A/75/5/Add.11

United Nations

United Nations Office for Project Services

Financial report and audited financial statements

for the year ended 31 December 2019

and

Report of the Board of Auditors

General Assembly

Official Records
Seventy-fifth Session
Supplement No. 5K

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United Nations • New York, 2020

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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[21 July 2020]

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Letters of transmittal

Letter dated 31 March 2020 from the Executive Director and the Chief Financial Officer and Director of Administration of the United Nations Office for Project Services addressed to the Chair of the Board of Auditors

The United Nations Office for Project Services (UNOPS) hereby submits its annual financial statements for the year ended 31 December 2019.

We acknowledge that:

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

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

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

(*Signed*) Marianne Roumain **De La Touche**
Chief Financial Officer and Director of Administration

Letter dated 21 July 2020 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Office for Project Services for the year ended 31 December 2019.

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

Chapter I

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

Opinion

We have audited the financial statements of the United Nations Office for Project Services (UNOPS), which comprise the statement of financial position (statement I) as at 31 December 2019 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UNOPS as at 31 December 2019 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

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

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

The Executive Director of UNOPS is responsible for the other information, which comprises the financial report for the year ended 31 December 2019, contained in chapter III below, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

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

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

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

21 July 2020

Chapter II
Long-form report of the Board of Auditors

Summary

1. The Board of Auditors has audited the financial statements of the United Nations Office for Project Services (UNOPS) for the financial year ended 31 December 2019 in accordance with General Assembly resolution 74 (I) of 1946. The Board also examined the financial transactions and operations executed at UNOPS headquarters in Copenhagen, the operational hub in Amman and the Bangkok Shared Service Centre.

Opinion

2. In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UNOPS as at 31 December 2019 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Overall conclusion

3. The financial position of UNOPS remains sound, and the reported surpluses continue to contribute to a significant operational reserve. There were a few cases of shortcomings in project management and procurement for the partners, the lessons of which could further improve the delivery by UNOPS.

Key findings

Financial performance and management

4. UNOPS continued to deliver an overall surplus with respect to its operations. It reported a surplus of $47.14 million in 2019 against a surplus of $38.43 million in 2018. The surplus represented 3.96 per cent of the expenditure of $1,190.26 million that UNOPS had incurred.

5. The overall financial health of UNOPS is sound. The current liabilities exceeded current assets in 2019, because the proportion of long-term investments in total investments had increased from 20 per cent in 2018 to 35 per cent in 2019.

6. The overall gross margin on project services declined from 9.4 per cent to 8.2 per cent on account of the relative reduction in margins related to procurement projects, which decreased from 26.9 to 21.4 per cent. The net surplus, however, did not decline proportionately, as it was compensated by finance income from investments and other financial assets.

Zero net revenue

7. In line with the zero net revenue target, the budgeted reserves (net surplus) of UNOPS were frozen at their existing values for 2018 and 2019. The actual reserves, however, increased considerably in 2018 and 2019, with a substantial net surplus in both years. The reserves increased from $192.9 million in 2018 to $252 million in 2019.

Sustainable Infrastructure Impact Investments initiative

8. UNOPS authorized investments ($8.8 million in 2018, $30 million in 2019 and $20 million in February 2020) under the Sustainable Infrastructure Impact Investments initiative without any formal governance structure or framework. It formalized and issued the following three documents related to the initiative: the management and process framework, the office partnership policy and the post-investment due diligence procedures. More specific guidance may be required to provide the objectivity necessary for the application of the framework.

9. UNOPS concluded a memorandum of understanding with a partner (private entity) on a direct selection basis under its Sustainable Infrastructure Impact Investments initiative, to formalize collaboration on designing and developing projects in sustainable social housing, renewable energy and health care. UNOPS stated that competitive solicitation was not considered because the partnership was outside the scope of the procurement framework.

UNOPS provident fund investment

10. Assets under the UNOPS provident fund investment portfolio, which was established in 2014, had performed below the benchmark, both in average terms from 2014 to 2019 and for the year ended December 2019. The statement of investment principles, on the basis of which informed questions on prudent fund management could be asked of investment managers, was not finalized until January 2020.

Project management

11. UNOPS provided for performance security in 72 per cent of its works contracts and only 9 per cent of its non-works contracts. It did not include a clause for performance security in 20 of the 26 non-works contracts, for which the contracted value was more than $1 million. Furthermore, it did not include a liquidated damages provision in 81.55 per cent of non-works contracts. The inclusion of performance security and liquidated damages provisions in contracts was advised in UNOPS financial regulations and could act as a risk-mitigating tool for ensuring the quality and timely performance of contracts.

12. Considerable delays in the operational and financial closure of projects were noted, with 200 projects pending operational closure, including 5 pending since 2017 and 49 since 2018. Of the 500 operationally closed projects, 43 (8.60 per cent) still needed to be financially closed even after the mandated period of 18 months.

Bangkok Shared Service Centre

13. The Bangkok Shared Service Centre proposed seven new lines of services for 2020 and subsequent periods, but a number of them remained at the pilot stage, in planning and discussion. The use of the Centre by UNOPS partners has largely been restricted to the administration of individual contractors, and growth in transactions has been small in percentage terms.

14. The governance mechanism in UNOPS to identify services that could be considered for transfer to the Centre from within UNOPS and the service lines that could provide shared services to UNOPS business partners needed to be strengthened. To date, deliberations of the Centre's steering panel have not led to the development of proposals for the transfer of service lines to the Centre.

15. Shared transactional services are largely dependent on effective information and communications technology (ICT) applications. The need for a road map of integrated shared services to be provided by the Centre was recognized in the strategic plan, as well as in the biennial budget, and the role of ICT in offering such services was also recognized. The Board noted the need for a documented information technology strategy aligned with the road map for the augmentation of shared services by the Centre.

Recommendations

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

(a) **Review its required minimum operational reserves and adhere to its policy of full cost recovery, so that the risks arising during the course of its operations are effectively met and surpluses are not accumulated over and above the realistically assessed operational reserves;**

(b) **Issue specific instructions following up on the issue of the framework, guidelines, procedures and policy to strengthen and formalize the processing and documentation of projects funded through the growth and innovation reserve;**

(c) **Review and document the performance of the investment manager at intervals, as formalized in the statement of investment principles of January 2020;**

(d) **Consider the performance of the investment manager against the objectives of the statement of investment principles, while considering a further extension of the agreement with the investment manager;**

(e) **Assess its approach to the inclusion of a provision for performance security, in particular for non-works contracts with a high value, large volume or complexity, for ensuring seriousness on the part of suppliers and the performance of the contract;**

(f) **Assess its approach to the inclusion of the provision of liquidated damages, in particular for high-value contracts, in order to mitigate the risk of potential late performance leading to financial loss to UNOPS and its partners;**

(g) **Ensure compliance with its financial regulations and rules for the operational closure of projects and put in place appropriate checks to promptly change the status of projects as soon as their activities have ceased;**

(h) **Pursue the transfer of new lines of business to the Bangkok Shared Service Centre and enable scalable operations in line with the objectives of setting up the Centre and the UNOPS strategic plan for 2018–2021;**

(i) **Streamline the functioning of the Bangkok Shared Service Centre's steering panel through systematic documentation of its recommendations and their follow-up so that the panel contributes to the introduction of new service lines, which could then be followed up on by the Centre or the Shared Service Centre Group;**

(j) **Identify and prioritize ICT interventions that are essential for the work of the Bangkok Shared Service Centre, in consultation with relevant stakeholders, for the fulfilment of the strategic goal of providing globally shared transactional services with economy, efficiency, effectiveness and scalability.**

Key facts	
$1,211.77 million	Total revenue
$1,190.26 million	Total expenses
$25.63 million	Net finance income
$47.14 million	Surplus for the year ended 31 December 2019
$104.91 million	Growth and innovation reserve
$147.14 million	Operational reserves at 31 December 2019, against a minimum level of reserves of $21 million as prescribed by the Executive Board
$2.37 billion	Total assets
$2.12 billion	Total liabilities

A. Mandate, scope and methodology

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

2. The Board of Auditors has audited the financial statements of UNOPS for the financial year ended 31 December 2019 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the financial regulations and rules of UNOPS, as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNOPS as at 31 December 2019 and its financial performance and cash flows for the year then ended, in accordance with IPSAS. This included an assessment as to whether the expenses recorded in the financial statements had been incurred for purposes approved by the UNOPS governing body and whether they had been properly classified and recorded in accordance with the UNOPS financial regulations and rules.

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

5. The Board reviewed UNOPS operations under regulation 7.5 of the Financial Regulations and Rules of the United Nations. In November 2019, during the course

of the audit, the Board visited UNOPS headquarters in Copenhagen. It also visited the Bangkok Shared Service Centre and the operational hub in Amman. The Board conducted the final audit in April 2020 remotely, owing to the coronavirus disease (COVID-19) pandemic and related travel restrictions. It also took note of work carried out by the UNOPS Internal Audit and Investigations Group to provide coordinated audit coverage.

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

B. Follow-up to previous recommendations

7. Up to the year ended 31 December 2018, 48 recommendations of the Board were outstanding. The status of implementation of those recommendations is presented in table II.1.

Table II.1
Status of implementation of recommendations

	Report of the Board of Auditors				
Status	*A/71/5/ Add.11*	*A/72/5/ Add.11*	*A/73/5/ Add.11*	*A/74/5/ Add.11*	*Total*
Open recommendations at the end of December 2018	2	9	8	29	48
Status of implementation in 2019					
(a) Fully implemented	2	4	5	21	32
(b) Under implementation	–	4	3	8	15
(c) Not implemented	–	1	–	–	1
(d) Overtaken by events	–	–	–	–	_
Recommendations open as of December 2019	–	4	3	8	15

Source: Analysis by the Board of Auditors.

8. The Board noted that the rate of implementation of recommendations, at 67 per cent, was higher than the 61 per cent implementation rate achieved during the previous year. The Board appreciates the efforts undertaken by UNOPS to ensure a higher rate of implementation of its recommendations. The Board encourages the Administration to ensure the implementation of its recommendations in a timely manner. Details regarding the progress made in the implementation of all previous recommendations are set out in the annex to chapter II.

9. The recommendations related to issues of sustainability in procurement and project management, as well as the financial closure of projects, are some of the important recommendations that are still under implementation.

C. Financial performance and management

Financial results

10. The General Assembly, in its decision 48/501, established UNOPS as a separate, self-financing entity to provide capacity-building services, including project management, procurement and the management of financial resources. To cover its expenses, UNOPS charges its clients fees for services rendered. It continued to deliver an overall surplus with regard to its operations. It reported a surplus of $47.14 million

in 2019 against the surplus of $38.43 million in 2018. The surplus represented 3.96 per cent of the expenditure of $1,190.26 million that UNOPS had incurred.

11. The surplus that UNOPS generates from its project activities is used to cover its central support costs. As shown in table II.2, since 2015 UNOPS has generated surpluses from its project activities ranging from $86.70 million in 2016 to $99.25 million in 2019. During that period, the net surplus generated each year has included net finance income.

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

	2019	*2018*	*2017*	*2016*	*2015*
Surplus from project activities[a]	**99 247**	**88 130**	**89 731**	**86 701**	**87 168**
Miscellaneous and non-exchange revenue	4 461	1 838	2 374	2 127	2 841
Non-project expenses[b]	(82 202)	(71 160)	(73 956)	(68 767)	(78 259)
Surplus from operations	**21 506**	**18 808**	**18 149**	**20 061**	**11 750**
Net finance income	25 631	19 619	10 817	11 219	2 585
Reported surplus	**47 137**	**38 427**	**28 966**	**31 280**	**14 335**

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

Financial management

12. The Board has analysed the financial health of UNOPS using a range of key ratios, as set out in table II.3.

Table II.3
Financial ratios as at 31 December

	2019	*2018*	*2017*	*2016*	*2015*
Current ratio[a] Current assets: current liabilities	0.85	0.96	1.02	0.35	0.85
Total assets: total liabilities[b] Assets: liabilities	1.12	1.09	1.09	1.09	1.07
Cash ratio[c] Cash + short-term investments: current liabilities	0.81	0.91	0.95	0.29	0.82
Quick ratio[d] Cash + short-term investments + accounts receivable: current liabilities	0.84	0.95	1.01	0.35	0.84
Project surplus[e] (margin percentage[f]) Direct project revenue – direct project expenses	$99.2 million (8.2 per cent)	$88.1 million (9.4 per cent)	$89.7 million (10.8 per cent)	$86.7 million (11 per cent)	$87.2 million (12.8 per cent)
Net surplus (margin percentage[f]) Revenue – expenses	$47.14 million (3.89 per cent)	$38.43 million (4.08 per cent)	$28.97 million (3.47 per cent)	$31.3 million (3.96 per cent)	$14.3 million (2.1 per cent)

(Footnotes on following page)

(Footnotes to Table II.3)

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Source: UNOPS financial statements.

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

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

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

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

[e] Direct project revenue and expenses relate to the project revenue/expenses reported in note 17 of the financial statements.

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

13. The Board noted that, in 2019, current liabilities exceeded current assets. There was a slight increase in deferred revenue, which is the excess of cash received over the project revenue recognized, but the main reason for the reduction in the value of ratios is the increase in long-term investments. The proportion of long-term investments in total investments grew from 20 per cent in 2018 to 35 per cent in 2019.

14. The overall gross margin on project services declined from 9.4 per cent to 8.2 per cent on account of the relative reduction in margins in respect of projects related to procurement, which decreased from 26.9 per cent to 21.4 per cent. The net surplus, however, did not decline proportionately, as it was compensated by net finance income from investments and other financial assets. The overall financial position of UNOPS remained sound given that the solvency ratio was above one.

Impact of COVID-19 on the United Nations Office for Project Services

15. In paragraph 5 of IPSAS 14: Events after the reporting date, events after the reporting date are defined as those events, both favourable and unfavourable, that occur between the reporting date and the date on which the financial statements are authorized for issue. It is also stated that events can be identified as: (a) those that provide evidence of conditions that existed on the reporting date (adjusting events after the reporting date); and (b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

16. COVID-19 was declared a pandemic on 11 March 2020, which was after the reporting date and before the financial statements were authorized. UNOPS informed the Board that it considered the impact of COVID-19 to be a non-adjusting event after the reporting date, for which disclosures on the nature of the event and an estimate of the financial effect were required under paragraph 30 of IPSAS 14.

17. UNOPS stated that its performance in the first quarter of 2020 had not been adversely affected by the COVID-19 pandemic and that, similarly, the pandemic had not resulted in any significant transactions outside the normal course of business. While projects on an individual basis might have experienced multifaceted challenges, overall UNOPS performance was in line with historical performance and on track to meet annual targets.

Zero net revenue

18. In accordance with regulation 9.01 of its financial rules and regulations, UNOPS as a self-financing entity is to operate on the basis of full cost recovery and to set its management fees accordingly. Resulting from its ordinary activities during each financial period, UNOPS is to generate sufficient net surplus to maintain operational reserves at the level established by the Executive Board. In 2013, the Executive Board approved a policy to establish a minimum operational reserve, which is set at the equivalent of four months of the average management expenses for the previous three years (see DP/2014/2). As at 31 December 2019, that equated to $21 million.

19. The Board noted that, in its budget estimates for the bienniums 2018–2019 and 2020–2021, UNOPS set a target of zero net revenue for itself in line with the financial regulation mandating full cost recovery. The Board also noted that, in line with the zero net revenue target, the budgeted reserves (net surplus) were frozen at their existing values for 2018 and 2019. While approving the budget estimates for the biennium 2020–2021, the Advisory Committee on Administrative and Budgetary Questions also directed UNOPS to continue to implement the policy of setting a target for zero net revenue.

20. The Board, however, observed that actual reserves increased considerably in 2018 and 2019, with a substantial net surplus in both years (reserves increased from $131.6 million in 2016 to $192.9 million in 2018 and $252 million in 2019). In fact, the reserves have been on an upward trend since their creation. Thus, UNOPS did not implement its target of zero net revenue as directed by the Advisory Committee.

21. UNOPS informed the Board in May 2020 that it did not have a policy of zero net revenue, but conceded that in the most recent biennium budget estimates approved by the Advisory Committee and the Executive Board, the recent practice of zero net revenue budget estimates had been approved by the governance bodies. UNOPS added that its minimum operational reserve was designed to cover cost overruns associated with management expenses, and that the existing minimum operational reserve was inadequate to support the residual risks that UNOPS was facing on the very large project portfolio that it was currently managing (valued at $2.3 billion in 2019).

22. The Board noted the reply of UNOPS. It also noted that UNOPS had consistently had a target of zero net revenue in its projections, which was also in line with regulation 9.01 of its financial rules and regulations, and that the projections had been approved by the governing bodies. The contention of UNOPS that the existing minimum operational reserve was inadequate needs to be viewed against the recommendation of the Board in its past report (A/71/5/Add.11), which has been stressed subsequently, that UNOPS reassess its requirement for minimum operational reserves, which is yet to be implemented.

23. **The Board recommends that UNOPS review its required minimum operational reserves and adhere to its policy of full cost recovery, so that the risks arising during the course of its operations are effectively met and surpluses are not accumulated over and above the realistically assessed operational reserves.**

24. UNOPS agreed with the need to evaluate the minimum level of its operational reserves and reported that the Executive Board had requested that it conduct a detailed study of its operational reserves and the formula for calculating the mandatory minimum reserve level. Furthermore, UNOPS, pursuant to a review by the Advisory Committee, would provide an oral update to its Executive Board at the annual session in 2021 and submit the outcome for consideration by it at the earliest opportunity, no later than the first regular session of 2022, with the aim of presenting it at the second regular session of 2021.

Management fees and fee increment

25. The UNOPS management fee, or engagement revenue addition, is defined as the sum payable to UNOPS in addition to direct costs[1] for the implementation of an

[1] Direct costs attributable to an engagement are the costs incurred for the benefit of a specific project or client. Such costs are identifiable, have a direct relation to achieving the results agreed in the agreement with the partner and can be clearly documented. They include costs recorded under a specific engagement and directly support implementation of the engagement, as well as costs incurred for engagement for related activities, such as for shared support services at a local, regional or corporate level.

engagement. It is intended to cover UNOPS indirect[2] costs, including those associated with the development, negotiation and conclusion of the engagement agreement. The UNOPS management fee is recovered as stipulated in the engagement agreement. A new pricing model, designed to distribute and recover indirect costs more fairly across projects, was introduced in July 2013 and updated in 2018. Indirect costs are determined on the basis of the complexity, size (with large volumes lowering indirect costs because of economies of scale) and risk associated with an engagement agreement.

26. The management fee collected by UNOPS over the past three years and its proportion in the engagement addition is indicated in the table II.4.

Table II.4
Management fee charged by the United Nations Office for Project Services
(Millions of United States dollars)

Year	*Engagement addition*	*Engagement revenue addition (management fee)*	*Engagement revenue addition/management fee (percentage of engagement addition less engagement revenue addition)*
2017	2 313.60	125.14	5.72
2018	2 227.28	102.39	4.82
2019	2 079.47	98.42	4.97

Source: Information provided by UNOPS.

27. The Board noted that, although the overall proportion of the management fee was on the decline, UNOPS signed agreements with management fees at rates higher than 10 per cent in the case of 43 engagements (14 per cent) of 298 finalized in 2019. In 29 of those 43 engagements, the management fee was above 20 per cent.

28. The Board takes note of a decision of the Executive Board of the United Nations Development Programme (UNDP)/United Nations Population Fund, which is also the Executive Board of UNOPS, along with decisions made by the United Nations Children's Fund (decision 2013/5) and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) (decision 2013/2), which had approved, in decision 2013/9, a harmonized methodology for indirect cost recovery rates for its counterparts and had fixed the recovery rate for indirect costs at 8 per cent. The Board, while accepting that that benchmark rate was not applicable to UNOPS, being a self-financing organization, notes that 64 (21 per cent) of the 298 engagements finalized in 2019 included indirect costs in excess of the external benchmark of 8 per cent.

29. UNOPS supporting guidance dated 5 January 2016 provides the procedure for calculating the fee increment for risks to be added to the indirect cost on the basis of risk parameters. According to that guidance, a fee increment of between 0 and 100 per cent could be added to the minimum management fee to be charged to the client using the following criteria:

(a) Country of operations (0–20 per cent);

(b) Background of the partner involved in the engagement (0–20 per cent);

[2] Indirect costs are defined as costs incurred by the management and administration of the organization in furtherance of UNOPS activities and policies and are charged to projects through management fees specified in project agreements. They are identified in the UNOPS management budget and are independent of the delivery of an engagement.

(c) Relevance and practice involved in the engagement (0–20 per cent);

(d) Complexity (0–40 per cent).

30. The Board was informed that the risk assessment of the engagement was the prerogative of the implementing office and that the above guidelines were general guidelines to be considered rather than a direct prescription to assign a risk factor. The Board noted that the authority to define a fee increment on the basis of the complexity of the project, which could have an increment of up to 40 per cent of the management fee, was at the regional level.

31. The Board noted that UNOPS confirmed to its Executive Board in its budget proposal for 2018–2019 that its cost recovery mechanism fulfilled the requirements expressed in the quadrennial comprehensive policy review, utilizing the best practices recommended in the independent and external assessment of the consistency and alignment of cost recovery with General Assembly resolution 67/226. United Nations entities were in broad agreement with the general direction of that assessment and observed that security costs were already built in as direct programme costs by UNOPS when they undertook projects in high-risk areas. An independent and external assessment of the consistency and alignment of cost recovery with the resolution was carried out, in which it was stated that security costs should be limited to specific programme risks rather than being used as a funding source for broader risk-mitigation functions. It was also emphasized that donors might be willing to permit additional direct costs in the programmes that they finance once a clear understanding of costs is provided.

32. The Board also noted that the Joint Inspection Unit, in its 2018 report, highlighted the need for greater transparency in the determination of pricing components and had suggested that UNOPS "improve communication with its partners on the cost recovery model and its components, in particular on how cost is calculated and processed". The matter was also raised internally in the UNOPS quarterly business report for the fourth quarter of 2019, in which UNOPS noted that the inability to transparently explain its pricing policy might lead to the risk of it being perceived as expensive and non-transparent by stakeholders.

33. The Board noted that some of the project risks were borne by the contractors when the risk to and cost of equipment were transferred to contractors by UNOPS. UNOPS risk exposure in an engagement, as reflected in the management fee, was not always transparently linked to the scope of liabilities that it assumed. The Board considers that transparency in the cost components and fee structure of UNOPS is of importance to the business operations of UNOPS and its clients.

34. UNOPS agreed that some of its engagements were priced above 8 per cent, but emphasized that its pricing policy prescribed full cost recovery, including scenarios in which the indirect fee was above 8 per cent, which was often reflective of the complexity of the engagement. UNOPS also pointed out that, with an average fee of 4.4 per cent, it was providing significantly lower charges to partners overall than other United Nations entities.

35. UNOPS stated that sending personnel into a high-risk area could cause additional costs beyond that of ensuring security, and it could not be entirely sure that, notwithstanding all security measures, colleagues might be harmed or abducted, or equipment destroyed or stolen. Furthermore, the risk increment was technically working as an insurance scheme, in which every project contributed on the basis of its perceived risk to UNOPS, which in turn could ensure that sufficient funds were available in the UNOPS account should a risk materialize that UNOPS needed to cover, such as write-offs and errors made by its personnel. UNOPS also stated that the fee increment was used even to cover costs in other risky schemes in which it

might lose money because a client refused to pay extra costs. It emphasized that it was working in each of its offices with local partners to provide the transparency that partners needed.

36. The Board noted the response of UNOPS. It also noted that UNOPS, in its quarterly business report for the fourth quarter of 2019, had stated that the “inability to consistently apply UNOPS pricing policy may lead to a risk of UNOPS being perceived as expensive and non-transparent by key donors, with potential negative financial and reputational consequences”, which was one of the most important high risks to its corporate operations. The risk was considered to be rising over a period in the quarterly business review for the fourth quarter of 2019 and was classified as high-probability and high-impact.

37. **The Board recommends that UNOPS convey to its partners and clients the components of the fee and fee increments that it charges for projects and adopt more a transparent communication methodology in that regard.**

38. UNOPS agreed with the recommendation and stated that, as a result of the survey of partners conducted in 2019 and the feedback received in the client board meeting with partners held in 2020, it had established a corporate action plan that would address the concerns of partners regarding pricing.

Growth and innovation reserve

39. In its previous audit reports (A/73/5/Add.11, chap. II, para. 20, and A/74/5/Add.11, chap. II, para. 25), the Board pointed out that UNOPS had not established a growth and innovation reserve as envisaged in its financial regulations, despite having a large surplus in its operational reserves. The Board also noted in its previous report (A/74/5/Add.11, chap. II, para. 29) that investment in social impact projects directly from operational reserves without ring-fencing the resources through the establishment of a specific growth and innovation reserve was not in accordance with UNOPS financial regulations, and recommended that UNOPS establish such a reserve and document a detailed procedure for the use of the funds in the reserve, as well as their accounting and management.

40. The Board noted that UNOPS established the growth and innovation reserve in November 2019. Prior to the establishment of that reserve, UNOPS had invested $38.8 million in Sustainable Infrastructure Impact Investments[3] projects directly from operational reserves ($8.8 million in a windmill power project in August 2018, $15 million in renewable energy projects in March 2019 and $15 million in the construction of affordable houses in April 2019). Subsequently, another $20 million was invested in February 2020 from the growth and innovation reserve in an affordable housing project.

41. In accordance with regulation 22.01 of the financial rules and regulations, the Executive Director, under the authority delegated by the Secretary-General as custodian of all UNOPS financial assets, is responsible and accountable for the effective and efficient management of cash and cash equivalents in UNOPS custody. The Board reviewed the process by which such investments were made and the monitoring and regulatory structures in place for their management, and noted the issues discussed below.

[3] An initiative for promoting the Sustainable Development Goals in developing countries, focused on the development of major infrastructure projects in three sectors: renewable energy, social housing and health. Under the initiative, UNOPS operates as the project developer, making projects suitable for investment and attracting private investor finance. In undertaking the initiative, UNOPS seeks to be a responsible investor, aiming not only to make a return on projects, but also to generate social impact.

Framework for investment in Sustainable Infrastructure Impact Investments projects

42. The Board noted that the investments referred to in paragraph 40 ($8.8 million in 2018, $30 million in 2019 and $20 million in February 2020) had been authorized by the Executive Director of UNOPS without any formal governance structure or framework. UNOPS formalized and issued three documents for the Sustainable Infrastructure Impact Investments initiative, namely, the management and process framework, the office partnership policy and the due diligence procedures, which were signed by the Executive Director on 26 February 2020, followed by the UNOPS growth and innovation reserve (Sustainable Infrastructure Impact Investments-related reserve) principles.

43. UNOPS stated that any set of detailed "how-to" guidelines produced before UNOPS gained first-hand experience would have been of little practical use and that the three promulgated policies codified as the legislative framework reflected what UNOPS implemented for those projects. UNOPS was operating as a pilot activity on the basis of groundwork documentation compiled by Deloitte for UNOPS in 2016 and 2017. Furthermore, the UNOPS Senior Leadership Team, through the Engagement Acceptance Committee, worked as the investment committee for decisions on those projects, which were thoroughly reviewed by the Committee using to the same risk-based decisional approach that it follows for other projects.

44. The Board reviewed the functioning of the Engagement Acceptance Committee and noted that there were overlaps in roles related to selection, due diligence and project approval. The Board noted that the Sustainable Infrastructure Impact Investments team assisted the Deputy Executive Director with the task of conducting the social impact due diligence of the partner or project. The Deputy Executive Director was responsible for proposing a partner or project and was also an active member of the Committee, which recommended the decision on the selection of the partner or project. The Board noted the expectation of UNOPS that, with the establishment of a fully operational Sustainable Infrastructure Impact Investments office and supporting advisory or investment committee, in accordance with the framework policy, the notional conflict of interest issue would be fully addressed. The new framework was expected to be established by the end of 2020. The Board also noted the response of UNOPS that the legal, reputational and financial due diligence was conducted by the corresponding UNOPS corporate departments. The technical and asset constructability due diligence, as well as financial modelling, were performed by third parties external to the respective deals. UNOPS also stated that it followed its policy of having all recommendations of this nature reviewed by the entire Engagement Acceptance Committee and Senior Leadership Team, with the final decision made by the Executive Director. UNOPS was of the view that the perceived conflict of interest was mitigated by that process.

45. The Board also reviewed the new framework, policy and procedure guidelines and noted that more specific guidance might be required to bring in the objectivity necessary for their application. For example, it is envisaged in the management and process framework for Sustainable Infrastructure Impact Investments that, for initial vetting, the project has to be evaluated on the basis of its potential to generate financial returns and have a positive impact, along with the identification and flagging of risks therein. The Board is of the view that more clarity is required on what constitutes a range of acceptable financial return, the methodology to be adopted to determine it and the documents that would be required to determine whether the project would pass the test of reasonable return. In the absence of such clarity, the assessment made may not pass the test of objectivity.

