United Nations

United Nations Office for Project Services

Financial report and audited financial statements

for the year ended 31 December 2021

and

Report of the Board of Auditors

General Assembly

Official Records
Seventy-seventh Session
Supplement No. 5K

General Assembly
Official Records
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Note

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

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Letters of transmittal

Letter dated 31 March 2022 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 2021.

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 the management's best estimates and judgments.

Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that, overall, policies and procedures are implemented with an appropriate segregation of duties. UNOPS internal auditors continually review the accounting and control systems. Further improvements are being implemented in specific areas.

Management provided the Board of Auditors and UNOPS internal auditors with full and free access to all accounting and financial records.

The recommendations of the Board of Auditors and UNOPS internal auditors are reviewed by the management. Control procedures have been revised or are in the process of being revised, as appropriate, in response to those recommendations.

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

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

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

Letter dated 21 July 2022 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 2021.

(*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 2021 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 2021 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 and note 13 to the 2021 financial statements, entitled "Other financial assets" and "Accounts receivable" respectively, in which the ongoing investments of UNOPS relating to the Sustainable Investments in Infrastructure and Innovation (S3i) initiative are disclosed and $19.11 million of the new provisions and impairments relating to the S3i projects are reported. As at 31 December 2021, the total bad debt allowance and impairments against the S3i investments amounted to $39.02 million. Our opinion is not modified in respect of these matters. Further details are provided in paragraphs 40 to 51 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 2021, 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

21 July 2022

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 2021 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 interim audit of UNOPS headquarters and the Europe and Central Asia Regional Office was conducted remotely in Beijing. The Board conducted the final audit at UNOPS headquarters in Copenhagen.

Opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UNOPS as at 31 December 2021 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 project management, the lessons of which could further improve the delivery by UNOPS.

Key findings

Lack of clarity in growth and innovation reserve management

UNOPS formally established a growth and innovation reserve in 2019. The level of the reserve reached $111 million at the end of 2021. The Board noted that the current framework, guidelines, procedures and policy issued by UNOPS for the reserve were specific to the Sustainable Investments in Infrastructure and Innovation (S3i) initiative instead of the growth and innovation reserve as a whole. While it had proposed the establishment of an S3i reserve in July 2021, UNOPS had not simultaneously clarified the plan for the rest of the growth and innovation reserve. After the approval of the establishment of the S3i reserve in February 2022, a specific guideline for the growth and innovation reserve was still not in place and, following their separation, the growth and innovation reserve still lacked a new framework and specific planning.

Outdated basis for the pricing model

The current pricing model used to establish the management fee for individual agreements was developed on the basis of the 2010 financial statements. The Board noted that the annual delivery of UNOPS operations had reached $3,432 million in 2021, an increase of 206 per cent compared with $1,122 million in 2013. However, management expense was $74.7 million in 2021, an increase of only 32.2 per cent compared with $56.5 million in 2013. Meanwhile, surplus from operations had increased significantly over the past few years, achieving a historical level of $63.5 million in 2021. The basis of the current pricing model, which has not been modified since 2013, may no longer be applicable.

Establishment of bad debt allowance and impairment to be improved

In 2021, UNOPS established a new bad debt allowance and impairments against six investments under S3i, amounting to $19.11 million. As at 31 December 2021, the total bad debt allowance and impairments against the S3i investments amounted to $39.02 million. It was noted that: (a) debtors' asset information acquired after the valuation analysis was not taken into account; (b) only the debtors' most liquid assets were assumed to be readily available for the debt payments; (c) UNOPS had provided the third party with the unaudited 2021 financial statements of the debtors as the valuation basis; and (d) the estimation of future cash flows from the debtors from 2022 to as far as 2036 was assumed as the basis of the valuation while a material uncertainty in the debtors' ability to continue as a going concern was highlighted in an independent auditor's reports.

Defects in the management of the We Are the Oceans and Ocean Generation projects

UNOPS signed a $5 million agreement with We Are the Oceans (WATO) in 2017, and another $2 million agreement in 2018 with a renamed entity of WATO, Ocean Generation, to help raise awareness of the conservation and sustainable use of marine resources through various activities. The total expenditure of the two entities was $3.12 million. The Board noted that in the partnership with WATO and Ocean Generation, the practices of UNOPS with regard to project initiation, advance payments, unused fund claims and project delivery and remedies taken by UNOPS were not in compliance with the rules and regulations of UNOPS. As at the end of March 2022, UNOPS had not received the repayment of an improperly spent grant of $766,747 identified by UNOPS.

Off-balance sheet Mine Action Service project assets

UNOPS procured the Mine Action Service project assets used for United Nations mine action projects on behalf of the Secretariat, which were not capitalized and not reported in the statement of financial position, either by the Secretariat or by UNOPS. UNOPS stated that the net book value of the Mine Action Service project assets was $19.5 million as at 31 December 2021 in the notes to the 2021 financial statements. Deficiencies in management were also noted in the disclosure, physical verification and disposal of the Mine Action Service project assets.

Ambiguous definition of positions that must be filled by staff members

Thirteen per cent of UNOPS personnel were staff members, while 87 per cent were individual contractor agreement holders. Among the personnel whose positions were above the P-4 or equivalent levels, 58 per cent were individual contractor agreement holders; 40 per cent of "business-critical roles" were taken up by individual contractor agreement holders; 94 per cent of procurement officials were individual contractor agreement holders; and incumbents of the same positions could be either staff members or non-staff personnel, with no indication of whether those positions entailed "inherently United Nations activities".

Main recommendations

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

Lack of clarity in growth and innovation reserve management

(a) **Conduct a review of the growth and innovation reserve and take all appropriate measures, including the formulation of a framework, guidelines, procedures and policy, to ensure the effective management of the reserve;**

Outdated basis for the pricing model

(b) (i) **Conduct a thorough review of its existing pricing model, considering the latest financial performance;**

(ii) **Establish a regular review mechanism to ensure that management fees charged are maintained at a reasonable level;**

Establishment of bad debt allowance and impairment to be improved

(c) **Continue to collect comprehensive information on the debtors' financial position and asset values, and appraise the debt values with adequate information and coherent methods, so as to ensure the accuracy and credibility of the bad debt allowance and impairment;**

Defects in the management of the We Are the Oceans and Ocean Generation projects

(d) **Conduct a comprehensive, in-depth and adequate evaluation or review of the decision-making, management and internal control of the We Are the Oceans and Ocean Generation projects, and establish a compliance and accountability mechanism to avoid the recurrence of such issues;**

Off-balance sheet Mine Action Service project assets

(e) **Expedite the negotiation with the United Nations Secretariat to resolve the long-standing project asset management issue, in order to avoid any off-balance sheet items and associated risks;**

Ambiguous definition of positions that must be filled by staff members

(f) **List clearly in its rules the positions that entail "inherently United Nations activities" and must be filled by staff members to ensure that staff members remain the core human resources of the organization.**

Follow-up of previous recommendations

As at 31 December 2021, of the 45 outstanding recommendations up to the financial year ended 31 December 2020, 24 (53 per cent) had been implemented, 19 (42 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	
$1,208.73 million	Total revenue
$1,145.20 million	Total expenses
$26.85 million	Net finance income
$90.38 million	Surplus
$138.76 million	Minimum operational reserve
$111.12 million	Growth and innovation reserve
$360.37 million	Net assets/equity
$5,172.95 million	Total assets
$4,812.59 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 2021 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 2021 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. Owing to the COVID-19 pandemic and related travel restrictions, the Board conducted the interim audit of UNOPS headquarters and the Europe and Central Asia Regional Office remotely from

11 October to 11 November 2021. The Board conducted the final audit from 29 March to 2 May 2022 at UNOPS headquarters in Copenhagen.

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 45 outstanding recommendations up to the year ended 31 December 2020. At the time of the audit of the Board, 24 had been implemented (53 per cent), 19 were under implementation (42 per cent) and two had been overtaken by events (5 per cent), as shown in table II.1. The rate of implementation of recommendations was higher than that achieved in the previous year (33 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*	*A/76/5/Add.11*	*Total*
Open recommendations as at 31 December 2020	4	2	5	13	21	45
Status of implementation in 2021						
(a) Implemented	2	1	3	7	11	24
(b) Under implementation	–	1	2	6	10	19
(c) Not implemented	–	–	–	–	–	–
(d) Overtaken by events	2	–	–	–	–	2
Open recommendations as at 31 December 2021	–	1	2	6	10	19

Source: Analysis by the Board of Auditors.

8. The Board further carried out an analysis of the 19 open recommendations as at 31 December 2021 and noted that:

(a) Seven related to financial management and budget management (37 per cent); four related to project management (21 per cent); three referred to management of the Sustainable Investments in Infrastructure and Innovation (S3i) initiative (16 per cent); two related to the Shared Services Centre in Bangkok (10.5 per cent); another two referred to procurement management (10.5 per cent); and one fell within the category of risk management (5 per cent);

(b) With regard to the ageing of the recommendations, 10 were made one year ago (53 per cent); six were two years old (32 per cent); two had remained open for three years (10 per cent); and one had been pending for four years (5 per cent);

(c) As for the recommended corrective measures, five indicated a need for the development of regulations (26 per cent); eight involved regulation improvement (42 per cent); and six required corrections in compliance with regulations (32 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. UNOPS continues to deliver an overall surplus with regard to its operations. It reported a surplus of $90.38 million in 2021 against the surplus of $39.5 million in 2020. The surplus represented 7.9 per cent of the expenses of $1,145.2 million that UNOPS had incurred.

11. The net revenue that UNOPS generates from its project activities is used to cover its central management costs. As shown in table II.2, since 2017, UNOPS has generated a net revenue from its project activities ranging from $89.73 million in 2017 to $139.70 million in 2021. 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)

	2021	*2020*	*2019*	*2018*	*2017*
Net revenue from project activities[a]	139 703	109 046	99 247	88 130	89 731
Miscellaneous and non-exchange revenue	9 766	8 591	4 461	1 838	2 374
Non-project expenses[b]	(85 933)	(89 168)	(82 202)	(71 160)	(73 956)
Surplus from operations	**63 536**	**28 469**	**21 506**	**18 808**	**18 149**
Net finance income	26 845	11 031	25 631	19 619	10 817
Reported surplus	**90 381**	**39 500**	**47 137**	**38 427**	**28 966**

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

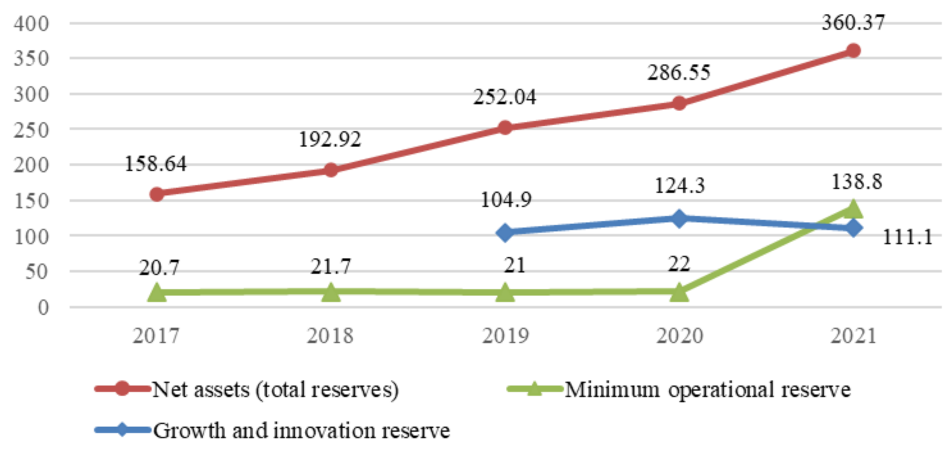
Net assets and equity

12. In 2021, the new minimum operational reserve requirement was established by the Executive Board (DP/2022/2, decision 2021/21) to guarantee the financial viability and integrity of UNOPS as a going concern. The Executive Board approved the change of the minimum requirement for the operational reserve of UNOPS to be set at 25 per cent of the infrastructure service line expenses, 5 per cent of expenses for other service lines and 33 per cent of administrative costs, with a weight of 50 per cent for the current year, 30 per cent for the previous year and 20 per cent for the year prior. On the basis of this formula, for the period ended 31 December 2021, the minimum operational reserve requirement was $138.8 million, an increase of $116.8 million compared with 2020. 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 2021 amounted to $111.12 million (2020: $124.32 million). As a result of surplus

recognized in the period, the net assets as at 31 December 2021 amounted to $360.37 million (2020: $286.55 million). The details are shown in the figure below.

Net assets and equity as at 31 December 2021

(Millions of United States dollars)



Source: UNOPS financial statements.

13. In February 2022, the Executive Board approved the establishment of the S3i reserve at an initial level of $105 million, with future changes subject to the Executive Board's approval (DP/2022/14, decision 2022/5, para. 4). The S3i reserve will be used for funding and recording the valuation of investments under the S3i initiative. The Executive Board's decision had no impact on the 2021 financial statements.

Ratio analysis

14. The Board of Auditors 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	*2021*	*2020*	*2019*	*2018*	*2017*
Cash ratio[a]					
Cash + short-term investments: current liabilities	0.80	0.85	0.81	0.91	0.95
Quick ratio[b]					
Cash + short-term investments + accounts receivable: current liabilities	0.82	0.87	0.84	0.95	1.01
Current ratio[c]					
Current assets: current liabilities	0.83	0.88	0.85	0.96	1.02
Solvency ratio[d]					
Total assets: total liabilities	1.07	1.08	1.12	1.09	1.09
Project surplus[e] (margin percentage[f]) Direct project revenue – direct project expenses	$139.7 million (11.7 per cent)	$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)
Net surplus (margin percentage[f]) Revenue – expenses	$90.38 million (7.5 per cent)	$39.5 million (3.4 per cent)	$47.14 million (3.9 per cent)	$38.43 million (4.1 per cent)	$28.97 million (3.5 per cent)

(Footnotes on following page)

(Footnotes to table II.3)

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 to the financial statements.

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

15. As at 31 December 2021, UNOPS had total assets of $5.17 billion (2020: $3.91 billion), consisting mainly of investments of $4.26 billion (2020: $2.91 billion) and cash and cash equivalents of $782.83 million (2020: $883.98 million). The total liabilities of UNOPS stood at $4.81 billion as at 31 December 2021 (2020: $3.62 billion), with liabilities relating to project cash advances received at $3.77 billion (2020: $3.18 billion), representing 78.4 per cent (2020: 87.9 per cent) of the total liabilities. The significant increase in both total assets and liabilities in 2021 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 although there was an increase in current assets of $815.7 million in 2021, there was an increase of $1,189.9 million in current liabilities. The increase in current liabilities was largely due to an increase in project cash advances received of $594.6 million. In 2021, there were decreases in the current ratio, cash ratio and quick ratio compared with the past four years. The main reason for the decreases in the financial ratios was the standard practice of UNOPS, which received client funds prior to the start of the project, which were invested and recognized as short-term and/or long-term investments, rather than being held as cash.

17. The overall gross margin on project services increased from 9.4 per cent in 2020 to 11.7 per cent in 2021 on account of the relative growth in delivery and margins in respect of projects related to procurement. Together with the significant increase in the net finance income, the net surplus and net margin increased accordingly, reaching a historical high level of $90.38 million and 7.5 per cent, respectively. The overall financial position of UNOPS remained sound given that the solvency ratio was above one.

Impact of COVID-19

18. In 2021, UNOPS continued to meet 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 the net assets and equity of UNOPS.

19. UNOPS investment income declined overall to $26.2 million in 2021 ($33.6 million in 2020). The steep decline was caused by the rapid repricing of interest rates in the United States on the back of high levels of inflation owing, in part, to economies reopening post-pandemic. 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) Reserve management

Advance establishment of S3i reserve in the financial statements

20. In paragraph 5 of IPSAS 14: Events after the reporting date, the following is stated: "The following term is used in this Standard with the meaning specified: events after the reporting date are those events, both favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue. Two types of events can be identified … (b) Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date)." In paragraph 3.34 of the UNOPS operational instruction on financial accounting and reporting (OI.FG.2020.01), it is stated that "UNOPS shall disclose (but not adjust) for each of the following material categories of non-adjusting events after the reporting date: (a) the nature of the event; (b) an estimate of its financial effect or a statement that such an estimate cannot be made".

21. In a previous audit report (A/74/5/Add.11, chap. II, para. 29), the Board noted that investment in social impact projects directly from operational reserves without the resources being ring-fenced through the establishment of a specific growth and innovation reserve was not in accordance with the UNOPS financial regulations, and recommended that UNOPS establish such a reserve and document a detailed procedure for the use of the funds in the reserve, as well as their accounting and management.

22. In 2019, a growth and innovation reserve was established by UNOPS. The reserve provided funding to, inter alia, activities under the S3i initiative. The value of the reserve was set at 50 per cent of the excess operational reserves. At the end of 2021, $63 million had been allocated by UNOPS to S3i initiative projects.

23. The Board of Auditors noted that in 2021, to address the risk of fluctuation in investments for the S3i initiative, UNOPS put forward to the Executive Board a proposal to approve the establishment of a designated reserve for the funding and valuation of such investments. UNOPS stated that, in addition to allowing itself to meet the requirements, the separation of the S3i reserve from the growth and innovation reserve would improve the transparency and oversight of the initiative's programme of work by having all financial impact reflected in one designated reserve, with the accuracy and veracity of the information confirmed by an external review.

24. In September 2021, the Executive Board, in its decision 2021/21, requested that UNOPS present an assessment and rationale for the proposal to create a separate S3i reserve and to report back to the Executive Board at its first regular session in 2022. After an additional assessment and rationale was provided by UNOPS, at its first regular session in 2022 (31 January–4 February 2022), the Executive Board, in its decision 2022/5, approved the establishment of the S3i reserve and the initial level of the reserve to be set at $105 million with future changes subject to the Executive Board's approval.

25. The Board of Auditors further noted that although the decision was made by the Executive Board in February 2022, UNOPS reported the S3i reserve in its draft 2021 financial statements with the value of $105 million as at 31 December 2021. The value of the growth and innovation reserve was adjusted to $58.6 million accordingly.

26. UNOPS explained that while the final decision was issued in 2022, the establishment of the S3i reserve had been discussed in 2021.

27. In addition, it is stipulated in the UNOPS financial regulations and rules that besides the operational reserve and a growth and innovation reserve, the Executive Director may establish other reserves as may be approved by the Executive Board. Reserves may be established for: (a) compensation in respect of injury, illness or death of personnel; and (b) learning activities for UNOPS personnel. The Board of Auditors noted that the purpose of the established S3i reserve was not in line with the aforementioned regulations and rules.

28. The Board of Auditors is of the view that the decision of the Executive Board made in 2022 was a non-adjusting event after the reporting date. The Board of Auditors recommends that UNOPS disclose the nature of the event and an estimate of its financial effect in the notes to the financial statements instead of reporting it in the financial statements.

29. Upon the recommendations of the Board, UNOPS made corresponding adjustments to the corporate financial statements and disclosed events after the reporting date concerning the S3i reserve in the notes to the financial statements in accordance with IPSAS.

30. **The Board recommends that UNOPS assess and bring forth further developments to the process on the recognition of events after the reporting date in line with IPSAS.**

31. UNOPS accepted the recommendation.

Lack of clarity in growth and innovation reserve management

32. 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".

33. In 2019, the Executive Director of UNOPS formally established a growth and innovation reserve, which contributes 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 level of the growth and innovation reserve reached $111 million at the end of 2021.

34. In addition, in a previous audit report (A/75/5/Add.11, chap. II, para. 46), the Board recommended 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 response to the Board's recommendation, UNOPS commissioned a consultancy on the S3i initiative and projects funded through the growth and innovation reserve from an independent expert consultant. The review resulted in the formulation of guidelines for S3i operations in October 2020.

35. The Board noted that the current framework, guidelines, procedures and policy issued by UNOPS were specific to the S3i initiative instead of the growth and innovation reserve as a whole. However, the Board was informed that the growth and innovation reserve would provide funding not limited to S3i initiative activities. In particular, in its strategic plan, 2022–2025, which was issued in 2021, UNOPS outlined the strategy for growth and innovation. Growth and innovation were embedded throughout the strategic plan, reflecting the ambition of UNOPS, as articulated in its strategic goals, comprising both contribution and management goals.

36. The Board of Auditors further noted that while it had proposed the establishment of the S3i reserve in July 2021, UNOPS had not simultaneously clarified the plan for the rest of the growth and innovation reserve. At its first regular session in 2022, the

Executive Board approved the establishment of the S3i reserve. However, a specific guideline for the growth and innovation reserve was still not in place and, following their separation, the growth and innovation reserve still lacked a new framework and specific planning.

37. The Board of Auditors is of the view that a more specific framework and guidance for the growth and innovation reserve may be required to achieve the purpose of the establishment of the reserve, namely, to invest in the future revenue-generating ability of UNOPS. The Board is concerned that lack of clarity may result in funds being left idle or used inappropriately.

38. **The Board recommends that UNOPS conduct a review of the growth and innovation reserve and take all appropriate measures, including the formulation of a framework, guidelines, procedures and policy, to ensure the effective management of the reserve.**

39. UNOPS accepted the recommendation.

(b) S3i initiative investment management

40. In the previous audit, the Board noted that from 2018 to 2020, UNOPS invested $58.80 million in seven S3i projects by entering into loan agreements with seven separate special-purpose vehicles affiliated with a single private holding group. In 2020, UNOPS disinvested from two of the seven projects, a renewable energy project and a windmill power project, and recognized a bad debt allowance of $22.19 million against those two projects. For the renewable energy project, the allowance was established at 100 per cent of the carrying value accrued in 2020, indicating that the present value of the future cash flows was expected to be close to zero. For the windmill power project, UNOPS established a bad debt allowance at 50 per cent of the carrying value, on the basis of an experience-based assessment.

41. The Board of Auditors was informed that in 2021 the debtors had not met the repayment commitments for the two projects from which UNOPS had disinvested and that there was no significant progress on the other five investments in five affordable housing projects separately located in Antigua and Barbuda, Ghana, India, Kenya and Pakistan. For the two projects from which UNOPS had disinvested in October 2020, the debtors repaid $1.68 million of loan interest and fees associated with the projects in April 2021, leaving $23.80 million in outstanding overdue repayments, the same as the principal amount of the investments. For the five affordable housing projects, UNOPS stated that there was a significant risk to the timely repayments as UNOPS had not received the instalments that were due in the first quarter of 2022. In its decision 2022/5, the Executive Board urged UNOPS to undertake all possible measures to recover the overdue repayments from disinvestments in S3i initiative projects. The Board of Auditors was informed that UNOPS had engaged a law firm to assist in the recovery, which had written to the debtors to seek clarity on assets. However, no evidence was provided during the audit to show substantial progress in the recovery of the funds.

42. As at 31 December 2021, UNOPS had recorded a total bad debt allowance of $23.80 million against the two projects from which it had disinvested and had recognized impairments of $15.22 million against the five affordable housing projects, as stated in paragraph 123 of the notes to the financial statements (note 11). The total bad debt allowance and impairments against the seven projects amounted to $39.02 million, accounting for 66 per cent of the principal amount of the seven investments.

43. In the light of the foregoing, in 2021, UNOPS: (a) recorded a reversal of the bad debt allowance against the renewable energy project resulting from a repayment of

$0.62 million; (b) wrote off a receivable of $1.65 million against the renewable energy project resulting from the difference between the book value of the investment and the repayment agreed in the disinvestment agreement signed with the debtor in 2020; (c) established another bad debt allowance of $3.89 million against the windmill power project; and (d) recognized impairments of $15.22 million against the five affordable housing projects.

Establishment of bad debt allowance and impairment to be improved

44. In rule 3.1 of the UNOPS operational instruction on financial accounting and reporting, it is stated that "UNOPS accounting and reporting shall comply with IPSAS". In paragraph 72 of IPSAS 29: Financial instruments: recognition and measurement, the following is stated: "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".

