United Nations

United Nations Office for Project Services

Financial report and audited financial statements

for the year ended 31 December 2023

and

Report of the Board of Auditors

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

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Official Records
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A/79/5/Add.11

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United Nations • New York, 2024

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.

ISSN 1020-718X

[24 July 2024]

Contents

Letters of transmittal

Letter dated 22 May 2024 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 2023.

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 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*) Jorge **Moreira da Silva**
Executive Director

(*Signed*) Lilian Aluoch **Nyangaya**
Chief Financial Officer a.i

Letter dated 24 July 2024 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 2023.

(*Signed*) **Hou** Kai
Auditor General of the People's Republic of China
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 2023 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 2023 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 and the International Standards of Supreme Audit Institutions. Our responsibilities under those standards are described in the section below entitled "Auditor's responsibilities for the audit of the financial statements". We are independent of UNOPS, in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Executive Director of UNOPS is responsible for the other information, which comprises the financial report for the year ended 31 December 2023, 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*) **Hou** Kai
Auditor General of the People's Republic of China
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) Dorothy **Pérez Gutiérrez**
Acting Comptroller General of the Republic of Chile

(*Signed*) Pierre **Moscovici**
First President of the French Cour des comptes

24 July 2024

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 2023 in accordance with General Assembly resolution 74 (I) of 1946. The Board also examined the financial transactions and operations executed at UNOPS. The interim audit of UNOPS headquarters in Copenhagen, the Asia regional office and the Bangkok Shared Service Centre in Bangkok, and the office of the General Counsel and the New York Portfolios Office in New York was conducted on site. The Board conducted the final audit at UNOPS headquarters in Copenhagen.

Audit opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UNOPS as at 31 December 2023 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Overall conclusion

In 2023, UNOPS incurred a deficit of $21.80 million from operations for the first time since it began to implement the IPSAS accounting framework in 2012. Despite the operational deficit, the overall financial position of UNOPS remained sound, with an overall surplus of $41.33 million, attributable to a net finance income of $63.13 million.

The Board did not identify significant errors, omissions or misstatements from the review of financial records of UNOPS for the year ended 31 December 2023. However, the Board identified scope for improvement, particularly in the areas of financial and budget management, investment management and project management, the lessons of which could enhance UNOPS management capabilities in these areas.

Key findings

Ambiguity and deficiency in the management of shared services costs

The shared services cost of UNOPS remained an overrecovery balance in the period 2021–2023, amounting to $29.06 million as at 31 December 2023, representing 28 per cent of annual average expenditure for the past three years. As part of the direct costs, UNOPS did not trace shared services costs to specific projects, and some shared services costs did not directly benefit specific projects providing the cost, leading to a lack of project-level financial clarity and the risk of using surpluses from previous projects to cover deficits in new ones. The communication between UNOPS and its clients regarding recovery of shared services costs lacked sufficient transparency. Overrecovery would exacerbate the financial burden on clients.

Deficiencies in the management of project classification, affecting revenue recognition

In accordance with IPSAS 9: Revenue from exchange transactions, UNOPS classified its role as either principal or agent at the beginning of each project, based on the level of responsibility and risk assumed. Due to the lack of a clear definition regarding the significance of the risks and responsibilities of projects, inconsistencies arose in the criteria used by different departments within UNOPS to determine the classification of a project and in the implementation of the classification. Such

inconsistencies had a potential impact on the accuracy of the classification, which in turn affected revenue recognition.

Inappropriate financial derivative transactions with unqualified hedging instruments and insufficient internal control, leading to a net financial loss of $15.23 million

Deviating from the non-speculative hedging strategy, inappropriate financial derivative transactions with unqualified instruments were noted in UNOPS' hedging portfolio. These transactions, primarily for premium-based profits rather than reducing risk exposure, were ineffective to offset the fluctuation of foreign exchange revaluation. Without sufficient internal control, the option transactions in UNOPS made a net financial loss of $15.23 million during the period 2021–2023.

Need for continued involvement and targeted efforts to recover Sustainable Investments in Infrastructure and Innovation funds

UNOPS had spent $6.33 million and allocated an additional $3.32 million for the Sustainable Investments in Infrastructure and Innovation initiative's legal recovery actions as at the end of April 2024. However, the timeline, performance indicators and objectives for these activities were not clearly defined. The due date for the action has been extended from late 2023, with fund recovery efforts expected to continue into 2025. UNOPS stated that information regarding the likelihood of recovery, the latest progress and budget performance of the fund recovery could not be shared with the Board due to the highly confidential nature of the recovery.

Delivery delay and underperformance in output quality of infrastructure projects, posing a risk of financial losses and reputation impact

As a service provider for infrastructure, UNOPS implemented 228 active infrastructure projects with a contract value of $4.483 billion as at 31 December 2023. However, 45 projects, valued at $767 million, were not delivered on time. Furthermore, UNOPS made provision with amount of $12.66 million for infrastructure projects, representing 73 per cent of the total provision in the financial statements for the year ended 31 December 2023. A case review revealed that, due to underperformance in output quality, four projects faced risks of financial loss and reputation impact, amounting to a total potential loss of $7.45 million.

Main recommendations

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

Ambiguity and deficiency in the management of shared services costs

(a) **Establish clear guidance for carrying forward and usage of balances from shared services to improve the recovery of shared services costs;**

(b) **Report the nature of shared services to the Executive Board in compliance with the United Nations harmonized cost recovery guidance during the budget estimate process for 2026–2027;**

(c) **Include a reference in the standard legal agreement about the UNOPS cost recovery policy related to shared services to strengthen transparency in the future;**

Deficiencies in the management of project classification affecting revenue recognition

(d) **Conduct an assessment of projects with internal discrepancies arising during project classification, and conduct relevant training to promote the effective execution of the project classification process;**

(e) **Enhance the guidance provided in the project classification guidance note in conjunction with the impending implementation of IPSAS 47;**

Inappropriate financial derivative transactions with unqualified hedging instruments and insufficient internal control, leading to a net financial loss of $15.23 million

(f) **Conduct a comprehensive review of the nature, strategy, internal control, and potential gains or losses of derivatives, to ensure that the use and disclosure of financial derivatives transactions by UNOPS comply with the IPSAS requirements;**

Need for continued involvement and targeted efforts in the Sustainable Investments in Infrastructure and Innovation funds recovery

(g) **Maintain its involvement and continue targeted efforts in the recovery of funds from the Sustainable Investments in Infrastructure and Innovation investments in collaboration with the Office of Legal Affairs;**

Delivery delay and underperformance in output quality of infrastructure projects posing a risk of financial losses and reputation impact

(h) **Effectively manage infrastructure projects as per contract agreements to ensure monitoring of timelines and costs and timely action for issues raised;**

(i) **Strengthen training on infrastructure project management to enhance technical review and regular supervision of infrastructure projects.**

Follow-up of previous recommendations

As at 31 December 2023, of the 31 outstanding recommendations up to the financial year ended 31 December 2022, 18 (58 per cent) had been implemented, 12 (39 per cent) were under implementation and 1 (3 per cent) had been overtaken by events.

Key facts	
$1,216.96 million	Total revenue
$1,238.76 million	Total expenses
$63.13 million	Net finance income
$41.33 million	Surplus
$165.32 million	Minimum operational reserve
$3,796.07 million	Total assets
$3,502.26 million	Total liabilities
$293.81 million	Net assets/equity

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 revenue is dependent entirely 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 2023 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 and the International Standards of Supreme Audit Institutions for the financial audit of public sector entities. 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 2023 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for purposes approved by the UNOPS governing body and whether they had been properly classified and recorded in accordance with the UNOPS financial regulations and rules.

