A/76/5/Add.11

United Nations

United Nations Office for Project Services

Financial report and audited financial statements

for the year ended 31 December 2020

and

Report of the Board of Auditors

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

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United Nations • New York, 2021

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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[22 July 2021]

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Letters of transmittal

Letter dated 31 March 2021 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 2020.

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 United Nations 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 22 July 2021 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, together with the financial report and the audited financial statements of the United Nations Office for Project Services for the year ended 31 December 2020.

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
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 2020 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 2020 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.

Emphasis of matter

We draw attention to note 11 to the 2020 financial statements, entitled "Other financial assets", in which the ongoing investments of UNOPS relating to the Sustainable Infrastructure Impact Investments initiative (S3I) are provided. We also draw attention to paragraph 127 in note 13 to the financial statements, in which $22.2 million of the provisions relating to the disinvestments of S3I projects are reported. Our opinion is not modified in respect of these matters. Further details are provided in paragraphs 33 to 59 of the long-form report.

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 2020, 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:

(a) 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;

(b) 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;

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

(d) 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;

(e) 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*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors

(*Signed*) **Hou** Kai
Auditor General of the People’s Republic of China
(Lead Auditor)

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

22 July 2021

Chapter II
Long-form report of the Board of Auditors

Summary

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 2020 in accordance with General Assembly resolution 74 (I) of 1946. The Board also examined the financial transactions and operations executed at UNOPS. Due to the impact of the coronavirus disease (COVID-19) pandemic, the audit was conducted remotely in Beijing.

Opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UNOPS as at 31 December 2020 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Overall conclusion

The financial position of UNOPS remains sound, and the reported surpluses continue to contribute to significant reserves. There were a few cases of shortcomings in financial management and budget management, the lessons of which could further improve the delivery by UNOPS.

Key findings

No separate account for the growth and innovation reserve

UNOPS established the growth and innovation reserve in November 2019. At the end of 2020, the reserve was valued at $124.3 million. However, there was no separate account for the reserve as at 31 March 2021.

Risk exposure of the Sustainable Infrastructure Impact Investments projects

UNOPS invested in all of the seven Sustainable Infrastructure Impact Investments initiative (S3I) projects (amounting to $58.8 million) by entering into agreements with seven special-purpose vehicles, all affiliated with a single private holding group. In 2020, UNOPS disinvested from two S3I projects and requested repayments totalling $25.48 million. However, UNOPS had not received the overdue payments by the end of March 2021. The expected credit loss of $22.19 million on aggregate against S3I initiative investments was reflected in its 2020 financial statements. The deficiencies in partnership diversification might further expose S3I initiative investments to risks.

Deficiencies in measuring bad debt allowance

UNOPS established the bad debt allowance for two disinvested S3I projects. One was at 100 per cent of the amount accrued in 2020, indicating that the present value of the future cash flows was expected to be close to zero. For the other project, UNOPS established the bad debt allowance at 50 per cent of the carrying value with an underlying asset in the nature of the power plant. However, no professional appraisal was conducted on the status or fair value of the underlying asset. The policies relating to bad debt allowance could not serve as an adequate basis, as they

do not specify the measurement method of the allowance for estimated irrecoverable amounts of S3I initiative investments.

Unspecific policy of the cost recovery model for engagements relating to memorandums of understanding

Upon renewal of a global agreement, the pricing model would be a reference for the pricing schedule of engagements relating to memorandums of understanding. However, the existing UNOPS policy of reviewing global agreements for financial aspects does not explain specific components such as the services involved and the risks associated with them when considering setting a fee to balance the over-cost and under-cost engagements.

Unclear standard and inadequate justification in the risk increment calculation process

The Board reviewed the documents relating to risk assessments and the risk fee increment calculation process in oneUNOPS (the UNOPS enterprise resource planning system) for some engagements and found that no justification had been given for the risk fee increment added. Furthermore, the calculation standard for complexity, which had an increment of up to 40 per cent of the minimum fee, was not clear enough.

Insufficient budget estimates and no performance indicator for strategic investments

The strategic investments budget in UNOPS budget estimates for the biennium 2020–2021, amounting to $20 million, lacked a basis for budget formulation. Its implementation rate as at 31 December 2020 was 25 per cent, with 36 per cent of the 2020 budget (amounting to $6 million) unallocated. Furthermore, the linkage between the strategic investment activities and the expected impacts, outputs and outcomes was not well articulated.

Lack of automated mechanisms for delegations of authority

The current process for requesting, revising, issuing and assigning delegations of authority was done manually. Delegation-of-authority records in oneUNOPS did not provide details such as the delegator's and delegatee's names, amount thresholds, scope, supervisor, special instructions or monitoring of segregation of duties. Furthermore, UNOPS used a manual process to review all roles and delegation-of-authority assignments in case of change in contract, position number or duty station.

Corporate risk management unintegrated in oneUNOPS

UNOPS deployed the digital tool into the oneUNOPS system for risk management at the operational and organizational levels, and the system was available to all projects. Nevertheless, the risk management at the corporate level was not embedded in oneUNOPS to be unified.

Main recommendations

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

No separate account for the growth and innovation reserve

(a) **Set up a separate account for the growth and innovation reserve in due time, develop relevant policies and maintain appropriate compliance, to ensure prudent management of the reserve;**

Risk exposure of the Sustainable Infrastructure Impact Investments projects

(b) **Conduct a thorough risk reassessment of the existing investments and establish mechanisms to measure and control the risk concentration to avoid excessive exposures to any single partner;**

Deficiencies in measuring bad debt allowance

(c) **Review its policies on bad debt allowance for S3I initiative investments and consider complementing the specific measurement methods of the allowance for estimated irrecoverable amounts;**

Unspecific policy of the cost recovery model for engagements relating to memorandums of understanding

(d) **Strengthen the guidance on evaluating specific components such as the service provided and the associated risk to balance over-cost engagements and under-cost engagements when applying the existing pricing model to memorandums of understanding;**

Unclear standard and inadequate justification in the risk increment calculation process

(e) **Update guidelines to complement the necessary documentation on justification for the risk increment calculation as part of the management fee and devise an appropriate review mechanism on such justification to provide assurance with respect to the applicability of the pricing model during the engagement acceptance process;**

Insufficient budget estimates and no performance indicator for strategic investments

(f) **Formulate the budget estimate of strategic investments on the basis of expected expenses and link the strategic investments budget with its corresponding outcome and performance indicators;**

Lack of automated mechanisms for delegations of authority

(g) **Take effective measures to integrate complete assignment information on delegations of authority into oneUNOPS and establish automated mechanisms to ensure that transactions are processed within the scope of the delegated authorities;**

Corporate risk management unintegrated in oneUNOPS

(h) **Assess the feasibility of incorporating corporate risks into oneUNOPS and verify that the risk management operational instruction reflects the strategic direction of UNOPS regarding this subject.**

Follow-up of previous recommendations

As at 31 December 2020, of the 39 outstanding recommendations up to the financial year ended 31 December 2019, 13 (33 per cent) had been implemented, 24 (62 per cent) were under implementation and two (5 per cent) had been overtaken by events. The details are contained in the annex to the present chapter.

Key facts	
$1,169.19 million	Total revenue
$1,140.73 million	Total expenses
$11.03 million	Net finance income
$39.50 million	Surplus for the year ended 31 December 2020
$124.32 million	Growth and innovation reserve
$3,909.65 million	Total assets
$3,623.10 million	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 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 2020 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 2020 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 it 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. The Board conducted remotely the interim audit from 26 October to 22 November 2020 and the final audit from 5 April to 30 April 2021, owing to the COVID-19 pandemic and related travel restrictions.

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. Findings and recommendations

1. Follow-up of recommendations from previous years

7. The Board noted that there were 39 outstanding recommendations up to the year ended 31 December 2019. At the time of the assessment of the Board, 13 had been implemented (33 per cent), 24 were under implementation (62 per cent), and two had been overtaken by events (5 per cent), as shown in table II.1 below. The rate of implementation of recommendations was lower than that achieved in the previous year (67 per cent).

Table II.1
Status of implementation of recommendations

	Report of the Board of Auditors				
Status	*A/72/5/Add.11*	*A/73/5/Add.11*	*A/74/5/Add.11*	*A/75/5/Add.11*	*Total*
Open recommendations as at 31 December 2019	5	3	8	23	39
Status of implementation in 2020					
(a) Implemented	–	1	2	10	13
(b) Under implementation	4	2	5	13	24
(c) Not implemented	–	–	–	–	–
(d) Overtaken by events	1	–	1	–	2
Recommendations open as at 31 December 2020	4	2	5	13	24

Source: Analysis by the Board of Auditors.

8. The Board further carried out an analysis of the 24 recommendations open as at 31 December 2020 and noted that:

(a) Nine related to financial management (37 per cent); six related to project management (25 per cent); four referred to procurement management (17 per cent); four related to the Bangkok Shared Service Centre (17 per cent); and one fell within the category of information and communications technology (4 per cent);

(b) With regard to the ageing of the recommendations, 13 were made one year ago (54 per cent); five were two years old (21 per cent); two remained open for three years (8 per cent); and four were pending for four years (17 per cent);

(c) As for the recommended corrective measures, eight indicated a need for the development of regulations (33 per cent); 14 involved regulation improvement (59 per cent); and two required corrections in compliance with regulations (8 per cent).

9. The Board acknowledged that UNOPS had progressed towards implementation of the majority of the pending recommendations and noted that preliminary actions had been initiated for a number of cases, but further efforts were required for actual implementation. Details are set out in the annex to the present chapter.

2. Financial overview

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 $39.5 million

in 2020 against the surplus of $47.14 million in 2019. The surplus represented 3.46 per cent of the expenditure of $1,140.73 million that UNOPS had incurred.

11. The net revenue (fees) that UNOPS generates from its project activities is used to cover its central management costs. As shown in table II.2, since 2016, UNOPS has generated a net revenue from its project activities ranging from $86.70 million in 2016 to $109.05 million in 2020. During that period, the net surplus generated each year included net finance income.

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

	2020	*2019*	*2018*	*2017*	*2016*
Net revenue from project activities[a]	109 046	99 247	88 130	89 731	86 701
Miscellaneous and non-exchange revenue	8 591	4 461	1 838	2 374	2 127
Non-project expenses[b]	(89 168)	(82 202)	(71 160)	(73 956)	(68 767)
Surplus from operations	**28 469**	**21 506**	**18 808**	**18 149**	**20 061**
Net finance income	11 031	25 631	19 619	10 817	11 219
Reported surplus	**39 500**	**47 137**	**38 427**	**28 966**	**31 280**

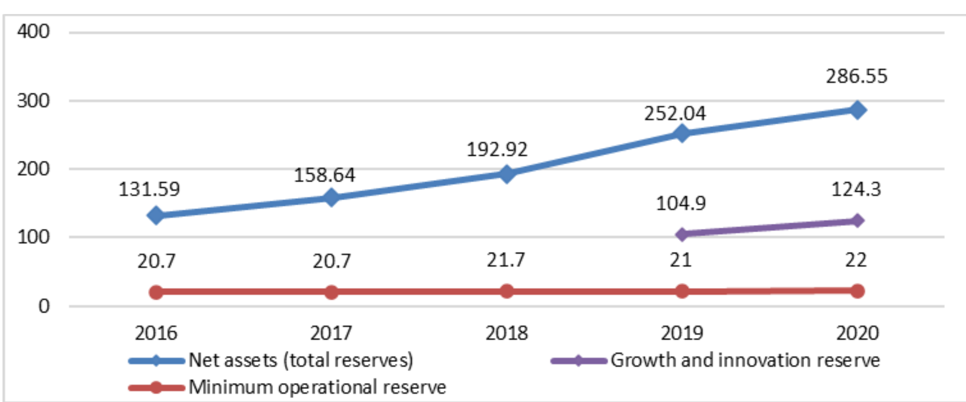
Source: UNOPS financial statements.
[a] Direct project revenue less direct project expenditures.
[b] Total expenditure less direct project expenditures.

Net assets and equity

12. In 2013, the Executive Board approved a policy to establish a minimum operational reserve, which was set at the equivalent of four months of the average management expenses for the previous three years. As at 31 December 2020, this equated to $22.0 million. In 2019, a growth and innovation reserve was established, the value of which was set at 50 per cent of the excess operational reserves. The reported growth and innovation reserve as at 31 December 2020 amounted to $124.32 million (2019: $104.91 million). The net assets (total reserves) as at 31 December 2020 amounted to $286.55 million (2019: $252.04 million). The details are shown in the figure below.

Net assets and equity as at 31 December 2020

(Millions of United States dollars)



Source: UNOPS financial statements.

13. In its previous report (A/75/5/Add.11, chap. II), the Board recommended that management 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 were effectively met and surpluses were not accumulated over and above the realistically assessed operational reserves. The Board was informed that, as directed in a decision of the Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services (DP/2020/19), UNOPS undertook a review of its minimum operational reserves. The proposal for the new requirement for such reserves has been included in the budget estimates for the biennium 2022–2023; it will be presented to the Advisory Committee on Administrative and Budgetary Questions for review and afterward to the Executive Board at its second regular session, in August and September 2021.

Ratio analysis

14. The Board 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

Financial ratios	*2020*	*2019*	*2018*	*2017*	*2016*
Cash ratio[a] Cash + short-term investments: current liabilities	0.85	0.81	0.91	0.95	0.29
Quick ratio[b] Cash + short-term investments + accounts receivable: current liabilities	0.87	0.84	0.95	1.01	0.35
Current ratio[c] Current assets: current liabilities	0.88	0.85	0.96	1.02	0.35
Solvency ratio[d] Total assets: total liabilities	1.08	1.12	1.09	1.09	1.09
Project surplus[e] (margin percentage[f]) Direct project revenue – direct project expenses	$109 million (9.4 per cent)	$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)
Net surplus (margin percentage[f]) Revenue – expenses	$39.5 million (3.38 per cent)	$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)

Source: UNOPS financial statements.

[a] 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.

[b] 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.

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

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

[e] Direct project revenue and expenses relate to the project revenue/expenses reported in note 20 of the financial statements.

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

15. As at 31 December 2020, UNOPS had total assets of $3.91 billion (2019: $2.37 billion), consisting mainly of investments of $2.91 billion (2019: $1.71 billion) and cash and cash equivalents of $883.98 million (2019: $559.44 million). The total liabilities of UNOPS stood at $3.62 billion as at 31 December 2020 (2019: $2.12 billion), with liabilities relating to project cash advances received at $3.18 billion (2019: $1.77 billion), representing 87.85 per cent (2019: 83.49 per cent) of the total liabilities. The significant increase in both total assets and liabilities in

2020 is attributed mainly to an increase in contributions that were received in advance from partners towards the implementation of the projects.

16. The Board noted that, in 2020, there was a slight increase in the current ratio, cash ratio and quick ratio and a minor decrease in total assets to total liabilities compared with 2019. The overall gross margin on project services increased from 8.2 per cent in 2019 to 9.4 per cent in 2020. The net surplus, however, did not increase proportionately, as it resulted from the net foreign exchange loss. The net finance income from investments and other financial assets decreased from $25.63 million in 2019 to $11.03 million in 2020 due to the foreign exchange loss. The overall financial position of UNOPS remained sound given that the solvency ratio was above one.

Impact of COVID-19

17. In 2020, UNOPS met its revenue target on a budget basis, and the COVID-19 pandemic had a limited financial impact on its operations. UNOPS informed the Board that its financial statements had been finalized while the pandemic was still prevalent and that it was still too early to estimate the exact magnitude of the long-term economic consequences and subsequently any impact on UNOPS net assets and equity.

18. As a result of COVID-19 and the restriction of travel, UNOPS travel expenses decreased by 46 per cent ($44.5 million in 2020 compared with$83 million in 2019). Also, UNOPS management approved the extension of annual leave, which resulted in an increase in annual leave liability of 44 per cent ($33.7 million in 2020 compared with $23.4 million in 2019). The Board was informed that the principal of the UNOPS working capital portfolio remained safe, in line with its investment policy on working capital, as it held high-quality assets aimed at preserving the principal over the investment horizon. Adverse impacts in the global bond markets were the main driver for the decrease in investment revenue.

3. Financial management

(a) Accounting management

Incorrect recognition and disclosure of non-exchange revenue

19. In regulation 9.02 of the UNOPS financial regulations and rules, it is stated that “UNOPS revenue earned from exchange and non-exchange transactions shall be recognized in accordance with IPSAS.”.

20. According to the agreement signed by UNOPS and the Ministry for Foreign Affairs of the country where the S3I office was located, the Ministry would make contributions amounting to a maximum of €20 million in four instalments to support UNOPS in implementing S3I activities during the period 2020–2023. In May 2020, UNOPS received the first contribution of $5.43 million (€5 million). In accordance with IPSAS, this transaction was a non-exchange transaction without condition and the contribution should be fully recognized as non-exchange revenue. However, UNOPS initially recorded the contribution as deferred revenue and subsequently recognized the expenses of $437,585 as revenue from project activities in its financial statements.

21. Apart from the above contribution, UNOPS received a $210,066 (€192,000) contribution in October 2019, which was granted by the city in which the S3I office was located to cover office rental costs from September 2019 to December 2020. Since this transaction met the definition of a non-exchange transaction with condition under IPSAS, UNOPS recorded the contribution as deferred revenue and recognized in revenue the equivalent of the office rental costs incurred in 2019. Twelve months’ worth of the revenue, $163,702 (€144,000), was deferred in 2019 and recognized as

miscellaneous revenue in 2020. However, the Board noted that, in the notes to the financial statements in 2019 and 2020, UNOPS initially omitted to include the revenue recognized within the narrative disclosure on non-exchange revenue; it was disclosed that the amount of non-exchange revenue UNOPS received was $0.1 million in both 2019 and 2020.

22. UNOPS explained that the contribution from the Ministry related to a single project that had non-exchange revenue. It was treated in the same way as project funds received in advance and therefore accounted for as deferred revenue.

23. The Board is concerned that improper recognition of deferred revenue and project activities revenue from non-exchange transactions might lead to inaccurate measurement of financial data including liabilities and revenues, which could further affect fair presentation of the financial statements. Meanwhile, inadequate disclosures of non-exchange revenue in the notes might further affect the credibility of financial statements.

24. Upon the recommendations of the Board, UNOPS made corresponding adjustments to the corporate financial statements and disclosed the information concerning the above revenue from non-exchange transactions in accordance with IPSAS.

25. **The Board recommends that UNOPS reassess the necessity of elaborating detailed processes on the recognition of non-exchange revenue in line with IPSAS.**

26. UNOPS accepted the recommendation.

No separate account for the growth and innovation reserve

27. In regulation 22.02 of the UNOPS financial regulations and rules, it is stated that "Within the UNOPS accounts, the following reserves may be established: … (b) A growth and innovation reserve to invest in the future revenue generating ability of UNOPS.". In rule 122.02, it is also stated that "Separate accounts shall be maintained for all reserves.". Furthermore, in paragraph 2.1 of the UNOPS operational instruction on financial accounting and reporting (OI.FG.2020.01, it is stated that "UNOPS GL shall be managed through the ERP system (oneUNOPS) in order to allow financial transactions to be recorded to the GL from different locations where UNOPS offices are based.".

28. The Board noted that UNOPS had established the growth and innovation reserve in November 2019. At the end of 2020, the reserve was valued at $124.32 million. However, there was no separate account for the reserve as at 31 March 2021 and the balance was not reflected separately in oneUNOPS.

29. UNOPS explained that currently, the calculation for the reserve was maintained outside oneUNOPS due to its calculation process but that the balance for the reserve was recorded in oneUNOPS as part of reserves accounts.

30. The Board is of the view that no establishment of separate accounts for the reserve might lead to incomplete and inaccurate reflection of related transactions and the balance of account in oneUNOPS, which is not conducive to the management of the reserve.

31. **The Board recommends that UNOPS set up a separate account for the growth and innovation reserve in due time, develop relevant policies and maintain appropriate compliance, to ensure prudent management of the reserve.**

32. UNOPS accepted the recommendation.

(b) S3I initiative investment management

33. UNOPS had invested $58.8 million from its growth and innovation reserve and carried out seven projects under its S3I initiative as at 31 December 2020. In October 2020, UNOPS disinvested from two projects and requested the return of previous payments totalling $25.48 million. However, UNOPS had not received the overdue payment by the end of March 2021. UNOPS established bad debt allowances against the default. The expected credit losses of $22.19 million on aggregate against S3I initiative investments were reflected in its 2020 financial statements. In furtherance of audit observations in the previous year (see A/75/5/Add.11, chap. II, paras. 48–64), the Board identified some issues relating to the management of S3I initiative investments.

Lack of partnership diversification

34. In section 5 of the guidelines for S3I operations, it is stated that "Within the context of S3I's risk appetite, investment diversification is a key element … As a general rule, the building of a network of multiple partnerships for S3I will also reduce overdependence on too few partners, which could trigger cumulative risk exposures.".

35. The Board noted that UNOPS had invested in the seven projects by entering into agreements with seven special-purpose vehicles, all affiliated with a single private holding group (hereinafter referred to as the partner).