45. The Board noted that in 2022, UNOPS requested a third-party financial adviser to perform a valuation analysis in relation to the impairment test and fair value recognition of the above-mentioned seven S3i investments held by UNOPS as at 31 December 2021. On the basis of the valuation results, UNOPS established, in its 2021 financial statements, another bad debt allowance of $3.89 million against the windmill power project, or 100 per cent of the carrying value, and recognized impairments of $15.22 million against the loans for the five affordable housing projects, with the bad debt allowance and impairment established in the 2021 financial statements against the S3i investments amounting to $19.11 million.

46. The Board made the following observations on the establishment of the bad debt allowance and impairments:

(a) After the third party issued the valuation report of S3i investments on 14 March 2022, the aforementioned private holding group provided UNOPS with information on the special-purpose vehicles' fixed assets on 31 March 2022 and stated that the loans were backed by fixed assets with a total value of $38.17 million owned by the vehicles, including land in Ghana and the Caribbean with a total assessed value of $24.60 million and factory equipment with a total value of $13.57 million. The valuation reports for the land were also enclosed with the proposal provided to UNOPS. The S3i investment valuation did not take the asset information into consideration as the valuation was completed before the proposal was provided. UNOPS established the impairments on the basis of the conclusion of the valuation report of the S3i investments on 14 March 2022;

(b) It was stated in the third party's valuation report that after the third party had requested UNOPS to provide further evidence regarding the two disinvested loans, including the financial statements of two special-purpose vehicles, the UNOPS S3i team claimed that no such evidence was available as the matter had been handed over to the UNOPS Legal Group;

(c) UNOPS informed the third party that it had not received any payments in 2021 despite repeated promises by the debtors. However, the Board noted that $1.68 million had been repaid by the debtors in April 2021;

(d) The private holding group's audit reports for 2019 and 2020 highlighted that a material uncertainty existed that cast significant doubt on its ability to continue as a going concern, indicated by its significant accumulated losses and negative liquidity exposure, which deteriorated during 2021. In contrast, it was assumed in the valuation that the payments of the debt investments followed the original contractual redemption scheme. Thus, the estimated future cash flows from 2022 to as far as 2036 were discounted to assess the value of the investments;

(e) UNOPS had provided the unaudited 2021 financial statements of the debtors to the third party as the valuation basis, instead of more credible financial information obtained through assurance activities;

(f) In 2020, for the establishment of the bad debt allowance against the windmill power project at 50 per cent of the carrying value, the justification of UNOPS was that there was an underlying asset (not mortgage assets) in the nature of the power plant. While it had considered the value of underlying assets during the measuring of the impairment in the previous year, UNOPS had established the impairment in 2021 without taking the land values into account.

47. Furthermore, the valuation analysis was made only for the special-purpose vehicles, excluding their parent company, the private holding group, and its other affiliated companies because only the vehicles had the contractual obligation to repay the loans. However, there was little evidence that the loan facilities were used by the vehicles exclusively. It was stated that in the agreements of the affordable housing projects in Antigua and Barbuda, Ghana, India and Kenya, the loan facilities would be paid by UNOPS to the private holding group, which would make payments to the special-purpose vehicles, and that UNOPS was under no obligation to make any further payments against the overall facility allocation and would bear no responsibility for the failure of the single private holding group to make payments to the vehicles. Also, the financial data provided by the debtors showed that a high proportion of the loan funds had flowed out of the special-purpose vehicles.

48. UNOPS explained that:

(a) It had been in dialogue with the debtors in order to obtain the information on the projects' progress, and its external legal firm had begun independent asset tracing and had written to the debtors to seek clarity on assets, which the debtors had failed to provide;

(b) Only the debtors' cash, the most liquid of assets, was assumed to be readily available for the debt payments. Accordingly, the land values did not form a part of the assessment that fed into the valuation analysis. Additionally, the land allocated by the Governments was specifically to build affordable housing, could not be transferred or sold, and might, subject to the Governments' decision, be taken back if sufficient progress was not made;

(c) It had informed the third party of the payments amounting to $1.68 million in interest and fees, and had also informed the third party that payments had not been received on the outstanding balance of repayment of the principal despite repeated promises by the debtors.

49. The Board is of the view that the truthfulness, accuracy and completeness of the information provided to the third party is critical for its valuation of the investments, which serves as the basis of the bad debt allowance and impairment. In addition, more effective measures should be taken to recover the funds, including the collection of more comprehensive information on where and how the loan funds were used.

50. **The Board recommends that UNOPS continue to collect comprehensive information on the debtors' financial position and asset values, and appraise the debt values with adequate information and coherent methods, so as to ensure the accuracy and credibility of the bad debt allowance and impairment.**

51. UNOPS accepted the recommendation.

(c) Management expenses administration

Defects in the management of the We Are the Oceans and Ocean Generation projects

52. In regulation 22.01 of the UNOPS financial regulations and rules, it is stated that "the Executive Director, under the authority delegated by the Secretary-General as custodian of all UNOPS financial assets, is responsible and accountable for the effective and efficient management of cash and cash equivalents in UNOPS custody".

53. In February 2017, UNOPS signed a memorandum of agreement with a non-profit organization, We Are the Oceans (WATO), under which UNOPS committed to contribute a total amount of $5 million to WATO in accordance with the terms and conditions. Under the grant agreement, WATO agreed to undertake a number of activities, including publishing a song and creating gaming content, to help raise awareness on the conservation and sustainable use of oceans, seas and marine resources. During implementation of the activities, WATO had to create a new entity, Ocean Generation, as a result of an alleged copyright dispute over the organization's name. In November 2018, a $2 million grant was awarded to Ocean Generation by UNOPS in a newly executed agreement with the entity. In September 2019, at the request of Ocean Generation, UNOPS and the entity agreed to terminate the grant agreement.

54. UNOPS disbursed a total of $3,313,840.45 to WATO and Ocean Generation. On 23 December 2019 and 6 January 2020, Ocean Generation returned $192,324.97 and $284.16 of unused funds to UNOPS. WATO and Ocean Generation thus spent $3,121,231.32 of the grant. The Board was informed that the two projects were funded by the UNOPS management expense budget.

55. After reviewing the whole process of the projects, the Board identified some issues relating to the grant management of the WATO and Ocean Generation projects.

(i) Initialization of partnership

56. The Board reviewed the initial proposal of the partnership between UNOPS and WATO along with the grant decision-making process, and noted that UNOPS had selected the specific partner without initiating any formal solicitation inviting interested parties. There was no supporting evidence that a competitive selection and solicitation process had been conducted by UNOPS.

57. The Board further reviewed the partnership decision-making process, and noted that in minutes of a meeting of the Corporate Operations Group held on 12 December 2016, the Executive Director and the Director of the Finance Group claimed that UNOPS might cover an estimated cost of $5 million for activity start-up of WATO in 2017, expecting to yield significant public relations value, sponsorship and event participation opportunities for UNOPS through the engagement. The Corporate Operations Group also set out the requirement that a pre-vetting of the partnership with WATO and a due diligence assessment of the $5 million financial allocation be conducted. However, there was no evidence to prove that UNOPS had conducted such a process.

(ii) Advance payment

58. In rule 122.20 of the UNOPS financial regulations and rules in effect before March 2017 (DP/2009/4), the following is stated: Whenever an advance payment is agreed in accordance with UNOPS policies and procedures, the reasons therefor may be justified in writing … and shall not exceed $500,000 or 20 per cent of the total purchase price under the relevant contract, whichever is the lesser. Additionally, advance payments in excess of $100,000 shall not be made without advance receipt of an irrevocable guarantee made in favour of UNOPS from a bank or other guarantor

acceptable to UNOPS. Any exceptions to this rule may be authorized in writing by the Executive Chief Procurement Officer.

59. The Board reviewed the first advance payment of $3 million from UNOPS to WATO in February 2017 and noted that in order to comply with rule 122.20 of the UNOPS financial regulations and rules, the Chief of Portfolio Accounts asked for approval for the disbursement, along with an exception to the requirement for a bank guarantee in writing, from the Executive Chief Procurement Officer. However, the Executive Chief Procurement Officer did not follow the request and stated that there was no need for approval as the prepayment clause was included in the contract, which had been signed by the Executive Director, who held a higher authority.

60. The Board further reviewed the second advance payment of $313,840.45 from UNOPS to Ocean Generation in January 2019, and noted that the payments had been disbursed without justified reasons or an irrevocable guarantee by UNOPS. In addition, no evidence was provided to prove that the Executive Chief Procurement Officer had authorized the advance payments.

(iii) Unused grant

61. It is stated in article V of the memorandum of agreement signed between UNOPS and WATO that the agreement shall commence on 1 February 2017 and shall continue for a period ending on 31 December 2017. It is stated in clause 6 of annex III to the memorandum of agreement that any balance of funds that has not been disbursed at the time the agreement expires or is terminated shall immediately revert to UNOPS.

62. The Board noted that WATO continued to use the remaining funds in 2018, which was outside the time frame of the agreement, as indicated on 1 August 2018 in an email by the Head of Financial Planning and Analysis, who had requested the project manager to notify WATO to stop further expenses and return unused funds. However, the management of UNOPS did not claim the unused funds and decided to transfer the liability for the prepayment of $320,212 received by WATO to Ocean Generation in March 2019.

(iv) Project delivery

63. Annex II to the memorandum of agreement signed between UNOPS and WATO lists 11 project activities to be delivered for the payment of $3 million, including the publication and launch of a song about the oceans, gaming content creation and ocean awareness campaigns. It is stated in clause 1.5 of annex III to the memorandum of agreement that the quality of the work of WATO and the progress being made towards successfully achieving the goals of such activities shall be subject to review by UNOPS.

64. According to the memorandum of agreement signed between UNOPS and Ocean Generation, the advance payment of $313,840.45 would be for the delivery of five initiatives. It is stated in clause 1.5 of annex III to the agreement that the determination by UNOPS as to the quality of work being performed and the progress being made towards such goals shall be binding and conclusive upon Ocean Generation insofar as further payments by UNOPS are concerned.

65. It is stated in the memorandum of agreement that whenever UNOPS considers that Ocean Generation is not performing to a satisfactory standard, UNOPS may suspend, in whole or in part, the activity under the agreement in order to renegotiate and/or propose necessary amendments to the agreement to redress the situation.

66. The Board reviewed the outputs generated by WATO and Ocean Generation in their implementation of the grant agreement and noted that no detailed milestone

report or equivalent had been provided and that the only material was a presentation file containing only text, without any photographs. The other output observed by the Board was a song named "We are the oceans". However, no evidence was provided that UNOPS had the copyright to or ownership of the song.

67. The Board also noted that no quality checks, performance evaluations or any other review processes had been conducted by UNOPS. Moreover, despite the fact that WATO had failed to hand in milestone reports, UNOPS continued to sign a new contract with Ocean Generation and transferred unused funds amounting to $320,212 from WATO to the Ocean Generation liability.

(v) Remedies taken by the management

68. It is stated in annex III to both the memorandums of agreement signed by UNOPS with WATO and Ocean Generation that if at any time UNOPS is not satisfied with the quality of work or the progress being made towards achieving such goals, UNOPS may in its discretion seek any other remedy as may be necessary.

69. The Board noted that UNOPS had identified a total of $916,747 in related party transactions (including a $150,000 loan that had been reimbursed with interest to a third party on behalf of WATO) and a combination of fraud indicators of WATO and Ocean Generation. UNOPS claimed that it would take further action, such as seeking restitution.

70. The Board reviewed the actions taken by the management and noted that although the General Counsel started to seek restitution on 14 October 2021, no funds had been returned to UNOPS as at 31 March 2022.

71. The Board is of the view that the adverse consequences of the two projects indicate that the internal control, risk management and accountability mechanisms for these projects and grants need to be improved.

72. **The Board recommends that UNOPS conduct a comprehensive, in-depth and adequate evaluation or review of the decision-making, management and internal control of the We Are the Oceans and Ocean Generation projects, and establish a compliance and accountability mechanism to avoid the recurrence of such issues.**

73. UNOPS accepted the recommendation.

(d) Management fees and fee increments

Outdated basis for the pricing model

74. According to regulation 9.01 of the UNOPS financial regulations and rules, "As a self-financing entity UNOPS shall operate on the basis of full cost recovery and shall set its management fees accordingly. Resulting from its ordinary activities during each financial period, UNOPS shall generate sufficient net surplus to maintain operational reserves at the level established by the Executive Board".

75. The UNOPS management fee is defined as the sum payable to UNOPS in addition to direct costs for the implementation of engagements. It is intended to cover UNOPS indirect costs, including those associated with the development, negotiation and conclusion of the engagement agreement. The UNOPS management fee is recovered as stipulated in the engagement agreement. The current pricing model, designed to distribute and recover indirect costs more fairly across projects, was introduced in 2013. Indirect costs are determined on the basis of the complexity, size and risk associated with an engagement agreement. They are to be recovered as a management fee from engagements and are to be charged as absolute amounts and/or a fee percentage.

76. The Board of Auditors was informed that the current UNOPS pricing model had been developed on the basis of the 2010 financial statements, taking the delivery and management expenses into account. The Board reviewed the trend of financial indicators from the time of the introduction of the current pricing model and noted that the annual delivery of UNOPS operations had reached $3,432 million in 2021, an increase of 206 per cent compared with $1,122 million in 2013. However, management expenses amounted to $74.7 million in 2021, an increase of only 32.2 per cent compared with $56.5 million in 2013. Meanwhile, surplus from operations had increased significantly over the past few years, achieving a historical level of $63.5 million in 2021, which further contributed to the rapid growth of the total surplus. The key financial indicators for UNOPS performance over the past nine years are indicated in table II.4.

Table II.4
Key financial indicators for UNOPS performance
(Millions of United States dollars)

Financial ratios	*2021*	*2020*	*2019*	*2018*	*2017*	*2016*	*2015*	*2014*	*2013*
Delivery	3 432	2 243	2 253	1 857	1 827	1 434	1 413	1 215	1 122
Management expenses	74.7	83.0	71.0	59.1	67.8	62.3	65.4	58.9	56.5
Surplus from operations	63.5	28.5	21.5	18.8	18.1	20.1	11.8	7.1	13.5
Surplus for the period	90.4	39.5	47.1	38.4	29.0	31.3	14.3	9.9	14.7

Source: UNOPS audited financial statements, except for delivery, which is provided by UNOPS.

77. UNOPS explained that, given the current surplus level, it had embarked on a process to update the basis for the pricing model with more recent financial numbers.

78. The Board is of the view that rapid growth in delivery leads to an increase in total management fee income, which significantly outpaces the growth in management expenses and the need for a minimum operational reserve. The basis of the current pricing model, which has not been modified since 2013, may no longer be applicable.

79. The Board is concerned that the lack of a regular review mechanism for the pricing model may lead to an outdated basis and potentially expose UNOPS to surpluses or losses.

80. **The Board recommends that UNOPS conduct a thorough review of its existing pricing model, considering the latest financial performance.**

81. **The Board further recommends that UNOPS establish a regular review mechanism to ensure that management fees charged are maintained at a reasonable level.**

82. UNOPS accepted the recommendations.

Collecting excessive risk increment fees while meeting minimum operational reserve requirement

83. It is stated in paragraphs 3.1 and 3.2 of the UNOPS operational directive on value proposition and cost recovery model (OD.EO.2018.01) that, 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 that 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 those costs are reasonable.

84. 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 pricing model plus a risk increment (if any), and that was the pricing policy applicable to all engagements.

85. The Board was informed that the risk increment fee was meant to ensure that UNOPS collected a sufficient fee beyond the minimum fee to meet its minimum operational reserve requirements. The minimum operational reserve was designed to cover cost overruns associated with management expenses. The Board of Auditors noted that since 2009, the UNOPS operational reserve had remained above the minimum set by the Executive Board, while surpluses had continued to contribute to the operational reserve. In a previous report of the Board of Auditors (A/75/5/Add.11, chap. II, paras. 18–24), UNOPS explained that the existing minimum operational reserve at that time was inadequate to support the residual risks that UNOPS was facing on the very large project portfolio that it was managing. The Board recommended 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 were effectively met and surpluses were not accumulated over and above the realistically assessed operational reserves.

86. The Board of Auditors noted that UNOPS engaged a consultancy firm to conduct the review in 2021 and submitted the proposal of changing the minimum requirement for the operational reserve to the Executive Board. In its decision 2021/21, the Executive Board approved the change of the minimum requirement for the operational reserve of UNOPS to be set at 25 per cent of the infrastructure service line expenses, 5 per cent of expenses for other service lines and 33 per cent of administrative costs, with a weight of 50 per cent for the current year, 30 per cent for the previous year and 20 per cent for the year prior. As at 31 December 2021, UNOPS had met its minimum operational reserve requirements, equating to $138.76 million, and had achieved $111.12 million in accumulated surpluses.

87. The Board of Auditors further noted that while the new formula for the minimum operational reserve had been approved in September 2021 and the minimum operational reserve requirements had been met as at the end of 2021, UNOPS still charged its clients the risk increment fee. For instance, the Board reviewed the management fee for 24 engagements signed between 1 January and 31 March 2022 and noted 12 engagements for which a management fee amounting to $4.36 million and a risk increment fee totalling $0.67 million had been budgeted. The engagement addition amount of the above-mentioned 12 engagements ranged from $57,380 to $50 million.

88. UNOPS explained that its senior leadership had decided not to charge a risk increment fee on top of the UNOPS minimum fee for new engagements as UNOPS had already fulfilled the new minimum operational reserve requirements in February 2022. The related policy was currently being finalized. However, for individual engagements that by themselves would increase the minimum operational reserve needed, the Chief Financial Officer and Director of Administration or her/his delegate could decide to exceptionally charge a risk increment fee.

89. The Board asked whether the risk increment fee would be refunded if the risk did not materialize. UNOPS stated that the risk increment was considered as "insurance premium" and would not be returned to the partner, even if the risks assessed did not materialize. UNOPS decided to stop charging the risk increment fee for new engagements, while also keeping the already signed agreements in place. Given that infrastructure service line expenses were set at 25 per cent in the calculation logic of the minimum operational reserve requirement, there was a high likelihood that by the end of 2022, the reserve requirement would be higher than 2021

and would continue to increase in line with any future growth in the infrastructure service line expenses. Thus, the existing clients that had agreed to the risk increment fee should also pay for that increase.

90. Given the fact that UNOPS continued to exceed its minimum operational reserve requirements, the Board is of the view that new rules on the risk increment fee collection principle should be promulgated in a timely manner so as to avoid the operational reserve being overaccumulated.

91. The Board recalled its previous observation (A/76/5/Add.11, chap. II, paras. 67–74) that the risk increment calculation process lacked clear standards and had inadequate justification, the application of the risk increment calculation was inconsistent, and management fees were manually adjusted. Although UNOPS plans to stop charging a risk increment fee on top of the UNOPS minimum fee for new engagements, the Board is concerned that the lack of clear standards and the strict assessment process may result in overcharging and misuse of exceptions in some engagements.

92. **The Board recommends that UNOPS promulgate its updated policy on the risk increment fee in a timely manner on the basis of the latest minimum operational reserve requirements and clarify the criteria for collecting risk increment fees under different circumstances to ensure the reasonable collection of the fees.**

93. UNOPS accepted the recommendation.

(e) Internal control

Absence of quarterly reporting on key controls

94. It is stated in paragraph 5.14 of the UNOPS operational directive on the internal control framework (OD.FG.2020.01) that "Internal Control shall provide reports on the status of key controls to management on a quarterly basis".

95. The Board was informed that key controls were those preventive, detective and corrective control activities that were designed in the first instance to address material risks to reporting reliability, UNOPS compliance and/or effectiveness and efficiency of UNOPS operations. Should there be control gaps, in design or implementation, they would be flagged in the reports and management would be responsible for defining and implementing corrective action as needed.

96. The Board noted that UNOPS had not followed the above-mentioned operational directive, as no formal reports of key controls had been submitted to the management on a quarterly basis to date, owing to delays in finalizing key controls.

97. UNOPS explained that it had a wide range of internal controls and related reporting practices in place, largely embedded in key business processes and associated policies, procedures and supporting information technology systems. However, there were challenges in finalizing the best approach with regard to key controls at the moment.

98. The Board is of the view that key control reporting could provide management with a timely overview of the effectiveness of key controls. The Board is concerned that UNOPS may fail to identify internal control weaknesses in a timely manner without regular reporting.

99. **The Board recommends that UNOPS take measures to finalize the key controls to ensure that quarterly reporting is conducted on the effectiveness of internal control.**

100. UNOPS accepted the recommendation.

4. Project management

(a) Human resources services management

Inconsistent management of individual contractors with United Nations partners

101. UNOPS provides human resources services to partners, including those in the United Nations. As at 31 December 2021, UNOPS contracted 29 staff members and 7,453 individual contractor agreement holders for its human resources services. According to rule 118.01 of the UNOPS financial regulations and rules, UNOPS establishes policies and procedures on the management of its individual contractors.

102. The United Nations Secretariat has issued its own administrative instruction on consultants and individual contractors (ST/AI/2013/4). According to the Secretary-General's bulletin on the procedures for the promulgation of administrative issuances (ST/SGB/2009/4), administrative instructions apply to all United Nations entities except separately administered funds, organs and programmes of the United Nations. As at 31 December 2021, UNOPS contracted 2,342 individual contractors to 16 United Nations partners.

103. The Board reviewed the management of individual contractors provided by UNOPS to the United Nations partners and noted that the management of individual contractors provided by UNOPS was not fully in line with ST/AI/2013/4.

(i) Duration of contract

104. It is stated in paragraphs 5.8 and 5.9 of ST/AI/2013/4 that no consultant shall provide services for more than 24 months in a 36-month period and that the services of an individual contractor shall be limited to 6 or, in special circumstances, 9 work-months in any period of 12 consecutive months.

105. The Board noted that as at 31 December 2021, among the 2,342 individual contractor agreement holders contracted to United Nations partners, apart from retainer and lump-sum individual contractor agreement holders, 1,176 (50 per cent) had been serving under the same base contract for more than 24 consecutive months, and 436 (19 per cent) had been serving for more than 9 months but less than or equal to 24 months, while only 368 (16 per cent) of individual contractor agreement holders had signed the base contract less than 6 months before. The longest duration of contract lasted for 107 months.

(ii) Fees for individual contractors

106. It is stated in article IV, paragraph 2, of the memorandum of understanding between the Secretariat and UNOPS that the payments to all non-staff personnel of UNOPS engaged to provide services to the Secretariat "shall be in accordance with … any applicable Secretariat administrative issuances and decisions, and UNOPS organizational directives and administrative instructions".

107. Annex III to ST/AI/2013/4 defines the fee ranges for international consultants and individual contractors from levels A to E, with the lowest at $3,867 per month and the highest at $15,779 per month. UNOPS also stipulates the fee ranges for its international individual contractor agreement holders from levels IICA 1 to IICA 5, ranging from $4,000 to $18,000 per month.

108. As at 31 December 2021, UNOPS contracted 199 international individual contractors to United Nations partners, ranging from levels IICA 1 to IICA 3. The Board noted that the fees for 11 international individual contractor agreement holders were below the lowest limit of $3,867 per month for level-A individual contractors, and that the monthly fees for two individual contractors, despite them being at level

IICA 3, were set at $18,000, even higher than the highest limit of $15,779 per month for level-E individual contractors.

109. It is also noted that the fees of the aforementioned 11 international individual contractor agreement holders were even outside of the fee range set out by UNOPS itself.

(iii) *Entitlements for individual contractors*

110. It is stated in paragraph 5.16 of ST/AI/2013/4 that consultants and individual contractors shall not be entitled to any paid leave, including annual leave, sick leave, special leave or official holidays. It is stated in paragraphs 5.22 and 5.23 that the United Nations does not provide or arrange life or health insurance coverage for consultants and individual contractors and that consultants and individual contractors are fully responsible for arranging, at their own expense, such life, health and other forms of insurance covering the period of their services as they consider appropriate.