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

5. The Board reviewed UNOPS operations under regulation 7.5 of the Financial Regulations and Rules of the United Nations. The Board conducted an on-site interim audit of UNOPS headquarters in Copenhagen, the Asia regional office and Bangkok

Shared Service Centre in Bangkok, and General Counsel and New York Portfolios Office in New York from 14 October to 16 November 2023. The Board conducted the final audit from 4 April to 10 May 2024 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. There were 31 outstanding recommendations up to the year ended 31 December 2022. At the time of the audit of the Board, 18 (58 per cent) had been implemented, 12 (39 per cent) were under implementation and 1 (3 per cent) had been overtaken by events, as shown in table II.1. The rate of implementation of recommendations was higher than that achieved in the previous year (56 per cent).

Table II.1
Status of implementation of recommendations

	Report of the Board of Auditors					
Status	*A/74/5/Add.11*	*A/75/5/Add.11*	*A/76/5/Add.11*	*A/77/5/Add.11*	*A/78/5/Add.11*	*Total*
Financial year	2018	2019	2020	2021	2022	
Open recommendations as at 31 December 2022	2	1	2	7	19	31
Status of implementation in 2023						
(a) Implemented	2	1	1	4	10	18
(b) Under implementation	–	–	–	3	9	12
(c) Not implemented	–	–	–	–	–	–
(d) Overtaken by events	–	–	1	–	–	1
Open recommendations as at 31 December 2023	–	–	–	3	9	12

Source: Analysis by the Board of Auditors.

8. The Board further carried out an analysis of the 12 open recommendations as at 31 December 2023 and noted that:

(a) Five (42 per cent) related to financial and budget management, three (25 per cent) related to project management, two (17 per cent) referred to procurement management, one (8 per cent) referred to human resources management and one (8 per cent) referred to investment management;

(b) With regard to the aging of the recommendations, nine (75 per cent) were issued one year ago and three (25 per cent) were issued two years ago;

(c) As for the recommended corrective measures, four (33 per cent) indicated a need for the development of regulations, two (17 per cent) involved regulation improvement and six (50 per cent) required corrections in compliance with regulations.

9. The Board acknowledged that UNOPS had progressed towards implementation of the pending recommendations and noted that preliminary action had been initiated for a number of cases, but that 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 has incurred a deficit of $21.80 million from operations for the first time since it implemented the IPSAS accounting framework in 2012, mainly due to changes in the composition of delivery volume on principal project expenditure and the implementation of the comprehensive response plan. It reported an overall surplus of $41.33 million in 2023 against the deficit of $28.78 million in 2022, resulting from a net finance income of $63.13 million during the period.

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 2019 UNOPS has generated net revenue from its project activities, ranging from $99.25 million in 2019 to $113.60 million in 2023. The net surplus/deficit UNOPS reported each year contained net finance income.

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

	2023	*2022*	*2021*	*2020*	*2019*
Net revenue from project activities[a]	113 602	127 326	139 703	109 046	99 247
Miscellaneous and non-exchange revenue	949	2 883	9 766	8 591	4 461
Non-project expenses[b]	(136 352)	(128 660)	(85 933)	(89 168)	(82 202)
Surplus/(deficit) from operations	**(21 801)**	**1 549**	**63 536**	**28 469**	**21 506**
Net finance income/(expense)	63 126	(30 329)	26 845	11 031	25 631
Reported surplus/(deficit)	**41 325**	**(28 780)**	**90 381**	**39 500**	**47 137**

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

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 provide improved protection to UNOPS as a self-financing United Nations entity, in line with the risks faced by the organization. The Executive Board approved the change in the minimum requirement for the operational reserves 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 2023 the minimum operational reserve requirement was $165.3 million, an increase of $18.1 million compared with 2022.

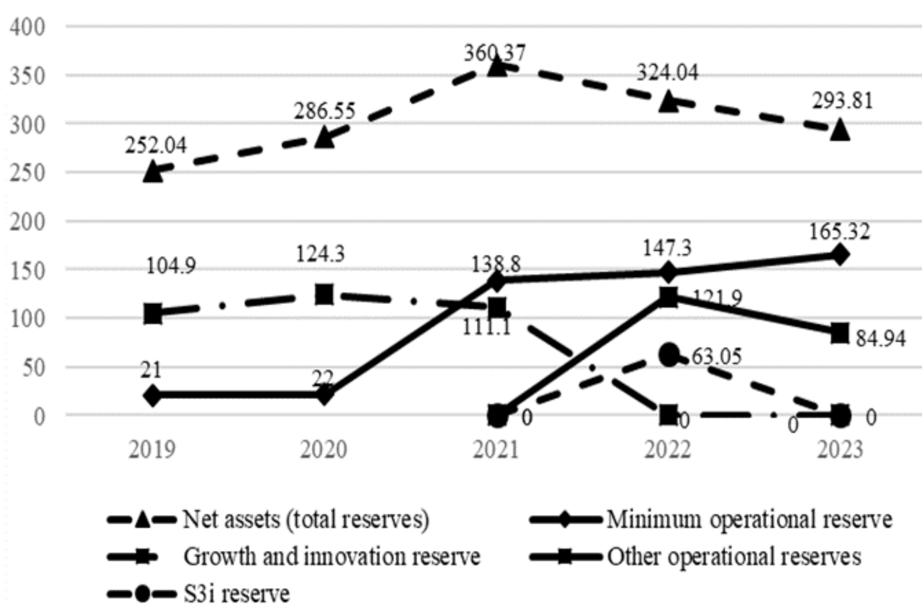
13. In 2019, a growth and innovation reserve was established, the value of which was set at 50 per cent of the excess of the operational reserves. In February 2022, the Executive Board approved the establishment of the Sustainable Investments in Infrastructure and Innovation reserve at an initial level of $105 million, with future

changes subject to the Executive Board's approval (DP/2022/14, decision 2022/5). However, in June 2022 the Executive Board requested UNOPS to transfer into the operational reserves the balance not committed to projects from the growth and innovation reserve, the Sustainable Investments in Infrastructure and Innovation reserve and accumulated surpluses. In August 2023, the Executive Board approved the release of committed funds from the Sustainable Investments in Infrastructure and Innovation initiative to the operational reserve (DP/2024/2, decision 2023/22). As at 31 December 2023, the Sustainable Investments in Infrastructure and Innovation reserve decreased to zero (2022: $63.05 million).

14. In February 2023, the Executive Board requested that UNOPS distribute without delay its excess reserves (defined as total accumulated reserves minus the minimum operational reserve) accumulated as at 31 December 2021, minus $35.4 million (for the comprehensive response plan), to each paying entity (DP/2023/11, decision 2023/4). The Board of Auditors was informed that the total excess reserve to be refunded was set at $123.8 million. With the refund approved and in progress, the approved distribution to paying entities was transferred out from the net assets.

15. As a result of the surplus recognized in 2023 and the approved distribution, the net assets as at 31 December 2023 decreased to $293.81 million (2022: $324.04 million). Details are shown in the figure below.

Figure II.I
Net assets and equity as at 31 December 2023
(Millions of United States dollars)



Source: UNOPS financial statements.

Ratio analysis

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

Table II.3
Financial ratios as at 31 December

Financial ratios	*2023*	*2022*	*2021*	*2020*	*2019*
Cash ratio[a]					
Cash + short-term investments: current liabilities	0.94	0.82	0.80	0.85	0.81
Quick ratio[b]					
Cash + short-term investments + accounts receivable: current liabilities	1.05	0.86	0.82	0.87	0.84
Current ratio[c]					
Current assets: current liabilities	1.05	0.87	0.83	0.88	0.85
Solvency ratio[d]					
Total assets: total liabilities	1.08	1.10	1.07	1.08	1.12
Project surplus[e] (margin percentage[f]) Direct project revenue – direct project expenses	$113.6 million (9.3 per cent)	$127.3 million (10.4 per cent)	$139.7 million (11.7 per cent)	$109 million (9.4 per cent)	$99.2 million (8.2 per cent)
Net surplus (margin percentage[f]) Revenue – expenses	$41.33 million (3.4 per cent)	-$28.78 million (-2.4 per cent)	$90.38 million (7.5 per cent)	$39.5 million (3.4 per cent)	$47.14 million (3.9 per cent)

Source: UNOPS financial statements.