36. The Board further noted that two of the seven special-purpose vehicles defaulted on the above-mentioned repayment of $25.48 million, accounting for 39.58 per cent of the financial exposure of UNOPS totalling $64.37 million to the partner and its special-purpose vehicles. As at March 2021, UNOPS still had not received the repayment; it then established bad debt allowances of $20.53 million, accounting for 32 per cent of the financial exposure.

37. The Board is concerned that overdependence on a single partner might trigger cumulative risk exposures. It is necessary for UNOPS to build a network of multiple partnerships.

38. **The Board recommends that UNOPS conduct a thorough risk reassessment of the existing investments and establish mechanisms to measure and control the risk concentration to avoid excessive exposures to any single partner.**

39. UNOPS accepted the recommendation.

Inadequate monitoring of S3I initiative investments

40. In rule 4.2 of UNOPS operational directive OD.FG.2018.01, it is stated that "UNOPS financial activities are carried out in a strictly risk controlled manner that upholds the highest standards of effectiveness, competence and integrity.". It is also stated in the guidelines for S3I operations that "A maturing S3I portfolio of investments should, over time, not result in major losses of the allocated capital. Robust project and portfolio monitoring are essential for risk management purpose … Risk management requires a strong focus on the ongoing monitoring of approved projects during the design, construction and implementation phases.".

41. In March 2019, UNOPS entered into an agreement with the partner and a special-purpose vehicle. According to the agreement, UNOPS provided $15 million to the special-purpose vehicle at a fixed interest rate of 10 per cent per annum for 15 years. The special-purpose vehicle should exclusively use the borrowed money in renewable energy pipeline projects under the authorization of UNOPS.

42. In October 2020, UNOPS signed an agreement with the special-purpose vehicle to return $15.62 million to UNOPS as a prepayment against the original loan. As at March 2021, UNOPS still had not received the payment; it then established the bad debt allowance at 100 per cent of the amount, accrued in 2020.

43. Pursuant to the initial agreement, the special-purpose vehicle should provide to UNOPS documents and information such as audited consolidated accounts, monthly management accounts, progress reports, actual and projected cash flow tables and so forth. However, UNOPS never collected such documents and information from the special-purpose vehicle.

44. UNOPS explained that it had not authorized any investment in live projects and had assumed that all the money should be in deposit. Therefore, UNOPS did not ask for the above documents and information.

45. During the audit, UNOPS asked the special-purpose vehicle to update the status of the loan, at the request of the auditors. The special-purpose vehicle responded that a large portion of the $15 million deposit had been used to discharge its pre-existing debts and liabilities.

46. The Board is of the view that UNOPS did not carry out the above investment in a strictly risk-controlled manner. The Board is concerned that the insufficient monitoring of the lending with specified purposes to the special-purpose vehicle exposed UNOPS to a high credit risk, as inferred by 100 per cent provision, and resulted in the insecure assumption on the account status.

47. **The Board recommends that UNOPS establish the necessary procedures to strengthen the risk assessment and ongoing monitoring of its S3I initiative investments to ensure the safety of the investments.**

48. UNOPS accepted the recommendation.

Deficiencies in measuring bad debt allowance

49. In rule 3.1 of operational instruction OI.FG.2020.01 on financial accounting and reporting, it is stated that "UNOPS accounting and reporting shall comply with IPSAS.". In paragraph 72 of IPSAS 29, it is stated that "If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.".

50. In 2020, UNOPS recognized the expected credit losses of $22.19 million against other account receivables, measured through risk/experience-based assessment, in relation to the disinvestments from two S3I projects (windmill power project and renewable energy project).

(i) Windmill power project

51. Pursuant to the tripartite transfer certificate of October 2020, UNOPS would transfer its original investment of $8.8 million in the windmill power project to the above-mentioned special-purpose vehicle. In exchange, the special-purpose vehicle should pay $9.86 million to UNOPS. As at March 2021, UNOPS still had not received the repayment, which had been overdue for more than three months; it then established a bad debt allowance of $4.91 million (50 per cent of the carrying value of the original investment as at 30 September 2020).

52. UNOPS stated that the fund was invested in an operating project with less liquidity, with an underlying asset related to the nature of the power plant, making it

harder for the debtor to refund the money. On the basis of the experience-based assessment, UNOPS established the above bad debt allowance.

53. The Board noted that, as reflected in the management accounts of one wind farm, the owner of that underlying asset, it was in a net liability position due to continued losses. In addition, no professional appraisal was conducted on the status or fair value of the underlying asset.

(ii) Renewable energy project

54. In October 2020, UNOPS signed an agreement with the special-purpose vehicle to disinvest from the renewable energy project and return $15.62 million to UNOPS as a repayment against an original loan.

55. UNOPS explained that the $15 million was supposed to be liquid in a bank account of the special-purpose vehicle, making it easy for the debtor to repay it to UNOPS. However, as at March 2021, the repayment had been overdue for more than four months; UNOPS then established the bad debt allowance at 100 per cent of the amount, accrued in 2020.

56. The Board is of the view that according to IPSAS, the amount of the expected credit loss recognized at 100 per cent of the receivables meant that the present value of estimated future cash flows was close to zero. However, the Board noted that UNOPS still optimistically expected the full and final payment as stated in the first session of the quarterly business review and in audit interviews.

57. The Board further examined the provisions relating to bad debt allowance and noted that the existing stipulations did not specify the measurement method of the allowance for estimated irrecoverable amounts of S3I initiative investments. Only the procedural requirements for the establishment and approval were promulgated, as presented in the UNOPS operational instruction.

58. **The Board recommends that UNOPS review its policies on bad debt allowance for S3I initiative investments and consider complementing the specific measurement methods of the allowance for estimated irrecoverable amounts.**

59. UNOPS accepted the recommendation and reported that it would put further measures in place to complement the measurement of estimated irrecoverable amounts in relation to S3I initiative investments.

(c) Management fees and fee increments

Unspecific policy of the cost recovery model for engagements relating to memorandums of understanding

60. In the UNOPS operational directive on value proposition and cost recovery model (OD.EO.2018.01), it is stated that "(3.1) In line with the principle of full cost recovery, each engagement agreement UNOPS enters into, should cover direct and indirect costs incurred by UNOPS in relation to the execution of the engagement; and (3.2) Costs pertaining to the execution and delivery of the engagement are to be determined as accurately as possible, ensuring that the effort and cost of determining and recovering these costs are reasonable.".

61. The Board noted that, in general, UNOPS calculated management fees with the clients equal to the minimum fee for cost recovery by the lowest output of the model plus a risk increment (if any) and that was the pricing policy applicable to each engagement. The Board also noted that during the negotiation of a memorandum of understanding, a fixed management fee could be a part of the memorandum of understanding and that UNOPS took the pricing policy as a reference.

62. The Board reviewed management fees for all 593 engagements relating to memorandums of understanding (amounting to $2.61 billion) as at 31 March 2021 and noted that for 308 engagements (52 per cent), amounting to $690.71 million, the management fee rates were lower than the minimum fee rates and for 203 engagements (34 per cent), amounting to $1.64 billion, the fee rates were higher than the minimum fee rates. The fee rates of the remaining 82 engagements (14 per cent), amounting to $283.28 million, were equal to the minimum fee rates.

63. UNOPS explained that it was not the percentage of engagements above or below the minimum fee but rather the total United States dollar volume of fee reductions versus fee increases that mattered. Upon renewal of a global agreement, UNOPS would review its current fee setting with the minimum fee as per the pricing policy and discuss the rates with partners, taking into consideration its recovery policy, the needs of its partners, other United Nations entities if they were part of the discussions, the services involved and the risks associated with them.

64. The Board is of the view that, when applying the existing pricing model to memorandums of understanding, the current policy of reviewing global agreements for financial aspects does not explain specific components such as the services involved and the risks associated with them when considering setting a fee to balance the engagements with costs that are higher or lower than the minimum cost. It may lead to financial loss that cannot cover the risk and influence the transparency of pricing.

65. **The Board recommends that UNOPS strengthen the guidance on evaluating specific components such as the service provided and the associated risk to balance over-cost engagements and under-cost engagements when applying the existing pricing model to memorandums of understanding.**

66. UNOPS accepted the recommendation.

Unclear standard and inadequate justification in the risk increment calculation process

67. The Board reviewed the management fee for 397 engagements not relating to memorandums of understanding signed between 1 January 2018 and 31 March 2021 and noted that for 275 engagements amounting to $8.4 billion, the management fee rates were higher than the minimum fee rates, with the ratio of 69 per cent in quantity and 97 per cent in value, showing that fee increments totalling $103.66 million were budgeted.

68. The Board checked 29 engagements, amounting to $6.98 million, with management fee rates higher than 30 per cent, all belonging to the UNOPS Latin America and the Caribbean Regional Office. According to the guidelines on the calculation of risk increment fees issued by the Office in 2014, when the engagement has characteristics that are associated with unforeseen risks, a risk increment has to be calculated and added to the minimum fee as a mitigation. Such factors include reputation issues, disputes and arbitrations. The risk whose mitigation can be covered by direct costs was not included in the risk increment. However, the Board reviewed related risk assessments documents in oneUNOPS for all 29 engagements and found that there were no written records of any of the above-mentioned unforeseen risks.

69. In addition, the risk increment rate was calculated considering four main criteria, namely, country of operation, partners involved, service and practices, and complexity. The Board noted that the complexity level of engagements varied from zero to 40 per cent of the minimum fee in the 29 engagements. However, there was no justification or documentation of the complexity level measurement and its consistency of application. Unlike the other three criteria, the calculation standard for complexity was decided at the regional level and was not sufficiently clear.

70. UNOPS stated in its guideline that the total risk increment maximum rate was suggested to be within 100 per cent of the minimum fee. The Board noted that in 397 engagements not relating to memorandums of understanding, there were 17 engagements, amounting to $6.89 billion, whose actual management fees were more than double the minimum fees. Adjustments were made to 16 of them (amounting to $746.21 million, excluding the $6.14 billion in the PharmaMex engagement) so as to fit the fee rate negotiated with the partners, which resulted in the actual management fee rates being more than the total calculated rates, accounting for $23.81 million more in management fees budgeted.

71. UNOPS explained that the risk associated with the engagement was currently established on a case-by-case basis by the project manager. Risk assessment of the engagement was the prerogative of the implementing office, and the above guidelines were general guidelines to be considered rather than a direct prescription to assign a risk factor. The assessment of the complexity level was to address how much complexity was actually driving the risk exposure for the organization. Those factors could not be prescribed in a mathematical model, but needed to be assessed by the country team.

72. The Board is concerned that the lack of clear standards in the risk increment calculation process and inadequate justification records may make it difficult to evaluate the reasonableness of pricing. Considerable manual adjustments of management fees and inconsistent application of risk increment calculation might make pricing models ineffective, and transparency challenged, which in turn could have a negative financial and reputational impact on UNOPS.

73. **The Board recommends that UNOPS update its guidelines to complement the necessary documentation on justification for the risk increment calculation as part of the management fee and devise an appropriate review mechanism on such justification to provide assurance with respect to the applicability of the pricing model during the engagement acceptance process.**

74. UNOPS accepted the recommendation.

Pricing deviations of engagements without granted exceptions

75. In the UNOPS policy on pricing/management fee calculation and set-up (Process and Quality Management System 9.5.1.2), it is stated: “In summary, the minimum fee for the engagement is determined by the lowest output of the model plus a risk increment (if any). Should the agreed engagement fee with the client be different from minimum fee above, the reason can only be: (1) memorandum of understanding signed with the partner detailing a different pricing schedule; or (2) Engagement Acceptance Committee’s decision to grant an exception to the pricing calculation. In all other cases, the engagement must be equal to the lowest fee result + risk fee increment.”.

76. The Board reviewed the management fee for all 397 non-memorandum of understanding engagements provided by UNOPS as at 31 March 2021 and noted that the management fee rates of 65 engagements were lower than the minimum fee rates, among which 55 had not been approved by the Engagement Acceptance Committee.

77. UNOPS explained that after looking into the 55 engagements (amounting to $48.86 million) without Engagement Acceptance Committee approval, 18 of them (amounting to $14.88 million) were wrongly regarded as non-memorandum of understanding engagements due to a lack of linkage between engagements and memorandums of understanding in oneUNOPS, and omissions had occurred in the process of compiling information on engagements. In the remaining 37 engagements (amounting to $33.98 million), the absence of Engagement Acceptance Committee

approval had resulted from non-memorandum of understanding agreements signed with partners detailing a different pricing schedule. While the Engagement Acceptance Committee might not have had a formal review on record for the 37 engagements referenced, all waivers had also been approved by the engagement authority.

78. The Board is concerned that inadequate linkage and reference could result in inaccurate pricing and lack of transparency, which might lead to financial and reputational risks. For the non-memorandum of understanding engagements, unclear reference between the engagements and documentation on Engagement Acceptance Committee decisions in oneUNOPS makes it difficult to judge whether the pricing deviations of engagements are consistent with the Process and Quality Management System requirements.

79. **The Board recommends that UNOPS implement a linkage of engagements and memorandums of understanding in oneUNOPS and establish a clear reference between Engagement Acceptance Committee decisions and pricing deviations in the engagement file in oneUNOPS to monitor the process.**

80. UNOPS accepted the recommendation.

(d) Asset disposal

Asset disposal before approval

81. In rule 3.18 of the UNOPS operational instruction on fixed and intangible asset management (OI.FG. 2018.02), it is stated that “All disposals must be reviewed by the appropriate level of authority and approval should be obtained prior to the disposal.”.

82. According to the list of asset disposals provided by UNOPS, 104 assets were derecognized via donations in 2020, amounting to $819,529.53. The Board further noted that 74 of them, amounting to $705,266.43, had been donated and handed over to recipient entities before approvals had been obtained, accounting for 71 per cent in quantity and 86 per cent in value. Most of them were prefabricated offices and containers.

83. Among those post facto cases, assets with a total net book value of $653,851.11 were handed over to a United Nations entity in March 2020. However, the disposals were approved by the Headquarters Contract and Property Committee in September 2020.

84. UNOPS explained that the primary causes of the above post facto cases included COVID-19, the communication gap among multiple project offices and the knowledge gap of asset focal points. It further explained that all the assets mentioned above were derecognized within 2020 and thus, the asset data in the annual financial statements were accurate. Meanwhile, UNOPS had already carried out some related training, and various system enhancements were being reviewed.

85. The Board is concerned that these post facto cases indicate a defect in the internal control of asset disposal, which might raise the risk of arbitrariness in asset disposal and affect the accuracy of financial data.

86. **The Board recommends that UNOPS take measures to strengthen the accountability of personnel involved and develop a time schedule to expedite the launch of system enhancements to track disposal processes.**

87. UNOPS disagreed with the recommendation and stated that 70 out of 74 items were related to the UNOPS South Sudan country office, not a general issue in UNOPS.

88. The Board is of the view that given the intrinsic nature of such incompliance and the potential risks in the internal control and financial creditability, these preventive and corrective measures are still recommended for improvement.

4. Budget management

Insufficient budget estimates for strategic investments

89. Pursuant to IPSAS 24, "An approved budget is not a forward estimate, or a projection based on assumptions about future events and possible management actions that are not necessarily expected to take place.".

90. In the UNOPS operational instruction on budgeting and internal investment management (OI.FG.2018.01), it is stated that "Investment budgets are a specific category of management expense budgets that are also funded through management fee recovered from client project … Investment budgets may be issued at any time and for any period. Budget performance is measured comparing budget and expense, and budget balances may be carried over as approved by the CFO based the evaluation of the investment performance based on criteria set forth in UNOPS internal investment principles.".

91. The Board reviewed the UNOPS budget estimates for the biennium 2020–2021 (DP/OPS/2019/5) and noted that UNOPS would set aside $20 million for strategic investments, which was a specific category of the management expense budget. However, unlike the management expense budget, which was classified by expense category into posts, operating expenses and so forth, the budget estimate for strategic investments could not be further classified and lacked a formulation basis, since the approval for strategic investments took place after the budget estimate was approved.

92. The Board further reviewed the past performance of the strategic investments budget. The actual implementation rate of strategic investments decreased from 48 per cent in 2018 to 25 per cent in 2020, while the unallocated investment pool increased from 15 per cent in 2018 to 36 per cent in 2020.

93. The Board is of the view that the formulation of the budget estimate for strategic investments with no basis of assumptions about future events was not in line with IPSAS 24 regarding approved budgets, which may lead to inaccurate budget estimates and affect the implementation of the budget.

94. **The Board recommends that UNOPS formulate the budget estimates of strategic investments based on expected expenses in compliance with IPSAS 24 and thus make budget a reliable criterion for evaluation and performance management.**

95. UNOPS accepted the recommendation and reported that it would provide a justification for the budget level for strategic investments as from the budget estimates for the biennium 2022–2023.

Lack of performance indicators for strategic investments

96. In the joint report of the United Nations Development Programme, the United Nations Population Fund and the United Nations Children's Fund entitled "Road map to an integrated budget: cost classification and results-based budgeting" (DP-FPA/2010/1-E/ICEF/2010/AB/L.10, para. 33), it is stated that "UNDP, UNICEF and UNFPA hold the view that there is value in developing an integrated framework that links all cost categories (development activities, United Nations development coordination, management, special purpose) with their corresponding results and indicators of performance. Such a framework would provide the Executive Board

with an overview of the relationship between results and resources at the corporate level.".

97. In paragraph 67 of the report of the Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Children's Fund on the UNOPS budget estimates for the biennium 2020–2021 (DP/OPS/2019/5), it is stated that "UNOPS aligned its budget for the biennium 2020–2021 with the harmonized presentation adopted by UNDP, UNFPA and UNICEF, based on decisions 2010/32, 2011/10, 2012/27 and 2013/9, in which the Executive Board approved harmonized approaches for cost-classification, results-based budgeting and budget presentation.". However, unlike results-based budgeting of management resources, the above-mentioned $20 million in the strategic investments budget, as one of the categories of management expenses, did not have performance indicators and targets.

98. The Board noticed that expenses and budget implementation of strategic investment projects were tracked quarterly. At the end of 2020, out of the 17 investment projects, 10 projects had a budget implementation rate of less than 50 per cent. Due to lack of performance indicators and targets, it is unable to evaluate the performance of the strategic investments.

99. The Board is concerned that the linkage between strategic investment activities and expected results, outputs and outcomes is not well articulated and matched. Without performance indicators, the achievement of results could not be measured and the effectiveness of strategic investments could not be evaluated.

100. The Board is of the view that setting performance indicators for strategic investments would improve clarity, transparency and accountability for the results to be achieved.

101. **The Board recommends that UNOPS link the strategic investments budget with its corresponding outcome and performance indicators.**

102. UNOPS accepted the recommendation and mentioned that as of the budget estimates for the biennium 2022–2023, it would incorporate strategic investments from the surplus in management resources into its budget estimate and include a related performance indicator.

Lack of reporting on the utilization of management resources towards the target

103. In 1999, the Secretary-General introduced in his report on results-based budgeting (A/54/456) a prototype of the logical framework for results-based budgeting for results-oriented accountability and flexibility. In paragraph 39 of the report, it is stated that "The current report on programme performance, involving quantitative assessment of the delivery of outputs, can eventually be integrated into the report on accomplishments, together with information on expenditures. This will give a comprehensive overview and analysis of the accomplishments achieved, the outputs delivered and the resources utilized to achieve the accomplishments.".

104. In the UNOPS strategic plan, 2018–2021 (DP/OPS/2017/5, para. 104), it is stated that "Past performance against the goals has ensured a strong foundation for strategy execution.".

105. In the UNOPS budget estimates for the biennium 2020–2021 ($138.5 million), the harmonized approach to budget presentation included seven functional clusters, with key performance indicators and associated baselines, targets and management resources. However, the Board noted that in the 2020 quarterly business review, the performance indicators for women in the workforce and women in senior positions

were evaluated towards targets without the corresponding management resource inputs.

106. The Board is concerned that lack of reporting on the utilization of management resources against performance indicators would influence the accuracy and effectiveness of the comprehensive review. The Board is of the view that the review needs to include not only the achievement of performance indicators, but also information on management resource inputs.

107. **The Board recommends that UNOPS improve the review process and reports by including information on corresponding expenditures in reports together with targets and performance indicators.**

108. UNOPS accepted the recommendation.

Inadequate control around postings related to assets

109. In rule 114.07 of the UNOPS financial regulations and rules, it is stated that "Allotments consistent with the approved management budget shall be issued annually to each business unit for the accounts under its control, together with an employee table indicating the number and level of approved posts. The verifying officer for each business unit shall be responsible for ensuring that costs do not exceed the authorized spending limit.".

110. UNOPS aligned its budget for the biennium 2020–2021 with the harmonized presentation based on Executive Board decisions, in which cost classification was made up of seven categories in the management budget, including posts, common staff costs, travel, furniture and equipment, and so forth.

111. The Board noted that UNOPS had revised its annual management budget three times in 2020 and that among its seven categories, the furniture and equipment expense budget had been reduced from $483,000 to $444,000. However, the actual expense for furniture and equipment in 2020 reached $1.24 million, exceeding its final allotment by $798,000 with the overrun rate of 179.7 per cent, and was even beyond its biennial 2020–2021 management budget of $967,000.