111. The Board noted that as at 31 December 2021, UNOPS offered paid leave, including annual leave, maternity/paternity leave and sick leave, to 1,332 individual contractor agreement holders (56 per cent of holders) contracted to United Nations partners. A total of 1,042 individual contractor agreement holders (44 per cent of holders) and their dependants also enjoyed medical insurance offered by UNOPS.

112. UNOPS explained that when providing human resources services to partners, it ensured compliance with its own rules and regulations and with the obligations set out in respective legal agreements with partners. The Secretary-General delegated to the UNOPS Executive Director broad authority in human resources matters, and the policies and administration of human resources of UNOPS with regard to individual contractors were different from those of the Secretariat. UNOPS stated its belief that the limitations contained in ST/AI/2013/4 governing the use of individual contractors by the Secretariat were not applicable to UNOPS projects, even when those projects were for the benefit of the Secretariat.

113. The Board is of the view that as a United Nations entity, when providing human resources services to United Nations partners, UNOPS needs to ensure that applicable United Nations rules and policies are observed by United Nations partners.

114. The Board is concerned that when providing human resources services, UNOPS resorted only to its own rules and the legal agreements with partners and provided them with human resources services that broke the limits on contract duration, fees and entitlements of individual contractors set out in the applicable rules, leading to potential legal risks in the contracting of individual contractors by UNOPS.

115. **The Board recommends that UNOPS review the human resources services it provides to United Nations partners and try its best to align its services involving individual contractors with partners' applicable rules on the management of individual contractors.**

116. UNOPS disagreed with the recommendation and stated its belief that the limitations contained in the policies governing the use of non-staff contracts by the Secretariat were not applicable to UNOPS projects, even when the projects were for the benefit of the Secretariat.

117. The Board is of the view that among the limitations in using non-staff personnel, the level of the fees needs to follow the administrative issuances and decisions of the Secretariat, as stated explicitly in the memorandum of understanding between UNOPS and the Secretariat. In terms of other limitations, despite the inapplicability of the Secretariat's policies to UNOPS projects, the Board continues to recommend

that UNOPS try its best to align its services involving non-staff personnel with the Secretariat's policies on managing non-staff personnel.

118. The Board was further informed that UNOPS was in the process of revising its memorandum of understanding with the Secretariat. It has been noted by both sides that there is an apparent contradiction relating to clarity on whose rules and policy should be followed and that due attention will be paid to providing detail to facilitate clarity for future application.

(b) Project assets management

Inaccurate disclosure of Mine Action Service project assets

119. It is stated in article VIII, paragraph 3, of the memorandum of understanding signed in 2014 between the Secretariat and UNOPS that "UNOPS shall maintain records of information related to the control, custody, care, use, maintenance, and issuance and accounting of all property, plant and equipment, including intellectual property" and that UNOPS shall provide the Secretariat programme managers with "a copy of the project asset register, including location, serviceability, serial numbers and other relevant details at the end of each calendar year and at the completion of the Project". The financial agreements between the Secretariat and UNOPS for the mine action projects state that UNOPS shall provide a report listing non-expendable assets periodically. It is stated in section 6.4 of version 2 (December 2016) of the UNOPS Peace and Security Cluster asset management standard operating procedure that all UNOPS Peace and Security Cluster property, plant and equipment and intangibles procured through project funding are recorded, tracked and depreciated as "registered" assets in oneUNOPS (the UNOPS enterprise resource planning system), and that such assets have a total cost to make them operationally ready of $2,500.

120. In note 6 to the 2021 financial statements, UNOPS stated that it held $19.50 million worth of assets as a custodian under service arrangements. The Board was informed that those assets, commonly referred to as "Mine Action Service project assets", had been procured through project funding for the Mine Action Service and were held by UNOPS on behalf of the Mine Action Service.

121. The Board reviewed the list of the Mine Action Service project assets, which served as the basis for the notes to the financial statements, and noted that the assets consisted of 4,171 items, with their acquisition cost amounting to $134.77 million and the depreciated cost amounting to $19.50 million.

122. The Board further reviewed the asset reports provided to the Mine Action Service and noted that as at 31 December 2021, there were 4,572 items with a unit acquisition cost of over $2,500, for which the total acquisition cost amounted to $146.58 million. The information on the Mine Action Service project assets disclosed in the notes to the financial statements was inconsistent with the data shown in the asset reports provided to the Mine Action Service. Furthermore, no corresponding relationship between the asset records in the financial statements and those in the asset reports had been provided.

123. UNOPS explained that there were two systems that maintained the Mine Action Service project assets data. One was oneUNOPS, used to meet organizational needs and maintain the financial data. The information disclosed in the note was extracted from that system. The other was WASP (the UNOPS Peace and Security Cluster asset management software tool), used to meet the operational needs of Mine Action Service projects. The discrepancies in quantity and value between oneUNOPS and WASP were due to different reporting timelines and different thresholds. UNOPS further stated that reconciliation of the two systems was not viable as they served different purposes.

124. The Board is of the view that the justification provided by UNOPS was insufficient. As at the same reporting date of 31 December 2021, the quantity and acquisition cost of the items with a unit cost above $2,500 should be identical in the two systems.

125. The Board further noted that eight items with a net book value of $97,258.79 had been approved for write-off in February 2021, but were still disclosed as a part of the project assets in the notes to the financial statements.

126. In addition, the Board reviewed the list of Mine Action Service project assets and noted that 536 items with no remaining useful life continued to have net book values. For 528 of those assets, the useful life was incorrectly recorded. The remaining eight assets with zero actual net book value were misstated as $103,934.68.

127. The Board is concerned that while the Mine Action Service project assets were not capitalized and reported in the statement of financial position of UNOPS, the aforementioned discrepancies indicate a misstatement in the notes to the financial statements.

128. **The Board recommends that UNOPS review the Mine Action Service project asset data in oneUNOPS and WASP and establish a mechanism to check the consistency between the Mine Action Service project assets and their records in oneUNOPS.**

129. UNOPS accepted the recommendation and reported that it would, subject to the outcome of the negotiations on the new memorandum of understanding with the Secretariat on asset management, conduct a strengthening of the reconciliation process between the two systems.

Off-balance sheet Mine Action Service project assets

130. It is stated in paragraph 14 of IPSAS 17: Property, plant and equipment that the cost of an item of property, plant and equipment shall be recognized as an asset if, and only if: (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity; and (b) the cost or fair value of the item can be measured reliably.

131. The Board noted that UNOPS procured the Mine Action Service project assets used for mine action projects through Mine Action Service funding. Those project assets were not capitalized and not reported in the statement of financial position, either by the Secretariat or by UNOPS.

132. UNOPS stated in the notes to the 2021 financial statements that it held $19.5 million worth of assets on behalf of the Secretariat. According to the asset data provided by UNOPS, the assets consisted of 4,171 items, with the acquisition cost amounting to $134.77 million and the depreciated cost amounting to $19.50 million.

133. UNOPS stated that it served as an operator over the contract period and had not obtained control over the assets. After analysing the question of control of Mine Action Service project assets, UNOPS concluded in a position paper in 2015 that considering the control element and the service potential, the overall conclusion was that the assets should be recognized by the Secretariat.

134. The Office of Programme Planning, Finance and Budget in the Department of Management Strategy, Policy and Compliance of the Secretariat stated that during project implementation, the Secretariat did not capitalize project assets, which were under the control of the implementing partner. The Office further stated that UNOPS had the exclusive right to use the project assets during implementation, while the Secretariat had the legal right to repossess the project assets upon the completion of the project.

135. It is stated in article VIII, paragraph 3, of the memorandum of understanding signed in 2014 between the Secretariat and UNOPS that UNOPS shall monitor such assets throughout the life cycle of the items in accordance with the UNOPS regulatory framework.

136. The Board noted that, in practice: (a) with regard to the procurement process for project assets, all procurement steps were undertaken by UNOPS, such as defining detailed procurement requirements (including, but not limited to, technical specifications, terms of reference and the statement of work), sourcing, solicitation, tender posting, procurement order/contract award and defining requirements for goods and services; and (b) physical verification was conducted by personnel of UNOPS.

137. UNOPS explained that: (a) the Mine Action Service had control over procurement for the project, which had been strengthened by the introduction of a workplan in each programme country since 2021; and (b) overall responsibility for physical verification of Mine Action Service assets at a given location was vested with the asset verification teams.

138. The Board noted that the management of the Mine Action Service project assets throughout the life cycle of the items, including acquisition, recording, physical verification, measurement and reporting, was conducted physically by UNOPS. The Secretariat could receive information about project assets mainly from UNOPS during project implementation.

139. In its report on the accounts of the United Nations peacekeeping operations for the financial period ended 30 June 2021 (A/76/5 (Vol. II), chap. II, paras. 55–57), the Board highlighted the issue that assets procured by UNOPS for mine action projects using Mine Action Service funding were not capitalized and not reported in the statement of financial position, either by the Secretariat or by UNOPS. The Board is of the view that the responsibilities of UNOPS and the Secretariat in Mine Action Service project asset management during project implementation were not clearly defined in the agreements, resulting in the different views over which party had control of Mine Action Service project assets, leading to the non-capitalization of project assets.

140. The Board was further informed that UNOPS and the Secretariat were negotiating on the control of the Mine Action Service project assets, and that the reporting on the project assets would be moved from the notes to the financial statements to either the financial statements of UNOPS or to those of the United Nations Secretariat upon the conclusion of the negotiation.

141. **The Board recommends that UNOPS expedite the negotiation with the United Nations Secretariat to resolve the long-standing project asset management issue, in order to avoid any off-balance sheet items and associated risks.**

142. UNOPS accepted the recommendation and reported that it would continue to endeavour to expedite negotiations with the Secretariat, noting, however, that UNOPS is only one party to the negotiations.

Insufficient control over physical verification of Mine Action Service project assets

143. It is stated in section 11.2 of version 2 (December 2016) of the UNOPS Peace and Security Cluster asset management standard operating procedure that the annual asset verification process is conducted by UNOPS to ensure that all the assets that are recorded in the asset module are reflected on the ground, and that the responsibilities of the physical verification team include recording whether an asset is in good

condition or is damaged or impaired, faulty, transferred, out of service for repair, not in use, not identified or missing, lost or stolen.

144. The Board was informed that the physical verification process was recorded in oneUNOPS. It was not compulsory practice to upload photographs of the assets or other equivalent supporting documents.

145. The Board sampled 35 items with a total acquisition value of $5.99 million from asset reports as at 31 December 2021 submitted to the Mine Action Service, and noted 10 abnormal records. Among the 10 items with a total acquisition value of $0.31 million, 3 of them were reported lost in 2013, 2015 and 2016, respectively, while the asset report showed that the last physical verification date for those items was 15 December 2018. The seven remaining items, which had been loaned to the Somali National Army in October 2021 pending official donation, had not been physically verified.

146. The Board is of the view that inconsistent physical records indicate that the control over physical verification is inadequate, which may affect donors' judgment of the true conditions of the assets.

147. **The Board recommends that UNOPS strengthen the physical verification of Mine Action Service project assets.**

148. UNOPS disagreed with the recommendation, noting that the cases did not demonstrate that physical verification was systematically inadequate.

149. The Board stresses that the 10 abnormal records represented 29 per cent of the 35 sampled items. The high proportion indicated a high probability of inadequacy.

Insufficient monitoring of Mine Action Service project assets on loan

150. It is stated in section 9.4.2 of version 2 (December 2016) of the UNOPS Peace and Security Cluster asset management standard operating procedure that once approval is granted, the right-of-use agreement is to be completed and signed off by the project manager and the individuals receiving the equipment, and that on an agreed date, the assets must be returned in good operational order albeit with fair wear and tear, in accordance with the terms and conditions stated in the right-of-use agreement.

151. The Board sampled 10 cases of Mine Action Service project assets on loan, and noted the below deficiencies in the management process.

(i) Right-of-use agreements without a legally binding signature

152. During the evacuation of a peacekeeping mission in 2016, many pieces of equipment loaned to an implementing partner of UNOPS in field locations could not be traced. UNOPS had not claimed any compensation, owing in part to invalid right-of-use agreements, which bore no legally binding signature of the implementing partner.

(ii) No loaned asset status report collected from implementing partner

153. In October 2021, UNOPS signed a right-of-use agreement with an implementing partner to loan 98 items pending approval by the Headquarters Property Survey Board of the donation of the items. However, while the items were in the status of loan, UNOPS did not collect any asset status reports from that implementing partner as required in the right-of-use agreement. UNOPS explained that the delay was due to Ramadan.

(iii) Unreturned assets on loan registered as lost cases

154. Two reportedly lost assets with a total value of $180,420 as at the end of 2021 were loaned to implementing partners under right-of-use agreements in 2013 and 2016, respectively. The items should have been returned after one and six months, respectively. UNOPS registered them as lost assets after the failure to collect the items. UNOPS explained that it had exhausted all efforts to recover the vehicles, but the implementing partners had refused to return the items or offer compensation.

155. The Board further reviewed the monitoring of Mine Action Service project assets on loan and noted that UNOPS tracked and managed the loan process and the relevant records at the field office level through the WASP system. The Board was informed that it was not possible to identify a list of all the loaned Mine Action Service project assets not returned in time.

156. The Board is of the view that adequate monitoring of the assets on loan, through which risks in the asset loaning process are identified and issues reported, is an essential part of the proper management of Mine Action Service project assets.

157. **The Board recommends that UNOPS develop a monitoring tool to perform the whole process of tracking the Mine Action Service project assets on loan to identify risks and report issues so as to improve the transparency and efficiency of the management of assets on loan.**

158. UNOPS accepted the recommendation and reported that it would develop a monitoring tool for Mine Action Service project assets on loan to Governments.

Delays in disposal and write-off of Mine Action Service project assets

159. It is stated in section 10 of version 2 (December 2016) of the UNOPS Peace and Security Cluster asset management standard operating procedure that once completed, the submission is sent to the Mine Action Service for review and is signed off by the Director of the Mine Action Service and delivered to the Headquarters Property Survey Board, which will hold a meeting to review the global case and revert to the Mine Action Service with any questions. Once the case is approved, it is submitted by the Headquarters Property Survey Board to the Assistant Secretary-General for final approval and returned to the Mine Action Service. The Mine Action Service will then write a cover letter to UNOPS with a copy of the signed meeting minutes of the Headquarters Property Survey Board, and will then distribute it to all projects to carry out the physical disposal of the assets within a 90-day period.

160. The disposal of Mine Action Service project assets basically consisted of three processes, namely, request submission, request review and approval, and physical disposal. The Board was informed that Mine Action Service project asset disposals were reviewed by the Headquarters Property Survey Board and that UNOPS had no control over the review process.

161. The Board reviewed the request submission and the physical disposal processes carried out by UNOPS and noted delays in both, as follows:

(a) The Board noted that among the 152 items with a total acquisition value of $1,250,991.09 that had been reported as lost and being under write-off as at 31 December 2021, the write-off requests for 128 items, with a total acquisition value of $648,384.70, were submitted to the Mine Action Service more than one year after the items were reported as lost by UNOPS;

(b) The Board also sampled 85 Mine Action Service project assets disposed of in 2021 with a total acquisition value of $718,862.91, and noted that for 35 of those items, the physical disposal period exceeded 90 days after the approval by the Headquarters Property Survey Board.

162. UNOPS explained that the physical disposal of assets might have been affected by COVID-19-related restrictions in effect in the local programme.

163. The Board is concerned that the long disposal and write-off process reflects the low efficiency of asset management.

164. **The Board recommends that UNOPS establish a mechanism to improve the efficiency of the UNOPS-controlled processes related to the disposal and write-off request submission and physical disposal of Mine Action Service project assets.**

165. UNOPS partially disagreed with the recommendation, in relation to the establishment of a mechanism to improve the efficiency of the disposal and write-off request submission, and stated that the review and approval of disposal requests of Mine Action Service project assets rested with the Secretariat, in accordance with the memorandum of understanding. UNOPS committed to respect the timing of the physical disposal of assets within 90 days of receipt of official approval from the Mine Action Service. UNOPS also stated that delays in the request submission process must also be partially attributed to numerous changes by the Secretariat of the template for the submission request, resulting in UNOPS preparing and re-preparing request submissions. In addition, since the Secretariat held the responsibility to obtain internal approval to dispose of the Secretariat-owned assets, it in fact held the responsibility to prepare the request submission, a task that had only been taken on by UNOPS as a courtesy to speed up the entire asset disposal process.

166. The Board stressed that delays were noted in the request submission and the physical disposal processes, which were carried out by UNOPS, and that UNOPS should establish a mechanism to improve the efficiency of the UNOPS-controlled processes.

(c) Grant management

Inadequate information management in grant support services

167. It is stated in paragraph 55 of the UNOPS strategic plan for 2018–2021 (DP/OPS/2017/5) that "Four management goals express the ambition for organizational excellence, quality and principled performance throughout UNOPS operations … (c) Process excellence – drive measurable improvement of quality, efficiency and reliability of operations through simplification and innovation of processes, based on clear standards and delegated authority enabled through information technology".

168. It is stated in paragraph 4.2 of the UNOPS operational directive on information technology and digital systems management (OD.ITG.2021.01) that "UNOPS systems are to be robust, accurate, reliable, and efficient so as to mitigate risks, enforce controls, and ensure compliance with established policies and processes", and in paragraph 4.3 that "to enable efficient and cost-effective service delivery, UNOPS processes are to be aligned with and supported by digital systems and workflows".

169. While noting that common information on projects, such as on implementation, financial transactions and procurement, was integrated into oneUNOPS, the Board was informed that critical documents, including grant support agreements and associated supporting documents, were not systematically uploaded to UNOPS systems or were not even digitized. UNOPS took a decentralized approach to managing those documents.

170. Using a sample, the Board found that some grants, such as those for Stop TB Partnership projects, used a stand-alone platform for gathering information on grant management. In other cases, the project teams retained copies of relevant documentation in respective Google Drive folders, including documents on the selection procedure for grantees (selection criteria, calls for proposals and rating results), the field examination record, and the examination and approval traces on the financial and narrative reports.

171. The Board also noted that in some cases, project proposals, narrative reports or financial reports were submitted, managed and documented offline, making it both difficult to track and monitor the processes, tasks, reminders and feedback in real time and impossible for the remote reviewers to visually check the completeness of the reports.

172. UNOPS stated that it had been discussing the necessity and feasibility of establishing a unified information system on grant management while defining its digital strategy and road map. Owing, however, to the variety of implementing partners with which UNOPS operated, not all aspects of grant management support could be dealt with efficiently within a digital environment.

173. The Board is of the view that the current management practice on grant management support services is not in tune with the requirements of the UNOPS strategic plan and related regulations. The decentralized documentation and the lack of a corporate tool may have an impact on the efficient and cost-effective delivery of grant services and may even compromise the organization-wide process excellence.

174. **The Board recommends that UNOPS conduct a feasibility study on establishing a digital management system that supports the whole life cycle of grant management to determine the extent and best possible solution.**

175. UNOPS accepted the recommendation.

Incomplete requirement for review by the grant evaluation committee

176. It is stated in paragraph 4.12 of the UNOPS operational instruction on grant support (OI.IPS.2019.03) that “All members of an Evaluation Committee shall sign the ‘No Conflict of Interest’ declaration form available through the Corporate-Intranet Drive, or such other form that has been approved by a person designated as Legal Advisor”.

177. The Board noted that six members of an evaluation committee who selected grantees for a batch of 13 grants with a total budget of $520,000 in 2018 through a competitive process were asked to sign the “no conflict of interest” declaration form after the evaluation of grantee proposals.

178. UNOPS explained that the promulgated operational instruction did not currently prescribe when the “no conflict of interest” declaration form should be signed.

179. The Board is of the view that, with regard to the timing of the signing of the “no conflict of interest” declaration form, the current operational instruction is incomplete and signing the declaration form after the start of the evaluation may compromise the fairness and objectiveness of evaluation and expose the organization to the potential risk of fraud.

180. **The Board recommends that UNOPS explicitly prescribe in its processes that the “no conflict of interest” declaration form be signed prior to the start of the evaluation process to strengthen the grant selection and review process.**

181. UNOPS accepted the recommendation and stated that it was currently revising its grant support management policy, processes and associated templates and guidance.

(d) Project closure management

Inappropriate division of project stages and delayed closure

182. It is stated in rule 116.07 of the UNOPS financial regulations and rules that: "(a) As soon as project activities have ceased they shall be declared operationally completed and a financial report shall be prepared, in conformity with established procedures and reflecting actual expenditures to date; (b) Project activities shall be considered financially completed when they have been operationally completed or terminated, and if all transactions have been recorded, the relevant project accounts closed, and a final financial report approved".

183. It is stated in section 3.3.3.4 of the *UNOPS Project Management Manual, Part I: Guidelines* that when project output handover completion is approved, the project executive can request the engagement authority to approve completion of the implementation stage, and in section 3.3.3.5 that in UNOPS, the maximum duration of the closure stage is 24 months, comprising operational closure, with a maximum duration of 6 months, and financial closure, with a maximum duration of 18 months.

184. The Board reviewed 26 projects with a total budget of $137.3 million that had not been closed as at 30 September 2021, and noted that one project, with a budget of $37.82 million, had ended its implementation on 31 December 2017 while its status in the oneUNOPS Projects system had been labelled as "pending operational closure" until 2 November 2021. The operational closure of the project had taken almost four years, much longer than the prescribed 6 months.

185. UNOPS explained that the negotiation with partners to settle the overexpenditure for the previous two projects had taken a long time and had affected the launch of the project undertaken by UNOPS since 1 January 2015. Upon completion of the project activities, significant efforts had been made to close the project, which had experienced delays in receiving the funds and reconciliating purchase orders, given that they were managed in different enterprise resource planning systems during the full project cycle. UNOPS recognized that it was an oversight not to have moved the project to operational closure at that point. Furthermore, the operational closure had been completed during the audit and the financial closure was now being processed.

186. The Board is of the view that the above-mentioned practice was not in compliance with relevant regulations on project status and project closure. Implementation of the project activities, such as receipt of funds, reconciliation of purchase orders and management in different enterprise resource planning systems, needs to be undertaken at the stage of implementation instead of operational closure. Only upon the completion of all project activities can the project be moved to the stage of operational closure as required by the regulations. The inaccurate division of project stages may raise the risk of inaccurate financial data and further affect project closure.

187. **The Board recommends that the UNOPS Europe and Central Asia Regional Office strengthen the monitoring of compliance with the UNOPS financial regulations and rules for operational closure of the projects in its portfolio, accurately classify the different stages of the project life cycle and ensure that the system status of the projects in its portfolio is aligned with the project lifespan stage and activities to be undertaken.**

188. **The Board further recommends that the UNOPS Europe and Central Asia Regional Office escalate in accordance with the UNOPS process when a risk of delayed project operational closure is identified.**

189. UNOPS accepted the recommendations.

(e) Sustainable results management

Insufficient reporting on sustainable development

190. It is stated in section 2.5.1.2, "Sustainable results management", of the *UNOPS Project Management Manual, Part I: Guidelines* that the sustainable results management perspective covers the initial definition of requirements through to the release of benefits or value, and that the perspective is active from the start and plans may continue past the closure date of projects, programmes and/or portfolios.

191. It is stated in section 4.8.2, "Manage sustainable results", of the *UNOPS Project Management Manual, Part II: Requirements* that the project manager shall be responsible for managing the project in order to achieve the sustainable results objectives defined in the implementation plan (baseline). The project executive shall be accountable. There are two aspects to managing sustainable results in projects. The first relates to the actual inputs, activities and outputs within the project, which should be managed in the most sustainable way consistent with the implementation plan (baseline) and any specific sustainability plan. The more complex aspect for managing sustainable results relates to the sustainability of the outputs delivered by the project. In some instances, the link to the Sustainable Development Goals may be tenuous as the output may not be followed by appropriate outcomes and therefore impacts, all of which may be outside the control of UNOPS due to the project completion at the point of outputs.