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

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

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

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

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

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

17. As at 31 December 2023, UNOPS had total assets of $3.8 billion (2022: $3.68 billion), consisting mainly of investments of $2.7 billion (2022: $2.89 billion) and cash and cash equivalents of $702.59 million (2022: $ 604.61 million). The total liabilities of UNOPS stood at $3.5 billion as at 31 December 2023 (2022: $3.35 billion), with liabilities relating to project cash advances received at $2.8 billion (2022: $2.75 billion), representing 80 per cent (2022: 82 per cent) of the total liabilities. Both total assets and total liabilities as at 31 December 2023 increased modestly.

18. The Board noted that, in 2023, there was a significant increase in the cash ratio, quick ratio and current ratio compared with 2022, due to a higher increase in cash holdings and short-term investments compared with current liabilities. The solvency ratio decreased slightly compared with 2022, from 1.1 to 1.08, approximately the same level as in 2020 and 2021. The overall gross margin on project services declined for the second consecutive year from 11.7 per cent in 2021 and 10.4 per cent in 2022 to 9.3 per cent in 2023. Due to substantial growth in finance income, the net surplus and net margin percentage increased considerably from the negative result in 2022, reaching $41.33 million and 3.4 per cent, respectively, in 2023. The overall financial position of UNOPS remained sound, given that the solvency ratio was above one.

Growth trend in management expenses and shared services costs

19. As a demand-driven and self-financing organization, UNOPS operates on the basis of full cost recovery. Specifically, each engagement agreement between UNOPS and a partner includes provisions to ensure that UNOPS recovers all direct costs, including shared services costs, and indirect costs incurred during the implementation of the engagement.

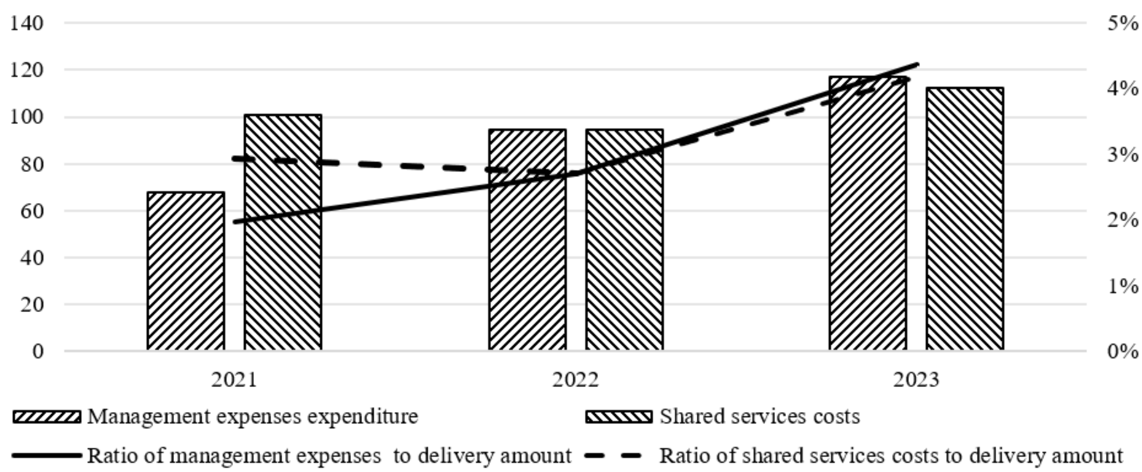
20. Although the fees charged to clients decreased from approximately $141.43 million in 2021 to $117.53 million in 2023, the actual management expenses increased significantly. In 2021, 2022 and 2023, the expenditures of indirect costs, referred to as management expenses, were $67.72 million, $94.30 million and $117.04 million, respectively, while the delivery amount of projects by UNOPS was $3,433.18 million, $3,480.96 million and $2,681.28 million, respectively. Both the expenditure of management expenses and the ratio of management expenses to delivery amount showed a growth trend from 2021 to 2023.

21. In 2021, 2022 and 2023, the expenditure of shared services costs were $100.99 million, $94.27 million and $112.29 million, respectively, showing a slight decrease from 2021 to 2022, followed by rapid growth from 2022 to 2023, both in the shared services costs expenditure and the ratio of shared services costs to delivery amount.

22. A comparison of the expenditure of management expenses and shared services costs, along with their respective ratios to delivery amount, for the period from 2021 to 2023 is shown in figure II.II.

Figure II.II
Expenditure of management expenses and shared services costs, and ratios of management expenses and shared services costs to delivery amount, 2021 to 2023

(Millions of United States dollars)



Source: UNOPS corporate performance report.

3. Financial management

Ambiguity and deficiency in the management of shared services costs

23. According to UNOPS financial regulations and rules, direct costs are costs incurred for the benefit of a particular project or client(s). Such costs are clearly identifiable as having a direct benefit for a particular project or client(s) and can be clearly documented. Rule 2.2 of the UNOPS operational instruction on engagement pricing and costing (OI.FG.2018.07) states that direct costs include costs incurred for engagement-related activities, such as shared support services on a local, regional or corporate level.

24. Paragraphs 2.4, 2.5 and 2.6 of the UNOPS operational instruction on budgeting and internal investment management (OI.FG.2018.01) state that the recovery of shared services costs is expected to break even on an annual basis, and that the carry-over of any cost recovery balances between budget periods is subject to review and approval by the Chief Financial Officer.

25. UNOPS shared services costs constitute a component of direct costs and are categorized into locally managed direct costs (renamed "local shared services"), regionally managed direct costs (renamed "regional shared services") and centrally managed direct costs (renamed "global shared services"). According to the operational instruction on engagement pricing and costing, costs for shared services shall be first recorded in a "pool" of relevant activities and then allocated at regular intervals between the different engagements and UNOPS management activities that have benefited from the shared services in a reasonable, measurable and practical manner in accordance with pre-defined distribution keys. Any balances (surplus and deficit) of shared services are closed to deferred revenue.

26. The Board reviewed the financial data provided by UNOPS and noted that during the period 2021–2023, the total recovery of shared services costs was $324.37 million, with expenditures amounting to $307.58 million, resulting in an overrecovery balance of $29.06 million (accounting for 28 per cent of annual average expenditure of 2021–2023) as at 31 December 2023. In 2023, the excess recovery amounts in the balances of global shared services and regional shared services have shown a declining trend. However, local shared services experienced a slight growth in 2023, with a surplus of $3.33 million. Details of the shared services costs during the period 2021–2023 are shown in table II.4.

Table II.4
Details of shared services costs, 2021 to 2023
(Thousands of United States dollars)

	2021	*2022*	*2023*
Opening balance of global shared services	8 679	12 456	7 795
Global shared services recovery	35 509	31 936	31 664
Global shared services expenses	31 732	36 597	37 999
Global shared services surplus/(deficit)	3 777	-4 661	-6 335
Ending balance of global shared services	**12 456**	**7 795**	**1 460**
Opening balance of local shared services	1 795	10 808	21 726
Local shared services recovery	73 668	64 821	73 060
Local shared services expenses	64 655	53 903	69 726
Local shared services surplus/(deficit)	9 013	10 918	3 334
Ending balance of local shared services	**10 808**	**21 726**	**25 060**
Opening balance of regional shared services	1 797	1 993	2 647
Regional shared services recovery	4 836	4 424	4 453
Regional shared services expenses	4 640	3 770	4 559
Regional shared services surplus/(deficit)	196	654	-106
Ending balance of regional shared services	**1 993**	**2 647**	**2 541**
Accumulated balance of shared services costs	**25 257**	**32 168**	**29 061**

Source: Data provided by UNOPS.