112. UNOPS explained that the overexpenditure was mainly due to the subsequent enhancement cost of oneUNOPS incurred during 2020 and capitalized against the original project during the financial closure process. The budget controls in oneUNOPS had been set at the work package and overall project level, and those controls would prevent posting transactions without sufficient funds. Currently, all general ledger accounts could be used regardless of the nature of the budget account; some central postings were not stopped by the budget control, which might result in budget overrun.

113. The Board is concerned that the lack of adequate controls around postings might render the budget control of individual cost categories ineffective and again lead to budget overrun on asset categories.

114. **The Board recommends that UNOPS develop effective measures to strengthen the controls around postings related to assets.**

115. UNOPS accepted the recommendation.

5. Procurement management

Inaccurate input of purchase orders and contract information

116. In accordance with the procurement monetary thresholds set out in the operational instruction on Contracts and Property Committees submissions and

reviews (OI.LG.2018.06), the Contracts and Property Committee shall review procurement as exceptions to the use of formal methods of solicitation above $50,000.

117. The Board compared a list of Contracts and Property Committee reviews downloaded from the Contracts and Property Committee system with procurement exceptions provided by management from oneUNOPS and noted that 91 purchase orders and 17 contracts, amounting to $34.71 million and $7.69 million respectively, had not been reviewed by the Committee in 2020.

118. UNOPS explained that 35 out of the 91 purchase orders and nine out of the 17 contracts had indeed been reviewed by the Contracts and Property Committee, and the remaining 56 purchase orders and eight contracts, amounting to $10.07 million and $3.12 million respectively, did not need to be reviewed by the Committee because the users had selected the solicitation method incorrectly when creating the purchase orders and contracts in oneUNOPS.

119. The Board is of the view that incorrect data input may lead to incorrect analysis and potentially affect the execution of oversight, considering that reviewing procurement as an exception to the use of formal methods of solicitation is an important oversight duty.

120. **The Board recommends that UNOPS strengthen the guidance and oversight on inputting purchase orders and contract information to ensure that the data captured in oneUNOPS are correct.**

121. UNOPS accepted the recommendation and reported that it would further strengthen the guidance and oversight for users when inputting purchase orders and contract information in oneUNOPS.

No written records of departures from recommendations of local Contracts and Property Committees by the regional director

122. According to paragraphs 12.1 and 12.2 of the UNOPS operational instruction on Contracts and Property Committees submissions and reviews (OI.LG.2018.06), the executive chief procurement officer is requested to record in writing his reasons for departing from any headquarters Contracts and Property Committee recommendation. If the local Contracts and Property Committee recommends that the regional director approve a request and the regional director disagrees with its advice, the regional director is requested to record in writing his reasons for departing from any local Contracts and Property Committee recommendation to approve.

123. The Board searched for the cases in which the executive chief procurement officer/regional director had different opinions from the Contracts and Property Committees in the Contracts and Property Committee online system from January 2018 to September 2020 and noted that departures of the executive chief procurement officer/regional director from headquarters Contracts and Property Committee/local Contracts and Property Committee recommendations could not be traced by the system. The Board reviewed the six cases provided and found that there were no records of the regional director's reasons for departing from a regional local Contracts and Property Committee recommendation in two cases.

124. UNOPS explained that the system was not designed to trace departures and that while the regional director would normally provide a justification for their departure from the local Contracts and Property Committee's recommendation, for those two cases, records of their reasons could not be found.

125. The Board is of the view that the lack of records of the regional director's reasons for departure from the local Contracts and Property Committee's recommendation may run the risk of inability to review cases of departure.

126. **The Board recommends that UNOPS strengthen the monitoring of progress to ensure that all regional director's reasons for departure from local Contracts and Property Committee recommendations are well written and documented as required by the rules.**

127. UNOPS agreed with the recommendation and reported that it would remind the local Contracts and Property Committees to request regional directors to provide written comments in the event that they exercise their authority to reject a case that is recommended for award by a local Contracts and Property Committee.

6. Information technology

No update of business continuity and disaster recovery plan

128. In UNOPS information security standard ST.ISM.2020.01, it is stated that "The backup and recovery plan should … define acceptable downtime. … Backup and recovery processes and procedures vary according to the needs of the organization and must be developed and periodically reviewed by the appropriate personnel.". In information security risk management standard ST.ISM.2019.02, it is stated that "For mission-critical or high- importance services, ICT has a low-risk appetite.".

129. UNOPS put disaster recovery as a high-level scenario in the information and communications technology (ICT) business continuity plan, and its ICT department conducted a fail-over test in October 2019.

130. The Board reviewed the updated ICT business continuity plan and noted that it did not define acceptable downtime, nor was a full recovery and reconstitution of the information system performed in contingency plan testing. The Board also noted that in 20 of its 26 information technology services, no tests had been conducted and no verification scripts had been developed by the ICT department.

131. UNOPS acknowledged the observations and explained that capacity restraints prevented difficult periodic tests and rehearsal of the business continuity and disaster recovery plan. The existing gap would be immediately closed after the migration to Google Cloud.

132. The Board is of the view that no defined acceptable downtime, lack of full recovery and reconstitution, and absence of test and verification scripts would reduce the capability of UNOPS information systems to respond to disasters and emergencies.

133. **The Board recommends that UNOPS review and update its business continuity and disaster recovery plan, including defining the objective of recovery time and developing the test and verification scripts for each service, to ensure effective performance as expected.**

134. UNOPS accepted the recommendation.

Lack of automated mechanisms for delegations of authority

135. In paragraph 5.16 of the UNOPS operational directive on the internal control framework (OD.FG.2020.01), it is stated that "Information and communication is necessary to ensure that management and personnel have the information they need to effectively carry out their responsibilities. This presupposes that relevant and quality information is generated and made available to support the functioning of other components of internal control.".

136. In paragraph 7.1 of the operational directive on ICT and digital systems management (OD.FG.2018.02), it is stated that "UNOPS ICT strives to ensure the

confidentiality, integrity and availability of UNOPS information assets, in alignment with UNOPS internal control frameworks, data classification and access policies.".

137. The Board reviewed the request form for delegation of authority, delegation of authority assignment and delegation of authority master tables and noted that currently, the processes for requesting, revising, issuing and assigning delegations of authority were all done manually. The Board also noted that, in the delegation of authority records in oneUNOPS, elements such as the delegation of authority type, level and cost centre were included, but details such as the delegation name, amount thresholds, scope, supervisor, delegation of authority special instructions or checking of segregation of duties were not provided therein. In addition, UNOPS used a manual process to review all roles and delegation of authority assignments in case of change in contract, position number or duty station.

138. The Board is of the view that the incomplete information in delegation of authority records in oneUNOPS would weaken the data processing of transactions within the scope of the delegated authorities, and a manual process would pose a risk of human error in assigning delegations of authority.

139. **The Board recommends that UNOPS take effective measures to integrate complete delegation of authority assignment information in oneUNOPS and establish automated mechanisms to ensure that transactions are processed within the scope of the delegated authorities.**

140. UNOPS accepted the recommendation and mentioned that a new roles and delegation of authority assignment tool was currently under development, which should be ready for release in 2021 to improve the management of delegations of authority.

Finance role without delegation of authority

141. In paragraph 6.1 of the UNOPS executive operational instruction on the delegation of authority and accountability framework (EOI.ED.2019.03, it is stated that "The DoA Master Table Owners shall be responsible and accountable for establishing DoA Master Table(s) containing DoA levels and associated limits, responsibilities and accountability.". In paragraph 6.5, it is stated that "All UNOPS personnel shall comply with this EOI, the DoA and associated limits.".

142. In accordance with the Process guidance – Role assignment by UNOPS system support, finance delegation of authority master table and overview of oneUNOPS user roles, all requests for finance roles are accompanied by a signed finance delegation of authority (attached to the request). If no delegation of authority is attached or the signatures needed are absent, the request would be rejected.

143. The Board reviewed the list of active user accounts in oneUNOPS with roles and the list of staff members with delegation of authority and noted that two active users with finance roles had not obtained any signed finance delegation of authority. UNOPS explained that the two users had the role but no delegation of authority, which made approvals not possible, hence there had been no risk.

144. The Board is of the view that oneUNOPS finance roles without a signed finance delegation of authority would lead to a risk of unauthorized access to the processing of financial and other transactions.

145. **The Board recommends that UNOPS conduct a comprehensive review of roles assigned in oneUNOPS to guarantee the strict matching of roles and delegations of authority in compliance with the delegation of authority and accountability framework and establish an effective mechanism to periodically control user access provisioning/deprovisioning and segregation of roles.**

146. UNOPS accepted the recommendation.

Inadequate security of user accounts

147. In paragraph 2.6 of UNOPS information security standard ST.ISM.2020.01, it is stated that "Personnel shall be responsible and accountable for all communications, actions and approvals performed using their UNOPS account. Personnel to whom a password has been assigned shall not disclose the password to anyone and shall be responsible and accountable for all actions performed and transactions approved through the use of that password.".

148. In paragraph 7.1 of the UNOPS operational directive on ICT and digital systems management (OD.FG.2018.02), it is stated that "UNOPS ICT strives to ensure the confidentiality, integrity and availability of UNOPS information assets, in alignment with UNOPS internal control frameworks, data classification and access policies.".

149. The Board reviewed all 11,704 active user accounts, including system users, and noted that 206 active user accounts had not set a password expiry date. Of those, the passwords of 204 accounts created prior to 22 July 2020 had a validity period beyond 90 days, the longest of which was as many as 1,904 days as at 26 October 2020.

150. UNOPS stated that those 206 users of oneUNOPS were Agresso desktop client users who could connect directly to the oneUNOPS database but that password expiration was not enforced in oneUNOPS for Agresso desktop client users.

151. The Board further examined operational instruction OI.ICT.2018.02 and noted that a mandatory password duration check was not included in the instruction.

152. The Board is of the view that the current practice on the setting of passwords for user accounts is not in compliance with information security standard ST.ISM.2020.01 and would pose a risk to the application security, identity and access management of UNOPS.

153. **The Board recommends that UNOPS take effective measures to enhance account security for all user accounts and update the relevant security policy based on best practices.**

154. UNOPS accepted the recommendation.

7. Risk management

Corporate risk management unintegrated in oneUNOPS

155. According to paragraph 3.1 of UNOPS operational directive OD.FG.2018.03, UNOPS shall implement an enterprise risk management process, supported by associated systems and procedures. Paragraphs 4.2 and 6.11 of operational instruction OI.FG.2018.06 jointly specify that the enterprise risk management information system comprises three key levels – corporate, organizational and operational – which is aligned with UNOPS standard risk taxonomies to support effective risk management at all levels.

156. The Board reviewed the associated information system of risk management through the Intranet and noted that UNOPS had deployed the digital tool into oneUNOPS for risk management at the operational and organizational levels and that the system was available to all projects. Nevertheless, the risk management at the corporate level had not been embedded in oneUNOPS to be unified.

157. UNOPS explained that oneUNOPS Projects risk functionalities were currently already available across all organizational levels, while the system was not yet being utilized to record corporate risks. The corporate risk management process is currently integrated in the quarterly business review process.

158. The Board is of the view that having corporate risks outside oneUNOPS Projects is not strictly compliant with the operational instruction, which requires UNOPS to implement a risk management information system aligned with effective risk management at all levels, and it is not conducive to the unified management of risks across the organization.

159. **The Board recommends that UNOPS, as part of the expected enhancement of corporate risk management, assess the feasibility of incorporating corporate risks into oneUNOPS and verify that the risk management operational instruction reflects the UNOPS strategic direction regarding this subject.**

160. UNOPS accepted the recommendation.

8. Travel management

Non-compliance with advance booking before departure

161. In regulation 3.02 of the UNOPS financial regulations and rules, it is stated that "The Executive Director shall issue detailed Financial Rules and procedures to ensure effective financial administration and economical use of resources.". In paragraph 4.1 of the operational instruction on official duty travel (OI.SSC.2018.01), it is stated that "In order for UNOPS to obtain better pricing on tickets, the traveller should aim for booking of the ticket 7 days in advance of departure.". The same provision is described in section 2.1 of the mandatory procedures in the UNOPS policy on the management of official duty travel (Process and Quality Management System 11.4).

162. The Board reviewed the tickets issued to headquarters personnel during 2020 and noted that 99 out of 325 tickets had been booked less than seven days in advance of the departure date, accounting for 30 per cent, with the related original/exchange fee of $15,218.18 and refund fee of $34,073.44.

163. UNOPS explained that, although booking tickets seven days in advance of departure, where possible, might be a strongly recommended practice but not a policy requirement, given the nature of its operations, situations arise where personnel need to book their tickets urgently. However, UNOPS would like to keep the recommendation of seven days advance booking in the Process and Quality Management System to continue encouraging personnel to do so.

164. The Board is of the view that compliance with the provision on advance booking needs further improvement, which may result in more discounts on air tickets and travels being more cost-effective accordingly.

165. **The Board recommends that UNOPS strengthen travel management by developing clear and applicable measures to encourage advance booking by personnel and ensure economical use of resources.**

166. UNOPS accepted the recommendation and reported that it would ensure that measures were put in place to encourage adherence to the seven-day advance booking policy.

C. Disclosures by management

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

167. Management informed the Board that, in 2020, it formally wrote off assets in the amount of $2,522,107, including overspending of $488,533.[1]

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

168. As at 31 December 2020, management had also reported provisions of $38.18 million for bad and doubtful debts.

2. Ex gratia payments

169. UNOPS informed the Board that an amount of $4,000 had been paid as an ex gratia payment during the year ended 31 December 2020.

3. Cases of fraud and presumptive fraud

170. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements 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.

171. 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.

172. UNOPS informed the Board that there were 31 fraud cases in 2020. In addition, UNOPS informed the Board that six of those 31 cases had a monetary impact of $217,300 on UNOPS, a 177 per cent increase in value compared with 2019.

D. Acknowledgement

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

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

(Signed) **Hou** Kai
Auditor General of the People's Republic of China
(Lead Auditor)

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

22 July 2021

Annex

Status of implementation of recommendations up to the financial year ended 31 December 2019

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
1	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 role of UNOPS is to deliver on demand services to expand the implementation capacity of its partners across all the Sustainable Development Goals, thereby contributing towards the achievement of all the Goals. UNOPS does this at the project level, on behalf of its partners. It is responsible for project outputs rather than outcomes and impacts. Setting and monitoring targets for its work beyond the project outputs would clearly be outside the scope of its business model. Notwithstanding, the UNOPS strategic plan for 2018–2021 articulates a clear ambition to embed sustainable implementation approaches in order to realize a tangible impact in its implementation of projects. While UNOPS may not be able to support the full intent of the recommendations, it is continuously improving and augmenting its capacity in embedding sustainability elements in its projects and activities.	As one of the most important project implementing partners and operational resources of the United Nations, it is considered that UNOPS can expand capacity towards the achievement of all the Sustainable Development Goals, which is focused on the demands of partners and the needs of people and countries. UNOPS should carry out the achievement of the Goals through its operational activities, focusing not only on project screening and acceptance, but also on the direct and indirect influence of project outputs and outcomes on partners, with effective and adequate communications, in an appropriate way. The Board noted that UNOPS had made improvements on environment, gender, security and so forth, but that further efforts were required. The recommendation is considered to be under implementation.		X		
2	2016	A/72/5/Add.11, chap. II, para. 95	The Board recommends that UNOPS incorporate sustainability targets and deliverables into project	The role of UNOPS is to deliver on demand services to expand the implementation capacity of its partners across	As one of the most important project implementing partners and operational resources of the United Nations, it is		X		

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			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.	all the Sustainable Development Goals, thereby contributing towards the achievement of all the Goals. UNOPS does this at the project level, on behalf of its partners, It is responsible for project outputs rather than outcomes and impacts. Setting and monitoring targets for its work beyond the project outputs would clearly be outside the scope of its business model. Notwithstanding, the UNOPS strategic plan for 2018–2021 articulates a clear ambition to embed sustainable implementation approaches in order to realize a tangible impact in its implementation of projects. While UNOPS may not be able to support the full intent of the recommendations, it is continuously improving and augmenting its capacity in embedding sustainability elements in its projects and activities.	considered that UNOPS can expand capacity towards the achievement of all the Sustainable Development Goals, which is focused on the demands of partners and the needs of people and countries. UNOPS should carry out the achievement of the Goals through its operational activities, focusing not only on project screening and acceptance, but also on the direct and indirect influence of project outputs and outcomes on partners, with effective and adequate communications, in an appropriate way. The Board noted that UNOPS had made improvements on environment, gender, security, and so forth, but that further efforts were required. The recommendation is considered to be under implementation.				
3	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 throughout the business process, to be measured against predefined sustainability standard indicators, targets and deliverables, and having the	The role of UNOPS is to deliver on demand services to expand the implementation capacity of its partners across all the Sustainable Development Goals, thereby contributing towards achievement of all the Goals. UNOPS does this at the project level, on behalf of its partners. It is responsible for project outputs rather than outcomes and impacts. Setting	As one of the most important project implementing partners and operational resources of the United Nations, it is considered that UNOPS can expand capacity towards the achievement of all the Sustainable Development Goals, which is focused on the demands of partners and the needs of people and countries. UNOPS should carry out the		X		

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			results validated through a verification mechanism.	and monitoring targets for its work beyond the project outputs would clearly be outside the scope of its business model. Notwithstanding, the UNOPS strategic plan for 2018–2021 articulates a clear ambition to embed sustainable implementation approaches in order to realize a tangible impact in its implementation of projects. While UNOPS may not be able to support the full intent of the recommendations, it is continuously improving and augmenting its capacity in embedding sustainability elements in its projects and activities.	achievement of the Goals through its operational activities, focusing not only on project screening and acceptance, but also the direct and indirect influence of project outputs and outcomes on partners, with effective and adequate communications in an appropriate way. The Board noted that UNOPS had made improvements on environment, gender, security and so forth, but that further efforts were required. The recommendation is considered to be under implementation.				
4	2016	A/72/5/Add.11, chap. II, para. 156	The Board recommends that UNOPS review its existing standard operating procedures relating to vendor database management to ensure that it has a strong system of checks with defined formats for data, data validation and alerts regarding duplicates in the oneUNOPS system in order to enhance the quality of data sets.	UNOPS will review the data in question to assess whether more clean-up is possible. It is important, however, to recognize that the United Nations Global Marketplace data are not owned by UNOPS and that the UNOPS enterprise resource planning system holds the vendor data of all personnel, which by nature are not registered in the United Nations Global Marketplace database.	The Board noted that UNOPS had implemented the recommendations by adding validations and justifications into oneUNOPS regarding suppliers to enhance the quality of the data, control the creation of duplicate data and maintain a cleaner database. UNOPS will review the data in question to assess if more clean-up is possible. The recommendation is considered to be under implementation.		X		
5	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	UNOPS will put in place measures to enforce the recommendation to book travel at least seven days in advance.	The Board noted that rather than demanding strict compliance with the policies on advance booking, it is more effective to achieve				X

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			of the travel date. Systems should be enabled to capture the data related to booking, to allow for better monitoring.		economical use of resources by developing clear and applicable measures to encourage personnel. The recommendation is considered to have been overtaken by events.				
6	2017	A/73/5/Add.11, chap. II, para. 42	The Board recommends that UNOPS expedite the implementation and operationalization of the enterprise portfolio and project management system and the enterprise risk management system as planned.	UNOPS has been capturing and keeping track of the key discussion outputs, actions and decisions taken further to the review by the Engagement Acceptance Committee in JIRA. UNOPS monitors the implementation of the Committee's conditions and continues to report on a quarterly basis on the Committee decisions. This current mechanism is being complemented by an "Engagement Acceptance Committee file" feature in oneUNOPS (under testing) that will ensure that the Committee decisions are saved directly in oneUNOPS. With this last update, UNOPS has addressed the Board's observation related to the management of risks identified during the engagement acceptance process.	The Board noted that UNOPS had deployed the enterprise portfolio and project management system, oneUNOPS, which is available for all projects for whole process management. In addition, a risk management information system covering operational and organizational levels was deployed to monitor project risks. The recommendation is considered to have been implemented.	X			
7	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 are operationally closed, so as to complete the process within the stipulated period.	For 2020, UNOPS achieved a closure rate of 93 per cent of financial closures on time. Out of the 465 projects to be financially closed in 2020, 432 were closed within 18 months. UNOPS further reduced its backlog of projects open	The Board noted that UNOPS had improved the existing policy and system, reduced the backlog of projects and made progress in regard to timely project closure. However, there is still room for the improvement of financial		X		

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				beyond the 18-month timeline from 370 projects when the recommendation was issued (24 per cent of active projects at the time) down to 47 projects as at 31 December 2020. Given that in 2020, a total of 1,651 projects were active, this is down to a rate of less than 3 per cent. At the same time, UNOPS improved its monitoring and notifications to project managers, which has led to an average time for financial closure in 2020 of 8.8 months, thus well below the 18-month limit documented in the UNOPS financial regulations and rules.	closure within the stipulated period. The recommendation is considered to be under implementation.				
8	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 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.	In order to strengthen its reporting and monitoring mechanism for the mainstreaming of gender into projects and ensure the preparation of gender action plans by all gender focal points, UNOPS released the gender action plan in the fourth quarter of 2020 as part of the new feature in oneUNOPS Projects to establish action plans as informed by the screenings (gender screening in the present case). The gender action plan can notably be developed using the guidelines on gender mainstreaming in projects, which were released in 2019. The oversight of the	The Board noted that UNOPS had released the gender action plan in the fourth quarter of 2020 as part of the new feature in oneUNOPS Projects to establish action plans as informed by the screenings. The year-to-date performance of the gender action plans is 66.3 per cent, an improvement of six points from the third quarter of 2020, with 100 per cent compliance of two regions (New York Service Cluster and Middle East Region). UNOPS is confident that with the appropriate tools and the corporate and regional oversight, full compliance will be soon reached.		X		

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				milestones of the gender action plan is achieved through the quarterly assurance process, the improved version of which was embedded in oneUNOPS Projects in January 2021. The results of that process can be consulted for each engagement in oneUNOPS Projects. UNOPS Corporate monitors the development of gender action plans for the engagements that were screened positively against gender mainstreaming criteria during the engagement development and acceptance process (see the gender action plan compliance dashboard). The year-to-date performance of gender action plans is 66.3 per cent (114 engagements out of 172 screened positively against gender mainstreaming criteria), which represents an improvement of six points from the third quarter of 2020. It must be noted that two regions (New York Service Cluster and Middle East Region) also reached 100 per cent compliance. UNOPS is confident that with the appropriate tools and the corporate and regional oversight now in place, full compliance will be soon reached.	The recommendation is considered to be under implementation.				

