies, partners and other entities as well as quick-impact projects. Supplies and consumables relate to the cost of inventory used and expenses for supplies. For outright grants, an expense is recognized at the point at which the organization has a binding obligation to pay.

105. Programme activities, distinct from commercial or other arrangements where the United Nations expects to receive equal value for funds transferred, are implemented by executing entities/implementing partners to service a target population that typically includes Governments, non-governmental organizations and United Nations agencies. Transfers to implementing partners are initially recorded as advances, and balances that are not expensed during the year remain outstanding at the end of the year and are reported in the statement of financial position. These executing entities/implementing partners provide the organization with certified expense reports documenting their use of resources, which are the basis for recording expenses in the statement of financial performance. In instances where the partner has not provided financial reports as expected, programme managers make an informed assessment as to whether an accrual or an impairment should be recorded against the advance and submit the accounting adjustment. Where a transfer of funds is deemed to be an outright grant, an expense is recognized at the point that the organization has a binding obligation to pay, which is generally upon disbursement. Binding agreements to fund executing entities/implementing partners not paid out by the end of the reporting period are shown as commitments in the notes to the financial statements.

Multi-partner trust funds

106. Multi-partner trust fund activities are pooled resources from multiple financial partners that are allocated to multiple implementing entities to support specific national, regional or global development priorities. They are assessed to determine the existence of control and whether the organization is considered to be the principal of the programme or activity. Where control exists and the organization is exposed to

the risks and rewards associated with the multi-partner trust fund activities, such programmes or activities are considered to be the organization's operations and are therefore reported in full in the financial statements.

Note 4
Segment reporting

107. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and for making decisions about the future allocation of resources.

108. Segment reporting information is provided on the basis of seven segments:

(a) Environment Fund;

(b) Regular budget;

(c) Other support to the UNEP programme of work;

(d) Conventions and protocols;

(e) Multilateral Fund;

(f) Programme support;

(g) End-of-service and post-retirement benefits.

109. Both the statement of financial position and the statement of financial performance are as shown below.

All funds: statement of financial position for the period ended 31 December 2018, by segment

(Thousands of United States dollars)

	Environment Fund	*Regular budget*	*Other support to UNEP programme of work*	*Conventions and protocols*	*Multilateral Fund*	*Programme support*	*End-of-service and post-retirement benefits*	*Intersegment eliminations*	*31 December 2018*	*31 December 2017*
Assets										
Current assets										
Cash and cash equivalents	3 277	–	42 832	12 286	16 726	1 686	4 819	–	81 626	54 916
Investments	27 984	–	367 290	107 375	143 428	12 355	41 321	–	699 753	488 973
Assessed contributions receivable	–	–	–	17 639	10 561	–	–	–	28 200	30 768
Voluntary contributions receivable	8 362	–	301 053	39 975	399	–	–	–	349 789	260 498
Other receivables	310	–	11 826	705	998	172	–	(12 702)	1 309	2 883
Advance transfers	1 458	–	184 808	16 044	111 259	716	–	(17 157)	297 128	259 573
Other assets	4 181	–	2 194	852	33	614	–	–	7 874	9 968
Total current assets	**45 572**	**–**	**910 003**	**194 876**	**283 404**	**15 543**	**46 140**	**(29 859)**	**1 465 679**	**1 107 579**
Non-current assets										
Investments	2 168	–	28 448	8 317	11 109	957	3 201	–	54 200	153 481
Assessed contributions receivable	–	–	–	–	–	–	–	–	–	–
Voluntary contributions receivable	–	–	433 473	6 820	–	–	–	–	440 293	458 406
Property, plant and equipment	1 188	–	174	132	30	–	–	–	1 524	1 609
Intangible assets	–	–	234	–	–	–	–	–	234	300
Advance transfers	–	–	–	–	163 203	–	–	(39 778)	123 425	141 803
Total non-current assets	**3 356**	**–**	**462 329**	**15 269**	**174 342**	**957**	**3 201**	**(39 778)**	**619 676**	**755 599**
Total assets	**48 928**	**–**	**1 372 332**	**210 145**	**457 746**	**16 500**	**49 341**	**(69 637)**	**2 085 355**	**1 863 178**

	Environment Fund	*Regular budget*	*Other support to UNEP programme of work*	*Conventions and protocols*	*Multilateral Fund*	*Programme support*	*End-of-service and post-retirement benefits*	*Intersegment eliminations*	*31 December 2018*	*31 December 2017*
Liabilities										
Current liabilities										
Accounts payable and accrued liabilities	1 347	–	35 709	4 412	242	145	–	–	41 855	25 984
Advance receipts	937	–	33 479	5 645	28 854	–	–	–	68 915	75 073
Employee benefits liabilities	1 044	–	1 453	817	59	283	4 957	–	8 613	7 886
Provisions	50	–	–	–	–	–	–	–	50	55
Other liabilities	–	–	112 258	22 414	–	–	–	(12 702)	121 970	95 634
Total current liabilities	**3 378**	**–**	**182 899**	**33 288**	**29 155**	**428**	**4 957**	**(12 702)**	**241 403**	**204 632**
Non-current liabilities										
Employee benefits liabilities	–	–	–	–	–	–	185 907	–	185 907	198 162
Total non-current liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**185 907**	**–**	**185 907**	**198 162**
Total liabilities	**3 378**	**–**	**182 899**	**33 288**	**29 155**	**428**	**190 864**	**(12 702)**	**427 310**	**402 794**
Total net of total assets and total liabilities	**45 550**	**–**	**1 189 433**	**176 857**	**428 591**	**16 072**	**(141 523)**	**(56 935)**	**1 658 045**	**1 460 384**
Net assets										
Accumulated surpluses/(deficits): unrestricted	25 550	–	1 188 508	166 078	428 591	11 572	(141 523)	(56 935)	1 621 841	1 424 047
Reserves	20 000	–	925	10 779	–	4 500	–	–	36 204	36 337
Total net assets	**45 550**	**–**	**1 189 433**	**176 857**	**428 591**	**16 072**	**(141 523)**	**(56 935)**	**1 658 045**	**1 460 384**

All funds: statement of financial performance for the period ended 31 December 2018, by segment

(Thousands of United States dollars)

	Environment Fund	*Regular budget*	*Other support to UNEP programme of work*[a]	*Conventions and protocols*[b]	*Multilateral Fund*	*Programme support*	*End-of-service and post-retirement benefits*	*Intersegment eliminations*	*31 December 2018*	*31 December 2017*
Segment revenue										
Assessed contributions	–	24 252	–	62 369	160 340	–	–	–	246 961	224 256
Voluntary contributions	69 649	–	181 072	37 511	7 948	66	–	–	296 246	254 248
Other transfers and allocations	–	–	182 634	12 561	–	–	–	(19 834)	175 361	152 150
Investment revenue	676	–	7 544	2 500	3 183	260	852	–	15 015	9 118
Other revenue	(17)	–	6 370	924	838	29 491	7 086	(36 526)	8 166	16 143
Total revenue	**70 308**	**24 252**	**377 620**	**115 865**	**172 309**	**29 817**	**7 938**	**(56 360)**	**741 749**	**655 915**
Segment expense										
Employee salaries, allowances and benefits	48 996	21 875	48 862	35 609	3 326	14 139	12 085	(7 076)	177 816	170 305
Non-employee compensation and allowances	1 751	708	22 640	3 213	306	604	–	–	29 222	26 050
Grants and other transfers	1 014	864	171 214	17 922	98 331	16	–	(19 626)	269 735	281 431
Supplies and consumables	113	6	147	36	6	8	–	–	316	328
Depreciation	131	–	23	26	3	–	–	–	183	228
Amortization	–	–	66	–	–	–	–	–	66	42
Travel	2 815	400	20 381	9 640	339	305	–	–	33 880	27 218
Other operating expenses	8 270	399	34 738	21 381	(122)	11 462	(113)	(29 658)	46 357	38 835
Exchange losses from the fixed exchange rate mechanism	–	–	–	–	(1 907)	–	–	–	(1 907)	15 443
Other expenses	630	–	465	1 769	–	–	–	–	2 864	2 355
Total segment expenses	**63 720**	**24 252**	**298 536**	**89 596**	**100 282**	**26 534**	**11 972**	**(56 360)**	**558 532**	**562 235**
Surplus/(deficit) for the year	**6 588**	**–**	**79 084**	**26 269**	**72 027**	**3 283**	**(4 034)**	**–**	**183 217**	**93 680**

[a] See also annex I.
[b] See also annex II.

Note 5
Comparison to budget

110. The statement of comparison of budget and actual amounts (statement V) presents the difference between budget amounts, which are prepared on a modified cash basis, and actual expenditure on a comparable basis.

111. Approved budgets are those that permit expenses to be incurred and are approved by the United Nations Environment Assembly. For IPSAS reporting purposes, approved budgets are the appropriations authorized by United Nations Environment Assembly resolutions.

112. The original budget amounts are the 2018 proportion of the appropriation for the biennium 2018–2019 approved by the United Nations Environment Assembly on 27 May 2016. The final appropriation for the Environment Fund for 2018 was less than the original budget approved by the United Nations Environment Assembly. The original budget was approved on the basis of the projected voluntary contributions to the Environment Fund, whereas the final appropriation was based on the funds that were made available on the basis of the Environment Fund balance brought forward at the start of the period and contributions received during the year.

113. Material differences between the final budget appropriation and actual expenditure on a modified cash basis are deemed to be those greater than 10 per cent. For the current reporting period, variances pertain to savings under the Environment Fund and regular budget allotments, and are attributed to;

(a) Differences between the vacancy rates applied at the time the budget was being drawn up and the actual vacancy rates realized during the year;

(b) The cyclical nature of activities that occur in the second year of the biennium as opposed to the first year. Savings or overruns are carried over to 2019, which is the second year of the biennium 2018–2019.

Reconciliation between actual amounts on a comparable basis and the statement of cash flows

114. The reconciliation between the actual amounts on a comparable basis in the statement of comparison of budget and actual amounts and the actual amounts in the statement of cash flows is shown below.

Reconciliation for the year ended 31 December 2018

(Thousands of United States dollars)

Reconciliation	*Operating*	*Investing*	*Financing*	*Total 2018*
Actual amounts on comparable basis (statement V)	(85 180)	–	–	(85 180)
Basis differences	(53 304)	(98)	–	(53 402)
Entity differences	(470 560)	–	–	(470 560)
Timing differences	–	–	–	–
Presentation differences	741 749	(96 484)	(9 413)	635 852
Actual amount in statement of cash flows (statement IV)	**132 705**	**(96 582)**	**(9 413)**	**26 710**

115. Basis differences capture the differences resulting from preparing the budget on a modified cash basis. In order to reconcile the budgetary results to the statement of cash flows, the non-cash elements such as unliquidated obligations, payments against

prior-year obligations, property, plant and equipment and outstanding assessed contributions are included as basis differences.