27. The Board reviewed the recovery of the shared services costs in the 2022–2023 biennium and noted deficiencies in the management of shared services costs, including the observations set out below:

(i) Inability to trace the cost of shared services back to the project

28. The United Nations harmonized cost recovery guidance states that direct costs are the necessary and reasonable costs incurred in delivering a specific programme or project. These costs are 100 per cent directly charged, allocated or apportioned to the funding arrangement for that programme or project.

29. The Board observed that, in 2021, UNOPS had collected shared services costs totalling $109 million from 1,673 projects, of which 1,036 projects had ended as of December 2023. In 2022, UNOPS had collected shared services costs totalling $96.76 million from 1,533 projects, of which 626 projects had ended as of December 2023.

30. The Board noted that the shared services costs, which were consolidated in a "pool", were not recorded as revenue on the basis of expenditures incurred, and could not be allocated to specific projects, resulting in surplus or deficit being unable to be broken down at project level.

31. The Board further noted that there was a risk that UNOPS might utilize surplus from prior projects to cover shared service deficits in subsequent projects, with the costs not allocated to the project providing the funds. For instance, the UNOPS project finance deck for the fourth quarter in 2023 revealed that the Middle East office incurred a deficit of $0.10 million for local shared services in 2023, implying possible subsidization for 2023 project costs from prior years' projects overrecovery, with transactions lacking project-specific clarity. In another instance, in order to reduce the accumulated surplus for global shared services, UNOPS allocated $5.04 million from the global shared services budget to support 12 internal projects in 2022, incurring $2.95 million from 2022 to 2023. These overrecoveries for global shared services were not directly incurred by the activities required to implement the project for which they were provided, and could not be attributed to a specific project.

32. Management explained that UNOPS is implementing a benchmarking and improvement process to ensure the cost recovery for shared services is budgeted at adequate levels for each partner and project, and is consistent with best practices of similar entities.

33. The Board is of the view that the inability to attribute shared services costs at project level may exacerbate the financial burden on individual projects and the corresponding clients. If a surplus exists in shared services costs, there is no mechanism in place to refund clients on a project basis, similar to the direct costs that were recovered based on actual expenditures.

(ii) Insufficient transparency in communication with clients

34. The Board sampled several project agreements and noted that UNOPS did not proactively specify the methodology for recovering and utilizing shared services costs in agreements with clients, nor were potential refunds of surplus embodied in the clauses. Upon project completion, UNOPS did not provide a detailed breakdown of actual expenditures of shared services costs due to the inability to attribute them at the project level.

35. Although management explained that such clauses and financial details were provided upon request if clients had specific requirements, the Board perceives ambiguity between the direct cost of the project and the mixed use of recovery funds, and room for improvement in transparency to clients. Considering decision 2022/21 of the Executive Board and the results of the 2022 partner survey, more transparency was requested in pricing and costing of UNOPS.

36. **The Board recommends that UNOPS establish clear guidance for carrying forward and usage of balances from shared services to improve the recovery of shared services costs.**

37. **The Board also recommends that UNOPS report the nature of shared services to the Executive Board in compliance with the United Nations harmonized cost recovery guidance during the budget estimate process for 2026–2027.**

38. **The Board further recommends that UNOPS include a reference in the standard legal agreement about the UNOPS cost recovery policy related to shared services to strengthen transparency in the future.**

39. UNOPS accepted the recommendations.

Deficiencies in the management of project classification affecting revenue recognition

40. In the UNOPS guidance on the management of project classification, it is stated that each project is to be classified as principal or agent at the time of project approval within the OneUNOPS system, based on the project classification guidance developed by UNOPS, and that project classification is contingent upon the roles, responsibilities and service lines of UNOPS for each project output.

41. In its financial report for the year ended 31 December 2023, UNOPS states that "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."

42. As per the Process and Quality Management System, the project classification process mandates that after project creation, project managers ascertain whether UNOPS assumes the role of principal or agent based on its responsibilities in the project. The outcome is then recorded in the project classification template, which is subsequently submitted to the Integrated Practice Advice and Support Unit for review and approval, thereby finalizing the classification.

(i) Deficiencies and disputes in the project classification process

43. The Board noted that in 2023, the UNOPS Internal Audit and Investigations Group raised concerns regarding the classification methods and standards used by UNOPS, particularly in the case of three projects amounting to $1.1 billion for which UNOPS was classified as agent by the Myanmar country office. The Internal Audit and Investigations Group determined that UNOPS assumed significant responsibilities and risks in these projects and thus should be classified as principal rather than agent. Meanwhile, the Finance Group held the opposite opinion that UNOPS assumed limited risks in the three projects and should maintain its original classification as an agent. Discrepancies also existed during the Integrated Practice Advice and Support unit's project classification review process regarding the determination of the significance of UNOPS responsibilities in projects and its role assignment compared with the perspectives held by the Finance Group, such as disputes regarding the logistics aspect of a procurement project.

44. The Board reviewed over 400 ongoing projects in 2023, and noted that 122 projects, valued at $2.5 billion, were classified as agent, due to fewer perceived responsibilities and risk, but observed that there was a lack of clear criteria for assessing the magnitude of responsibilities and risks.

45. Management explained that project classification was applied on a case-by-case basis, often leading to differing departmental views and ambiguity, due to the absence of a detailed matrix of responsibilities aligned with IPSAS requirements. In addition, some project managers lacked comprehensive understanding of IPSAS project

classification. With the impending implementation of IPSAS 47 in 2026, UNOPS has already made significant preparations and will transit to output classification.

46. Noting that project classification is critical due to its impact on revenue recognition, the Board is concerned that divergent interpretations of relevant policies among different departments within UNOPS leads to significant discrepancies in understanding among project teams, which is detrimental to project classification management and the accuracy of revenue recognition.

(ii) Insufficient implementation of Process and Quality Management System standards

47. UNOPS classified projects into five types based on the provided products and services: implementation, infrastructure, procurement, fund management, and human resources management, with mixed types for projects involving multiple service lines. The Process and Quality Management System states that service lines constituting more than 10 per cent of the total project value should be considered for classification.

48. The Board noted that in practice, UNOPS sometimes considered the absolute monetary value, rather than the 10 per cent threshold. The Board reviewed 70 ongoing projects in 2023, and noted that in 4 projects, service lines that constituted less than 10 per cent of the total project value were considered during project classification, contrary to the provisions outlined in the Process and Quality Management System. Those four projects had a collective engagement value of $2.1 million.

49. The Board is of the view that there are inconsistencies on the materiality of service lines provision between the execution standards and provision in the Process and Quality Management System during the project classification process.

50. Management explained that it is critical to use manual judgement for each project, especially for components under 10 per cent. In certain cases, due to the budget amount of the project, smaller components under 10 per cent were included for a more granular consideration.

51. The Board is of the view that corresponding guidance and sufficient justification should be in place to control the outcome, thus avoiding deviations resulting from subjective interpretation differences.

52. **The Board recommends that UNOPS conduct an assessment of projects with internal discrepancies arising during project classification, and conduct relevant training to promote the effective execution of the project classification process.**

53. **The Board further recommends that UNOPS enhance the guidance provided in the project classification guidance note in conjunction with the impending implementation of IPSAS 47.**

54. UNOPS accepted the recommendations.

Not reflecting all relevant transactions in the calculation of the refund amount from the excess reserves

55. In its decision 2023/4, the Executive Board decided that UNOPS should distribute its excess reserves to paying entities, defining excess reserves as “total accumulated reserves minus the minimum operational reserve, as established by the Executive Board in its decision 2021/21”.