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
9	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.	The process of embedding project classification within oneUNOPS Projects is currently in process.	The Board noted that embedding project classification within oneUNOPS Projects is still in process. The recommendation is considered to be under implementation.		X		
10	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.	The process of automation of the corporate financial statements is currently in process and is expected to be completed by the end of 2021.	The Board noted that the automation of the corporate financial statements within oneUNOPS Projects is still in process. The recommendation is considered to be under implementation.		X		
11	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 analysis of the useful life for the UNOPS asset table was completed for 2019 and the same analysis for 2020 is currently under review.	The Board noted that the useful life analysis for 2019 had been completed and that the 2020 analysis was currently under review and should be completed before the preparation of the financial statements. The recommendation is considered to be under implementation.		X		
12	2018	A/74/5/Add.11, chap. II, para. 83	The Board recommends that UNOPS properly document the cases of waiver of administrative fees.	UNOPS has thoroughly reviewed the process and purpose of charging an administrative fee. During the review, it was understood that in the majority of the advance financing cases, the administrative fee either did not apply as per guidance or was waived as per the authority of the approving delegation of authority holder. Also, the processing cost for	The Board noted that UNOPS was no longer charging administrative fees. There was no need to document the cases of waiver of administrative fees. The recommendation is considered to have been overtaken by events.				X

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				the administrative fee, including the documentation and recording in UNOPS books, compared with the fee was considered not efficient. Subsequently, UNOPS management decided to abolish the administrative fee. This has now been implemented through the issuance of revised guidance on advance financing. Given that, going forward, UNOPS is no longer charging a fee, it suggests that the recommendation to document waivers for such fees be closed.					
13	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 reviewed its financial regulations and rules and the circumstances under which it reasonably can charge interest on an advance financing case. Given that rule 123.18 of the financial regulations and rules prescribes that "Any negative interest charges incurred by UNOPS pursuant to client and/or funding source request to UNOPS to advance its own funds for project activities or due to late instalment payments by the client and/or funding source, may be deducted from interest amounts that may be owed to the client and/or funding source." UNOPS decided to review the basic need to charge interest on advance financing cases. In the review,	The Board noted that UNOPS had reviewed and updated the advance financing guidance note which contained the chapter on interest charges on advance financing. The recommendation is considered to have been implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				it was understood that UNOPS should not seek to charge interest on cases where the advance financing was provided for commitments only, as there was no immediate loss to UNOPS. Furthermore, many of the cases where advance financing is issued are related to agreements that require UNOPS to advance funds at some point. As these standard agreements do not cater for such additional charges, the application of advance financing for such agreements also did not seem feasible. As such, UNOPS decided, after discussion with the Chief Financial Officer and approval by the Deputy Chief Financial Officer, to modify its guidance to apply interest charges to advance financing cases if so specifically requested by the approving authority of the advance financing.					
14	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 implemented a process for prioritization of change requests and will review the process for change requests in order to assess the possibility of a definite time period.	The Board noted that UNOPS had implemented a process for prioritization of change requests within a definite time frame and had developed specific operating instructions. The recommendation is considered to have been implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
15	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 Project Management Manual.	UNOPS has not yet made substantial progress on: (a) the transition of project initiation documentation into oneUNOPS Projects (the functional requirements for online project initiation documentation have been completed, but its integration as a Google Doc in oneUNOPS has not yet been prioritized in the backlog of oneUNOPS development requirements); (b) the development of functional requirements for the inclusion of tolerances (against time, cost, scope) in the opportunity and engagement acceptance process.	The Board noted that UNOPS had not yet made substantial progress on the transition of project initiation documentation into oneUNOPS Projects, although the functional requirements for an online project initiation document had been completed. The recommendation is considered to be under implementation.		X		
16	2018	A/74/5/Add.11, chap. II, para. 174	The Board recommends that UNOPS automate 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.	The process of automation of corporate financial statements is currently in process and is expected to be completed by the end of 2021. The implementation of the treasury management system has been completed.	The Board noted that the process of automation of corporate financial statements was still in process, while the implementation of the treasury management system was in phase 2. The recommendation is considered to be under implementation.		X		
17	2019	A/75/5/Add.11, chap. II, para. 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	As directed by Executive Board decision 2020/8, UNOPS will undertake a review of minimum operational reserves. The review will be presented to the Advisory Committee on Administrative and Budgetary Questions for review and will	The Board noted that the review of minimum operational reserves was still in process. The recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			the realistically assessed operational reserves.	then be presented to the Executive Board during 2021.					
18	2019	A/75/5/Add.11, chap. II, para. 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.	UNOPS has progressed in the implementation of its corporate action plan. At the 2nd meeting of the client board, in February 2021, it shared the client friendly note on costing and pricing. The note is available to all colleagues in touch with partners to further elaborate on the management fee and its structure. Also, the system setup for the fee calculation in oneUNOPS Projects allows UNOPS colleagues to clearly understand and share when needed the details on how much of the fee is due to complexity (personnel cost), economies of scale (model) and risk (risk increment). The feedback from the client board on this initiative also was positive, and the focus has shifted from explanations on the pricing to the management and costing of shared services. On the basis of that, UNOPS suggests closing the recommendation.	The Board noted that UNOPS was improving its current corporate action plan and communicating with partners to solidify the understanding of the cost recovery model. UNOPS had shared the client friendly note on costing and pricing and made it available to all colleagues in touch with partners to further elaborate on the management fee and its structure. The recommendation is considered to have been implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
19	2019	A/75/5/Add.11, chap. II, para. 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.	In furtherance of the commitment by UNOPS to expand on the policy guidance available for S3I activities, UNOPS retained in early April 2020 a highly seasoned consultant who guided the work of the UNOPS senior leadership team on the range of relevant issues. Following several rounds of consultations, and in line with the agreed timelines, the much-expanded policy guidance framework with a number of related annexes was approved in late October 2020 and became effective on 1 November 2020.	The Board noted that the guidelines for S3I operations had been issued in 2020, in regard to governance, accountability, risk management, portfolio management, the investment process and so forth. The recommendation is considered to have been implemented.	X			
20	2019	A/75/5/Add.11, chap. II, para. 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.	In furtherance of the commitment by UNOPS to expand on the policy guidance available for S3I activities, UNOPS retained in early April 2020 a highly seasoned consultant who guided the work of the UNOPS senior leadership team on the range of relevant issues. Following several rounds of consultations, and in line with the agreed timelines, the much-expanded policy guidance framework with a number of related annexes was approved in late October 2020 and became effective on 1 November 2020.	The Board noted that bad debt allowances had been recognized against a high proportion of S3I initiative investments, during which insufficient monitoring was noted. The recommendation is considered to be under implementation.		X		
21	2019	A/75/5/Add.11, chap. II, para. 78	The Board recommends that UNOPS examine the risks of an investment manager	These Legal and General Investment Management-	The Board noted that UNOPS had confirmed that the portfolios managed by	X			

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			investing UNOPS portfolios in its own fund and take appropriate mitigation measures.	pooled investment vehicles were divested in July 2019.	UNOPS external manager Legal and General Investment Management had been adjusted in July 2019 according to the recommendation. The recommendation is considered to have been implemented.				
22	2019	A/75/5/Add.11, chap. II, para. 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.	UNOPS implemented the new strategic asset allocation for its after-service health insurance investment portfolio on 24 November 2020.	The Board noted that UNOPS had conducted the asset and liability management study and implemented the new strategic asset allocation for its after-service health insurance investment portfolio. The recommendation is considered to have been implemented.	X			
23	2019	A/75/5/Add.11, chap.II, para. 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.	The supplier performance of the investment manager is formally evaluated against the contractual obligations following the prevailing UNOPS procurement policies . The UNOPS procurement policies currently require supplier performance to be formally evaluated upon completion of the whole award, which in the case of the provident fund is in 2024. UNOPS management will work with the Board of Auditors to establish a process through which the recommendation can be closed following the UNOPS procurement processes and the	The Board noted the consideration of UNOPS on the performance evaluation of the investment manager and would further monitor the progress in that regard. The recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				review frequency prescribed therein.					
24	2019	A/75/5/Add.11, chap. II, para. 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.	While the next time that the contract of the investment manager is considered for extension and performance against the statements of investment principles may be in 2022, the supplier performance of the investment manager is formally evaluated against the contractual obligations following the prevailing procurement policies of UNOPS and upon completion of the whole award in 2024. UNOPS management will work towards the implementation of the recommendation.	The Board noted that UNOPS would consider the performance evaluation in combination with the contract extension of investment managers in 2022 and 2024 respectively. The recommendation is considered to be under implementation.		X		
25	2019	A/75/5/Add.11, chap. II, para. 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.	UNOPS accepted the recommendation and is working on the assessment for the additional performance security requirements as part of the ongoing revision of its Procurement Manual.	The Board noted that UNOPS was drafting the revised Procurement Manual and associated policies, including successive reviews by the core policy review team, and was working on the assessment for the additional performance security requirements as part of the ongoing revision of its Procurement Manual. The recommendation is considered to be under implementation.		X		
26	2019	A/75/5/Add.11, chap .II, para 110	The Board recommends that UNOPS improve its monitoring to ensure that performance securities are submitted in a timely manner	UNOPS accepted the recommendation and is currently implementing system enhancements to the contract management module of the enterprise resource planning	The Board noted that UNOPS was currently implementing system enhancements to the contract management module of oneUNOPS to improve on the monitoring of performance		X		

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	*Status after verification* Implemented	Under implementation	Not implemented	Overtaken by events
			and kept valid throughout the contract period.	system (oneUNOPS) to improve on the monitoring of performance securities received. This is being done as part of the ongoing P2P project led by the Information Technology Group and the Procurement Group (feature #2 within the project). The functionality is currently being tested and is expected to be released in production in June 2021; it will be accompanied by adequate materials and guidance for users.	securities received. This is being done as part of the ongoing P2P project led by the Information Technology Group and the Procurement Group. The recommendation is considered to be under implementation.				
27	2019	A/75/5/Add.11, chap. II, para. 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.	UNOPS accepted the recommendation and is working on the assessment of its approach to the inclusion of liquidated damages as part of the ongoing revision of its Procurement Manual.	The Board noted that UNOPS was working on the assessment of its approach to the inclusion of liquidated damages as part of the ongoing revision of its Procurement Manual. The recommendation is considered to be under implementation.		X		
28	2019	A/75/5/Add.11, chap. II, para. 129	The Board recommends that UNOPS comply with the guidance regarding the supplier performance evaluation and complete the evaluations according to the prescribed timeline.	UNOPS is currently implementing system enhancements to the contract management module of oneUNOPS to improve the timely completion of supplier performance evaluations. This is being done as part of the ongoing P2P project led by the Information Technology Group and the Procurement Group (feature #4 within the project). The functionality is currently being tested and is expected to be released in production in June 2021; it	The Board noted that UNOPS was working on the system improvement and that the functionality was currently being tested and was expected to be released in production in June 2021.The auditors will review the result at a later stage. The recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				will be accompanied by adequate materials and guidance for users. In addition, the Procurement Group is planning to include an indicator on mandatory supplier performance evaluation compliance as part of its regular oversight and analytics engagement with UNOPS offices and regions.					
29	2019	A/75/5/Add.11, chap. II, para. 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.	In addition to the improvements made in 2020 and shared with the Board, the full project closure process was modelled and implemented in oneUNOPS Projects during the first quarter of 2021 and the changes to the software are currently being reviewed by business stakeholders before being released. The intent is that they will be released during the second quarter of 2021. It is to be noted that 68 per cent of projects due to close in 2020 have been operationally closed on time, which represents a seven- point increase against the baseline (61 per cent). The performance and progress are continuously monitored through UNOPS corporate oversight (which reports on the current year, year to date), and can be consulted in the project closure dashboard. As noted in its response to the 2018 audit recommendation on paragraph 95 (A/74/5/Add.11),	The Board noted that UNOPS was improving the full project closure process, which was modelled and implemented in oneUNOPS Projects during the first quarter of 2021, and that the changes to the software were currently being reviewed by business stakeholders before its release during the second quarter of 2021. The auditors will review the result of the new software at a later stage. The recommendation is considered to be under implementation.		X		

						Status after verification			
No.	*Audit report year*	*Report reference*	*Board's recommendation*	*UNOPS response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
				UNOPS recognizes the existence of risks that may potentially lead to project delays, including the operational closure.					
30	2019	A/75/5/Add.11, chap. II, para. 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.	The recommendation is well implemented. The new services of payment factory under the treasury management system structure, bank accounts reconciliation and UN Web Buy reconciliation have effectively been transferred to the Bangkok Shared Service Centre. In addition, one more new service (United Nations Development Programme-Service Clearing Account reconciliation), was also transferred to the Centre in the first quarter of 2021.	The Board noted that new services would be transferred to the Bangkok Shared Service Centre pursuant to the UNOPS strategic plan for 2018–2021. The Board will evaluate the operations in 2022. The recommendation is considered to be under implementation.		X		
31	2019	A/75/5/Add.11, chap. II, para. 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.	UNOPS considers that the recommendation has been satisfied through its current corporate structure composed of the Director of the Shared Service Centre, the Director of Finance and Administration and, ultimately, the UNOPS senior leadership team. The Director of the Shared Service Centre reports directly to the Director of Finance and Administration, who sits on the UNOPS senior leadership team, which is directly under the UNOPS Executive Director. Additionally, the Bangkok Shared Service Centre steering panel is being	The Board noted that UNOPS had strengthened its corporate control over the Bangkok Shared Service Centre with specific components and reporting lines. As shown in the minutes of the Bangkok Shared Service Centre steering panel meeting held on 1 October 2020, the members of the Panel discussed, among other issues, a list of potential functions and services that could be provided by the Centre, including finance, procurement, administration and support services.	X			

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				rendered more robust in terms of its overall strength and influence for future service line analyses and transfers.	The recommendation is considered to have been implemented.				
32	2019	A/75/5/Add.11, chap. II, para. 161	The Board recommends that 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.	UNOPS confirms that the Bangkok Shared Service Centre steering panel was established to represent the views and needs of the UNOPS field offices, which are the Centre's key clients. UNOPS has decided to update the terms of reference of the steering panel, to expand the membership within the panel and to appoint new panel members. Those steps should achieve the objective of granting the panel a stronger role in terms of its overall influence and its ability to support the implementation of the transfer of services to the Centre.	The Board noted that the UNOPS Bangkok Shared Service Centre, with its strong governance structure, had revised the terms of reference of its steering panel with new functions. Also, as shown in the minutes of its meeting held on 1 October 2020, the steering panel discussed some of the potential functions and services that could be provided by the Centre, including finance, procurement, administration and support services and so forth. The recommendation is considered to have been implemented.	X			
33	2019	A/75/5/Add.11, chap. II, para. 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.	UNOPS considers that the recommendation has already been implemented through the current method of evaluation and implementation of information technology projects. The Bangkok Shared Service Centre actively partners with ICT and jointly supports the senior leadership team to assess and decide on the required information technology development work and the solutions needed with the goal of improving efficiency, automation and compliance for the Centre.	The Board noted that the Bangkok Shared Service Centre actively partnered with ICT and jointly supported the senior leadership team to assess and decide on the required information technology development work and the solutions needed with the goal of improving efficiency, automation and compliance for the Centre. The recommendation is considered to have been implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
34	2019	A/75/5/Add.11, chap. II, para. 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.	The recommendation has already been addressed within the current method of requesting information technology development work, design and mapping of solutions starting with the 2020 ICT road map. The 2020 road map has been divided into five streams by business focus and nature of information technology development.	The Board noted that, starting with its 2020 ICT road map, UNOPS was implementing a method of requesting information technology development work, design and mapping of solutions, etc., divided into five streams by business focus and nature of information technology development. The recommendation is considered to have been implemented.	X			
35	2019	A/75/5/Add.11, chap. II, para. 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.	The treasury management system project has been implemented and went live in November 2020.	The Board noted that phase 2 of the treasury management system project was still in progress; this is the functionality that should enable UNOPS to speed up the application of funds that have been received in its bank accounts from project contributions, allowing projects to start expenditure in a quicker manner. The recommendation is considered to be under implementation.		X		
36	2019	A/75/5/Add.11, chap. II, para. 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.	The recommendation has been implemented via the global introduction by UNOPS, by the end of 2019, of a new software suite, Google G-Suite, as the UNOPS corporate productivity tool that will automatically address those concerns. Google G-Suite automatically manages version control as well as the	The Board noted that in 2019, UNOPS had introduced a new software suite, Google G-Suite, as its corporate productivity tool that would automatically address those concerns, manage version control and document changes. The recommendation is considered to have been implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				dating and tracking of document changes.					
37	2019	A/75/5/Add.11, chap. II, para. 190	The Board recommends that UNOPS incorporate reporting tools for performance requirement into ICT applications.	The recommendation has already been addressed. The human resources and payroll reporting platform in oneUNOPS reports is operational.	The Board noted that the human resources and payroll reporting platform in oneUNOPS reports had been put into operation. The recommendation is considered to have been implemented.	X			
38	2019	A/75/5/Add.11, chap. II, para. 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.	The recommendation has already been addressed. The Information Technology Group, the Finance Group, the People and Change Group, the Shared Service Centre and the Partnership and Liaison Group formed a project group and thoroughly analysed the processes relating to payroll/human resources and targeted automation, validation controls and data integrity. The "as is" process was mapped, a best practices exercise was completed and a "to be" process map was created. Next steps to automate those processes were taken and a guidance standard operating procedure was developed.	The Board noted that the "to be" tool still needed to develop a system tool for payroll field focal points, a payroll validation/variance tool and a payroll self-service portal to ensure data integrity and avoid manual errors. The recommendation is considered to be under implementation.		X		
39	2019	A/75/5/Add.11, chap. II, para. 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	The recommendation has already been addressed. UNOPS has created an interactive online system called the Process and Quality Management System. Processes for all UNOPS entities are delineated in the	The Board noted that UNOPS prescribed the functions of involved entities within UNOPS. No supporting documents showing that the problem of stagnation of payments and inefficient coordination between units		X		

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment		Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			service centre for transactional services.	system by both functional area and by entity. The system shows detailed procedural workflows with delineated roles and responsibilities by unit. It is also the UNOPS process repository where all key processes are stored. The system is the link between the legislative framework and daily work. It is divided into two parts addressing both policy (the knowledge part) and the process map, where the process is designed in simple steps, allowing the process user to see the sequence of the steps and which resource is responsible for every step.	and the Bangkok Shared Service Centre had been solved were provided. The recommendation is considered to be under implementation.					
	Total number of recommendations					**39**	**13**	**24**	**–**	**2**
	Percentage of the total number of recommendations					**100**	**33**	**62**	**–**	**5**

Chapter III
Financial report for the year ended 31 December 2020

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 2020 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.[2]

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 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 contributions 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.

4. The midterm review of the UNOPS strategic plan for 2018–2021 reconfirmed the relevance of the strategic direction set by the Executive Board and the viability of the demand-driven, self-financed and non-programmatic UNOPS business model. Faced with the challenges posed by the coronavirus disease (COVID-19) pandemic in 2020, the organization demonstrated resilience and adapted to support its partners in the global response to the pandemic and in continuing to deliver on the 2030 Agenda for Sustainable Development.

B. Highlights of results in 2020

5. 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.

6. Around 3.4 million days of paid work for local people were created through UNOPS projects in 2020, of which 850,000 were for women and 2.5 million were for men. Infrastructure activities included work on more than 2,300 km of roads, 114 schools, 9 hospitals and 8 health clinics, compared with 3,526 km of roads, 83 schools, 8 hospitals and 79 health clinics in 2019.

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

7. UNOPS procured $1.3 billion worth of goods and services for its partners in 2020, compared with the $1.1 billion reported in 2019. In locations of operations where UNOPS maintains a physical presence, 46 per cent of procurement budgets (compared with 51 per cent in 2019) were awarded to local suppliers, representing almost $600 million. The decrease was influenced by a large increase in health-related procurement from international suppliers as part of the COVID-19 response. In 2020, $8.6 million of procurement tenders were awarded to women-owned businesses and $292 million to micro-, small and medium-sized enterprises.