116. Entity differences represent cash flows of fund groups other than the organization that are reported in statement V of the financial statements. The financial statements include results for all fund groups.

117. Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. For the purposes of comparison of budget and actual amounts, there are no timing differences for the organization.

118. Presentation differences are differences in the format and classification schemes in the statement of cash flows and the statement of comparison of budget and actual amounts, which are related primarily to the non-recording income in statement V and the net changes in cash pool balances.

Note 6
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Cash at bank and on hand	25	8
Cash Pool cash and term deposits	81 601	54 908
Total cash and cash equivalents	**81 626**	**54 916**

119. Cash and cash equivalents include trust fund monies which are for the specific purposes of the respective trust funds.

Note 7
Investments

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Current Cash Pool	699 753	488 973
Non-current cash pools	54 200	153 481
Total	**753 953**	**642 454**

120. Investments include amounts in relation to trust funds and funds held in trust.

Note 8
Receivables from non-exchange transactions: assessed contributions

(Thousands of United States dollars)

	Current	*Non-current*	*31 December 2018*	*31 December 2017*
Assessed contributions – member state	218 542	–	218 542	213 839
Notes receivables	3	–	3	8 925
Total	**218 545**	**–**	**218 545**	**222 764**
Allowance for doubtful receivables – member state	(190 345)	–	(190 345)	(192 000)
Total Assessed contributions receivable	**28 200**	**–**	**28 200**	**30 768**

Note 9
Receivables from non-exchange transactions: voluntary contributions

(Thousands of United States dollars)

	Current	*Non-current*	*31 December 2018*	*31 December 2017*
Member States	95 338	21 099	116 437	82 281
Other governmental organizations	12 546	4 073	16 619	2 034
United Nations organizations	157 748	408 451	566 199	543 287
Private donors[a]	92 591	6 670	99 261	97 134
Total voluntary contributions receivable before allowance	**358 223**	**440 293**	**798 516**	**724 736**
Allowance for doubtful receivables current	(8 434)	–	(8 434)	(5 832)
Total voluntary contributions receivable	**349 789**	**440 293**	**790 082**	**718 904**

[a] Major private donors consist of the European Union, the Adaptation Fund, the Natural Environment Research Council, the FIA Foundation for the Automobile and Society; the Climate Works Foundation and the MAVA Foundation.

Note 10
Other receivables

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Current other receivables		
Other accounts receivable	1 737	3 572
Subtotal	**1 737**	**3 572**
Allowance for doubtful receivables	(428)	(689)
Total other receivables (current)	**1 309**	**2 883**

Note 11
Advance transfers

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Advance transfers (current)	297 128	259 573
Advance transfers (non-current)	123 425	141 803
Total advance transfers	**420 553**	**401 376**

Note 12
Other assets

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Advances to UNDP and other United Nations agencies	2 498	3 943
Advances to vendor	34	83
Advances to staff	3 770	3 612
Advances to other personnel	573	1 280
Deferred charges	786	775
Other assets; other	212	275
Total other assets	**7 874**	**9 968**

Note 13
Heritage assets

121. Certain assets are categorized as heritage assets because of their cultural, educational or historical significance. The organization's heritage assets were acquired over many years by various means, including purchase, donation and bequest. These heritage assets do not generate any future economic benefits or service potential; accordingly, the organization elected not to recognize heritage assets in the statement of financial position.

122. The organization does not own any significant heritage assets.

Note 14
Property, plant and equipment

123. In accordance with IPSAS 17, opening balances are initially recognized at cost or fair value as at 1 January 2014 and measured at cost thereafter. The opening balance of buildings was obtained on 1 January 2014, on the basis of depreciated replacement cost, and was validated by external professionals. Machinery and equipment are valued using the cost method.

124. During the year, the organization did not write down property, plant and equipment on account of accidents, malfunctions and other losses. As at the reporting date, the organization did not identify any additional impairment.

Property, plant and equipment

(Thousands of United States dollars)

	Building	*Furniture and fixtures*	*Communication and IT equipment*	*Vehicles*	*Machinery and equipment*	*Total*
Cost as at 1 January 2018	**842**	**428**	**1 737**	**1 213**	**58**	**4 278**
Additions	–	57	–	41	–	98
Disposals	–	–	(353)	(21)	(7)	(381)
Internal transfers of plant and equipment	–	–	6	–	(6)	–
Other changes	–	–	–	31	–	31
Cost as at 31 December 2018	**842**	**485**	**1 390**	**1 264**	**45**	**4 026**
Accumulated depreciation as at 1 January 2018	**(61)**	**(364)**	**(1 390)**	**(835)**	**(19)**	**(2 669)**

	Building	Furniture and fixtures	Communication and IT equipment	Vehicles	Machinery and equipment	Total
Depreciation	(20)	(5)	(107)	(50)	(1)	(183)
Disposal			353	21	7	381
Internal transfers of plant and equipment			(6)		6	
Other changes	–	–		(31)		(31)
Accumulated depreciation as at 31 December 2018	**(81)**	**(369)**	**(1 150)**	**(895)**	**(7)**	**(2 502)**
Net carrying amount 31 December 2018	**761**	**116**	**240**	**369**	**38**	**1 524**

Note 15
Intangible assets

125. All intangible assets acquired before 1 January 2014, except for the capitalized costs associated with the Umoja project, are subject to the IPSAS transition exemption and are therefore not recognized.

(Thousands of United States dollars)

	Software acquired externally	Licences and rights	Umoja	Other	Total
Cost as at 1 January 2018	**349**	**24**	**–**	**–**	**372**
Additions	–	–	–	–	–
Other changes	–	–	–	–	–
Cost as at 31 December 2018	**349**	**24**	**–**	**–**	**372**
Accumulated amortization as at 1 January 2018	**(71)**	**(1)**	**–**	**–**	**(72)**
Amortization	(64)	(3)	–	–	(67)
Other changes	–	–	–	–	–
Accumulated amortization as at 31 December 2018	**(134)**	**(4)**	**–**	**–**	**(138)**
Net carrying amount 31 December	**215**	**19**	**–**	**–**	**234**

Note 16
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Vendor payables (accounts payable)	2 483	2 225
Transfers payable	1 020	309
Payables to Member States	207	4 185
Payables to other United Nations entities	4 821	1 175
Accruals for Goods and Services	11 763	10 717
Accounts payable – other	21 561	7 373
Total accounts payable and accrued liabilities	**41 855**	**25 984**

Note 17
Advance receipts

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Current advance receipts		
Deferred revenue	68 915	75 072
Total advance receipts	**68 915**	**75 072**

Note 18
Employee benefits liabilities

(Thousands of United States dollars)

	Current	*Non-current*	*31 December 2018*	*31 December 2017*
After-service health insurance	2 021	153 876	155 897	166 343
Annual leave	1 103	12 600	13 703	14 444
Repatriation benefits	1 833	19 431	21 264	22 431
Subtotal defined-benefit liabilities	**4 957**	**185 907**	**190 864**	**203 218**
Accrued salaries and allowances	3 572	–	3 572	2 811
Pension Contributions Liabilities	84	–	84	20
Total employee benefits liabilities	**8 613**	**185 907**	**194 520**	**206 049**

126. The liabilities arising from end-of-service/post-employment benefits and the workers' compensation programme under appendix D to the Staff Rules are determined by independent actuaries and are established in accordance with the Staff Rules and Staff Regulations of the United Nations. Actuarial valuation is usually undertaken every two years. The most recent full actuarial valuation was conducted as at 31 December 2018.

Actuarial valuation: assumptions

127. The organization reviews and selects assumptions and methods used by the actuaries in the year-end valuation to determine the expense and contribution requirements for the employee benefits. The principal actuarial assumptions used to determine the employee benefit obligations at 31 December 2018 and 31 December 2017 are as follows.

Actuarial assumptions

(Percentage)

Assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates 31 December 2018	3.89	4.16	4.21
Discount rates 31 December 2017	3.30	3.48	3.52
Inflation 31 December 2018	3.89–5.57	2.20	–
Inflation 31 December 2017	4.00–5.70	2.20	–

128. The yield curves used in the calculation of the discount rates in respect of the United States dollar, the euro and the Swiss franc are those developed by Aon Hewitt, consistent with the recommendation of the United Nations Task Force on Accounting

Standards to harmonize actuarial assumptions across the United Nations system (A/71/815, para. 26), which was endorsed by the General Assembly in section IV of its resolution 71/272 B. Other financial and demographic assumptions used for the valuation as at 31 December 2017 were maintained for the roll-forward. The salary increases for the Professional staff category were assumed to increase by 8.5 per cent for staff aged 23, grading down to 4.0 per cent for staff aged 70. The salaries of the General Service staff category were assumed to increase by 6.8 per cent for staff aged 19, grading down to 4.0 per cent for staff aged 65.

129. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption is revised to reflect the current short-term expectations of the after-service health insurance plan cost increases and the economic environment. Medical cost trend assumptions used for the valuation as at 31 December 2018 were updated to include escalation rates for future years. As at 31 December 2018, these escalation rates were at 3.91 per cent (2017: 4.0 per cent), 3.89 per cent (2017: 4.0 per cent) and 5.57 per cent (2017: 5.7 per cent) for eurozone, Swiss and all other medical plans respectively, except 5.38 per cent (2017: 5.5 per cent) for the United States Medicare plan and 4.73 per cent (2017: 4.8 per cent) for the United States dental plan, grading down to 3.65 per cent (2017: 3.65 per cent) and 3.05 per cent (2017: 3.05 per cent) over 4 to 9 years for eurozone and Swiss health-care cost and to 3.85 per cent (2017: 3.85 per cent) over 14 years for United States health-care cost.

130. With regard to the valuation of repatriation benefits as at 31 December 2018, inflation in travel costs was assumed to be 2.20 per cent (2017: 2.20 per cent), on the basis of the projected United States inflation rate over the next 20 years.

131. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: 1–3 years, 10.9 per cent; 4–8 years, 1 per cent; and more than 8 years, 0.5 per cent, up to the maximum of 60 days. The attribution method is used for annual leave actuarial valuation.

132. For defined-benefit plans, assumptions regarding future mortality are based on published statistics and mortality tables. Salary increases, retirement, withdrawal and mortality assumptions are consistent with those used by the United Nations Joint Staff Pension Fund in making its actuarial valuation.