46. **The Board recommends that UNOPS issue specific instructions following up on the issue of the framework, guidelines, procedures and policy to strengthen**

and formalize the processing and documentation of projects funded through the growth and innovation reserve.

47. UNOPS accepted the recommendation and reported that it had been working and continued to actively work towards completing all essential documentation. It had also recruited a consultant to review the current policies and develop additional policies that would create a comprehensive set of guidelines in 2020.

Selection of partner and Sustainable Infrastructure Impact Investments projects

48. UNOPS selected an initial wind energy project in 2018 without inviting any formal solicitation from interested parties. A specific entity was selected as the project partner on the basis of the attention or recommendation of local developers and the adviser for the 22 MW wind farm project. The entity was a developer that connected UNOPS with the bank that was advising on the sale, as well as other project-related parties. UNOPS had signed a memorandum of understanding and a detailed term sheet on renewable energy projects with that bank. UNOPS stated that such processes in the realm of investments were never conducted through an expression of interest or similar bidding instruments.

49. The Board was informed that UNOPS considered the project ideal, given that it was already operational and that no red flags were identified during due diligence. The Board also noted that UNOPS had reported that it was obtaining help for the "stranded" project. It was stated in Engagement Acceptance Committee minutes that the initial equity provider for the project, a closed-end fund based in the United States of America, was to sell, having reached the end of the fund tenure. The Board noted that issues were raised in the Committee about past project losses and earnings before interest, tax and depreciation multiples of the project and its comparison with the prevailing market earnings before interest, tax and depreciation multiples. Given that there were no detailed explanations on these issues, the Board concluded that there was not enough evidence on record to be assured that the Committee had systematically considered all risks and put in place risk-mitigating measures before entering into the agreement. UNOPS was, however, of the opinion that it had made a sound investment decision after thorough due diligence, with significant support from third parties, which was also evident from the performance of the asset over past two years.

50. Subsequently, in March 2019, UNOPS concluded a memorandum of understanding with a partner (private entity) to formalize collaboration on designing and developing projects in sustainable social housing, renewable energy and health care. According to the memorandum of understanding, the partner was to bring existing projects from its global pipeline portfolio for consideration by UNOPS, along with the suitable technology and funding finance for such projects. The partner and UNOPS agreed to jointly implement suitable mutually agreed opportunities on the understanding that the partner may take the paid lead in operating such proposals, including the provision of technology and relevant know-how, and that UNOPS may take on a paid operational role, including project management and oversight.

51. The Board noted that the proposal made to the Engagement Acceptance Committee was for formalizing collaboration between UNOPS and a single identified partner. Prioritizing platform investments in one partner company was proposed, in which investors hold them accountable and achieve significant economies of scale. The globally recognized technology of the identified partner, its existing operations in countries where projects were to be implemented and the associated efficiency and advantages of investing early were flagged to the Committee. In March 2019, the Committee recommended proceeding with all five projects with that partner and investing $30 million in them, to be divided equally between affordable housing and

renewable energy projects. Subsequently, a sixth project was recommended by the Committee in October 2019 for investing another $20 million in a special purpose vehicle incorporated by the same partner entity for affordable housing.

52. On a specific query of the Board on the basis of selection of the partner entity, UNOPS reported that the entity, among other things, offered free use of its building technology, shared United Nations and UNOPS values, had interest and ability to work in emerging markets, accepted all United Nations legal clauses, had excellent knowledge of and business relationships in the target markets and ran special purpose vehicles very efficiently. UNOPS also stated that competitive solicitation was not considered given that this was a partnership outside the scope of the procurement framework.

53. The Board reviewed the selection process of the partner and was informed that a due diligence exercise was carried out by the Sustainable Infrastructure Impact Investments team, except for the reputational and legal due diligence, which was carried out by the Office of the General Counsel with support from the Office of the Chief Financial Officer and the Communications Group. The Board observed that, in the due diligence assessment report of 23 January 2019 for the partner in affordable housing prepared by the Commercial and Institutional Law Unit of the legal group, concerns had been raised regarding justification of the selection of the partner, along with its technology partner, without a request for offers or proposals, information on the effectiveness of the proposed technology or feedback about actual completion of projects. The due diligence report contained specific calls for several mitigating measures that needed to be taken prior to determining that the technology was the only technology to satisfy the technical requirements of the project and that the partner was the only provider in the competitive market place for the technology that could satisfy the technical requirements of the project. In the report, it was also stressed that sole-source justification covering such aspects should be included in the project documentation.

54. The Board did not find on record efforts made on those highlighted aspects to draw an assurance that the suggested mitigating measures had indeed been carried out before UNOPS entered into an agreement with the partner in March 2019. UNOPS stated that the partner offered a unique solution that was exactly what its partner Governments were looking for. It also stated that, in the field of investments, all major partners were selected through direct negotiations rather than formal methods of solicitation, that UNOPS had followed that best practice and that, so far, management had seen nothing that would have made it regret that decision.

55. The Board also observed from the financial statements of the partner that it was a loss-making firm, having incurred losses of $20.20 million in 2017 and $14.93 million in 2018.

56. UNOPS was of the view that the firm was loss-making “on the surface” but only because it was used exclusively for technology development, which translated into an investment of more than 40 million euros over eight years through consecutive loans from a related company. The company developing the technology was not trading but rather fully involved in developing and fine-tuning the advanced building technology. UNOPS stated that the value of the partner to UNOPS and the participating Governments was not in its ability to fund pre-development or build hundreds of thousands of homes but in its best-in-class technology, which allowed for quickly built, high-quality and earthquake- and hurricane-resistant homes. This state-of-the-art technology was provided to the special purpose vehicle free of any upfront charges or subsequent licensing fees. This was discussed by the Engagement Acceptance Committee and Senior Leadership Team at length and documented at the request of the General Counsel. The Board is of the view that UNOPS did not follow a sound

and transparent method in selecting a partner for its Sustainable Infrastructure Impact Investments projects.

57. UNOPS stated that it had followed selection rules in accordance with the partnership policy and expected that the Board's comments should either provide factual information that the policy was not followed or a critique of the policy. The Board emphasized that no partnership policy existed at the time of selection of the partners, given that it was signed by the Executive Director in February 2020.

58. The Board analysed the provisions in the underlying agreements with the partners and physical progress of the projects and made the observations set out below.

22 MW wind farm (2018 agreement)

59. UNOPS invested in the project through a loan, and repayment of the loan was contingent on the availability of cash flows with the company. The agreement did not specifically include the repayment schedule, including interest and principal. It is pertinent to point out here that, according to the partner's financial statement, it had a negative cash flow in 2017. UNOPS stated that it had been receiving the interest due in full regardless of the negative cash flows, that the cash flow situation had improved in 2019 compared with 2018 and that the project was on the path to profitability by 2021. UNOPS also stated that it was an "equity-like" investor in the deal, but to mitigate its exposure, the deal was structured as a loan at a rate significantly above the commercial rate.

60. In accordance with clause 4.1 of the agreement, the partner should provide management accounts to UNOPS on a quarterly basis, within 20 business day of the end of each quarter, and statutory audited annual accounts within four months of the end of the financial year. UNOPS provided an annual accounts update (narrative progress report) and management account and similar documents for the first quarter of 2020. None of the quarterly reports for 2019 were shared with the Board. UNOPS stated that the wind farm had already been in operation for six years, that its delineation of responsibilities was very clear in practice and that it had been working very well over the previous 18 months. In the absence of available documentation, the Board could not review the progress further.

Affordable housing and renewable energy projects

61. It is stipulated in clause 12.1 of the agreement that special purpose vehicles should deliver to UNOPS documents and information such as audited accounts, monthly management accounts containing information on issues such as charts, detailed descriptions of projects, comparisons of actual and planned progress, actual and projected cash flows and any other information sought by UNOPS. UNOPS stated that it was in possession of narrative progress reports and management accounts for the period from April to 31 December 2019. The sample narrative reports shared with the Board had no systematic reporting such as comparisons of progress and cash flows as expected under the agreement. UNOPS reported that the 2019 audits were under way and, in accordance with signed agreements, would be made available to UNOPS before 30 June 2020.

62. The Board was also informed that preparatory activities, including discussions for land allocations, were under way for the affordable housing projects. UNOPS had paid $15 million to the partner in March 2019 for its global energy portfolio investments; implementation of these projects had not yet started even though UNOPS stated that it had sourced eight deals that were very close to finalization.

63. **The Board recommends that UNOPS review the status of implementation of the projects, establish a more structured process for monitoring their progress, reassess the risks to its investments on the basis of actual progress against the benchmarks and take appropriate steps for mitigation measures.**

64. UNOPS agreed with the recommendation.

UNOPS investments

65. UNOPS took over investment management functions from UNDP with effect from 1 January 2016 and appointed an investment manager on 18 December 2015 to manage its investments. Schedule 1 of the agreement with the investment manager provides, among other things, investment objectives under three designated portfolios, restrictions on investment under each portfolio and return targets to be complied with by the investment manager. UNOPS also appointed a master custodian of its cash and securities and executed a long-term agreement (master custody agreement). In February 2019, UNOPS formally joined the World Bank Reserve Advisory and Management Partnership, which included a new investment mandate to the World Bank treasury for $200 million of the UNOPS working capital portfolio.

66. To manage and monitor its fund, UNOPS formulated a statement of investment principles in June 2017 and constituted an Investment Committee, consisting of a chair and a maximum of six members (including the Chief Financial Officer and the General Counsel of UNOPS) appointed by the Executive Director, to guide and monitor the investment activities. It is documented in the statement how UNOPS funds will be managed, and the principles and policies governing investment decisions made by the Executive Director following the advice of the Investment Committee are outlined.

67. The UNOPS investment portfolio includes the following three categories with specific characteristics, objectives and constraints:

(a) Working capital: the primary objective of this category is to preserve capital in nominal terms over a one-year rolling period, with the aim of investing funds entrusted to it in a cautious risk-controlled manner, with risk appetite set at strict levels;

(b) Reserves: this category provides security and liquidity in adverse circumstances and supports the long-term operations of UNOPS;

(c) Health care: this category provides for after-service health-care benefits for employees by managing assets in relation to relevant liabilities.

68. The portfolio investments made by UNOPS as at 31 December 2019 (excluding $204.4 million under working capital with the Reserve Advisory and Management Partnership) are shown in table II.5.

Table II.5
UNOPS portfolio investments

Investment	*Total portfolio (millions of United States dollars)*	*Benchmark index return (percentage)*	*Return in the year (percentage)*
UNOPS working capital	1 401.8	2.57	2.81
UNOPS reserve funds	163.8	4.29	6.32
Internal cash	435.7	2.25	2.80
Health-care liability	90.2	5.07	6.39
Total	**2 091.4**		

Source: Northern Trust portfolio reports for UNOPS, 2019.

Investment in investment manager's own funds

69. The Board observed that the largest holding in the UNOPS working capital portfolio, representing 7.7 per cent of the portfolio value in 2019, was in the liquidity fund of the investment manager. This investment underperformed (return of 2.41 per cent) against the benchmark return (2.81 per cent) in 2019. The Board noted that, according to the contract with the investment manager (clause 10.3 (h)), a conflict of interest is deemed to have occurred when "a transaction is effected in units or shares of in-house funds, connected investment trusts or any corporate or incorporated association of which the manager or an associate is the manager, operator, banker, adviser or trustee". The Board also noted that the issue of conflict of interest of the investment manager was raised by the Investment Committee members in the meeting held on 11 December 2019.

70. UNOPS responded that investment in regulated money market funds (either in the name of the investment manager itself in this instance or a third-party managed fund) was an allowable allocation under the investment guidelines for all portfolios. Furthermore, investment in the investment manager's money market fund did not constitute a conflict of interest because most managers would only invest in their own investment vehicles, and this was the service that they offered to UNOPS under the investment management agreement.

71. The Board was not provided with any record indicating that the possibility of a conflict of interest had been considered and addressed by UNOPS. The Board also noted that no threshold had been defined regarding the proportion of the UNOPS corpus that could be invested in the investment manager's own funds. The risks associated with this nature of investments were thus not mitigated.

Low benchmark rate for internal reserve account

72. The reserve funds were bifurcated into two accounts from July 2019: the reserve capital account managed by the investment manager (market value of $94.9 million) and the UNOPS internal reserve account managed by the UNOPS treasury (market value of $69.3 million). The Board noted that UNOPS adopted a lower benchmark for the internal reserve account managed by the UNOPS treasury. Given that the purpose of the reserve fund portfolio is to provide security and liquidity in adverse circumstances and support the long-term operations of UNOPS, the benchmark rate for that portfolio was the United States consumer price index plus 2 per cent, which would assist in coping with inflation in line with its purpose. The benchmark for the internal reserve account managed by the UNOPS treasury, constituting more than 40 per cent of the reserve fund portfolio, was, however, linked to the one-month London Interbank Bid rate, which is intended for very short-term or liquid assets.

73. UNOPS stated that, as indicated at the Investment Committee meeting held in September 2019, it was advised that the portfolio would be held in cash or cash equivalents for a limited period (six to nine months at the time), in order for UNOPS to search for a new manager and also to work on a review of the strategic asset allocation for the reserves portfolio. UNOPS also stated that, in relation to the benchmark for the internally managed portion of the reserves, the "risky assets" were divested and the proceeds held in cash form in July 2019. Hence, for cash or cash equivalent investments, it was prudent for the asset class benchmark to be one suitable to that form of asset. UNOPS further stated that the overall portfolio benchmark was still the United States consumer price index plus 2 per cent.

74. The Board did not find that distinction to be prudent, given that the purpose of both of the investments in the reserve fund portfolio was the same, and so the benchmark of the United States consumer price index plus 2 per cent should have

applied uniformly for assessing the performance of the internal reserve account. The difference in the two rates is significant: 0.92 per cent for the internal reserve account against 4.29 per cent worked out at the United States consumer price index plus 2 per cent. Holding investment in cash and cash equivalents for about 10 months at a lower rate of return resulted in a loss of potential returns on the investments for UNOPS.

Request for proposals for a second investment manager

75. The Investment Committee, at its meeting held in April 2018, had decided that UNOPS would work on a request for proposals for the reserves and after-service health insurance portfolio, upon UNOPS confirming a suitable asset allocation for that portfolio, with a clear definition of the required risks and returns. The Board observed that UNOPS took about two years to finalize the request for proposal for the second investment manager and shortlisted a candidate only in March 2020. In May 2020, the contract had not yet been finalized. Meanwhile, in March 2019, an asset and liability management study was initiated on the after-service health insurance liabilities and its investment portfolio.

76. UNOPS reported that it had finalized a new allocation for the reserves portfolio to be presented at the Investment Committee meeting held in June 2020. That would involve hiring a new investment manager and "remerging" the two portfolios. UNOPS stated that the asset and liability management study was being implemented and that it was issuing a request for proposals for the selection of a new asset manager with the desired asset allocation, which should be finalized by June 2020.

77. The Board appreciates the decision to appoint a new investment manager for the after-service health insurance and other reserves portfolio since it would improve competition with the existing investment manager.

78. **The Board recommends that UNOPS examine the risks of an investment manager investing UNOPS portfolios in its own fund and take appropriate mitigation measures.**

79. UNOPS agreed with the recommendation.

80. **The Board recommends that UNOPS take immediate action to implement the asset and liability management study report and restructure its health-care portfolio so that the returns are sufficient to meet future liabilities.**

81. UNOPS agreed with the recommendation and reported that a new asset allocation, amended from the asset and liability management study following consultation with the World Bank Reserve Advisory and Management Partnership advisers, was proposed at the meeting held on 18 June 2020, which was recommended by the Investment Committee members and accepted by the Executive Director for implementation.

UNOPS provident fund

82. UNOPS implemented a provident fund scheme for its local individual contractors from October 2014. The fund is a defined contribution plan. The employer contributions at the rate of 15 per cent of the local individual contractor's agreement fees are fixed and recognized as an expense. The contractors contribute 7.5 per cent of their fee on a monthly basis. UNOPS is responsible for arrangements to provide a provident fund facility and to monitor and cover administrative costs related to those arrangements.

83. The market value of the fund as at 31 December 2019 was $66.85 million, and the scheme had 3,273 members. The Board reviewed the UNOPS provident fund investment performance report for the six months ended on 31 December 2019, prepared by the adviser. The asset allocation of the fund under different asset types

as at 31 December 2019 and their performance (both average return vis-à-vis benchmark since inception and for 2019) is shown in table II.6.

Table II.6
UNOPS provident fund investment performance as at 31 December 2019

			Performance since inception (percentage)			*Performance for 2019 (percentage)*		
			Benchmark			*Benchmark*		
Asset type	*Asset value (thousands of United States dollars)*	*Allocation (percentage)*	*Main*	*Secondary*	*Performance*	*Main*	*Secondary*	*Performance*
Defensive	64 784	96.9	4.5	3.6	3.3	12.1	6.8	8.7
Moderate growth	336	0.5	8.5	6.2	5.5	23.3	12.7	16.3
Growth	470	0.7	10.0	7.8	6.8	28.5	17.9	21.3
Islamic index equity	1 259	1.9	17.1[a]	–	16.2[a]	33.5	–	33.1
Total	**66 851**	**100**						

Source: Investment performance report for the period ended 31 December 2019.
[a] *Data for Islamic index equity are for three years and not from inception.*

84. The Board observed that all assets in the UNOPS provident fund investment portfolio had performed below the benchmark, both in average terms and for the year ended December 2019. The three-year rolling performance of assets in the defensive category, which covers nearly 97 per cent of the fund portfolio, had never touched or exceeded the benchmark fixed for it in past three years.

85. In September 2014, UNOPS appointed an administrator and an adviser/investment manager for five years, which was further extended in September 2019 by three years. The term could be extended by another two years in accordance with the original agreement.

86. The Board noted that, according to the terms of the agreement with the adviser, the latter was responsible for drafting the statement of investment principles, performing its annual review and updating it. The statements, however, had not been framed over the period 2014–2019, the original term of the agreement with the investment manager. Thus, the criteria on which informed questions on prudent fund management could be asked of investment managers had not been formalized. The absence of the statements gains significance in the context of funds that performed below the benchmark. The Board noted that the statements were finalized only in January 2020.

87. The Board noted that the adviser had been submitting biannual fund performance reports since its inception in 2014. The Board did not find evidence to indicate that UNOPS had reviewed the performance of the fund or held regular formal meetings with the adviser/investment manager to assess its performance or changes to or restructuring of the portfolio. The Board noted that it was only in June 2018, when the contact point for the provident fund was moved from the People and Change Group to the Finance Group, that UNOPS initiated discussions with the adviser regarding performance against the benchmark. The Board also noted that formal meetings with the adviser started only in October 2019, nearly five years after the appointment, for discussing the six-monthly performance report, investment principles and portfolio adjustment.

88. UNOPS stated that it had reviewed the fund performance on a biannual basis, and the review frequency was further formalized in the statement of investment principles finalized in January 2020. UNOPS, however, did not provide any documentary evidence that indicated that the biannual reports of the adviser had been reviewed by UNOPS

before October 2019. UNOPS added that, although meetings were previously conducted regularly, it started recording the minutes of meetings in October 2019.

89. The Board also noted that, despite the below-benchmark performance of the investment manager between 2014 and 2019, UNOPS extended the agreement with the investment manager for a further period of three years with effect from September 2019, within an existing award. UNOPS stated that it was satisfied with the supplier's performance during the first 5 years of the award, which led to a contract amendment within the original award that extended over 10 years. Although the Board requested them, UNOPS did not provide any documents regarding the evaluation of the fund manager/adviser's performance based on which their contracts were extended, citing that the UNOPS procurement process required supplier performance to be formally evaluated upon completion of the whole award, which in the case of the provident fund was in 2024. UNOPS also stated that a formal review of the statement of investment principles itself would be due by January 2023.

90. **The Board recommends that UNOPS review and document the performance of the investment manager at intervals, as formalized in the statement of investment principles of January 2020.**

91. UNOPS noted the recommendation and stated that the review frequency formalized in the statement of investment principles would be followed, but that the supplier performance of the investment manager was evaluated against the contractual obligations following the prevailing procurement policies of UNOPS.

92. **The Board also recommends that UNOPS consider the performance of the investment manager against the objectives of the statement of investment principles, while considering a further extension of the agreement with the investment manager.**

D. Project management

93. UNOPS, as a project implementing entity, organizes the management of engagements and their related projects in five stages: opportunity, pre-engagement, initiation, implementation and closure. All five stages are mandatory and collectively referred to as the project lifespan. UNOPS depends on vendors for delivering the projects and enters into contractual arrangements with them for project implementation. The Board reviewed the risk-mitigating features in contracts that UNOPS enters into with vendors and their efficacy.

Performance security in contracts

94. In accordance with clause 11.1.5 of the Procurement Manual, performance securities can be requested by UNOPS from the selected vendor in order to mitigate the risk of supplier non-performance and a breach of contractual obligations, including those related to the delivery of all equipment, services rendered and works completed under the contract. The value of the performance security may vary, depending on the nature, risk and magnitude of the works, services or goods to be provided under the contract. However, it is recommended that the performance security equals at least five per cent of the total contract amount.

95. The Board noted that UNOPS had entered into 1,038 contracts with vendors, with a total contract value of $216.65 million in 2019.[4] The Board reviewed the information and noted the status regarding the inclusion of a performance security clause in the contracts (see table II.7).

[4] Report on oneUNOPS contract management database, 2019.

Table II.7
Inclusion of a performance security clause

Category of contract	Performance security clause included		Performance security clause not included		Total contracts	
	Number	*Amount*	*Number*	*Amount*	*Number*	*Amount*
Works	215	68.41	86	14.47	301	82.88
Non-works	63	31.18	674	119.04	737	150.22
Total	**278**	**99.59**	**760**	**133.51**	**1 038**	**233.10**

Source: Data from oneUNOPS.

96. The Board noted that the provision of performance security was included in only 27 per cent of the contracts. It also noted that 72 per cent of the work contracts had a provision for performance security that was much lower, at only 9 per cent in the non-works category. UNOPS did not include a clause for performance security in 20 of the 26 non-works contracts, for which the contract value was more than $1 million, or in 9 of the 48 works contracts, for which the contract value was more than $0.5 million.

97. The Board reviewed two instances of the non-levy of performance security and its associated risks.

Procurement of zinc sheets by the Myanmar country office

98. UNOPS was charged with procurement for a World Bank project under its Immediate Response Facility for a national Government in an emergency situation (project value of $43.14 million). Among the items to be procured were 500,000 corrugated galvanized zinc roofing sheets. In December 2017, UNOPS awarded the contract for the zinc sheets to an overseas vendor for $2.92 million. In January 2018, after execution of the agreement, the vendor expressed its inability to supply the items and the contract had to be cancelled. The Board noted that the supplier had not provided any performance guarantee and hence no action for its recovery could be initiated.

99. Following cancellation of the contract, the Headquarters Contracts and Property Committee decided to award the contract on a nomination basis using exceptional grounds. Purchase orders were placed for the two second lowest overseas bidders of the earlier bidding process in February 2018. One vendor was to supply 300,000 zinc sheets for $1.59 million and another vendor was to supply 200,000 zinc sheets for $1.01 million. The Board noted that the former could not supply any sheets and the order had to be cancelled. The Board noted that the country office in Myanmar had not ensured the renewal of the performance guarantee of the defaulting vendor for the extended time of the agreement. The Board noted that the country office recovered $79,800 from the supplier as a performance guarantee, but from payments towards other supplies that the vendor had made. The vendor who was to supply 200,000 sheets also short-delivered, but the Board could not ascertain whether any action was taken against that vendor from the documents produced.

100. The Board noted that one of the lessons learned recorded by the country office was to include bid security and a performance guarantee to deter unserious suppliers from participating in tenders.

Procurement of wet weather clothing by the Amman operational hub

101. In May 2019, the operational hub in Amman placed an order for $3.02 million with an overseas company for the supply of 7,500 wet weather clothing items for the Lebanese Armed Forces. The invitation to bid had been carried out by the Headquarters

Contracts and Property Committee through the United Nations Global Marketplace. The vendor was required to deliver the goods within a delivery period of six months in four shipments from 27 September 2019 to 29 November 2019. UNOPS had not asked for a performance security to discourage non-performance of the supplier.

102. The supplier requested a revised delivery schedule on the grounds of a communication blockade where it was located, in mid-September 2019, with four shipments from 11 October 2019 to 24 January 2020. The revised schedule was also not adhered to by the supplier. On 13 November 2019, one month after the revised due date of the first shipment, UNOPS issued a one-month notice and terminated the contract on 12 December 2019 on the grounds of non-performance of the supplier. Later, in February 2020, the goods were procured from the manufacturer itself under the exception route in accordance with paragraph 118.05 (a) (x) of the UNOPS financial regulations and rules.

103. UNOPS stated that payment for the vast majority of its contracts was only made to suppliers upon successful delivery of goods and services, which meant that if the supplies were not delivered the payments were not made. UNOPS reported that it had requested performance securities in higher-value or higher-risk processes and, in the 2019 eSourcing award based on formal methods of solicitation, the performance security requirement was included in 23 per cent of cases. UNOPS also stated that the inclusion of performance security in a contract was a discretion to be exercised on the basis of complexity and risk. It also reported that all of its contracts for works used the concept of “retention”, which has the same effect as a performance security, and that the “retention” clause in works contracts mitigated the risk in the same manner.

104. The Board noted that, in both highlighted cases, the supply contracts were for substantial values, and the inclusion of the performance security condition would have been an appropriate risk mitigation tool. It also noted that, in accordance with clause 6.5.2 of the UNOPS Procurement Manual, it was advisable (though not mandatory) to have between 5 and 10 per cent of the contract value for retention[5] and the same for performance security (depending, inter alia, on the project, the risk and the contractors), with a combined ceiling of 10 per cent to be applied.

105. In accordance with clause 6.5.2 (p) of the Procurement Manual, in the case of UNOPS contracts for works, unless otherwise specified in the contract, the contractor is to deliver the performance security to the employer within 14 days of the date of the contract (or commencement date).

106. The Board observed that oneUNOPS contained information regarding inclusion of the provision of performance security in the contracts or purchase orders. However, information on whether the performance security had been deposited within the stipulated time of 14 days was not available in the system.

107. In response to the concerns highlighted regarding performance security, UNOPS provide assurance that it would reassess its approach to the inclusion of performance securities, in particular for non-works high-value contracts (although the assessment may result in the realization that the current approach remains valid) and would consider options to improve its system and mechanisms to monitor the inclusion of performance security in contracts.

108. The Board appreciates the decision of UNOPS to carry out a review and is of the view that reasons for non-inclusion of the performance security provision should be clearly documented in case it is not incorporated into contracts with a high value, large

[5] An amount of money (expressed as a percentage rate in the contract, normally 5–10 per cent) withheld from each payment made to the contractor that gives the employer (UNOPS) leverage to make sure that the contractor performs the works satisfactorily.

volume or complexity. The mechanism to monitor the inclusion of performance securities in the contracts may also be strengthened to ensure that they are deposited by the contractor within the stipulated period and kept valid during the tenure of contract.

109. **The Board recommends that UNOPS assess its approach to the inclusion of a provision for performance security, in particular for non-works contracts with a high value, large volume or complexity, for ensuring seriousness on the part of suppliers and performance of the contract.**

110. **The Board recommends that UNOPS improve its monitoring to ensure that performance securities are submitted in a timely manner and kept valid throughout the contract period.**

111. UNOPS agreed to the recommendations and stated that it would reassess its approach to the inclusion of performance securities, in particular for non-works high-value contracts (although the assessment may result in the realization that the current approach remained valid owing to operational considerations), and would consider options to improve its system and mechanisms to monitor the timely inclusion of performance security in contracts.

Liquidated damages for goods and services

112. In accordance with clause 13.3.1 of the Procurement Manual, if liquidated damages were provided for in the solicitation document and included in the contract as a special condition, they should be applied if the delay is for any reason related to the contractor and has resulted in a loss to UNOPS. Furthermore, UNOPS may state in the solicitation document that it would deduct from the contract price, as liquidated damages (for goods and services) or delay damages (for works), a sum equivalent to a percentage of the original total contract price (normally 0.1–0.3 per cent) for each day of delay until actual delivery or performance, up to a maximum deduction (normally 10 per cent).

113. The Board observed that 601 (81.55 per cent) of 737 non-works category contracts (with a total contract value of $64.62 million) did not include the provision of liquidated damages, while they were included in 136 contracts with a combined value of $75.78 million. Most of the small service contracts did not have a provision for the levy of liquidated damages. The Board also noted that the provision for liquidated damages was not included in 16 of the 26 non-works contracts, for which the value of the contract was more than $1 million.

114. UNOPS stated that it did not, in general, include liquidated damages in contracts, unless it was a general practice in the industry (such as for works contracts). It added that, in mid-2017, when it adopted its new general conditions of contract for goods and services, it followed the legal approach of the Office of Legal Affairs, replicating the general conditions of the Secretariat, given that the United Nations was facing challenges in legally enforcing such a clause because such clauses were being considered a penalty. Furthermore, the use of liquidated or delay damages was complex and should be made on a case-by-case basis in consultation with a legal adviser prior to being added as a special condition of the contract in the solicitation document.