8. As part of efforts to share UNOPS knowledge and expertise, 38,000 days of technical assistance were provided to partners (up from around 28,000 in 2019). Approximately 48 per cent of relevant projects supported by UNOPS reported one or more activities that contributed to developing national capacity, compared with 55 per cent in 2019. A full account is provided in the annual report of the Executive Director of UNOPS (DP/OPS/2021/4).

Delivery and partnerships

9. 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.

10. UNOPS delivery amounted to more than $2.2 billion in 2020, closely matching last year's total of $2.3 billion. This can be attributed primarily to high government demand for UNOPS services.

11. Direct support to Governments accounted for the largest category of delivery value, amounting to $757 million, compared with $943 million in 2019. The largest partnership with a host Government during 2020 was with Argentina, followed by Guatemala, Peru, Honduras and Myanmar. Direct support to host Governments decreased in 2020 to 20 per cent of delivery, whereas the rate for donor Governments remained the same, at 14 per cent. The largest donor Government to which UNOPS delivery could be directly attributed was that of the United States of America, followed by the United Kingdom of Great Britain and Northern Ireland, Japan, Norway and Canada.

12. In 2020, 25 per cent of UNOPS delivery was on behalf of the United Nations system, remaining stable in comparison with the 26 per cent recorded in 2019. In real terms, that delivery represented approximately $567 million, compared with $592 million in 2019. The largest United Nations partner was again the Secretariat, and the largest segment was the Department of Peace Operations. Delivery on behalf of the Office of the United Nations High Commissioner for Refugees grew for the eighth consecutive year, and other strong partnerships included the World Health Organization and the United Nations Environment Programme.

13. The largest countries or territories of delivery were Myanmar, Argentina, Yemen, Somalia and the State of Palestine, in that order. In 2019, they were Myanmar, Peru, the State of Palestine, Guatemala and Yemen. A full account is provided in the annual report of the Executive Director of UNOPS.

Financial performance and results

14. The financial performance of UNOPS in 2020 can be summarized in the following headline figures:

(a) UNOPS decreased slightly the value of the net services it delivered to $2,247.9 million. The amount comprised $1,052.0 million in respect of projects delivered on behalf of UNOPS and $1,195.8 million in respect of projects delivered on behalf of other organizations;

(b) The net surplus for the year was $39.5 million, which includes surplus from operations of $28.5 million and $11.0 million from net finance income;

(c) The net assets at year-end stood at $286.5 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 $7.2 million and $1.9 million, respectively, recognized in the statement of changes in net assets. Net assets are further described later in the present report.

15. The present report was written during the COVID-19 pandemic in the first half of 2021. At the time of writing, it was still too early to estimate the long-term impact 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 at this challenging time.

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

16. 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 2020 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.

17. 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.

18. In 2020, the net delivery of UNOPS services amounted to $2.2 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 remained constant compared with 2019, in which delivery of $2.2 billion was recorded.

19. In 2020, total revenue as reported in the statement of financial performance, which represents the actual income attributable to UNOPS, amounted to $1.16 billion, a decrease of 3.5 per cent compared with 2019 ($1.21 billion). The decrease is attributable mainly to a change in the composition of delivery volume on principal project expenditures.

20. 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 while retaining the significant risk of ownership, 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, bearing the insignificant risk of ownership, that is, by acting as an agent, only the net revenue is reported on the statement.

21. The difference between gross delivery and IPSAS revenue figures consists of $1,195.8 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).

22. After deducting annual expenses and long-term employee liabilities charges, the net surplus for 2020 was $39.5 million, compared with the net surplus for 2019 of $47.1 million.

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

	IPSAS revenue	*Add agency transactions*	*Total gross delivery*
Revenue			
Construction contracts (infrastructure)	320.2	0.2	320.4
Procurement	82.2	526.0	608.2
Financial management	194.0	427.6	621.6
Human resources administration	21.2	211.3	232.5
Other project management	543.0	30.7	573.7
Miscellaneous revenue	2.9	–	2.9
Non-exchange revenue	5.7	–	5.7
Total revenue	**1 169.2**	**1 195.8**	**2 365.0**
	IPSAS expenses	*Add agency transactions*	*Total gross delivery*
Expenses			
Construction contracts (infrastructure)	(304.9)	(0.2)	(305.1)
Procurement	(55.3)	(526.0)	(581.3)
Financial management	(167.0)	(427.6)	(594.6)
Human resources administration	(13.3)	(211.3)	(224.6)
Other project management	(511.0)	(30.7)	(541.7)
Total project expenses	**(1 051.5)**	**(1 195.8)**	**(2 247.3)**

	IPSAS revenue	Add agency transactions	Total gross delivery
Less: UNOPS administrative costs	(89.2)	–	(89.2)
Total expenses	**(1 140.7)**	**(1 195.8)**	**(2 336.5)**
Surplus from services	28.5	–	28.5
Add: net financial income	11.0	–	11.0
UNOPS 2020 surplus	**39.5**	–	**39.5**

Assets and liabilities

23. 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 2020

24. As at 31 December 2020, the liability to fund after-service health care and end-of-service benefits for qualifying staff members stood at $105.2 million. This liability was independently estimated by an actuarial firm. The details of the calculations are contained in note 15. 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.

25. As at 31 December 2020, UNOPS had assets of $3,909.6 million, which more than covered liabilities of $ 3,623.1 million, leaving net assets of $286.5 million.

26. The most significant assets were short-term investments, which amounted to $2,100.7 million at the end of 2020, compared with $1,089.3 million at the end of 2019.

27. About 85 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.

Net assets

28. As at 31 December 2020, after an allowance had been made for all known liabilities, the net assets held by UNOPS stood at $286.5 million. Significantly, a $7.2 million actuarial loss pertaining to the valuation of employee benefits at year-end as well as a $1.9 million fair value gain on available-for-sale financial instruments were recognized and have increased the total reserves.

29. 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, $22.0 million in operational reserve as at 31 December 2020. This is based on the requirement to maintain four months of the average actual management expenses of the previous three years.

30. In 2019, a growth and innovation reserve was established. The purpose of the reserve is to invest in the future revenue-generating ability of UNOPS. To date, the growth and innovation reserve has funded 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 2020, this stood at $124.3 million, compared with $104.9 million in 2019.

Liquidity

31. The statement of cash flows shows that cash and cash equivalents held by UNOPS increased by $324.6 million during 2020. UNOPS continues to retain a strong working capital position.

Budget outcome

32. 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 2020–2021.

33. For 2020, the overall budgetary outcome was positive, with UNOPS achieving a net revenue of $24.4 million on a budget basis from its delivery of services. The UNOPS revenue from management fees, reimbursable services and advisory income totalled $107.4 million in 2020, compared with ($97.7 million in 2019, 17 per cent above the budget of $91.9 million.

C. People excellence

34. UNOPS has a highly skilled and engaged workforce. At the end of 2020, the number of individuals on UNOPS contracts stood at 12,536 up slightly from 12,528 in 2019. Of those individuals, 823 were staff and 11,713 had individual contractor agreements. UNOPS administers personnel contracts on behalf of a range of partners. In 2020, 7,498 of the total number of individual contractors were partner personnel. This is illustrated in the table below.

Table III.2
Number of personnel, by category, as at 31 December 2020

Contract modality	*Staff*	*Contractors*	*Total*
UNOPS personnel	823[a]	4 215	5 028
Partner personnel	–	7 498	7 498
Combined personnel	**823**	**11 713**	**12 536**

[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

35. 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. In 2020, focus was placed on action planning at the team, country and corporate levels. Local action planning has been challenged by the pandemic. Given the pandemic context, no direct follow-ups were carried out, but leaders have used the survey results for decision-making and actions, where relevant. Very good progress has been made towards responding to corporate action planning themes.

Among these, there is strengthened consistency in the communications of senior leadership, including town hall meetings, newsletters and regular communications on the pandemic. Furthermore, the more people-centric focus in UNOPS strategic decisions and communications is recognized and appreciated.

36. In 2020, UNOPS continued its efforts towards achieving gender parity. Temporary special measures (introduced globally in 2019) continued, ensuring considerable progress towards parity. The measures were focused on increasing leadership accountability towards gender parity, encouraging gender-responsive and inclusive working practices and providing access to leadership development opportunities, as well as strengthening recruitment practices and talent outreach strategies. The gender advisory panel, composed of senior managers representing all regions, continued to provide recommendations to the Senior Leadership Team twice a year and will continue to do so in 2021. It is noteworthy that UNOPS introduced a junior talent programme to support efforts towards gender parity while investing in the development of national capacity. The programme has been recognized as a good practice by the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women). Lastly, the ambitious and bold efforts of UNOPS in diversity and inclusion are starting to take effect: by December 2020, UNOPS had reached 46 per cent employed women. In 2021, the upward trend continues and is moving within the boundaries of gender parity.

37. In countries where the organization maintains physical offices, 91 members of UNOPS senior management were nationals of the country, representing 15 per cent of the total number of 597. In 2019, 90 senior managers out of a total of 573 were nationals of the duty station country, representing 16 per cent of the total number (senior management is defined as staff employed at grade ICS-11 and above). At the end of 2020, over 2,500 UNOPS personnel were based at hardship duty stations (locations rated B to E on the International Civil Service Commission hardship scale).

38. In 2020, nearly 5,200 UNOPS colleagues benefited from UNOPS learning opportunities. In all, 90 per cent of participants in learning programmes rated the relevance of the learning opportunities provided as “very relevant” or “relevant”. In addition, 91 per cent indicated that they would recommend a given course to a colleague. Participants were 91 per cent field-based, with 9 per cent from headquarters; 46 per cent of participants were women and 54 per cent were men.

39. The UNOPS leadership mindset continues to provide a compass for leadership behaviour expected from its leaders. Special emphasis has been placed on ensuring that UNOPS leaders are well equipped to lead during a pandemic, in particular when it comes to performance management and remote working. Moreover, the organization has been, and continues to be, active in the area of prevention of sexual harassment, as well as in prevention of sexual exploitation and abuse, by joining United Nations system initiatives and defining and implementing UNOPS strategies that help to ensure that UNOPS beneficiaries and personnel enjoy the highest standards regarding the safeguarding of their rights. Additional focus has been placed on creating awareness and accountability in these areas. Global leaders have been introduced to allyship, and discussions on enforced standards of conduct were held in 2020.

40. In 2020, UNOPS leadership development programmes, like all areas, were directly affected by COVID-19. Over the year, the face-to-face components of UNOPS programmes were progressively adapted into fully virtual formats, with a focus on finding innovative ways to maintain participant collaboration and experiential learning. Virtual leadership simulations were piloted in partnership with external specialist vendors, and new methods for group coaching and experiential sharing were tested. In 2020, the Leading People programme had 40 participants,

including the first fully virtual cohort. In addition, two cohorts of the Leadership Foundations programme were launched, one in September and the other in November, with a total of 66 participants. The core of these 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.

41. Throughout the year, the COVID-19 pandemic required the organization and its personnel to demonstrate agility and resilience. UNOPS already had remote working policies and information and communications technology tools in place, which enabled business continuity, including the transition to remote working, virtual meetings and collaboration platforms. Furthermore, UNOPS provided effective tools and guidance to management, which assisted supervisors in managing remotely, as well as strengthening regular communications from senior management. Throughout the pandemic, UNOPS has increased well-being resources and support for offices and colleagues to ensure that access to necessary resources and services is available.

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

42. Achievements during 2020 included:

(a) Following its establishment in 2019, the UNOPS Client Board convened for the first time in February 2020. The purpose of the Client Board is to serve as an advisory body to the UNOPS Executive Director and to support the ambition of UNOPS to engage more strategically with partners by establishing a regular interface for the exchange of advice;

(b) 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. This forms the basis for UNOPS compliance with CEB/2013/HLCM/5 on the development and implementation of environmental sustainability management systems in each United Nations organization;

(c) UNOPS maintained its certification of the ISO 45001 standard for occupational health and safety management systems (formerly called Occupational Health and Safety Assessment Services 18001). 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);

(d) Several major implementations were carried out to reduce risk and increase organizational maturity. UNOPS implemented a treasury management system that has enhanced the transparency of financial planning and transactions, increased accountability, reduced errors and mitigated against potential fraud. In addition, a new tool called oneUNOPS Collect, which enables offline data collection in challenging field locations, has been developed and delivered to enhance operational agility, enable informed decision-making and reduce overall operational risk. Lastly, UNOPS has begun its migration of business applications to Google Cloud Platform, providing a modern and proven infrastructure and the needed availability, compliance and security standards going forward;

(e) By the end of 2020, the implementation rate of internal audit recommendations stood at 96 per cent, the same as in 2019, continuing to demonstrate high management responsiveness. Twelve recommendations, five of which were closed in early 2021, remained open for more than 18 months. Details of UNOPS audit and investigations findings in 2020 are available in a dedicated report (DP/OPS/2021/2).

E. System of internal controls and its effectiveness

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

Main elements of the system of internal controls

44. The main elements of UNOPS internal controls 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.

45. Following the successful implementation of the UNOPS governance risk and compliance framework, in 2019, UNOPS focused on further strengthening the internal controls system in 2020. This has led to:

(a) Revision of the UNOPS organizational directive on internal controls, with improved clarity regarding roles and responsibilities;

(b) Definition of five core UNOPS processes that are in scope for assessment;

(c) The introduction of the senior and regional leadership self-assessment on the effectiveness of the internal controls principles contained in the organizational directive.

46. Based on the principles of the above-mentioned governance, risk and compliance framework, and as an integral part of risk and internal controls 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 controls

47. The UNOPS system of internal controls 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 controls 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 controls system. On the basis of these activities, she provided a reasonable, but not absolute, assurance of the effectiveness of the internal controls system and confirmed that she was not aware of any significant issues.

48. UNOPS adopts the Committee of Sponsoring Organizations of the Treadway Commission framework in establishing the internal controls framework. The framework provides reasonable assurance that UNOPS will achieve the following objectives: (a) efficiency and effectiveness of operations; (b) reliability and accuracy of reporting; and (c) compliance with UNOPS and United Nations rules and regulations. In 2020, UNOPS continued to operationalize the internal controls framework across its five core processes. The methodology adopted includes detailed analysis and mapping of the process, an assessment of the risks and an evaluation of the controls implemented to mitigate those risks. UNOPS policy owners are involved in the process, which enables visibility and ownership of the risks. UNOPS internal controls risk assessments have been aligned with the enterprise risk management framework to improve synergies and provide a holistic view of the UNOPS risk landscape.

F. Looking ahead

Strategic plan for 2018–2021

49. The Executive Board endorsed the UNOPS strategic plan for 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.

50. 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.

51. In September 2020, the midterm review of the UNOPS strategic plan for 2018–2021 was presented to the Executive Board. In its decision on the review (decision 2020/20), the Board: (a) underlined the continued relevance of the strategic framework and the non-programmatic, business-to-business value proposition; and (b) recognized the UNOPS ability to safeguard the viability of its unique demand-driven and self-financing business model. The Board took note of the advancements made in the area of Sustainable Infrastructure Impact Investments. Lastly, it took note of increasing demand for support to expand implementation capacity in the most fragile situations, as well as in direct support of countries, and noted the potential for added value through support and capacity for quality infrastructure and public procurement. The UNOPS strategic plan for 2022–2025 will be developed on the basis of the Board's decision. It will be presented to the Board in September 2021.

UNOPS financial viability

52. UNOPS has assessed its capability and resilience to continue operating at its current level of activity throughout 2020 and beyond despite the impacts of the pandemic. Accordingly, the 2020 financial statements have been prepared on a going-concern basis.

53. In line with Executive Board decision 2020/08, UNOPS is proactively managing any residual organizational risks by undertaking a study of its operational reserve requirements. UNOPS plans to present the outcome to the Advisory Committee on Administrative and Budgetary Questions and the Executive Board through UNOPS budget estimates for 2022–2023, on the provisional agenda for the second regular session of 2021.

Chapter IV

Financial statements for the period ended 31 December 2020

United Nations Office for Project Services

I. Statement of financial position as at 31 December 2020

(Thousands of United States dollars)

	Reference	*31 December 2020*	*31 December 2019*
Assets			
Non-current assets			
Intangible assets	Note 7	3 879	2 041
Property, plant and equipment	Note 6	18 368	18 750
Long-term investments	Note 10	760 584	584 033
Other financial assets	Note 11	38 890	40 993
Non-current accounts receivable	Note 13	881	530
Total non-current assets		**822 602**	**646 347**
Current assets			
Inventories	Note 8	12 214	14 723
Other assets	Note 12	5 365	53
Accounts receivable	Note 13		
Project accounts receivable		41 045	33 218
Prepayments		16 246	8 982
Other accounts receivable		27 533	15 121
Short-term investments	Note 10	2 100 667	1 089 323
Cash and cash equivalents	Note 14	883 975	559 444
Total current assets		**3 087 045**	**1 720 864**
Total assets		**3 909 647**	**2 367 211**
Liabilities			
Non-current liabilities			
Employee benefits, long-term	Note 15	104 770	89 647
Provisions	Note 18	4 195	–
Total non-current liabilities		**108 965**	**89 647**
Current liabilities			
Employee benefits, short-term	Note 15	38 460	27 731
Accounts payable	Note 16	290 861	216 980
Project cash advances received	Note 17		
Deferred revenue		1 818 835	1 043 123
Cash held on agency projects		1 359 045	729 609
Other liabilities	Note 18	3 273	–
Provisions	Note 23	3 662	8 077
Total current liabilities		**3 514 136**	**2 025 520**
Total liabilities		**3 623 101**	**2 115 167**
Net assets		**286 546**	**252 044**

	Reference	31 December 2020	31 December 2019
Net assets/equity			
Actuarial gains/losses	Note 19	4 783	11 987
Fair value of available-for-sale financial assets	Note 19	11 141	9 222
Minimum operational reserve	Note 19	21 988	21 025
Growth and innovation reserve	Note 19	124 317	104 905
Accumulated surpluses	Note 19	124 317	104 905
Total net assets/equity		**286 546**	**252 044**
Total liabilities and net assets/equity		**3 909 647**	**2 367 211**

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 2020

(Thousands of United States dollars)

	Reference	*31 December 2020*	*31 December 2019*
Revenue			
Revenue from project activities	Note 20	1 160 603	1 207 306
Miscellaneous revenue		2 897	4 270
Non-exchange revenue[a]	Note 20	5 694	191
Total revenue		**1 169 194**	**1 211 767**
Expenses			
Contractual services	Note 20	392 534	428 447
Other personnel costs – other personnel	Note 21	300 938	270 489
Salaries and employee benefits – staff	Note 21	149 255	131 959
Operational costs	Note 20	96 065	111 081
Supplies and consumables		129 454	149 011
Travel		44 419	83 067
Other expenses	Note 20	22 526	11 230
Depreciation of property, plant and equipment	Note 6	4 507	4 216
Amortization of intangible assets	Note 7	1 027	761
Total expenses		**1 140 725**	**1 190 261**
Surplus from operations		**28 469**	**21 506**
Finance income	Note 22	24 464	24 264
Exchange rate gain/(loss)	Note 22	(13 433)	1 367
Net finance income/(expense)		**11 031**	**25 631**
Surplus for the period		**39 500**	**47 137**

[a] To improve presentation, $0.2 million was reclassified from miscellaneous revenue to non-exchange revenue. This includes an additional $0.1 million of 2019 miscellaneous revenue that was omitted from the narrative disclosure for non-exchange revenue in the 2019 corporate financial statements. This reclassification does not change total revenue for 2019.

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 2020

(Thousands of United States dollars)

	Reference	
Opening balance as at 1 January 2019	Note 19	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
Opening balance as at 1 January 2020	Note 19	**252 044**
Adjustments to prior period recorded in year[a]		287
Restated opening balance as at 1 January 2020		**252 331**
Actuarial gains/(losses) for the period		(7 204)
Change in fair value of available-for-sale financial assets		1 919
Surplus for the period		39 500
Closing balance on 31 December 2020	Note 19	**286 546**

[a] A prior period error of $0.3 million has been made as an in-year adjustment to opening net assets/equity. For more details on the error, see note 7 to the accounts.