Note 19
Movement in employee benefits liabilities accounted for as defined-benefit plans

Reconciliation of opening to closing total defined-benefits liability

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total 2018*
Net benefit liability at 1 January 2018	**166 343**	**22 431**	**14 444**	**203 218**
Current service cost	7 513	1 549	979	10 041
Interest cost	5 459	743	486	6 688
Actual benefits paid	(1 760)	(2 167)	(1 299)	(5 226)
Total costs recognized in the statement of financial performance in 2018	**11 212**	**125**	**166**	**11 503**
Subtotal	**177 555**	**22 556**	**14 610**	**214 721**
Actuarial (gains)/loss[a]	(21 658)	(1 292)	(907)	(23 857)
Net defined liability as at 31 December 2018	**155 897**	**21 264**	**13 703**	**190 864**

[a] The cumulative amount of actuarial gains and losses recognized in the statement of changes in net assets is $23.8 million.

Discount rate sensitivity analysis

133. The changes in discount rates are driven by the discount curve, which is calculated on the basis of corporate bonds. The bonds markets vary over the reporting period, and the volatility has an impact on the discount rate assumption. Should the assumption vary by 1 per cent, its impact on the obligations would be as shown below.

Discount rate sensitivity analysis: year-end employee benefits liabilities

(Thousands of United States dollars)

31 December 2018	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 1 per cent	(30 595)	(1 764)	(1 211)
As percentage of end-of-year liability	(20%)	(8%)	(9%)
Decrease of discount rate by 1 per cent	41 481	2 046	1 410
As percentage of end-of-year liability	27%	10%	10%

Medical cost sensitivity analysis

134. The principal assumption in the valuation of the after-service health insurance is the rate at which medical costs are expected to increase in the future. The sensitivity analysis looks at the change in liability resulting from changes in the medical cost rates while holding other assumptions, such as the discount rate, constant. Should the medical cost trend assumption vary by 1 per cent, this would have an impact on the measurement of the defined-benefit obligations, as shown below.

Medical costs sensitivity analysis: 1 per cent movement in the assumed medical cost trend rates

(Thousands of United States dollars)

2018	*Increase*		*Decrease*	
Effect on the defined-benefit obligation	26.62%	41 503	(20%)	(31 178)
Effect on aggregate of the current service cost and interest cost	2.51%	3 913	(1.82%)	(2 841)

(Thousands of United States dollars)

2017	*Increase*		*Decrease*	
Effect on the defined-benefit obligation	26.52%	44 114	(19.94%)	(31 161)
Effect on aggregate of the current service cost and interest cost	2.48%	4 127	(1.80%)	(2 999)

Other defined-benefit plan information

135. Benefits paid for 2018 are estimates of what would have been paid to separating staff and/or retirees during the year based on the pattern of rights acquisition under each scheme: after-service health insurance, repatriation and commutation of accrued annual leave. The estimated defined-benefits payments (net of participants' contributions in these schemes) are shown in the table below.

Estimated defined benefits payments, net of participants' contributions

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
Estimated 2018 defined benefit payments net of participants' contributions	1760	2 167	1 299	5 226
Estimated 2017 defined benefit payments net of participants' contributions	961	2 363	1 468	4 792

Historical information: total liability for after-service health insurance, repatriation benefits and annual leave as at 31 December

(Thousands of United States dollars)

	2017	*2016*	*2015*	*2014*	*2013*
Present value of the defined benefits obligations	203 217	140 633	131 220	162 052	113 888

Other employee benefit liabilities

Accrued salaries and allowance

136. Accrued salaries and allowances comprise $2.7 million relating to home leave benefits and $0.6 million for accrued salaries payable. The remaining balance of $0.4 million relates to other benefits.

United Nations Joint Staff Pension Fund

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

138. The financial obligation of UNEP to UNJSPF 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 Fund. Such deficiency payments are only payable if and when the General 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.

139. During 2017, the Fund identified that there were anomalies in the census data utilized in the actuarial valuation performed as of 31 December 2015. As such, as an exception to the normal biennial cycle, a roll-forward of the participation data as of 31 December 2013 to 31 December 2016 was used by the Fund for its 2016 financial statements.

140. The actuarial valuation as of 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.

141. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2017, for deficiency payments under article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of the present report, the General Assembly has not invoked article 26.

142. Should article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the UNJSPF 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 Fund during the three years preceding the valuation date. Total contributions paid to UNJSPF during the preceding three years (2015, 2016 and 2017) amounted to $6,931.39 million.

143. During 2018, the organization's contributions paid to the Pension Fund were fully settled.

144. Membership of the 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 Fund at the date of termination is to be paid to the former member organization for the exclusive benefit of those members of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed upon between the organization and the Fund. The amount is to be determined by the Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets in excess of the liabilities are included in the amount.

145. The Board of Auditors carries out an annual audit of UNJSPF and reports to the its Pension Board and to the General Assembly on the audit every year. UNJSPF publishes quarterly reports on its investments. The reports are available at www.unjspf.org.

Note 20
Provisions

146. As at the reporting date, the organization had the following legal claims that required the recognition of provisions.

Movement in provisions

(Thousands of United States dollars)

	Litigation and Claims
Provisions as at 1 January 2018	55
Additional provisions made	–
Amounts reversed	–
Amounts used	(5)
Provisions as at 31 December 2018	**50**

Note 21
Other liabilities

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Liabilities for conditional arrangements	121 970	95 634
Total other liabilities	**121 970**	**95 634**

Note 22
Net assets

Accumulated surpluses/deficits

147. The unrestricted accumulated surplus includes the accumulated deficit for employee benefits liabilities, the net positions of after-service health insurance, repatriation benefit and annual leave liabilities.

148. The following table shows the status of the organization's net assets balances and movements, by segment.

Net assets balances and movements[a]

(Thousands of United States dollars)

	1 January 2018	*Surplus/ (deficit)*	*UNEP internal implementation elimination*	*Other movements*	*31 December 2018*
Unrestricted fund balance					
Environment Fund	18 962	6 588	–	–	25 550
Other support to UNEP programme of work[b]	1 061 902	79 084	(9 413)	–	1 131 573
Conventions and protocols[c]	139 676	26 269		133	166 078
Multilateral Fund	356 564	72 027	–		428 591
Programme support	8 289	3 283		–	11 572
End-of-service liabilities	(161 346)	(4 034)	–	23 857	(141 523)
Subtotal unrestricted fund balance	**1 424 047**	**183 217**	**(9 413)**	**23 990**	**1 621 841**
Reserves					
Environment Fund	20 000	–	–	–	20 000
Other support to UNEP programme of work	925	–	–	–	925
Conventions and protocols	10 912	–	–	(133)	10 779
Multilateral Fund	–	–	–	–	–
Programme support	4 500	–	–	–	4 500
Subtotal reserves	**36 337**	**–**	**–**	**(133)**	**36 204**
Total net assets					
Environment Fund	38 962	6 588	–	–	45 550
Other support to UNEP programme of work	1 062 827	79 084	(9 413)	–	1 132 498
Conventions and protocols	150 588	26 269	–	–	176 857
Multilateral Fund	356 564	72 027	–	–	428 591
Programme support	12 789	3 283		–	16 072
End-of-service liabilities	(161 346)	(4 034)		23 857	(141 523)
Total net assets	**1 460 384**	**183 217**	**(9 413)**	**23 857**	**1 658 045**

[a] Net assets movements, including fund balances, are IPSAS-based
[b] See also annex I.
[c] See also annex II.

Note 23
Revenue from non-exchange transactions

Assessed contributions

149. Assessed contributions of $246.9 million (2017: $224.2 million) have been recorded in accordance with the Financial Regulations and Rules of the United Nations, the relevant resolutions of the various conferences of parties and the policies of the United Nations, on the basis of the agreed budget scale of assessment. An amount of $24.3 million (2017: $25.4 million) of this is an allocation from the United Nations Secretariat.

150. Each biennium, the organization receives an allocation from the United Nations regular budget, which is included in assessed contributions. These are reported under Volume I, a related entity, but are also included in these statements for completeness. In addition, internally within the organization, funds are allocated for implementation that is reflected as other transfers and allocations in the statement of financial performance.

Assessed contributions

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Assessed contributions		
Assessed contributions by Member State Governments	227 668	199 999
Bilateral transfers from the Multilateral Fund	(4 959)	(1 132)
Allocations from regular budget	24 252	25 389
Amount reported in statement II, "Assessed contributions"	**246 961**	**224 256**

	31 December 2018	*31 December 2017*
Voluntary contributions		
Voluntary contributions: in cash	294 947	256 920
Voluntary contributions: in kind	2 815	2 298
Total voluntary contributions received	**297 762**	**259 218**
Refunds	(1 516)	(4 970)
Net voluntary contributions received	**296 246**	**254 248**

	31 December 2018	*31 December 2017*
Other transfers and allocations		
Allocations received from United Nations internal funds	175 361	152 150
	175 361	**152 150**

Other transfers and allocations

151. Revenue from non-exchange transactions includes other transfers and allocations, mainly received from United Nations entities.

Services in kind

152. In-kind contributions of services received during the year are not recognized as revenue and, therefore, are not included in the above in-kind contributions revenue. Services in kind confirmed during the year are shown below.

Services in kind

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Technical assistance/expert services	771	747
Administrative support	2 030	1 330
Total	**2 801**	**2 077**

Note 24
Other revenue

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Refund of prior year expenses	–	–
Other/miscellaneous revenue	1 406	1 265
Revenue-producing activities and other miscellaneous revenue	6 760	14 878
Total other exchange revenue	**8 166**	**16 143**

Note 25
Expenses

Employee salaries, allowances and benefits

153. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. Allowances and benefits include other staff entitlements, including pension and insurance, staff assignment, repatriation, hardship and other allowances.

Employee salaries, allowances and benefits

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Salary and wages	136 785	131 478
Pension and insurance benefits	39 275	36 759
Other benefits	1 756	2 068
Total employee salaries, allowances and benefits	**177 816**	**170 305**

Non-employee compensation and allowances

154. Non-employee compensation and allowances consist of United Nations Volunteers living allowances and post-employment benefits, consultant and contractor fees, ad hoc experts and non-military personnel compensation and allowances.

Non-employee compensation and allowances

(Thousands of United States dollars)

	31 December 2018	31 December 2017
United Nations Volunteers	1 373	1 020
Consultants and contractors	27 860	25 000
Other	(11)	30
Total non-employee compensation and allowances	**29 222**	**26 050**

Grants and other transfers

155. Grants and other transfers include outright grants to implementing agencies, partners and other entities; see note 31 for more details.