115. The Board is of the view that liquidated damages are a potential tool to protect the interests of partners against defaulting suppliers and could be used effectively for high-value contracts for goods and supplies.

Non-levy of liquidated damages in emergency procurements

116. Clause 15.4 of the UNOPS Procurement Manual provides for the use of simplified processes to facilitate a rapid response during an emergency situation, under the emergency procurement procedures, duly authorized by the Executive Chief

Procurement Officer. The provision is to be applied without compromising compliance with UNOPS procurement principles in emergencies that include strategic, time-critical or risk-mitigation imperatives in the development, peacebuilding or humanitarian context.

117. According to clause 15.4.3 of the Procurement Manual, planning for emergencies is an important part of UNOPS regular procurement planning. The following activities are examples of proactive measures that can facilitate emergency procurement procedures:

(a) Advance identification and registration of suitable suppliers of products frequently requested in emergency operations, including confirmation by suppliers of willingness to respond to solicitations at short notice;

(b) Pre-qualification of suppliers of products frequently requested in emergency operations;

(c) Development of standard specifications, terms of reference or statements of works for goods, services or works typically requested in emergency operations.

118. The Board observed that 227 (39 per cent) of a total of 579 procurements, which constituted 60 per cent of the total procurements in financial terms ($97.70 out of $163.17 million), were made under emergency procurement procedures by the Amman operational hub in 2019. All procurements were through requests for proposals, except a single case that went through an invitation to bid. All procurements were for contracts implemented in Yemen, and most were for two major projects.

119. The Board also observed that, in 114 of 227 contracts (20 per cent of the overall number), which constituted 28 per cent of the total procurements in financial terms ($46.28 of $163.17 million), the deliveries were delayed on average by 103 days, while in 50 cases delays exceeded 100 days. The Board crosschecked all the delayed cases and noted that no extensions had been allowed. The Board also noted that the liquidated damages provision was not invoked in any of the cases.

120. A sample check of 10 high-value cases that were delayed, with a consolidated value of $15.27 million, indicated that, although provisions for performance securities and liquidated damages were available in the solicitation documents, they were not invoked even with delays ranging from 50 to 278 days. The delays in those procurements would translate into delays in the completion of projects and adversely affect the performance of the organization and the management goal of partner value.

121. UNOPS asserted that emergency procurement procedures applied, among other things, to the procurement process leading to the awarding of contracts (by enabling the use of the request for proposals method), faster review of contracts by the Headquarters Contracts and Property Committee, but not to the contract management stage. Hence, delays in contract execution should not be attributed to the procedure. Furthermore, delays in the delivery of most of the contracts were due to the war situation in the country. Regarding the levy of liquidated damages, UNOPS held that the damages should fulfil clear criteria, requiring clearance by the legal department, and could therefore not be applied by default.

122. The Board noted that the awarding and management of contracts in the case of emergency procurement procedures were not entirely unrelated activities. The procedure relaxed the procurement process only to facilitate a rapid response during an emergency situation. Provisions such as liquidated damages in the contract are intended to mitigate the risk of delays in delivery. Poor contract management would directly affect the outcome of the projects and thus the partner value.

123. **The Board recommends that UNOPS assess its approach to the inclusion of the provision of liquidated damages, in particular for high-value contracts, in order to mitigate the risk of potential late performance leading to financial loss to UNOPS and its partners.**

124. UNOPS agreed with the recommendation and stated that it would reassess its approach to the inclusion of liquidated damages, in particular in high-value contracts, although the assessment might result in the realization that the current approach remained valid owing to legal and other considerations.

Supplier performance evaluation

125. According to clause 13.2.7 of the Procurement Manual, a supplier performance evaluation is mandatory for all procurement activities valued at $250,000 or above. The evaluation is also recommended for lower procurement values and must be performed using the functionality in oneUNOPS. It is a mandatory step of the procurement process and must be performed in a timely manner that should not exceed one month (after April 2019) following contract completion. For the purpose of the evaluation, "contract completion" refers to the date when UNOPS has received the final goods, services or works under the contract (or the date on which the contract was terminated, if applicable) and does not include the defects notification period of works or the warranty period of goods. The evaluation includes criteria such as timely delivery, quality, effective communication, commitment to sustainability and overall compliance with contractual conditions.

126. The Board noted that UNOPS had 37 projects with one or more purchase orders above $250,000 in 2019. In all, 65 purchase orders were eligible for supplier performance evaluation. Of those, the evaluation was completed only in approximately half the cases (32 cases). Even where it was completed, it was mostly delayed (delay noticed in 23 of 32 cases). In another 16 cases, UNOPS could not conclusively indicate whether the purchase orders had been fully completed. In the other 17 cases, UNOPS stated that it was required to follow up with the respective offices as part of the regular follow-up conducted by the Procurement Group on a quarterly basis.

127. The Board, during its audit of the operation hub in Amman, also noted that, from 2017 to 2019, supplier performance evaluations were not conducted in 12 cases, each accounting for a procurement value above $250,000. Although UNOPS headquarters reported that it had conducted non-mandatory evaluations in about 25 per cent of cases, the operational hub had not conducted any additional or non-mandatory evaluations for suppliers in activities below $250,000.

128. The Board notes that supplier performance evaluation is a risk-mitigation measure, and it is important that UNOPS complete the process for its suppliers for better informed future procurement activities. The Board is also of the view that timely compliance with the provision should be ensured.

129. **The Board recommends that UNOPS comply with the guidance regarding the supplier performance evaluation and complete the evaluations according to the prescribed timeline.**

130. UNOPS agreed with the recommendation and stated that it understood the importance of supplier performance evaluations for the organization in terms of procurement oversight and risk management. It also agreed that its evaluations could be improved. It reported that it had initiated a project on the enhancement of supplier performance evaluation processes and practices. UNOPS also stated that it would implement adequate mechanisms to ensure compliance with the timely completion of supplier performance evaluation records.

Project closure

131. Closure is the final stage in the project lifespan, in which the engagement is operationally and financially closed in accordance with the closure plan and after all outputs have been handed over to the partner or partners in accordance with the legal agreement. It is stipulated in rule 116.07 (a) of the UNOPS financial regulations and rules that, as soon as project activities have ceased, they should be declared operationally completed, and a financial report should be prepared in conformity with established procedures, reflecting actual expenditure to date. Furthermore, it is stated in rule 116.07 (c) that the financial completion of project activities should be accomplished within 18 months of the month in which they are operationally completed or terminated. The Board had earlier recommended that UNOPS initiate the process of financial closure of projects soon after they are operationally closed so as to complete the process within the stipulated period (see A/73/5/Add.11).

132. The Board noted that there were 3,158 projects in different stages of the project life cycle in 2019. The following considerable delays in the operational and financial closure of projects were noted:

(a) A total of 41 projects remained in the "ongoing" stage even after their engagement end date. Of the 200 projects pending operational closure, 5 had been pending since 2017 and 49 since 2018;[1]

(b) A total of 500 projects were operationally closed and pending financial closure. Of those projects, 43 (8.60 per cent) had been closed operationally before July 2018 and remained to be financially closed even after the mandated period of 18 months;

(c) A total of 654 projects were financially closed in 2019, 23 of which (4.43 per cent) had required more than 18 months from the date of their operational closure.

133. The Board reviewed the closure processes at the operational hub in Amman and made the following observations:

(a) Two projects were operationally closed after a delay of 200 days and 780 days, respectively, from the date of their completion. Four more projects have not been operationally closed as at 31 March 2020 despite delays ranging from 182 days to 267 days from the date of their completion. The operational hub in Amman was of the view that the delay period had to be calculated from the date on which the projects move to the "pending operational closure" stage. However, in line with the project management manual of UNOPS (volume I), projects are to be operationally closed within six months of their date of completion (implementation end date). Hence, projects should be moved to the "pending operational closure" stage immediately after the project implementation end date;

(b) The delay in changing the status of projects from "ongoing" to "pending operational closure" results in the automatic overcharging of centrally managed direct cost charges beyond the agreed date, as noted in two cases[6] at the Amman operational hub, which acknowledged the overcharging and stated that in one case it was reversed during 2019, while in the other case the reversal would be effected.

134. UNOPS stated that the major reasons that projects were still pending operational closure included tax-related issues, pending "no objection" certificates from associates, the process of closing grants with non-governmental organizations and write-offs related to administration costs. Delays in the financial closure of projects were due to pending reconciliation with the entities, obtaining the donor's acceptance,

[6] Projects 21302-001 and 21718-001.

confirmation of the remaining balance and acceptance of the refund, and the internal transfer of responsibilities within UNOPS.

135. UNOPS replied in April 2020 that it was focusing on closing all of its client projects on time. With a view to improving the operational closure of projects, it now conducts a corporate-level system-based analysis of project closures, including the identification of gaps, the identification of projects exceeding the six-month operational closure period from the implementation end date and communication with the regions. UNOPS also reported that, in 2019, with the support of a financial closure management dashboard, it had managed to financially close 547 projects, which also allowed it to reduce its backlog of projects that were overdue for closure from 262 at the beginning of 2019 to 101 at the start of April 2020.

136. **The Board recommends that UNOPS ensure compliance with its financial regulations and rules for the operational closure of projects and put in place appropriate checks to promptly change the status of projects as soon as their activities have ceased.**

137. UNOPS agreed with the recommendation and stated that a standard operating procedure on project closure had been developed by the Amman operational hub in consultation with UNOPS corporate departments and disseminated by the Director of the hub to all project managers on 4 June 2020. Furthermore, the standard operating procedures would be revised and updated upon release of the updated corporate guidance on project closure, which would be rolled out at the UNOPS corporate level by the end of 2020.

138. UNOPS also reported various initiatives being taken up in that regard, including a plan to release the revised project closure guidance in September 2020, the enhancement of notifications in oneUNOPS Project from the third quarter of 2020, a system-based analysis of project closure at the corporate level and the development of project management key performance indicators aimed at reducing some identified gaps leading to operational closure delays.

E. Bangkok Shared Service Centre

139. UNOPS operationalized the Bangkok Shared Service Centre in January 2014 and shifted the administrative services that it received from UNDP in March 2015. The Centre was tasked with transactional operations, which were transferred to it gradually. The development and launching of the UNOPS enterprise resource planning system (oneUNOPS) in 2016 catalysed the expansion of the Centre's services. The Centre was initially established under the Corporate Support Group, which was replaced by the Shared Service Centre Group in November 2017. The services covered by the Centre are in the areas of human resources, finance and accounting.

140. The identified objectives of the Centre were to reduce the total cost of delivering payroll and benefits entitlements services, to become more productive in order to make a scalable business model, to be effective (useful) in delivering the service, to be service-minded from a corporate perspective, to improve compliance and to develop new service lines. The Centre spent $3.06 million in 2018 and $3.29 million in 2019 for its operations and provided contract administration and payroll services to 10,791 persons in December 2015, increasing to 14,163 in December 2019.

Realization of the benefits of establishing the Bangkok Shared Service Centre

Reduction in cost

141. UNOPS paid $2,509,821 to UNDP in 2015 when some services (payroll, benefit entitlement and human resources administration and advisory services) were

transferred from UNDP to the Bangkok Shared Service Centre.[7] In 2015, the Centre carried out personnel and payroll administration for nearly 2,500 personnel covered by individual contract agreements and transactional functions for vendor approval and finance and travel. The budget and expenditure profile of functions carried out by the Centre from 2015 to 2019 in respect of personnel administration (human resources),[8] payroll,[9] transactional functions for vendor approval[10] and transactional functions for finance and travel[11] is shown in table II.8:

Table II.8
Budget and expenditure profile of functions carried out at the Bangkok Shared Service Centre

(Millions of United States dollars)

Function	*UNDP*	*UNOPS*					
	2015[a]	*2015 (budget)*	*2016*	*2017*	*2018*	*2019*	*2020 (budget)*
Human resources	1.79	0.28	1.68	1.65	1.28	1.25	1.42
Payroll	0.72	0.46	0.84	0.90	1.45	1.27	1.11
Transactional functions for vendor approval and finance and travel	0	0.36	0.24	0.27	0.33	0.58	0.69
Finance/account	0	0	0	0	0	0.19	0.18
Total	**2.51**	**1.10**	**2.76**	**2.82**	**3.06**	**3.29**	**3.40**

Source: Information provided by the Bangkok Shared Service Centre.
[a] According to the Internal Audit and Investigation Group report, 2017.

142. The Board noted that the Centre's present budget allocations for activities performed by UNDP for UNOPS in 2015, as well as by the Global Shared Service Centre, were less than the expenditure in 2015. Thus, the establishment of the Centre had resulted in savings of over $2 million for the period from 2016 to 2019. The savings would be higher if new lines of services transferred to the Centre were considered.

Volume of transactions and lines of services

143. The number of personnel receiving contract administration and payroll services increased from 10,791 in 2015 to 14,163 in 2019. Business lines of 13 services[12] evolved at the Centre between the fourth quarter of 2017 and 2019. There has been a development of new lines of business in areas of transactional services and finance and accounts, as shown in table II.9.

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[7] The Bangkok Shared Service Centre was initially a human resources centre and then a human resources cluster, and in 2015 was called the Global Shared Service Centre.
[8] Includes the administration of staff appointments and individual contractor agreements.
[9] Includes the payment of staff salaries, individual contractor agreement fees and intern stipends, as well as the execution and management of personnel-related payments.
[10] Includes the review and approval of vendor requests.
[11] Includes the processing of standard finance, travel and procurement transactions.
[12] Remittance of new integrated bank accounts, data clean-up of supplier database for host-to-host projects, batch upload suppliers, daily subsistence allowance pilot project, United Nations invoice payment, accounts receivable, quarterly collection of annual leave data for partner staff, sexual exploitation and abuse ClearCheck for UNOPS personnel, local individual contractor fee scale update (ProForma tool maintenance), support for merit rewards process, development of human resources/payroll platform (Google BigQuery), reporting support to other units, and reconciliation of payroll-related accounts.

Table II.9
Comparative statement of transactions handled by the Bangkok Shared Service Centre

Service	*Start date of service*	*2016*	*2017*	*2018*	*2019*
Remittance processed	August 2017	–	34 430	96 761	90 236
Payment rejections processed	August 2017	–	159	717	1 013
Payment reversals processed	September 2017	–	497	1 780	1 510
Payroll enquiries attended	August 2017	–	814	4 689	3 856
Supplier payment enquiries attended	August 2017	–	2 141	9 981	9 618
Accounts receivables applied	November 2017	–	131	5 257	6 295
Suppliers (vendor) request processed	2013	36 629	29 851	34 484	31 302
Request for payment processed	October 2015	6 628	5 264	5 337	5 065
Daily subsistence allowance calculation requests processed	September 2015	808	1 116	1 134	1 186
Total		**44 065**	**74 403**	**160 140**	**150 081**

Source: Information provided by the Bangkok Shared Service Centre.

144. The Board takes note of the increase in productivity, with more service lines and transactions being handled by the Centre compared with 2015 at a reduced cost. In addition, over that period, the number of personnel deployed at the Centre increased marginally from 57 in 2016 to 64 in 2019.

145. The Board noted that the Centre proposed seven new lines of services in 2020 and subsequent periods, but a number of them remained at the pilot stage, in planning and discussion. The Board is of the view that more efforts are required for the addition of new lines of business in line with the goals of the strategic plan for 2018–2021. The Board also noted that the use of the Centre by UNOPS partners has largely been restricted to the administration of individual contractors and that growth in transactions has been in small percentage terms.

146. UNOPS stated that the Centre was its back office and supported its units in project implementation for partners with tasks and services well beyond the administration of individual contractors for partners. The Board noted the response of UNOPS but is of the view that, for the centre to be a scalable model, the volume of transactions should increase in multiples or exponentially, which has not yet been seen. That indicates focused attention on the scalability of the transactions handled, as well as expanding the lines of business.

147. **The Board recommends that UNOPS pursue the transfer of new lines of business to the Bangkok Shared Service Centre and enable scalable operations in line with the objectives of setting up the Centre and the UNOPS strategic plan for 2018–2021.**

148. UNOPS agreed with the recommendation and stated that it was already being addressed. It acknowledged and recognized that the transfer of new services to the Centre was not only a goal of the Shared Service Centre Group and the Bangkok Shared Service Centre, but was a goal of UNOPS as a whole. There were several services in the pipeline, as well as a list of identified services that were planned to be transferred in the immediate future. The transfer of new services to the Centre was a continuous and conscious objective.

Governance framework

Transfer of additional services to the Bangkok Shared Service Centre

149. In 2013, the Executive Board emphasized the competitive advantages of UNOPS in its mandated areas of expertise, namely, procurement, infrastructure and project management, including the provision of transactional services, and called upon other United Nations system entities to seek efficiency gains through greater collaboration with UNOPS (decision 2013/23). In its strategic plan for 2014–2017, UNOPS also envisaged supporting the United Nations and other partners with additional capacity through shared-service approaches. The need for an integrated shared transactional service was re-emphasized in the strategic plan for 2018–2021.

150. The Shared Service Centre Group business plan for 2018–2021 reflected the strategic goals of UNOPS, being a value-added and client-focused business partner that delivered transactional services globally and of the highest quality in the areas of human resources, finance, administration and procurement services by making UNOPS more cost-effective; increasing efficiency; improving operational compliance and capacity within UNOPS; and reducing organizational risk. Also emphasized in the business plan were excellence (in transactional tasks), efficiency (including in payments, costs and transactions), growth (business and client satisfaction) and risks (alignment with the UNOPS governance, risk and compliance framework) for the Centre during the plan period.

151. The Board noted that the Centre or Shared Service Centre Group identified 19 new services for implementation during the period 2018–2020, 13 of which were implemented in 2018–2019 while 6 were in the planning or discussion phase and were to be implemented in 2020. However, the Board did not find a governance mechanism in UNOPS to identify services that could be considered for transfer to the Centre from within UNOPS and the service lines that could provide shared services to UNOPS business partners. The quarterly business review, in which senior management reviews the operational performance of the organization on a regular and recurring basis, was aimed more at monitoring organizational and business unit performance against targets and taking stock of progress on established operational priorities. The Board did not find evidence that it assessed the performance of the Centre against the strategic organizational goals.

152. The Board is of the view that, for the realization of the strategic goals, the identification of new lines of service should be based on the business case for the respective services, including ICT support requirements for enabling it and cost-benefit analysis and governance change requirements, such as the development of policies for each service to be transferred. In the absence of a governance structure, the centre's progress in developing new lines of service, providing globally shared services to UNOPS partners and developing a scalable business model, efficiency and excellence in operations was not monitored.

153. The Board considers that the transfer of transactional services from UNOPS headquarters, field offices and partners requires greater efforts, including identification of the service or service lines, a cost-benefit assessment, a risk assessment, risk mitigation and the identification of governance structure change and compliance processes. The Board noted the absence of a suitable governance framework consistent with the identified role of the Centre in the UNOPS strategic plan and the Shared Service Centre Group's business plan, which posed a risk to achieving the Centre's identified goals.

154. UNOPS stated that it established and actively leveraged the Centre's steering panel as a governance structure in terms of evaluating new service lines and supporting the development of sound business plans for each new service. The Board,

however, noted shortcomings with regard to providing unanimous recommendations by the steering panel, as discussed in the next section.

155. **The Board recommends that UNOPS establish strong governance structures to identify and evaluate service lines that could be considered for transfer to the Bangkok Shared Service Centre and develop business plans for each of those service lines.**

156. UNOPS stated that the Centre's governance structure comprised the Director of the Shared Service Centre Group and the Director of Administration and Finance, the latter being a member of the UNOPS Senior Leadership Team. UNOPS was of the view that the decision to transfer new services to the Centre and develop business plans for those services should continue to rest with the two Directors.

157. The Board noted the response of UNOPS. The Board is of the view that a focused governance framework is desirable, in particular in the Centre's formative years when strategic and cross-cutting decisions are required as a priority.

Bangkok Shared Service Centre steering panel

158. UNOPS established a steering panel at the Centre in 2019 to provide advice to Shared Service Centre Group management on the expansion of the Centre's service lines, to ensure alignment with corporate strategy and to proactively tend to the needs of UNOPS stakeholders, namely, its offices, corporate groups and partners. The creation of the steering panel was derived from the Group's business plan for 2018–2021. At the conclusion of this period, the panel's performance and overall impact would be evaluated by the Group's management, which will advise the Executive Office on whether the panel should be renewed for the subsequent business period and whether its scope and purpose should be adjusted.

159. As indicated in the terms of reference, the panel was set up as an advisory board for achieving the objectives of the Shared Service Centre Group through activities such as a review of proposals for new service lines to be transferred to the Centre, their prioritization and expansion, the sharing of best practices to ensure that actions being taken were beneficial to its stakeholders at the corporate and field levels. The members of the panel were internal to UNOPS and included a representative from a UNOPS field office, a representative from a corporate group selected on the basis of the business case under review, a representative from the Group and the manager of the Bangkok Shared Service Centre as secretary of the panel. In addition, a pertinent UNOPS stakeholder, or any other representative endorsed by the panel related to its scope of work, could be included as an observer.

160. The Board noted that the panel had met three times in 2019. The minutes of two of the panel's meetings indicated that no definite, unanimous recommendations had been arrived at (the minutes of the third meeting, held in October 2019, were yet to be finalized at the time of the field audit in February 2020). The panel's deliberations, so far, had not led to the development of proposals for the transfer of service lines to the Centre. There were discussions on important services such as the daily subsistence allowance and treasury management system at the steering panel, but in both cases the ICT component was identified as a key requirement for the transfer of services to the Centre. Only the treasury management system was included in the ICT road map for 2020. The Board noted that items such as the treasury management system were carried forward by the respective policy owners rather than the panel. In addition, given the panel's advisory role, it had no accountability for the Centre's performance.

161. **The Board recommends the UNOPS streamline the functioning of the Bangkok Shared Service Centre's steering panel through systematic documentation of its recommendations and their follow-up so that the panel**

contributes to the introduction of new service lines, which could be followed up on by the Centre or the Shared Service Centre Group.

162. UNOPS agreed with the recommendation and stated that the panel was established to represent the views and needs of its offices, which were the Centre's key clients. Furthermore, it would consider in the future whether a stronger advisory role for the panel was merited in terms of its influence and implementation of the transfer of services to the Centre.

Role of information and communications technology in shared transactional services in the United Nations Office for Project Services

163. A requirement for ICT-enabled applications for globally shared services in transactional functions was identified in the UNOPS strategic plan for 2018–2021, the budget for the biennium 2018–2019 and the business case for setting up the Centre. ICT governance in UNOPS was exercised through the ICT Strategic Advisory Board and ICT Operational Governance Panel, which was replaced by the Senior Leadership Team in October 2019. The Centre made submissions for ICT development in specific service areas to those governance bodies.

164. The Board noted that the ICT Strategic Advisory Board, in its meeting held in January 2019, had deferred oneUNOPS transactional projects on the grounds of inadequate consultation with stakeholders, among other reasons. In the minutes of ICT Strategic Advisory Board meetings,[13] deficiencies in submissions of projects by the Global Shared Service Centre to the ICT Strategic Advisory Board were indicated in terms of consultation with the policy owner, as well as incomplete analyses and business and process perspectives. The Senior Leadership Team, after assuming the ICT governance role, discussed the ICT systems road map for 2020 during the quarterly review for the fourth quarter of 2019. It emphasized strong support for the focus on improving the efficiency of processes rather than the simple automation of existing processes. The Team also agreed that the business process review should be co-led by the ICT unit within the Finance Group and the respective process owners or users.

165. The Board noted that 10 ICT submissions had been made to the Senior Leadership Team through the Shared Service Centre Group for 2020 that were relevant to the functions of the Bangkok Shared Service Centre, including the accounts receivable tool submitted by the Finance Group at UNOPS headquarters. The Board noted that the criteria for prioritizing the submissions, such as expenditure on personnel, had not been consistently applied in all submissions. The linkages between submissions were also not appropriately considered, an example of the disconnect being the low priority assigned to the submission on the request for a payment mass upload tool (intended for creating bulk requests for payment and validation), which was considered essential for the daily subsistence allowance calculation and payment tool that was assigned the highest priority.

166. The Board observed that the Senior Leadership Team had focused on the theme of security and controls digitization. Submissions that were aligned with that theme were selected as part of the 2020 road map. That led to the selection of two of the Centre's submissions, the payroll validation tool for UNOPS individual contractors and the payroll validation tool for staff members, which were not high on the Centre's list of priorities (priorities 5 and 7). The Centre's higher-priority submissions were deferred by the Team because they were inconsistent with the theme of its road map. The Team had also assessed that most submissions lacked a cohesive theme or objective, and an overall design or high-level objectives were missing. However, in none of the submissions relevant to the functioning of the Centre was the nature of the deficiencies identified or

[13] Meetings held on 10 January, 31 January, 29 May, 28 June and 31 August 2019.

communicated. The Board also noted that employee digitization, such as administrative enhancements for staff and individual contractors, had been deferred while the payroll validation tool was being adopted. However, the payroll function was not a stand-alone function but an extended component of the employee digitization process, which was not amenable for scaling up without employee digitization.

167. The Board notes that shared transactional services for the economy, efficiency, effectiveness, scalability and development or expansion of business lines are largely dependent on effective ICT applications. In fact, ICT is an integral part of shared services functions. The need for a road map of integrated shared services to be provided by the Centre was recognized in the strategic plan, as well as the biennial budget, and the role of ICT in offering such services was also recognized. The position reflected above indicates the need for a documented information technology strategy aligned with the road map for the augmentation of shared services by the Centre.

168. **The Board recommends that UNOPS identify and prioritize ICT interventions that are essential for the work of the Bangkok Shared Service Centre, in consultation with relevant stakeholders, for the fulfilment of the strategic goal of providing globally shared transactional services with economy, efficiency, effectiveness and scalability.**

169. UNOPS agreed with the recommendation and stated that it was already being implemented through the current method of evaluating and implementing information technology projects. During the audit, UNOPS had also stated that the Centre would undoubtedly continue to actively partner with the ICT unit within the Finance Group and jointly support the Senior Leadership Team in assessing and deciding upon the required information technology work developments and solutions, with the goal of improving efficiency, automation and compliance.

170. **The Board also recommends that UNOPS develop business cases with details of activities, including ICT developments, along with milestones, resources requirements, timelines and cost avoidance estimates, in a holistic manner for consideration during decisions on ICT submissions.**

171. UNOPS agreed with the recommendation and stated that it was already addressing it within the current method of requesting IT development work, design and solution mapping.

Operational controls and compliance

172. The Board examined the functioning of the Centre in the areas of its operation, including human resources and payroll functions related to staff and individual contractors, daily subsistence allowance calculations and payments, supplier approvals, accounts payable, payment reversals and accounts receivable. Significant observations of the Board that are considered important for the functioning of the Centre are outlined below.

Payment reversals

173. The Board observed by checking sample cases that the standard operating procedures had been followed in processing payment reversal requests.[14] It also noted that the number of payment reversals processed in 2019 (1,510) had declined compared with 2018 (1,780), although the number of payment rejections processed increased (1,013 in 2019 compared with 717 in 2018). The majority of reversal

[14] Payment reversal requests are processed in cases in which the payment has already been returned to the UNOPS remitting bank or has been stopped before payment disbursement. The former are considered complete reversals and also known as payment rejections processed. The latter are considered part reversals.

requests were due to requests for payments created with the wrong amount or currency, errors in issuing cheques and incorrect, frozen, closed or invalid bank accounts. The errors had resulted in the deferment of payments from the original transaction date, ranging up to three months in 2018 and two months in 2019.

Accounts receivable

174. In accordance with the practice quality and knowledge management system, tranche requests are to be created first according to the agreed payment schedule and, when conditions for payments are fulfilled, invoices are to be raised by field offices for donors demanding the deposit of funds. The Centre matches the received funds with tranche requests and applies funds to the projects. Unidentified funds are added to the "outstanding accounts receivable" spreadsheet, which is circulated to the Finance Group for recognition. The tranche request, if required, is then created by the field office, after which the Centre applies the funds to the projects.

175. The Board checked 164 cases of contributions to projects that were applied through tranche requests in 2018 and 2019. It noticed that the Centre took between 4 and 113 days in excess of the prescribed processing time of 1 day for the application of funds specified in tranche requests in 13 cases in which funds were received before the request date. In cases in which funds were received after the request dates, the Centre took between 2 and 69 extra days in the application of funds in 26 cases.

176. The Centre reported that the delay in applying funds to the correct project arose as a result of the deposit of an identical amount by the donor for more than one project and because of a lack of or incomplete details, the depositing of a lump sum amount against two tranche requests for a single project, the same funds being claimed by several offices or the donor depositing the amount in the bank by combining several projects or depositing it before the project manager raised an invoice. In addition, the invoices raised by the project managers were not in a standardized form, the payment details given to bank by the donors were in different forms and at times payments were made in banks without referring to the invoice numbers. The Centre also admitted that, at times, even after raising invoices for the donor and depending on the availability of funds in oneUNOPS, project managers did not raise tranche requests. In such cases, enquiries are made by the donors and by the project managers. Given that invoicing processes are not handled in oneUNOPS, the delay noted was subject to the time used by the offices to provide the appropriate documentation to substantiate the application of funds.