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 2020

(Thousands of United States dollars)

	Reference	*31 December 2020*	*31 December 2019*
Cash flows from operating activities			
Surplus for the financial period		39 500	47 137
Non-cash movements:			
Amortization	Note 7	1 027	761
Depreciation	Note 6	4 507	4 216
Impairments	Note 6	1	–
Non-exchange revenue (donated assets)	Note 20	(101)	–
Finance income	Note 22	(24 464)	(24 264)
Foreign exchange gains/losses	Note 22	13 433	(1 367)
Net surplus before changes in working capital		**33 903**	**26 483**
Changes in working capital			
Increase/(decrease) in provision for doubtful debts	Note 13	18 224	3 481
(Increase)/decrease in inventories	Note 8	2 509	(3 451)
(Increase)/decrease in accounts receivable		(10 902)	2 352
(Increase)/decrease in prepayments	Note 13	(7 264)	18 176
Increase/(decrease) in employee benefits (net of actuarial gains)	Note 15	18 648	7 817
Increase/(decrease) in accounts payable and accruals		11 989	2 224
Increase/(decrease) in project cash advances received	Note 17	1 405 148	(24 091)
Increase/(decrease) in provisions	Note 23	(220)	4 405
Cash flow impact on changes in working capital		**1 438 132**	**10 913**
Finance income received on UNOPS bank balances	Note 22	394	506
Net cash flows from operating activities		**1 472 429**	**37 902**

United Nations Office for Project Services

IV. Statement of cash flows for the period ended 31 December 2020 (continued)

(Thousands of United States dollars)

	Reference	*31 December 2020*	*31 December 2019*
Cash flows from investing activities			
Acquisitions of intangible assets		(2 526)	(636)
Proceeds from sale of intangible assets		–	–
Acquisitions of property, plant and equipment		(4 945)	(11 451)
Proceeds from sale of property, plant and equipment		920	424
Purchase of investments		(6 511 052)	(4 947 522)
Proceeds from maturity of investments		5 382 105	4 962 118
Interest income received on investments		35 491	40 969
Interest income received on other financial assets		–	880
Finance income/cost allocated to projects	Note 22	(12 340)	(32 503)
Purchase of other financial assets	Note 11	(20 000)	(30 000)
Proceeds from disposal of other financial assets	Note 11	–	–
Net cash flows from investing activities		**(1 132 347)**	**(17 721)**
Effect of exchange rate changes (net of derivatives)	Note 22	(15 525)	1 367
Net increase/(decrease) in cash and cash equivalents		324 557	21 548
Cash and cash equivalents at the beginning of the period[a]		**559 444**	**537 888**
Adjustment for fair value of cash equivalents		(26)	8
Cash and cash equivalents at the end of the period[b]		**883 975**	**559 444**

[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 2020 are disclosed in note 14.

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 2020

(Thousands of United States dollars)

	Reference	*Biennial 2020–2021 management budget*[a] *Original*	*2020 management budget* *Original*	*2020 management budget* *Final*	*2020 actual amounts* *Actuals*	*Difference between final budget and actuals*
Total revenue for the period	Note 26	**181 001**	**90 501**	**91 865**	**107 389**	**15 524**
Management resources						
Posts		27 135	13 567	11 743	12 145	402
Common staff costs		20 382	10 191	8 859	9 056	197
Travel		8 703	4 352	3 373	676	(2 697)
Consultants		66 420	33 210	32 643	31 051	(1 592)
Operating expenses		12 851	6 426	5 576	3 899	(1 677)
Furniture and equipment		967	483	444	1 242	798
Reimbursements		2 042	1 021	1 368	1 327	(41)
Total use of management resources		**138 500**	**69 250**	**64 006**	**59 396**	**(4 610)**
Write-offs, provisions and contingency surplus		22 501	11 251	–	22 103	22 103
Strategic investment from surplus		20 000	10 000	6 000	1 516	(4 484)
Total use of resources		**181 001**	**90 501**	**70 006**	**83 015**	**13 009**
Net revenue on budget basis		**–**	**–**	**21 859**	**24 374**	**2 515**

[a] DP/OPS/2019/5.

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

United Nations Office for Project Services
Notes to the 2020 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".[3]

3. Pursuant to General Assembly resolution 65/176 and subsequent Executive Board decisions,[4] 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. UNOPS has a role as 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 can make 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. Core service lines 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;

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[3] See DP/OPS/2017/5 and General Assembly resolution 66/288, annex.

[4] 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 2020.

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 20. 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 four 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): 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;

(d) Growth and innovation reserve: 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).

14. The interest income earned on investments is recognized in the statement of financial performance during the period earned.

15. UNOPS investments are classified as current assets if the investments mature or management intends to dispose of them within 12 months of the end of the reporting period.

Other financial assets

16. Other financial assets relate to UNOPS Sustainable Infrastructure Impact Investments and are classified as loans and receivables under IPSAS 29. Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market.

17. 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.

Other assets and other liabilities

18. UNOPS holds foreign exchange forward contracts and futures in order to manage foreign exchange risk.

19. UNOPS does not apply hedge accounting to its derivative instruments. If they are not closed out at the reporting date, derivatives with a positive fair value are reported as other assets (current), while derivatives with a negative fair value are reported as other liabilities (current) in the statement of financial position. Gains and losses from changes in the fair value of derivatives are recognized in net finance income in the statement of financial performance.

Cash and cash equivalents

20. 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

21. Receivables are initially measured at fair value and subsequently at amortized cost using the effective interest method less an allowance for uncollectable amounts. This calculation includes amounts relating to retentions for work performed but not yet paid for by the client.

22. Receivables are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period. Such loans and receivables are classified as non-current assets.

Accounts payable

23. Payables are initially measured at fair value, that is, the amount expected to be paid to discharge the liability, and subsequently at amortized cost using the effective interest method.

Impairment of financial assets

24. At the end of each reporting period, UNOPS assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired.

25. A financial asset or a group of financial assets is impaired and impairment loss is incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and if that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

26. For financial assets carried at amortized cost, the amount of the loss is measured as the difference between the carrying amount of the asset and the estimated recoverable amount. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of financial performance.

27. For investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that investments may need to be impaired. If any such evidence exists for these assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value less any impairment loss on that financial asset previously recognized in profit or loss – is removed from accumulated surplus (deficit) and recognized in the statement of financial performance.

Property, plant and equipment

28. UNOPS recognizes property, plant and equipment at their historical cost less depreciation and impairment losses in line with IPSAS 17: Property, plant and equipment. For any item of property, plant and equipment received as a contribution in kind, the fair value at the date of acquisition is deemed to be its cost, in line with IPSAS 23: Revenue from non-exchange transactions.

29. 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.

30. 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.

31. 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

32. Property, plant and equipment are reviewed for impairment at each reporting date, taking into consideration various impairment indicators. Any impairment loss is recognized in other expenses within the statement of financial performance when the carrying amount of an asset exceeds its recoverable service amount.

Intangible assets

33. UNOPS intangible assets comprise purchased software packages, internally developed software and intangible assets under construction. Intangible assets are recognized at cost less accumulated amortization and impairment losses in line with IPSAS 31: Intangible assets. Annual software licences are expensed and adjusted as necessary for any element of prepayment.

34. Assets under construction are not amortized. Amortization of other intangible assets is calculated 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

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

Inventories

36. 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.

37. The cost of inventory includes costs incurred in acquiring the inventory and other costs incurred in bringing it to its existing location and condition (e.g. freight costs).

Leases

38. 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.

39. 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

40. 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

41. 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

42. 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 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.

43. 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.

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

Other long-term employee benefits

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

Termination benefits

46. 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

47. 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.

48. 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

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

50. Where the outcome of a project can be reliably measured, revenue from construction projects (IPSAS 11: Construction contracts) and other exchange transactions (IPSAS 9: Revenue from exchange transactions) 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.

51. 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 revenue (donations) is measured at fair value and is included within miscellaneous revenue in the statement of financial performance. 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

52. 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

53. 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

54. “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.

55. In the absence of any capital contributions, UNOPS net assets 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 19.

Segment reporting

56. 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

57. 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.

58. 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 are 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

59. 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.

60. 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

61. 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 15 records the assumptions made during the calculation and a sensitivity analysis of the assumptions.

Provisions

62. 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 23 and 24.

Allowances for doubtful accounts receivable

63. UNOPS has provisions for doubtful receivables, which are detailed in note 13. 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

64. 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

65. IPSAS 3: Accounting policies, changes in accounting estimates and errors requires disclosure of new IPSAS standards that have been issued but not yet effective. The following standards have been issued by the IPSAS Board:

IPSAS 41: Financial instruments

66. In August 2018, the IPSAS Board published IPSAS 41: Financial instruments to replace IPSAS 29: Financial instruments: recognition and measurement, and to substantially improve the relevance of information for financial assets and financial liabilities. The new standard establishes new requirements for classifying, recognizing and measuring financial instruments to replace those in IPSAS 29. It will do so by introducing: (a) simplified classification and measurement requirements for financial assets; (b) a forward-looking impairment model; and (c) a flexible hedge accounting model. Although the effective date for the new standard has been amended by a year owing to COVID-19, UNOPS will adopt the new standard, as required, by the new effective date of 1 January 2023. UNOPS is assessing the impact of this new standard on its financial statements prior to the implementation date and will be ready for its implementation by the time it becomes effective.

Exposure draft 70: Revenue with performance obligations

67. In February 2020, the IPSAS Board approved exposure draft 70: Revenue with performance obligations and agreed on an exposure period of six months from the date of publication. Exposure draft 70 is based on International Financial Reporting Standard 15: Revenue from contracts with customers and has been expanded to apply to binding arrangements that are not necessarily contractual. Exposure draft 70 updates IPSAS 9: Revenue from exchange transactions and IPSAS 11: Construction contracts and has a broadened scope with a greater emphasis on the transfer of goods or services to third-party beneficiaries.

Exposure draft 71: Revenue without performance obligations

68. Exposure draft 71: Revenue without performance obligations was also approved and updates IPSAS 23: Revenue from non-exchange transactions (taxes and transfers). It addresses revenue that arises from binding arrangements with present obligations that are not performance obligations and revenue not related to binding arrangements.

Exposure draft 72: Transfer expenses

69. Exposure draft 72: Transfer expenses was also approved and relates to transactions where an entity transfers resources to another party without directly receiving anything in return. The accounting for transfer expenses with performance obligations mirrors the accounting for revenue with performance obligations in exposure draft 70.

70. The three exposure drafts above have been issued, and public consultations were held in 2020. Implementation dates for these exposure drafts have yet to be specified, and it is currently unknown whether the projects will be finalized by the IPSAS Board before the end of 2021. UNOPS assesses the earliest implementation date for the exposure drafts to be 2023.

Exposure draft 75: Leases

71. In January 2021, the IPSAS Board issued exposure draft 75: Leases to replace and align with IPSAS 13: Leases with International Financial Reporting Standard 16:

Leases. Consultation responses are to be submitted during 2021. Exposure draft 75: Leases brings additional guidance to lease accounting models for both lessees and lessors and deals with public sector-specific issues such as concessionary leases, access rights and other lease-like arrangements in the public sector.

Note 4
Capital management

72. UNOPS defines the capital it manages as the aggregate of its net assets, which consist of accumulated surplus and reserves. Reserves mainly comprise its minimum operational reserve and the growth and innovation reserve.

73. The minimum operational reserve was established in 2013 by the Executive Board of UNOPS (see DP/OPS/2013/CRP.1)[5] to guarantee the financial viability and integrity of UNOPS as a going concern. In 2019, the UNOPS Executive Director established a growth and innovation reserve on the basis of her authority under the financial regulations and rules of UNOPS. The purpose of the growth and innovation reserve is to invest in the future revenue-generating ability of UNOPS. To date, the reserve has funded Sustainable Infrastructure Impact Investments activities to catalyse investments in socially inclusive large-scale infrastructure projects that will contribute to the achievement of the Sustainable Development Goals.

74. The objectives of UNOPS in managing capital are to:

(a) Support the long-term operations of UNOPS in order to guarantee the financial viability and integrity of UNOPS as a going concern;

(b) Fulfil its mission and objectives, as established in its strategic plan;

(c) Provide security in adverse circumstances and liquidity to meet its operating cash requirements;

(d) Preserve capital.

75. To meet its objectives in managing capital, UNOPS has a four-year strategic plan that is proposed by the Executive Director and endorsed by the Executive Board. In addition, its biennial management budgets are proposed by UNOPS together with the Advisory Committee on Administrative and Budgetary Questions and approved by the Executive Board. The strategic plan and budget set out the workplan of the organization. In accordance with regulation 13.01 of the UNOPS financial regulations and rules, the Executive Director is responsible and accountable for planning the use of resources administered by UNOPS and issuing allocations and allotments effectively and efficiently in furtherance of the policies, aims and activities of UNOPS.

76. In addition, to effectively manage its assets and financial resources, UNOPS has formulated a statement of investment principles that is reviewed regularly by the Investment Advisory Committee in collaboration with the Executive Director and the Chief Financial Officer and Director of Administration.

77. UNOPS is not subject to externally imposed capital requirements, but the strategic plan and budgets are reviewed and approved by the Executive Board.

Note 5
Financial risk management

78. UNOPS has instituted prudent risk management policies and procedures in accordance with its financial regulations and rules. UNOPS is exposed to a variety of

[5] Available at www.undp.org/executive-board/documents-for-sessions/adv2013-second.

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 controls of the Executive Director's statement accompanying these financial statements.

79. 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.

80. 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.

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

(a) Preservation of capital in nominal terms is the primary objective of the UNOPS working capital portfolio, capital preservation in real terms is the primary objective of the UNOPS reserves portfolio and generating a return sufficient to meet future mutations in the net obligation of after-service health insurance liabilities is the primary objective of the after-service health insurance portfolio;

(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. Liquidity is less important than returns for the after-service health insurance portfolio owing to the longer-term investment horizon of the portfolio;

(c) The return obtained in the portfolios is less important than capital preservation and liquidity considerations, with the exception of the UNOPS after-service health insurance investment portfolio, which has a primary focus on generating returns;

(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 risks are to be avoided;

(f) Fixed income is a core asset class for UNOPS, given the mission and objectives of the portfolios for which it is responsible. The UNOPS after-service health insurance portfolio holds an allocation to equities, as does the UNOPS operational reserve portfolio, but to a lesser extent.

82. 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 in the selection and review of asset managers and custodians.

Currency risk

83. 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.

84. 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.

85. Management's upper estimate of possible movements in the exchange rates against the United States dollar is 10 per cent. The table below shows the potential impact of monetary revaluation of major currencies as at the reporting date and the increase or decrease in net assets and surplus by the amounts shown.

Table IV.3
Currency risk sensitivity analysis
(Thousands of United States dollars)

	EUR	*UAH*	*ARS*	*GBP*	*DKK*	*ETB*	*ILS*	*KES*	*XAF*	*UYU*
+ 10 per cent	1 290	239	181	119	58	33	30	24	24	23
- 10 per cent	(1 290)	(239)	(181)	(119)	(58)	(33)	(30)	(24)	(24)	(23)

Abbreviations: ARS, Argentine peso; DKK, Danish krone; ETB, Ethiopian birr; EUR, euro; GBP, British pound; ILS, new Israeli shekel; KES, Kenyan shilling; UAH, Ukraine hryvnia; UYU, Uruguay peso; XAF, CFA franc.

86. 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.

87. 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.

88. The following assumptions are made in calculating the sensitivity: all income statement sensitivities also affect equity; and the sensitivity analysis disclosure relates to monetary items (as defined by IPSAS 4: The effects of changes in foreign exchange rates) at year-end.

Credit risk

89. 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-issued bonds and highly rated bank obligations. The majority of the UNOPS investment portfolio is outsourced to external investment managers.

90. 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.

91. 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

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

93. From time to time, UNOPS uses derivatives to hedge the interest rate risk, utilizing bond futures or interest rate futures.

Liquidity risk

94. 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 6
Property, plant and equipment

95. As at 31 December 2020, the net book value of UNOPS property, plant and equipment was $18.4 million ($18.8 million in 2019). UNOPS also held $24.5 million ($35.0 million in 2019) worth of assets as a custodian under service concession arrangements.

96. The table below summarizes property, plant and equipment held by UNOPS as at 31 December 2020 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	1 235	9 432	10 667
Land and buildings	4 065	559	4 624
Plant and equipment	578	1 149	1 727
Communication and information technology equipment	184	294	478
Leasehold improvements	401	471	872
Net carrying amounts as at 31 December 2020	**6 463**	**11 905**	**18 368**

Table IV.5
Property, plant and equipment by class – 2019 comparatives
(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 amounts as at 31 December 2019	**6 927**	**11 823**	**18 750**

97. 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 2020	23 722	3 950	8 838	5 885	1 539	43 934
Adjustments to prior-period gross carrying amount recorded in year	–	(4)	(9)	13	–	–
Revised gross carrying amount as at 1 January 2020	**23 722**	**3 946**	**8 829**	**5 898**	**1 539**	**43 934**
Additions	3 786	319	569	343	30	5 047
Disposals	(1 606)	(416)	(814)	(188)	–	(3 024)
Gross carrying amount as at 31 December 2020	**25 902**	**3 849**	**8 584**	**6 053**	**1 569**	**45 957**
Accumulated depreciation and impairment as at 1 January 2020	(13 558)	(2 011)	(3 715)	(5 363)	(537)	(25 184)
Adjustments to prior-period accumulated depreciation and impairment recorded in year	–	4	7	(11)	–	–
Revised accumulated depreciation as at 1 January 2020	**(13 558)**	**(2 007)**	**(3 708)**	**(5 374)**	**(537)**	**(25 184)**
Depreciation	(3 091)	(355)	(514)	(387)	(160)	(4 507)
Impairment	–	(1)	–	–	–	(1)
Less: removal of accumulated depreciation on asset disposal	1 414	241	262	186	–	2 103
Accumulated depreciation and impairment as at 31 December 2020	**(15 235)**	**(2 122)**	**(3 960)**	**(5 575)**	**(697)**	**(27 589)**
Net carrying amount as at 31 December 2020	**10 667**	**1 727**	**4 624**	**478**	**872**	**18 368**

Table IV.7
Movement in property, plant and equipment – 2019 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 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**

98. The amount of $0.01 million of communication and information technology equipment was incorrectly classified in 2019. IPSAS 3: Accounting policies, changes in accounting estimates and errors requires that material prior-period errors be corrected by restating the comparative amounts for prior periods presented in which the error occurred or by restating the opening balances of assets, liabilities and net assets for the earliest prior period presented. UNOPS does not consider this error in 2019 to be material to the financial statements. An in-year adjustment has been made to the opening gross carrying amount and accumulated depreciation to reflect the correction, rather than a restatement.

Note 7
Intangible assets

99. The net carrying value of intangible assets amounted to $3.9 million as at 31 December 2020 ($2.0 million as at 31 December 2019), which includes internally developed software and other computer software (acquired).

Table IV.8
Intangible assets
(Thousands of United States dollars)

	Internally generated computer software	*Other computer software*	*Intangible assets under construction*	*Total*
Gross carrying amount as at 1 January 2020	4 477	254	–	4 731
Adjustments to prior–period gross carrying amount recorded in year	–	–	287	287
Revised gross carrying amount as at 1 January 2020	**4 477**	**254**	**287**	**5 018**

	Internally generated computer software	*Other computer software*	*Intangible assets under construction*	*Total*
Additions	1 031	26	1 521	2 578
Reclassifications	1 572	–	(1 572)	–
Disposals	–	–	–	–
Gross carrying amount as at 31 December 2020	**7 080**	**280**	**236**	**7 596**
Accumulated amortization and impairment as at 1 January 2020	(2 448)	(242)	–	(2 690)
Amortization	(1 009)	(18)	–	(1 027)
Impairment	–	–	–	–
Less: removal of amortization on assets disposal	–	–	–	–
Accumulated amortization and impairment as at 31 December 2020	**(3 457)**	**(260)**	**–**	**(3 717)**
Net carrying amount as at 31 December 2020	**3 623**	**20**	**236**	**3 879**

Table IV.9
Intangible assets – 2019 comparatives
(Thousands of United States dollars)

	Internally generated computer software	*Other computer software*	*Intangible assets under construction*	*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**

100. In 2019, UNOPS began the development of a treasury management system, through which all remittances can be run, banks are interfaced and payments are therefore made through the system. The development costs for the system were classified as assets under construction during the development phase. A total of $1.6 million in development costs was reclassified to internally generated software during 2020, when the system went live, at which time the asset began to be amortized.

101. The development costs incurred by UNOPS during 2019 ($0.3 million) were not capitalized in line with IPSAS 31: Intangible assets and therefore represent an error in the 2019 financial statements. UNOPS does not consider this error in 2019 to be

material to the financial statements and has therefore opted not to restate the comparative amounts. An in-year adjustment has been made to the opening gross cost of assets under construction to reflect the correction, rather than a restatement.

102. The remainder of 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 8
Inventories

103. 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 2020	*31 December 2019*
Inventories	12 214	14 723

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

	31 December 2020	*31 December 2019*
Central African Republic	–	3
Democratic Republic of the Congo	17	26
Haiti	1 536	1 206
Myanmar	7	8
Peace and Security Cluster	9 435	10 947
Philippines	–	24
Senegal	–	566
South Sudan	14	135
Sri Lanka	16	–
Tunisia	660	660
Ukraine	14	83
Yemen	449	1 065
Zimbabwe	66	–
Total	**12 214**	**14 723**

104. A total of $7.6 million of inventory was recognized as an expense during 2020 ($5.1 million in 2019), and $0.2 million of inventory was written down during 2020 (nil in 2019).