Grants and other transfers

(Thousands of United States dollars)

	31 December 2018	31 December 2017[a]
Grants to end beneficiaries: direct	2 103	1 672
Transfers to implementing partners	267 632	279 759
Total grants and other transfers	**269 735**	**281 431**

[a] Comparatives have been restated to conform to the current presentation.

Supplies and consumables

156. Supplies and consumables include consumables, fuel and lubricants and spare parts, as set out in the table below.

Supplies and consumables

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Fuel and lubricants	17	8
Spare parts	60	41
Consumables	239	279
Total supplies and consumables	**316**	**328**

Travel

157. Travel includes staff and representative travel as shown below.

Travel expenses

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Staff travel	14 654	13 034
Representative travel	19 226	14 184
Total travel	**33 880**	**27 218**

Other operating expenses

158. Other operating expenses include maintenance, utilities, contracted services, training, security services, shared services, rent, insurance, allowance for bad debt and write-off expenses.

Other operating expenses

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Air transport	78	62
Ground transport	271	277
Communication and IT	7 627	7 253
Other contracted services	18 697	20 970
Acquisitions of goods	1 250	133
Acquisitions of intangible assets	216	279
Rent: offices and premises	7 868	8 380
Rental: equipment	438	438
Maintenance and repair	2 193	1 440
Bad debt expense	1 212	(5 003)
Net foreign exchange losses	6 080	3 797
Other/miscellaneous operating expenses	427	809
Total other operating expenses	**46 357**	**38 835**

Exchange losses from the fixed-rate mechanism

159. The Multilateral Fund operates a fixed exchange-rate mechanism (initially approved for implementation by the Meeting of the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer in its decision XI/6 of 17 December 1999 and extended for the 2016–2017 period in its decision XXVI/11 of 10 December 2014) which, subject to fulfilling certain criteria, allows parties to opt in advance to pay their contributions for the forthcoming triennium, in their own currencies, at a predetermined exchange rate to the United States dollar fixed prior to the triennium. The exchange gain of $1.9 million (2017 loss of $15.4 million) resulted from the difference between the actual United Sates dollar equivalent of the respective contributions received as compared to the United Sates dollar receivable that had been established in the UNEP books of account.

Exchange losses from the fixed exchange-rate mechanism

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Exchange (gain)/loss from the fixed exchange rate mechanism	(1 907)	15 443

Other expenses

160. Other expenses relate largely to hospitality and official functions, and donation/ transfer of assets.

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Contributions in kind	2 815	2 298
Other/miscellaneous expenses	49	57
Total other expenses	**2 864**	**2 355**

Note 26
Financial instruments and financial risk management

Financial instruments

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Financial assets		
Fair value through the surplus or deficit		
Short-term investments: main pool	699 753	488 973
Total short-term investments	**699 753**	**488 973**
Long-term investments: main pool	54 200	153 481
Total long-term investments	**54 200**	**153 481**
Total fair value through surplus or deficit	**753 953**	**642 454**
Cash, loans and receivables		
Cash and cash equivalents: main pool	81 601	54 908
Cash and cash equivalents – other	25	8
Cash and cash equivalents	**81 626**	**54 916**
Assessed contributions receivable	28 200	30 768
Voluntary contributions receivable	790 082	718 904
Other receivables	1 309	2 883
Other assets (excluding advances)	200	180
Total cash, loans and receivables	**901 417**	**807 651**
Total carrying amount of financial assets	**1 655 370**	**1 450 105**
Of which relates to financial assets held in main pool	835 534	697 362
Other investment revenue	15 015	9 118
Financial liabilities at amortized cost		
Accounts payable and accrued payables (excluding deferred payables)	41 855	25 984
Total carrying amount of financial liabilities	**41 855**	**25 984**
Summary of net income from financial assets		
Other investment revenue	686	1 662
Investment revenue	14 563	7 860
Foreign exchange gains/(losses)	(234)	(404)
Total net income from financial assets	**15 015**	**9 118**

Financial risk management: overview

161. The organization has exposure to the following financial risks:

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk.

162. This present note and note 27, "Financial instruments: cash pools", present information on the organization's exposure to the above-mentioned risks, the objectives, policies and processes for measuring and managing risk and the management of capital.

Risk management framework

163. The organization's risk management practices are in accordance with its Financial Regulations and Rules and Investment Management Guidelines (Guidelines). The organization defines the capital that it manages as the aggregate of its net assets, which comprises accumulated fund balances and reserves. Its objectives are to safeguard its ability to continue as a going concern, to fund its asset base and to accomplish its objectives. The organization manages its capital in the light of global economic conditions, the risk characteristics of the underlying assets and its current and future working capital requirements.

Credit risk

164. Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, investments and deposits with financial institutions, as well as credit exposures to outstanding receivables. The carrying value of financial assets less allowances for doubtful receivables is the maximum exposure to credit risk.

Credit risk management

165. The investment management function is centralized at United Nations Headquarters, and under normal circumstances other areas are not permitted to engage in investing. An area may receive exceptional approval when conditions warrant investing locally under specified parameters that comply with the Guidelines.

Contributions receivable and other receivables

166. A large portion of the contributions receivable is due from sovereign Governments and supranational agencies, including other United Nations entities that do not have significant credit risk. As at the reporting date, the organization did not hold any collateral as security for receivables.

Allowance for doubtful receivables

167. The organization evaluates the allowance of doubtful receivables at each reporting date. An allowance is established when there is objective evidence that the organization will not collect the full amount due. Balances credited to the allowance for doubtful receivables account are utilized when management approves write-offs under the Financial Regulations and Rules or are reversed when the previously impaired receivables are received. The movement in the allowances account during the year is as shown below.

Movement in allowance for doubtful receivables

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Opening allowance for doubtful receivables	**198 518**	**203 522**
Doubtful receivables adjustment for current year	689	(5 003)
Closing allowance for doubtful receivables	**199 207**	**198 519**

168. The ageing of contributions receivables and associated allowance is as shown below.

Ageing of assessed contributions receivable

(Thousands of United States dollars)

	Gross receivable	*Allowance*
Less than one year	20 807	–
One to two years	6 193	1 235
Two to three years	4 272	2 563
Three to four years	3 631	2 905
Over four years	159 362	159 362
Special allowance	24 280	24 280
Total	**218 545**	**190 345**

Ageing of voluntary contributions receivable

(Thousands of United States dollars)

	Gross receivable	*Allowance*
Neither past due nor impaired	440 293	–
Less than one year	339 104	–
One to two years	13 343	3 339
Two to three years	1 702	1 021
Over three years	4 074	4 074
Total	**798 516**	**8 434**

Ageing of other receivables

(Thousands of United States dollars)

	Gross receivable	*Allowance*
Less than one year	1 155	–
One to two years	205	51
Two to three years	–	–
Over three years	377	377
Total	**1 737**	**428**

Cash and cash equivalents

169. The organization had cash and cash equivalents of $81.6 million as at 31 December 2018 (2017: $54.9 million), which is the maximum credit exposure on these assets. Cash and cash equivalents are held with bank and financial institution counterparties rated at "A-" and above, based on the Fitch viability rating.

Liquidity risk

170. Liquidity risk is the risk that the organization might not have adequate funds to meet its obligations as they fall due. The organization's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the organization's reputation.

171. The Financial Regulations and Rules require that expenses be incurred after the receipt of funds from donors, thereby considerably reducing the liquidity risk with regard to contributions, which are a largely stable annual cash flow. Exceptions to incurring expenses prior to the receipt of funds are permitted only if specified risk management criteria are adhered to with regard to the amounts receivable.

172. The organization performs cash flow forecasting and monitors rolling forecasts of liquidity requirements to ensure that they have sufficient cash to meet operational needs. Investments are made with due consideration to the cash requirements for operating purposes based on cash flow forecasting. The organization maintains a large portion of its investments in cash equivalents and short-term investments sufficient to cover its commitments as and when they fall due.

Financial liabilities

173. The exposure to liquidity risk is based on the notion that the entity may encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely owing to the receivables, cash and investments available to the entity and internal policies and procedures put in place to ensure that there are appropriate resources to meet its financial obligations. At the reporting date, the organization had not pledged any collateral for any liabilities or contingent liabilities, and in the year no accounts payable or other liabilities were forgiven by third parties. Maturities for financial liabilities based on the earliest date at which the organization can be required to settle each financial liability are shown below.

Maturities for financial liabilities as at 31 December 2018

(Thousands of United States dollars)

	<3 months	*3 to 12 months*	*>1 year*	*Total*
Maturities for financial liabilities: as at 31 December 2018, undiscounted accounts payable and accrued payables	30 092	11 763	–	41 855

Market risk

174. Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices of investment securities, will affect the organization's income or the value of its financial assets and liabilities. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the organization's fiscal position.

Interest rate risk

175. Interest rate risk is the risk of variability in financial instruments' fair values or future cash flows due to change in interest rates. In general, as the interest rate rises, the price of a fixed-rate security falls, and vice versa. Interest rate risk is commonly measured by the fixed-rate security's duration, with duration being a number expressed in years. The longer the duration, the greater the interest rate risk. The main exposure to interest rate risks relates to the cash pools and is considered in note 27.

Currency risk

176. Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in foreign exchange rates. The organization has transactions, assets and liabilities in currencies other than its functional currency and is exposed to currency risk arising from fluctuations in exchange rates. Management policies and the Guidelines require the organization to manage its currency risk exposure.

177. The organization's financial assets and liabilities are denominated primarily in United States dollars. Non-United States dollar financial assets relate primarily to investments in addition to cash and cash equivalents and receivables held in order to support local operating activities where transactions are made in local currencies. The organization maintains a minimum level of assets in local currencies and, whenever possible, maintains bank accounts in United States dollars. The organization mitigates currency risk exposure by structuring contributions from donors in foreign currency to correspond to foreign currency needs for operational purposes. The most significant exposure to currency risk relates to cash pool cash and cash equivalents. At the reporting date, the non-United States dollar denominated balances in these financial assets were primarily euros and Swiss francs, along with over 30 other currencies, as shown below.

Currency exposure of the cash pools as at 31 December 2018

(Thousands of United States dollars)

	United States dollars	*Euros*	*Swiss francs*	*Others*	***Total***
Main cash pool	816 705	13 695	1 824	3 330	**835 554**

Sensitivity analysis

178. A strengthening/weakening of the euro and Swiss franc UNORE exchange rates as at the reporting date would have affected the measurement of investments denominated in a foreign currency and increased or decreased net assets and surplus or deficit by the amounts shown below. This analysis is based on foreign currency exchange rate variances considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

Effect on net assets, surplus or deficit

(Thousands of United States dollars)

	As at 31 December 2018		*As at 31 December 2017*	
	Effect on net asset surplus or deficit		*Effect on net asset surplus or deficit*	
	Strengthening	*Weakening*	*Strengthening*	*Weakening*
Euro (10 per cent movement)	1 370	(1 370)	2 076	(2 076)
Swiss franc (10 per cent movement)	182	(182)	1 859	(1 859)

Other market price risk

179. The organization is not exposed to significant other price risk, as it has limited exposure to price-related risk related to expected purchases of certain commodities used regularly in operations. A change in those prices may alter cash flows by an immaterial amount.