56. The Board noted that UNOPS reported to the Executive Board that, based on the financial statements as at 31 December 2021, its excess reserves amounted to $123.8 million, calculated as the total accumulated reserves minus the minimum operational reserve and funds committed Sustainable Investments in Infrastructure and Innovation, which UNOPS maintained at $63 million.

57. The Board recalled that as at 31 December 2021, the $63 million allocated to the Sustainable Investments in Infrastructure and Innovation investments had incurred an accumulated impairment loss of $39.02 million, which was diminishing the total accumulated reserves. However, the impact of the impairment loss on the total accumulated reserves was not sufficiently considered during the calculation process of the excess reserves, leading to an underestimation of $39.02 million in the refund amount.

58. Management stated that the Sustainable Investments in Infrastructure and Innovation reserve was created at the request of the Executive Board, and changes to the reserve could only be made by the Executive Board. The investments and associated impairment were mutually exclusive from the Sustainable Investments in Infrastructure and Innovation reserve.

59. The Board further noted that UNOPS, in its submission to the Executive Board on the proposal for the establishment of the Sustainable Investments in Infrastructure and Innovation reserve (DP/OPS/2022/2), stated that the separation of the Sustainable Investments in Infrastructure and Innovation reserve from the growth and innovation reserve would enhance transparency and oversight of the Sustainable Investments in Infrastructure and Innovation programme by consolidating all financial impacts into one designated reserve. UNOPS stated that the purpose of the designated reserve was to fund all investments up to the maximum level of the reserve and to record the valuation of existing investments, and said that any losses would be debited to the reserve. Therefore, the Sustainable Investments in Infrastructure and Innovation reserve was expected to reflect the fair value of Sustainable Investments in Infrastructure and Innovation investments, according to the initial purpose of the reserve.

60. The Board is of the view that the impact of the Sustainable Investments in Infrastructure and Innovation impairment loss should be considered in the calculation of the excess reserves, considering that losses would be debited to the Sustainable Investments in Infrastructure and Innovation reserve, which would result in excess reserves amounting to $162.82 million. Not incorporating Sustainable Investments in Infrastructure and Innovation impairment losses in the calculation process would lead to an underestimation of the excess reserve amount.

61. Management explained that the impact of Sustainable Investments in Infrastructure and Innovation impairments was accounted for and included in net assets and equity.

62. In its decision 2023/22, the Executive Board approved the release of committed funds from the Sustainable Investments in Infrastructure and Innovation reserve to the operational reserve and endorsed the proposed methodology and time frame for distributing, within 12 months following receipt of the Board's report for the financial period of 2023, any excess reserves accumulated in the 2022–2023 budget cycle to paying entities.

63. Considering that the released Sustainable Investments in Infrastructure and Innovation reserve of $63 million was accumulated from surpluses generated from client projects and UNOPS finance income prior to 2021, the Board is of the view that it is of paramount importance that full consideration be given to the source of the excess reserve, especially the clients that contributed to the reserve, to ensure the fairness and transparency of subsequent refunds of excess reserves.

64. **The Board recommends that UNOPS present to the Executive Board a revised calculation methodology for calculating accurate levels of excess reserves that is in line with the Executive Board's request to ensure that there is no accumulation of liquid excess reserves in UNOPS operations.**

65. UNOPS accepted the recommendation.

Delays in meeting expectations regarding excess reserves refunds

66. In its decision 2023/18, the Executive Board recalled its decision 2023/4 and requested UNOPS to make a good faith effort over a maximum of 12 months to distribute all excess reserves to paying entities, after which UNOPS would propose to the Executive Board at the first regular session of 2024 an alternative use for undisbursed funds, within the United Nations system and/or to replenish the UNOPS minimum operational reserve.

67. Mandated by the Executive Board, UNOPS was required to refund the excess reserves as at 31 December 2021, amounting to $123.8 million, by the first session scheduled for end of January or beginning of February 2024.

68. The Board noted that, as at 31 December 2023, 60 entities have not been refunded, totalling $28.82 million, constituting 24 per cent of the total amount of excess reserves. Nine official letters, which were used to inform the entity of the exact refund amount and seek for guidance on credit options, were sent to the paying entities between October and December 2023, with three dispatched in late December, very close to the refund deadline.

69. Management attributed the delay primarily to the unfamiliarity of both UNOPS and the paying entities with the refund process. The formal refund process has been prolonged owing to various issues, with delays on the part of both UNOPS and partners.

70. As a result of the challenges encountered in completing the refunds on time, UNOPS proposed a further extension of the refund deadline from 31 December 2023 to 31 December 2024, which the Executive Board approved in decision 2024/6 in January 2024.

71. Considering that the Executive Board has requested UNOPS to propose a refund of excess reserves every biennial budget period, starting in 2023, and that the distribution should occur within 12 months following the receipt of the Board's report, this indicates that the refund process is set to become routine, with a clear time frame. The Board believes that with the lessons learned and experience built with paying entities, along with best practices, integrated into a policy, the process might be more streamlined for refunds of excess reserves in the future. It would facilitate smoother communication and instruction exchange between paying entities and UNOPS.

72. **The Board recommends that UNOPS establish operational guidelines to ensure timely completion of excess reserves refunds.**

73. UNOPS accepted the recommendation.

4. Budget management

74. The original management budget for UNOPS in 2023 was $90.6 million, while the actual amount was $126 million, exceeding the original management budget by $35.4 million. The main factors were the implementation of the 2023 comprehensive response plan and an increase in the internal investment budget implementation rate. The Board focused on sample reviews of the preparation and implementation of the comprehensive response plan, as well as the utilization and performance of internal investment funds.

Defective budget formulation and ineffective performance of the comprehensive response plan

75. In accordance with the request and decision of the Executive Board, UNOPS developed the comprehensive response plan in February 2023 to address third-party recommendations on the Sustainable Investments in Infrastructure and Innovation,

the UNOPS internal control systems, risk management and overall governance structures, with a maximum allocation of $35.4 million. With the establishment of a budget for the comprehensive response plan, the excess reserves returned to paying entities decreased by $35.4 million.

(i) Absence of supplementary management budget proposals to the Advisory Committee on Administrative and Budgetary Questions

76. As provided in regulation 14.08 and rule 114.05 of the UNOPS financial regulations and rules, the Executive Director may prepare supplementary proposals to amend the management budget in a form consistent with the approved management budget, and submit such proposals to the Executive Board. They shall also be submitted to the Advisory Committee on Administrative and Budgetary Questions, which shall be requested to review them and report thereon to the Executive Board. Supplementary proposals to amend the management budget may be submitted if inflation estimates, currency fluctuations or other cost factors are likely to have a significant effect on approved appropriations.

77. The Board noted that the comprehensive response plan was presented to the Executive Board and the first tranche of $11.8 million was released in 2023. However, UNOPS did not submit a supplementary proposal to the Advisory Committee on Administrative and Budgetary Questions for review.

78. Management explained that the transfer from the reserve approved under Executive Board decision 2023/4 was executed under regulation 22.02. Therefore, the regulation related to the supplementary budget proposal was not applicable.

79. The Board is of the view that the proposed budget for the comprehensive response plan has significant implications for the UNOPS initial management budget of $100 million; the first tranche of $11.8 million released exceeded 10 per cent of the annual management budget.

80. The Board further noted the absence of a clear definition detailing the circumstances under which supplementary proposals to amend the management budget should be submitted, particularly regarding “other cost factors” likely to have a significant effect on approved budget appropriations.

81. The Board is concerned that lack of clarity regarding this provision might lead to subjective interpretations and affect the consistency of reviews and approvals for supplementary proposals to amend the management budget.