Note 9
Financial instruments

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

	31 December 2020					*31 December 2019*				
	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 10)	–	–	2 861 251	–	2 861 251	–	–	1 673 356	–	1 673 356
Other financial assets (note 11)	–	38 890	–	–	38 890	–	40 993	–	–	40 993
Other assets (note 12)	–	–	–	5 365	5 365	–	–	–	53	53
Accounts receivable excluding prepayments (note 13)	–	69 459	–	–	69 459	–	48 869	–	–	48 869
Cash and cash equivalents (note 14)	883 975	–	–	–	883 975	559 444	–	–	–	559 444
Total	**883 975**	**108 349**	**2 861 251**	**5 365**	**3 858 940**	**559 444**	**89 862**	**1 673 356**	**53**	**2 322 715**

Table IV.13
Liabilities according to the statement of financial position
(Thousands of United States dollars)

	31 December 2020			*31 December 2019*		
	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 16)	290 861	–	290 861	216 980	–	216 980
Cash held by UNOPS as agent (note 17)	1 359 045	–	1 359 045	729 609	–	729 609
Other liabilities (note 18)	–	3 273	3 273	–	–	–
Total	**1 649 906**	**3 273**	**1 653 179**	**946 589**	**–**	**946 589**

Note 10
Investments

105. The majority of the UNOPS investment portfolio is outsourced to external investment managers and is measured at fair value. The working capital portfolio ($2,660.4 million) is managed by the World Bank ($205.9 million) and Allianz Global Investors ($2,454.5 million); $156.9 million is managed by Legal & General Investment Management, London, for the UNOPS operational reserve portfolio. The growth and innovation reserve, which has $44.5 million, is managed by Allianz Global Investors. BNP Paribas Asset Management manages $94.7 million for the after-service health insurance portfolio; $632.9 million (18 per cent) of the investment portfolio is managed internally by the UNOPS treasury as part of the working capital portfolio.

106. The portfolio is composed as follows:

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

	31 December 2020	*31 December 2019*
Long-term investments	760 584	584 033
Short-term investments	2 100 667	1 089 323
Cash equivalents	728 142	418 077
Total	**3 589 393**	**2 091 433**

107. Despite the recent financial performance of the markets owing to COVID-19, the principal of the UNOPS working capital portfolio remains safe, in line with its investment policy on working capital, given that it holds high-quality assets aimed at preserving principal over the investment horizon. Adverse impacts on the global bond markets were the main driver of the decrease in investment revenue.

108. UNOPS investment income has declined overall, with an investment income of $33.6 million in 2020 ($41.0 million in 2019). The steep decline is a result of lower interest rates in 2020 owing in part to the economic situation brought about by the pandemic.

109. There have been no impairments of investment assets held during this period in any of the pooled cash resources invested. The UNOPS working capital portfolio asset allocation is to highly rated sovereigns, supranational and agency debt and highly rated bank obligations, in line with the principal investment objective of preservation of capital over the investment horizon.

110. As would be expected, credit rating agencies put a number of banks on negative outlook watch and downgraded some owing to the more difficult operating and economic conditions, the low interest rate environment and likely deteriorating loan asset quality concerns. UNOPS actively monitors all ratings for the investment holdings and investment counterparties and actively divests any marketable securities that fall below its minimum rating requirements. There were no material downgrades of UNOPS banking partners in 2020.

111. The operational reserve portfolio and the after-service health insurance portfolio include allocations to developed and emerging market equity and also to developed market and emerging market fixed income. Equity markets experienced significant volatility during 2020; however, the equity market rebounded strongly into year-end, recovering most of the losses experienced throughout the year.

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

	Level 1	*Level 2*	*Level 3*	*Total*
Available-for-sale financial assets	9 324	2 851 927	–	2 861 251

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

112. The money market funds and time deposits are classified under cash equivalents, of which $115.0 million is managed by the UNOPS treasury and $613.1 million by external investment managers.

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

	31 December 2020	*31 December 2019*
Opening balance as at 1 January	1 673 356	1 663 480
Additions (purchases of investments)	6 572 945	4 947 522
Disposals (proceeds from maturity of investments)	(5 385 135)	(4 962 118)
Recognition of amortized costs	(1 861)	12 219
Fair value adjustment	1 946	12 253
Closing balance as at 31 December	**2 861 251**	**1 673 356**
Current portion (short-term investments)	2 100 667	1 089 323

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

114. Accrued interest receivable of $6.9 million ($8.1 million in 2019) has been included in the statement of financial position within "other accounts receivable" (see note 13).

Short-term investments

115. 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 2020	*31 December 2019*
Time deposits	130 000	174 000
Equity	–	–
Bonds	1 970 667	915 323
Total short-term investments	**2 100 667**	**1 089 323**

Long-term investments

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

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

	31 December 2020	*31 December 2019*
Bonds and equity instruments	760 584	584 033

117. 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 2020	*31 December 2019*
AAA	2 384 487	1 085 193
AA+	101 163	85 108
AA	117 792	184 152
AA-	41 450	26 649
A+	91 016	202 350
A	10 002	11 005
A-	23 050	22 001
Unrated[a]	92 291	56 898
Total	**2 861 251**	**1 673 356**

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

Note 11
Other financial assets

118. UNOPS launched the Sustainable Infrastructure Impact Investments initiative (S3I) 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.

119. UNOPS invested $20.0 million in a new social housing project in 2020 ($30.0 million in 2019) while disinvesting from the Monterrey Wind power plant and sustainable energy projects.

120. All ongoing Sustainable Infrastructure Impact Investments initiative (S3I) projects have been assessed individually for impairment indicators, such as credit risk. While repayment schedules have been amended and hence reflected in the carrying values as at 31 December 2020, no impairments have been recognized in relation to the remaining initiative projects.

121. The carrying value of UNOPS investment in the initiative as at 31 December 2020 is detailed below.

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

	31 December 2020	31 December 2019
Monterrey Wind	–	8 800
Social housing – Caribbean	2 892	2 682
Social housing – Ghana	5 773	5 365
Social housing – India	2 887	2 683
Social housing – Kenya	5 776	5 366
Social housing – Pakistan	21 562	–
Sustainable energy	–	16 097
Total	**38 890**	**40 993**

122. Interest on UNOPS other financial assets is detailed in note 22.

Note 12
Other assets

123. Other assets comprise forward exchange contracts and futures contracts in gain at year-end.

Table IV.21
Other assets
(Thousands of United States dollars)

	31 December 2020	31 December 2019
Derivative assets	5 365	53

Note 13
Accounts receivable

124. 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;

(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.

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

Table IV.22
Accounts receivable
(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Project accounts receivable (gross)	43 145	39 282
Less: bad debt allowance	(2 100)	(6 064)
Project account receivable (net)	**41 045**	**33 218**
Other accounts receivable (gross)	50 687	15 736
Less: bad debt allowance	(22 273)	(85)
Other accounts receivable (net)	**28 414**	**15 651**
Total accounts receivable (net) excluding prepayments	**69 459**	**48 869**
Prepayments	16 246	8 982
Total accounts receivable (net) including prepayments	**85 705**	**57 851**
Of which:		
Current portion of other accounts receivable	27 533	15 121
Non-current portion of other accounts receivable	881	530

126. 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.

127. As at 31 December 2020, receivables of $24.4 million ($6.1 million in 2019) were impaired and provisions were made against them (see table IV.28 for details). A total of $22.2 million of the provisions relates to the disinvestments of Sustainable Infrastructure Impact Investments (S3I) projects, as detailed in note 11.

128. As at 31 December 2020, receivables of $12.4 million ($10.7 million in 2019) 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.23
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	57 025	5 764	3 923	2 747	69 459

Project accounts receivable

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

Table IV.24
Project accounts receivable
(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Project implementation-related receivables	39 955	19 496
Account receivables – United Nations Development Programme	–	12 654
Accounts receivable – other United Nations agencies	1 090	1 068
Total project accounts receivable	**41 045**	**33 218**

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

131. Of the balance of project receivables of $41.0 million ($33.2 million in 2019), $2.1 million ($3.2 million in 2019) relates to cash advances due from customers for construction contracts for the period ended 31 December 2020, as detailed in note 20.

132. 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.

133. Accounts receivable from the United Nations Development Programme (UNDP) arise mainly in connection with advances made for payments that will be made on behalf of UNOPS.

Table IV.25
Accounts receivable – UNDP
(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Receivable from UNDP		
Cumulative project expenses and fees due to UNOPS	(1 722)	14 337
Bad debt allowance	(1 110)	(2 097)
Net receivable/(project advances) from UNDP	**(2 832)**	**12 240**
Cumulative advances/(payables) to UNDP to disburse payments on behalf of UNOPS	(749)	414
Total balance with UNDP	**(3 581)**	**12 654**
Of which:		
Receivable from UNDP	–	12 654
Payable to UNDP	(749)	–
Project cash in advance	(2 832)	–

134. As at 31 December 2020, UNOPS held $2.8 million of project cash advances from UNDP. This included the project cash advances detailed in note 17, while a net payable of $0.7 million to UNDP is included within accounts payable in note 16.

Other accounts receivable

135. The other accounts receivable are composed of:

Table IV.26
Other accounts receivable
(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Staff receivables	1 714	2 021
Accrued interest receivable on investments	6 874	8 064
Accrued interest receivable on other financial assets	880	220
Miscellaneous receivables	18 946	5 346
Total other accounts receivable	**28 414**	**15 651**

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

137. To improve presentation, $0.2 million was reclassified in the comparatives from accrued interest receivable on investments to accrued interest receivable on other financial assets. The 2019 balance for derivative assets has also been reclassified to other assets (see note 12). There were no other changes in 2019 total other accounts receivable. The statement of financial position has been adjusted accordingly to reflect this reclassification of comparative figures.

Prepayments

Table IV.27
Prepayments
(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Prepayments	16 246	8 982

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

Bad debt allowance

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

Table IV.28
Movement in bad debt allowance
(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Opening balance as at 1 January		
Project-related	6 064	2 582
Other accounts receivable	85	86
Opening balance	**6 149**	**2 668**
Net increase/(decrease) in provision for receivables impairment		
Increase	22 863	4 729
Receivables written off during the year as uncollectible	(1 598)	(951)
Unused amounts reversed or reclassified	(3 041)	(297)
Net increase/(decrease)	**18 224**	**3 481**
Closing balance		
Project-related	2 100	6 064
Other accounts receivable	22 273	85
Closing balance as at 31 December	**24 373**	**6 149**

140. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

Note 14
Cash and cash equivalents

141. As at 31 December 2020, UNOPS held $884.0 million of cash and cash equivalents.

Table IV.29
Cash and cash equivalents
(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Cash at banks	155 833	141 367
Cash equivalents	728 142	418 077
Total cash and cash equivalents	**883 975**	**559 444**

142. 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.

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

144. Cash and cash equivalents include money market funds, time deposits and other bonds and deposits with an original maturity of 90 days or less.

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

Table IV.30
Cash at banks
(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
United States dollar	103 565	54 140
Euro	11 583	41 525
Ukrainian hryvnia	10 010	21 267
Japanese yen	3 412	2 702
British pound	2 508	3 079
Israeli shekel	2 100	2 195
Other currencies	22 433	16 272
Total	**155 611**	**141 180**
Cash on hand	222	187
Total	**155 833**	**141 367**

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

Table IV.31
Credit rating distribution of cash at banks
(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
AA-	44	15
A+	53 684	1 756
A	59 189	5 832
A-	6 431	4 465
BBB+	–	56 696
BB	517	942
BB-	8 734	2 616
B	5 840	5 079
B-	12 129	21 023
Unrated	9 043	42 756
Total cash at banks	**155 611**	**141 180**
Cash on hand	222	187
Total	**155 833**	**141 367**

147. 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.

148. The credit quality of cash equivalents was as follows:

Table IV.32
Credit rating distribution of cash equivalents
(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
AAA	–	74 668
AA	21 000	–
A+	613 142	181 409
A	55 000	128 000
A-	14 000	10 000
BBB+	25 000	22 000
BB+	–	2 000
Total	**728 142**	**418 077**

Note 15
Employee benefits

149. 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.33
Employee benefits liabilities
(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Short-term employee benefits	36 243	25 394
Long-term employee benefits	1 791	1 274
Post-employment benefits	105 196	90 710
Agreed separation entitlements	–	–
Total employee benefits liabilities	**143 230**	**117 378**
Current portion	38 460	27 731
Non-current portion	104 770	89 647

Short-term benefits liabilities

150. Short-term employee benefits are composed of:

Table IV.34
Short-term employee benefits
(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Annual leave entitlements	33 744	23 371
Home leave entitlements (current portion)	2 430	1 962
Assignment grant on first appointment or reassignment	69	61
Total short-term employee benefits liabilities	**36 243**	**25 394**

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

152. Short-term employee benefits increased, from $25.4 million in 2019 to $36.2 million in 2020. The increase was attributable mainly to a $10.4 million increase in liabilities relating to annual leave entitlements that were not utilized owing to worldwide pandemic-related restrictions on travel in 2020.

Long-term benefits liabilities

153. 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

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

Table IV.35
Post-employment benefits liabilities
(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
After-service health insurance		
Current portion	989	897
Non-current portion	83 075	71 057
Subtotal	**84 064**	**71 954**
Repatriation grant		
Current portion	1 198	1 409
Non-current portion	19 512	16 931
Subtotal	**20 710**	**18 340**
Death benefit		
Current portion	30	31
Non-current portion	392	385
Subtotal	**422**	**416**
Total post-employment benefits	**105 196**	**90 710**

	31 December 2020	31 December 2019
Of which:		
Current	2 217	2 337
Non-current	102 979	88 373

155. 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 2020, total post-employee benefits liabilities amounted to $105.2 million ($90.7 million in 2019). 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

156. The year-end liabilities for after-service health insurance are derived from the actuarial valuation conducted at year-end 2020. The net present value of the UNOPS accrued liability as at 31 December 2020, net of contributions from plan participants, was estimated by actuaries at $84.1 million ($72.0 million in 2019).

157. 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.

Repatriation grant

158. 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.

159. The net present value of the UNOPS accrued liability as at 31 December 2020 was estimated by actuaries at $20.7 million ($18.3 million in 2019).

Death benefit

160. 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.

161. The net present value of the UNOPS accrued liability as at 31 December 2020 was estimated by actuaries at $0.4 million ($0.4 million in 2019).

Accounting for post-employment benefits

162. Defined benefit obligations are measured using an actuarial valuation method. The movement in the present value of the defined benefit obligations over the year is as follows:

Table IV.36
Post-employment benefits liabilities
(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Death benefit*	*Total 2020*	*Total 2019*
Liability as at 1 January	**71 954**	**18 340**	**416**	**90 710**	**85 146**
Current service cost	4 673	1 592	13	6 278	3 797
Interest cost	2 598	548	10	3 156	3 771
Benefits paid	(1 039)	(1 117)	(9)	(2 165)	(2 270)
Actuarial losses/(gains)	5 871	1 342	(9)	7 204	266
Liability as at 31 December	**84 057**	**20 705**	**421**	**105 183**	**90 710**

Table IV.37
Post-employment benefits liabilities: active and retired staff
(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Death benefit*	*Total 2020*	*Total 2019*
Current retirees	33 857	–	–	33 857	28 982
Active employees – fully eligible	13 335	4 470	209	18 014	15 581
Active employees – not yet fully eligible	36 865	16 235	212	53 312	46 147
Liability as at 31 December	**84 057**	**20 705**	**421**	**105 183**	**90 710**

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

Table IV.38
Impact of post-employment benefits on financial performance
(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Death benefit*	*Total 2020*	*Total 2019*
Current service cost	4 673	1 592	13	6 278	3 797
Interest cost	2 598	548	10	3 156	3 771
Expense as at 31 December 2020	**7 271**	**2 140**	**23**	**9 434**	**7 568**

164. The total expense has been included under “salaries and employee benefits” in the statement of financial performance.

Actuarial gains/(losses)

165. Actuarial gains/(losses) are recognized directly in net assets and reflect changes in financial and demographic assumptions and experience adjustments.

Table IV.39
Actuarial gains/(losses)
(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Death benefit*	*Total 2020*	*Total 2019*
Changes in financial assumptions	(5 762)	(1 678)	(14)	(7 454)	8 093
Changes in demographic assumptions	–	–	–	–	(13 343)
Experience adjustments	(109)	336	23	250	4 984
Total actuarial gains/(losses)	**(5 871)**	**(1 342)**	**9**	**(7 204)**	**(266)**

Actuarial assumptions

166. The key actuarial assumption used by the actuary to determine defined benefit liabilities is the discount rate. For the after-service health insurance liability, this also includes the health-care cost trend rate.

167. The principal actuarial assumptions for 2020 were as follows:

Table IV.40
Principal actuarial assumptions
(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Death benefit*
Discount rate as at 1 January 2020	3.63 per cent	3.11 per cent	2.40 per cent
Discount rate as at 31 December 2020	3.16 per cent	2.29 per cent	2.03 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

Sensitivity analysis

168. Sensitivity analysis outlines the potential impact of changes in certain key assumptions used in measuring post-employment benefits. If the assumptions about the discount rate and the health-care cost trends were to change, that would have an impact on the measurement of the post-employment benefits, as shown below.

Table IV.41
Potential impact of changes in discount rates on post-employment benefits
(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Death benefit*
Increase of 0.5 per cent	(8 986)	(895)	(15)
Decrease of 0.5 per cent	10 499	964	17

Table IV.42
Potential impact of changes in health-care cost trend rates on after-service health insurance liabilities

(Thousands of United States dollars)

	After-service health insurance obligation	*Service cost and interest cost*
Increase of 0.5 per cent	10 148	1 318
Decrease of 0.5 per cent	(8 787)	(1 115)

United Nations Joint Staff Pension Fund

169. 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 that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

170. 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 the 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: Employee benefits. UNOPS contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

171. 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.

172. 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 provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.

173. The latest actuarial valuation for the Fund was completed as at 31 December 2019, and a roll-forward of the participation data as at 31 December 2019 to 31 December 2020 will be used by the Fund for its 2020 financial statements.

174. The actuarial valuation as at 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.2 per cent (139.2 per cent in the 2017 valuation). The funded ratio was 107.1 per cent (102.7 per cent in the 2017 valuation) when the current system of pension adjustments was taken into account.

175. After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2019, for deficiency payments under article 26 of the Regulations of the Fund because 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.

176. Should article 26 be invoked as a result of an actuarial deficiency, either during the ongoing operation or owing to 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 (2017, 2018 and 2019) amounted to $7,546.92 million, of which $48.6 million (0.6 per cent) was contributed by UNOPS.

177. During 2020, contributions paid to the Fund by UNOPS amounted to $17.5 million ($15.6 million in 2019). There is no material change to the expected contributions in 2021.

178. 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 on 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 at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the Pension Board on the basis of an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets that are in excess of the liabilities is included in the amount.

179. 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

180. As at 31 December 2020, UNOPS had no termination entitlement liabilities (nil as at 31 December 2019).

Note 16
Accounts payable

Table IV.43
Accounts payable and accruals
(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Accounts payable	168 471	103 092
Accruals	122 390	113 888
Total	**290 861**	**216 980**

Accounts payable

181. Balances of accounts payable as at 31 December 2020 are shown below.

Table IV.44
Accounts payable
(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Accounts payable – UNDP	749	–
Accounts payable – other United Nations agencies	1 773	839
Accounts payable – other	165 949	102 253
Total accounts payable	**168 471**	**103 092**

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

Accruals

183. The accrued charges amounting to $122.4 million ($113.9 million in 2019) 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 17
Project cash advances received

184. 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.45
Project cash advances received
(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Deferred revenue	1 818 835	1 043 123
Cash held by UNOPS as agent	1 359 045	729 609
Total	**3 177 880**	**1 772 732**

185. Of the balance in deferred revenue of $1,818.8 million ($1,043.1 million in 2019), $715.8 million relates to cash advances on construction contracts for the period ended 31 December 2020, as detailed in note 20.

Note 18
Other liabilities

186. Other liabilities comprise forward exchange contracts and futures contracts in loss at year-end.

Table IV.46
Other liabilities
(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Derivative liabilities	3 273	–

Note 19
Net assets/equity

187. UNOPS net assets/equity are as follows:

Table IV.47
Net assets/equity
(Thousands of United States dollars)

	Actuarial gains/ (losses)	*Fair value of available-for-sale financial assets*	*Minimum operational reserves*	*Growth and innovation reserve*	*Accumulated surpluses*	*Total*
Balance as at 1 January 2019	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)	–
Opening balance as at 1 January 2020	**11 987**	**9 222**	**21 025**	**104 905**	**104 905**	**252 044**
Adjustments to prior period recorded in year	–	–	–	–	287	287
Restated opening balance as at 1 January 2020	**11 987**	**9 222**	**21 025**	**104 905**	**105 192**	**252 331**
Surplus for the period	–	–	–	–	39 500	39 500
Actuarial gain/(loss)	(7 204)	–	–	–	–	(7 204)
Change in fair value of available-for-sale financial assets	–	1 919	–	–	–	1 919
Transfers to/from other reserves	–	–	963	19 412	(20 375)	–
Balance as at 31 December 2020	**4 783**	**11 141**	**21 988**	**124 317**	**124 317**	**286 546**

Actuarial gains/losses

188. 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

189. 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.

Minimum operational reserve

190. 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 be 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 that result in a loss of resources for which UNOPS has made commitments.

191. 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 2020, the minimum operational reserves requirement was $22.0 million, an increase of $1.0 million compared with 2019.