192. The Board noted that while UNOPS recognized the sustainable results management perspective throughout the whole project lifespan, it lacked requirements for measuring outputs in achieving the Sustainable Development Goals after the completion of the project. The oneUNOPS Projects system, where projects were monitored, had questions under the "sustainability" indicator that had to be answered in order to generate the sustainability report of UNOPS in compliance with the requirements of the Global Reporting Initiative. Those questions, aimed at measuring the contribution of projects to sustainable development, did not consider the impact of the project on the realization of the Sustainable Development Goals after its completion, leading to the sustainability reports of UNOPS being incomplete.

193. UNOPS highlighted its non-programmatic status and the output-based role of UNOPS in the results chain. UNOPS stated that its unique business model did not enable it to monitor, evaluate or report on project outcomes or impacts, and it had adapted its terminology from "results-based reporting", which was driven by the terminology within United Nations reporting protocols, to the recognition of "output-based reporting". However, UNOPS had included in its strategic plan for 2022–2025 a commitment to continually develop its implementation standards on the basis of lessons learned as well as a commitment to build on its current approach of soliciting feedback from partners to better assess how its delivery of outputs and services contributed to partners' objectives.

194. The Board is of the view that the post-project phase is an inseparable part of the entire project life cycle. The gathering of information on the impact of a project after completion helps to draw lessons and accumulate experiences, which could provide a significant guide for the implementation of future projects. It is necessary to put forward direct, clear and comprehensive requirements on how to maintain sustainability after the completion of a project.

195. **The Board of Auditors recommends that UNOPS establish a standard procedure for linking the potential of outputs' contributions to the Sustainable Development Goals, seek to collaborate with partners where possible on assessing the assumptions, perform a systematic analysis and report to the Executive Board on the contributions of its service delivery to the objectives of partners and the achievement of broader development goals.**

196. UNOPS accepted the recommendation and stated that to achieve the objective set out in its strategic plan for 2022–2025 to better assess how its delivery of outputs and services had contributed to partners' objectives, UNOPS would explore supplementing reporting of relevant implementation projects with the systematic collection of results data that had been verified by partners as part of their post-project outcome and impact assessments.

5. Human resources management

Ambiguous definition of positions that must be filled by staff members

197. UNOPS personnel are defined in regulation 1.02 of the UNOPS financial regulations and rules as "all UNOPS employees and other individual contractors engaged by UNOPS under specific contractual arrangements to perform services for UNOPS project activities or administrative support".

198. It is stated in process 7.2.5 of the UNOPS Process and Quality Management System that when determining whether the use of an individual contractor agreement holder for a position is correct, UNOPS reviews whether functions of the role "are still not inherent to United Nations activities", which involve "binding UNOPS to take or not to take some action by contract, public pronouncement or otherwise; determining, protecting, and advancing the interests of the United Nations, by diplomatic means or political means or otherwise; significantly affecting the safety and security or property of persons; exerting ultimate control over the acquisition, use, or disposition of United Nations property (real or personal, tangible or intangible); or establishing policies or procedures for the collection, control, or disbursement of funds".

199. As at 31 December 2021, among the 5,362 UNOPS personnel, 720 were staff members, accounting for 13 per cent, while 4,642, or 87 per cent, were individual contractor agreement holders.

200. The Board noted that among the personnel whose positions were above the P-4, LICA 11 or IICA 3 levels (all on level 11 of the International Civil Service Commission salary scale), 58 per cent were individual contractor agreement holders and 42 per cent were staff members. Of 137 positions that were marked as "business-critical roles", 55 (40 per cent) were taken up by individual contractor agreement holders.

201. The Board also noted that key positions in UNOPS, such as procurement officials, were also largely held by individual contractor agreement holders. Among the procurement officials in 2021, 94 per cent were individual contractor agreement holders while 6 per cent were staff members. Seventy-three out of 101 members of the UNOPS contracts and property committees were individual contractor agreement holders, and three out of six chairs of the contracts and property committees in 2021 were individual contractor agreement holders.

202. The Board further noted that incumbents of the same positions could be either staff members or non-staff personnel. A variety of positions were identified to be taken by both staff members and non-staff personnel, but there was no indication of whether those positions entailed "inherently United Nations activities".

203. UNOPS explained that only “inherently United Nations activities” were reserved for staff members, while the rest could be assigned to individual contractor agreement holders. UNOPS believes that the boundary of staff members and individual contractor agreement holders is clear, as there was no example of an individual contractor agreement holder performing “inherently United Nations activities” for a significant amount of time.

204. UNOPS further explained that the delegation of authority for procurement limits the exercise of “inherently United Nations activities” to those holding procurement delegation of authority levels 3 and 4, who can exercise discretion outside a predetermined path.

205. The Board is of the view that more of the high-level and key positions in UNOPS are held by non-staff personnel than by staff members, which may affect the policy and decision-making processes of the organization. Furthermore, positions that entail “inherently United Nations activities” need to be clearly predefined in rules before the determination of contract modalities for filling those positions. For example, it needs to be clearly stated in the rules that positions with procurement delegation of authority level 3 or above, and not level 2 or below, involve the exercise of “inherently United Nations activities” so as to avoid those positions being taken by non-staff personnel.

206. **The Board recommends that UNOPS list clearly in its rules the positions that entail “inherently United Nations activities” and must be filled by staff members to ensure that staff members remain the core human resources of the organization.**

207. UNOPS accepted the recommendation.

Inappropriate assignment of supervisors

208. According to the UNOPS personnel management framework (OI.PCG.2017.01), UNOPS assigns supervisors to personnel for performance management and assessment to ensure the full alignment of individual goals with the UNOPS corporate goals and strategic direction. It is stipulated in paragraphs 7.6.1 and 7.6.2 of the Process and Quality Management System that a supervisor must be at least at the same level as their assigned supervisees for staff members and individual contractor agreement holders, respectively.

209. The Board reviewed the supervisor assignments of UNOPS personnel as at 30 September 2021 from oneUNOPS and noted that 74 employees were assigned to lower-level supervisors.

210. UNOPS explained that one of the cases was due to the incorrect recording of the level of the supervisor, and another case was due to the person who entered performance assessment information in the oneUNOPS system being registered as the supervisor instead of the actual supervisor. Two other cases were due to the assignment of incorrect supervisors.

211. The Board is of the view that the supervisor assignment in the above-mentioned cases is not in compliance with the relevant regulations of UNOPS on assigning supervisors and may compromise the effectiveness of performance management and assessment and negatively affect the alignment of individual goals with the corporate strategic direction.

212. **The Board recommends that UNOPS review all the supervisor assignments and change the incorrect ones.**

213. **The Board further recommends that UNOPS translate the rules for assigning supervisors into settings in oneUNOPS to prevent the recurrence of the errors.**

214. UNOPS accepted the recommendations and stated that the People and Change Group, together with the Information Technology Group, would put additional validations in place in the performance management system.

Assignment of individual contractor agreement holders as supervisors of staff members

215. According to the personnel management framework, UNOPS assigns supervisors to personnel for performance management and assessment to ensure the full alignment of individual goals with the UNOPS corporate goals and strategic direction. The requirements for assigning supervisors in paragraphs 7.6.1 and 7.6.2 of the Process and Quality Management System are that individual contractors cannot assume the primary supervisory role for UNOPS staff members owing to liability and accountability issues.

216. The Board reviewed the supervisor assignments of UNOPS personnel as at 30 September 2021 from oneUNOPS and noted 35 cases where individual contractors were assigned to staff members as supervisors.

217. UNOPS explained that one case was due to the person who entered performance assessment information in the oneUNOPS system being incorrectly registered as the supervisor, while the others were due to the assignment of individual contractor agreement holders as supervisors. In some cases, there may be a distinction between supervisors assigned in the enterprise resource planning system and the supervisory lines as defined in the performance appraisal system that allows for primary and secondary supervision.

218. The Board is of the view that the above-mentioned practice is not in compliance with the relevant regulations of UNOPS on supervisor assignments. Owing to the inherent difference in terms of liability and accountability, assigning individual contractors as staff members’ supervisors may impair the effectiveness of performance management and assessment.

219. **The Board recommends that UNOPS conduct a comprehensive review of the supervisor assignment of current staff members and take timely and corrective measures to ensure the correct supervisor assignment for staff members and individual contractor agreement holders.**

220. UNOPS accepted the recommendation.

Granting of email accounts to partner personnel without approval

221. UNOPS stipulates in paragraph 7.8.1 of its Process and Quality Management System, on the management of the hiring of individual contractor agreement holders from partners, that the partner personnel must not hold any type of delegation of authority from UNOPS or be granted access to UNOPS tools (e.g. Merit Rewards and the People Survey) and systems (e.g. email, intranet, the enterprise resource planning system and the learning management system).

222. The Board reviewed the list of UNOPS partner personnel as at 30 September 2021 from oneUNOPS and noted that 71 partner personnel had been granted UNOPS email accounts, of whom 6 had been granted access to UNOPS systems, 4 had been working for both partners and UNOPS under retainer agreements and were confirmed as having active email accounts, 22 had active email accounts but no access to the UNOPS intranet or oneUNOPS and 39 had accounts that had been disabled.

223. UNOPS explained that according to its operational instruction on information technology security and access (OI.ITG.2021.02), UNOPS partner personnel were allowed to be issued UNOPS digital identities (accounts) upon explicit approval by the Chief Information Officer.

224. The Board noted that for the 22 active accounts and 39 disabled accounts, there was no evidence showing that the opening of those accounts had been approved by the Chief Information Officer, which is not in compliance with the relevant UNOPS regulations.

225. The Board is of the view that although the Information Technology Group has made some supplementary approvals, the granting of access to UNOPS systems without proper procedures of approval and justification indicates weakness in access control, and inappropriately granting partner personnel access without adequate supervision by UNOPS may bring reputational or financial risk to the organization.

226. **The Board recommends that UNOPS conduct a comprehensive review of the use of UNOPS email accounts and other systems by partner personnel to ensure that any use is governed by applicable policies.**

227. UNOPS accepted the recommendation.

6. Procurement management

Inadequate segregation of duties in requisition process

228. It is stated in section 2.9 of the United Nations Procurement Manual that "Personnel that create requisitions/shopping carts cannot approve them". It is further stated in section 2.8 of the UNOPS Procurement Manual (revision 7) that "Segregation of duties is an internal control mechanism used to assure that no single individual or organizational unit is given responsibility for more than one related function".

229. The Board reviewed 6,974 requisitions created in 2021 in oneUNOPS and noted that 153 requisitions were requested and approved by 26 personnel in roles of both initiator and approver in the process, involving a total payment of $7,291,704.

230. UNOPS explained that at UNOPS, those requisitions could only be approved by the budget owner of that particular project; in other words, the project manager, who was responsible for managing project operations, including the identification of needs, had to meet certain deliverables within available funds. Having the same person initiate the request and grant approval did not develop any risk, given the definition and purpose of the requisition plus the authority and role the project manager played. Furthermore, enforcing the segregation of duties in requisitions processing would add additional process time and expense.

231. The Board noted, however, that most of the other requisitions created by UNOPS in 2021 had implemented the segregation of duties in the requisition process in terms of creation and approval of requisitions, and the same 26 persons who had played the roles of both initiator and approver did not represent all requisitioners.

232. UNOPS further stated that the creation of a requisition was a purely internal process that did not subject UNOPS to any financial or legal commitments and was used to both check the availability of funds within a project for a specific requirement and to then initiate a procurement process.

233. The Board is of the view that the segregation of duties in creating and approving a requisition is an internal control mechanism to ensure that no single individual is given responsibility for more than one function, as required by the United Nations Procurement Manual. It is also stated in section 2.3 of the Manual that one

responsibility of a procurement official is to review the requirements and evaluation criteria and to ensure that they are appropriate from a procurement perspective, which means that requisitions/shopping carts are required to be approved before being passed on to procurement officials.

234. The Board is concerned that the inadequate segregation of duties may hamper internal control in the requisition process of procurement, which is crucial in reducing the risk of fraud or error.

235. **The Board recommends that UNOPS evaluate in a timely manner whether it needs to establish specific segregation of duties in the requisition process in the UNOPS Procurement Manual and a system control in oneUNOPS to prevent the recurrence of role conflicts or inadequate segregation of duties in the procurement process.**

236. UNOPS partially disagreed with the recommendation and stated that it would conduct an evaluation to determine whether specific information on the segregation of duties needed to be included in the Manual; however, enforcing the segregation of duties in requisitions processing would add additional process time and expense without any appreciable decrease in the risk of fraud or error.

237. The Board stresses that rather than taking remedial action to fix the internal control defect after the detection of fraud cases, the organization would benefit from taking preventive action beforehand to nip it in the bud.

Non-levy of performance security

238. It is stated in section 11.1.5 of the UNOPS Procurement Manual that "Performance securities can be requested by UNOPS from the selected vendor in order to mitigate the risk of supplier non-performance and breach of contractual obligations". It is stated in section 6.5.2 (p) that "It is recommended to use performance securities when the following circumstances prevail: i. High value of goods, works or services to be purchased; ii. Urgency of the request … iii. Emergency (life and death situations)". It is stated in section 15.4.4.6 that, under the emergency procurement procedures, "Given time constraints and thus limited extent to which background checks can be performed, procurement officials may request a performance security from the supplier".

239. The Board noted that in 2020 and 2021 UNOPS entered into 1,449 and 1,565 contracts (including long-term agreements) with vendors, with a total contract value of $309.7 million and $568 million, respectively. The provision of performance security was included in only 12 per cent of the contracts in 2020, and that proportion decreased to 5 per cent in 2021. UNOPS did not include a performance security in 38 of the 51 contracts in 2020 and in 60 of the 76 contracts in 2021, for which the contract value was more than $1 million.

240. It is also noted that 77 per cent of the contracts established through the emergency procurement procedures did not include a performance security clause in 2020, and that proportion further increased to 88 per cent in 2021.

241. The Board failed to review justifications for the non-levy of the performance security in contracts since UNOPS did not require reasons to be recorded for non-inclusion of the clause.

242. One case of non-levy of the performance security with consequences of irreversible loss was when the UNOPS hub in Amman placed a purchase order to a supplier for 125 boxes of N95 and FFP2 masks with a total value of $350,000 under the emergency procurement procedures approved by the Executive Chief Procurement Officer on 1 August 2020. In spite of the urgent need of the client, the

masks were delivered 44 days late and were not of the committed standard. This made UNOPS unable to seek restitution in a timely manner.

243. UNOPS explained that performance security provision was not a mandatory requirement in its Procurement Manual as its inclusion was dependent on the market situation, local working conditions and political and economic situation, which were assessed on a case-by-case basis. UNOPS also explained that for 2020 and 2021, a high number of contracts under the emergency procurement procedures were signed without performance security terms to enable rapid response to the COVID-19 pandemic. In addition, lockdown measures resulting from the pandemic during those years made it impossible in many cases to ask for performance guarantees.

244. The Board is of the view that ambiguous suggestions instead of a clear definition on the inclusion of the performance security provision is not sufficient to guide users of the UNOPS Procurement Manual, since the interpretation differs among users, resulting in the levy of the provision being based on the subjective will of the users. In addition, as in the above-mentioned Amman hub case, losses resulting from non-performance under emergency situations are irreversible and hard to reimburse. It is beneficial for both UNOPS and its partner to include a performance security clause in a contract as the provision is an effective method to mitigate the risk of breach of contractual obligations by suppliers.

245. **The Board recommends that UNOPS review its Procurement Manual to introduce more operational and instructive guidance for the levy of performance security and to require justifications for non-inclusion of the provision, in particular for contracts of high value and/or contracts established under emergency procurement procedures.**

246. UNOPS accepted the recommendation.

C. Disclosures by management

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

247. Management informed the Board that, in 2021, it formally wrote off assets in the amount of $1,853,381, including overspending of $802,091.[1]

248. As at 31 December 2021, management had also reported provisions of $40.82 million for bad and doubtful debts.

2. Ex gratia payments

249. UNOPS informed the Board that an amount of $4,000 had been paid as an ex gratia payment during the year ended 31 December 2021.

3. Cases of fraud and presumptive fraud

250. 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.

251. During the audit, the Board makes enquiries of management regarding its oversight responsibility for assessing the risks of material fraud and the processes in

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

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.

252. UNOPS informed the Board that there were 37 fraud cases in 2021. In addition, UNOPS informed the Board that 6 of those 37 cases had a monetary impact of $367,523 on UNOPS, a 69 per cent increase in value compared with 2020.

D. Acknowledgement

253. 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

21 July 2022

Annex

Status of implementation of recommendations up to the financial year ended 31 December 2020