177. The Board also noted that tranche requests were created with a delay of up to 159 days after the receipt of funds in the UNOPS contribution account in 138 cases. UNOPS attributed this to, among others, a lack of communication between the donor and the office, the application of bank charges, the requirement for new tranche requests for contributions, the fact that office focal points did not follow the process and quality management system for correct funds application or the fact that they neglected to create tranche requests within the stated duration. Another potential reason could be that projects were yet to be set up, which could lead to a waiting time of between one and three months.

178. The Board had noted that, at the time of audit in January 2020, contribution funds amounting to $21.44 million had accumulated from June to December 2019 and were awaiting application owing to the non-identification of projects. UNOPS reported that the centre had made further progress and, as of March 2020, there was only $104,000 for four deposits that were pending application. The Board appreciates the follow-up and emphasizes the importance of completing the activity within a reasonable time.

179. The Board takes note of the expectation of UNOPS that, with the automation of the entire process by introducing the treasury management system (in which all

remittances are run from the Centre, all banks are interfaced and all payments are made through the system), the payment reversals, as well as the delay in the application of funds, can be avoided or minimized. The Centre had also suggested the implementation of the accounts receivable tool to minimize delays in the application of funds, as well as savings in working hours, which would in turn result in measurable cost savings of $0.23 million per year and $0.90 million over five years.

180. **The Board recommends that UNOPS implement the treasury management system and related automation of the whole process to save time and funds, as well as potential loss to the projects.**

181. UNOPS agreed to the recommendation and reported that it was implementing an advanced treasury management system in two phases. The first phase was to be implemented by the third quarter of 2020 and the second phase by the first quarter of 2021. UNOPS expected that its bank accounts would be interfaced with its enterprise resource planning through the system, which entailed both the automation of payment processes and the application of funds.

Bangkok Shared Service Centre operations

Standard operating procedures and key performance indicators

182. The Board appreciated the fact that the Centre had developed a compendium of business processes and services and published it for the first time in January 2020. It provided step-by-step activities to be performed on information technology application, process details and process knowledge in the form of a linked policy document (from the process quality and knowledge management system) for Bangkok Shared Services Centre staff. In addition, all linked web addresses for the function were provided and made available for all functions and activities performed at the Bangkok Shared Service Centre. The Board also noted that the Centre had prepared 92 standard operating procedures delineating the procedure to be followed by its staff for the human resources service line, namely, 20 for individual contract agreements and 72 for staff. There were 58 standard operating procedures for payroll and 23 for finance and accounting service lines. The issue of such documents for the Centre’s various functions or activities added to assurances regarding the Centre’s internal control environment.

183. The Board reviewed the existing standard operation procedures on human resources, payroll and finance and accounting and noted that such documenters were not issued for payroll and supplier payment enquiries in the finance and accounts area. Furthermore, there has been a continuous evolution of standard operating procedures in human resources, which was attributed to the recurring need for their revision in view of frequent instructions in that area, but there was no version control mechanism for them with regard to human resource functions. Details of the evolution of standard operating procedures had been maintained in relation to payroll, including dates of original issue and subsequent revisions where available and applicable. However, similar details for the evolution of such documents for human resources or finance were not recorded.

184. The Board noted that key performance indicators for various functions and activities performed at the Centre had been determined by the Centre itself. These were based on internal timelines for the functions and activities, determined internally by the Centre’s management.

185. **The Board recommends that UNOPS consider a version management mechanism in the issuance and revision of various instructions to enable tracking of the start of the activity or function at the Bangkok Shared Service Centre, followed by the dates and nature of revisions.**

186. UNOPS agreed with the recommendation and reported that version control was an inherent feature of its new corporate software tool, Google G Suite, and therefore all changes and dates were automatically captured, given that all of the Centre's standard operating procedures existed within the Google environment.

Performance at the Bangkok Shared Service Centre against key performance indicators

187. The Board noted that ambitious key performance indicators were set by the Centre but that measurement was not done as a structured reporting system. Key performance indicators for processing the daily subsistence allowance were set at 72 hours in 2016 and revised as one working day in November 2019. The Board noted that compliance with the indicators set in 2016 was 29.48 per cent in 2018 and 27.39 per cent in 2019 (up to October 2019), and that after October 2019 it was 21.57 per cent. The Centre was of the view that processing could be initiated only after the receipt of adequate information and documentation and, in sampled cases of the audit observation, it was evident that the onus of the processing was not on the Centre owing to the lack of documentation.

188. The Board also noted that the key performance indicator for processing supplier approvals was set at 72 hours in 2016 and revised as one working day in November 2019. The Board reviewed the processing time of 56,509 approvals granted between January 2018 and October 2019 and found that compliance with the indicator was 91.88 per cent. Compliance with the indicator in the remaining part of 2019 for 3,627 cases was 56.91 per cent.

189. The Board noted that a large number of functions at the Centre were in the process of being incorporated into the ICT framework and were carried out through multiple ICT applications and tools. The Centre did not measure the achievement of key performance indicators, because doing so at the present level of operation (volume and methodology) would require additional resources that were unlikely to be economical or would need economic ICT tools.

190. **The Board recommends that UNOPS incorporate reporting tools for performance requirement into ICT applications.**

191. UNOPS agreed with the recommendation and stated that key performance indicators were measured using data generated from oneUNOPS and Laserfiche, in the case of staff administration performance reporting. It added that the Centre was supporting ICT with the development of an advanced human resources and payroll reporting platform in Google BigQuery to be completed in 2020, which would facilitate the creation of advanced reporting tools for the Centre.

Process automation and validation controls

192. The main aim of ICT implementation or the automation of processes is to enhance efficiency. That can be achieved by having robust validation controls and by minimizing the need to enter the same data repetitively at various points. It would ensure data integrity and result in reducing or avoiding manual errors.

193. The Board noted that many human resources and payroll processes, such as the education grant, payment authorizations for all payments related to separation and the calculation and payment of danger pay at the Centre, remain to be automated or integrated into oneUNOPS. After calculating the amounts, the processes were fed into oneUNOPS.

194. The Board observed that there were no validation checks in oneUNOPS to ascertain the correctness of the data being entered for the processes, such as capturing the "UNOPS start date" at the time of an initial appointment, the retirement date, the

next increment date, the work schedule at the time of an initial appointment or reassignment, a change of home leave or the maximum amount for a relocation grant.

195. The Board observed that the same data were being fed into the system many times within the human resources team, as well as when the process was transferred from the human resources team to the payroll team. While the payroll process was being run in oneUNOPS, it was simultaneously being run in Microsoft Excel (master control file). Discrepancies between the two were analysed and eliminated before the payroll was finalized by the Centre's payroll team.

196. The Board takes note of the Centre's work because it has developed more than 170 standard operating procedures encompassing an even larger number of processes to promote automation in order to realize operational benefits. The Centre also reported that it had several work packages pending development, including validation controls.

197. **The Board recommends that UNOPS study the processes related to human resources and payroll and take steps to automate process flows and incorporate validation controls to avoid or at least reduce repetitive feeding of the same data, thereby ensuring data integrity and avoiding manual errors.**

198. UNOPS agreed with the recommendation, reporting that it was already being addressed and that UNOPS intended to continuously review its processes and systems with the goal of automating and improving them. Furthermore, any repetitive data entry was employed purely as a mechanism of validation required by the current system configuration.

Need for integrated performance criteria for transactions

199. The Board observed that the key performance indicators were seen to be reflective of efforts of the Centre's management to provide efficient services. Indicators had evolved over time in the case of human resources and finance and accounting functions. The Board also noted that the functions were transferred to the Centre over a period of time. No procedures were prescribed that delineated the intra-function activities within the Centre and other UNOPS units. The Centre's indicators were determined by the Centre itself. The governance, risk and compliance framework mapped to the services at the Centre had also been developed by the Centre itself.

200. The Board also observed that the responsibility of the other UNOPS units for completing their functional responsibilities, in the context of fulfilling the Centre's key performance indicators, as seen in cases of payment reversals and accounts receivable before the transfer of functions to the Centre, remained less defined. The Board noticed that integration requirement when the performance of the Centre and UNOPS units in the case of payroll and supplier payment enquiries was reviewed.

201. The Board noted that the activity of handling personnel and supplier payment enquiries began at the Centre in August 2017, and that a total of 14,670 inquiries[15] in 2018 and 13,474[16] in 2019 were handled. The entire process of receiving and replying to the enquiries was conducted manually by email via a generic mailbox (Outlook). In November 2019, Jira Service Desk was introduced to bring the whole process into the system. Separate timelines for the disposal and handling of various types of enquiries were set on the basis of past experience.

202. Timelines of 72 hours (proof of payment enquiries) and 120 hours (other enquiries) were set for handling enquiries. The Board analysed 58 enquiries processed after the Jira Service Desk was introduced and found that in many instances the

[15] A total of 4,689 payroll-related and 9,981 supplier-related enquiries.

[16] A total of 3,856 payroll-related and 9,618 supplier-related enquiries.

overall time taken for handling them was much longer than the time set for their resolution when the pause time, namely, the time taken to obtain information or clarifications from agencies other than the Centre, was added. The results of the scrutiny are indicated in table II.10.

Table II.10
Results of scrutiny of a sample of 58 enquiries

	Proof of payment (72-hour timeline)				*Others (120-hour timeline)*			
Type of enquiry	*Cases sampled*	*Maximum pause time (hours)*	*Not resolved in time*	*Resolution time (hours)*	*Cases sampled*	*Maximum pause time (hours)*	*Not resolved in time*	*Resolution time (hours)*
Supplier payment	6	669	3	81–151	34	1 372	13	125–510
Personnel payment	7	1 667	1	>72	11	1 500	8	134–626
Total	**13**		**4**		**45**		**21**	

Source: Information provided by the Bangkok Shared Service Centre.

203. The Board observed that 25 of the 58 cases had not been resolved in the prescribed time and that the maximum time taken was 151 hours, excluding the pause time, for proof of payment enquiries and 626 hours for other enquiries.

204. The enquiries that were resolved by the Centre within the prescribed time did not lead to better overall results as there was a pause time of between 669 and 1,667 hours for both categories of inputs. In processing one supplier's enquiries (categorized as other enquiries), the actual time taken was one minute, whereas a total of 1,104 hours was registered from the date of receipt of the enquiries to the response time owing to the pause time. In the absence of a standard operating procedure and prescribed timelines for resolving such enquiries by other UNOPS units along with the Centre, no combined timelines were prescribed for various functions considering the field units and the Centre together. There were no monitoring and control parameters for inter-office and intra-office coordination.

205. The Board is of the view that the advantage of having a shared service centre for transactional services can be leveraged only when other entities of the organization have prescribed procedures and an accountability mechanism that are integrated from the point of view of accountability and performance.

206. The Board takes note of Centre's view that its processes were intrinsically linked to processes by counterparts across the organization. When the Centre's delivery was linked to a counterpart's action or task, it was mentioned within the Centre's own delivery time documents and standard operating procedures, as well as the process and quality management system maintained at the corporate level. The Centre expected that each of the interconnected units maintained and met its roles and responsibilities. While the Centre developed and relied on its standard operating procedures, it was in no position to prepare them and delineate the functions of other UNOPS units.

207. **The Board recommends that UNOPS prepare and prescribe integrated timelines delineating the functions of involved entities within UNOPS, in order to leverage the existence of the shared service centre for transactional services.**

F. Disclosures by management

Write-off of losses of cash, receivables and property

208. Management informed the Board that, in 2019, it formally wrote off assets in the amount of $2,664,973, including overspending of $404,124,[17] a contract dispute with a client amounting to $504,348 and the fraudulent diversion of funds amounting to $126,080.

209. As at 31 December 2019, management had also reported provisions of $19.35 million for bad and doubtful debts.

Ex gratia payments

210. UNOPS informed the Board that it had not made any ex gratia payments in 2019.

Cases of fraud and presumptive fraud

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

212. During the audit, the Board makes enquiries of management regarding its oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks of fraud that management has identified or that have been brought to its attention. The Board also enquires as to whether management has any knowledge of actual, suspected or alleged fraud.

213. The Administration informed the Board that there were 45 fraud cases in 2019. In addition, the Administration informed the Board that only 8 of those 45 cases had had a monetary impact of $81,834 on UNOPS.

G. Acknowledgement

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

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

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

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

21 July 2020

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

Annex

Status of implementation of recommendations up to the year ended 31 December 2018

No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*UNOPS response*	*Board's assessment*	*Status after verification: Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1	2015	A/71/5/Add.11, chap. II, para. 16	The Board further recommends that UNOPS consider how the reserve surplus might be utilized, in the context of a strategic review of UNOPS operational resourcing needs.	UNOPS has, in close collaboration with the Executive Board, assessed how the reserve surplus might be utilized for operational needs. The Executive Director has formally established a growth and innovation reserve, to invest in the future revenue-generating ability of UNOPS. The value of the reserve has been set at 50 per cent of the excess of the minimum operational reserve, with housing, energy and health defined as focus areas for investments.	UNOPS has created a growth and innovation reserve and started to utilize the surplus. In view of the step taken by management, as reviewed during audit, the recommendation is considered to have been implemented.	X			
2	2015	A/71/5/Add.11, chap. II, para. 44	The Board recommends that, on receipt of the system controls and configuration report, UNOPS evaluate the recommendations made by the external consultant to consider whether it provides sufficient assurance and, in the event of any weaknesses, undertake a review to determine whether any such weaknesses have been exploited.	UNOPS has closed all recommendations from the 2016 fraud risk assessment conducted by Deloitte.	As UNOPS has closed all the recommendations made in the 2016 fraud risk assessment and the Internal Audit and Investigations Group has provided a certificate in that connection, the recommendation is considered to have been implemented.	X			
3	2016	A/72/5/Add.11, chap. II, para. 20	The Board recommends that UNOPS obtain the post facto approval of the Executive Board with respect to the original and final management budgets, including each line item.	The UNOPS 2020–2021 budget estimates, which have been endorsed by the Executive Board, include an annex related to the original and final management budgets, including each line item. UNOPS therefore	As management has obtained the approval of the Executive Board, the recommendation is considered to have been implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				considers the recommendation fully implemented.					
4	2016	A/72/5/Add.11, chap. II, para. 25	The Board recommends that UNOPS reassess the adequacy of internal controls related to bank payments and strengthen supervisory checks to ensure that such incidents of double payment, overpayment or excess payment do not occur in the future.	The following concrete actions have been taken to strengthen the payment process in order to eliminate double payment, overpayment and excess payment: (a) Integration of oneUNOPS into e-banking platforms; (b) System improvements: the possibility of making the same payment twice has been locked in oneUNOPS; (c) Supplier data management: system control was added to oneUNOPS in March 2020 to reduce the creation of duplicate profiles in the system. In terms of the adequacy of internal controls, the finance delegation of authority table was revised in order to realign it with the new organizational structure and enhance the segregation of duties.	In view of the action taken by management to prevent incidents of double payment, overpayment and excess payment, the recommendation is considered to have been implemented.	X			
5	2016	A/72/5/Add.11, chap. II, para. 50	The Board recommends that UNOPS ensure compliance with its administrative instruction on business continuity and disaster recovery planning at all its offices and components and include information technology assets, data and systems.	The Executive Office instruction on business continuity planning (EOI.ED.2018.03) was issued with effect from 3 April 2018. The business continuity plans were updated in 2018, 2019 and the first quarter of 2020, and there is now a system of continuous checking and updating. The process of keeping the plans up to date is	In view of the action taken by management, the recommendation is considered to have been implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				working effectively and no further action is required in relation to this recommendation. The administrative instruction and the organizational arrangements for business continuity are clearly fit for purpose and effective, as demonstrated by the triggering and application of business continuity plans in response to the coronavirus disease (COVID-19) pandemic in March 2020.					
6	2016	A/72/5/Add.11, chap. II, para. 87	The Board recommends that UNOPS establish and adopt a sustainability screening tool to screen projects against sustainability standards at the design stage, fixing sustainability targets and deliverables to facilitate the monitoring of progress during the life of a project.	The integration of the quarterly assurance process into oneUNOPS Projects was rescheduled to the end of the second quarter of 2020, with the results of the process expected to be available by the end of the year. It is also planned to revise the screening to include safeguarding aspects.	As the integration of the quarterly assurance process into oneUNOPS Projects is still a work in progress, the recommendation is considered to be under implementation.		X		
7	2016	A/72/5/Add.11, chap. II, para. 95	The Board recommends that UNOPS incorporate sustainability targets and deliverables into project initiation documents, for mandatory screening and monitoring, measurement and reporting of sustainability contributions at all stages of the project life cycle, from engagement acceptance, quarterly assurance and project progress reports to project closure reports	The integration of the quarterly assurance process into oneUNOPS Projects was rescheduled to the end of the second quarter of 2020, with the results of the process expected to be available by the end of the year.	As the integration of the quarterly assurance process into oneUNOPS Projects is still a work in progress, the recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
8	2016	A/72/5/Add.11, chap. II, para. 102	The Board recommends that UNOPS establish a standard procedure for sustainability results reporting at the output and outcome levels by capturing data through the business process, to be measured against predefined sustainability standard indicators, targets and deliverables, and having the results validated through a verification mechanism.	The integration of the quarterly assurance process into oneUNOPS Projects was rescheduled to the end of the second quarter of 2020, with the results of the process expected to be available by the end of the year.	As the integration of the quarterly assurance process into oneUNOPS Projects is still a work in progress, the recommendation is considered to be under implementation.		X		
9	2016	A/72/5/Add.11, chap. II, para. 120	The Board recommends that UNOPS take steps to establish a distinct innovation fund, as envisaged in the strategic plan for the period 2014–2017.	In November 2019, the UNOPS Executive Director formally established a growth and innovation reserve, to invest in the future revenue-generating ability of UNOPS. The value of the reserve was set at 50 per cent of the excess of the minimum operational reserve, with housing, energy and health defined as focus areas for investments.	In view of the step taken by management, as reviewed during audit, the recommendation is considered to have been implemented.	X			
10	2016	A/72/5/Add.11, chap. II, para. 156	The Board recommends that UNOPS review its existing standard operating procedures related to vendor database management to ensure that it has a strong system of checks with defined formats for data, data validation and alerts regarding duplicates in the oneUNOPS system, in order to enhance the quality of data sets.	UNOPS has implemented the recommendation by adding validations and justifications regarding suppliers to the oneUNOPS enterprise resource planning system, in order to enhance the quality of data, control the creation of duplicate data and maintain a cleaner database.	In accordance with the Procurement Manual of UNOPS, contracts shall be awarded only to vendors that are registered in the United Nations Global Marketplace. During the last audit, for 2018, the Board noticed that vendors without a United Nations Global Marketplace number remained in the vendor database. From the data of vendors available in oneUNOPS, the Board noticed that, in the		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
					United Nations Global Marketplace number field, there were many invalid characters (including *, ",", -, --,--, AA, AAC and AB), a situation that indicates that data clean-up is still ongoing. In the Board's view, a system or mechanism needs to be devised to ensure that every supplier in the UNOPS vendor database has a valid United Nations Global Marketplace number. In view of the above, the recommendation is considered to be under implementation.				
11	2016	A/72/5/Add.11, chap. II, para. 180	The Board recommends that UNOPS ensure the implementation of its policy regarding the booking of tickets at least seven days in advance of the travel date. Systems should be enabled to capture the data related to booking, to allow for better monitoring.	In process 11.4.1 of the process and quality management system, seven days' advance booking of tickets is recommended but not required, as the operational nature of UNOPS often requires the ad hoc arrangement of travel (see section 2.1.1 of the process, which states that the standard route and mode of transportation for all official travel is the most direct and economical route by air. An alternative route and mode of transportation may be approved when, in the opinion of the budget owner, doing so is in the best interests of UNOPS. In order for UNOPS to obtain better pricing, the traveller should aim to book	UNOPS is of the opinion that the booking of tickets seven days in advance should remain recommended rather than mandatory. Hence, the recommendation is considered not to have been implemented.			X	

No.	Audit report year	Report reference	Recommendation of the Board	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				the ticket seven days in advance of departure). The corporate travel supplier's reports capture the date of booking.					
12	2017	A/73/5/Add.11, chap. II, para. 42	The Board recommends that UNOPS expedite implementation and operationalization of the enterprise portfolio and project management system and the enterprise risk management system as planned.	UNOPS invested additional information and communications technology (ICT) resources in the development of oneUNOPS Projects from November 2019 onwards. The usability of the risk management functionality needed to be further enhanced. In the first quarter of 2020, the oneUNOPS Projects development team developed the functional requirements for the integration of the risks log with a Google spreadsheet, on the basis that most project teams were most familiar with populating a risks sheet as an Excel or Google spreadsheet. The new approach, which will be available from April 2020, would provide users with a familiar interface for the incorporation of risks while making best use of the additional capabilities offered by G Suite, thus improving the use of the risk management feature. While the functional requirements for the integration of the Engagement Acceptance Committee and the ability to follow up on the Committee's recommendations	As the enterprise risk management system will not become operational until later in 2020, this recommendation is considered to be under implementation.		X		

No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*UNOPS response*	*Board's assessment*	*Status after verification: Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
				was discussed in the second quarter of 2019, its development is planned for 2020.					
13	2017	A/73/5/Add.11, chap. II, para. 48	The Board recommends that UNOPS initiate the process of the financial closure of projects soon after they have been operationally closed, so as to complete the process within the stipulated period.	UNOPS has made considerable progress in improving its ongoing performance with regard to the timely financial closure of client projects, and is likely to reach the target set for 2019. At the centre of these efforts is the newly launched project closure dashboard, which is used to steer closure management at the corporate level. UNOPS is also working to improve its policy and process framework governing financial closure, including through the intensive training of over 150 key personnel involved in the management of UNOPS client projects.	UNOPS is still working to improve its policy and process framework governing financial closure. A similar observation is made in the present report and the issue has not yet been streamlined. This recommendation is considered to be under implementation.		X		
14	2017	A/73/5/Add.11, chap. II, para. 57	The Board recommends that UNOPS review the applicability of its sustainable procurement criteria checklists to address all relevant and important sustainability concerns under various procurement categories.	UNOPS has reviewed its sustainable procurement criteria list and updated it with two gender considerations, in line with the launch of its strategy on gender mainstreaming. The list will continue to be updated on a regular basis with new advice and guidance. In addition, in April 2019, UNOPS launched its sustainable procurement framework, which includes specific considerations related to 12 categories of products and services.	In view of the action taken by management in compliance with the recommendation, the recommendation is considered to have been be implemented.	X			

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15	2017	A/73/5/Add.11, chap. II, para. 65	The Board recommends that UNOPS review the sustainability framework to ensure the embedding of sustainability concerns based on the category of goods/services procured as well as value of the contract.	UNOPS launched its sustainable procurement framework upon the issuance, on 1 April 2019, of revision 6.1 of its Procurement Manual (see section 15.2.1). The framework came into effect on 1 January 2020 and is divided into the following parts: (a) mandatory considerations by contract and solicitation type; (b) specific considerations for 12 key categories of products and services; and (c) a "do not buy" list of products and services.	In view of the action taken by management, the recommendation is considered to have been implemented.	X			
16	2017	A/73/5/Add.11, chap. II, para. 66	The Board also recommends that a mechanism be put in place to assess satisfactory compliance with the essential elements of the framework.	UNOPS has embedded the sustainable procurement framework in its eSourcing system (the e-tendering platform used for 95 per cent of all UNOPS tenders) in order to facilitate and assess compliance with the framework, including through a dedicated reporting feature. The framework system functionality and its associated reporting features were released in mid-December 2019.	In view of the action taken by management, the recommendation is considered to have been implemented.	X			
17	2017	A/73/5/Add.11, chap. II, para. 73	The Board recommends that: (a) UNOPS strengthen its reporting and monitoring mechanism with respect to the mainstreaming of gender into projects, by ensuring that the documentation of gender mainstreaming becomes, as far as feasible, an intrinsic part of	For projects screened positively in relation to gender mainstreaming, the project team must develop and implement a gender action plan. The achievement of the milestones in the plans is overseen through the quarterly assurance process, which will	The integration of the quarterly assurance process in oneUNOPS Projects was rescheduled to the end of the second quarter of 2020, with the results of the process expected to be available by the end of the year. The		X		

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			the project management process. UNOPS should also ensure the preparation of gender action plans by all gender focal points; (b) The role of gender focal points be strengthened by providing necessary resources, such as time and a budget, for the effective implementation of their roles and responsibilities.	be embedded in oneUNOPS Projects by 31 December 2019. In addition, guidelines on gender mainstreaming in projects were released in early October 2019 in order to help UNOPS project personnel to mainstream gender considerations in the projects that UNOPS delivers. Gender mainstreaming screening is embedded as a Google form in oneUNOPS Projects, and it is not possible to progress from the pre-engagement stage to the initiation stage unless it has been checked as completed. The integration of the quarterly assurance process in oneUNOPS Projects was rescheduled to the end of the second quarter of 2020, with the results of the process expected to be available by the end of the year.	recommendation is considered to be under implementation.				
18	2017	A/73/5/Add.11, chap. II, para. 80	The Board recommends that UNOPS carry out the required changes in oneUNOPS and review the validation rules to ensure the correctness of the data related to procurement and personnel.	UNOPS released its contract management module and the associated functionality and system enhancements in oneUNOPS on 4 October 2019. That software release addressed the validation rules that had led to incorrect procurement data, as identified by the Board in this recommendation.	The contract management module of UNOPS has been found to address the validation rules that had led to incorrect procurement data. A further recommendation related to personnel has already been closed. Hence, the recommendation is considered to have been implemented.	X			

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19	2017	A/73/5/Add.11, chap. II, para. 86	The Board recommends that UNOPS review the position titles in use across the organization and continue its efforts to standardize them in line with the International Civil Service Commission framework in a time-bound manner.	UNOPS has completed the review of the position titles of its personnel. The foundational phase of the information technology improvements in the enterprise resource planning system has been concluded. In addition to the global review and assignment of standardized position titles, a defined process for the application of such titles to future positions is in place. UNOPS now has around 630 standard position titles, compared to approximately 2 500 at the time of the Board's initial enquiry on the matter. Continuous improvement efforts will be made to make best use of this new dimension of the People HR software system.	UNOPS now has around 630 standard position titles, compared to approximately 2,500 at the time of the initial enquiry. The recommendation is considered to have been implemented.	X			
20	2018	A/74/5/Add.11, chap. II, para. 22	The Board recommends that UNOPS ensure that the review of project classification by the Integrated Practice Advice and Support Unit or the Finance Group is captured in oneUNOPS to leave an appropriate audit trail.	UNOPS is currently exploring ICT development options to capture evidence of the review of project classification in the enterprise resource planning system with an appropriate audit trail, rather than outside the system as is currently the practice.	UNOPS is still exploring ICT development options to capture evidence of the review of project classification in the enterprise resource planning system with an appropriate audit trail. This recommendation is considered to be under implementation.		X		
21	2018	A/74/5/Add.11, chap. II, para. 23	The Board recommends that UNOPS take steps to generate the financial statements from the oneUNOPS enterprise resource planning system so as to minimize the need for manual adjustments and interventions.	In the enterprise resource planning system, UNOPS has been developing reports in which the outputs will be key tables in the corporate financial statements; those tables were previously prepared manually in Excel. Use of the new reports will	As the testing of the reports generated in the enterprise resource planning system is ongoing, the recommendation is considered to be under implementation.		X		

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				significantly reduce the time taken to prepare the financial statements and will minimize the risk of errors from manual intervention. Testing of the reports is ongoing.					
22	2018	A/74/5/Add.11, chap. II, para. 30	The Board recommends that UNOPS establish a growth and innovation reserve and document a detailed procedure for use of funds in such reserve, as well as their accounting and management.	In November 2019, the UNOPS Executive Director formally established a growth and innovation reserve to invest in the future revenue-generating ability of UNOPS. The value of the reserve was set at 50 per cent of the excess of the minimum operational reserve, with housing, energy and health defined as focus areas for investments. The Executive Director approved the policies for the reserve office in February 2020.	UNOPS established principles for the UNOPS growth and innovation reserve in March 2020, including principles for the allocation of funds and the related accounting. In view of the action taken by management, the recommendation is considered to have been implemented.	X			
23	2018	A/74/5/Add.11, chap. II, para. 37	The Board recommends that UNOPS ensure that costs are correctly captured and that a correct and complete valuation of inventory is made at year-end on the basis of specific reviews.	UNOPS has significantly revised its templates for capturing inventory information from local offices. For example, users must now complete a section on freight and transportation costs, which was not consistently captured previously. The new templates also require users to input inventory values as receipted, rather than on the basis of the purchase order. They contain a number of data validations that users must complete prior to submission to headquarters. The new inventory submission template was introduced as part of the closure of the	In view of the action taken by management, the recommendation is considered to have been implemented.	X			