Accounting classifications and fair value

180. Owing to the short-term nature of cash and cash equivalents, including cash pool term deposits with original maturities of less than three months, receivables and payables, the carrying value is a fair approximation of fair value.

Fair value hierarchy

181. The table below analyses financial instruments carried at fair value, by the fair value hierarchy levels. The levels are defined as:

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

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

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

182. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian on the basis of the valuation of securities sourced from third parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by the cash pools is the current bid price.

Fair value hierarchy

(Thousands of United States dollars)

	31 December 2018			*31 December 2017*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds: corporates	22 818	–	22 818	30 736	–	30 736
Bonds: non-United States agencies	97 903	–	97 903	102 960	–	102 960
Bonds: non-United States sovereigns	–	–	–	10 805	–	10 805
Bonds: supranational	19 380	–	19 380	14 997	–	14 997
Bonds: United States treasuries	67 793	–	67 793	52 798	–	52 798
Main pool: commercial papers	24 350	–	24 350	58 135	–	58 135
Main pool: term deposits	–	526 140	–	–	372 023	372 023
Main pool total	**232 244**	**526 140**	**758 384**	**270 431**	**372 023**	**642 454**

183. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Valuation techniques maximize the use of observable market data where it is available. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

184. There were no level 3 financial assets, nor any liabilities carried at fair value, nor any significant transfers of financial assets between fair value hierarchy classifications.

Note 27
Financial instruments: main pool

185. In addition to directly held cash and cash equivalents and investments, UNEP participates in the United Nations Treasury main pool. The main pool comprises operational bank account balances in a number of currencies and investments in United States dollars.

186. Pooling the funds has a positive effect on overall investment performance and risk, because of economies of scale, and by the ability to spread yield curve exposures across a range of maturities. The allocation of cash pool assets (cash and cash equivalents, short-term investments and long-term investments) and revenue is based on each participating entity's principal balance.

187. As at 31 December 2018, UNEP participated in the main pool, which held total assets of $7,504.8 million (2017: $8,086.5 million), of which $835.6 million was due to the organization (2017: $697.4 million), and its share of revenue from the main pool was $14.3 million (2017: $7.8 million).

Summary of assets and liabilities of the main pool as at 31 December 2018

(Thousands of United States dollars)

	Main pool
Fair value through the surplus or deficit	
Short-term investments	6 255 379
Long-term investments	486 813
Total fair value through the surplus or deficit investments	**6 742 192**

	Main pool
Loans and receivables	
Cash and cash equivalents	732 926
Accrued investment revenue	29 696
Total loans and receivables	**762 622**
Total carrying amount of financial assets	**7 504 814**
Cash pool liabilities	
Payable to UNEP	835 554
Payable to other cash pool participants	6 669 260
Total liabilities	**7 505 814**
Net assets	–

Summary of revenue and expenses of the main pool for the year ended 31 December 2018

(Thousands of United States dollars)

	Main pool
Investment revenue	152 805
Unrealized gains/(losses)	3 852
Investment revenue from main pool	**156 657**
Foreign exchange gains/(losses)	854
Bank fees	(805)
Operating expenses from main pool	**49**
Revenue and expenses from main pool	**156 706**

Summary of assets and liabilities of the main pool as at 31 December 2017

(Thousands of United States dollars)

	Main pool
Fair value through the surplus or deficit	
Short-term investments	5 645 952
Long-term investments	1 779 739
Total fair value through the surplus or deficit investments	**7 425 691**
Loans and receivables	
Cash and cash equivalents	636 711
Accrued investment revenue	24 098
Total loans and receivables	**660 809**
Total carrying amount of financial assets	**8 086 500**

	Main pool
Cash pool liabilities	
Payable to UNEP	697 362
Payable to other cash pool participants	7 389 138
Total liabilities	**8 086 500**
Net assets	**–**

Summary of revenue and expenses of the main pool for the year ended 31 December 2017

(Thousands of United States dollars)

	Main pool
Investment revenue	104 576
Unrealized gains/(losses)	874
Investment revenue from main pool	**105 450**
Foreign exchange gains/(losses)	7 824
Bank fees	(853)
Operating expenses from main pool	**6 971**
Revenue and expenses from main pool	**112 421**

Financial risk management

188. The United Nations Treasury is responsible for investment and risk management for the main pool, including conducting investment activities in accordance with the Guidelines.

189. The objective of investment management is to preserve capital and ensure sufficient liquidity to meet operating cash requirements while attaining a competitive market rate of return on each investment pool. Investment quality, safety and liquidity are emphasized over the market-rate-of-return component of the objectives.

190. An investment committee periodically evaluates investment performance and assesses compliance with the Guidelines and makes recommendations for updates thereto.

Financial risk management: credit risk

191. The Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible main pool investments may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The main pool does not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.

192. The Guidelines require that investments are not to be made in issuers whose credit ratings are below specifications, and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made.

193. The credit ratings used for the main pool are those determined by major credit-rating agencies; Standard and Poor's and Moody's and Fitch are used to rate bonds

and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At year-end, the credit ratings were as shown below.

Investments of the cash pool by credit ratings as at 31 December 2018

(Percentage)

Main pool	*Ratings as at 31 December 2018*					*Ratings as at 31 December 2017*			
Bonds (long-term ratings)									
	AAA	*AA+/AA/AA-*	*A+*	*NR*		*AAA*	*AA+/AA/AA-*	*A+*	*NR*
Standard & Poor's	15.4%	79.0%	5.6%	–	Standard & Poor's	30.4%	65.5%	4.0%	–
Fitch	55.1%	39.3%	–	5.6%	Fitch	61.3%	30.6%	–	8.1%
	Aaa	*Aa1/Aa2/Aa3*	*A1*			*Aaa*	*Aa1/Aa2/Aa3*		
Moody's	49.7%	50.0%	0.3%		Moody's	55.3%	44.7%		
Commercial papers (short-term ratings)									
	A-1+					*A-1+/A1*			
Standard & Poor's	100.0%				Standard & Poor's	100.0%			
	F1					*F1*			
Fitch	100.0%				Fitch	100.0%			
	P-1					*P-1*			
Moody's	100.0%				Moody's	100.0%			
Reverse repurchase agreement (short-term ratings)									
	A-1+					*A-1+*			
Standard & Poor's	100.0%				Standard & Poor's	100.0%			
	F1+					*F1+*			
Fitch	100.0%				Fitch	100.0%			
	P-1					*P-1*			
Moody's	100.0%				Moody's	100.0%			
Term deposits (Fitch viability ratings)									
	aaa	*aa/aa-*	–			*aaa*	*aa/aa-*	*a+/a/a-*	
Fitch	–	53.5%	46.5%		Fitch	–	44.2%	55.8%	

194. The United Nations Treasury actively monitors credit ratings and, because the organization has invested only in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations, except for impaired investments.

Financial risk management: liquidity risk

195. The main pool is exposed to liquidity risk associated with the requirement of participants to make withdrawals at short notice. It maintains sufficient cash and marketable securities to meet participants' commitments as and when they fall due. The major portion of cash and cash equivalents and investments are available within a day's notice to support operational requirements. The main pool liquidity risk is therefore considered to be low.

Financial risk management: interest rate risk

196. The main pool comprises the organization's main exposure to interest rate risk with fixed-rate cash and cash equivalents and investments being interest-bearing

financial instruments. As at the reporting date, the main pool had invested primarily in securities with shorter terms to maturity, with the maximum being less than three years (2017: four years). The average duration of the main pool was 0.33 years (2017: 0.61 years), which is considered to be an indicator of low risk.

Main pool interest rate risk sensitivity analysis

197. This analysis shows how the fair value of the main pool as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. If the investments are accounted for at fair value through surplus or deficit, the change in fair value represents the increase or decrease in the surplus or deficit and net assets. The impact of a shift up or down of up to 200 basis points in the yield curve is shown below (100 basis points equals 1 per cent). The basis point shifts are illustrative.

Main pool interest rate risk sensitivity analysis as at 31 December 2018

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value (Millions of United States dollars):									
Main pool total	48.46	36.34	24.23	12.11	–	(14.89)	(24.22)	(36.33)	(48.44)

Main pool interest rate risk sensitivity analysis as at 31 December 2017

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value (Millions of United States dollars):									
Main pool total	95.47	71.60	47.73	23.86	–	(23.86)	(47.72)	(71.57)	(95.42)

Other market price risk

198. The main pool is not exposed to significant other price risks because it does not sell short, borrow securities or purchase securities on margin, which limits the potential loss of capital.

Accounting classifications and fair value hierarchy

199. All investments are reported at fair value through surplus and deficit. Cash and cash equivalents carried at nominal value are deemed to be an approximation of fair value.

200. The levels are defined as:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that s, as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liabilities that are not based on observable market data (that is, unobservable inputs).

201. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian based on valuation of securities sourced from third parties. A market is regarded as active if quoted prices are readily and regularly available from an

exchange, dealer, broker, industry group, pricing service or regulatory agency and if those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held in the main pool is the current bid price.

202. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques which maximize the use of observable market data. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

203. The following fair value hierarchy presents the main pool assets that are measured at fair value at the reporting date. There were no level 3 financial assets, no liabilities carried at fair value and no significant transfers of financial assets between fair value hierarchy classifications.

Fair value hierarchy for investments as at 31 December 2018: main pool

(Thousands of United States dollars)

	31 December 2018			*31 December 2017*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds: corporates	205 566	–	205 566	355 262	–	355 262
Bonds: non-United States agencies	791 922	–	791 922	1 190 050	–	1 190 050
Bonds: non-United States sovereigns	–	–	–	124 892	–	124 892
Bonds: supranational	174 592	–	174 592	173 275	–	173 275
Bonds: United States treasuries	610 746	–	610 746	610 267	–	610 267
Main pool: commercial papers	219 366	–	219 366	671 945	–	671 945
Main pool: term deposits	–	4 740 000	4 740 000	–	4 300 000	4 300 000
Main pool total	**2 002 192**	**4 740 000**	**6 742 192**	**3 125 691**	**4 300 000**	**7 425 691**

Note 28
Related parties

Key management personnel

204. Key management personnel are those with the ability to exercise significant influence over the financial and operating decisions of the organization. For UNEP, the key management personnel group is deemed to comprise the Executive Director of UNEP, the Deputy Executive Director of UNEP, the Head of the New York office of UNEP and the Executive Secretary of the Secretariat for the Convention on Biological Diversity.