						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*
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.	UNOPS clarified that the pilot sustainability screening tool referenced in the observation and subsequent recommendation had been trialed; however, the initiative had been cancelled as it was realized that UNOPS could not integrate Sustainable Development Goals outcome reporting into its business model. UNOPS reiterated the uniqueness of its business model and that UNOPS was not a normative agency nor did it have a programmatic role, but was a demand-driven service provider that operated at the output level. When questioned on its role in "fund management", UNOPS further explained that it provided fund management support as part of its financial management service line, and ultimately executed the programme activities on behalf of the fund board. UNOPS was thus not a decision maker but rather an ex officio stakeholder to ensure that any decisions did not contravene UNOPS policies. The ownership and reporting of outcomes remained with the partner, not UNOPS, as was the case with all other UNOPS engagements.	The recommendation was initially raised according to the UNOPS strategic plan for the period 2014–2017, with the intention of applying sustainability principles at various stages of the project life cycle. The UNOPS strategic plan for 2018–2021 and strategic plan, 2022–2025, modified the responsibility and ambition of UNOPS with regard to the Sustainable Development Goals, setting out the alignment of UNOPS planning and reporting at the output level in accordance with its unique business model and explicitly referring to the data standards for United Nations system-wide reporting of financial data. This 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
2	2016	A/72/5/Add.11, chap. II, para. 95	The Board recommends that UNOPS incorporate sustainability targets and deliverables into project initiation documents, for mandatory screening and monitoring, measurement and reporting of sustainability contributions at all stages of the project life cycle, from engagement acceptance, quarterly assurance and project progress reports to project closure reports.	The position of UNOPS on reporting on the Sustainable Development Goals is that "countries achieve and report on them, and the United Nations system provides support based on mandates, expertise and comparative advantages". Furthermore, the new strategic plan lays out the alignment of UNOPS planning and reporting with its unique business model at the output level and explicitly refers to the data standards for United Nations system-wide reporting of financial data. It is therefore at the national level that the Goals are framed by means of key performance indicators, and the establishment of links between the individual project outputs and the outcomes and impacts contained in the key performance indicators for the Goals is not possible.	For the engagement acceptance process, UNOPS took action to include screening questions in the engagement development and acceptance process. For the project implementation process, UNOPS showed in the oneUNOPS Projects system that the projects were traced against their outputs continuously to monitor and measure the implementation status. For the project closure reporting process, UNOPS claimed that due to its business model, reporting activities are limited to outputs. Therefore, this recommendation is considered implemented.	X			
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 results validated through a verification mechanism.	UNOPS clarified that the pilot sustainability screening tool referenced in the observation and subsequent recommendation had been trialed; however, the initiative had been cancelled as it was realized that UNOPS could not integrate Sustainable Development Goals outcome reporting into its business model. UNOPS reiterated the uniqueness of its business model and that UNOPS was not a normative agency nor did it have a programmatic role, but was a demand-driven service provider	The recommendation was initially raised according to the UNOPS strategic plan for the period 2014–2017, with the intention of applying sustainability principles at various stages of the project life cycle. The UNOPS strategic plan for 2018–2021 and strategic plan, 2022–2025, modified the responsibility and ambition of UNOPS with regard to the Sustainable Development Goals, setting out the alignment of UNOPS planning and reporting at the output level in				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
				that operated at the output level. When questioned on its role in "fund management", UNOPS further explained that it provided fund management support as part of its financial management service line, and ultimately executed the programme activities on behalf of the fund board. UNOPS was thus not a decision maker but rather an ex officio stakeholder to ensure that any decisions did not contravene UNOPS policies. The ownership and reporting of outcomes remained with the partner, not UNOPS, as was the case with all other UNOPS engagements.	accordance with its unique business model and explicitly referring to the data standards for United Nations system-wide reporting of financial data. This recommendation is considered to have been overtaken by events.				
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 has conducted a thorough review of the vendor numbers for active suppliers in the UNOPS enterprise resource planning system to ensure consistency. Furthermore, additional validations have been put in place.	UNOPS had implemented the recommendations by adding validations and justifications regarding suppliers into oneUNOPS to enhance the quality of the data, control the creation of duplicate data and maintain a cleaner database. The recommendation is considered implemented.	X			
5	2017	A/73/5/Add.11, chap. II, para. 48	The Board recommends that UNOPS initiate the process of the financial closure of projects soon after they have been operationally closed, so as to complete the process within the stipulated period.	UNOPS continued to demonstrate a high level of compliance for the second consecutive year (2020 and 2021), in which it achieved a compliance rate of 93 per cent of projects closed on time. For 2022, UNOPS needed to close	UNOPS had improved the existing policy and system, reduced the backlog of projects and made progress regarding timely project closure. The Board noted that UNOPS had done a case-by-case analysis of 47 projects that exceeded 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
				438 project and was able to close in an average time of within 8 months. UNOPS has done an analysis of all projects closed in 2020 and 2021. Overall, UNOPS financially closed 825 projects on time in this period, with an average closure time of 10 months. It closed 47 projects in this period for which it exceeded the maximum time frame for financial closure. When looking at the reasons why these projects were delayed, it is worth noting that 27 were delayed due to partner delays and another 5 due to write-offs. In general, write-offs are also the result of lengthy discussions with partners, so they can be attributed to the issue of receiving partner instructions in a timely manner.	maximum time frame for financial closure, with the main reason attributed to the delays of clients or partners. The Board was further informed that a key policy change in project financial closure was to allow offices to request the financial closure of projects and to move balances to corporate if the partner did not respond for three months. The Board would like to evaluate the effectiveness of the updated policy in the next audit. The recommendation is considered to be under implementation.				
6	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;	UNOPS has strengthened its reporting and monitoring mechanism on gender mainstreaming in projects and ensured that the documentation of gender mainstreaming becomes, as far as feasible, an intrinsic part of the project management process. Part (b) of the recommendation was closed by the Board in 2019.	UNOPS has strengthened its reporting and monitoring mechanism on gender mainstreaming in projects and ensured the documentation of gender mainstreaming. The recommendation is considered 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
			(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.						
7	2018	A/74/5/Add.11, chap. II, para. 22	The Board recommends that UNOPS ensure that the review of project classification by the Integrated Practice Advice and Support unit or the Finance Group is captured in oneUNOPS to leave an appropriate audit trail.	UNOPS took the decision to embed the process of project classification within the Enterprise Portfolio and Project Management system (oneUNOPS Projects). The interface for project classification is incorporated with the project budget workflow, whereby the project budget approval process includes the confirmation of review of project classification, providing an appropriate audit trail. The process of project classification is now within oneUNOPS Projects, with all the audit trails duly captured in the system.	The process of project classification is now within the oneUNOPS Project system. This recommendation is considered implemented.	X			
8	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 in progress. Business rules have been prepared and the project is currently due for prioritization and development to launch in oneUNOPS. The Information Technology Group has planned the automation and the development work is due to start in May 2022. The treasury management system was implemented during 2021.	It is noted that project plan for the automation of the corporate financial statements has been developed by UNOPS. Given the fact that the automation project is 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
9	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 recommendation is fully implemented and the adjustment of the 15 assets from the analysis of 2019 has been reflected in oneUNOPS since 1 January 2021.	It is noted that the adjustment of the 15 assets from the analysis of 2019 has been reflected in oneUNOPS since 1 January 2021. The recommendation is considered implemented.	X			
10	2018	A/74/5/Add.11, chap. II, para. 170	The Board recommends that UNOPS incorporate the requirements of Prince 2 methodology in oneUNOPS to enable UNOPS to manage its projects in terms of the requirements of its Project Management Manual.	UNOPS has now reached the stage where the oneUNOPS Projects module embeds all the directing principles of Prince 2 and provides an effective tool to the project teams to help them comply with the Project Management Manual. A focus of development in 2021 has been the quarterly assurance feature (which adheres to the "manage by stages" principle in Prince 2). Together with the release in 2020 of the expenditure forecasting feature and scheduling tool, it now allows project teams to quantitatively and qualitatively assess project performance through planned and actual data, and is summarized in the updated project and engagement dashboards in oneUNOPS.	The main elements of project initiation documentation have now been incorporated into oneUNOPS, and UNOPS has decided to not focus on the inclusion of tolerances as part of system development but rather is allowing it to be managed and governed through the Project Manager and Project Executive roles as part of the engagement governance process and strengthened through the quarterly assurance process. The recommendation is considered implemented.	X			
11	2018	A/74/5/Add.11, chap. II, para. 174	The Board recommends that UNOPS automate the preparation of financial statements to ensure the credibility of financial information. UNOPS should also prioritize the implementation of treasury management and inventory	The process of automation of the corporate financial statements is in progress. Business rules have been prepared and the project is currently due for prioritization and development to launch in oneUNOPS. Implementation of the treasury management system has been completed. The Information Technology Group	It is noted that automation by UNOPS of the corporate financial statements is in progress. 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
			valuation and management in oneUNOPS.	has planned the automation and the development work is due to start in May 2022.					
12	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 the realistically assessed operational reserves.	In its decision 2021/21, the Executive Board approved the revised UNOPS minimum operational reserve requirement. Given the nature of the assessment of the reserve, which is aligned with the audit recommendation to ensure that the reserve levels are not above the realistically assessed reserve needs, UNOPS recommends that the recommendation be closed.	Given the fact that UNOPS conducted the assessment of the minimum operational reserve and the Executive Board approved the revised UNOPS minimum operational reserve requirement, the recommendation is considered implemented.	X			
13	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.	Progress on all outstanding investments is communicated in the quarterly business review reporting and to the Advisory Group on Investments on a recurring basis, based on the information available to the team. UNOPS has been carrying out fact-finding to ascertain the status of the housing projects and the relevant stakeholders to involve in the discussions following the placement of the Chief Executive of the S3i initiative on administrative leave. While some progress reports have been provided by the partner, the quality of information in those reports needs improvement and varies by country. UNOPS is working to obtain the required information to assess the risks and address	The Board noted significant uncertainties in the S3i initiative investments, indicated by the overdue payments by debtors, the stagnation of projects and the continuous establishment of bad debt allowance and impairments, and is of the view that further improvements should be made, including reassessing risks, to minimize losses. This recommendation is considered 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*
				default issues across the portfolio of housing projects. In relation to the UNOPS equity investment in a solar farm in Rajasthan, India, an active monitoring approach to this new project is being taken and includes a risk dashboard, regular calls with the co-investors, the carrying out of assessment and development activities, news alerts to monitor key project stakeholders and solar industry challenges and trends, and the development of investment documentation laying out clear reporting requirements. This approach, which takes into account the recommendations of the Board of Auditors and is typical for investment operations, is expected to be followed for new projects going forward.					
14	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.	As from 2021, UNOPS has documented the supplier performance evaluation for the provident fund on an annual basis in connection with the payment of the annual invoice, with two supplier performance evaluations completed.	The Board noted that UNOPS had conducted the performance evaluation of the investment manager by means of the supplier performance evaluation. However, there was still room for the improvement of the evaluation. This recommendation is considered under implementation.		X		
15	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 the next time that the contract of the investment manager is considered for extension and performance may be reviewed is in 2022, as from 2021, UNOPS has documented the supplier performance	The Board noted that UNOPS would consider the contract extension of investment managers and supplier performance evaluations in 2022 and in 2024, and there was communication between UNOPS		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
			while considering a further extension of the agreement with the investment manager.	evaluation for the provident fund on an annual basis, with two supplier performance evaluations completed.	and the investment manager for the efficient implementation of the related process. This recommendation is considered under implementation.				
16	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 assessed its approach with regard to the inclusion of a provision for performance securities in its tenders and contracts as part of the policy revision process that led to the promulgation of its updated procurement policies, which took effect on 1 July 2021.	The Board noted that UNOPS had promulgated its updated procurement policies, which took effect on 1 July 2021. However, the provision on performance security remained unchanged in the new version of the UNOPS Procurement Manual. The Board also noted that the performance security was still not levied in most of the high-value contracts and contracts established in an emergency. The recommendation is considered under implementation.		X		
17	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 and kept valid throughout the contract period.	UNOPS implemented this recommendation by introducing an enhanced functionality on performance securities into the contract management and procurement modules of oneUNOPS, as part of the system release of the "Procure to Pay" project, which took effect on 2 July 2021. With this enhanced functionality, the corresponding documents certifying the validity of the concerned guarantee have to be uploaded into the system, including the relevant dates.	The Board noted that UNOPS had implemented this recommendation by introducing an enhanced functionality on performance securities into the contract management and procurement modules of oneUNOPS. The recommendation is considered implemented.	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*
18	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 assessed its approach with regard to the inclusion of a provision on liquidated damages in its tenders as part of the policy revision process that led to the promulgation of its updated procurement policies, which took effect on 1 July 2021. As part of that overall policy revision process, the approach to liquidated damages was adjusted pursuant to the Board's recommendation. With the revised provision, the procurement authority is now responsible for the decision on whether to include a provision on liquidated damages in a given tender or contract, which enables the use of the provision based on risks related to the specific contractor or procurement activity.	The Board noted that UNOPS had promulgated its updated procurement policies, which took effect on 1 July 2021. However, the provision on liquidated damages remained unchanged in the new version of the UNOPS Procurement Manual. No other evidence was provided to show that UNOPS was taking further action to solve the problem. The recommendation is considered under implementation.		X		
19	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 implemented this recommendation by introducing an enhanced functionality in the supplier performance evaluation module into the oneUNOPS system. In addition, timely completion of supplier performance evaluations is now included as a dedicated key performance indicator that is monitored as part of the quarterly oversight meetings between Implementation Practices and Standards and the UNOPS regional offices.	The Board noted that UNOPS had implemented this recommendation by introducing an enhanced functionality in the supplier performance evaluation module into oneUNOPS. The recommendation is considered 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
20	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.	Noting that UNOPS operates under a decentralized model, in which the regional and country offices are responsible for a project's operational closure, UNOPS shared with the Board how it had progressed since October 2020 in the enhancement of its systems and the strengthening of its oversight over timely project operational closure. As the user acceptance testing phase is starting in mid-April 2022, UNOPS confirms that the changes informed by the business stakeholder review of the full project closure process modelled in oneUNOPS Projects are being implemented, with an expected release in the second quarter of 2022.	The Board noted that the implementation of the changes informed by the business stakeholder review of the full project closure process modelled in oneUNOPS Projects had been postponed to the second quarter of 2022. This recommendation is considered to be under implementation.		X		
21	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.	UNOPS has been continuously transferring new lines of services to the Shared Services Centre since its inception. Since the recommendation was issued, UNOPS has transferred to the Centre a list of new services. More recently, some of the key services include the treasury management system back office services managing: UNOPS centralized payments, the reconciliation of all UNOPS bank accounts and the accounts receivable module for all UNOPS contributions; UN Web Buy Plus reconciliation; United Nations Development Programme-Service Clearing Account reconciliation;	It is noted that UNOPS has completed the transfer of services planned for the period 2018–2021 to the Shared Services Centre in Bangkok. The recommendation is considered 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
				global processing of travel authorizations and daily subsistence allowance payments for all UNOPS travellers through the new process for travel authorization and automation of the daily subsistence allowance; and new human resources shared services, such as pilot recruitment services, pre-clearance centralization for the award of individual contractor agreements and issuance of individual contractor agreement certificates of service.					
22	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.	UNOPS has implemented the final phase of the treasury management system and the project has concluded. While the project has created a substantial number of automations on the banking side, it has also fostered automation in the matching of funds received with the projects that should receive them. What the system is facilitating is that now, in an automated way, the user in the Shared Services Centre has an interface that automatically brings together the unapplied receipts from the banking side and the open invoices linked to UNOPS internal projects. The user than has only to match the items that fit and the system will automatically post the applicable entries to the project. This has not only automated the application of funds, but has also reduced the risk of manual errors.	It is noted that the automation of the matching of the funds received with the projects was realized with the implementation of the final phase of the treasury management system. This recommendation is considered 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
23	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.	UNOPS has studied the processes related to human resources and payroll and has taken steps to automate processes and incorporate validation controls. All relevant corporate units formed a project group and thoroughly analysed the processes relating to payroll and 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 these processes were taken and a standard operating procedure was developed for guidance.	The Board noted that UNOPS had studied the processes related to human resources and payroll management. All relevant corporate units of UNOPS had formed a project group and thoroughly analysed the processes relating to payroll and human resources and targeted automation, validation controls and data integrity. UNOPS had developed some system tools and integrated them into the payroll module, to analyse the salary variance between the previous month and the current month, and into the self-service portal for personnel. The recommendation is considered implemented.	X			
24	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 service centre for transactional services.	UNOPS has created an interactive online system called the Process and Quality Management System. Processes for all UNOPS entities are delineated in the System by both functional areas and entity. The System shows detailed procedural workflows with delineated roles and responsibilities by unit. In addition, the System serves as 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 and process. The process is designed in simple steps, allowing the	Considering that UNOPS has prescribed timelines delineating the functions across entities involved to leverage the Shared Services Centre for transactional services in the Process and Quality Management System, this recommendation is considered 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
				process user to see the sequence of the steps and which resource is responsible for each step. All UNOPS personnel have access to the System.					
25	2020	A/76/5/Add.11, chap. II, para. 25	The Board recommends that UNOPS reassess the necessity of elaborating detailed processes on the recognition of non-exchange revenue in line with IPSAS.	UNOPS has established a new process for capturing and reporting non-exchange revenue, including through the development of guidance notes, the establishment of the new Process and Quality Management System and the training of more than 70 finance practitioners across the finance community.	Considering that a new process has been established for capturing and reporting non-exchange revenue, this recommendation is considered implemented.	X			
26	2020	A/76/5/Add.11, chap. II, para. 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.	UNOPS has set up a new account for the growth and innovation reserve, which is available in the general ledger. UNOPS continues to monitor the relevant policies around its management of reserves, hence this recommendation is considered implemented.	Considering that UNOPS has set up a new account for the growth and innovation reserve, this recommendation is considered implemented.	X			
27	2020	A/76/5/Add.11, chap. II, para. 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.	The creation of an asset valuation policy in 2021 was followed by an asset valuation exercise on all existing investments that was carried out by a third-party financial adviser, culminating in an asset valuation report as at 31 December 2021. It should be noted that no new investments have been undertaken since the solar farm in Rajasthan, India, co-invested with the Danish Investment Fund for Developing Countries and Acme Solar.	The Board noted significant uncertainties in the S3i initiative investments, indicated by the overdue payments by debtors, the stagnation of projects and the continuous establishment of bad debt allowance and impairments, and is of the view that further improvements should be made, including reassessing risks. In addition, the concentration of the S3i portfolio remained excessive, with large exposures to the defaulting debtors. The Board also noted that some measures		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
				Concept memos for several renewable energy projects which were diversified in terms of geographical location and partners were submitted to the Advisory Group on Investments in the fourth quarter of 2021, and the proposed equity stake of UNOPS in each of these projects was capped at $5 million per project. New pipelines and partnership discussions are occurring across a range of geographical locations and partner types.	had been taken, including an external review to assess the impairment of S3i loans. This recommendation is considered under implementation.				
28	2020	A/76/5/Add.11, chap. II, para. 47	The Board recommends that UNOPS establish necessary procedures to strengthen the risk assessment and ongoing monitoring of its S3i initiative investments to ensure the safety of the investments.	Different mechanisms have been put in place for undertaking an active approach to risk assessment and monitoring, including the development of a risk dashboard, the creation of an asset valuation policy and correspondingly the conduct by a third-party financial adviser of an asset valuation of the outstanding investments of the S3i initiative, the formulation and active involvement of the Advisory Group on Investments, investment documentation that lays out reporting requirements for the project company, close collaboration with project stakeholders and scheduled progress reporting to governing bodies.	The Board noted significant uncertainties in the S3i initiative investments, indicated by the overdue payments by debtors, the stagnation of projects and the continuous establishment of bad debt allowance and impairments, and is of the view that further improvements should be made. This recommendation is considered 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*
29	2020	A/76/5/Add.11, chap. II, para. 58	The Board recommends that UNOPS review its policies on bad debt allowance for S3i investments and consider complementing the specific measurement methods of the allowance for estimated irrecoverable amounts.	UNOPS has established formal procedures around the valuation of S3i investments and developed an annual process of review for all S3i-related investments. In 2021, UNOPS commissioned an external review to assess the impairment of all S3i loans. UNOPS will continue with the annual valuation and impairment assessments.	UNOPS updated its processes for the management of provisions, commissioned an external review to assess the impairment of all S3i loans and stated that reviews for all S3i-related investments would be carried out annually. However, both the updated processes and the guidelines for S3i operations, promulgated in 2020 before the recommendation was raised, did not specify the measurement methods and criteria for the bad debt allowance. The recommendation is considered to be under implementation.		X		
30	2020	A/76/5/Add.11, chap. II, para. 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.	UNOPS senior management has agreed on the principles of a pricing policy that will be applied to memorandums of understanding. This policy is based on the overall pricing model of UNOPS. The related Process and Quality Management System process documentation is currently being prepared and should be published before end of the first quarter of 2022.	The Board noted that UNOPS was revising its pricing and management fee calculation and setting up mandatory procedures. However, the related Process and Quality Management System process documentation was still being prepared as at the end of April 2022. 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
31	2020	A/76/5/Add.11, chap. II, para. 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.	UNOPS is currently working on an updated policy document with regard to its pricing policy, including on the application of the risk increment. This will include the linking of the risk increment to the minimum operational reserve. The related Process and Quality Management System process documentation is currently being prepared and should be published before the end of the first quarter of 2022.	Given the fact that UNOPS is revising its pricing and management fee calculation and setting up mandatory procedures, the recommendation is considered to be under implementation.		X		
32	2020	A/76/5/Add.11, chap. II, para. 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.	UNOPS, as part of its project management system, oneUNOPS Projects, is now systematically recording all links between a new engagement and an overarching memorandum of understanding. This will help to document any deviation from the minimum fee that would be due to a standard pricing in a memorandum of understanding. A screenshot from the oneUNOPS Projects system with the "legal agreement" interface has been uploaded. Also, the Engagement Acceptance Committee files have been integrated into oneUNOPS Projects and thus the decisions and any deviation from the pricing is readily available, in line with the recommendation.	Considering that the links between engagements and overarching memorandums of understanding have already been recorded systematically in oneUNOPS Projects to document any deviation from the minimum fee that would be due to a standard pricing in a memorandum of understanding, this recommendation is considered 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
33	2020	A/76/5/Add.11, chap. II, para. 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.	The improvements have been developed and are to be released during 2022.	The improvements have been developed and are to be released during 2022. The recommendation is considered to be under implementation.		X		
34	2020	A/76/5/Add.11, chap. II, para. 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.	The budget estimates for the biennium 2022–2023, endorsed by the Executive Board during its second regular session of 2021, were formulated in line with the recommendation. To formulate budget estimates, UNOPS analysed the historical spend trends and considered the known information of future spend needs, and reflected that information in the budget estimates for the biennium. Additionally, during 2022, the UNOPS Senior Leadership Team adopted the new internal investment strategy, which is under implementation.	It is noted that efforts have been made by UNOPS to improve the budget estimates formulation and strategy for internal investment. In the budget estimates for the biennium 2022–2023, the strategic investments had been incorporated into budget estimates by management expense category. However, the supporting documents for the adequacy of the budget basis were insufficient; for example, no detailed expense projection for future events was provided. Considering the budget implementation rate of internal investment for 2021 was only 13 per cent compared with the final budget allotments, even lower than that in 2020, the Board decided to evaluate the effectiveness of the current basis for budget estimates formulation in the next audit. 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
35	2020	A/76/5/Add.11, chap. II, para. 101	The Board recommends that UNOPS link the strategic investments budget with its corresponding outcome and performance indicators.	The budget estimates for the biennium 2022–2023, endorsed by the Executive Board during its second regular session of 2021, were formulated in line with the recommendation. Management further considers the indicator to have a strong relation to the budget, as it holds the internal investment projects fully accountable for reporting the results related to the internal investments, based on the individual investment submissions. Additionally, during 2022, the UNOPS Senior Leadership Team adopted the new internal investment strategy, which is under implementation.	It is noted that efforts have been made by UNOPS to improve the strategy for internal investment and linkages with outcomes. However, in the budget estimates for the biennium 2022–2023, the strategic investments had been incorporated into budget estimates by management expense category. The outcome and performance indicators were not for the strategic investments budget but for the management expenses budget as a whole. In addition, the linkages of outcome and performance indicators with internal investment projects and the whole budget were not sufficiently clear and could be further improved. This recommendation is considered to be under implementation.		X		
36	2020	A/76/5/Add.11, chap. II, para. 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.	UNOPS management has included the related reporting in the annual reports of the Executive Director, starting from the 2021 report. The final table together with the narrative has been published together with the Executive Director's annual report on the UNOPS official website.	The published document contained information on corresponding expenditures together with the achievement of targets and performance indicators. This recommendation is considered 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
37	2020	A/76/5/Add.11, chap. II, para. 114	The Board recommends that UNOPS develop effective measures to strengthen the controls around postings related to assets.	UNOPS has taken new measures to strengthen controls around the posting of assets, particularly intangible assets. The new process involves the review and verification of all related parties (the Information Technology Group, the UNOPS asset management team, budget owners and the Director of the Finance Group) prior to the capitalization of any intangible assets. The new process was put in place in the fourth quarter of 2021.	It is noted that UNOPS has taken new measures to strengthen controls around the posting of assets and published new processes in the UNOPS Process and Quality Management System. The recommendation is considered implemented.	X			
38	2020	A/76/5/Add.11, chap. II, para. 120	The Board recommends that UNOPS strengthen the guidance and oversight of inputting purchase orders and contract information to ensure that the data captured in oneUNOPS are correct.	UNOPS implemented this recommendation through the improvement of technical guidelines on the creation of purchase orders and contracts in the oneUNOPS modules; the improvement and regular oversight of data quality; and the conduct of training sessions with procurement practitioners on the importance of accurate data entry.	UNOPS implemented the recommendations by means of a series of webinars and virtual learning activities on procurement data and new reports within the oneUNOPS Reports platform. The recommendation is considered implemented.	X			
39	2020	A/76/5/Add.11, chap. II, para. 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.	UNOPS has put the necessary measures in place to ensure that any future departures by regional directors are fully documented in writing. All the local contracts and property committees have acknowledged this instruction, and all instances since the recommendation was made by the Board have shown that it has been implemented and continues to be implemented. Accordingly, UNOPS considers that the initial recommendation,	UNOPS sent emails regarding this issue and reminded local contracts and property committees of the requirement in the quarterly meetings. The recommendation is considered 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
				issued in relation to two identified cases, has been fully addressed. The committees are constantly ensuring that whenever there is an approval that is a departure from a committee recommendation, the reasons for departure are documented, as they form part of the supporting documents for each case that will be available in the local contracts and property committee or headquarters contracts and property committee databases. This will act as a preventive and monitoring mechanism in order to ensure future compliance.					
40	2020	A/76/5/Add.11, chap. II, para. 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.	The business continuity and disaster recovery plan has been revised and updated. At the same time, a new disaster recovery document has been created to align with the migration to the Google Cloud platform and includes response times; emergency response team, disaster recovery teams, data backup and restore procedures; and yearly testing and validation instructions and documentation.	It is noted that UNOPS has updated the business continuity plan and the disaster recovery plan, which defined the objective of recovery time. The recommendation is considered implemented.	X			
41	2020	A/76/5/Add.11, chap. II, para. 139	The Board recommends that UNOPS take effective measures to integrate complete delegation of authority assignment information into oneUNOPS and establish automated mechanisms to ensure that transactions are processed within the scope	A core controls tool was implemented in the third quarter of 2021. The tool has configured segregation of duties rules, contract modality eligibility checks, clear workflow approvals and system controls on the scope of delegation of authority assignments. Approval of all transactions is controlled	It is noted that UNOPS launched a core controls tool that configured segregation of duties rules, contract modality eligibility checks, workflow approvals and system controls on the scope of delegation of authority assignments. The recommendation is considered 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
			of the delegated authorities.	through the roles and delegation of authority approval process in the core controls tool.					
42	2020	A/76/5/Add.11, chap. II, para. 145	The Board recommends that UNOPS conduct a comprehensive review of roles assigned in oneUNOPS to guarantee the strict matching of role 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.	UNOPS has implemented a new role and delegation of authority assignment tool as part of the core controls project. The new tool ensures that UNOPS has one centralized, integrated tool that enables roles and delegation of authority assignments to be granted once it has gone through the necessary workflow approvals, prerequisite checks, the contract modalities check and the segregation of duties check.	It is noted that a core controls tool was launched by UNOPS, and records were provided for a comprehensive review of roles assigned in oneUNOPS. The recommendation is considered implemented.	X			
43	2020	A/76/5/Add.11, chap. II, para. 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.	UNOPS has taken further effective measures to enhance account security for all end users by implementing an updated password security management procedure. In addition to the global password procedure and the alignment of systems, UNOPS is currently rolling out multi-factor authentication to all end user accounts to further enhance account security.	It is noted that UNOPS has updated the password security management procedure. The recommendation is considered implemented.	X			
44	2020	A/76/5/Add.11, chap. II, para. 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	Under the leadership of the newly recruited Chief Risk Officer, UNOPS is in the process of revamping its corporate risk management approach, aiming at more dynamic and substantive integration of risk management with strategic decision-making,	UNOPS provided slides showing an overview of the key focus areas of the corporate risk management approach. The Chief Risk Officer held discussions with the Financial Group and the Information Technology Group on risk management integration and		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
			operational instruction reflects the UNOPS strategic direction regarding this subject.	planning and performance management processes. UNOPS will therefore discontinue any low-value-added risk management practices and explore policy and process updates to best reflect the revamped approach based on proofs of concept.	digitalization, respectively, in April 2022. The recommendation is considered to be under implementation.				
45	2020	A/76/5/Add.11, chap. II, para. 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.	The pilot of the travel authorization and daily subsistence allowance automation tool has been carried out for offices in Austria, Jerusalem, Myanmar and Kenya. The global launch is planned for April 2022.	Given the documents provided for the pilot of the travel authorization and daily subsistence allowance automation tool, the recommendation is considered to be under implementation.		X		
		Total number of recommendations			**45**	**24**	**19**	**–**	**2**
		Percentage of the total number of recommendations			**100**	**53**	**42**	**–**	**5**

Chapter III
Financial report for the year ended 31 December 2021

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 2021 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 has continued 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 focused on implementation for impact. It provided 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 set out in the strategic plan for 2018–2021 was to become a better 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. These objectives were structured around three contribution goals: (a) enable partners through efficient management support services; (b) help people through effective specialized technical expertise; and (c) support countries in expanding the pool and effect of resources.

4. The year 2021 was the final year of the 2018–2021 strategic planning period. The organization continued to demonstrate its ability to deliver in the face of the coronavirus disease (COVID-19) pandemic, supporting its partners in the global response to the pandemic and countries in their efforts to realize the ambitious targets of the 2030 Agenda. Following the confirmation of the relevance of the strategic direction as well as the viability of the demand-driven, self-financing and non-programmatic business model in the 2019 midterm review, the Executive Board, in its second regular session of 2021, endorsed the UNOPS strategic plan, 2022–2025.[3]

B. Highlights of results in 2021

5. UNOPS shares a mission to help people build better lives and countries achieve peace and sustainable development. As a self-financing organization, without any voluntary or assessed contributions from Member States, UNOPS relies on exchange revenue from delivery of flexible and modular project services, spanning infrastructure, procurement and project management, including human resources and financial management.