Growth and innovation reserve

192. In 2019, the UNOPS Executive Director established a growth and innovation reserve on the basis of her authority under the financial regulations and rules of UNOPS. The purpose of the growth and innovation reserve is to invest in the future revenue-generating ability of UNOPS. To date, the reserve has funded Sustainable Infrastructure Impact Investments (S3I) activities to catalyse investments in socially inclusive large-scale infrastructure projects that will contribute to the achievement of the Sustainable Development Goals. The value of this reserve was set at 50 per cent of the excess operational reserves. At the end of 2020, this stood at $124.3 million, of which $58.8 million has been paid by UNOPS into Sustainable Infrastructure Impact Investments projects.

Accumulated surpluses

193. 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 20
Revenue and expenses

Non-exchange revenue

194. During 2020, UNOPS received $5.7 million of non-exchange revenue, compared with $0.2 million of non-exchange revenue in 2019. A total of $5.4 million of UNOPS non-exchange revenue relates to a grant from the Ministry of Foreign Affairs of Finland, to be used towards Sustainable Infrastructure Impact Investments (S3I) activities as part of an annual grant programme until 2023. The remainder of UNOPS non-exchange revenue relates mainly to assets gifted by donors upon completion of projects.

195. Services in kind for the period amounted to $4.2 million ($4.5 million in 2019), $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

196. The exchange revenue of UNOPS comprised $1,160.6 million ($1,207.3 million in 2019) in revenue from project activities and $2.9 million ($4.3 million in 2019)

from miscellaneous revenue. The revenue and expenses from UNOPS project activities were as follows:

Table IV.48
Revenue and expenses from project activities
(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Construction contracts (infrastructure)	320 201	315 671
Procurement	82 243	99 619
Financial management	193 971	179 108
Human resources administration	21 191	26 049
Other project management	542 997	586 859
Total project-related revenue	**1 160 603**	**1 207 306**
***Less*: project expenses**		
Construction contracts	304 920	301 545
Procurement	55 272	78 339
Financial management	167 071	157 855
Human resources	13 291	13 933
Other project management	511 003	556 387
Total project-related expenses	**1 051 557**	**1 108 059**
Net revenue from project activities	**109 046**	**99 247**

197. 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

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

Table IV.49
Construction contracts – revenue and expenses
(Thousands of United States dollars)

	Cumulative	*Recognized in prior years*	*Recognized in current year*
Revenue	1 357 370	1 037 169	320 201
Expense	(1 262 890)	(957 970)	(304 920)
Surplus	**94 480**	**79 199**	**15 281**

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

Table IV.50
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	(1 942 665)	(44 031)	(1 986 696)
Revenue recognized over the life of the contract	1 226 816	46 104	1 272 920
Amount due (to)/from customers included in deferred revenue and project receivables, respectively	**(715 849)**	**2 073**	**(713 776)**
Retentions			14 900

200. 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

201. Operational costs of $96.1 million ($111.1 million in 2019) relate to expenses incurred by UNOPS for a range of activities, which included payments for:

(a) Rental of office space and leases: $18.8 million;

(b) Maintenance of buildings and equipment: $19.5 million;

(c) Utilities: $7.1 million.

202. Other expenses comprise:

(a) Movements in provisions: $21.1 million;

(b) Other expenses: $1.4 million.

203. Contractual services of $392.5 million ($428.4 million in 2019) 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 21
Employee benefits expenses

Table IV.51
Employee benefits expenses
(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Salaries	87 136	77 193
After-service health insurance	7 271	5 224
Annual leave	4 046	1 294
Home leave	1 139	1 097
Defined contribution plan	19 258	17 464
Repatriation grant	2 223	2 364
Other short-term employee benefits expenses	28 182	27 323
Expenses related to staff	**149 255**	**131 959**
Other personnel expenses	300 938	270 489
Total employee benefits expenses	**450 193**	**402 448**

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

205. In October 2014, UNOPS implemented a provident fund scheme for all UNOPS local individual contractors. The provident fund is a defined contribution plan. The employer contributions of 15 per cent of local individual contractors agreement fees are fixed and are recognized as an expense. The contractors contribute 7.5 per cent of their fee on a monthly basis. The 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 2020 was $85.4 million ($67.7 million in 2019). Further details on the provident fund are disclosed in the annex to the present financial statements.

206. 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 22
Finance income

Table IV.52
Finance income
(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Total finance income on investments	33 641	40 969
Interest on other financial assets	4 630	3 073
Recognition of amortized cost (note 10)	(1 861)	12 219
Total finance income on investments and other financial assets	**36 410**	**56 261**

	31 December 2020	*31 December 2019*
Less: finance income/cost allocated to projects	**(12 340)**	**(32 503)**
Net finance income retained by UNOPS	**24 070**	**23 758**
Finance income on UNOPS bank balances	394	506
Total finance income	**24 464**	**24 264**

207. Total finance income on investments includes realized gains of $8.5 million on externally managed investments.

Table IV.53
Net exchange rate gain/loss
(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Net foreign exchange gain/(loss)	(13 433)	1 367

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

209. Net unrealized gains on $2.1 million of derivative instruments are included within the UNOPS net foreign exchange gain/(loss).

Note 23
Provisions

Table IV.54
Provisions
(Thousands of United States dollars)

	1 January 2020	*Additional provisions*	*Unused amounts reversed*	*Utilized*	*31 December 2020*
Claims	248	221	–	(292)	177
Leasehold restoration provisions	215	18	(4)	–	229
Other provisions	7 614	855	(585)	(433)	7 451
Total	**8 077**	**1 094**	**(589)**	**(725)**	**7 857**
Of which:					
Current portion					3 662
Non-current portion					4 195

210. 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 mostly to the estimated cost of remedial work required on projects currently being implemented by UNOPS.

Note 24
Contingent liabilities

211. UNOPS is subject to claims in the ordinary course of operations, categorized as project-related or staff-related claims. The UNOPS assessment of the financial effect of claims that remain open at year-end is 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.

Table IV.55
Contingent liabilities
(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Project-related claims from clients	10 812	3 410
Staff-related claims	–	–
Total contingent liabilities	**10 812**	**3 410**

212. Of the $10.8 million of contingent liabilities as at 31 December 2020, UNOPS estimates that there may be a possibility of reimbursement of up to $7.7 million.

Contingent assets

213. UNOPS had no contingent assets as at 31 December 2020 (nil as at 31 December 2019).

Note 25
Commitments

214. 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 23 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.

215. The operating expenses include lease payments for an amount of $6.7 million ($7.8 million in 2019) recognized as operating lease expenses during the year in the statement of financial performance under “operational costs”.

216. 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.56
Lease commitments
(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Within one year	9 075	8 112
Later than one year and not later than five years	9 956	11 313
Later than five years	6 446	2 662
Total operating lease commitments	**25 477**	**22 087**

217. 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.

218. As at 31 December 2020, the total future minimum lease payments under sublease agreements that UNOPS expects to receive on such agreements that cannot be cancelled was $0.6 million ($0.3 million in 2019), owing mainly to significant sublease agreements that were extended during 2020.

Open commitments

219. UNOPS commitments included purchase orders and service contracts contracted but not delivered as at year-end. The table below shows the total UNOPS open commitments at 31 December 2020:

Table IV.57
Open commitments
(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Management budget	3 348	3 080
Project-related commitments	559 673	479 181
Total open commitments	**563 021**	**482 261**
Of which:		
Commitments for property, plant and equipment	475	2 837
Commitments for intangible assets	–	–

Note 26
Reconciliation of the statement of comparison of budget and actual amounts

Table IV.58
Statement of comparison of original and final budget amounts

(Thousands of United States dollars)

	Biennial 2020/21 management budget (original)	*2020 management budget (original)*	*2020 management budget (revised)*	*Variance between original and final 2020 budget*	*Percentage*	*Explanation*
Total revenue for the period	**181 001**	**90 501**	**91 865**	**1 364**	**2**	
Management resources						
Posts	27 135	13 567	11 743	(1 824)	(13)	
Common staff costs	20 382	10 191	8 859	(1 332)	(13)	
Travel	8 703	4 352	3 373	(979)	(22)	Reduced travel activity owing to COVID-19
Consultants	66 420	33 210	32 643	(567)	(2)	
Operating expenses	12 851	6 426	5 576	(850)	(13)	
Furniture and equipment	967	483	444	(39)	(8)	
Reimbursements	2 042	1 021	1 368	347	34	Increase owing to COVID-19 response
Total use of management resources	**138 500**	**69 250**	**64 006**	**(5 244)**	**(8)**	
Write-offs, provisions and contingency surplus	22 501	11 251	–	(11 251)	(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	**181 001**	**90 501**	**70 006**	**(20 495)**	**(23)**	

Table IV.59

Statement of comparison of budget and actual amounts

(Thousands of United States dollars)

	Biennial 2020/21 management budget (original)	*2020 management budget (original)*	*2020 management budget (final)*	*2020 actual amounts (actuals)*	*Difference between final budget and actuals*	*Percentage*	*Explanation*
Total revenue for the period	**181 001**	**90 501**	**91 865**	**107 389**	**15 524**	**17**	
Management resources							
Posts	27 135	13 567	11 743	12 145	402	3	
Common staff costs	20 382	10 191	8 859	9 056	197	2	
Travel	8 703	4 352	3 373	676	(2 697)	(80)	Reduced travel activity owing to COVID-19
Consultants	66 420	33 210	32 643	31 051	(1 592)	(5)	
Operating expenses	12 851	6 426	5 576	3 899	(1 677)	(30)	Increased efficiency of UNOPS operations
Furniture and equipment	967	483	444	1 242	798	180	More furniture and equipment required than planned, including additional intangible asset development requirements
Reimbursements	2 042	1 021	1 368	1 327	(41)	(3)	
Total use of management resources	**138 500**	**69 250**	**64 006**	**59 396**	**(4 610)**	**(7)**	
Write-offs, provisions and contingency surplus	22 501	11 251	–	22 103	22 103	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	20 000	10 000	6 000	1 516	(4 484)	(75)	Less-than-anticipated internal investment opportunities identified
Total use of resources	**181 001**	**90 501**	**70 006**	**83 015**	**13 009**	**19**	
Net revenue on budget basis	**–**	**–**	**21 859**	**24 374**	**2 515**	**12**	

220. 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.

221. 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 statement V are as follows:

Table IV.60
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 and impairment of property, plant and equipment	Excluded from UNOPS budget
Amortization and impairment 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

222. The approved budget covers the biennium 2020–21. The annual budget for 2020 was included in statement V.

223. 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

224. 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.

225. Basis differences occur when the approved budget is prepared on a basis other than the accrual basis, as is the case for UNOPS.

226. 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.

227. 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.61
Reconciliation with the statement of cash flows
(Thousands of United States dollars)

	Operating	*Investing*	*Financing*	*Total*
Actual amount on comparable basis as presented in the budget and actual comparative statement	25 631	(1 257)	–	24 374
Basis differences (acquisition and disposal of intangibles and property, plant and equipment)	–	(5 294)	–	(5 294)
Entity differences	8 669	–	–	8 669
Changes in working capital	1 438 129	–	–	1 438 129
Movement in investments	–	(1 128 947)	–	(1 128 947)
Movement in other financial assets	–	(20 000)	–	(20 000)
Movement in interest received	–	23 151	–	23 151
Subtotal	**1 472 429**	**(1 132 347)**	**–**	**340 082**
Net foreign exchange gains/losses	–	–	–	(15 525)
Actual amount in the statement of cash flows	**1 472 429**	**(1 132 347)**	**–**	**324 557**

Note 27
Segment reporting

228. Management has determined its reporting segments geographically, which is the basis as in the statements of budget reporting provided to the UNOPS Executive Director.

229. 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.

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

231. Segment assets and liabilities are those that can reasonably be allocated to the segments. Any others are included under unallocable, in line with IPSAS 18: Segment reporting.

232. UNOPS revenues, expenses, assets and liabilities are segmented as follows:

Table IV.62
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	172 543	192 651	102 559	31 981	224 111	154 042	282 716	1 160 603
Miscellaneous revenue	399	1 661	67	543	37	191	(1)	2 897
Non-exchange revenue	–	–	–	5 694	–	–	–	5 694
Total revenue	**172 942**	**194 312**	**102 626**	**38 218**	**224 148**	**154 233**	**282 715**	**1 169 194**
Expenses								
Contractual services	62 525	34 755	7 920	1 897	94 594	75 847	114 996	392 534
Other personnel costs	55 684	74 795	34 155	34 884	32 836	16 804	51 780	300 938
Salaries and employee benefits	5 817	5 264	37 108	16 723	3 460	8 082	72 801	149 255
Operational costs	19 560	17 386	3 973	14 607	9 401	17 155	13 983	96 065
Supplies and consumables	9 783	15 643	3 586	2 246	64 337	22 633	11 226	129 454
Travel	3 834	33 190	717	422	1 811	723	3 722	44 419
Other expenses	275	123	134	21 860	(82)	26	190	22 526
Total expenses	**157 478**	**181 156**	**87 593**	**92 639**	**206 357**	**141 270**	**268 698**	**1 135 191**
Finance income	–	–	–	24 464	–	–	–	24 464
Exchange rate gain/loss	–	–	–	(13 433)	–	–	–	(13 433)
Net finance income/(expense)	**–**	**–**	**–**	**11 031**	**–**	**–**	**–**	**11 031**
Surplus before unallocated expenses	**15 464**	**13 156**	**15 033**	**(43 390)**	**17 791**	**12 963**	**14 017**	**45 034**
Unallocated segment expenses								
Depreciation of property, plant and equipment	–	–	–	–	–	–	–	4 507
Amortization of intangible assets	–	–	–	–	–	–	–	1 027
Surplus for the period	**15 464**	**13 156**	**15 033**	**(43 390)**	**17 791**	**12 963**	**14 017**	**39 500**

Table IV.63
Segment revenue and expenses – 2019 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	165 738	176 559	86 593	29 560	302 354	144 481	302 021	1 207 306
Miscellaneous revenue	297	1 882	–	1 847	2	241	1	4 270
Non-exchange revenue	–	–	–	191	–	–	–	191
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.64
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 for allocated assets and liabilities*	*Unallocable*	*Grand total*
Assets										
Non-current assets										
Intangible assets	–	–	–	–	–	–	–	–	3 879	3 879
Property, plant and equipment	–	–	–	–	–	–	–	–	18 368	18 368
Long-term investments	–	–	–	760 584	–	–	–	760 584	–	760 584
Other financial assets	–	–	–	38 890	–	–	–	38 890	–	38 890
Non-current accounts receivable	–	–	–	–	–	–	–	–	881	881
Total non-current assets	**–**	**–**	**–**	**799 474**	**–**	**–**	**–**	**799 474**	**23 128**	**822 602**
Current assets										
Inventories	757	24	14	–	1 536	449	9 434	12 214	–	12 214
Other assets	–	–	–	5 365	–	–	–	5 365	–	5 365
Accounts receivable										
Project accounts receivable	–	–	–	–	–	–	–	–	41 045	41 045
Prepayments	1 802	6 432	242	738	5 389	1 454	189	16 246	–	16 246
Other accounts receivable	–	–	–	–	–	–	–	–	27 533	27 533
Short-term investments	–	–	–	2 100 667	–	–	–	2 100 667	–	2 100 667
Cash and cash equivalents	–	–	–	–	–	–	–	–	883 975	883 975
Total current assets	**2 559**	**6 456**	**256**	**2 106 770**	**6 925**	**1 903**	**9 623**	**2 134 492**	**952 553**	**3 087 045**
Total assets	**2 559**	**6 456**	**256**	**2 906 244**	**6 925**	**1 903**	**9 623**	**2 933 966**	**975 681**	**3 909 647**
Liabilities										
Non-current liabilities										
Employee benefits, long-term	–	–	–	–	–	–	–	–	104 770	104 770
Provisions	2 001	2 021	–	173	–	–	–	4 195	–	4 195
Total non-current liabilities	**2 001**	**2 021**	**–**	**173**	**–**	**–**	**–**	**4 195**	**104 770**	**108 965**

Table IV.64
Segment assets and liabilities (continued)

(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 for allocated assets and liabilities*	*Unallocable*	*Grand total*
Current liabilities										
Employee benefits, short-term	–	–	–	–	–	–	–	–	38 460	38 460
Accounts payable	–	–	–	–	–	–	–	–	290 861	290 861
Project cash advances received										
Deferred revenue	224 671	178 981	85 467	28 844	988 201	167 190	(198 731)	1 474 623	344 212	1 818 835
Cash held on agency projects	188 858	232 694	255 422	7 512	615 962	46 319	12 279	1 359 046	(1)	1 359 045
Other liabilities	–	–	–	3 273	–	–	–	3 273	–	3 273
Provisions	617	2 661	86	206	90	–	–	3 660	2	3 662
Total current liabilities	**414 146**	**414 336**	**340 975**	**39 835**	**1 604 253**	**213 509**	**(186 452)**	**2 840 602**	**673 534**	**3 514 136**
Total liabilities	**416 147**	**416 357**	**340 975**	**40 008**	**1 604 253**	**213 509**	**(186 452)**	**2 844 797**	**778 304**	**3 623 101**

Table IV.65
Segment assets and liabilities – 2019 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 for allocated assets and liabilities*	*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 receivable	–	–	–	–	–	–	–	–	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
Other assets	–	–	–	53	–	–	–	53	–	53
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	–	–	–	–	–	–	–	–	15 121	15 121
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**	**1 090 135**	**6 097**	**2 081**	**11 162**	**1 113 081**	**607 783**	**1 720 864**
Total assets	**1 899**	**1 533**	**174**	**1 715 161**	**6 097**	**2 081**	**11 162**	**1 738 107**	**629 104**	**2 367 211**
Liabilities										
Non-current liabilities										
Employee benefits, long-term	–	–	–	–	–	–	–	–	89 647	89 647
Provisions	–	–	–	–	–	–	–	–	–	–
Total non-current liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**89 647**	**89 647**

Table IV.65
Segment assets and liabilities – 2019 comparatives (continued)
(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 for allocated assets and liabilities*	*Unallocable*	*Grand total*
Current liabilities										
Employee benefits, short-term	–	–	–	–	–	–	–	–	27 731	27 731
Accounts payable	–	–	–	–	–	–	–	–	216 980	216 980
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
Other liabilities	–	–	–	–	–	–	–	–	–	–
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 28
Related parties

233. 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.

234. UNOPS maintains a working relationship with the Executive Board and reimburses part of the travel costs, subsistence allowances and office expenses incurred by members of the Board in discharging their official duties, as well as a share of the cost of the Secretariat. The cost of this amounted to approximately $0.02 million during 2020 ($0.2 million during 2019). 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.

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

Key management personnel

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

Table IV.66
Key management personnel
(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Number of individuals	1	2
Aggregate remuneration:		
Base compensation and post adjustment	242	435
Other entitlements	75	87
Post-employment benefits	80	147
Total remuneration	**397**	**669**
Outstanding advances against entitlements	–	–
Outstanding loans	–	–
After-service health insurance, repatriation grant and leave liability[a]	416	265

[a] The after-service health insurance, repatriation grant and death benefit liability disclosed here include values for both the Executive Director and the former Deputy Executive Director.

237. For the purpose of this disclosure, the Executive Director is considered key management personnel, as she has the overall authority and responsibility to plan, lead, direct and control the activities of the organization.

238. 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.

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

240. In 2020, 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.

241. The UNOPS Deputy Executive Director position has been vacant since the appointment of the incumbent to the position of Assistant Secretary-General and Chief Executive of the UNOPS Sustainable Infrastructure Impact Investments (S3I) initiative with effect from March 2020.

Note 29
Events after reporting date

242. 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.

243. UNOPS financial statements were finalized while the COVID-19 pandemic was still prevalent. The pandemic had a limited financial impact on UNOPS operations during 2020. At the time of writing, it was still too early to estimate the exact magnitude of the long-term economic consequences and, subsequently, any impact on UNOPS net assets/equity.

244. As at the date of signature of the UNOPS financial statements and related notes for the period ended 31 December 2020, 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.

Annex

United Nations Office for Project Services individual contractors provident fund summary for the period ended 31 December 2020

(Thousands of United States dollars)

	2020	*2019*
Opening balance as at 1 January	67 655	48 836
Adjustment to the opening balance[a]	–	27
Contribution/premium	24 177	21 872
Payouts	(11 365)	(9 039)
Funds not earmarked for the fund	782	1 017
Earnings/loss	4 105	4 942
Closing balance as at 31 December	**85 354**	**67 655**

[a] Adjustment to the opening balance for 2019 resulted from review of previous reporting on the non-earmarked contributions and an adjustment done 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 owing to 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.

In line with the UNOPS provident fund principles, UNOPS may charge justified administrative or similar costs to non-earmarked contributions of the UNOPS provident fund. The table below provides details on the non-earmarked contributions for the period 2014–2020.

(Thousands of United States dollars)

	2020	*2019*
Opening balance of the non-earmarked contributions	5 870	4 944
Change in non-earmarked contributions within the period	1 103	1 463
Total expenses against non-earmarked contributions, following provident fund principles:		
Payment attributed to UNOPS personnel	(51)	(46)
Payment attributed to provident fund administrator or investment adviser	(304)	(425)
Payment attributed to services benefiting all members	(59)	(66)
Total expenses against non-earmarked contributions	**(414)**	**(537)**
Closing balance as at 31 December	**6 559**	**5 870**