205. The aggregate remuneration paid to key management personnel includes net salaries, post adjustment and other entitlements such as grants, subsidies, employer pension and health insurance contributions.

206. The organization's key management personnel were paid $0.924 million over the financial year; such payments are in accordance with the Staff Regulations and Staff Rules of the United Nations, the published salary scales of the United Nations and other publicly available documents.

Compensation of key management personnel

(Thousands of United States dollars)

	Key management personnel	*Close family members*	*Total*
Number of positions (full-time equivalents)	4	–	4
Aggregate remuneration:			
Salary and post adjustment	695	–	695
Other compensation/entitlements	229	–	229
Total remuneration for the year ended 31 December 2018	**924**	**–**	**924**

207. Non-monetary and indirect benefits paid to key management personnel were not material.

208. No close family member of key management personnel was employed by the organization at the management level. Advances made to key management personnel are those made against entitlements in accordance with the staff rules and regulations, and such advances against entitlements are widely available to all staff of the organization.

Related entity transactions

209. In the ordinary course of business, to achieve economies in executing transactions, financial transactions of the organization are often executed by one financial reporting entity on behalf of another. Before the introduction of the Umoja system, these had to be manually followed up and settled. In Umoja, settlement occurs when the service provider is paid.

Note 29
Leases and commitments

Finance leases

210. The organization does not normally enter into finance leases for the use of land, permanent and temporary buildings and equipment, and had no finance leases during the period.

Operating leases

211. The organization enters into operating leases for the use of land, permanent and temporary buildings and equipment. The total operating lease payments recognized in expenditure for the year were $9.9 million. Future minimum lease payments under non-cancellable arrangements are shown below.

Future minimum operating lease obligations

(Thousands of United States dollars)

	Minimum lease payment as at 31 December 2018	*Minimum lease payment as at 31 December 2017*
Due in less than 1 year	6 545	7 354
Due in 1 to 5 years	2 912	1 695
Due later than 5 years	–	–
Total minimum operating lease obligations	**9 457**	**9 049**

212. These contractual leases typically run between one and six years, with some leases allowing extension clauses and/or permitting early termination within 30, 60 or 90 days. The amounts present future obligations for the minimum contractual term, taking into consideration contract annual lease payment increases in accordance with lease agreements. No agreements contain purchase options.

Contractual commitments

213. At the reporting date, the commitments for property, plant and equipment; intangible assets; implementing partners; and goods and services contracted but not delivered were as shown below. These include contracts with partners for multi-year projects.

Contractual commitments by category

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Goods and services	26 987	20 765
Implementing partners	620 054	516 861
Multilateral Fund implementing partners	274 737	292 603
Total contractual commitments	**921 778**	**830 229**

Note 30
Contingent liabilities and contingent assets

Contingent liabilities

214. The organization is subject to a variety of claims that arise from time to time in the ordinary course of its operations.

215. These claims are segregated into two main categories: commercial and administrative law claims. As at the reporting date, one administrative law case with an estimated value of $0.05 million is pending with the Office of Legal Affairs.

Contingent assets

216. In accordance with IPSAS 19, the organization discloses contingent assets when an event gives rise to a probable inflow of economic benefits or service potential to the organization and there is sufficient information to assess the probability of that inflow. As at 31 December 2018, there were no material contingent assets arising from the organization's legal actions or interests in joint ventures that were likely to result in a significant economic inflow.

Note 31
Grants and other transfers

217. The following are the categories in which the funds given to implementing partners have been spent.

Grants and other transfers: expenditure reporting by category

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Grants to end beneficiaries	2 103	1 673
Grants to implementing partners:		
Staff and other personnel costs	44 295	45 525
Supplies, commodities, materials	4 891	2 672
Equipment, vehicles and furniture	7 445	3 590
Contractual services	25 649	32 763
Travel	12 835	14 483
Transfers and grants to counterparts	86 195	76 744
General operating and other direct costs	6 202	6 256
Indirect support costs (implementing partner)	1 415	1 298
Subtotal grants to implementing partners	**191 030**	**185 004**
Multilateral Fund expenditure	98 331	111 561
Less: Eliminated expenses	(19 626)	(15 134)
Net Multilateral Fund expenditure	**78 705**	**96 427**
Total grants and other transfers	**269 735**	**281 431**

218. The amount under the Multilateral Fund is implemented by the four implementing partners set out below.

(Thousands of United States dollars)

	Total 31 December 2018	*Total 31 December 2017*
United Nations Environment Fund	18 068	18 491
United Nations Industrial Development organization	24 170	35 529
World Bank	11 194	20 920
United Nations Development Programme	44 899	36 621
Total	**98 331**	**111 561**

219. The amounts from the United Nations Development Programme, the United Nations Industrial Development organization and the World Bank are recorded based on unaudited expenditure, based on the approval of the Executive Committee of the Multilateral Fund in order to allow UNEP to comply with the requirement to issue the financial statements by 31 March of the following year. There is, however, an agreement that the implementing agencies will provide audited expenditures as soon as they become available, but not later than 30 September of the following year.

220. Authorized advance transfers from the Multilateral Fund to the implementing agencies are issued for the full, multi-year project implementation period. Amounts against which expense reports are expected to be received by the end of 2019, calculated on the basis of the average levels of expenses reported in prior years, are classified as current assets in the statement of financial position and the balances are classified as non-current assets.

Note 32
Future year contributions

221. The organization has an amount of $344 million worth of signed contributions from voluntary contributions for implementation in future years.

Note 33
Events after the reporting date

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

Note 34
Statement of cash flows for the year ended 31 December 2018

Environment Fund

(Thousands of United States dollars)

	Note	*31 December 2018*	*31 December 2017*
Cash flow from operating activities			
Surplus/(deficit) for the year		6 588	7 345
Non-cash movements			
Depreciation and amortization		131	192
Actuarial gain/(loss) on employee benefits liabilities Transfers and donated property, plant and equipment and intangibles		–	–
Net gain/(loss) on disposal of property plant and equipment			(6)
Changes in assets			
(Increase)/decrease in voluntary contributions receivable		(7 381)	1 374
(Increase)/decrease in other receivables		47	228
(Increase)/decrease in advance transfers		(543)	155
(Increase)/decrease in other assets		(2 328)	918
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities		156	(1 192)
Increase/(decrease) in advance receipts		297	338
Increase/(decrease) in employee benefits payable		341	(559)
Increase/(decrease) in judges' benefits liabilities		–	–
Increase/(decrease) in provisions		(5)	55
Investment revenue presented as investing activities		(676)	(380)
Net cash flows from/(used in) operating activities		**(3 373)**	**8 468**
Cash flow from investing activities			
Pro rata share of net increases in the cash pool		3 164	(13 480)
Investment revenue presented as investing activities		676	380
Acquisitions of property, plant and equipment		(40)	(88)
Net cash flows from/(used in) operating activities		**3 800**	**(13 188)**
Net cash flows from/(used in) financing activities		**–**	**–**
Net increase/(decrease) in cash and cash equivalents		427	(4 720)
Cash and cash equivalents: beginning of year		2 850	7 570
Cash and cash equivalents: end of year		**3 277**	**2 850**

Note 35
Statement of cash flows for the year ended 31 December 2018

Multilateral Fund

(Thousands of United States dollars)

	Note	*31 December 2018*	*31 December 2017*
Cash flow from operating activities			
Surplus/(deficit) for the year		72 027	32 513
Non-cash movements			
Depreciation and amortization		3	–
Changes in assets			
(Increase)/decrease in assessed contributions receivable		8 757	(5 580)
(Increase)/decrease in voluntary contributions receivable		(269)	(3)
(Increase)/decrease in other receivables		948	(552)
(Increase)/decrease in advance transfers		1 337	31 415
(Increase)/decrease in other assets		17	114
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities		(145)	(14 432)
Increase/(decrease) in advance receipts		1 220	2 976
Increase/(decrease) in employee benefits payable		(6)	(44)
Increase/(decrease) in other liabilities		–	–
Investment revenue presented as investing activities		(3 183)	(2 984)
Net cash flows from/(used in) operating activities		**80 706**	**43 423**
Cash flow from investing activities			
Pro rata share of net increases in the cash pool		(74 264)	(50 612)
Acquisitions of property, plant and equipment		(1)	–
Investment revenue presented as investing activities		3 183	2 984
Net cash flows from/(used in) investing activities		**(71 082)**	**(47 628)**
Cash flow from financing activities			
Adjustments to net assets		–	–
Net cash flows from/(used in) financing activities		**–**	**–**
Net increase/(decrease) in cash and cash equivalents		9 624	(4 205)
Cash and cash equivalents: beginning of year		7 102	11 307
Cash and cash equivalents: end of year		**16 726**	**7 102**

Annex I

Other support to the programme of work segment of the United Nations Environment Programme

Schedule of net assets, revenue and expense at fund level for the year ended 31 December 2018

(Thousands of United States dollars)

Fund ID code	Fund description	Net assets 31 December 2017	Net asset reserve unrestricted	Net assets 1 January 2018	Revenue	Expense	Net assets 31 December 2018
CBL	Trust fund for the capacity-building initiatives of the Global Environment Facility	–	–	–	4 350	365	3 985
CCL	Technical cooperation trust fund for the management of the United Nations Environment Programme (UNEP)/Global Environment Facility special climate change fund programme	15 825	–	15 825	(296)	2 390	13 139
FBL	Technical cooperation trust fund for the implementation of the Global Environment Facility fee-based system for funding project implementation	18 257	–	18 257	12 611	10 381	20 487
GFL	Technical cooperation trust fund for UNEP implementation of the activities funded by the Global Environment Facility	514 008	–	514 008	107 165	84 106	537 067
LDL	Technical cooperation for the management of the UNEP/Global Environment Facility national adaptation programme of action for least developed countries	81 031	–	81 031	1 607	13 053	69 585
NPL	Trust fund for the Nagoya Protocol implementation fund	4 646	–	4 646	98	829	3 915
	Global Environment Fund: total	**633 767**	**–**	**633 767**	**125 535**	**111 124**	**648 178**
AEL	General trust fund for the purpose of post-conflict environmental assessment	18 006	–	18 006	446	9 161	9 291
AFB	Technical cooperation trust fund for UNEP activities as multilateral implementing entity of the Adaptation Fund Board	17 136	–	17 136	7 169	3 162	21 143
AHL	Technical cooperation trust fund to assist the implementation of Agenda 21 in Europe and to strengthen pan-European environmental cooperation (financed by the Government of the Netherlands)	6	–	6	–	6	–
AML	General trust fund for the African Ministerial Conference on the Environment	2 591	–	2 591	3 372	1 086	4 877
BKL	General trust fund for the clean-up of hotspots following the Kosovo conflicts and preparation of guidelines on assessment and remedial measures for post-conflict environmental damage	12	–	12	–	12	–
BLL	General trust fund in support of the UNEP/UN-Habitat Balkans task force on environment and human settlements	94	–	94	(95)	–	(1)
BPL	Technical cooperation trust fund for the implementation of the agreement with Belgium	235	–	235	5	–	240