6. Of the 6.1 million days of paid work for local people created through UNOPS projects in 2021, 2.4 million were for women and 3.7 million for men. Across both genders, 1.7 million days of work were created for young people, defined as

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

[3] See Executive Board decision 2021/20.

individuals between the ages of 15 and 24 years. The majority related to infrastructure projects, including the construction or rehabilitation of 30 schools, 10 hospitals, 62 health clinics, 13 courthouses, 9 police stations and 312 km of roads. That compares to 114 schools, 9 hospitals, 8 health clinics, 3 courthouses, 30 police stations and 2,332 km of roads in 2020.

7. UNOPS procured $3.8 billion worth of goods and services for its partners in 2021, which is a measure of the total value of contract commitments as opposed to goods and services delivered, representing a 192 per cent increase compared with the $1.3 billion reported in 2020. Of that amount, one large pharmaceutical project for the Government of Mexico accounted for $2.2 billion, 99 per cent of which was with suppliers registered locally. Of the remaining $1.6 billion, procurement spend on local suppliers was 47 per cent in 2021, compared with 46 per cent in 2020.

8. As part of efforts to share UNOPS knowledge and expertise, almost 36,000 days of technical assistance were provided to partners, compared with 38,000 in 2020. Approximately 58 per cent of relevant projects supported by UNOPS reported one activity or more that contributed to developing national capacity, compared with 48 per cent in 2020.

Delivery and partnerships

9. As an operational resource for Member States and the Secretary-General, UNOPS partners with Governments of programme and donor countries, entities of the United Nations system and other partners, including intergovernmental institutions, international and regional financial institutions, foundations, non-governmental organizations and the private sector.

10. UNOPS delivery was over $3.4 billion in 2021, significantly exceeding the total in 2020 of $2.2 billion. The increase is primarily attributable to the delivery of UNOPS procurement services on behalf of the Government of Mexico.

11. In 2021, $582 million of UNOPS delivery was on behalf of the United Nations system, an increase of $15 million compared with $567 million in 2020. The largest United Nations partner continued to be the Secretariat, and the largest segment was again the Department of Peace Operations. Delivery on behalf of the Office of the United Nations High Commissioner for Refugees grew for the ninth consecutive year; other strong partnerships included those with the World Health Organization and the United Nations Environment Programme.

12. Direct support to Governments accounted for the largest category of delivery value, amounting to almost $2 billion, compared with $757 million in 2020. The largest partnership with a host Government during 2021 was with Mexico, followed by Guatemala, Argentina, Ethiopia and Honduras. The largest donor Government to which UNOPS delivery could be directly attributed was that of the United States of America, followed by Qatar, Japan, the United Kingdom of Great Britain and Northern Ireland and Germany.

13. The largest countries or territories in terms of delivery were Mexico, Myanmar, Guatemala, the State of Palestine and Argentina. In 2020, they were Myanmar, Argentina, Yemen, Somalia and the State of Palestine. Additional information on delivery and partnerships is provided in the annual report of the Executive Director (DP/OPS/2022/5).

Financial performance and results

14. The financial performance of UNOPS in 2021 can be summarized as follows:

(a) UNOPS increased the value of the net services delivered to $3,424.5 million. The amount comprised $1,059.3 million in respect of projects delivered on behalf of UNOPS and $2,365.2 million in respect of projects delivered on behalf of other organizations;

(b) The net surplus for the year was $90.4 million, which includes surplus from operations of $63.6 million and $26.8 million from net finance income;

(c) The net assets at the year end stood at $360.4 million, exceeding the minimum threshold established by the Executive Board. This figure takes into account the impact of actuarial gain on post-employment benefits and fair value loss on financial instruments held as available for sale, amounting to $4.9 million and $21.5 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 2022. At the time of writing, it is still premature 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 the organization to face this 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 2021 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 2021, the net delivery of UNOPS services amounted to $3.4 billion, consisting of services delivered on behalf of UNOPS and services delivered on behalf of its partners. This reflects the total volume of resources handled by UNOPS during the period and represents an increase compared with 2020, in which delivery of $2.2 billion was recorded.

19. In 2021, total revenue as reported in the statement of financial performance, which represents the actual income attributable to UNOPS, amounted to $1.21 billion, an increase of 3.4 per cent compared with 2020 ($1.17 billion). The increase is due mainly to 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 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 $2,365.2 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 20).

22. After deducting annual expenses and long-term employee liabilities charges, the net surplus for 2021 was $90.4 million, compared with the net surplus for 2020 of $39.5 million.

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

	IPSAS revenue/ (expenses)	*Add agency transactions*	*Total gross delivery*
Revenue			
Construction contracts (infrastructure)	314.8	1.1	315.9
Procurement	162.6	1 743.2	1 905.8
Financial management	86.9	380.1	467.0
Human resources administration	22.9	205.0	227.9
Other project management	611.7	35.8	647.5
Miscellaneous revenue	3.8	–	3.8
Non-exchange revenue	6.0	–	6.0
Total revenue	**1 208.7**	**2 365.2**	**3 573.9**
Expenses			
Construction contracts (infrastructure)	(298.4)	(1.1)	(299.5)
Procurement	(107.1)	(1 743.2)	(1 850.3)
Financial management	(66.5)	(380.1)	(446.6)

	IPSAS revenue/ (expenses)	*Add agency transactions*	*Total gross delivery*
Human resources administration	(11.5)	(205.0)	(216.5)
Other project management	(575.8)	(35.8)	(611.6)
Total project expenses	**(1 059.3)**	**(2 365.2)**	**(3 424.5)**
Less: UNOPS administrative costs	(85.8)	–	(85.8)
Total expenses	**(1 145.1)**	**(2 365.2)**	**(3 510.3)**
Surplus from services	63.6	–	63.6
Add: net financial income	26.8	–	26.8
UNOPS 2021 surplus	**90.4**	**–**	**90.4**

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 2021

24. As at 31 December 2021, the liability to fund after-service health care and end-of-service benefits for qualifying staff members stood at $107.1 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 2021, UNOPS had assets of $5,173.0 million, which more than covered liabilities of $4,812.6 million, leaving net assets of $360.4 million.

26. The most significant assets were short-term investments, which amounted to $2,994.4 million at the end of 2021, compared with $2,100.7 million at the end of 2020.

27. About 76 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 2021, after an allowance had been made for all known liabilities, the net assets held by UNOPS stood at $360.4 million. A $4.9 million actuarial gain pertaining to the valuation of employee benefits at year end as well as a $21.5 million fair value loss on available-for-sale financial instruments were recognized and have had an impact on the total reserves.

29. On the basis of the minimum operational reserve requirement calculation approved by the Executive Board in September 2021 (see DP/OPS/2021/6), UNOPS was required to maintain, at a minimum, $138.8 million in operational reserve as at 31 December 2021. This is based on the requirement to maintain 25 per cent of the infrastructure service line expenses, 5 per cent of expenses for other service lines and 33 per cent of administrative costs, with a weight of 50 per cent for the current year, 30 per cent for the previous year and 20 per cent for the year prior.

30. In 2019, the Executive Director of UNOPS established a growth and innovation reserve in accordance with relevant authority under the UNOPS financial regulations and rules. The purpose of the growth and innovation reserve is to invest in the future revenue-generating ability of UNOPS. The value of the reserve was set at 50 per cent of the excess operational reserves. To date, the reserve has funded activities under the Sustainable Investments in Infrastructure and Innovation initiative to catalyse investments in socially inclusive large-scale infrastructure projects that will contribute to the achievement of the Sustainable Development Goals. As at 31 December 2021, the growth and innovation reserve was $111.1 million ($124.3 million in 2020), of which $63.0 million has been paid by UNOPS into projects under the initiative.

Liquidity

31. The statement of cash flows shows that cash and cash equivalents held by UNOPS decreased by $101.1 million during 2021. 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 2021, the overall budgetary outcome was positive, with UNOPS achieving a net revenue of $61.9 million on budget basis from its delivery of services. The UNOPS revenue from management fees, reimbursable services and advisory income totalled $136.6 million in 2021 compared with $107.4 million in 2020, 3 per cent above the final budget of $132.5 million.

C. People excellence

34. At the end of 2021, UNOPS personnel totalled 5,362, up from 5,028 in 2020. In addition to UNOPS personnel, contracts were administered on behalf of a range of partners. At the end of 2021, the number of individuals on UNOPS contracts stood at 12,815, an increase from 12,536 in 2020 (see table below).

Table III.2
Number of personnel, by category, as at 31 December 2021

Contract modality	*Staff*	*Contractors*	*Total*
UNOPS personnel	720[a]	4 642	5 362
Partner personnel	–	7 453	7 453
Combined personnel	**720**	**12 095**	**12 815**

[a] Includes 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. In 2021, UNOPS contracted the services of an external provider to conduct its engagement survey, including UNOPS focus areas such as gender, diversity and inclusion, performance management culture, and learning and career development. The engagement survey results will be used to inform strategic decisions,

programmes and initiatives while also driving engagement at the team level across the organization. The 2021 People Survey results are being disseminated, and results sharing and action planning sessions are being held at the corporate, regional and local levels.

36. 2021 was a milestone year for UNOPS, during which gender parity was achieved across the overall workforce through continued executive leadership support, increased accountability and gender-responsive and inclusive working practices, providing access to leadership development opportunities as well as strengthening recruitment practices and talent outreach strategies. The gender advisory panel, composed of senior managers from all regions, continued to provide recommendations to the Senior Leadership Team twice a year. With the launch of the UNOPS gender, diversity and inclusion strategy 2022–2025, the panel will expand its scope going forward. UNOPS continued with the Junior Talent Programme to support efforts towards gender parity while investing in national capacity development. The Programme has 15 participants from hardship locations, of whom 92 per cent are women.

37. In countries where UNOPS maintains physical offices, 96 members of senior management were nationals of the respective country, representing 16 per cent of the total number of 616 UNOPS personnel at senior management level. In 2020, 91 of 597 senior managers were nationals of the duty station country, representing 15 per cent of the total number (senior management is defined as personnel employed at grade ICS-11 and above). At the end of 2021, over 2,600 UNOPS personnel were based at hardship duty stations (locations rated B to E on the International Civil Service Commission hardship scale).

38. In 2021, about 5,550 UNOPS personnel benefited from learning opportunities. Ninety per cent of participants in learning programmes rated the relevance of the learning activity provided as very relevant or relevant. Ninety-one per cent of participants were field-based; 9 per cent were headquarters-based. Fifty-one per cent were women; 49 per cent were men.

39. UNOPS continued to place emphasis on leaders being well equipped to lead during the pandemic, particularly when it comes to performance management and remote and hybrid working. In 2021, UNOPS further strengthened its culture of performance management and feedback through meaningful support to supervisees and supervisors. Moreover, the organization worked for the prevention of sexual harassment and the prevention of sexual exploitation and abuse, both United Nations system initiatives, as well as defining and implementing strategies that contribute to UNOPS beneficiaries and personnel enjoying the highest standards regarding the safeguarding of their rights. UNOPS placed additional focus on creating awareness and accountability around standards of conduct, the prevention of harassment, the abuse of power and discrimination while promoting a culture of inclusive leadership, allyship and speaking up.

40. In 2021, restrictions on travelling continued as a result of COVID-19, and remote and hybrid work had an impact on the methods for delivery of leadership development programmes. Building on work done in 2020 to adapt the face-to-face components into fully virtual formats, UNOPS continued using innovative methods for group coaching and experiential learning, as well as virtual leadership simulations in partnership with external specialist vendors. In addition, UNOPS piloted a new platform for social learning and networking in a virtual environment. A total of 17 participants from the Leading People programme and 60 participants from the Leadership Foundations Programme graduated from cohorts initiated in 2020. Additionally, two cohorts of the Leading People programme were initiated in English and Spanish. At the core of these programmes remain themes such as inclusive

leadership, diversity and gender equality to strengthen UNOPS commitment to people excellence.

41. As the pandemic continued in 2021, the well-being of personnel remained a focus area. UNOPS further bolstered its well-being support to ensure access for all personnel to necessary support and services. Along with stress management tools, offerings included crisis counselling for individuals and targeted group counselling sessions for teams. UNOPS further extended and expanded remote working offerings, noting that information and communications technology solutions enabled business continuity, including the transition to remote working, virtual meetings and collaboration platforms. The organization has adopted guiding principles on the future of work, on topics such as flexible working and workspaces, reboarding practices and guidelines, organizational positioning and design. UNOPS also continued to provide effective tools and guidance for management, which assist supervisors in managing remotely, as well as strengthening regular communications from senior management.

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

42. Achievements during 2021 included:

(a) Following its establishment in 2019, the UNOPS Client Board convened for the second time in February 2021. 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 feedback on service provision;

(b) UNOPS maintained its occupational health and safety management system based on the International Organization for Standardization 45001 standard and an organization-wide occupational health and safety improvement initiative called "Achieving Goal Zero". This forms the basis for UNOPS compliance with the adoption of occupational health and safety 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);

(c) Several implementations were done to increase data capability in UNOPS. A new data platform, oneUNOPS Reports, was launched, providing a centralized and standardized repository for corporate data, reports and dashboards and thus supporting data-driven decision-making and enhancing operational agility. In addition, UNOPS launched a new absence management platform, accessible for all personnel from any device and integrated with the UNOPS enterprise resource planning system (oneUNOPS) for more reliable accrual calculations. Finally, UNOPS took large steps towards finalizing the migration of all business applications to cloud infrastructure, thereby strengthening its security posture;

(d) By the end of 2021, the implementation rate of internal audit recommendations stood at 97 per cent, an improvement on the already strong implementation rate of 96 per cent recorded as at 31 December 2020. There were four long-outstanding audit recommendations issued more than 18 months before 31 December 2021 (on or before 30 June 2020), compared with 12 recommendations outstanding over 18 months at the end of 2020, 8 of which have since been closed. Details of UNOPS audit and investigations findings in 2021 are available in a dedicated report (DP/OPS/2022/3).

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 control comprise policies, procedures, standards and activities designed to ensure that 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 in the new core controls tool with approval workflows aligned with the organizational structure; the system of personnel performance management; key controls throughout the UNOPS value chain to address risks to core activities; and the monitoring and communication of results by both management and the Executive Board.

45. Following the establishment of the UNOPS governance, risk and compliance framework in 2019, UNOPS focused on further strengthening the internal control system throughout 2020 and 2021. This has led to:

(a) Implementation of a centralized information technology system to review and approve assignments of delegations of authority and access to core enterprise platforms;

(b) Revision of the organizational executive instruction on the delegation of authority and accountability framework to align with the system update;

(c) Establishment of a cross-functional delegation of authority task force aimed at standardizing the assignment of delegations of authority for key roles in UNOPS;

(d) Annual senior leadership self-assessment on the effectiveness of the internal control principles contained in the organizational directive;

(e) Annual regional director internal control certification, which is a formal sign-off on a self-assessment on key controls within regions.

46. Based on the principles of the above-mentioned governance, risk and compliance framework and as an integral part of risk and internal control management, UNOPS enterprise risk management is a holistic approach for managing key risks across various organizational levels. The approach 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, support and improve UNOPS core activities. As a result, the system provides reasonable, not absolute, assurance that UNOPS will achieve its expected results and objectives. Internal controls help reduce UNOPS risk exposure to an acceptable level through the implementation of control and oversight activities across core UNOPS operational processes. The Executive Director has established governance and reporting structures that have enabled the evaluation of the effectiveness of the internal control system throughout the year. The Executive Director held regular meetings with the major elements of the UNOPS governance structure, including the Executive Board, the Audit Advisory Committee, the Director of the Internal Audit and Investigations Group, the Ethics and Compliance Officer and the Board of Auditors. Internal controls and risk management processes are reinforced during these sessions with recommendations for risks that are at an unacceptable level. The Executive Director also took into account feedback from the Senior Leadership Team and senior managers on the operational effectiveness of the internal control system. On the basis of these activities, the Executive Director has provided a reasonable, not absolute, assurance of the effectiveness of the internal control 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 control 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 2021, UNOPS continued operationalizing the internal control framework across its five core processes. The methodology adopted includes a detailed analysis and mapping of the processes, an assessment of the risks and an evaluation of the controls implemented to mitigate the risks. UNOPS policy owners are involved in this process, which enables visibility and ownership of the risks. UNOPS internal control 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, 2022–2025

49. The Executive Board endorsed the UNOPS strategic plan, 2022–2025, at its second regular session, in September 2021.[4] The plan builds on the midterm review of the strategic plan for 2018–2021. In its decision, the Board expressed its appreciation for the consultative process in the preparation of the plan and recognized the contributions UNOPS can make to expand the implementation capacity of countries, based on their respective national priorities and needs, to inter alia achieve the Sustainable Development Goals.

50. Furthermore, the Executive Board emphasized the value added of UNOPS contributions to quality infrastructure, public procurement and Sustainable Investments in Infrastructure and Innovation, and welcomed UNOPS assistance to

[4] See Executive Board decision 2021/20.

countries where people are in need, including in the most fragile situations. It encouraged UNOPS to continue to be a central resource for the United Nations system as well as Governments and all other partners and to improve its value proposition within its entire mandate to all partners in order for them to take advantage of UNOPS technical expertise and cost-effective implementation support.

51. The Executive Board also supported the continued pursuit of quality and organizational excellence guided by UNOPS management goals, and encouraged internal investment to fast-track implementation of lessons learned from working under COVID-19 and to explore any untapped potential of digitalization. The midterm review of the strategic plan, 2022–2025, will be presented to the Executive Board in September 2024.

UNOPS financial viability

52. UNOPS has assessed its capability and resilience to continue operating at its current level of activity throughout 2021 and beyond, despite the impacts of the pandemic. Accordingly, the 2021 financial statements have been prepared on a going-concern basis.

53. In line with Executive Board decision 2021/21, UNOPS will maintain its pursuit of charging fees at levels which do not accumulate surpluses over and above the realistically assessed operational reserves, ensuring the financial viability of the organization. As requested, UNOPS will report back to the Executive Board at its second regular session in 2022 on this and related matters.

Chapter IV

Financial statements for the period ended 31 December 2021

United Nations Office for Project Services

I. Statement of financial position as at 31 December 2021

(Thousands of United States dollars)

	Reference	*31 December 2021*	*31 December 2020*
Assets			
Non-current assets			
Intangible assets	Note 7	5 186	3 879
Property, plant and equipment	Note 6	19 573	18 368
Long-term investments	Note 10	1 214 068	760 584
Other financial assets	Note 11	29 996	38 890
Non-current accounts receivable	Note 13	1 221	881
Total non-current assets		**1 270 044**	**822 602**
Current assets			
Inventories	Note 8	15 321	12 214
Other assets	Note 12	24 576	5 365
Accounts receivable	Note 13		
Project accounts receivable		42 246	41 045
Prepayments		14 301	16 246
Other accounts receivable		29 235	27 533
Short-term investments	Note 10	2 994 397	2 100 667
Cash and cash equivalents	Note 14	782 834	883 975
Total current assets		**3 902 910**	**3 087 045**
Total assets		**5 172 954**	**3 909 647**
Liabilities			
Non-current liabilities			
Employee benefits, long-term	Note 15	106 301	104 770
Provisions	Note 23	2 243	4 195
Total non-current liabilities		**108 544**	**108 965**
Current liabilities			
Employee benefits, short-term	Note 15	40 056	38 460
Accounts payable	Note 16	868 186	290 861
Project cash advances received	Note 17		
Deferred revenue		1 402 744	1 818 835
Cash held on agency projects		2 369 783	1 359 045
Other liabilities	Note 18	16 844	3 273
Provisions	Note 23	6 429	3 662
Total current liabilities		**4 704 042**	**3 514 136**
Total liabilities		**4 812 586**	**3 623 101**
Net assets		**360 368**	**286 546**

	Reference	*31 December 2021*	*31 December 2020*
Net assets/equity			
Actuarial gains/losses	Note 19	9 699	4 783
Fair value of available-for-sale financial assets	Note 19	(10 334)	11 141
Minimum operational reserve	Note 19	138 764	21 988
Growth and innovation reserve	Note 19	111 119	124 317
Accumulated surpluses	Note 19	111 120	124 317
Total net assets/equity		**360 368**	**286 546**
Total liabilities and net assets/equity		**5 172 954**	**3 909 647**

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

United Nations Office for Project Services

II. Statement of financial performance for the period ended 31 December 2021

(Thousands of United States dollars)

	Reference	*31 December 2021*	*31 December 2020*
Revenue			
Revenue from project activities	Note 20	1 198 968	1 160 603
Miscellaneous revenue		3 799	2 897
Non-exchange revenue	Note 20	5 967	5 694
Total revenue		**1 208 734**	**1 169 194**
Expenses			
Contractual services	Note 20	367 580	392 534
Other personnel costs – other personnel	Note 21	307 038	300 938
Salaries and employee benefits – staff	Note 21	135 691	149 255
Operational costs	Note 20	90 972	96 065
Supplies and consumables		207 582	129 454
Travel		25 870	44 419
Other expenses	Note 20	6 356	22 526
Depreciation of property, plant and equipment	Note 6	3 341	4 507
Amortization of intangible assets	Note 7	768	1 027
Total expenses		**1 145 198**	**1 140 725**
Surplus from operations		**63 536**	**28 469**
Finance income	Note 22	7 695	24 464
Exchange rate gain/(loss)	Note 22	19 150	(13 433)
Net finance income/(expense)		**26 845**	**11 031**
Surplus for the period		**90 381**	**39 500**

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

United Nations Office for Project Services

III. Statement of changes in net assets for the period ended 31 December 2021

(Thousands of United States dollars)

	Reference	
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	Note 19	**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
Opening balance as at 1 January 2021	Note 19	**286 546**
Actuarial gains/(losses) for the period		4 916
Change in fair value of available-for-sale financial assets		(21 475)
Surplus for the period		90 381
Closing balance on 31 December 2021	Note 19	**360 368**

[a] A prior period error of $0.3 million was made in 2020 to the opening balance for 2020 and was fully disclosed in note 7 to the financial statements for 2020 (see A/76/5/Add.11).

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

United Nations Office for Project Services

IV. Statement of cash flows for the period ended 31 December 2021

(Thousands of United States dollars)

	Reference	*31 December 2021*	*31 December 2020*
Cash flows from operating activities			
Surplus for the financial period		90 381	39 500
Non-cash movements			
Amortization	Note 7	768	1 027
Depreciation	Note 6	3 341	4 507
Impairments	Note 6	–	1
Goods in kind	Note 20	–	(101)
Finance income	Note 22	(7 695)	(24 464)
Foreign exchange (gains)/losses	Note 22	(19 150)	13 433
Net surplus before changes in working capital		**67 645**	**33 903**
Changes in working capital			
Increase/(decrease) in provision for doubtful debts	Note 13	3 542	18 224
(Increase)/decrease in inventories	Note 8	(3 107)	2 509
(Increase)/decrease in accounts receivable		(4 540)	(10 902)
(Increase)/decrease in prepayments	Note 13	1 945	(7 264)
Increase/(decrease) in employee benefits (net of actuarial gains)	Note 15	8 043	18 648
Increase/(decrease) in accounts payable and accruals		639 322	11 989
Increase/(decrease) in project cash advances received	Note 17	594 647	1 405 148
Increase/(decrease) in provisions	Note 23	815	(220)
Cash flow impact on changes in working capital		**1 240 667**	**1 438 132**
Finance income received on cash and cash equivalents	Note 22	117	394
Net cash flows from operating activities		**1 308 429**	**1 472 429**

United Nations Office for Project Services

IV. Statement of cash flows for the period ended 31 December 2021 (continued)

(Thousands of United States dollars)

	Reference	*31 December 2021*	*31 December 2020*
Cash flows from investing activities			
Acquisitions of intangible assets		(2 075)	(2 526)
Proceeds from sale of intangible assets		–	–
Acquisitions of property, plant and equipment		(5 178)	(4 945)
Proceeds from sale of property, plant and equipment		633	920
Purchase of investments		(9 104 785)	(6 511 052)
Proceeds from maturity of investments		7 667 378	5 382 105
Interest income received on investments		29 153	35 491
Interest income received on other financial assets		4 492	–
Finance income/cost allocated to projects	Note 22	(9 091)	(12 340)
Purchase of other financial assets	Note 11	(4 247)	(20 000)
Proceeds from disposal of other financial assets	Note 11	619	–
Net cash flows from investing activities		**(1 423 101)**	**(1 132 347)**
Effect of exchange rate changes (net of derivatives)	Note 22	13 510	(15 525)
Adjustment for fair value of cash equivalents		21	(26)
Net increase/(decrease) in cash and cash equivalents[a]		**(101 141)**	**324 531**
Cash and cash equivalents at the beginning of the period		**883 975**	**559 444**
Cash and cash equivalents at the end of the period[b]		**782 834**	**883 975**

[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 2021 are disclosed in note 14.