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				second quarter of 2019, and was further improved through additional data checks and validations for the closure of the third quarter and the year-end closure.					
24	2018	A/74/5/Add.11, chap. II, para. 44	The Board recommends that UNOPS explore the possibility of having a comprehensive inventory module in oneUNOPS that would facilitate accounting accuracy, uniformity in reporting arrangements and analysis for better inventory management.	UNOPS has significantly revised its templates for capturing inventory information from local offices. For example, users must now complete a section on freight and transportation costs, which was not consistently captured previously. The new templates also require users to input inventory values as receipted rather than on the basis of the purchase order, and also capture information such as write-off and utilization. They contain a number of data validations that users must complete prior to submission to headquarters. In addition to the revised templates, UNOPS has carried out a cost-benefit analysis of implementing an inventory module in the enterprise resource planning system, and has concluded that the new templates are fit for purpose regarding the capture of information as required in International Public Sector Accounting Standard (IPSAS) 12 and that there would be little, if any, additional value in implementing an inventory management system.	UNOPS has considered the possibility of implementing an inventory management system and consciously decided that there would be little, if any, additional value in doing so. In view of the action taken by management, the recommendation is considered to have been implemented.	X			

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25	2018	A/74/5/Add.11, chap. II, para. 50	The Board recommends that UNOPS subject the property, plant and equipment to a systematic annual review to confirm the remaining useful life in line with IPSAS requirements.	The process of reassessing the useful economic life of asset groups has been formalized. In accordance with that process, UNOPS has conducted the initial data-gathering exercise for 10 asset groups for the financial year 2019. The recommendation report is being prepared and will be forwarded to the policy owners for decision.	UNOPS had previously stated that a separate exercise would be initiated to reassess the assigned useful economic life of all asset groups annually. The process would be documented in the process and quality management system and would be implemented every year. As the action is incomplete and the decision on the recommendation report is yet to be taken, the recommendation is considered to be under implementation.		X		
26	2018	A/74/5/Add.11, chap. II, para. 60	The Board recommends that UNOPS ensure the correct recording of asset data and review all migrated assets to guarantee the correct valuation and depiction of asset data within oneUNOPS.	The verification tool in the enterprise resource planning system identifies all capitalized in-service assets that are to be physically verified. Since its release in December 2017, UNOPS has conducted four physical verification exercises (namely, the 2017 year-end verification, the 2018 mid-year and year-end verifications, and the 2019 mid-year verification). Asset management is a process that requires the active participation of colleagues at all UNOPS field offices. With the broad objective of ensuring the correct recording of asset data, the following control measures have already been taken by UNOPS: (a) mapping of procurement catalogue items in relation to asset groups; (b) introduction	In view of the action taken by management, the recommendation is considered to have been implemented.	X			

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				of the online receipt inspection report, which ensures the timely capitalization of assets physically received at the designated location; (c) reconciliation of assets that are physically reviewed but whose status is not "in service"; (d) checks in the capitalization processes (through a biannual physical verification exercise conducted through oneUNOPS). Capacity is continuously being developed (in 2019, 12 webinars were delivered and four face-to-face training events were conducted; at the reporting date, a new e-learning course was being formulated).					
27	2018	A/74/5/Add.11, chap. II, para. 65	The Board recommends that suitable controls be put in place to ensure that assets are depreciated as per requirements of IPSAS 17 and that the depreciation of assets is not disrupted owing to work package expiry.	The following control measures have been taken to ensure that assets are depreciated in accordance with IPSAS requirements: (a) System enhancements, including the following: (i) Automated alignment of the end dates of work packages with the respective project closure end dates. This enhancement ensures that depreciation postings are not disrupted owing to individual work package expiry; (ii) Validation when the status of a work package is changed. This validation	In view of the action taken by management, the recommendation is considered to have been implemented.	X			

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				prevents the project status from being changed from "pending operational closure" to "operational closure" unless all assets associated with the project are cleared. (b) Additional checks by the Integrated Practice Advice and Support administration team, including a monthly review of the last depreciation date for all assets. The team reviews the asset reports to ensure that depreciation postings are not disrupted.					
28	2018	A/74/5/Add.11, chap. II, para. 71	The Board recommends that UNOPS disclose information related to segment assets and segment liabilities in the future financial statements in line with the requirements of IPSAS.	UNOPS assets and liabilities are not segmented, as the majority are not currently recorded in the UNOPS enterprise resource planning system by geographic location. UNOPS disclosed the allocable assets and liabilities in line with IPSAS in the 2019 corporate financial statements (note 24), with the remainder disclosed as unallocable, as permitted in accordance with IPSAS 18.	In view of the action taken by management, the recommendation is considered to have been implemented.	X			
29	2018	A/74/5/Add.11, chap. II, para. 74	The Board recommends that UNOPS capture all the required information and disclose all the details of future inventory as required under IPSAS 12 in the next financial statements.	UNOPS has significantly revised its template for capturing inventory information from local offices. In the new template, users must provide all the information required in accordance with IPSAS 12, for example, recognition as an expense and write-downs. The new inventory submission template was introduced during	Such disclosures as the carrying amount of inventory, the recognition of inventory as an expense, write-downs and reversal are included in the financial statements. The recommendation is therefore considered to have been implemented.	X			

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				the closure of the second quarter of 2019 at UNOPS, and was further improved during the closure of the third quarter and at year-end.					
30	2018	A/74/5/Add.11, chap. II, para. 83	The Board recommends that UNOPS properly document the cases of waiver of administrative fees.	The UNOPS shared service centre has established a new management tool for tracking requests. While the Google form was finalized in 2019, the implementation of the form to collect waivers of administrative fees will now be linked to the service request submission. As a result, the implementation of the tool has been delayed until mid-2020.	As the implementation of the tool is delayed until mid-2020, the recommendation is considered to be under implementation.		X		
31	2018	A/74/5/Add.11, chap. II, para. 84	The Board recommends that UNOPS modify the interest distribution tool to correctly allocate the interest on advance financing cases.	UNOPS information technology resources were not sufficient to address this requirement in 2019, and the process will therefore be implemented at the end of the first quarter of 2020 through a manual posting. Consequently, the implementation of the recommendation will be delayed until mid-2020.	As the implementation of the recommendation is delayed until mid-2020, the recommendation is considered to be under implementation.		X		
32	2018	A/74/5/Add.11, chap. II, para. 95	The Board recommends that UNOPS assess relevant risks during the engagement acceptance process, realistically projecting timelines and appropriately coordinating the various vendors contracted for the implementation of a particular project so that it is completed within the scheduled timelines.	In April 2019, UNOPS released, for mandatory use, its enterprise portfolio and project management system, known as oneUNOPS Projects, which includes an enterprise risk management system. oneUNOPS Projects systematizes the Project Management Manual, compliance with which has been mandatory since 1 January 2019, and integrates	In view of the consideration given to the matter and the action taken by management, the recommendation is considered to have been implemented.	X			

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				an opportunity and engagement acceptance process. The process includes a strengthened review process, through which reviewer comments and recommendations of the Engagement Acceptance Committee are directly entered into the risk register. oneUNOPS Projects includes an enterprise risk and issue management feature that enables risks and issues to be entered by team members in the risk and issue register at the business unit, project and engagement levels. Risks and issues can be escalated and de-escalated from one level to the next, on the basis of the organizational hierarchy. oneUNOPS Projects also includes a scheduling feature that enables engagement and project schedules to be created, with associated tasks, relations and milestones, for the project executive's approval and oversight. The feature improves the quality of project management thinking, thereby increasing the likelihood of projects being delivered on time and within the agreed parameters. The visibility of relevant risks enables better decision-making by the engagement authority and contributes to proper coordination of the					

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				various vendors and work packages, and to efficient project planning management. UNOPS has also stated that it has duly considered the gaps identified by the Board in the context in which UNOPS operates and has taken action to put in place an enhanced mechanism to adequately review and assess the risks for UNOPS engagement and enable an informed decision on engagement acceptance					
33	2018	A/74/5/Add.11, chap. II, para. 104	The Board recommends that UNOPS ensure stricter compliance with the established procurement procedures and record reasons for deviating from them at the commencement of the process.	The existing and recently adopted risk management procedures in this area include the following: (a) The review thresholds of UNOPS contracts and property committees are based on risk factors, including in situations based on exceptions to the use of formal methods of solicitation for a value of $50,000 and above, which require an independent review of compliance with procurement policy prior to award. That was the case in the scenario that led to the Board's recommendation; in the case minutes, the headquarters contracts and procurement committee showed in detail that justification for the exception was provided in accordance with UNOPS procurement procedures;	In view of the action taken in terms of the eSourcing system, in which mandatory justification is now required in order to conduct a process pursuant to an exception to the use of formal methods of solicitation and the related approval in the system by the procurement authority, prior to the tender being advertised, and given the efforts of management to contain and record deviation, including by increasing awareness, the recommendation is considered to have been implemented.	X			

						Status after verification			
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				(b) The headquarters contracts and procurement committee analyses, on a yearly basis, all awards made on the basis of exceptions to the use of formal methods of solicitation; (c) In the eSourcing system, mandatory justification is now required in order to conduct a process pursuant to an exception to the use of formal methods of solicitation and the related approval in the system by the procurement authority, prior to the tender being advertised; (d) In March 2019, UNOPS launched an online course specifically for procurement authorities, and completion of that course is mandatory prior to the appointment of personnel with a delegation of authority in procurement. The course covers in detail the responsibilities of procurement authorities in a procurement process and provides guidance on specific risk situations, including those that arise as a result of exceptions to the use of formal methods of solicitation. By October 2019, the course had been completed by almost all UNOPS personnel with a delegation of authority in procurement.					

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34	2018	A/74/5/Add.11, chap. II, para. 108	The Board recommends that UNOPS improve project planning and avoid post facto or retroactive amendments to contracts so as to derive cost benefits instead of extending contracts through multiple amendments.	The project planning process has been strengthened in the Project Management Manual, compliance with which has been mandatory since 1 January 2019. The requirements for each stage of the project, including the completion of the procurement initiation document, which informs the implementation plan and related subplans, have been systematized in oneUNOPS Projects. In terms of procurement planning, to avoid untimely contract award and contract extensions (including post facto and retroactive situations), UNOPS improved its procurement planning process in 2019 through the introduction of an online planning tool (based on Google Sheets) and an online dashboard that consolidates all the information collected. In addition, UNOPS released a contract management module in oneUNOPS on 4 October 2019; the use of the module is mandatory for all procurement contracts (goods, services and works). Among other benefits, the module is expected to improve current contract management practices, including with regard to timely contract extensions, through an automatic reminder functionality.	In view of the action taken in relation to project and procurement planning, including the launch of the contract management module, the recommendation is considered to have been implemented.	X			

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35	2018	A/74/5/Add.11, chap. II, para. 117	The Board recommends that UNOPS ensure that the contract management module in oneUNOPS, among other requirements, provides for: (a) A unique identifying system for all its contracts; (b) The nature of the solicitation, along with the inclusion of performance security, liquidated damages and the like; (c) Details about the actual inclusion of provisions related to performance security and liquidated damages in the final contract agreements; (d) Relevant details, such as the date of and reasons for termination.	UNOPS released its contract management module and associated functionality and system enhancements in oneUNOPS on 4 October 2019. The release fulfils, among other requirements, those identified by the Board in this recommendation.	The newly released contract management module fulfils the requirements identified in the recommendation. The recommendation is considered to have been implemented.	X			
36	2018	A/74/5/Add.11, chap. II, para. 125	The Board recommends that UNOPS review the need for completing the system development documentation for all functionalities of oneUNOPS, in line with its recently adopted strategies and practices, as well as international best practices.	UNOPS has compiled and completed system development documentation for functionalities in oneUNOPS	UNOPS has compiled and completed system development documentation for functionalities related to the oneUNOPS Confluence website, but not to all functionalities of oneUNOPS. Upon enquiry, UNOPS also provided system development documentation related to the implementation, in the oneUNOPS enterprise resource planning system, of functions related to such areas as asset management, finance, human resources, project management and procurement. The recommendation is therefore considered to have been implemented.	X			

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37	2018	A/74/5/Add.11, chap. II, para. 131	The Board recommends that UNOPS carry out a user sign-off review of the completeness of the data migration process to assess the risks and mitigate them.	UNOPS has carried out a user sign-off review of the completeness of the data migration process and the actions taken in order to validate data following migration, and therefore considers this recommendation implemented.	As UNOPS has carried out a user sign-off review of the completeness of the data migration process, a review jointly certified by four directors of various groups, the recommendation is considered to have been implemented.	X			
38	2018	A/74/5/Add.11 chap. II, para. 136	The Board recommends that UNOPS comprehensively review the pending change requests, classify them on the basis of priority and bring them before the ICT governance bodies for consideration so that the pending requests can be addressed comprehensively and within a definite time frame.	UNOPS has carried out a substantial review of pending change requests and closed requests no longer valid. Currently, only valid change requests are open in the Jira system. The process for bringing change requests before the ICT governance body has also been reviewed. For 2020, the ICT governance body has decided to focus on the digitization of security and controls; accordingly, only change requests on that theme have been submitted to the governance body for consideration. The remaining change requests will be submitted in subsequent periods.	UNOPS stressed that 47 change requests have remained pending since 2018 and that such requests will continue to be made in line with the Office's changed and growing needs; it will therefore not be possible to empty the Jira system, which will remain a repository for change requests until they are delivered as products. However, in the Board's view, a definite time period and classification system for the prioritization of change requests needs to be devised in order to address the request process. The recommendation is therefore considered to be under implementation.		X		
39	2018	A/74/5/Add.11, chap. II, para. 139	The Board recommends that UNOPS restrict user accounts for staff to their contract period or date of retirement, whichever is earlier. In respect of individual contractor agreements with indefinite contract periods, access rights may be provided after periodic	UNOPS has changed its policy and will now automatically restrict user accounts for personnel to their contract period. User role reviews are undertaken regularly by the System Support Unit to ensure that role conflicts do not occur and that syntax rules for	In view of the action taken by management, the recommendation is considered to have been implemented.	X			

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			review, renewable upon the receipt of feedback. UNOPS also should undertake user role reviews at regular intervals to check for role conflicts and to document syntax rules for allocating oneUNOPS identifiers.	allocating oneUNOPS identifiers are clear.					
40	2018	A/74/5/Add.11, chap. II, para. 143	The Board recommends that UNOPS review the segregation of duties matrix and incorporate all role prohibitions and role conflicts prescribed and/or required by the business users.	UNOPS has reviewed the segregation of duties matrix and incorporated all prohibitions and conflicts pertaining to the roles found in oneUNOPS.	In view of the action taken by management, the recommendation is considered to have been implemented.	X			
41	2018	A/74/5/Add.11, chap. II, para. 149	The Board recommends that UNOPS establish and implement a formal ICT mandate, strategy and plan with clearly defined roles and responsibilities in the process and quality management system. The Board also recommends the establishment of a formal information security risk management and reporting framework, including a risk register, so as to monitor significant ICT risks, including business continuity and information security risks.	UNOPS has finalized an ICT strategy. An approved, documented strategy is expected to be finalized by April 2020. A register for the monitoring of ICT risks will be maintained in oneUNOPS Projects. A UNOPS information security risk management and reporting framework has been developed to integrate security and risk management activities into the end-to-end system development life cycle. This risk-based approach to security control selection and specification takes into account effectiveness, efficiency and constraints based on global best practices, established laws, policies, standards and regulations. The key elements of the framework are as follows: a critical security controls maturity	An approved, documented strategy has been finalized, and the other requirements have been met. The recommendation is considered to have been implemented.	X			

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				tracker, a privacy and information security risk register, and quarterly information security reporting to the senior leadership team.					
42	2018	A/74/5/Add.11, chap. II, para. 158	The Board recommends that UNOPS review and update the existing ICT business continuity plan, document disaster recovery procedures, testing schedules and training requirements and carry out tests to check their robustness.	UNOPS has reviewed and updated the ICT business continuity plan, and has scheduled and documented annual failover simulation exercises in order to uncover unidentified risks.	The first failover test was carried out on 26 October 2019. In view of the action taken by management, the recommendation is considered to have been implemented.	X			
43	2018	A/74/5/Add.11, chap. II, para. 162	The Board recommends that UNOPS strengthen the governance mechanism, improve the periodicity of Strategic Advisory Board meetings in accordance with the procedure laid down in the terms of reference and the operational instruction. Explicit risk documentation, including the estimated start and end times, savings, cost and so on need to be included in the proposals.	On 14 August 2019, the ICT governance body was changed, as the ICT Strategic Advisory Board was abolished and incorporated into the Senior Leadership Team.	The ICT Strategic Advisory Board held four meetings in 2019 before the Senior Leadership Team took over. In addition, new terms of reference have been issued for the Team. The recommendation is considered to have been implemented.	X			
44	2018	A/74/5/Add.11, chap. II, para. 167	The Board recommends that UNOPS capture complete information for each engagement, including all amendments, in oneUNOPS and that a management information system report provide comprehensive details on all amendments.	oneUNOPS captures all information for all amendments. Users can navigate to different amendments to view information captured on specific amendments. UNOPS also maintains database-level change data logging, through which it captures every change to every field in the tables. Engagement information on relevant reports is available on request by the business unit.	During the previous audit, the Board had noted that the opportunity and engagement acceptance process with respect to oneUNOPS Projects was under development. The incorporation, in oneUNOPS, of the Engagement Acceptance Committee process into the opportunity and engagement acceptance process was ongoing, and the functionality	X			

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				In addition, the engagement addition and the engagement revenue addition, which are UNOPS key performance indicators, utilize this information to measure changes in the engagement amount and the associated revenue.	was expected to be released in April 2019. Upon enquiry, UNOPS confirmed that the Engagement Acceptance Committee checklist had been released into production in April 2019. UNOPS also provided a report that had been generated by the management information system and showed all amendments under an engagement. In view of the above, the recommendation is considered to have been implemented.				
45	2018	A/74/5/Add.11, chap. II, para. 170	The Board recommends that UNOPS incorporate the requirements of Prince 2 methodology in oneUNOPS to enable UNOPS to manage its projects in terms of the requirements of its Project Management Manual.	The development of oneUNOPS Projects has substantially progressed since the previous response provided by UNOPS to the Board on 30 October 2019. The implementation of the new quarterly assurance process, which captures the "manage by stages" principle of Prince 2, has been rescheduled to the end of the second quarter of 2020. The process will allow project teams to compare planned delivery with actual delivery in terms of time, cost and scope, and to effectively evaluate whether risks and issues were carefully managed and relevant lessons were recorded during the quarter. While the functional requirements for the global	The implementation of the new quarterly assurance process, which captures the "manage by stages" principle of Prince 2, has been rescheduled to the end of the second quarter of 2020.The recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				lessons-learned library have been completed, the library has not been prioritized at this stage for the system.					
46	2018	A/74/5/Add.11, chap. II, para. 174	The Board recommends that UNOPS automate the preparation of financial statements to ensure the credibility of financial information. UNOPS also prioritize the implementation of treasury management and inventory valuation and management in oneUNOPS.	In the enterprise resource planning system, UNOPS has been developing reports in which the outputs will be key tables of the corporate financial statements; those tables were previously prepared manually in Excel. The testing of these reports is currently ongoing. The implementation of a new treasury system commenced in 2019, with the intention of launching the system in 2020. In relation to inventory management, UNOPS has significantly revised its templates for capturing inventory information from local offices. The templates now capture all the information required in accordance with IPSAS 12, and other information for internal review processes. The revised templates contain a number of validation checks that users must complete prior to submitting their inventory return to headquarters for inclusion in the corporate financial statements. In addition to the revised templates, UNOPS has carried out a cost-benefit analysis of implementing an inventory module in the enterprise	As the testing of the reports is under way and the treasury management system will also be launched in 2020, the recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				resource planning system, and has concluded that the new templates are fit for purpose regarding the capture of information as required in IPSAS 12 and that there would be little, if any, additional value in implementing an inventory management system.					
47	2018	A/74/5/Add.11, chap. II, para. 177	The Board recommends that UNOPS review the reports in the asset module and automate the quarterly closure of business assets. UNOPS should also record the residual value of assets and the useful life of both tangible and intangible assets in oneUNOPS at each annual reporting date.	UNOPS has reviewed the current need for reports and decided to deactivate the following reports: (a) asset creation process – IPSAS-compliant assets; (b) asset management process – IPSAS-compliant assets; and (c) asset enquiries – asset depreciation. Those reports had become redundant given the maturing of the oneUNOPS assets module, in which the work processes initially captured in them had been captured in other reports. The deactivated reports will be removed from oneUNOPS in the April 2020 release. UNOPS has reviewed the process related to the incorporation of residual value at the time of capitalization. However, as residual value is considered to be zero in accordance with UNOPS policy, the development of a new functionality would add no value. UNOPS has already formalized a separate process to review the useful lives of all UNOPS asset groups.	UNOPS has reviewed the process related to the incorporation of residual value at the time of capitalization. However, as residual value is considered to be zero in accordance with UNOPS policy, the development of a new functionality would add no value. UNOPS has also provided policy guidance on the useful life assessment, as incorporated in process 9.9.28 of the process and quality management system. The recommendation is therefore considered to have been implemented.	X			

						Status after verification			
No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*UNOPS response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
48	2018	A/74/5/Add.11, chap. II, para. 179	The Board recommends that UNOPS review the risks of having open resources without an active contract in the resource master, examine the controls in place and introduce additional controls if needed to ensure that only those contract resources who have entered into an active line of employment are processed for entitlements.	UNOPS has reviewed the risks of having open resources without an active contract in the resource master and has found that, under the current arrangement, including supporting processes, the risk is negligible and the proper controls are in place, as confirmed by a memo from the payroll manager.	As UNOPS has reviewed the risks of having open resources without an active contract in the resource master and has consciously decided that the risk is negligible, the recommendation is considered to have been implemented.	X			
	Total				**48**	**32**	**15**	**1**	**0**
	Percentage				**100**	**67**	**31**	**2**	**0**

Chapter III
Financial report for the year ended 31 December 2019

A. Introduction

1. In accordance with the financial regulations and rules of the United Nations Office for Project Services (UNOPS), the Executive Director of UNOPS has certified the 2019 financial statements of the organization and is pleased to submit them to the Executive Board and the General Assembly, and to make them publicly available. The financial statements have been audited by the Board of Auditors, and its unqualified audit opinion and report are attached. Overall, UNOPS is financially robust and is continuing to make the necessary strategic investments in order to accomplish its strategic plan for 2018–2021.[18]

2. The UNOPS strategic plan for 2018–2021 focuses on implementation for impact. It provides direction to support Member States and the Secretary-General in realizing sustainable development and more peaceful, just and equitable societies. UNOPS is a United Nations resource for services and solutions across peace and security, humanitarian, and development efforts. While UNOPS can expand capacity towards the achievement of all the Sustainable Development Goals, the focus is based on partners' demand and the needs of people and countries.

3. The UNOPS ambition is to become a known and recognized resource providing collaborative advantages that expand implementation capacity for Governments, the United Nations and other partners, in support of the Secretary-General and the 2030 Agenda for Sustainable Development. Its objectives are structured around three strategic contribution goals: (a) enable partners through efficient management support services; (b) help people through effective specialized technical expertise; and (c) support countries in expanding the pool and effect of resources.

B. Highlights of results in 2019

4. The mission of UNOPS is to help people build better lives and countries achieve peace and sustainable development. UNOPS is a self-financing organization, without any voluntary or assessed contributions from Member States; it relies on exchange revenue from the delivery of flexible and modular project services, spanning infrastructure, procurement project management, financial management, human resources and other services, which can be deployed as self-standing offerings in response to specific demand or as integrated service offerings.

5. Around 5 million days of paid work for local people were again created through UNOPS projects in 2019, almost 2 million of which were for women and young workers. The majority related to infrastructure projects, including the construction, design or rehabilitation of 83 schools, 8 hospitals, 79 health clinics, 7 courthouses and 3,526 km of roads, compared with 104 schools, 9 hospitals, 114 health clinics, 4 courthouses and 1,514 km of roads in 2018.

6. UNOPS procured $1.1 billion worth of goods and services for its partners in 2019, compared with the $921 million reported in 2018. UNOPS is committed to strengthening national economies by supporting local suppliers. In locations of operations where UNOPS maintains a physical presence, 51 per cent of procurement budgets were awarded to local suppliers, representing over $560 million, compared with 46 per cent in the previous year. In 2019, $7.7 million of procurement tenders

[18] Endorsed by Executive Board decision 2017/26.

were awarded to women-owned businesses and $533 million to micro-, small and medium-sized enterprises.

7. As part of efforts to share UNOPS knowledge and expertise, almost 29,000 days of technical assistance were provided to partners (down from 31,000 in 2018). Approximately 55 per cent of relevant projects supported by UNOPS reported one or more activities that contributed to developing national capacity, compared with 67 per cent reported for 2018. A full account is provided in the annual report of UNOPS (DP/OPS/2020/4).

Delivery and partnerships

8. As an operational resource for Member States and the Secretary-General, UNOPS partners with Governments, the United Nations system and other entities, including international financial institutions, multilateral institutions, foundations, non-governmental organizations and the private sector.

9. UNOPS delivery amounted to almost $2.3 billion in 2019, an increase over the close to $1.9 billion in 2018, making it the third year in a row of record financial turnover. The volume can again be attributed to high government demand for UNOPS services.

10. Direct support to Governments accounted for the largest increase in delivery value, accounting for $943 million, compared with $685 million in 2018. The largest partnership with a host Government was with Peru, followed by Guatemala, Argentina and Ukraine. Direct support to Governments accounted for 42 per cent of delivery. The largest donor Government to which UNOPS delivery can be directly attributed is that of the United Kingdom of Great Britain and Northern Ireland, followed by those of Qatar, the United States of America, Japan, Norway and Sweden.

11. In 2019, 26 per cent of UNOPS delivery was on behalf of the United Nations system, a decrease from 33 per cent in 2018. In real terms, that delivery represented approximately $592 million, compared with $608 million in 2018. The largest United Nations partner was again the United Nations Secretariat as partnerships with the Department of Peace Operations continued. Notably, delivery on behalf of the Office of the United Nations High Commissioner for Refugees (UNHCR) grew for the seventh consecutive year. Other strong partnerships included support to the World Health Organization and the United Nations Environment Programme.

12. The largest countries or territories of delivery were Myanmar, Peru, the State of Palestine, Guatemala and Yemen, in that order. In 2018, they were Myanmar, South Sudan, Argentina, Somalia and Iraq. A full account is provided in the annual report of the Executive Director of UNOPS (DP/OPS/2020/4).

Financial performance and results

13. The financial performance of UNOPS in 2019 can be summarized in the following headline figures:

(a) UNOPS increased the value of the net services it delivered to $2,255.8 million. The amount comprised $1,108.0 million in respect of projects delivered on behalf of UNOPS and $1,147.8 million in respect of projects delivered on behalf of other organizations;

(b) The net surplus for the year was $47.1 million, which includes surplus from operations of $21.5 million and $25.6 million from net finance income;

(c) The net assets at year-end stood at $252.0 million, exceeding the minimum threshold established by the Executive Board. This figure takes into account the impact of actuarial loss on post-employment benefits and fair value gain on financial instruments held as available for sale, amounting to $0.27 million and $12.3 million, respectively, recognized in the statement of changes in net assets. Operational reserves are further described later in the present report.

14. The present report was written during the coronavirus pandemic in the first half of 2020. At the time of writing, it was still too early to estimate the exact magnitude of the pandemic's economic consequences and, subsequently, any impact on UNOPS net assets. The solid financial position of UNOPS allows it to face the unpredictable operating environment from a position of strength and to support its partners in making the best possible decisions in this challenging time.

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

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

(a) *Statement of financial position*. This statement shows the financial status of UNOPS as at 31 December 2019 by reporting the overall value of its assets and liabilities. It provides information about the extent to which resources are available for UNOPS to continue delivering partner services in the future;

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

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

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

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

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

17. In 2019, the net delivery of UNOPS services amounted to $2.3 billion, consisting of services delivered on behalf of UNOPS and services delivered on behalf of its partners. This reflects the total volume of resources handled by UNOPS during the period and represents an increase of around 21 per cent compared with 2018, with a recorded delivery of $1.9 billion.

18. In 2019, total revenue as reported in the statement of financial performance, which represents the actual income attributable to UNOPS, amounted to $1.2 billion, an increase of 29 per cent compared with 2018 ($0.942 billion). The increase is due mainly to a change in the composition of delivery volume on behalf of UNOPS and on behalf of other organizations.

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

20. The difference between gross delivery and IPSAS revenue figures consists of $1,147.8 million in agency transactions. Table III.1 provides a summary of revenue and expenses against the five core services of UNOPS: infrastructure, procurement, project management, human resources and financial management. The figures are derived from the financial statements that report the same IPSAS figures against the five principal activities (see note 17).