Fund ID code	Fund description	Net assets 31 December 2017	Net asset reserve unrestricted	Net assets 1 January 2018	Revenue	Expense	Net assets 31 December 2018
CFL	Technical cooperation trust fund for the implementation of the framework agreement on strategic cooperation between the Ministry of Environmental Protection of China and UNEP	5 177	–	5 177	2 123	439	6 861
CIL	Technical cooperation trust fund to support the implementation of the strategic plan for remediation activities following the toxic waste incident in Abidjan, Côte d’Ivoire	65	–	65	(65)	–	–
CLL	Trust fund to support the activities of the Climate Technology Centre and Network	11 394	–	11 394	3 885	5 045	10 234
CML	Trust fund for the special programme to enhance implementation of the Basel, Rotterdam and Stockholm Conventions, the Minamata Convention and the Strategic Approach to International Chemicals Management	6 161	–	6 161	2 054	1 049	7 166
CNL	Technical cooperation trust fund for the UNEP climate-neutral fund	720	–	720	220	271	669
CPL	Counterpart contributions in support of Environment Fund activities	142 756	–	142 756	99 134	57 658	184 232
CWL	General trust fund for the African Ministerial Council on Water	3	–	3	(3)	–	–
DPL	Technical cooperation trust fund for the partnership agreement between the Government of the Netherlands and UNEP	25	–	25	–	–	25
DUL	General trust fund to support the activities of the Dams and Development Unit to coordinate follow-up to the World Commission on Dams	50	–	50	(49)	–	1
EBL	General trust fund for implementing national biodiversity strategies and action plans	265	–	265	5	–	270
ECL	Technical cooperation trust fund to support achievement of contribution agreement No. 21 (0401/2011/608174/SUB/E2)	5 725	–	5 725	4 115	7 145	2 695
EEL	General trust fund for environmental emergencies	23	–	23	–	23	–
EGL	General trust fund to establish a secretariat for the Environment Management Group at the International Environment House, Geneva	–	–	–	–	–	–
ELL	Technical cooperation trust fund to strengthen the institutional and regulatory capacity of developing countries in Africa (financed by the Government of the Netherlands)	–	–	–	(4)	(3)	(1)
EML	Technical cooperation trust fund for activities in developing countries on environmental awareness and machinery (financed by the Government of Germany)	247	–	247	(247)	–	–
ESS	Technical cooperation trust fund for UNEP implementation of ecosystem-based adaptation	3 379	–	3 379	31	564	2 846
ETL	Trust fund for the environmental training network in Latin America and the Caribbean	295	–	295	56	37	314
EUL	Technical cooperation trust fund to support achievement of contribution agreement No. DCI-ENV/2010/258-800	2 047	–	2 047	1 643	2 876	814

Fund ID code	Fund description	Net assets 31 December 2017	Net asset reserve unrestricted	Net assets 1 January 2018	Revenue	Expense	Net assets 31 December 2018
FIL	General trust fund to support the activities of the UNEP financial services initiative on the environment	6 872	–	6 872	4 002	5 680	5 194
FML	Technical transfer: francophone Africa	–	–	–	–	–	–
FSL	Technical cooperation trust fund to support implementation of the Seed Capital Assistance Facility	8 411	–	8 411	111	697	7 825
FTL	Revolving fund activities	86	–	86	14	10	90
GAL	Technical cooperation trust fund for UNEP implementation of activities funded by the United Nations Fund for International Partnerships.	–	–	–	–	–	–
GCF	Green Climate Fund	22 390	–	22 390	100	3 328	19 162
GCL	Green Climate Fund research and follow-up	1 922	–	1 922	25 956	507	27 371
GIL	Technical cooperation trust fund to provide experts to UNEP/Global Resource Information Database (financed by the Government of the United States of America)	66	–	66	(53)	13	–
GPL	General trust fund in support of the implementation of the Global Programme of Action for the Protection of the Marine Environment from Land-based Activities, and related information exchange and technical assistance	1 445	–	1 445	77	331	1 191
GPP	Trust fund to assist delegates from developing countries, least developed countries, landlocked developing countries and small island developing States in attending the sessions of the ad hoc open-ended working group	0	–	–	690	108	582
GPS	Trust Fund for activities of the Secretariat and organization of meetings and consultations for the Global Pact for the Environment	0	–	–	1 051	410	641
GRL	Technical cooperation trust fund for the implementation of the greening economies in the Eastern neighbourhood and Central Asia programme	475	–	475	(343)	105	27
IAL	Technical cooperation trust fund for Irish Aid multilateral environment fund for Africa	557	–	557	10	278	289
IEL	Technical cooperation trust fund to improve the environment in the Democratic People’s Republic of Korea	587	–	587	12	–	599
IML	Technical cooperation trust fund for UNEP implementation of the Multilateral Fund activities	50 056	–	50 056	28 126	19 626	58 556
IPL	Technical cooperation trust fund to assist the implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer in developing countries (financed by the Government of Sweden)	40	–	40	(40)	–	–

Fund ID code	Fund description	Net assets 31 December 2017	Net asset reserve unrestricted	Net assets 1 January 2018	Revenue	Expense	Net assets 31 December 2018
JCL	Technical cooperation trust fund for the establishment of the International Environmental Technology Centre in Japan	6 376	–	6 376	1 289	2 805	4 860
LAL	Lusaka agreement task force cooperation enforcement	10	–	10	(10)	–	–
MCL	General trust fund in support of the preparation of a global assessment of mercury and its compounds	7 302	–	7 302	289	701	6 890
MDL	Technical cooperation trust fund for UNEP implementation of the Millennium Development Goals achievement fund	115	–	115	2	–	117
NFL	Technical cooperation trust fund for the implementation of the framework agreement between UNEP and Norway	43 835	–	43 835	3 860	16 486	31 209
PES	Trust fund for the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services	11 148	925	12 073	4 661	6 867	9 867
PGL	Technical cooperation trust fund for the implementation of the Partnership for Action on Green Economy	3 873	–	3 873	3 872	4 245	3 500
POL	General trust fund in support of the preparation for, and negotiation of, an international legally binding instrument for action on persistent organic pollutants and related information exchange	628	–	628	8	(2)	638
PPL	General trust fund in support of the preparation and negotiation of an international legally binding instrument for the application of the prior informed consent procedure for certain hazardous chemicals in international trade	265	–	265	5	–	270
QGL	Support of the Global Environment Facility	3 217	–	3 217	1 976	1 015	4 178
RED	Technical cooperation trust fund to support the UNEP programme of work and responsibilities of the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries	9 257	–	9 257	9 293	7 602	10 948
REL	Technical cooperation trust fund for the promotion of renewable energy in the Mediterranean region	4 318	–	4 318	67	610	3 775
RPL	General trust fund to support participation of developing countries in reporting on the state of the marine environment	8	–	8	–	2	6
SAL	Trust fund for the financing of the new international environment prize (Sasakawa Environment Prize)	2	–	2	–	2	–
SCP	Technical cooperation trust fund for the 10-Year Framework of Programmes on Sustainable Consumption and Production Patterns	10 730	–	10 730	3 085	4 652	9 164
SEL	Technical cooperation trust fund for implementation of agreement with Sweden	10 241	–	10 241	31 149	5 661	35 729

Fund ID code	Fund description	Net assets 31 December 2017	Net asset reserve unrestricted	Net assets 1 January 2018	Revenue	Expense	Net assets 31 December 2018
SFL	Technical cooperation trust fund for implementation of framework agreement between Spain and UNEP	2 047	–	2 047	255	459	1 843
SLP	Trust fund to support activities of the Climate and Clean Air Coalition to Reduce Short-lived Climate Pollutants	41 016	–	41 016	5 599	11 836	34 779
SML	General trust fund for the Strategic Approach to International Chemicals Management: quick start programme	4 134	–	4 134	(2 654)	1 147	333
SRL	General trust fund for voluntary contributions in respect of the United Nations Scientific Committee on the Effects of Atomic Radiation	488	–	488	695	109	1 074
UTL	Technical cooperation trust fund for the implementation of UNEP/UNCTAD capacity-building task force on trade, environment and development	41	–	41	1	–	42
VML	Technical cooperation trust fund to assist developing countries to take action for the protection of the ozone layer under the Vienna Convention for the Protection of the Ozone Layer and Montreal Protocol (financed by the Government of Finland)	213	–	213	(205)	7	1
WPL	General trust fund to provide support to the Global Environment Monitoring System/Water Programme office	68	–	68	405	83	390
	Other support to UNEP programme of work (non-Global Environment Fund, non-Junior Professional Officer): total	**468 651**	**925**	**469 576**	**247 150**	**183 911**	**532 816**
TBL	Technical cooperation trust fund for provision of Junior Professional Officers (financed by the Government of Belgium)	199	–	199	3	123	79
CEL	Technical cooperation trust fund for financing of Professional Officers (financed by the Government of Finland)	287	–	287	243	(30)	560
CSL	Technical cooperation trust fund for the provision of a Senior Professional Officer to UNEP (financed by the Government of Canada)	25	–	25	(25)	1	(1)
SNL	Special purpose trust fund for the provision of a Professional Officer to UNEP/Secretariat of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal	225	–	225	203	166	262
TCL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Nordic Governments through the Government of Sweden)	281	–	281	6	4	283
TDL	Special purpose trust fund for the Government of Denmark agreement with UNEP for the provision of Junior Professional Officers	622	–	622	13	–	635
TEL	Technical cooperation trust fund for the provision of Professional and Junior Professional Officers (financed by the Government of the United States)	22	–	22	(22)	–	–