(ii) Low implementation rate for comprehensive response plan budget due to lack of detailed project planning and insufficient budgeting basis

82. The Board noted that by the end of 2023, the actual expenditure for the comprehensive response plan was $8.7 million and that the first tranche of $11.8 million had not been fully utilized. As of the end of March 2024, five of the seven activities in the comprehensive response plan, with an original completion date of December 2023, had been postponed: two to the end of 2027, with a budget of $21.1 million, and three to the end of 2024, with a budget of $12.1 million.

83. The Executive Board approved the carry forward of the balance of the allocated sum of $35.4 million to the budget period 2024–2025, and the release of a second tranche of $11.8 million to continue implementation of the comprehensive response plan.

84. Management explained that UNOPS made significant progress in implementing the comprehensive response plan in 2023, despite encountering challenges. As part of

the 2024 budget planning process, UNOPS engaged in detailed budget planning for the carry-over amount in the revised budget.

85. In response to the low implementation rate of the comprehensive response plan budget, the Board further reviewed the budget formulation and implementation of the process innovation and digitalization programme, the project with the highest budget in the comprehensive response plan, at $21.1 million, which is intended to enhance the UNOPS enterprise resource planning system. The Board noted that, as of the end of 2023, only $2.6 million had been spent, with the remaining $18.5 million of the budget funds carried forward to future years.

86. Management explained that UNOPS had estimated the budget required for the process innovation and digitalization programme in 2023 based on the third party's evaluation report, which had calculated a total estimated cost of $63 million over three years; the 2023 budget of $21.1 million represented one third of the total estimated amount. At the time of the determination of the budget needed for 2023, the digital transformation effort was at its very early stages, and after more consultation and planning, the overall programme timeline was extended to five years.

87. The Board is of the view that the budget formulation for the comprehensive response plan in 2023 lacked detailed project planning and sufficient basis about future events, which resulted in a low budget implementation rate.

(iii) Underutilization of Salesforce system licences for the process innovation and digitalization programme

88. In its report on the UNOPS budget estimates for the biennium 2024–2025 (DP/OPS/2023/8), the Advisory Committee on Administrative and Budgetary Questions said that it trusted that more detailed information regarding the benefits of the digital transformation programme (renamed the process innovation and digitalization programme) would be provided to the Executive Board during its consideration of the report of the Advisory Committee and would be included in future budget estimates.

89. In its previous audit report (A/78/5/Add.11, chap. II, para. 168), the Board noted that UNOPS had purchased 6,300 Salesforce system licences for the process innovation and digitalization programme at the end of 2022, amortized over three years, with $1.57 million amortized in 2023. These licences are set to expire by the end of 2025, but as of the end of 2023, 3,944 licenses had been assigned and only 314 had been used, accounting for 4 per cent of the 6,300 licences purchased, indicating underutilization.

90. Management explained that procuring 6,300 licences for three years presented cost savings compared with one-year or half-quantity procurement.

91. The Board is of the view that an informed assessment of licensing requirements in advance could have avoided unnecessary expenditures of funds and assets.

92. The Board noted that although UNOPS had completed a road map for the process innovation and digitalization programme in March 2024, it had not yet been submitted to the Executive Board for review.

93. The Board is concerned that lack of detailed planning for the comprehensive response plan could result in an inadequate response to the concerns of the Advisory Committee on Administrative and Budgetary Questions regarding the need for a more detailed budget breakdown of UNOPS budget increases.

94. **The Board recommends that UNOPS report to the Executive Board and the Advisory Committee on Administrative and Budgetary Questions, as part of its review of the financial regulations and rules, on the need for further clarification**

of the circumstances requiring the submission of supplementary proposals to the management budget.

95. **The Board also recommends that UNOPS improve the budget formulation for the multi-year process innovation and digitalization programme based on actual project implementation schedules and optimize the expenditure plan to effectively utilize the resources allocated.**

96. UNOPS accepted the recommendations.

5. Investment management

Inappropriate financial derivative transactions with unqualified hedging instruments and insufficient internal control, leading to a net financial loss of $15.23 million

(i) Unqualified hedging instruments

97. It is stated in IPSAS 41: Financial instruments that "A written option does not qualify as a hedging instrument unless it is designated as an offset to a purchased option, including one that is embedded in another financial instrument". Hence, while it is appropriate not to undertake the hedge accounting, IPSAS provides a conclusion on the written option as an ineligible hedging instrument.

98. It is stated in IPSAS 29: Recognition and Measurement that "The potential loss on an option that an entity writes could be significantly greater than the potential gain in value of a related hedged item. In other words, a written option is not effective in reducing the surplus or deficit exposure of a hedged item." It is also stated that "Two or more derivatives, or proportions of them, … may be viewed in combination and jointly designated as the hedging instrument, including when the risk(s) arising from some derivatives offset(s) those arising from others. However, an interest rate collar or other derivative instrument that combines a written option and a purchased option does not qualify as a hedging instrument if it is, in effect, a net written option (for which a net premium is received). Similarly, two or more instruments … may be designated as the hedging instrument only if none of them is a written option or a net written option."

99. During the interim audit of the financial year 2023, the Board observed that as at 30 September 2023, UNOPS held net written put options with an underlying currency (euro) amounting to €200 million, which were written to hedge against the revaluation gain/loss of a euro liability at the corporate level. These written options, as part of a portfolio of derivatives, were not intended for forecasted cash flows or specific projects.

100. The Board is of the view that the written options UNOPS held are not a qualified hedging instrument under IPSAS.

(ii) Deficiencies in trading options

101. The Board observed 203 instances of options on euro/dollar currency pairs during the period 2021–2023. An analysis in respect of currency pair euro/dollar revealed that the outcomes of portfolio hedging activities failed to offset the fluctuations arising from revaluation of euro liabilities.

102. During the period 2021–2023, quarterly gain/loss data of option trade and revaluation of euro liabilities indicated that, out of 12 quarters, seven quarters failed to set off the fluctuations of revaluation of euro liabilities due to moving in the same direction. In the remaining five quarters, none of the hedging ratios fell within the range of 50 to 100 per cent, as stipulated in the UNOPS operational instructions. Furthermore, annual gain/loss data for the same period indicated that all three years

failed to set off the fluctuation of revaluation of euro liability due to moving in the same direction.

103. The Board further reviewed the hedging practice of UNOPS and noted several deficiencies in trading options.

a. Irrational trading direction in some transactions

104. The Board sampled some transactions and noted that UNOPS had initially written call options that were short the euro, which were then funded by forwards and exercised approximately five months later. The fluctuation of the fair value of these concerned options moved in the same direction with euro liability (euro liability is always short euro). The Board was not convinced that the purpose of these written call options was to hedge the revaluation of euro liability rather than option premium.

105. The Board is of the view that the hedging was groundless, given that the hedging instrument's impact on gain or loss for foreign exchange was in the same direction as the impact of hedged items. In other words, carrying the foreign asset/liability was not considered an adequate justification for recognizing hedging.

b. Inappropriate option products

106. The Board noted that exotic options were adopted by UNOPS, such as barrier options (knock-in and knock-out options), risk reversal, and call spreads and put spreads, which accounted for nearly half of the aggregated quantity of total option transactions.

107. The Board is of the view that the risk profile of these exotic options, such as complicated structure and high volatility, was not appropriate for hedging.

c. Inappropriate dynamic hedging ratio

108. It is stipulated in the UNOPS operational instruction on treasury and cash management (OI.FG.2022.01) that option strategies can be used to manage net delta exposure, where the hedging ratio (hedging delta amount divided by underlying amount) should be between 50 per cent and 100 per cent.

109. The Board reviewed the figure of euro liability balance for revaluation and the delta[1] amount, and verified the hedging ratio of the existing foreign exchange derivatives managed during the period 2021–2023.