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

United Nations Office for Project Services

V. Statement of comparison of budget and actual amounts for the period ended 31 December 2021

(Thousands of United States dollars)

	Reference	*Biennial 2020–2021 management budget*[a] *Original*	*2021 management budget* *Original*	*2021 management budget* *Final*	*2021 actual amounts* *Actuals*	*Difference between final budget and actuals*
Total revenue for the period	Note 26	**181 001**	**90 501**	**132 488**	**136 573**	**4 085**
Management resources						
Posts		27 135	13 568	14 030	13 812	(218)
Common staff costs		20 382	10 191	10 160	10 769	609
Travel		8 703	4 352	2 591	880	(1 711)
Consultants		66 420	33 210	36 704	34 079	(2 625)
Operating expenses		12 851	6 426	5 834	3 963	(1 871)
Furniture and equipment		967	484	2 076	1 971	(105)
Reimbursements		2 042	1 021	1 270	1 229	(41)
Total use of management resources		**138 500**	**69 250**	**72 665**	**66 703**	**(5 962)**
Write-offs, provisions and contingency surplus		22 501	11 251	–	6 520	6 520
Strategic investment from surplus		20 000	10 000	11 000	1 470	(9 530)
Total use of resources		**181 001**	**90 501**	**83 665**	**74 693**	**(8 972)**
Net revenue on budget basis		**–**	**–**	**48 823**	**61 880**	**13 057**

[a] DP/OPS/2019/5.

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

United Nations Office for Project Services
Notes to the 2021 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".[5]

3. Pursuant to General Assembly resolution 65/176 and subsequent Executive Board decisions,[6] 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) 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;

(b) 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;

(c) 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;

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

[6] 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 2021.

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, United States dollar-denominated emerging market debt, developed market equities, global sovereign bonds, cash and cash equivalents;

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

(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 Investments in Infrastructure and Innovation and consist of loans and receivables and assets held for sale under IPSAS 29: Financial instruments: recognition and measurement. Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market, with assets held for sale comprising both equity shares and compulsorily convertible debentures.

17. Other financial assets classified as loans and receivables 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, whereas the assets held for sale are measured at fair value with fair value gains or losses recognized in net assets/equity.

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 90 days. 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 asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. 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 (taxes and transfers).

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. During the current financial year, a review of the useful economic lives of property, plant and equipment was conducted, in line with IPSAS 17 requirements, resulting in some asset classes having their useful economic lives extended. Those changes were approved by management during 2021 and became effective from 1 January 2021, with the overall changes remaining within the parameters illustrated in the table below.

Table IV.1
Depreciation of property, plant and equipment

Property, plant and equipment class	*Estimated useful life (years) as at 31 December 2021*	*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. During the current financial year, a review of the useful economic lives of UNOPS intangible asset classes was undertaken in line with IPSAS 31 requirements, resulting in some asset classes having their useful economic lives extended. Those changes were approved by management during 2021 and became effective from 1 January 2021; they are illustrated in the table below.

Table IV.2
Amortization of intangible assets

Intangible asset class	*Estimated useful life in 2020 (years)*	*Addition/ (decrease) in useful economic life*	*Estimated useful life in 2021 (years)*	*Capitalization threshold (United States dollars)*
Internally developed software	6	4	10	100 000
Software acquired	3	2	5	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 reserves, 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 2022. UNOPS assesses the earliest implementation date for the exposure drafts to be 2024.

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 were 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, as detailed in note 19.

73. In 2021, the Executive Board made a decision related to UNOPS reserves, which have been reflected in the 2021 financial statements.

74. The minimum requirement for the operational reserve of UNOPS was adapted to provide better protection to UNOPS as a self-financing United Nations entity, in line with the risks faced by the organization. The new minimum operational reserve requirement was established in 2021 by the Executive Board in paragraph 5 of its decision 2021/21 (see DP/2022/2). The Executive Board approved the change of the minimum requirement for the operational reserve of UNOPS to be set at 25 per cent of the infrastructure service line expenses, 5 per cent of expenses for other service lines and 33 per cent of administrative costs, with a weight of 50 per cent for the current year, 30 per cent for the previous year and 20 per cent for the year prior.

75. In 2019, the Executive Director of UNOPS 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 Investments in Infrastructure and Innovation activities to catalyse investments in socially inclusive large-scale infrastructure projects that will contribute to the achievement of the Sustainable Development Goals.

76. 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.

77. 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.

78. 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.

79. 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

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

81. 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.

82. 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.

83. 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.

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

Currency risk

85. 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.

86. 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.

87. 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)

	MXN	*ARS*	*UAH*	*EUR*	*GBP*	*ETB*	*ILS*	*XOF*	*MMK*	*HTG*
+ 10 per cent	845	356	254	231	117	50	45	43	38	29
- 10 per cent	(845)	(356)	(254)	(231)	(117)	(50)	(45)	(43)	(38)	(29)

Abbreviations: MXN, Mexican peso; ARS, Argentine peso; UAH, Ukraine hryvnia; EUR, euro; GBP, British pound; ETB, Ethiopian birr; ILS, new Israeli shekel; XOF, West African CFA franc; MMK, Myanmar kyat; HTG, Haitian gourde.

88. 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.

89. 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.

90. 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

91. 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.

92. 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.

93. 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

94. 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.

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

Liquidity risk

96. 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

97. As at 31 December 2021, the net book value of UNOPS property, plant and equipment was $19.6 million ($18.4 million in 2020). UNOPS also held assets with acquisition value of $134.8 million ($137.1 million in 2020) and net book value of $19.5 million ($24.5 million in 2020) as a custodian under service arrangements.

98. The table below summarizes property, plant and equipment held by UNOPS as at 31 December 2021 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	2 023	9 267	11 290
Plant and equipment	468	1 109	1 577
Land and buildings	3 756	1 334	5 090
Communication and information technology equipment	323	465	788
Leasehold improvements	453	267	720
Assets under construction	108	–	108
Net carrying amounts as at 31 December 2021	**7 131**	**12 442**	**19 573**

Table IV.5
Property, plant and equipment by class – 2020 comparatives
(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**

99. 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*	*Assets under construction*	*Total*
Gross carrying amount as at 1 January 2021	25 902	3 849	8 584	6 053	1 569	–	45 957
Additions	3 088	322	959	525	177	108	5 179
Disposals	(1 994)	(867)	(171)	(288)	(567)	–	(3 887)
Gross carrying amount as at 31 December 2021	**26 996**	**3 304**	**9 372**	**6 290**	**1 179**	**108**	**47 249**
Accumulated depreciation and impairment as at 1 January 2021	(15 235)	(2 122)	(3 960)	(5 575)	(697)	–	(27 589)
Depreciation	(2 202)	(320)	(478)	(197)	(144)	–	(3 341)
Impairment	–	–	–	–	–	–	–
Removal of accumulated depreciation on asset disposal	1 731	715	156	270	382	–	3 254
Accumulated depreciation and impairment as at 31 December 2021	**(15 706)**	**(1 727)**	**(4 282)**	**(5 502)**	**(459)**	**–**	**(27 676)**
Net carrying amount as at 31 December 2021	**11 290**	**1 577**	**5 090**	**788**	**720**	**108**	**19 573**

100. The table below illustrates the impact on depreciation following the revision of the useful lives of property, plant and equipment in the 2021 financial year, as detailed in paragraph 31 above.

Table IV.7
Impact of useful life revision on depreciation of property, plant and equipment
(Thousands of United States dollars)

	Vehicles	*Plant and equipment*	*Land and buildings*	*Communication and information technology equipment*	*Leasehold improvements*	*Assets under construction*	*Total*
Depreciation before useful life revision	3 379	321	478	323	144	–	4 645
Depreciation after useful life revision	(2 202)	(320)	(478)	(197)	(144)	–	(3 341)
Decrease in depreciation	**1 177**	**1**	**–**	**126**	**–**	**–**	**1 304**

Table IV.8
Movement in property, plant and equipment – 2020 comparatives
(Thousands of United States dollars)

	Vehicles	*Plant and equipment*	*Land and buildings*	*Communication and information technology equipment*	*Leasehold improvements*	*Assets under construction*	*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**

Note 7
Intangible assets

101. The net carrying value of intangible assets amounted to $5.2 million as at 31 December 2021 ($3.9 million as at 31 December 2020), which includes internally developed software and other computer software (acquired).

102. Development costs incurred by UNOPS during 2020 ($0.2 million) were capitalized in line with IPSAS 31 requirements during 2021 under internally developed computer software.

103. The remainder of internally developed software relates to the development costs of UNOPS management systems, which create a unified reporting platform for all business areas (including finance, human resources, procurement, project management, and results and performance management).

Table IV.9
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 2021	7 080	280	236	7 596
Additions	2 039	36	–	2 075
Reclassification	236	–	(236)	–
Disposals	–	(75)	–	(75)
Gross carrying amount as at 31 December 2021	**9 355**	**241**	**–**	**9 596**
Accumulated amortization and impairment as at 1 January 2021	(3 457)	(260)	–	(3 717)
Amortization	(758)	(10)	–	(768)
Impairment	–	–	–	–
Less: removal of amortization on assets disposal	–	75	–	75
Accumulated amortization and impairment as at 31 December 2021	**(4 215)**	**(195)**	**–**	**(4 410)**
Net carrying amount as at 31 December 2021	**5 140**	**46**	**–**	**5 186**

Table IV.10
Impact of useful life revision on amortization of intangible assets
(Thousands of United States dollars)

	Internally generated computer software	*Other computer software*	*Intangible assets under construction*	*Total*
Amortization before useful life revision	3 639	15	–	3 654
Amortization after useful life revision	(758)	(10)	–	(768)
Decrease in depreciation	**2 881**	**5**	**–**	**2 886**

104. The above table illustrates the impact on amortization following the revision of the useful economic lives of UNOPS intangible asset classes in the 2021 financial year, as detailed in paragraph 34 above.

Table IV.11
Intangible assets – 2020 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 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**
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**

Note 8
Inventories

105. 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.

106. A total of $4.8 million of inventory was recognized as an expense during 2021 ($7.6 million in 2020), and $0.2 million of inventory was written down during 2021 ($0.2 million in 2020).

107. As part of Sustainable Investments in Infrastructure and Innovation, a legal agreement between the Government of Nigeria and UNOPS has resulted in the transfer of land that is held by UNOPS as at 31 December 2021. The land (valued at $3.1 million) will be transferred to a special purpose vehicle in line with the signed agreement in the near future, once the vehicle is established. As a result, it is recognized in accordance with IPSAS 12: Inventories. Owing to conditions attached to the agreement, a corresponding liability of equal value was recognized in accordance with IPSAS 23: Revenue from non-exchange transactions (taxes and transfers).

Table IV.12
Inventories
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Inventories	15 321	12 214

Table IV.13
UNOPS offices holding inventories
(Thousands of United States dollars)

	31 December 2021	31 December 2020
Central African Republic	38	–
Democratic Republic of the Congo	7	17
Haiti	1 563	1 536
Libya	1 656	–
Myanmar	6	7
Nigeria	3 049	–
Peace and Security Cluster	8 832	9 435
South Sudan	14	14
Sri Lanka	–	16
Tunisia	–	660
Turkmenistan	5	–
Ukraine	–	14
Yemen	59	449
Zimbabwe	92	66
Total	**15 321**	**12 214**

Note 9
Financial instruments

Table IV.14
Assets according to the statement of financial position
(Thousands of United States dollars)

	31 December 2021					31 December 2020				
	Cash and cash equivalents	Loans and receivables	Available-for-sale investments	Derivative assets	Total	Cash and cash equivalents	Loans and receivables	Available-for-sale investments	Derivative assets	Total
Investments (note 10)	–	–	4 208 465	–	4 208 465	–	–	2 861 251	–	2 861 251
Other financial assets (note 11)	–	29 996	–	–	29 996	–	38 890	–	–	38 890
Other assets (note 12)	–	–	–	24 576	24 576	–	–	–	5 365	5 365
Accounts receivable excluding prepayments (note 13)	–	72 702	–	–	72 702	–	69 459	–	–	69 459
Cash and cash equivalents (note 14)	782 834	–	–	–	782 834	883 975	–	–	–	883 975
Total	**782 834**	**102 698**	**4 208 465**	**24 576**	**5 118 573**	**883 975**	**108 349**	**2 861 251**	**5 365**	**3 858 940**

Table IV.15
Liabilities according to the statement of financial position
(Thousands of United States dollars)

	31 December 2021			*31 December 2020*		
	Financial liabilities at amortized cost	*Derivative liabilities*	*Total*	*Financial liabilities at amortized cost*	*Derivative liabilities*	*Total*
Accounts payables and accruals (note 16)	868 186	–	868 186	290 861	–	290 861
Cash held by UNOPS as agent (note 17)	2 369 783	–	2 369 783	1 359 045	–	1 359 045
Other liabilities (note 18)	–	16 844	16 844	–	3 273	3 273
Total	**3 237 969**	**16 844**	**3 254 813**	**1 649 906**	**3 273**	**1 653 179**

Note 10
Investments

108. The majority of the UNOPS investment portfolio is outsourced to external investment managers and is measured at fair value. The working capital portfolio ($3,809.2 million) is managed by the World Bank ($206.1 million) and Allianz ($3,603.1 million). $171.1 million is managed by the DWS for UNOPS operational reserve portfolio. The growth and innovation reserve, which has $70.4 million, is managed by Allianz. BNP Paribas manages $112.2 million for the after-service health insurance portfolio. $581.9 million (12 per cent) of the investment portfolio is managed internally by the UNOPS treasury as part of the working capital portfolio.

109. The portfolio is composed as follows:

Table IV.16
Investment portfolio
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Long-term investments	1 214 068	760 584
Short-term investments	2 994 397	2 100 667
Cash equivalents	536 444	728 142
Total	**4 744 909**	**3 589 393**

110. 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, specifically higher interest rate expectations and above-average inflation levels, were the main driver of the decrease in investment revenue.

111. UNOPS investment income has declined overall, with an investment income of $26.2 million in 2021 ($33.6 million in 2020). The steep decline was caused by the rapid repricing of interest rates in the United States on the back of high levels of inflation owing, in part, to economies reopening post-pandemic.

112. 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.

113. 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 2021.

114. 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 2021; however, the equity market rebounded strongly into year end.

Table IV.17
Fair value levels
(Thousands of United States dollars)

	Level 1	*Level 2*	*Level 3*	*Total*
Available-for-sale financial assets	44 779	4 163 686	–	4 208 465

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

115. 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.18
Movements in investments
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Opening balance as at 1 January	2 861 251	1 673 356
Additions (purchases of investments)	9 042 786	6 572 945
Disposals	(7 672 348)	(5 385 135)
Recognition of amortized costs	–	(1 861)
Fair value adjustment	(23 224)	1 946
Closing balance as at 31 December	**4 208 465**	**2 861 251**
Current portion (short-term investments)	2 994 397	2 100 667

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

117. Accrued interest receivable of $6.4 million ($6.9 million in 2020) has been included in the statement of financial position within “other accounts receivable” (see note 13).

Short-term investments

118. 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.19
Short-term investments
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Time deposits	25 000	130 000
Equity	–	–
Bonds	2 969 397	1 970 667
Total short-term investments	**2 994 397**	**2 100 667**

Long-term investments

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

Table IV.20
Long-term investments
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Bonds and equity instruments	1 214 068	760 584

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

Table IV.21
Credit rating distribution of investments
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
AAA	3 683 077	2 384 487
AA+	109 551	101 163
AA	134 144	117 792
AA-	1 712	41 450
A+	79 911	91 016
A	14 135	10 002
A-	12 816	23 050
BBB+	17 795	–
BBB	2 769	–
BBB-	3 050	–
Unrated[a]	149 505	92 291
Total	**4 208 465**	**2 861 251**

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

Note 11
Other financial assets

121. UNOPS launched the Sustainable Investments in Infrastructure and Innovation initiative in 2018 to drive progress towards the achievement of the Sustainable Development Goals. Other financial assets comprise UNOPS investments in relation to the initiative.

122. UNOPS invested $4.2 million in 2021 ($20.0 million in 2020) in a 250 MW solar project in Rajasthan, India. This investment holds both an equity component and a compulsorily convertible debenture component, which are measured at fair value.

123. All ongoing Sustainable Investments in Infrastructure and Innovation projects have been assessed individually by a third-party professional appraisal for impairment indicators, such as credit risk. Following the year-end revaluation of those assets, a total of $15.2 million was impaired against the social housing projects. As at 31 December 2020, provisions of $17.3 million and $4.9 million existed against the overdue receivables for the Renewable Energy and Monterrey Wind Projects respectively. During 2021, funds received and movements in provision resulted in provision balances as at 31 December 2021 as $15.0 million and $8.8 million against the overdue receivables for the renewable energy and the Monterrey Wind projects, respectively. Furthermore, the renewable energy project in India was revalued from $4.2 million to $6.0 million at year end.

124. The carrying value of UNOPS investment in the initiative as at 31 December 2021 is detailed below.

Table IV.22
Other financial assets
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Social housing – Caribbean	1 352	2 892
Social housing – Ghana	2 226	5 773
Social housing – India	1 530	2 887
Social housing – Kenya	2 225	5 776
Social housing – Pakistan	16 688	21 562
Rajasthan State solar 250MW – India	5 975	–
Total	**29 996**	**38 890**

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

Note 12
Other assets

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

Table IV.23
Other assets
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Derivative assets	24 576	5 365

Note 13
Accounts receivable

127. 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.

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

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

	31 December 2021	*31 December 2020*
Project accounts receivable (gross)	46 279	43 145
Less: bad debt allowance	(4 033)	(2 100)
Project accounts receivable (net)	**42 246**	**41 045**
Other accounts receivable (gross)	54 338	50 687
Less: bad debt allowance	(23 882)	(22 273)
Other accounts receivable (net)	30 456	28 414
Total accounts receivable (net) excluding prepayments	**72 702**	**69 459**
Prepayments	14 301	16 246
Total accounts receivable (net) including prepayments	**87 003**	**85 705**
Of which:		
Current portion of other accounts receivable	29 235	27 533
Non-current portion of other accounts receivable	1 221	881

129. 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.

130. As at 31 December 2021, receivables of $27.9 million ($24.4 million in 2020) were impaired and provisions were made against them (see table IV.30). A total of $23.8 million ($22.2 million in 2020) of the provisions relates to the disinvestments of Sustainable Investments in Infrastructure and Innovation projects.

131. As at 31 December 2021, receivables of $8.2 million ($12.4 million in 2020) 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.25
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	64 477	501	4 778	2 946	72 702

Project accounts receivable

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

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

	31 December 2021	*31 December 2020*
Project implementation-related receivables	36 767	39 955
Accounts receivable – United Nations Development Programme	4 241	–
Accounts receivable – other United Nations agencies	1 238	1 090
Total project accounts receivable	**42 246**	**41 045**

133. Project implementation-related receivables arise in connection with projects that have incurred expenditure and are awaiting further funding from partners. The nature of certain agreements requires UNOPS to perform services prior to invoicing the client and receiving cash/payment.

134. Of the balance of project receivables of $42.2 million ($41.0 million in 2020), $3.1 million ($2.1 million in 2020) relates to cash advances due from customers for construction contracts for the period ended 31 December 2021, as detailed in note 20.

135. 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.

136. 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.27
Accounts receivable – United Nations Development Programme
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Cumulative project expenses and fees due to UNOPS	4 694	(1 722)
Bad debt allowance	(967)	(1 110)
Net receivable/(project advances) from UNDP	**3 727**	**(2 832)**
Cumulative advances/(payables) to UNDP to disburse payments on behalf of UNOPS	514	(749)
Total balance with UNDP	**4 241**	**(3 581)**
Of which:		
Receivable from UNDP	4 241	–
Payable to UNDP (excluding project advances)	–	(749)
Project advances from UNDP	–	(2 832)

Other accounts receivable

137. The other accounts receivable are composed of:

Table IV.28
Other accounts receivable
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Staff receivables	1 658	1 714
Accrued interest receivable on investments	6 422	6 874
Accrued interest receivable on other financial assets	–	880
Miscellaneous receivables	22 376	18 946
Total other accounts receivable	**30 456**	**28 414**

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

Prepayments

Table IV.29
Prepayments
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Prepayments	14 301	16 246

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

Bad debt allowance

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

Table IV.30
Movement in bad debt allowance
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Opening balance		
Project-related	2 100	6 064
Other accounts receivable	22 273	85
Opening balance	**24 373**	**6 149**
Net increase/(decrease) in provision for receivables impairment		
Increase	4 644	22 863
Receivables written off during the year as uncollectible	(534)	(1 598)
Unused amounts reversed or reclassified	(568)	(3 041)
Net increase/(decrease)	**3 542**	**18 224**
Closing balance		
Project-related	4 033	2 100
Other accounts receivable	23 882	22 273
Closing balance	**27 915**	**24 373**

141. 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

142. As at 31 December 2021, UNOPS held $782.8 million of cash and cash equivalents.

Table IV.31
Cash and cash equivalents
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Cash at banks and on hand	246 390	155 833
Cash equivalents	536 444	728 142
Total cash and cash equivalents	**782 834**	**883 975**

143. 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 commingled and are not held in separate bank accounts.

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

145. 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 90 days. They are held at nominal value less an allowance for any anticipated losses.

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

Table IV.32
Cash at banks
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
United States dollar	171 135	103 565
Argentine peso	39 894	1 137
Euro	6 487	11 583
Israeli shekel	5 921	2 100
Japanese yen	3 521	3 412
South Sudanese pound	1 953	158
Other currencies	17 210	33 656
Total	**246 121**	**155 611**
Cash on hand	269	222
Total	**246 390**	**155 833**

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

Table IV.33
Credit rating distribution of cash at banks
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
AA-	18	44
A+	128 417	53 684
A	5 588	59 189
A-	7 038	6 431
BBB+	70 231	–
BB	–	517
BB-	12 106	8 734
B+	458	–
B	5 398	5 840

	31 December 2021	31 December 2020
B-	2 772	12 129
Unrated	14 095	9 043
Total cash at banks	**246 121**	**155 611**
Cash on hand	269	222
Total	**246 390**	**155 833**

148. 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.

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

Table IV.34
Credit rating distribution of cash equivalents
(Thousands of United States dollars)

	31 December 2021	31 December 2020
AA	55 000	21 000
A+	400 026	613 142
A	46 418	55 000
A-	10 000	14 000
BBB+	25 000	25 000
Total	**536 444**	**728 142**

Note 15
Employee benefits

150. 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.35
Employee benefits liabilities
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Short-term employee benefits	37 117	36 243
Long-term employee benefits	2 172	1 791
Post-employment benefits	107 068	105 196
Agreed separation entitlements	–	–
Total employee benefits liabilities	146 357	143 230
Current portion	40 056	38 460
Non-current portion	**106 301**	**104 770**

Short-term benefits liabilities

151. Short-term employee benefits are composed of:

Table IV.36
Short-term employee benefits
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Annual leave entitlements	34 415	33 744
Home leave entitlements (current portion)	2 643	2 430
Assignment grant on first appointment or reassignment	59	69
Total short-term employee benefits liabilities	**37 117**	**36 243**

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

Long-term benefits liabilities

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.37
Post-employment benefits liabilities
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
After-service health insurance		
Current portion	1 255	989
Non-current portion	87 600	83 075
Subtotal	**88 855**	**84 064**
Repatriation grant		
Current portion	1 651	1 198
Non-current portion	16 162	19 512
Subtotal	**17 813**	**20 710**
Death benefit		
Current portion	33	30
Non-current portion	367	392
Subtotal	**400**	**422**
Total post-employment benefits	**107 068**	**105 196**
Of which:		
Current	2 939	2 217
Non-current	104 129	102 979

155. Post-employment benefits consist of after-service health insurance, the repatriation grant, the 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, the repatriation grant and the death benefit was undertaken by independent professional actuaries. At the end of 2021, total post-employment benefits liabilities amounted to $107.1 million ($105.2 million in 2020). They are established in accordance with the Staff Regulations and Rules of the United Nations 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 2021. The net present value of the UNOPS accrued liability as at 31 December 2021, net of contributions from plan participants, was estimated by actuaries at $88.9 million ($84.1 million in 2020).