Fund ID code	Fund description	Net assets 31 December 2017	Net asset reserve unrestricted	Net assets 1 January 2018	Revenue	Expense	Net assets 31 December 2018
TGL	Special purpose trust fund for the provision of Junior Professional Officers (financed by the Government of Germany)	1 321	–	1 321	836	910	1 247
THL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of the Netherlands)	58	–	58	178	(3)	240
TIL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of Italy)	438	–	438	697	465	670
TJL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of Japan)	1 186	–	1 186	998	730	1 454
TKL	Technical cooperation trust fund for the provision of Professional Officers (financed by the Government of the Republic of Korea)	256	–	256	672	188	740
TNL	Special purpose trust fund for the Government of Norway agreement with UNEP for the provision of Junior Professional Officers	594	–	594	266	251	609
TPL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Spanish Agency for International Development Cooperation	375	–	375	(162)	58	155
TRL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of France)	747	–	747	377	403	721
TSL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of Sweden)	369	–	369	652	235	786
	Trust funds for Junior Professional Officers: total	**7 005**	**–**	**7 005**	**4 935**	**3 501**	**8 440**
	Other support to UNEP programme of work: total	**1 109 423**	**925**	**1 110 348**	**377 620**	**298 536**	**1 189 434**
	Fund IML: financial statement elimination						**(56 936)**
	Net Total						**1 132 498**

Annex II

Conventions and protocols segment

Schedule of net assets, revenue and expense at fund level for the year ended 31 December 2018

(Thousands of United States dollars)

Fund ID code	*Fund description*	*Net asset accumulated surplus unrestricted*	*Net asset reserve unrestricted*	*Net assets 1 January 2018*	*Revenue*	*Expense*	*Net assets 31 December 2018*
BDL	Trust fund to assist developing countries and other countries in need of technical assistance in the implementation of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal	4 366	–	4 366	2 680	1 619	5 427
BCL	Trust fund for the Basel Convention	3 623	723	4 346	5 809	4 953	5 202
ROL	General trust fund for the operational budget of the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade	2 816	958	3 774	5 358	3 967	5 165
SCL	General trust fund for the Stockholm Convention on Persistent Organic Pollutants: its subsidiary bodies and the Convention	1 865	869	2 734	5 990	5 093	3 631
QRL	Support of the Basel Convention	10	–	10	–	(0)	10
RSL	Technical cooperation trust fund to support implementation of the Rotterdam and Stockholm Conventions in developing countries	261	–	261	5	(0)	266
RVL	General trust fund for the Rotterdam Convention	1 390	–	1 390	898	584	1 704
SVL	Special trust fund for the Stockholm Convention: its subsidiary bodies and the Convention	2 778	354	3 132	5 461	821	7 772
Basel, Rotterdam and Stockholm Conventions: total		**17 109**	**2 904**	**20 013**	**26 201**	**17 037**	**29 177**
QCL	Support of the Action Plan for the Caribbean Environment Programme	2 745	–	2 745	375	942	2 178
JAL	Trust fund for the Action Plan for the Caribbean Environment Programme: Jamaica	–	–	–	–	–	–
CRL	Regional trust fund for implementation of the Action Plan for the Caribbean Environment Programme	2 339	183	2 522	1 302	1 180	2 644
Caribbean Environment Programme: total		**5 084**	**183**	**5 267**	**1 677**	**2 122**	**4 822**
CAP	Trust fund for the core budget of the Framework Convention on the Protection and Sustainable Development of the Carpathians and related protocols	3 341	–	3 341	332	666	3 007
CAR	Trust fund for the core budget of the Carpathian Convention	483	–	483	274	15	742
Carpathian Convention: total		**3 824**	**–**	**3 824**	**606**	**681**	**3 749**

Fund ID code	Fund description	Net asset accumulated surplus unrestricted	Net asset reserve unrestricted	Net assets 1 January 2018	Revenue	Expense	Net assets 31 December 2018
BEL	General trust fund for additional voluntary contributions in support of approved activities under the Convention on Biological Diversity	27 932	–	27 932	4 663	7 745	24 850
BIL	Special voluntary trust fund for facilitating the participation of developing countries, small island developing States and economies in transition	–	–	–	–	–	–
BHL	Special voluntary trust fund for additional voluntary contributions in support of approved activities	1 936	–	1 936	(18)	545	1 373
BBL	Trust fund for the core programme budget for the Nagoya Protocol	1 177	222	1 399	1 489	1 392	1 496
BGL	General trust fund for the core programme budget for the Biosafety Protocol	3 222	489	3 711	2 989	2 811	3 889
BYL	General trust fund for the Convention on Biological Diversity	8 616	2 578	11 194	14 081	13 560	11 715
BXL	Additional voluntary contributions in support of approved activities under the Nagoya Protocol	199	–	199	(140)	(1)	58
BZL	General trust fund for voluntary contributions to facilitate the participation of parties in the process of the Convention on Biological Diversity	150	–	150	1 348	900	598
VBL	General trust fund for voluntary contributions to facilitate the participation of indigenous and local communities in the work of the Convention on Biological Diversity	236	–	236	143	215	164
	Convention on Biological Diversity: total	**43 468**	**3 289**	**46 757**	**24 555**	**27 169**	**44 143**
EAP	Multi-donor implementation: Africa	1 474	–	1 474	251	354	1 371
QTL	Support of activities related to the Convention on International Trade in Endangered Species of Wild Fauna and Flora	12 833	–	12 833	14 049	6 486	20 396
CTL	Trust fund for the Convention on International Trade in Endangered Species of Wild Fauna and Flora	4 325	900	5 225	6 269	6 083	5 411
	Convention on International Trade in Endangered Species of Wild Fauna and Flora: total	**18 632**	**900**	**19 532**	**20 569**	**12 923**	**27 178**
AVL	General trust fund for voluntary contributions in respect of the Agreement on the Conservation of African-Eurasian Migratory Waterbirds	1 596	–	1 596	927	915	1 608
MRL	Technical cooperation trust fund on the Conservation and Management of Marine Turtles and their Habitats of the Indian Ocean and South-East Asia	322	–	322	255	179	398
MVL	General trust fund for voluntary contributions in support of the Convention on the Conservation of Migratory Species of Wild Animals	8 093	–	8 093	4 276	2 356	10 013
QFL	Support of the secretariat of the Agreement on the Conservation of Populations of European Bats	25	–	25	92	70	47

Fund ID code	*Fund description*	*Net asset accumulated surplus unrestricted*	*Net asset reserve unrestricted*	*Net assets 1 January 2018*	*Revenue*	*Expense*	*Net assets 31 December 2018*
AWL	General trust fund for the African-Eurasian Waterbirds Agreement	522	206	728	1 326	1 488	566
BAL	General trust fund for the African-Eurasian Waterbirds Agreement	227	41	268	259	251	276
BTL	General trust fund for the conservation of European bats	152	86	238	488	627	99
MSL	Trust fund for the Convention on the Conservation of Migratory Species of Wild Animals	1 248	500	1 748	3 436	2 964	2 220
QVL	Support of the secretariat of the Agreement on the Conservation of Small Cetaceans of the Baltic, North-East Atlantic, Irish and North Seas	125	–	125	72	26	171
QWL	Support of the Convention on the Conservation of Migratory Species of Wild Animals	250	–	250	5	(0)	255
SMU	Trust fund to support the activities of the secretariat of the memorandum of understanding on the conservation of migratory sharks	778	–	778	228	313	693
	Convention on the Conservation of Migratory Species of Wild Animals: total	**13 338**	**833**	**14 171**	**11 364**	**9 189**	**16 346**
CAL	Support of the Mediterranean Action Plan	394	–	394	424	292	526
QML	Support of the Mediterranean Action Plan	5 783	–	5 783	971	3 325	3 429
MEL	Trust fund for the protection of the Mediterranean Sea against pollution	6 986	1 134	8 120	7 067	5 339	9 848
	Mediterranean Action Plan: total	**13 163**	**1 134**	**14 297**	**8 462**	**8 956**	**13 803**
QNL	Support of the North-West Pacific Action Plan	2 477	–	2 477	845	1 006	2 316
PNL	General trust fund for the protection, management and development of the coastal and marine environment and the resources of the north-west Pacific region	1 168	98	1 266	619	655	1 230
	North West Pacific Action Plan: total	**3 645**	**98**	**3 743**	**1 464**	**1 661**	**3 546**
QOL	Support of the activities of the Ozone Secretariat	249	–	249	611	603	257
MPL	Trust fund for the Montreal Protocol on Substances that Deplete the Ozone Layer	6 929	1 016	7 945	5 689	4 707	8 926
VCL	Trust fund for the Vienna Convention for the Protection of the Ozone Layer	1 710	118	1 828	764	670	1 922
SOL	General trust fund for financing activities on research and observations on the Vienna Convention for the Protection of the Ozone Layer	152	–	152	94	24	222
	Ozone: total	**9 040**	**1 134**	**10 174**	**7 158**	**6 004**	**11 328**
QAC	Support for the Convention for Cooperation in the Protection, Management and Development of the Marine and Coastal Environment of the West, Central and Southern African Region	1 681	–	1 681	943	228	2 396
QAW	Support of the Action Plan for the Eastern African Region	8 400	–	8 400	89	277	8 212

Fund ID code	*Fund description*	*Net asset accumulated surplus unrestricted*	*Net asset reserve unrestricted*	*Net assets 1 January 2018*	*Revenue*	*Expense*	*Net assets 31 December 2018*
QEL	Support of the Action Plan for the Protection and Development of the Marine Environment and Coastal Areas of the East Asian Seas	103	–	103	2	(0)	105
EAL	Regional seas trust fund for the Eastern African region	1 586	39	1 625	532	34	2 123
ESL	Regional trust fund for implementation of the Action Plan for the Protection and Development of the Marine Environment and Coastal Areas of the East Asian Seas	580	97	677	337	127	887
WAL	Trust fund for the Convention for Cooperation in the Protection, Management and Development of the Marine and Coastal Environment of the West, Central and Southern African Region	23	301	324	2 828	329	2 823
	Regional seas: total	**12 373**	**437**	**12 810**	**4 732**	**995**	**16 547**
MCC	Trust fund for core activities under the Minamata Convention	–	–	–	4 096	2 494	1 602
MCP	Trust fund for activities relating to the Specific International Programme of the Minamata Convention on Mercury	–	–	–	3 456	39	3 417
MCV	Trust fund for voluntary activities relating to the Minamata Convention	–	–	–	1 312	326	986
	Minamata Convention: total	**–**	**–**	**–**	**8 864**	**2 859**	**6 005**
BML	Trust fund for the Bamako Convention core programme budget., United Nations Environment Programme	–		–	213	–	213
	Bamako Convention: total	**–**	**–**	**–**	**213**	**–**	**213**
	Conventions and protocols: total	**139 676**	**10 912**	**150 588**	**115 865**	**89 596**	**176 857**

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