110. The Board employed two methods to calculate the hedging ratio, including at the end of the period and the average during the period, and noted that the ratio fell within the range of 50–100 per cent stipulated by UNOPS in only 2 and 1 of the 12 quarters, respectively. In particular, the direction of the derivatives' positions was negative in the fourth quarter of 2021 and the third and fourth quarters of 2022, representing a short position in the euro. These positions not only failed to hedge against fluctuations in the euro/dollar exchange rate, but also exacerbated the fluctuation exposure of UNOPS. The consistent negative position in 2022 indicated that the requirements outlined in the UNOPS operational instruction on treasury and cash management were not given sufficient attention, and the due restructuring or rebalancing were not performed in a timely manner.

111. The Board is of the view that the hedge ratio, as a key indicator, was not compliant with the requirements of the operational instruction on treasury and cash management in the long term.

[1] Delta is a risk metric that theoretically estimates the change in the price of a derivative, such as an options contract, given a $1 change in its underlying security.

(iii) Consequence as net financial loss

112. It is stipulated in annex V to the statement of investment principles of UNOPS that the objective of the treasury cash management portfolio is to provide liquidity while preserving nominal capital value over a one-year rolling period.

113. The Board analysed the accounting result of trading options during the period 2021–2023 and noted that UNOPS made a net loss of $15.23 million, including the premium income. In contrast, the revaluation loss of euro liability in the same period was only $4.73 million. It is emphasized that the loss of option was mainly realized loss, while the loss of revaluation was unrealized loss.

114. The Board is of the view that the pattern of implemented option is uneconomical and ineffective, contrary to the objective of the treasury cash management portfolio.

115. Management explained that foreign exchange options were used for foreign exchange risk management, so the practice of trading options and their economic impact were not subject to the objectives of the treasury cash management portfolio.

116. The Board insisted that annex V, on the treasury cash management portfolio, governs all the cash managed by the treasury, in which UNOPS and its Investment Advisory Committee clearly expressed the approach and requirements regarding foreign exchange options. Meanwhile annexes I, II, III and IV govern cash managed by external asset managers and custodians. The treasury, as executive trader, received in or paid out option premium from liquid cash managed by the treasury, and took gain or loss on the treasury's account. Therefore, the practice of foreign exchange options should fall in the scope of cash management and comply with the investment principles stipulated by UNOPS.

(iv) Deficiencies in internal control

117. The Board reviewed the internal control of derivatives transactions and noted the following deficiencies:

a. Lack of risk control

118. The Board noted that the same team executed both trading and risk control, and that the transaction serial numbers were not sequential in the treasury management system, which could lead to operational risks such as deletion of transaction records. The Board further identified one case that demonstrated the lack of segregation of duties, in which incorrect parameters of an option were input by UNOPS, but were ultimately detected by the risk control function of the counterparty.

119. Management explained that it was a bug in the treasury management system and said that the current system did not have the ability to provide competent risk control, such as recognizing complicated options and monitoring the risk exposure of options.

120. The Board is of the view that duty segregation, completed records and competent system capabilities are key points of risk control in options trading.

b. Absence of real time foreign exchange rate applied with the United Nations operational rate of exchange

121. The Board was informed that UNOPS applied the United Nations operational rate of exchange, which was updated twice a month and re-evaluated quarterly, as the accounting rate, as stipulated in the financial regulations and rules of UNOPS.

122. In practice, the market spot rate involved in options trading varies frequently and sometimes sharply in local currency. Due to the effects of scale and leverage, the trade of options is normally measured in basis points.

123. The Board is concerned that as a non-financial institution, it is difficult for UNOPS to evaluate the performance of options trades given the current frequency of updates to the United Nations operational rate of exchange.

c. Insufficient reporting to management

124. The Board reviewed the reports prepared for management and the Investment Advisory Committee, and noted that there was no content on risk exposure arising from options, the actual delta hedging status of the derivatives, risk control, or compliance with the investment principles.

125. The Board is concerned that management may not be able to follow the ongoing situation in respect of hedging through option derivatives.

126. **The Board recommends that UNOPS conduct a comprehensive review of the nature, strategy, internal control, and potential gains or losses of derivatives, to ensure that the use and disclosure of financial derivatives transactions by UNOPS comply with the IPSAS requirements.**

127. UNOPS accepted the recommendation.

Need for continued involvement and targeted efforts in recovery of funds from Sustainable Investments in Infrastructure and Innovation investments

128. The UNOPS operational directive on finance and asset management (OD.FG.2018.01) states that all UNOPS budgets are to be managed on the basis of full cost recovery, and linked to clear objectives.

129. In a previous report (A/76/5/Add.11, chap. II, paras. 33–59), the Board noted that, from 2018 to 2020, UNOPS had invested $58.80 million in seven projects under its Sustainable Investments in Infrastructure and Innovation initiative. In 2022, UNOPS had failed to recover the investment in the seven projects, and $58.8 million had been fully impaired.

130. During the period 2022–2023, the Executive Board had urged UNOPS several times to take all possible measures to recover the funds associated with the Sustainable Investments in Infrastructure and Innovation projects and ensure full accountability, including individual accountability, in accordance with the Staff Regulations and Rules of the United Nations. In 2022, the Office of Legal Affairs had been requested by the General Counsel of UNOPS to take over and provide legal support in connection with legal efforts to recover funds from the Sustainable Investments in Infrastructure and Innovation projects.

131. The Board was informed by UNOPS that, regarding the division of responsibilities, UNOPS was responsible for liaising with the Office of Legal Affairs in relation to the initial handover of documents, the subsequent review of documentation, following up requests for further information, and funding the costs associated with the fund recovery efforts. The Office of Legal Affairs was responsible for leading the efforts to recover the funds from the Sustainable Investments in Infrastructure and Innovation investments, and working closely with external counsel to assess possible avenues for recovery. In 2022, UNOPS incurred legal fees and related costs totalling $1.26 million in its efforts to recover funds from the Sustainable Investments in Infrastructure and Innovation investments.

132. In its financial outlook for 2023 (DP/OPS/2023/CRP.4), UNOPS proposed to the Executive Board a transfer of up to $35.4 million from the operational reserve into the 2023 budget to implement the comprehensive response plan. Of the total amount, $8 million was earmarked for the recovery of funds from the Sustainable Investments in Infrastructure and Innovation investments. Concerning the rationale

for the budget of $8 million, the Board was informed that the estimated cost of recovering the funds had been communicated verbally to UNOPS by the Office of Legal Affairs, based on the Office's extensive experience with fund recovery cases on behalf of the United Nations.

133. As of the end of 2023, the actual expenditure was $4.02 million, representing 50 per cent of the original budget, which mainly comprised the cost incurred for external counsel, specialized services, and Office of Legal Affairs staff. Furthermore, $4.37 million was budgeted for fund recovery in 2024, of which $1.05 million was expended by the end of April 2024. In summary, UNOPS has spent a total of $6.33 million and plans to allocate an additional $3.32 million in 2024 for fund recovery activities.

134. Meanwhile, the Board noted that the due date for the recovery of the funds had been further extended. In its comprehensive response plan (DP/OPS/2023/CRP.3), UNOPS reported that the due date was the end of 2023. However, in the comprehensive response plan dashboard, the due date has been extended to the end of 2024. According to the latest monthly report submitted by UNOPS to the Executive Board, efforts to recover the funds are ongoing and expected to continue into 2025.

135. Upon querying the latest progress regarding the recovery of the funds and the corresponding budget performance, the Board was informed that due to the privileged and highly confidential nature of the recovery process, and to avoid prejudicing ongoing fund recovery efforts, no further detail could be provided during the audit to show substantial progress in the recovery of the funds.

136. The Board noted that the timeline, performance indicator and objective of the fund recovery activities and the corresponding budget were not clear. Furthermore, the division of responsibilities between UNOPS and the Office of Legal Affairs did not clarify which entity would be accountable for the results related to fund recovery and how they would be held accountable.