21. After deducting annual expenses and long-term employee liabilities charges, the net surplus for 2019 was $47.1 million, compared with the net surplus for 2018 of $38.4 million.

Table III.1
Revenue and expenses
(Millions of United States dollars)

	IPSAS revenue	*Add agency transactions*	*Total gross delivery*
Revenue			
Construction contracts (infrastructure)	315.7	–	315.7
Procurement	99.6	488.4	588.0
Financial management	179.1	410.9	590.0
Human resources administration	26.0	206.9	232.9
Other project management	586.9	41.6	628.5
Miscellaneous revenue	4.5	–	4.5
Total revenue	**1 211.8**	**1 147.8**	**2 359.6**
	IPSAS expenses	*Add agency transactions*	*Total gross delivery*
Expenses			
Construction contracts (infrastructure)	(301.5)	–	(301.5)
Procurement	(78.3)	(488.4)	(566.7)
Financial management	(157.9)	(410.9)	(568.8)
Human resources administration	(13.9)	(206.9)	(220.8)
Other project management	(556.4)	(41.6)	(598.0)
Total project expenses	**(1 108.0)**	**(1 147.8)**	**(2 255.8)**
Less: UNOPS administrative costs	(82.3)		(82.3)
Total expenses	**(1 190.3)**		**(2 338.1)**
Surplus from services	21.5		21.5
Add: net financial income	25.6		25.6
UNOPS 2019 surplus	**47.1**		**47.1**

Assets and liabilities

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

Financial position at the end of 2019

23. As at 31 December 2019, the liability to fund after-service health-care and end-of-service benefits for qualifying staff members stood at $90.7 million. This liability was independently estimated by an actuarial firm. The details of the calculations are contained in note 13. While this amount represents the best estimate of the liability of UNOPS, it remains subject to a degree of uncertainty, which is reported in the sensitivity analysis. In recognition of this uncertainty, the actuarial assumptions will be kept under review and the estimate of the liability will be updated on an annual basis.

24. As at 31 December 2019, UNOPS had assets of $2,367.2 million, which more than covered liabilities of $ 2,115.2 million, leaving net assets of $252.0 million.

25. The most significant assets were cash and investments, which amounted to $2,232.8 million at the end of 2019, compared with $2,201.4 million at the end of 2018.

26. About 80 per cent of UNOPS cash and investments reflect contributions that have been received in advance from partners towards the cost of the implementation of the projects. The strong cash position of UNOPS demonstrates that it can continue to fund a similar portfolio of future programmes of work with its partners.

Operational reserves

27. As at 31 December 2019, after an allowance had been made for all known liabilities, the net assets reserves held by UNOPS stood at $252.0 million. Significantly, a $0.27 million actuarial loss pertaining to the valuation of employee benefits at year-end as well as a $12.2 million fair value gain on available-for-sale financial instruments were recognized and have increased the total reserves.

28. On the basis of the minimum operational reserve requirement calculation approved by the Executive Board in September 2013 (see DP/OPS/2013/CRP.1), UNOPS was required to maintain, at a minimum, $21 million in operational reserves as at 31 December 2019. This is based on the requirement to maintain four months of the average actual management expenses of the previous three years.

29. In 2019, a growth and innovation reserve was established. This provides seed funding to, inter alia, Sustainable Infrastructure Impact Investments (S3I) activities, which contribute to accelerating the achievement of the Sustainable Development Goals through projects with significant potential to deliver social and environmental impact, alongside a financial return. The value of this reserve was set at 50 per cent of the excess operational reserves. At the end of 2019, this stood at $104.9 million.

Liquidity

30. The statement of cash flows shows that cash and cash equivalents held by UNOPS increased by $21.6 million during 2019. UNOPS continues to retain a strong working capital position.

Budget outcome

31. IPSAS requires the preparation of a statement of comparison of budget and actual amounts. The statement reports actual revenue and expenses against the

Executive Board-approved management budget covering UNOPS administrative costs for the biennium 2018–2019.

32. For 2019, the overall budgetary outcome was positive, with UNOPS achieving a net revenue of $26.7 million on a budget basis from its delivery of services. The UNOPS revenue from management fees, reimbursable services and advisory income totalled $97.7 million in 2019, compared with 2018 ($85.2 million), 11 per cent above the budget of $88.2 million.

C. People excellence

33. UNOPS has a highly skilled and engaged workforce. At the end of 2019, the number of individuals on UNOPS contracts stood at 12,528, up from 11,671 in 2018. Of those individuals, 819 were staff and 11,709 had individual contractor agreements. UNOPS administers personnel contracts on behalf of a range of partners. In 2019, 7,763 of the total number of individual contractors were partner personnel. This is illustrated in table III.2.

Table III.2
Number of personnel, by category, as at 31 December 2019

Contract modality	*Staff*	*Contractors*	*Total*
UNOPS personnel	819[a]	3 946	4 765
Partner personnel	–	7 763	7 763
Combined personnel	**819**	**11 709**	**12 528**

[a] Includes partner staff and staff in organizations where UNOPS is providing hosted initiative secretariat services, who are subject to the same policies and procedures as UNOPS staff.

Status and deployment of individuals on UNOPS contracts

34. A survey of UNOPS personnel revealed engagement levels that continue to exceed internationally recognized benchmarks for high-performing organizations. Out of more than 3,250 responses (reflecting a response rate of 75 per cent), 83 per cent were favourable (at the same level as the previous survey), indicating high levels of engagement and intent to stay in the organization. UNOPS has yet to determine the date for the next full-scale survey, but the aim is for such surveys to be conducted on a periodic basis.

35. In 2019, UNOPS strengthened its efforts towards achieving gender parity. Temporary special measures were introduced globally to ensure continued progress. The measures focused on increasing leadership accountability towards gender parity, encouraging gender-responsive and inclusive working practices and strengthening recruitment practices and talent outreach strategies. The gender advisory panel composed of senior managers across all regions continued to provide guidance for the organization and will continue to do so in 2020.

36. In 2019, 90 members of UNOPS senior management in countries where the organization maintains physical offices were nationals of the duty station country, representing 16 per cent of the total number of 573. In 2018, 94 senior managers out of a total of 552 were nationals of the duty station country, representing 17 per cent of the total number (senior management is defined as staff employed at grade ICS-11 and above). At the end of 2019, over 2,500 UNOPS personnel were based at hardship duty stations (locations rated B to E on the International Civil Service Commission hardship scale).

37. In 2019, almost 5,000 UNOPS colleagues (including colleagues who separated from the organization in 2019) benefited from UNOPS learning opportunities. Some 89 per cent of participants rated learning opportunities as “very relevant” or “relevant” to their work. Some 45 per cent of participants were women, and over 90 per cent were based in field locations.

38. Since the introduction, in 2016, of the new competency framework in UNOPS, the organization has displayed significant efforts towards ensuring that its workforce is fully aligned with the updated competencies, values and principles which would allow UNOPS to implement its strategic plan. Special emphasis has been placed on defining the UNOPS leadership mindset and providing leaders with the tools required for them to efficiently assume their leadership function across the organization. Moreover, the organization has been, and continues to be, very active in the area of prevention of sexual harassment and sexual exploitation and abuse, both joining United Nations system initiatives and defining and implementing UNOPS strategies, which together help to ensure that UNOPS beneficiaries and personnel enjoy the highest standards regarding the safeguarding of their rights.

39. In 2019, UNOPS continued to focus on leadership development. The leadership development programme (Leading People programme) was made available in French and Spanish to share this opportunity more widely. In 2019, 60 leaders were able to participate in the programme. In addition, 40 aspiring leaders completed the Leadership Foundation Programme. In 2019, the UNOPS unique hybrid leadership programmes won their first global award. Senior leaders continued to be part of prestigious external leadership programmes. The core content of those programmes remains such themes as inclusive leadership, diversity and gender equality to strengthen UNOPS commitment to people excellence based on competencies, values and principles. Gender balance (50 per cent women and 50 per cent men) and geographical representation have been ensured in all leadership development programmes offered.

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

40. Achievements during 2019 included the following:

(a) In 2019, the Secretary-General decided to replace the UNOPS Policy Advisory Committee with a client board. The Client Board, which is strictly advisory to the Executive Director, convened for its first meeting in February 2020;

(b) UNOPS changed its organizational structure with the establishment of the Senior Leadership Team in August 2019, superseding the Corporate Operations and Senior Leadership groups. Formed by, and inclusive of, the Executive Office, the Team enables executive leadership to develop clear, coherent positions on the strategic direction and institutional initiatives of UNOPS;

(c) UNOPS was assessed by the International Organization for Standardization (ISO) and maintained its global ISO 9001 (quality management) certification. UNOPS maintained its ISO 14001-certified environmental management system covering its activities and facilities in Afghanistan, Argentina, Denmark, El Salvador, the Gambia, Ghana, Guinea, Liberia, Myanmar, Peru, Sierra Leone, Sri Lanka, Tunisia and the State of Palestine and in Kosovo.[19] The New York office, and UNOPS activities and facilities in Guatemala and Serbia, also received the certification. This forms the basis for UNOPS compliance with document CEB/2013/HLCM/5 on the

[19] All references to Kosovo in the present document should be understood to be in the context of Security Council resolution 1244 (1999).

development and implementation of environmental sustainability management systems in each United Nations organization;

(d) UNOPS certified health and safety management systems – Occupational Health and Safety Assessment Services 18001 – applies to all UNOPS activities and facilities in Denmark, the Gambia, Ghana, Myanmar, Sierra Leone, Sri Lanka and the State of Palestine and in Kosovo. This forms the basis for UNOPS compliance with the adoption of occupational safety and health systems in all United Nations organizations (CEB/2015/HLCM/7/Rev.2) and with the Secretary-General's bulletin on the introduction of an occupational safety and health management system (ST/SGB/2018/5);

(e) Several major milestones were achieved under the corporate knowledge management initiative. UNOPS transitioned to G Suite, a cloud computing-based set of tools to improve productivity and collaboration. It released oneUNOPS Projects 2.0, which expanded the enterprise project management system, integrating it with G Suite systems and knowledge management tools. This included shifting the budgeting for project cost towards an output-based approach to better account for deliverables. Finally, a new intranet was launched to capitalize on related productivity platforms and simplify and improve information flows across UNOPS;

(f) By the end of 2019, the implementation rate of internal audit recommendations stood at 96 per cent, the same as in 2018, continuing to demonstrate high management responsiveness. One recommendation remained open for more than 18 months, a reduction from 12 the previous year. Details of UNOPS audit and investigations findings in 2019 are available in a dedicated report (DP/OPS/2020/2).

E. System of internal control and its effectiveness

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

Main elements of the system of internal control

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

43. Following substantive work completed in 2018, UNOPS has completed the implementation of its governance, risk and compliance framework. This has led to:

(a) Revision of UNOPS legislative framework, including populating the UNOPS process quality management system to ensure consistent policy application;

(b) Introduction of an enterprise risk management framework completed with the launch of an online solution in the first quarter of 2019 (enterprise portfolio and project management – oneUNOPS Projects);

(c) Overhaul of UNOPS internal control and compliance frameworks, for which revised legislative instruments were promulgated in December 2018 with the new organizational directive on internal controls and the new organizational instruction on compliance.

44. Based on the principles of the above-mentioned governance, risk and compliance framework and as an integral part of risk and internal control management, UNOPS enterprise risk management is a holistic approach for managing key risks across various organizational levels. Enterprise risk management is implemented through standard rules (promulgated organizational directive and operational instruction), integrated processes (process quality management system guidance), common tools (oneUNOPS Projects) and taxonomies (risk categories, risk evaluation scale, etc.). More specifically, enterprise risk management comprises three interconnected levels:

(a) Operational risk management, which relates to managing risks online across the lifespan of UNOPS projects and engagements in order to facilitate the successful delivery of UNOPS operations;

(b) Organizational risk management, which relates to managing risks at the geographical entity level, such as those affecting the entity's reputation, financial viability and overall objectives;

(c) Corporate risk management, which relates to managing risks for UNOPS as a global entity, such as those affecting the reputation and financial viability of UNOPS.

Effectiveness of the system of internal control

45. The UNOPS system of internal control is a continuous process designed to monitor, manage and improve UNOPS core activities. As a result, the system can only provide reasonable, and not absolute, assurance that UNOPS will achieve its expected results and objectives. Internal controls help to reduce UNOPS risk exposure to an acceptable level through the implementation of control and oversight activities across UNOPS operational processes. The Executive Director has established governance and reporting structures which have enabled her to evaluate the effectiveness of the internal control system throughout the year. The Executive Director held regular meetings with the major elements of the UNOPS governance structure, including the Executive Board, the Audit Advisory Committee, the Director of the Internal Audit and Investigations Group, the Ethics and Compliance Officer and the Board of Auditors. Internal controls and risk management processes are reinforced during these sessions with mitigation plans for risks which are at an unacceptable level. She also took into account feedback from the Senior Leadership Team and senior managers on the operational effectiveness of the internal control system. On the basis of these activities, she provided a reasonable, but not absolute, assurance of the effectiveness of the internal control system and confirmed that she was not aware of any significant issues.

46. In 2019, UNOPS implemented a new enterprise portfolio and project management system, which includes an enterprise risk management functionality, designed to better integrate engagement development, acceptance and delivery processes. This new system increases the quality of information for risk management, better informing decision-making and enabling UNOPS to provide more efficient operational support to partners. The system is a vital element of the continued efforts to optimize UNOPS project management processes and systematically reinforce internal controls, segregation of duties and compliance. The enterprise portfolio and project management system went live to all UNOPS personnel on 1 January 2019 and its use became mandatory for all engagement management as of 15 April 2019.

F. Looking ahead

Strategic plan for 2018–2021

47. The Executive Board endorsed the UNOPS strategic plan, 2018–2021, at its second regular session, in September 2017. The plan builds on the UNOPS midterm review and was developed after extensive consultation with UNOPS stakeholders. In its decision 2017/26, the Board recognized the plan's solid foundation in Member State decisions, policy guidance and international agreements and the needs of people and countries, including in the most fragile situations.

48. The ambitions of UNOPS for the planning period are structured around three strategic contribution goals: (a) enable partners to do more with less through efficient management support services, delivered locally or as global shared services; (b) help people achieve individual, local, national and global objectives, through effective specialized technical expertise grounded in international norms and standards; and (c) support countries in expanding the pool and effect of resources available to achieve the 2030 Agenda. These, in turn, are supported by four strategic management goals, which frame how it will drive its internal management reform and innovation agenda with a focus on partner value, people and process excellence, and financial stewardship.

49. In its decision, the Board expressed support for the strategic goals of UNOPS and appreciation for its intent to engage more strategically with Governments and other partners. It urged entities of the United Nations system to recognize the comparative advantages and technical expertise of UNOPS and engage in collaborative strategic partnerships for efficiency and effectiveness, including at the country level; and encouraged UNOPS in its continued pursuit of organizational excellence and attention to ensuring investment to build organizational capabilities and protect its unique business model for the future. In September 2020, the midterm review of the UNOPS strategic plan, 2018–2021, will be presented to the Board.

UNOPS financial viability

50. UNOPS has assessed its capability and resilience to continue operating at its current level of activity throughout 2019 and beyond. UNOPS is confident in its ability to remain in operation for the foreseeable future. Accordingly, the 2019 financial statements have been prepared on a going-concern basis.

Chapter IV
Financial statements for the period ended 31 December 2019

United Nations Office for Project Services

I. Statement of financial position as at 31 December 2019

(Thousands of United States dollars)

	Reference	*31 December 2019*	*31 December 2018*
Assets			
Non-current assets			
Intangible assets	Note 6	2 041	2 166
Property, plant and equipment	Note 5	18 750	11 939
Long-term investments	Note 9	584 033	337 756
Other financial assets	Note 10	40 993	8 800
Non-current accounts receivables	Note 11	530	640
Total non-current assets		**646 347**	**361 301**
Current assets			
Inventories	Note 7	14 723	11 272
Accounts receivable	Note 11		
Project accounts receivable		33 218	37 679
Prepayments		8 982	27 158
Other accounts receivable		15 174	16 436
Short-term investments	Note 9	1 089 323	1 325 724
Cash and cash equivalents	Note 12	559 444	537 888
Total current assets		**1 720 864**	**1 956 157**
Total assets		**2 367 211**	**2 317 458**
Liabilities			
Non-current liabilities			
Employee benefits, long-term	Note 13	89 647	83 579
Total non-current liabilities		**89 647**	**83 579**
Current liabilities			
Employee benefits, short-term	Note 13	27 731	25 713
Accounts payable	Note 14	216 980	214 756
Project cash advances received	Note 15		
Deferred revenue		1 043 123	1 026 950
Cash held on agency projects		729 609	769 873
Provisions	Note 20	8 077	3 672
Total current liabilities		**2 025 520**	**2 040 964**
Total liabilities		**2 115 167**	**2 124 543**
Net assets		**252 044**	**192 915**

	Reference	31 December 2019	31 December 2018
Reserves			
Actuarial gains/losses	Note 16	11 987	12 256
Fair value of available-for-sale financial assets	Note 16	9 222	(3 039)
Minimum operational reserve	Note 16	21 025	21 724
Growth and innovation reserve	Note 16	104 905	–
Accumulated surpluses	Note 16	104 905	161 974
Total reserves		**252 044**	**192 915**
Total liabilities and reserves		**2 367 211**	**2 317 458**

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

United Nations Office for Project Services

II. Statement of financial performance for the period ended 31 December 2019

(Thousands of United States dollars)

	Reference	*31 December 2019*	*31 December 2018*
Revenue			
Revenue from project activities	Note 17	1 207 306	940 638
Miscellaneous revenue		4 461	1 838
Total revenue		**1 211 767**	**942 476**
Expenses			
Contractual services	Note 17	428 447	340 111
Other personnel costs – other personnel	Note 18	270 489	230 888
Salaries and employee benefits – staff	Note 18	131 959	123 977
Operational costs	Note 17	111 081	78 556
Supplies and consumables		149 011	102 519
Travel		83 067	46 102
Other expenses	Note 17	11 230	(2 443)
Depreciation of property, plant and equipment	Note 5	4 216	3 291
Amortization of intangible assets	Note 6	761	667
Total expenses		**1 190 261**	**923 668**
Surplus from operations		**21 506**	**18 808**
Finance income	Note 19	24 264	14 460
Exchange rate gain/loss	Note 19	1 367	5 159
Net finance income/(expense)		**25 631**	**19 619**
Surplus for the period		**47 137**	**38 427**

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

United Nations Office for Project Services

III. Statement of changes in net assets for the period ended 31 December 2019

(Thousands of United States dollars)

	Reference	
Opening balance as at 1 January 2018	Note 16	**158 640**
Actuarial gains/(losses) for the period		2 443
Change in fair value of available-for-sale financial assets		(6 595)
Surplus for the period		38 427
Opening balance as at 1 January 2019	Note 16	**192 915**
Actuarial gains/(losses) for the period		(269)
Change in fair value of available-for-sale financial assets		12 261
Surplus for the period		47 137
Closing balance on 31 December 2019	Note 16	**252 044**

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

United Nations Office for Project Services

IV. Statement of cash flows for the period ended 31 December 2019

(Thousands of United States dollars)

	Reference	*31 December 2019*	*31 December 2018*
Cash flows from operating activities			
Surplus for the financial period		47 137	38 427
Non-cash movements:			
Amortization	Note 6	761	667
Depreciation	Note 5	4 216	3 291
Finance income	Note 19	(24 264)	(14 460)
Foreign exchange gains/losses	Note 19	(1 367)	(5 159)
Net surplus before changes in working capital		**26 483**	**22 766**
Changes in working capital			
Increase/(decrease) in provision for doubtful debts	Note 11	3 481	(5 569)
(Increase)/decrease in inventories	Note 7	(3 451)	(4 439)
(Increase)/decrease in accounts receivable	Note 11	2 352	11 623
(Increase)/decrease in prepayments	Note 11	18 176	15 750
Increase/(decrease) in employee benefits (net of actuarial gains)	Note 13	7 817	5 989
Increase/(decrease) in accounts payable and accruals	Note 14	2 224	(53 703)
Increase/(decrease) in project cash advances received	Note 15	(24 091)	337 103
Increase/(decrease) in short-term provisions	Note 20	4 405	(237)
Cash flow impact on changes in working capital		**10 913**	**306 517**
Finance income received on cash and cash equivalents	Note 19	506	356
Net cash flows from operating activities		**37 902**	**329 639**
Cash flows from investing activities			
Acquisition/disposal of intangible assets	Note 6	(636)	(239)
Acquisition/disposal of property, plant and equipment	Note 5	(11 027)	(4 486)
Proceeds from maturity of investments	Note 9	4 962 118	2 717 960
Purchase of investments	Note 9	(4 947 522)	(2 944 620)
Purchase of other financial assets	Note 10	(30 000)	(8 800)
Interest income received on investments	Note 19	40 969	28 604
Interest income received on other financial assets	Note 19	880	220
Finance income/cost allocated to projects	Note 19	(32 503)	(21 667)
Net cash flows from investing activities		**(17 721)**	**(233 028)**
Foreign exchange gains/losses	Note 19	1 367	5 159
Net increase/(decrease) in cash and cash equivalents		**21 548**	**101 770**
Cash and cash equivalents at the beginning of the period[a]		**537 888**	**436 118**
Adjustment for fair value of cash equivalents		8	–
Cash and cash equivalents at the end of the period[b]		**559 444**	**537 888**

[a] There is no difference between cash and cash equivalents on the statement of cash flows and the statement of financial position.

[b] The components of cash and cash equivalents as at 31 December 2019 are disclosed in note 12.

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

United Nations Office for Project Services

V. Statement of comparison of budget and actual amounts for the period ended 31 December 2019

(Thousands of United States dollars)

	Reference	*Biennial 2018–2019 management budget*[a] *Original*	*2019 management budget* *Original*	*2019 management budget* *Revised*	*2019 actual amounts* *Actuals*	*Difference between final budget and actuals*
Total revenue for the period	Note 23	**179 262**	**89 631**	**88 216**	**97 698**	**9 482**
Management resources						
Posts		25 487	12 744	11 935	12 240	305
Common staff costs		18 358	9 179	9 377	8 503	(874)
Travel		7 965	3 982	3 886	3 605	(281)
Consultants		61 822	30 911	31 113	28 262	(2 851)
Operating expenses		14 976	7 488	7 430	3 969	(3 461)
Furniture and equipment		1 682	841	449	370	(79)
Reimbursements		2 422	1 211	929	922	(7)
Total use of management resources		**132 712**	**66 356**	**65 119**	**57 871**	**(7 248)**
Write-offs, provisions and contingency surplus		26 550	13 275	–	11 111	11 111
Strategic investment from surplus		20 000	10 000	6 000	1 993	(4 007)
Total use of resources		**179 262**	**89 631**	**71 119**	**70 975**	**(144)**
Net revenue on budget basis		**–**	**–**	**17 097**	**26 723**	**9 626**

[a] DP/OPS/2017/6.

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

United Nations Office for Project Services
Notes to the 2019 financial statements

Note 1
Reporting entity

1. The mission of UNOPS is to help people build better lives and to help countries achieve peace and sustainable development. UNOPS is a self-financing organization, without any voluntary or assessed contributions from Member States, and relies on the revenue that it earns from project implementation and other services. UNOPS was established as an independent entity on 1 January 1995; its headquarters is located in Copenhagen.

2. UNOPS activities and its management budget are set by its Executive Board. UNOPS is mandated to help its partners to expand implementation capacity across peace and security, humanitarian and development efforts, including through capacity-development activities. Through its project services, it supports Governments, the United Nations system and other partners in achieving the global goals of Member States and local objectives for people and countries. UNOPS is an operational resource for Member States and the Secretary-General, supporting their broad vision for "the future we want".[20]

3. Pursuant to General Assembly resolution 65/176 and several Executive Board decisions,[21] UNOPS has been mandated to act as a service provider for various actors in the development, humanitarian and peacekeeping arenas, including the United Nations, the agencies, funds and programmes of the United Nations system, donor and recipient Governments, intergovernmental organizations, international and regional financial institutions, non-governmental organizations, foundations and the private sector.

4. The role of UNOPS is to be a central resource for the United Nations system in procurement and contract management, as well as in civil works and physical infrastructure development, including the relevant capacity-development activities. UNOPS delivers value-added contributions by providing efficient, cost-effective services to partners, in the areas of project management, human resources, financial management and common/shared services.

5. UNOPS follows a results-oriented approach to the services that it provides. It launches and implements new project operations quickly, transparently and in a fully accountable manner. UNOPS customizes its services to individual partners' needs, offering everything from stand-alone solutions to long-term project management. Services include:

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

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

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

[20] See DP/OPS/2017/5 and General Assembly resolution 66/288, annex.
[21] Executive Board decisions 2009/25, 2010/21, 2013/23, 2015/12, 2016/12, 2016/19 and 2017/16.

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

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

Note 2
Basis for preparation

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

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

9. These financial statements are prepared on an accrual basis and cover the period from 1 January to 31 December 2019.

Note 3
Summary of significant accounting policies

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

Project accounting

11. IPSAS 9: Revenue from exchange transactions distinguishes between a contract where UNOPS acts as a principal and a contract where UNOPS acts as an agent. Therefore, revenue from a project in which UNOPS acts as a principal is recognized in full on the statement of financial performance, while in the case of projects in which UNOPS operates as an agent on behalf of its partners, only the net revenue is reported on the statement of financial performance. Additional information on these agency transactions is provided in note 17. Regardless of the status of UNOPS as principal or agent, all project-related receivables and payables are recognized in the statement of financial position at period-end and reflected in the statement of cash flows. In particular, where UNOPS receives amounts in advance from partners, the excess of cash received over costs and expenses incurred is treated as project cash advances received and reported as a liability; for projects in which the costs incurred exceed the cash received from the client, the balance is reported as a receivable.

Functional and presentation currency

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

Financial instruments

Investments

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

(a) Working capital (relates to contributions received against projects): government securities, government agency, other official entity and multilateral organization securities (limited to 50 per cent of the investment account assets), exchange-traded futures, covered bonds (limited to 20 per cent of the investment account assets);

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

(c) After-service health insurance (relates to post-employment benefits): Treasury inflation-protected securities, United States dollar investment-grade corporate bonds, euro investment-grade corporate bonds, United States dollar-denominated emerging market debt, high-yield bonds, developed equities.

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

Other financial assets

15. Other financial assets relate to UNOPS Sustainable Infrastructure Impact Investments (S3I; formerly Social Impact Investing Initiative) and are classified as loans and receivables under IPSAS 29: Financial instruments: recognition and measurements. Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market.

16. Other financial assets are initially recognized at fair value, including directly attributable transaction costs, and are measured subsequently at amortized cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset.

Cash and cash equivalents

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

Accounts receivable

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

Accounts payable

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

Property, plant and equipment

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

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

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

Table IV.1
Depreciation of property, plant and equipment

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

Intangible assets

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

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

Table IV.2
Amortization of intangible assets

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

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

Inventories

26. Bulk raw materials purchased in advance for the implementation of projects and supplies on hand at the end of the financial period are recorded as inventories. The

inventories are valued at the lower of cost and net realizable value. Cost is estimated using the "first in, first out" method.

Leases

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

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

Employee benefits

29. UNOPS recognizes the following categories of employee benefits:

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

(b) Post-employment benefits;

(c) Other long-term employee benefits;

(d) Termination indemnity.

Short-term employee benefits

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

Post-employment benefits

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

32. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. UNOPS and the Pension Fund, in line with the other organizations participating in the Fund, are not in a position to identify the proportionate share of UNOPS of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNOPS has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39: Employee benefits. The actuarial valuations are carried out using the projected unit credit method. UNOPS recognizes actuarial gains and losses in the period in which they occur directly in net assets/equity.

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

Other long-term employee benefits

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

Termination benefits

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

Provisions and contingencies

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

37. A contingent liability is a possible obligation that arises as a result of past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of UNOPS. Contingent liabilities are disclosed in the notes to the financial statements unless the possibility that they will be realized is remote.

Revenue

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

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

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

Expenses

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

Taxation

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

Net assets/equity

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

44. In the absence of any capital contributions, UNOPS net assets are represented by the reserves. These comprise the accumulated surplus, the actuarial gains or losses in respect of post-employment benefits, and fair value movements in respect of investments, as well as the UNOPS minimum operational reserve and the growth and innovation reserve, as detailed in note 16.

Segment reporting

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

Budget comparison

46. The Executive Board approves the biennial budget estimates and, in particular, the net revenue target calculated on an accrual basis. Budgets may be subsequently amended by the Board or through the exercise of delegated authority by the Executive Director to redeploy funds within the approved biennial administrative budget, as well as to increase or reduce funds, provided that the net revenue target for the biennium as established by the Board remains unchanged.

47. The budget of UNOPS is prepared on a modified accrual basis, whereas the financial statements of UNOPS are prepared on an accrual basis. In the statement of financial performance, expenses are classified according to their nature. In the approved management budget, expenses are classified by cost components or the source of funding against which the expenses will be charged. As required under IPSAS 24: Presentation of budget information in financial statements, the totals presented in the statement of budget and actual comparison will be reconciled with net cash flows from operating activities, net cash flows from investing activities, and net cash flows from financing activities as presented in the cash flow statement.