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 2021 was estimated by actuaries at $17.8 million ($20.7 million in 2020).

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 2021 was estimated by actuaries at $0.4 million ($0.4 million in 2020).

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.38
Post-employment benefits liabilities
(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Death benefit*	*Total 2021*	*Total 2020*
Liability as at 1 January	**84 057**	**20 705**	**421**	**105 183**	**90 710**
Current service cost	5 459	1 797	13	7 269	6 278
Interest cost	2 633	452	7	3 092	3 156
Benefits paid	(1 506)	(1 942)	(112)	(3 560)	(2 165)
Actuarial losses/(gains)	(1 788)	(3 199)	71	(4 916)	7 204
Liability as at 31 December	**88 855**	**17 813**	**400**	**107 068**	**105 183**

Table IV.39
Post-employment benefits liabilities: active and retired staff
(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Death benefit*	*Total 2021*	*Total 2020*
Current retirees	38 478	–	–	38 478	33 857
Active employees – fully eligible	14 671	5 968	197	20 836	18 014
Active employees – not yet fully eligible	35 706	11 845	203	47 754	53 312
Liability as at 31 December	**88 855**	**17 813**	**400**	**107 068**	**105 183**

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

Table IV.40
Impact of post-employment benefits on financial performance
(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Death benefit*	*Total 2021*	*Total 2020*
Current service cost	5 459	1 797	13	7 269	6 278
Interest cost	2 633	452	7	3 092	3 156
Expense at 31 December 2021	**8 092**	**2 249**	**20**	**10 361**	**9 434**

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.41
Actuarial gains/(losses)
(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Death benefit*	*Total 2021*	*Total 2020*
Changes in financial assumptions	505	499	15	1 019	(7 454)
Changes in demographic assumptions	(433)	9	(19)	(443)	–
Experience adjustments	1 716	2 691	(67)	4 340	250
Total actuarial gains/(losses)	**1 788**	**3 199**	**(71)**	**4 916**	**(7 204)**

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 2021 were as follows:

Table IV.42
Principal actuarial assumptions
(Percentage)

	After-service health insurance	*Repatriation grant*	*Death benefit*
Discount rate as at 1 January 2021	3.16	2.29	2.03
Discount rate as at 31 December 2021	3.27	2.72	2.55
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	United Nations Joint Staff Pension Fund scales	United Nations Joint Staff Pension Fund scales	United Nations Joint Staff 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.43
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	(9 215)	(720)	(14)
Decrease of 0.5 per cent	10 762	773	15

Table IV.44
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	10 365	1 197
Decrease of 0.5 per cent	(8 982)	(1 012)

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 UNOPS financial obligation to the Fund consists of its mandated contribution, at the rate established by the General Assembly of the United Nations (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 General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as 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 the valuation as at 31 December 2021 is currently being performed. A roll-forward of the participation data as at 31 December 2019 to 31 December 2020 was 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 144.4 per cent. The funded ratio was 107.1 per cent 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 of the present report, the General Assembly had not invoked the provisions of article 26.

176. Should article 26 be invoked owing to 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 (2018, 2019 and 2020) amounted to $7,993.2 million, of which $52.8 million (0.6 per cent) was contributed by UNOPS.

177. During 2021, contributions paid to the Fund by UNOPS amounted to $19.3 million ($17.5 million in 2020). There is no material change to the expected contributions in 2022.

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 2021, UNOPS had no termination entitlement liabilities (nil as at 31 December 2020).

Note 16
Accounts payable

Table IV.45
Accounts payable and accruals
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Accounts payable	195 291	168 471
Accruals	672 895	122 390
Total	**868 186**	**290 861**

181. Balances of accounts payable as at 31 December 2021 are shown below.

Table IV.46
Accounts payable
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Accounts payable – UNDP	–	749
Accounts payable – other United Nations agencies	1 847	1 773
Accounts payable – other	193 444	165 949
Total accounts payable	**195 291**	**168 471**

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 $672.9 million ($122.4 million in 2020) 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.47
Project cash advances received
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Deferred revenue	1 402 744	1 818 835
Cash held by UNOPS as agent	2 369 783	1 359 045
Total	**3 772 527**	**3 177 880**

185. Of the balance in deferred revenue of $1,402.7 million ($1,818.8 million in 2020), $1,618.7 million relates to cash advances on construction contracts for the period ended 31 December 2021, 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.48
Other liabilities
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Derivative liabilities	16 844	3 273

Note 19
Net assets/equity

187. UNOPS net assets/equity are as follows:

Table IV.49
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 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 gains/(losses)	(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)	–
Opening balance as at 1 January 2021	**4 783**	**11 141**	**21 988**	**124 317**	**124 317**	**286 546**
Surplus for the period	–	–	–	–	90 381	90 381
Actuarial gains/(losses)	4 916	–	–	–	–	4 916
Change in fair value of available-for-sale financial assets	–	(21 475)	–	–	–	(21 475)
Utilization of reserve	–	–	–	–	–	–
Transfers to/from other reserves	–	–	116 776	(13 198)	(103 578)	–
Balance as at 31 December 2021	**9 699**	**(10 334)**	**138 764**	**111 119**	**111 120**	**360 368**

Actuarial gains/losses

188. Actuarial gains/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. A new minimum operational reserve was established in 2021 by the Executive Board of UNOPS (see DP/OPS/2021/6) 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;

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

191. The Executive Board approved the change of the minimum requirement for the operational reserve of UNOPS to be set at 25 per cent of the infrastructure service line expenses, 5 per cent of expenses for other service lines and 33 per cent of administrative costs, with a weight of 50 per cent for the current year, 30 per cent for the previous year and 20 per cent for the year prior.[7] On the basis of this formula, for the period ended 31 December 2021, the minimum operational reserves requirement was $138.8 million, an increase of $116.8 million compared with 2020.

Growth and innovation reserve

192. In 2019, the UNOPS Executive Director established a growth and innovation reserve on the basis of her authority under UNOPS financial regulations and rules. The purpose of the growth and innovation reserve is to invest in the future revenue-generating ability of UNOPS. The value of the reserve was set at 50 per cent of the excess operational reserves. To date, the reserve has funded activities under the Sustainable Investments in Infrastructure and Innovation initiative to catalyse investments in socially inclusive large-scale infrastructure projects that will contribute to the achievement of the Sustainable Development Goals. As at 31 December 2021, the growth and innovation reserve was $111.1 million ($124.3 million in 2020), of which $63.0 million has been paid by UNOPS into projects under the initiative.

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. As at 31 December 2021, the accumulated surplus was $111.1 million ($124.3 million in 2020).

Note 20
Revenue and expenses

Non-exchange revenue

194. During the year 2021, UNOPS received $6.0 million of non-exchange revenue, compared with $5.7 million in 2020. The amount relates to a grant from the Ministry of Foreign Affairs of Finland, to be used towards Sustainable Investments in Infrastructure and Innovation activities as part of an annual grant programme until 2023.

195. Services in kind for the period amounted to $4.4 million ($4.2 million in 2020), $4.1 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 $1,199.0 million ($1,160.6 million in 2020) in revenue from project activities and $3.8 million ($2.9 million in 2020) from miscellaneous revenue. The revenue and expenses from UNOPS project activities were as follows:

[7] See Executive Board decision 2021/21, para. 5 (see DP/2022/2).

Table IV.50
Revenue and expenses from project activities
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Construction contracts (infrastructure)	314 832	320 201
Procurement	162 618	82 243
Financial management	86 864	193 971
Human resources administration	22 915	21 191
Other project management	611 739	542 997
Total project-related revenue	**1 198 968**	**1 160 603**
***Less*: project expenses**		
Construction contracts	298 441	304 920
Procurement	107 054	55 272
Financial management	66 491	167 071
Human resources	11 472	13 291
Other project management	575 807	511 003
Total project-related expenses	**1 059 265**	**1 051 557**
Net revenue from project activities	**139 703**	**109 046**

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.51
Construction contracts – revenue and expenses
(Thousands of United States dollars)

	Cumulative	*Recognized in prior years*	*Recognized in current year*
Revenue	1 458 044	1 143 212	314 832
Expense	(1 357 104)	(1 058 663)	(298 441)
Surplus	**100 940**	**84 549**	**16 391**

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

Table IV.52
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	(3 119 960)	(49 928)	(3 169 888)
Revenue recognized over the life of the contract	1 501 221	52 983	1 554 204
Amount due (to)/from customers included in deferred revenue and project receivables, respectively	**(1 618 739)**	**3 055**	**(1 615 684)**
Retentions			13 247

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 $91.0 million ($96.1 million in 2020) relate to expenses incurred by UNOPS for a range of activities, which included payments for:

(a) Rental of office space and leases: $19.2 million;

(b) Maintenance of buildings and equipment: $22.2 million;

(c) Utilities: $1.7 million.

202. Other expenses comprise:

(a) Movements in provisions: $3.8 million;

(b) Other expenses: $2.5 million.

203. Contractual services of $367.7 million ($392.5 million in 2020) 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.53
Employee benefits expenses
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Salaries	80 988	87 136
After-service health insurance	8 092	7 271
Annual leave	968	4 046
Home leave	883	1 139
Defined contribution plan	17 940	19 258
Repatriation grant	2 356	2 223
Other short-term employee benefits expenses	24 464	28 182
Expenses related to staff	**135 691**	**149 255**
Other personnel expenses	307 038	300 938
Total employee benefits expenses	**442 729**	**450 193**

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 the 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 2021 was $100.8 million ($85.4 million in 2020). Further details on the provident fund are disclosed in the annex to the 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.54
Finance income
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Total finance income on investments	29 581	33 641
Interest on other financial assets	2 307	4 630
Less: impairment on other financial assets	(15 219)	–
Recognition of amortized cost (note 10)	–	(1 861)
Total finance income on investments and other financial assets	**16 669**	**36 410**

	31 December 2021	31 December 2020
Less: finance income/cost allocated to projects	(9 091)	(12 340)
Net finance income retained by UNOPS	**7 578**	**24 070**
Finance income on UNOPS bank balances	117	394
Total finance income	**7 695**	**24 464**

207. Total finance income on investments includes realized gains of $14.3 million ($8.5 million in 2020) on externally managed investments.

Table IV.55
Net exchange rate gain/loss
(Thousands of United States dollars)

	31 December 2021	31 December 2020
Net foreign exchange gains/(losses)	19 150	(13 433)

208. The exchange gains 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 $7.7 million of derivative instruments are included within the UNOPS net foreign exchange gain/loss.

Note 23
Provisions

Table IV.56
Provisions
(Thousands of United States dollars)

	1 January 2021	Additional provisions	Unused amounts reversed	Utilized	31 December 2021
Claims	177	2 131	(110)	(228)	1 970
Leasehold restoration provisions	229	33	–	–	262
Other provisions	7 451	209	–	(1 220)	6 440
Total	**7 857**	**2 373**	**(110)**	**(1 448)**	**8 672**
Of which:					
Current portion					6 429
Non-current portion					2 243

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.57
Contingent liabilities
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Project-related claims from clients	12 871	10 812
Staff-related claims	–	–
Total contingent liabilities	**12 871**	**10 812**

212. Of the $12.9 million of contingent liabilities as at 31 December 2021, UNOPS estimates that there may be a possibility of reimbursement of up to $0.7 million.

Contingent assets

213. UNOPS had no contingent assets as at 31 December 2021 (nil as at 31 December 2020).

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 28 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 $7.4 million ($6.7 million in 2020) 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.58
Lease commitments
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Within one year	9 248	9 075
Later than one year and not later than five years	12 403	9 956
Later than five years	5 543	6 446
Total operating lease commitments	**27 194**	**25 477**

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 2021, the total future minimum lease payments under sublease agreements that UNOPS expects to receive on such agreements that cannot be cancelled was $0.4 million ($0.6 million in 2020), owing mainly to several sublease agreements having expired as at the end of 2020 and not having been renewed in 2021.

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 as at 31 December 2021:

Table IV.59
Open commitments
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Management budget	4 075	3 348
Project-related commitments	1 924 779	559 673
Total open commitments	**1 928 854**	**563 021**
Of which:		
Commitments for property, plant and equipment	1 078	475
Commitments for intangible assets	–	–

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

Table IV.60
Statement of comparison of original and final budget amounts

(Thousands of United States dollars)

	Biennial 2020–2021 management budget	*2021 management budget*	*2021 management budget*	*Variance between original and final 2021 budget*		
	Original	*Original*	*Revised*		*Percentage*	*Explanation*
Total revenue for the period	**181 001**	**90 501**	**132 488**	**41 987**	**46**	**Increased owing to a single engagement in Mexico related to pharmaceuticals procurement**
Management resources						
Posts	27 135	13 567	14 030	463	3	
Common staff costs	20 382	10 191	10 160	(31)	(0)	
Travel	8 703	4 352	2 591	(1 761)	(40)	Reduced travel activity owing to COVID-19
Consultants	66 420	33 210	36 704	3 494	11	
Operating expenses	12 851	6 426	5 834	(592)	(9)	
Furniture and equipment	967	483	2 076	1 593	330	Budget aligned to incorporate the capitalization of oneUNOPS assets
Reimbursements	2 042	1 021	1 270	249	24	Budget aligned to the increased reimbursement costs
Total use of management resources	**138 500**	**69 250**	**72 665**	**3 415**	**5**	
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	11 000	1 000	10	
Total use of resources	**181 001**	**90 501**	**83 665**	**(6 836)**	**(8)**	

Table IV.61

Statement of comparison of budget and actual amounts

(Thousands of United States dollars)

	Biennial 2020–2021 management budget	2021 management budget	2021 management budget	2021 actual amounts	Difference between final budget and actuals	Explanation
	Original	*Original*	*Final*	*Actuals*		
Total revenue for the period	**181 001**	**90 501**	**132 488**	**136 573**	**4 085**	
Management resources						
Posts	27 135	13 567	14 030	13 812	(218)	
Common staff costs	20 382	10 191	10 160	10 769	609	
Travel	8 703	4 352	2 591	880	(1 711)	Reduced travel activity owing to COVID-19
Consultants	66 420	33 210	36 704	34 079	(2 625)	
Operating expenses	12 851	6 426	5 834	3 963	(1 871)	Increased efficiency of UNOPS operations
Furniture and equipment	967	483	2 076	1 971	(105)	
Reimbursements	2 042	1 021	1 270	1 229	(41)	
Total use of management resources	**138 500**	**69 250**	**72 665**	**66 703**	**(5 962)**	
Write-offs, provisions and contingency surplus	22 501	11 251	–	6 520	6 520	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	11 000	1 470	(9 530)	Less-than-anticipated internal investment opportunities identified
Total use of resources	**181 001**	**90 501**	**83 665**	**74 693**	**(8 972)**	
Net revenue on budget basis	**–**	**–**	**48 823**	**61 880**	**13 057**	

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.62
Differences between statements II and 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
Donated assets	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 2020–2021. The annual budget for 2021 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, 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.63
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	63 732	(1 852)	–	61 880
Basis differences (acquisition and disposal of intangibles and property, plant and equipment)	–	–	–	–
Entity differences	4 026	(4 768)	–	(742)
Changes in working capital	1 240 671	–	–	1 240 671
Movement in investments	–	(1 437 407)	–	(1 437 407)
Movements in other financial assets	–	(3 628)	–	(3 628)
Movement in interest received	–	24 554	–	24 554
Subtotal	**1 308 429**	**(1 423 101)**	**–**	**(114 672)**
Net foreign exchange gains/(losses)	–	–	–	13 510
Adjustment for fair value of cash equivalents	–	–	–	21
Actual amount in the statement of cash flows	**1 308 429**	**(1 423 101)**	**–**	**(101 141)**

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 revenue, expenses, assets and liabilities are segmented as follows:

Table IV.64
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	206 545	124 350	105 260	32 988	336 531	113 157	280 137	1 198 968
Miscellaneous revenue	613	1 902	–	1 018	98	168	–	3 799
Non-exchange revenue	–	–	–	5 967	–	–	–	5 967
Total revenue	**207 158**	**126 252**	**105 260**	**39 973**	**336 629**	**113 325**	**280 137**	**1 208 734**
Expenses								
Contractual services	62 559	25 203	9 801	5 297	105 089	42 376	117 255	367 580
Other personnel costs	60 913	50 187	36 280	39 911	47 567	18 747	53 433	307 038
Salaries and employee benefits	4 919	5 831	30 678	17 428	3 563	8 220	65 052	135 691
Operational costs	21 667	10 899	6 387	8 345	13 188	18 320	12 166	90 972
Supplies and consumables	26 066	17 530	8 527	2 098	128 367	12 243	12 751	207 582
Travel	11 789	4 142	778	373	2 244	1 818	4 726	25 870
Other expenses	1 877	190	(4)	1 703	2 265	29	296	6 356
Total expenses	**189 790**	**113 982**	**92 447**	**75 155**	**302 283**	**101 753**	**265 679**	**1 141 089**
Finance income	–	–	–	7 695	–	–	–	7 695
Exchange rate gain/(loss)	–	–	–	19 150	–	–	–	19 150
Net finance income/(expense)	**–**	**–**	**–**	**26 845**	**–**	**–**	**–**	**26 845**
Surplus before unallocated expenses	**17 368**	**12 270**	**12 813**	**(8 337)**	**34 346**	**11 572**	**14 458**	**94 490**
Unallocated segment expenses								
Depreciation of property, plant and equipment	–	–	–	–	–	–	–	3 341
Amortization of intangible assets	–	–	–	–	–	–	–	768
Surplus for the period	**17 368**	**12 270**	**12 813**	**(8 337)**	**34 346**	**11 572**	**14 458**	**90 381**

Table IV.65
Segment revenue and expenses – 2020 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	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.66
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	–	–	–	–	–	–	–	–	5 186	5 186
Property, plant and equipment	–	–	–	–	–	–	–	–	19 573	19 573
Long-term investments	–	–	–	1 214 068	–	–	–	1 214 068	–	1 214 068
Other financial assets	–	–	–	29 996	–	–	–	29 996	–	29 996
Non-current accounts receivable	–	–	–	–	–	–	–	–	1 221	1 221
Total non-current assets	**–**	**–**	**–**	**1 244 064**	**–**	**–**	**–**	**1 244 064**	**25 980**	**1 270 044**
Current assets										
Inventories	1 807	6	5	3 049	1 563	59	8 832	15 321	–	15 321
Other assets	–	–	–	24 576	–	–	–	24 576	–	24 576
Accounts receivable										
Project accounts receivable	–	–	–	–	–	–	–	–	42 246	42 246
Prepayments	1 399	1 898	66	335	9 354	1 044	205	14 301	–	14 301
Other accounts receivable	–	–	–	–	–	–	–	–	29 235	29 235
Short-term investments	–	–	–	2 994 397	–	–	–	2 994 397	–	2 994 397
Cash and cash equivalents	–	–	–	–	–	–	–	–	782 834	782 834
Total current assets	**3 206**	**1 904**	**71**	**3 022 357**	**10 917**	**1 103**	**9 037**	**3 048 595**	**854 315**	**3 902 910**
Total assets	**3 206**	**1 904**	**71**	**4 266 421**	**10 917**	**1 103**	**9 037**	**4 292 659**	**880 295**	**5 172 954**
Liabilities										
Non-current liabilities										
Employee benefits, long-term	–	–	–	–	–	–	–	–	106 301	106 301
Provisions	–	2 033	–	210	–	–	–	2 243	–	2 243
Total non-current liabilities	**–**	**2 033**	**–**	**210**	**–**	**–**	**–**	**2 243**	**106 301**	**108 544**

Table IV.66
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	–	–	–	–	–	–	–	–	40 056	40 056
Accounts payable	–	–	–	–	–	–	–	–	868 186	868 186
Project cash advances received										
Deferred revenue	215 197	265 676	82 626	25 837	570 470	187 394	55 544	1 402 744	–	1 402 744
Cash held on agency projects	251 374	459 507	294 520	8 776	1 300 007	43 377	12 222	2 369 783	–	2 369 783
Other liabilities	–	–	–	16 844	–	–	–	16 844	–	16 844
Provisions	2 757	1 433	–	201	1 950	68	20	6 429	–	6 429
Total current liabilities	**469 328**	**726 616**	**377 146**	**51 658**	**1 872 427**	**230 839**	**67 786**	**3 795 800**	**908 242**	**4 704 042**
Total liabilities	**469 328**	**728 649**	**377 146**	**51 868**	**1 872 427**	**230 839**	**67 786**	**3 798 043**	**1 014 543**	**4 812 586**

Table IV.67
Segment assets and liabilities – 2020 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	–	–	–	–	–	–	–	–	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.67

Segment assets and liabilities – 2020 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	–	–	–	–	–	–	–	–	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**

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. There were no travel-related costs in relation to the Executive Board during 2021 ($0.02 million during 2020) owing mainly to the effect of the pandemic on travel. Members of the Executive 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.68
Key management personnel
(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Number of individuals	7	1
Aggregate remuneration:		
Base compensation and post adjustments	1 457	242
Other entitlements	370	75
Post-employment benefits	475	80
Total remuneration	**2 309**	**398**
Outstanding advances against entitlements	–	–
Outstanding loans	–	–
After-service health insurance, repatriation grant and leave liability[a]	772	416

[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 and the Senior Leadership Team are considered the key management personnel. The Executive Director has the overall authority and responsibility to plan, lead, direct and control

the activities of the organization. The Senior Leadership Team is an internal coordination forum that supports the Executive Director in the strategic positioning of UNOPS.

238. The aggregate remuneration of the key 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 and Rules of the United Nations.

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

240. In 2021, an investigation was commenced into a possible conflict of interest situation related to a manager who could have influenced decision-making.

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 Investments in Infrastructure and Innovation 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. In February 2022, the Executive Board, in paragraph 4 of its decision 2022/5, approved the establishment of the Sustainable Investments in Infrastructure and Innovation reserve at an initial level of $105 million with future changes subject to Executive Board approval (see DP/2022/14). The reserve will be used for funding and recording the valuation of investments under the Sustainable Investments in Infrastructure and Innovation initiative. The Executive Board's decision was implemented in March 2022 through the creation of the aforementioned reserve, which will be reflected in the 2022 financial statements.

244. UNOPS financial statements were finalized while the COVID-19 pandemic was still prevalent. The pandemic had a limited financial impact on UNOPS operations during 2021. 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.

245. As at the date of signature of the UNOPS financial statements and related notes for the period ended 31 December 2021, 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 2021

(Thousands of United States dollars)

	2021	*2020*
Opening balance as at 1 January	85 354	67 655
Contribution/(premium)	27 306	24 177
Payouts	(15 621)	(11 365)
Funds not earmarked for the fund	1 040	782
Earnings/(loss)	2 739	4 105
Closing balance as at 31 December	**100 818**	**85 354**

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.

(Thousands of United States dollars)

	2021	*2020*
Opening balance of the non-earmarked contributions	6 559	5 870
Change in non-earmarked contributions within the period	1 178	1 103
Total expenses against non-earmarked contributions, following provident fund principles		
Payment attributed to UNOPS personnel	(52)	(51)
Payment attributed to provident fund administrator or investment adviser	(362)	(304)
Payment attributed to services benefiting all members	(241)	(59)
Total expenses against non-earmarked contributions	**(655)**	**(414)**
Closing balance as at 31 December	**7 082**	**6 559**

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