Critical accounting estimates and judgments

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

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

Post-employment benefits and other long-term employee benefits

50. The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Actuarial assumptions are established to anticipate future events and are used in calculating post-employment benefits and other long-term employee benefits. Note 13 records the assumptions made during the calculation and a sensitivity analysis of the assumptions.

Provisions

51. Significant judgment is required in the estimation of present obligations that arise from past events, including legal claims and onerous contracts. These judgments are based on prior UNOPS experience with such issues and are the best current estimate of the liability. Management believes that the total provisions for legal matters are adequate, on the basis of currently available information. Additional information is disclosed in notes 20 and 21.

Allowances for doubtful accounts receivable

52. UNOPS has provisions for doubtful receivables, which are detailed in note 11. Such estimates are based on analysis of ageing of customer balances, specific credit circumstances, and historical trends and UNOPS experience, also taking into account economic conditions. Management believes that the impairment allowances for these doubtful debts are adequate, on the basis of currently available information. As these doubtful debt allowances are based on management estimates, they may be subject to change as better information becomes available.

Revenue recognition

53. Revenue from exchange transactions is measured according to the stage of completion of the contract. The measurement requires an estimate of costs incurred but not yet paid for, and total project costs. The estimates are prepared by technically qualified staff and advisers, which reduces, but does not eliminate, uncertainty.

IPSAS standards issued but not yet effective

54. IPSAS 3: Accounting policies, changes in accounting estimates and errors requires disclosure of new IPSAS standards that have been issued but not yet effective.

55. IPSAS 41: Financial instruments will replace IPSAS 29: Financial instruments: recognition and measurements. It introduces a simplified classification and measurement requirements for financial assets, a forward-looking impairment model and a flexible hedge accounting model. IPSAS 41 comes into effect on 1 January 2022. Adoption of this standard is not expected to have a material impact on UNOPS financial statements.

Note 4
Financial risk management

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

57. UNOPS has outsourced both investment management and custodianship to professional entities selected through its procurement process. Some of the

investments with the custodian are internally managed by the UNOPS treasury. Investments in marketable securities are registered in the name of UNOPS and investments in any pooled funds are in the name of the fund manager. In both scenarios, the marketable securities and the units in pooled funds are held by the custodian appointed by UNOPS.

58. The principal objectives of the investment guidelines are:

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

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

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

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

(a) Preservation of the capital is the primary objective;

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

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

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

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

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

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

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

Currency risk

61. UNOPS receives contributions from funding sources and clients in currencies other than the United States dollar and is therefore exposed to foreign currency exchange risk arising from fluctuations in currency exchange rates. UNOPS also makes payments in currencies other than the United States dollar.

62. The currency risk is closely monitored by management, for example through the close monitoring of the level of cash balance in local currency bank accounts and the maintenance of bank balances in the same currency as that of the payments to be made to vendors in the case of UNWebBuy procurement.

63. The table below shows, as at 31 December 2019, the impact on surplus of the year if the major currencies weakened/strengthened by 10 per cent, which is management's upper estimate of possible movements in the exchange rates against the United States dollar, with all other variables held constant.

Table IV.3
Impact of currency risk on surplus
(Thousands of United States dollars)

	EUR	*RSD*	*UAH*	*XOF*	*XCD*	*GTQ*	*CHF*	*ARS*	*ILS*	*ETB*
+ 10 per cent	21 849	2 862	2 225	689	551	492	446	429	307	298
- 10 per cent	(21 849)	(2 862)	(2 225)	(689)	(551)	(492)	(446)	(429)	(307)	(298)

Abbreviations: ARS, Argentine peso; CHF, Swiss franc; ETB, Ethiopian birr; EUR, euro; GTQ, Guatemalan quetzal; ILS, new Israeli shekel; RSD, Serbian dinar; UAH, Ukrainian hryvnia; XCD, East Caribbean dollar; XOF, CFA franc.

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

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

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

Credit risk

67. UNOPS has considerable cash reserves, as project funding is received in advance of project execution. The resulting cash reserves are invested in an investment portfolio, which is essentially composed of high-quality government, supranational and agency issues bonds and highly rated bank obligations. The majority of the UNOPS investment portfolio is outsourced to an external investment manager.

68. UNOPS investment guidelines limit the amount of credit exposure to any one counterparty and include minimum credit quality requirements. The credit risk mitigation strategies stated in the guidelines include conservative minimum credit criteria of investment grade for all issuers with maturity and counterparty limits by credit rating. The investment guidelines require continuing monitoring of issuer and counterparty credit ratings. Permissible investments are limited to fixed-income instruments of sovereign, supranational, governmental or federal agencies and banks.

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

Interest rate risk

70. UNOPS is exposed to interest rate risk on its interest-bearing assets. The UNOPS Investment Committee regularly monitors the rate of return on the investment portfolio compared with the benchmarks specified in the investment guidelines.

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

Liquidity risk

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

Note 5
Property, plant and equipment

73. At 31 December 2019, the net book value of UNOPS property, plant and equipment was $18.8 million ($11.9 million in 2018). UNOPS also held $35 million ($39.6 million in 2018) worth of assets as a custodian under service concession arrangements.

74. The table below summarizes property, plant and equipment held by UNOPS as at 31 December 2019 under each of the classes mentioned in note 3.

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

	Administrative budget	*Project*	*Total*
Vehicles	1 718	8 446	10 164
Land and buildings	3 817	1 306	5 123
Plant and equipment	673	1 266	1 939
Communication and information technology equipment	249	273	522
Leasehold improvements	470	532	1 002
Net carrying amount as at 31 December 2019	**6 927**	**11 823**	**18 750**

Table IV.5
Property, plant and equipment by class – 2018 comparatives
(Thousands of United States dollars)

	Administrative budget	*Project*	*Total*
Vehicles	2 244	3 779	6 023
Land and buildings	1 901	1 041	2 942
Plant and equipment	698	915	1 613
Communication and information technology equipment	376	305	681
Leasehold improvements	306	374	680
Net carrying amount as at 31 December 2018	**5 525**	**6 414**	**11 939**

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

Table IV.6
Movement in property, plant and equipment
(Thousands of United States dollars)

	Vehicles	*Plant and equipment*	*Land and buildings*	*Communication and information technology equipment*	*Leasehold improvements*	*Total*
Gross carrying amount as at 1 January 2019	19 005	3 363	6 047	5 721	1 076	35 212
Additions	7 041	747	2 909	291	463	11 451
Disposals	(2 324)	(160)	(118)	(127)	–	(2 729)
Gross carrying amount as at 31 December 2019	**23 722**	**3 950**	**8 838**	**5 885**	**1 539**	**43 934**
Accumulated depreciation and impairment as at 1 January 2019	(12 982)	(1 750)	(3 105)	(5 040)	(396)	(23 273)
Depreciation	(2 619)	(353)	(655)	(448)	(141)	(4 216)
Impairment	–	–	–	–	–	–
Less: removal of accumulated depreciation on asset disposal	2 043	92	45	125	–	2 305
Accumulated depreciation and impairment as at 31 December 2019	**(13 558)**	**(2 011)**	**(3 715)**	**(5 363)**	**(537)**	**(25 184)**
Net carrying amount as at 31 December 2019	**10 164**	**1 939**	**5 123**	**522**	**1 002**	**18 750**

There were no other movements in property, plant and equipment other than those disclosed in the table above.

Table IV.7
Movement in property, plant and equipment – 2018 comparatives
(Thousands of United States dollars)

	Vehicles	*Plant and equipment*	*Land and buildings*	*Communication and information technology equipment*	*Leasehold improvements*	*Total*
Gross carrying amount as at 1 January 2018	17 843	3 031	5 269	4 976	848	31 967
Additions	2 673	722	79	418	201	4 093
Cost adjustments	76	82	813	727	27	1 725
Disposals	(1 587)	(472)	(114)	(400)	–	(2 573)
Gross carrying amount as at 31 December 2018	**19 005**	**3 363**	**6 047**	**5 721**	**1 076**	**35 212**
Accumulated depreciation and impairment as at 1 January 2018	(12 428)	(1 745)	(2 655)	(4 108)	(297)	(21 233)
Adjustment to accumulated depreciation on cost adjustment	–	–	–	(683)	–	(683)
Depreciation	(1 770)	(281)	(546)	(595)	(99)	(3 291)
Impairment	–	–	–	–	–	–
Less: removal of accumulated depreciation on asset disposal	1 216	276	96	346	–	1 934
Accumulated depreciation and impairment as at 31 December 2018	**(12 982)**	**(1 750)**	**(3 105)**	**(5 040)**	**(396)**	**(23 273)**
Net carrying amount as at 31 December 2018	**6 023**	**1 613**	**2 942**	**681**	**680**	**11 939**

Note 6
Intangible assets

Table IV.8
Intangible assets

(Thousands of United States dollars)

	Internally generated computer software	*Other computer software*	*Total*
Gross carrying amount as at 1 January 2019	3 844	258	4 102
Additions	633	3	636
Disposals	–	(7)	(7)
Gross carrying amount as at 31 December 2019	**4 477**	**254**	**4 731**
Accumulated amortization and impairment as at 1 January 2019	(1 705)	(231)	(1 936)
Amortization	(743)	(18)	(761)
Impairment	–	–	–
Less: removal of amortization on assets disposal	–	7	7
Accumulated amortization and impairment as at 31 December 2019	**(2 448)**	**(242)**	**(2 690)**
Net carrying amount as at 31 December 2019	**2 029**	**12**	**2 041**

There were no other movements in intangible assets other than those disclosed in the table above.

Table IV.9
Intangible assets – 2018 comparatives

(Thousands of United States dollars)

	Internally generated computer software	*Other computer software*	*Total*
Gross carrying amount as at 1 January 2018	3 610	260	3 870
Additions	234	20	254
Disposals	–	(22)	(22)
Gross carrying amount as at 31 December 2018	**3 844**	**258**	**4 102**
Accumulated amortization and impairment as at 1 January 2018	(1 076)	(200)	(1 276)
Amortization	(629)	(38)	(667)
Impairment	–	–	–
Less: removal of amortization on assets disposal	–	7	7
Accumulated amortization and impairment as at 31 December 2018	**(1 705)**	**(231)**	**(1 936)**
Net carrying amount as at 31 December 2018	**2 139**	**27**	**2 166**

76. The gross carrying value of intangible assets amounted to $2.0 million at year-end, which includes internally developed computer software and other computer software (acquired).

77. Internally developed software relates to the development costs of the UNOPS management workspace, which creates a unified reporting platform for all business

areas (including finance, human resources, procurement, project management, and results and performance management).

Note 7
Inventories

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

Table IV.10
Inventories
(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Inventories	14 723	11 272

Table IV.11
UNOPS offices holding inventories
(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Cambodia	–	24
Central African Republic	3	–
Democratic Republic of the Congo	26	76
Haiti	1 206	–
Myanmar	8	7
Peace and Security Centre	10 947	10 588
Philippines	24	–
Senegal	566	426
South Sudan	135	–
Tunisia	660	151
Ukraine	83	–
Yemen	1 065	–
Total	**14 723**	**11 272**

79. A total of $5.1 million of inventory was recognized as an expense during 2019. No inventory was written down during 2019.

Note 8
Financial instruments

Table IV.12
Assets according to the statement of financial position

(Thousands of United States dollars)

	31 December 2019					31 December 2018				
	Cash and cash equivalents	*Loans and receivables*	*Available-for-sale investments*	*Financial assets at fair value through surplus or deficit*	*Total*	*Cash and cash equivalents*	*Loans and receivables*	*Available-for-sale investments*	*Financial assets at fair value through surplus or deficit*	*Total*
Investments (note 9)	–	–	1 673 356	–	1 673 356	–	–	1 663 480	–	1 663 480
Other financial assets (note 10)	–	40 993	–	–	40 993	–	8 800	–	–	8 800
Accounts receivable excluding prepayments (note 11)	–	48 869	–	53	48 922	–	54 755	–	–	54 755
Cash and cash equivalents (note 12)	559 444	–	–	–	559 444	537 888	–	–	–	537 888
Total	**559 444**	**89 862**	**1 673 356**	**53**	**2 322 715**	**537 888**	**63 555**	**1 663 480**	**–**	**2 264 923**

Table IV.13
Liabilities according to the statement of financial position

(Thousands of United States dollars)

	31 December 2019			31 December 2018		
	Financial liabilities at amortized cost	*Financial liabilities at fair value through surplus or deficit*	*Total*	*Financial liabilities at amortized cost*	*Financial liabilities at fair value through surplus or deficit*	*Total*
Accounts payable and accruals (note 14)	216 980	–	216 980	214 570	186	214 756
Cash held by UNOPS as agent (note 15)	729 609	–	729 609	769 873	–	769 873
Total	**946 589**	**–**	**946 589**	**984 443**	**186**	**984 629**

Note 9
Investments

80. The majority of the UNOPS investment portfolio is outsourced to two external investment managers (Legal and General Investment Management, London, and the World Bank) and is measured at fair value; $542.8 million (26 per cent) of the investment portfolio, in the form of money market funds, short-term fixed-income bonds and time deposits, is internally managed by the UNOPS treasury.

81. The portfolio is composed as follows:

Table IV.14
Investment portfolio
(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Long-term investments	584 033	337 756
Short-term investments	1 089 323	1 325 724
Cash and cash equivalents – money market funds and time deposits	418 077	464 650
Total	**2 091 433**	**2 128 130**

Table IV.15
Fair value levels
(Thousands of United States dollars)

	Level 1	*Level 2*	*Level 3*	*Total*
Available-for-sale financial assets	–	1 673 356	–	1 673 356

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

82. The money market funds and time deposits are classified under cash equivalents, of which $236.7 million is managed by the UNOPS treasury and $181.4 million by external investment managers.

Table IV.16
Movements in investments
(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Opening balance as at 1 January	1 663 480	1 436 478
Additions (purchases of investments)	4 947 522	2 944 620
Disposals (proceeds from maturity of investments)	(4 962 118)	(2 717 960)
Recognition of amortized costs	12 219	6 947
Fair value adjustment	12 253	(6 605)
Closing balance as at 31 December	**1 673 356**	**1 663 480**
Current portion (short-term investments)	1 089 323	1 325 724

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

84. Accrued interest of $8.1 million ($8.4 million in 2018) has been included in the statement of financial position as “other accounts receivable” (see note 11 for further details).

Short-term investments

85. Short-term investments are those investments with final maturities at purchase of between 3 and 12 months. They consist of corporate bonds, unit trust bonds, time deposits and unit trust equity maturing within one year of the reporting date.

Table IV.17
Short-term investments
(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Time deposits	174 000	198 500
Equity	–	16 706
Bonds	915 323	1 110 518
Total short-term investments	**1 089 323**	**1 325 724**

Long-term investments

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

Table IV.18
Long-term investments
(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Bonds and equity instruments	584 033	337 756

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

Table IV.19
Credit rating distribution of investments
(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
AAA	1 085 193	1 147 115
AA+	85 108	126 337
AA	184 152	66 017
AA-	26 649	56 216
A+	202 350	149 450
A	11 005	32 748
A-	22 001	6 812
BBB+	–	4 389
BBB	–	739
BBB-	–	95
Unrated[a]	56 898	73 562
Total	**1 673 356**	**1 663 480**

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

Note 10
Other financial assets

88. UNOPS launched the Sustainable Infrastructure Impact Investments initiative (S3I, formerly Social Impact Investing Initiative) during 2018 in order to drive progress towards the achievement of the Sustainable Development Goals. Other financial assets comprise UNOPS investments in relation to the initiative.

89. UNOPS invested $30 million in the initiative during 2019 ($8.8 million in 2018). The carrying value of total UNOPS investment in the initiative is $41 million, as detailed below.

Table IV.20
Other financial assets
(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Monterrey Wind	8 800	8 800
Social housing – Caribbean	2 682	–
Social housing – Ghana	5 365	–
Social housing – India	2 683	–
Social housing – Kenya	5 366	–
Sustainable energy plants	16 097	–
Total	**40 993**	**8 800**

90. Interest on other financial assets of UNOPS is detailed in note 19.

Note 11
Accounts receivable

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

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

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

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

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

Table IV.21
Accounts receivable
(Thousands of United States dollars)

	31 December 2019	31 December 2018
Project accounts receivable (gross)	39 282	40 261
Less: bad debt allowance	(6 064)	(2 582)
Project account receivable (net)	**33 218**	**37 679**
Other accounts receivable (gross)	15 789	17 162
Less: bad debt allowance	(85)	(86)
Other accounts receivable (net)	**15 704**	**17 076**
Total accounts receivable (net) excluding prepayments	**48 922**	**54 755**
Prepayments	8 982	27 158
Total accounts receivables (net) including prepayments	**57 904**	**81 913**
Of which:		
Current portion of other accounts receivable	15 174	16 436
Non-current portion of other accounts receivable	530	640

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

94. As at 31 December 2019, receivables of $6.1 million ($2.7 million in 2018) were impaired and provisions were made against them (see table IV.27 for details). This value excludes provisions made against receivables from the United Nations Development Programme (UNDP) that are shown separately in table IV.24.

95. As at 31 December 2019, receivables of $10.7 million ($9.2 million in 2018) were past due but not impaired, as there is no recent history of default regarding those receivables. The ageing of those receivables exceeds three months.

Table IV.22
Ageing of receivables
(Thousands of United States dollars)

	Current 0–3 months	Overdue 3–6 months	Overdue 6–12 months	Over 12 months	Total
Accounts receivable	38 181	4 499	5 281	961	48 922

Project accounts receivable

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

Table IV.23
Project accounts receivable
(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Project implementation-related receivables	19 496	26 344
Accounts receivable – UNDP	12 654	9 992
Accounts receivable – other United Nations agencies	1 068	1 343
Total project accounts receivable	**33 218**	**37 679**

97. Project implementation-related receivables arise in connection with projects that have incurred expenditure and are awaiting further funding from partners and from the receivables originating from the UNWebBuy online procurement tool. Also included in project-related receivables are amounts receivable from the United Nations Office on Drugs and Crime, UNHCR, the United States Agency for International Development, the Department of Field Support of the United Nations Secretariat and the European Union. The nature of those agreements typically requires UNOPS to perform services prior to invoicing the client and receiving cash/payment.

98. Of the balance of project receivables of $33.2 million ($37.7 million in 2018), $3.2 million ($3.1 million in 2018) relates to cash advances due from customers for construction contracts for the period ended 31 December 2019, as detailed in note 17.

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

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

Table IV.24
Accounts receivable – UNDP
(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Receivable from UNDP		
Cumulative project expenses and fees due to UNOPS	14 337	13 360
Bad debt allowance	(2 097)	(2 081)
Net project advances/receivable	**12 240**	**11 279**
Cumulative advances/(payables) to UNDP to disburse payments on behalf of UNOPS	414	(1 287)
Net amounts receivable/(payable) from/to UNDP	**12 654**	**9 992**

Other accounts receivable

101. The other accounts receivable are composed of:

Table IV.25
Other accounts receivable
(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Staff receivables	2 021	1 997
Accrued interest income	8 284	8 400
Miscellaneous receivables	5 399	6 679
Total other accounts receivable	**15 704**	**17 076**

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

103. The accrued interest income is composed of interest accruals on investments. Of this amount, a portion has been allocated to project cash advances received, and the remainder has been recognized in the statement of financial performance under finance income (see note 19 for further details).

Prepayments

Table IV.26
Prepayments
(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Prepayments	8 982	27 158

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

Bad debt allowance

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

Table IV.27
Movement in bad debt allowance
(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Opening balance as at 1 January		
Project related	2 582	8 237
Other accounts receivable	86	–
Opening balance	**2 668**	**8 237**
Net increase/(decrease) in provision for receivables impairment:		
Increase	4 729	966
Receivables written off during the year as uncollectible	(951)	(511)
Unused amounts reversed or reclassified	(297)	(6 024)
Net increase/(decrease)	**3 481**	**(5 569)**

	31 December 2019	31 December 2018
Closing balance as at 31 December		
Project related	6 064	2 582
Other accounts receivable	85	86
Closing balance	**6 149**	**2 668**

106. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The project-related provisions amount above excludes a provision of $2.1 million ($2.1 million in 2018) related to UNDP inter-fund balances, which are shown separately in table IV.24.

Note 12
Cash and cash equivalents

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

Table IV.28
Cash and cash equivalents
(Thousands of United States dollars)

	31 December 2019	31 December 2018
Cash at banks and on hand	141 367	73 238
Money market funds and time deposits	418 077	464 650
Total cash and cash equivalents	**559 444**	**537 888**

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

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

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

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

Table IV.29
Cash at banks
(Thousands of United States dollars)

	31 December 2019	31 December 2018
United States dollar	54 140	27 235
Euro	41 525	7 146
Ukrainian hryvnia	21 267	6 894
British pound	3 079	4 026
Japanese yen	2 702	8 388
Israeli shekel	2 195	4 415

	31 December 2019	31 December 2018
Peruvian sol	1 574	419
Other currencies	14 698	14 560
Total	**141 180**	**73 083**
Cash on hand	187	155
Total	**141 367**	**73 238**

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

Table IV.30
Credit rating distribution of cash at banks
(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
AA-	15	238
A+	1 756	14 835
A	5 832	3 377
A-	4 465	4 952
BBB+	56 696	20 375
BBB-	–	93
BB	942	642
BB-	2 616	2 388
B	5 079	2 443
B-	21 023	11 239
Unrated	42 756	12 501
Subtotal cash at banks	**141 180**	**73 083**
Cash on hand	187	155
Total	**141 367**	**73 238**

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

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

Table IV.31
Credit rating distribution of money market funds and time deposits
(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
AAA	74 668	216 281
AA	–	15 000
A+	181 409	178 369
A	128 000	–
A-	10 000	45 000

	31 December 2019	31 December 2018
BBB+	22 000	–
BBB	–	10 000
BB+	2 000	–
Total	**418 077**	**464 650**

Note 13
Employee benefits

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

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

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

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

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

Table IV.32
Employee benefits liabilities
(Thousands of United States dollars)

	31 December 2019	31 December 2018
Short-term employee benefits	25 394	22 748
Long-term employee benefits	1 274	1 068
Post-employment benefits	90 710	85 146
Agreed separation entitlements	–	330
Total employee benefits liabilities	**117 378**	**109 292**
Current portion	27 731	25 713
Non-current portion	89 647	83 579

Short-term benefits liabilities

116. Short-term employee benefits are composed of:

Table IV.33
Short-term employee benefits
(Thousands of United States dollars)

	31 December 2019	31 December 2018
Annual leave entitlements	23 371	21 205
Home leave entitlements (current portion)	1 962	1 530
Assignment grant on first appointment or reassignment	61	13
Total short-term employee benefits liabilities	**25 394**	**22 748**

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

Long-term benefits liabilities

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

Post-employment benefits

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

Table IV.34
Post-employment benefits liabilities
(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
After-service health insurance		
Current portion	897	1 446
Non-current portion	71 057	66 185
Subtotal	**71 954**	**67 631**
Repatriation grants		
Current portion	1 409	1 163
Non-current portion	16 931	16 023
Subtotal	**18 340**	**17 186**
Death benefit		
Current portion	31	26
Non-current portion	385	303
Subtotal	**416**	**329**
Total post-employment benefits	**90 710**	**85 146**
Of which:		
Current portion of post-employment benefits liabilities	2 337	2 635
Non-current portion of post-employment benefits liabilities	88 373	82 511

120. Post-employment benefits consist of after-service health insurance, repatriation grants, death benefit and pension plans. After-service health insurance is a plan that allows eligible retirees and their eligible family members to participate in the full medical insurance plan. A repatriation grant is an entitlement payable to Professional staff on separation, together with related costs in travel and shipment of household effects. The actuarial valuation of liabilities regarding after-service health insurance, repatriation grant and death benefit was undertaken by independent professional actuaries. At the end of 2019, total post-employee benefits liabilities amounted to $90.7 million ($85.1 million in 2018). They are established in accordance with the Staff Regulations of the United Nations and Staff Rules for staff members in the Professional and General Service categories.

After-service health insurance

121. The year-end liabilities for after-service health insurance are derived from the actuarial valuation conducted at year-end 2019.

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

123. The major assumptions used by the actuary to determine the liabilities for after-service health insurance as at 31 December 2019 were a discount rate of 3.63 per cent, medical inflation as provided by Aon Hewitt, and retirement and mortality assumptions consistent with those used by the Pension Fund in making its own actuarial valuation of pension benefits.

124. On the basis outlined above, the net present value of the UNOPS accrued liability as at 31 December 2019, net of contributions from plan participants, was estimated by actuaries at $72.0 million ($67.6 million in 2018).

125. On the basis of the assumptions above, it is estimated that the net present value of the liability would decrease by 11 per cent if the medical cost trend were increased by 0.5 per cent and increase by 12 per cent if the medical cost trend were decreased by 0.5 per cent, all other assumptions held constant.

Table IV.35
Impact of medical cost trend on after-service health insurance liabilities
(Thousands of United States dollars)

	Defined benefit obligations	*Service cost and Interest cost*
Increase of discount rate by 0.5 per cent	(7 692)	1 128
Decrease of discount rate by 0.5 per cent	8 987	(955)

Repatriation grant

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

127. The major assumptions used by the actuary were a discount rate of 3.11 per cent, annual salary increases based on salary scales, grade and step, and travel cost increases of 2.2 per cent per annum. Furthermore, assumptions related to retirement, withdrawal and mortality are made consistent with those used by the Pension Fund.

128. On the basis outlined above, the net present value of the UNOPS accrued liability as at 31 December 2019 was estimated by actuaries at $18.3 million ($17.2 million in 2018).

129. A sensitivity analysis has been performed on the assumptions used in the actuarial valuation. An increase of the discount rate by 0.5 per cent, with all other assumptions held constant, would result in a decrease of the net present value of the liability by 4 per cent. A decrease of the discount rate by 0.5 per cent, with all other assumptions held constant, would also result in an increase of the net present value of the liability by 5 per cent.

Death benefit

130. Death benefit is a post-employment defined benefit plan, for which payment is made upon the death of an eligible employee who leaves behind a surviving spouse or dependent child.

131. The major assumptions used by the actuary were a discount rate of 2.4 per cent and salary scales as provided by the Pension Fund.

Accounting for post-employment benefits

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

Table IV.36
Employee benefits liabilities
(Thousands of United States dollars)

	After-service health insurance	*Repatriation*	*Death benefit*	*Total 2019*	*Total 2018*
Liability as at 1 January	67 631	17 186	329	85 146	83 590
Current service cost	2 166	1 600	31	3 797	3 724
Interest cost	3 060	698	13	3 771	3 116
Benefits paid	(764)	(1 506)	–	(2 270)	(2 665)
Actuarial losses/(gains)[a]	(139)	362	43	266	(2 619)
Liability as at 31 December	**71 954**	**18 340**	**416**	**90 710**	**85 146**

[a] There is a small rounding difference between actuarial losses in the actuarial report (as disclosed in the present table) and actuarial losses disclosed in the statement of changes in net assets.

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

Table IV.37
Impact of post-employment benefits on financial performance
(Thousands of United States dollars)

	After-service health insurance	*Repatriation*	*Death benefit*	*Total 2019*	*Total 2018*
Current service cost	2 166	1 600	31	3 797	3 724
Interest cost	3 060	698	13	3 771	3 116
Expense as at 31 December	**5 226**	**2 298**	**44**	**7 568**	**6 840**

134. The total expense has been included under “salaries and employee benefits” in the statement of financial performance, and the actuarial loss of $0.3 million (gain of $2.4 million in 2018) has been recognized in the statement of changes in net assets.

135. The principal actuarial assumptions were as follows:

Table IV.38
Principal actuarial assumptions
(Thousands of United States dollar)

	After-service health insurance	*Repatriation*	*Death benefit*
Discount rate	3.63 per cent	3.11 per cent	2.40 per cent
Future salary increases (on top of inflation)	United Nations salary scale	United Nations salary scale	United Nations salary scale
Mortality rate	United Nations scales	United Nations scales	United Nations scales
Turnover rate	Pension Fund scales	Pension Fund scales	Pension Fund scales

United Nations Joint Staff Pension Fund

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

137. The Fund 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 Fund. UNOPS and the Fund, in line with the other organizations participating in the Fund, are not in a position to identify UNOPS proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNOPS has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39. UNOPS contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

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

139. The financial obligation of UNOPS to the Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the Assembly has invoked the provisions of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at 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.

140. The latest actuarial valuation for the Fund was completed as at 31 December 2017, and the valuation as at 31 December 2019 is currently being performed. A roll-forward of the participation data as at 31 December 2017 to 31 December 2018 was used by the Fund for its 2018 financial statements.

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

142. After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2017, for deficiency payments under article 26 of the Regulations of the 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 at the valuation date. At the time of writing the present report, the General Assembly had not invoked the provisions of article 26.

143. Should article 26 be invoked because of an actuarial deficiency, either during the ongoing operation or because of the termination of the Fund, deficiency payments required from each member organization would be based upon 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 the Fund during the preceding three years (2016, 2017 and 2018) amounted to $7,131.56 million, of which $48.6 million (0.7 per cent) was contributed by UNOPS.

144. During 2019, contributions paid to the Fund amounted to $17.5 million ($15.6 million in 2018). There is no material change to the expected contributions in 2020.

145. Membership in 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 shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund on that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is 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 which are in excess of the liabilities is included in the amount.

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

Termination benefits

147. As at 31 December 2019, UNOPS had no termination entitlement liabilities ($0.3 million as at 31 December 2018).

Note 14
Accounts payable and accruals

Table IV.39
Accounts payable and accruals
(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Accounts payable	103 092	121 317
Accruals	113 888	93 439
Total	**216 980**	**214 756**

Accounts payable

148. Balances of accounts payable as at 31 December 2019 are shown below.

Table IV.40
Accounts payable
(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Accounts payable to other United Nations agencies	839	335
Accounts payable – other	102 253	120 982
Total accounts payable	**103 092**	**121 317**

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

Accruals

150. The accrued charges amounting to $113.9 million ($93.4 million in 2018) are financial liabilities in respect of goods or services that were received or provided to UNOPS during the reporting period but not yet invoiced.

Note 15
Project cash advances received

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

Table IV.41
Project cash advances received
(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Deferred revenue	1 043 123	1 026 950
Cash held by UNOPS as agent	729 609	769 873
Total cash and cash equivalents	**1 772 732**	**1 796 823**

152. Of the balance in deferred revenue of $1,043.1 million ($1,027.0 million in 2018), $524.8 million relates to cash advances on construction contracts for the period ended 31 December 2019, as detailed in note 17.

Note 16
Reserves

153. UNOPS reserves are as follows:

Table IV.42
Reserves
(Thousands of United States dollars)

	Actuarial gains/ (losses)	*Fair value of available-for-sale financial assets*	*Minimum operational reserve*	*Growth and innovation reserve*	*Accumulated surpluses*	*Total*
Balance as at 1 January 2018	9 813	3 556	20 729	–	124 542	158 640
Surplus for the period	–	–	–	–	38 427	38 427
Actuarial gain/(loss)	2 443	–	–	–	–	2 443
Change in fair value of available-for-sale financial assets	–	(6 595)	–	–	–	(6 595)
Transfers to/from other reserves	–	–	996	–	(996)	–
Balance as at 31 December 2018	**12 256**	**(3 039)**	**21 725**	**–**	**161 973**	**192 915**
Surplus for the period	–	–	–	–	47 137	47 137
Actuarial gain/(loss)	(269)	–	–	–	–	(269)
Change in fair value of available-for-sale financial assets	–	12 261	–	–	–	12 261
Transfers to/from other reserves	–	–	(700)	104 905	(104 205)	–
Balance as at 31 December 2019	**11 987**	**9 222**	**21 025**	**104 905**	**104 905**	**252 044**

Actuarial gains/losses

154. Actuarial gains or losses relate to the defined benefit pension plan as required by IPSAS 39. See note 3 on accounting policies on employee benefits liabilities.

Fair value of available-for-sale financial assets

155. Fair value movements on available-for-sale financial assets are recorded directly in net assets, in line with IPSAS 29. When a revalued available-for-sale financial asset is sold, the portion of net assets that relates to that financial asset is effectively realized and is recognized in the statement of financial performance. If a revalued financial asset is impaired, the portion of net assets that relates to that financial asset is recognized in the statement of financial performance.

Minimum operational reserve

156. The minimum operational reserve was established in 2013 by the Executive Board of UNOPS (see DP/OPS/2013/CRP.1) to guarantee the financial viability and integrity of UNOPS as a going concern. In accordance with financial regulation 22.02, the operational reserve shall by fully funded and limited to:

(a) Downward fluctuations or shortfalls in revenue;

(b) Uneven cash flows;

(c) Increases in actual costs above planning estimates or fluctuations in project costs; and

(d) Other contingencies which result in a loss of resources for which UNOPS has made commitments.

157. The minimum operational reserves, as approved by the Executive Board, should be equivalent to four months of the average of the administrative expenditure for the past three years of operation. On the basis of this formula, for the period ended 31 December 2019, the minimum operational reserves requirement was $21 million, a decrease of $0.7 million compared with 2018.

Growth and innovation reserve

158. In 2019, a growth and innovation reserve was established. This provides seed funding to Sustainable Infrastructure Impact Investments (S3I) activities which contribute to accelerating the achievement of the Sustainable Development Goals through projects with significant potential to deliver social and environmental impact, alongside a financial return. The value of this reserve was set at 50 per cent of the excess operational reserves. At the end of 2019, this stood at $104.9 million, with a total of $38.8 million invested, as disclosed in note 10.

Accumulated surpluses

159. Accumulated surpluses represent the accumulated surpluses and deficits from UNOPS operations over the years, net of those transferred to other reserves, as detailed above.

Note 17
Revenue and expenses

Non-exchange revenue

160. During 2019, UNOPS received $0.1 million of non-exchange revenue, compared with no non-exchange revenue in 2018. UNOPS non-exchange revenue mostly relates to assets gifted by donors upon completion of projects.

161. Services in kind for the period amounted to $4.5 million ($4.3 million in 2018), $3.3 million of which is attributed to the estimated market rental value of office space provided by the Government of Denmark to accommodate the UNOPS headquarters in Copenhagen.

Exchange revenue

162. The exchange revenue of UNOPS comprised $1,207.3 million ($940.6 million in 2018) in revenue from project activities and $4.5 million ($1.8 million in 2018) from miscellaneous revenue. The revenue and expenses from UNOPS project activities were as follows:

Table IV.43
Revenue and expenses from project activities
(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Construction contracts (infrastructure)	315 671	192 796
Procurement	99 619	53 188
Financial management	179 108	124 677
Human resources administration	26 049	32 648
Other project management	586 859	537 329
Total project-related revenue	**1 207 306**	**940 638**
***Less*: project expenses**		
Construction contracts	301 545	182 265
Procurement	78 339	38 878
Financial management	157 855	107 520
Human resources	13 933	16 945
Other project management	556 387	506 900
Total project-related expenses	**1 108 059**	**852 508**
Net revenue from project activities	**99 247**	**88 130**

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

Construction contracts

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

Table IV.44
Construction contracts – revenue and expenses
(Thousands of United States dollars)

	Cumulative	*Recognized in prior years*	*Recognized in current year*
Revenue	1 389 469	1 073 798	315 671
Expense	(1 294 174)	(992 629)	(301 545)
Surplus	**95 295**	**81 169**	**14 126**

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

Table IV.45
Construction contracts – amounts due to/from customers
(Thousands of United States dollars)

	Projects with net deferred revenue balance	*Projects with net balance project receivable*	*Total*
Cash advances received, including accrued interest, as at 31 December 2019	(1 465 282)	(157 902)	(1 623 184)
Revenue recognized over the life of the contracts	940 507	161 119	1 101 626
Amount due (to)/from customers included in deferred revenue and project receivables, respectively	**(524 775)**	**3 217**	**(521 558)**
Retentions			13 356

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

Operational costs and other expenses

167. Operational costs of $111.1 million ($78.6 million in 2018) relate to expenses incurred by UNOPS for a range of activities, which included payments for:

(a) Rental of office space and leases: $20.5 million;

(b) Maintenance of buildings and equipment: $17.2 million;

(c) Utilities: $11.1 million.

168. Other expenses comprise:

(a) Movements in provisions: $9.4 million;

(b) Other expenses: $1.9 million.

169. Contractual services of $428.4 million ($340.1 million in 2018) relate to expenses incurred for a range of UNOPS activities, some of which included payments to:

(a) Subcontractors for implementation and construction projects;

(b) Consultants for training and education costs;

(c) Vendors for security charges.

Note 18
Employee benefits expenses

Table IV.46
Employee benefits expenses
(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Salaries	77 193	72 486
After-service health insurance	5 224	4 661
Annual leave	1 294	1 447
Home leave	1 097	1 011
Defined contribution plan	17 464	15 584
Repatriation grants	2 364	2 203
Other short-term employee benefits expenses	27 323	26 585
Expenses related to staff	**131 959**	**123 977**
Other personnel expenses	270 489	230 888
Total employee benefits expenses	**402 448**	**354 865**

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

171. In October 2014, UNOPS implemented a provident fund scheme for all UNOPS local individual contractors. The provident fund is a defined contribution plan. The employer contributions of 15 per cent of local individual contractors agreement fees are fixed and are recognized as an expense. The contractors contribute 7.5 per cent of their fee on a monthly basis. UNOPS responsibility is to establish arrangements to provide a provident fund facility and to monitor and cover administrative costs related to these arrangements. The balance of funds held for the benefit of UNOPS local individual contractors by the provident fund as at 31 December 2019 was $67.7 million ($48.8 million in 2018). Further details on the provident fund are disclosed in the annex to the present financial statements.

172. In accordance with the contract with UNOPS, the provident fund is administered and held by Zurich International on behalf of the local individual contractors.

Note 19
Finance income and costs

Table IV.47
Finance income
(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Total finance income received on investments	40 969	28 604
Interest on other financial assets	3 073	220
Recognition of amortized cost (note 9)	12 219	6 947
Total finance income attributable to UNOPS on investments	**56 261**	**35 771**

	31 December 2019	31 December 2018
Less: finance income/cost allocated to projects	(32 503)	(21 667)
Net finance income retained by UNOPS	**23 758**	**14 104**
Finance income on UNOPS bank balances	506	356
Total finance income	**24 264**	**14 460**

Table IV.48
Net exchange rate gain/loss
(Thousands of United States dollars)

	31 December 2019	31 December 2018
Net foreign exchange gain/(loss)	1 367	5 159

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

Note 20
Provisions

Table IV.49
Provisions
(Thousands of United States dollars)

	1 January 2019	Additional provisions	Unused amounts reversed	Utilized	31 December 2019
Claims	–	248	–	–	248
Leasehold restoration provisions	47	168	–	–	215
Other provisions	3 625	4 429	(440)	–	7 614
Total	**3 672**	**4 845**	**(440)**	**–**	**8 077**

174. Leasehold restoration provisions reflect an estimate of requirements to return leased properties to the lessors at the end of the lease term in a specified condition. They concern various lease agreements in which UNOPS has the obligation to remove installed assets. Claims refer to legal cases where outflow of resources is probable and can be reliably estimated. Other provisions relate to the estimated cost of remedial work required on projects currently being implemented by UNOPS. All of the UNOPS provisions are expected to be utilized within 12 months. There is no expected reimbursement in relation to any UNOPS provisions.

Note 21
Contingencies

Contingent liabilities

175. UNOPS is subject to claims in the ordinary course of operations, categorized as project-related or staff-related claims. UNOPS assessment of the financial effect of claims that remain open at year-end are reflected in the table below. The outcome of the open claims is inherently unpredictable, and therefore the timing of any outflow is difficult to ascertain. There may be a possibility of reimbursement for some claims, although it is unclear at the time of writing the financial statements.

Table IV.50
Contingent liabilities
(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Project-related claims from clients	3 410	366
Staff-related claims	–	–
Total contingent liabilities	**3 410**	**366**

Contingent assets

176. There were no contingent assets as at 31 December 2019.

Note 22
Lease commitments

177. UNOPS leases office premises in field locations under non-cancellable and cancellable operating lease agreements. When cancellable, UNOPS is required to give a 1- to 12-month notice of termination of the lease agreements. The lease terms are between a few months and 22 years. Some of these operating lease agreements contain renewal clauses that enable UNOPS to extend the terms of the leases at the end of the original lease terms and escalation clauses that may increase annual rent payments on the basis of increases in the relevant market price indexes in the respective countries where the field offices are located.

178. The operating expenses include lease payments for an amount of $7.8 million ($8.8 million in 2018) recognized as operating lease expenses during the year in the statement of financial performance under "operational costs".

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

Table IV.51
Lease commitments
(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Within one year	8 112	7 297
Later than one year and not later than five years	11 313	10 288
Later than five years	2 662	4 784
Total operating lease commitments	**22 087**	**22 369**

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

181. As at 31 December 2019, the total future minimum lease payments under sublease agreements that UNOPS expects to receive on such agreements that cannot be cancelled was $0.3 million ($2.0 million in 2018), owing mainly to several sublease agreements expiring at the end of 2019.

Open commitments

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

Table IV.52
Open commitments
(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Management-related commitments	3 080	3 670
Project-related commitments	479 181	421 714
Total open commitments	**482 261**	**425 384**
Of which:		
Commitments for property, plant and equipment	2 837	145
Commitments for intangible assets	–	–

Note 23
Reconciliation of the statement of comparison of budget and actual amounts

Table IV.53
Statement of comparison of original and final budget amounts

(Thousands of United States dollars)

	Biennial 2018/19 management budget (original)	*2019 management budget (original)*	*2019 management budget (revised)*	*Variance between original and final 2019 budget*	*Percentage*	*Explanation*
Total revenue for the period	**179 262**	**89 631**	**88 216**	**(1 415)**	**(2)**	
Management resources						
Posts	25 487	12 744	11 935	(809)	(6)	
Common staff costs	18 358	9 179	9 377	198	2	
Travel	7 965	3 982	3 886	(96)	(2)	
Consultants	61 822	30 911	31 113	202	1	
Operating expenses	14 976	7 488	7 430	(58)	(1)	
Furniture and equipment	1 682	841	449	(392)	(47)	Less furniture and equipment required than planned
Reimbursements	2 422	1 211	929	(282)	(23)	Budget revised to reflect reduced demand for UNDP services
Total use of management resources	**132 712**	**66 356**	**65 119**	**(1 237)**	**(2)**	
Write-offs, provisions and contingency surplus	26 550	13 275	–	(13 275)	(100)	UNOPS does not budget internally for write-offs, provisions or contingency surplus
Strategic investment from surplus	20 000	10 000	6 000	(4 000)	(40)	Lower budget need for internal investments than originally estimated
Total use of resources	**179 262**	**89 631**	**71 119**	**(18 512)**	**(21)**	

Table IV.54

Statement of comparison of budget and actual amounts

(Thousands of United States dollars)

	2019 management budget (final)	*2019 actual amounts*	*Difference between final budget and actuals*	*Percentage*	*Explanation*
Total revenue for the period	**88 216**	**97 698**	**9 482**	**11**	
Management resources					
Posts	11 935	12 240	305	3	
Common staff costs	9 377	8 503	(874)	(9)	
Travel	3 886	3 605	(281)	(7)	
Consultants	31 113	28 262	(2 851)	(9)	
Operating expenses	7 430	3 969	(3 461)	(47)	Increased efficiency of UNOPS operations
Furniture and equipment	449	370	(79)	(18)	
Reimbursements	929	922	(7)	(1)	
Total use of management resources	**65 119**	**57 871**	**(7 248)**	**(11)**	
Write-offs, provisions and contingency surplus	–	11 111	11 111	100	UNOPS does not budget internally for write-offs, provisions or contingency surplus. The actual amount is within the original budget estimate.
Strategic investment from surplus	6 000	1 993	(4 007)	(67)	Less-than-anticipated internal investment opportunities identified
Total use of resources	**71 119**	**70 975**	**(144)**	**–**	
Net revenue on budget basis	**17 097**	**26 723**	**9 626**	**56**	

183. The UNOPS budget and accounting bases are different. The statement of financial performance (statement II) is prepared on an accrual basis, whereas the statement of comparison of budget and actual amounts (statement V) is restricted to the management budget, including the net surplus earned on projects. It does not include the revenue and expenses incurred on projects, nor does it include finance income or exchange gains/losses.

184. The cost classifications presented in statement V reflect those that are approved by the Executive Board of UNOPS. The differences between expenditure in statement II and in statement V are as follows:

Table IV.55
Differences between statement II and statement V

	Treatment in Statement V
Acquisition of property, plant and equipment	Cash basis
Acquisition of intangible assets	Cash basis
Depreciation of property, plant and equipment	Excluded from UNOPS budget
Amortization of intangible assets	Excluded from UNOPS budget
Non-exchange revenue	Excluded from UNOPS budget
Finance income	Excluded from UNOPS budget
Exchange rate gains/losses	Excluded from UNOPS budget

185. The approved budget covers the biennium 2018–2019. The annual budget for 2019 is included in statement V.

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

Reconciliation of actual amounts from budgetary basis to financial statement basis

187. As required under IPSAS 24, actual amounts from statement V must be reconciled to net cash flows from operating activities, investing activities and financing activities (as presented in statement IV, the statement of cash flows), separately identifying basis, timing and entity differences.

188. Basis differences occur when the approved budget is prepared on a basis other than the accrual basis, as is the case for UNOPS.

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

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

Table IV.56
Reconciliation between statement IV and statement V

(Thousands of United States dollars)

	Operating	*Investing*	*Financing*	*Total*
Actual amount on comparable basis as presented in the budget and actual comparative statement	27 736	(1 013)	–	26 723
Basis differences (capitalization of intangibles and property, plant and equipment)	–	(10 650)	–	(10 650)
Entity differences (project income)	(747)	(30 000)	–	(30 747)
Changes in working capital	10 913	–	–	10 913
Movement in investments	–	14 596	–	14 596
Movement in interest received	–	9 346	–	9 346
Subtotal	**37 902**	**(17 721)**	**–**	**20 181**
Net foreign exchange gains/losses	–	–	–	1 367
Actual amount in the statement of cash flows	**37 902**	**(17 721)**	**–**	**21 548**

Note 24
Segment reporting

191. Management has determined its reporting segments geographically, which is the basis as in the statements of budget reporting provided to the UNOPS Executive Director and Deputy Executive Director.

192. The UNOPS structure consists of six regions and headquarters, located in Denmark. Headquarters as a segment is made up of five units: Corporate, Office of the Chief Finance Officer and Administration, Implementation Practices and Standards, Office of the General Counsel, and Regional Portfolios.

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

194. Segment assets and liabilities are those that can reasonably be allocated to the segments. Any others that cannot reasonably be allocated are included under unallocable in line with IPSAS 18: Segment reporting. Assets and liabilities have been allocated to segments in UNOPS statements for the first time in 2019.

195. UNOPS revenues, expenses, assets and liabilities are segmented as follows:

Table IV.57
Segment revenue and expenses
(Thousands of United States dollars)

	Africa region	*Asia region*	*Europe and Central Asia region*	*Headquarters*	*Latin America and Caribbean region*	*Middle East region*	*New York service cluster*	*Total*
Revenue								
Revenue from project activities	165 738	176 559	86 593	29 560	302 354	144 481	302 021	1 207 306
Miscellaneous revenue	297	1 882	–	2 038	2	241	1	4 461
Total revenue	**166 035**	**178 441**	**86 593**	**31 598**	**302 356**	**144 722**	**302 022**	**1 211 767**
Expenses								
Contractual services	57 053	32 818	3 713	2 902	124 092	69 796	138 073	428 447
Other personnel costs	47 467	66 864	31 134	32 642	30 711	14 615	47 056	270 489
Salaries and employee benefits	5 013	4 909	28 899	14 908	3 249	7 373	67 608	131 959
Operational costs	15 565	18 636	4 107	15 141	26 314	19 752	11 566	111 081
Supplies and consumables	13 384	9 599	3 469	2 295	89 436	19 258	11 570	149 011
Travel	12 880	34 319	3 582	3 299	16 483	1 375	11 129	83 067
Other expenses	4 588	4 696	4	626	969	231	116	11 230
Total expenses	**155 950**	**171 841**	**74 908**	**71 813**	**291 254**	**132 400**	**287 118**	**1 185 284**
Finance income	–	–	–	24 264	–	–	–	24 264
Exchange rate gain/loss	–	–	–	1 367	–	–	–	1 367
Net finance income/(expense)	**–**	**–**	**–**	**25 631**	**–**	**–**	**–**	**25 631**
Surplus before unallocated expenses	**10 085**	**6 600**	**11 685**	**(14 584)**	**11 102**	**12 322**	**14 904**	**52 114**
Unallocated segment expenses								
Depreciation of property, plant and equipment	–	–	–	–	–	–	–	4 216
Amortization of intangible assets	–	–	–	–	–	–	–	761
Surplus for the period	**10 085**	**6 600**	**11 685**	**(14 584)**	**11 102**	**12 322**	**14 904**	**47 137**

Table IV.58
Segment revenue and expenses – 2018 comparatives
(Thousands of United States dollars)

	Africa region	*Asia region*	*Europe and Central Asia region*	*Headquarters*	*Latin America and Caribbean region*	*Middle East region*	*New York service cluster*	*Total*
Revenue								
Revenue from project activities	141 675	129 952	87 475	32 674	197 293	53 863	297 706	940 638
Miscellaneous revenue	254	1 669	–	(317)	–	232	–	1 838
Total revenue	**141 929**	**131 621**	**87 475**	**32 357**	**197 293**	**54 095**	**297 706**	**942 476**
Expenses								
Contractual services	47 038	27 684	9 053	4 018	93 224	15 951	143 143	340 111
Other personnel costs	43 639	47 538	28 808	30 645	28 591	10 185	41 482	230 888
Salaries and employee benefits	4 657	5 442	24 463	17 089	3 085	5 918	63 323	123 977
Operational costs	15 331	13 907	8 408	14 065	8 023	5 327	13 495	78 556
Supplies and consumables	14 818	8 210	4 050	1 324	51 757	9 532	12 828	102 519
Travel	6 395	17 975	3 100	3 785	2 406	1 423	11 018	46 102
Other expenses	(31)	40	–	(2 381)	(154)	(1)	84	(2 443)
Total expenses	**131 847**	**120 796**	**77 882**	**68 545**	**186 932**	**48 335**	**285 373**	**919 710**
Finance income	–	–	–	14 460	–	–	–	14 460
Exchange rate gain/loss	–	–	–	5 159	–	–	–	5 159
Net finance income/(expense)	**–**	**–**	**–**	**19 619**	**–**	**–**	**–**	**19 619**
Surplus before unallocated expenses	**10 082**	**10 825**	**9 593**	**(16 569)**	**10 361**	**5 760**	**12 333**	**42 385**
Unallocated segment expenses								
Depreciation of property, plant and equipment	–	–	–	–	–	–	–	3 291
Amortization of intangible assets	–	–	–	–	–	–	–	667
Surplus for the period	**10 082**	**10 825**	**9 593**	**(16 569)**	**10 361**	**5 760**	**12 333**	**38 427**

Table IV.59
Segment assets and liabilities
(Thousands of United States dollars)

	Africa region	*Asia region*	*Europe and Central Asia region*	*Headquarters*	*Latin America and Caribbean region*	*Middle East region*	*New York service cluster*	*Total*	*Unallocable*	*Grand total*
Assets										
Non-current assets										
Intangible assets	–	–	–	–	–	–	–	–	2 041	2 041
Property, plant and equipment	–	–	–	–	–	–	–	–	18 750	18 750
Long-term investments	–	–	–	584 033	–	–	–	584 033	–	584 033
Other financial assets	–	–	–	40 993	–	–	–	40 993	–	40 993
Non-current accounts receivables	–	–	–	–	–	–	–	–	530	530
Total non-current assets	**–**	**–**	**–**	**625 026**	**–**	**–**	**–**	**625 026**	**21 321**	**646 347**
Current assets										
Inventories	1 389	33	83	–	1 206	1 065	10 947	14 723	–	14 723
Accounts receivable										
Project accounts receivable	–	–	–	–	–	–	–	–	33 218	33 218
Prepayments	510	1 500	91	759	4 891	1 016	215	8 982	–	8 982
Other accounts receivable	–	–	–	–	–	–	–	–	15 174	15 174
Short-term investments	–	–	–	1 089 323	–	–	–	1 089 323	–	1 089 323
Cash and cash equivalents	–	–	–	–	–	–	–	–	559 444	559 444
Total current assets	**1 899**	**1 533**	**174**	**1 090 082**	**6 097**	**2 081**	**11 162**	**1 113 028**	**607 836**	**1 720 864**
Total assets	**1 899**	**1 533**	**174**	**1 715 108**	**6 097**	**2 081**	**11 162**	**1 738 054**	**629 157**	**2 367 211**
Liabilities										
Non-current liabilities										
Employee benefits, long-term	–	–	–	–	–	–	–	–	89 647	89 647
Total non-current liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**89 647**	**89 647**
Current liabilities										
Employee benefits, short-term	–	–	–	–				–	27 731	27 731
Accounts payable	–	–	–	–	–	–	–	–	216 980	216 980

	Africa region	*Asia region*	*Europe and Central Asia region*	*Headquarters*	*Latin America and Caribbean region*	*Middle East region*	*New York service cluster*	*Total*	*Unallocable*	*Grand total*
Project cash advances received										
Deferred revenue	183 521	138 988	109 184	25 430	323 571	170 332	92 097	1 043 123	–	1 043 123
Cash held on agency projects	122 966	161 503	217 443	4 086	130 579	70 330	22 702	729 609	–	729 609
Provisions	2 574	5 085	–	215	203	–	–	8 077	–	8 077
Total current liabilities	**309 061**	**305 576**	**326 627**	**29 731**	**454 353**	**240 662**	**114 799**	**1 780 809**	**244 711**	**2 025 520**
Total liabilities	**309 061**	**305 576**	**326 627**	**29 731**	**454 353**	**240 662**	**114 799**	**1 780 809**	**334 358**	**2 115 167**

Note 25
Related parties

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

197. UNOPS maintains a working relationship with the Executive Board and reimburses part of the travel costs, subsistence allowances and office expenses incurred by members of the Board in discharging their official duties, as well as a share of the cost of the Secretariat. The cost of this amounted to approximately $0.2 million during 2019 ($0.3 million during 2018). Members of the Board are elected each year by the Economic and Social Council in accordance with the rules of procedure on membership. Executive Board members are not considered key management personnel of UNOPS as defined under IPSAS.

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

Key management personnel

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

Table IV.60
Key management personnel
(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Number of individuals	2	2
Aggregate remuneration:		
Base compensation and post adjustment	435	433
Other entitlements	87	78
Post-employment benefits	147	140
Total remuneration	**669**	**651**
Outstanding advances against entitlements	–	5
Outstanding loans	–	–
After-service health insurance, repatriation grant and leave liability	265	395

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

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

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

203. In 2019, there were no known instances of executive management personnel facing conflicts of interest that could potentially influence decision-making, either stemming from the ordinary course of business or with regard to business relationships with family members, other related individuals or vendors.

204. The UNOPS Deputy Executive Director has been appointed by the Secretary-General as Assistant Secretary-General and Chief Executive of the UNOPS Sustainable Infrastructure Impact Investments (S3I) initiative and is therefore no longer considered key management personnel of UNOPS with effect from March 2020.

Note 26
Events after reporting date

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

206. The UNOPS financial statements were finalized during the coronavirus pandemic in the first half of 2020. At the time of writing, it was still too early to estimate the exact magnitude of its economic consequences and, subsequently, any impact on UNOPS reserves.

207. As at the date of signature of the UNOPS financial statements and related notes for the period ended 31 December 2019, there have been no other material events, favourable or unfavourable, that have occurred between the balance sheet date and the date on which the financial statements were authorized for issue that would have affected the statements.

Glossary of technical terms

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

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

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

Annex

United Nations Office for Project Services individual contractors provident fund summary for the period ended 31 December 2019

(Thousands of United States dollars)

	2019	*2018*[a]
Opening balance as at 1 January	48 836	31 016
Adjustment to the opening balance[b]	27	6 506
Contribution/premium	21 872	19 081
Payouts	(9 039)	(8 229)
Funds not earmarked for the fund	1 017	1 108
Earnings/loss	4 942	(646)
Closing balance as at 31 December	**67 655**	**48 836**

[a] During 2019, UNOPS reviewed Zurich International's reporting logic. Accordingly, the reporting logic in the present annex is aligned with the logic provided in Zurich International's reports starting from the year 2018, with a change to the reporting presentation but no change to the closing balance.

[b] Adjustment to the opening balance results from a review of previous reporting on the non-earmarked contributions and an adjustment by Zurich International with the previous report.

Non-earmarked contributions of the UNOPS provident fund consist of UNOPS/project contributions and related positive/negative interest that the member has not been able to withdraw upon separation because of vesting rules set forth in the UNOPS provident fund policy. The non-earmarked contributions are fully directed into the default fund of the UNOPS provident fund but, like all financial assets of the UNOPS provident fund, are kept separate from the other financial assets of UNOPS.

(Thousands of United States dollars)

	2019	*2014–2018*
Opening balance of non-earmarked contributions	4 944	–
Change in non-earmarked contributions within the period	1 463	5 481
Total expenses against non-earmarked contributions, following provident fund principles:		
Payment attributed to UNOPS personnel	(46)	(169)
Payment attributed to provident fund administrator or investment adviser	(425)	(347)
Payment attributed to services benefiting all members	(66)	(21)
Total expenses against non-earmarked contributions	**(537)**	**(537)**
Closing balance as at 31 December	**5 870**	**4 944**

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