137. Management stated that UNOPS assumed the primary responsibility for the recovery of funds and that the lines of responsibility between UNOPS and the Office of Legal Affairs were clear. UNOPS liaised with the Office of Legal Affairs, and the Office kept the General Counsel abreast of relevant developments and details in a transparent manner. The Executive Director and General Counsel of UNOPS received reports and updates from the Office of Legal Affairs about the progress as needed, and the General Counsel participated in joint meetings with the Office of Legal Affairs and external counsel as and when required.

138. Management said that the overall objective was to recover the highest amount of funds possible and that it was not meaningful to establish performance indicators for the associated process steps. The fund recovery efforts are expected to continue beyond 2024 owing to the protracted nature of legal proceedings.

139. The Board is of the view that the investments under the Sustainable Investments in Infrastructure and Innovation initiative remain the assets of UNOPS, despite full impairment. Although the Office of Legal Affairs is responsible for leading the efforts to recover the funds, UNOPS is still the primary responsible party for the fund recovery.

140. **The Board recommends that UNOPS maintain its involvement and continue targeted efforts in the recovery of funds from the Sustainable Investments in Infrastructure and Innovation investments in collaboration with the Office of Legal Affairs.**

141. UNOPS accepted the recommendation.

6. Project management

Delivery delays and underperformance in output quality of infrastructure projects, posing risk of financial losses and reputational impact

142. The UNOPS operational instruction on project management (OI.IPS.2022.04) states that all UNOPS engagements "shall meet the highest standards of principled performance for delivering projects with consistency and integrity and removing uncertainties through well-defined standards and best practices".

143. The UNOPS operational instruction on quality management (OI.IPS.2021.02) states that in order to effectively manage challenges and deliver on the UNOPS mission to help people to build better lives and countries to achieve peace and sustainable development, "UNOPS must enable project teams to operate efficiently, while fulfilling its commitment to quality and excellence".

144. The Board conducted an analysis of the execution of infrastructure projects and noted that as at 31 December 2023, UNOPS implemented 228 active infrastructure projects, with a contract value of $4.483 billion. Of the 228 active projects, 45 projects, with a contract value of $767 million, scheduled for delivery before 31 December 2023, as per contractual agreements, had not been delivered on time. The actual expenditure for the 45 projects totalled $622 million, with an average budget implementation rate of 81 per cent, which generally reflected the progress delay.

145. The Board reviewed the detailed information on the delayed projects and noted that 35 projects, with a contract value of $247 million, had been delayed by less than one year; 6 projects, with a contract value of $168 million, had been delayed by more than one year but less than three years; and 4 projects, with a contract value of $352 million, had been delayed by more than three years. The main reasons for the delays include deficiencies in design review and management of suppliers by UNOPS.

146. Management explained that the designer maintained the primary responsibility for the completeness and competency of the design, and a variation process of management allowed change in the time for completion and the cost of the work.

147. The Board also noted that UNOPS made provision in the amount of $17.33 million in the financial statements for the year ended 31 December 2023, of which a total of $12.66 million (73 per cent) was for infrastructure projects. Upon conducting case reviews of projects with significant provisions, the Board noted that because of underperformance in output quality, four projects faced risks of financial losses totalling $7.45 million and reputational impact. The details were as follows:

(i) Defects in management of design and construction for a dam project in Member State S

148. The original engagement agreement for the dam, with a contract value of $1.92 million, expired in June 2012, and was extended to November 2014. UNOPS was responsible for the design and construction. Due to technical defects in the design and insufficient supervision on the part of UNOPS, the dam was damaged by flooding in July 2014. After the destruction of the dam, UNOPS underestimated the project costs and the significant funding gap for repairing the dam, and has not taken substantive measures to repair the damaged dam. As a result, the project's humanitarian objectives could not be achieved. As of the end of 2023, UNOPS has made a provision for financial losses amounting to $2.5 million.

(ii) Deficiencies in management of design review and construction for a hospital project in Member State M

149. The hospital project commenced in September 2015 with a budget of $83 million and was delivered in July 2021. UNOPS was responsible for project initiation planning, design review, hospital construction and equipment procurement. Due to deficiencies in design review by UNOPS, certain design defects were not corrected before construction, including defects in the municipal drainage system. In addition, inadequate monitoring of construction quality by UNOPS during the construction process allowed the subcontractor to alter the altitude of the hospital without authorization, exacerbating the aforementioned defects in the municipal drainage system, leading to flooding during project implementation. The subcontractor incurred additional costs to rectify the design defects and subsequently filed litigation against UNOPS. Based on the amount awarded by the tribunal and the negotiations between the two parties, UNOPS made a provision of $1.95 million in litigation losses.

150. Furthermore, the Board noted that project expenditures exceeded the budget, and as of April 2024, UNOPS had not reached an agreement on compensating the partner for the budget overrun, posing further risks of financial losses.

(iii) Deficiencies in management of technical assistance and construction for a museum project in Member State P

151. The project commenced on 14 April 2015 with a budget of $145 million and was conditionally delivered in July 2021. UNOPS was responsible for technical assistance and construction. Due to oversights during the design review stage, deficiencies in the design of the building’s structure, fire detection system and building automation system were not identified, leading to safety risks to the building. The partner explicitly demanded rectification of these issues in the delivery report. In addition, UNOPS made some variations in the construction without the partner’s approval, and subsequently failed to obtain the partner’s consent. The above two reasons have put UNOPS at risk of a financial loss of $1.94 million.

152. Management explained that lack of clarity regarding the operational requirements of the building prevented UNOPS from completing the design, and that the deficiency was not driven by technical oversight.

(iv) Deficiencies in management of design for restructuring 10 dams in Member State Z

153. The project, with a contract value of $1.33 million, commenced on 21 April 2020 and was delivered on 31 January 2023. UNOPS was responsible for the design. Due to the underestimation by UNOPS of the complexity and cost of dam restructuring, as well as the lack of technical experts in the field, some tasks had to be outsourced to external agencies at a higher cost. This resulted in severe budget overruns, and the partner refused to compensate, resulting in a loss of $1.06 million for the project. Due to slow progress of the design work by UNOPS, the partner further terminated cooperation with UNOPS for the subsequent construction phase of the 10 dams.

154. The Board further noted that the 2022 UNOPS partner survey revealed a low satisfaction rate of 58 per cent in terms of perception of value for money, with dissatisfied respondents noting project timeliness and quality outputs as key issues.

155. The Board is of the view that delivering within the contractually required time and providing quality outputs is an obligation for UNOPS, and is also the path for UNOPS to achieve its goal of providing cost-effective project services. In addition, delivering on time and providing quality outputs is the most basic and fundamental

requirement of the partner; therefore, successful delivery could promote the realization of the project's objectives.

156. Considering that UNOPS, as a service provider for infrastructure, looks for ways to deliver quality results in a timely manner, and that the infrastructure projects undertaken by UNOPS involve essential and critical sectors such as livelihoods, public health and education, the Board is concerned that delayed delivery and underperformance in output quality could affect the attainment of partners' objectives and have a negative impact on the reputation of UNOPS.

157. **The Board recommends that UNOPS effectively manage infrastructure projects as per contract agreements to ensure monitoring of timelines and costs and timely action for issues raised.**

158. **The Board recommends that UNOPS strengthen training on infrastructure project management to enhance technical review and regular supervision of infrastructure projects.**

159. UNOPS accepted the recommendations.

Weaknesses in mandatory review by the Integrated Practice Advice and Support Unit and implementation and control of its recommendations

160. It is stated in paragraph 4.4 of the UNOPS operational instruction on acceptance of engagement agreements (OI.IPS.2020.01) that all engagements are subject to mandatory reviews by the Integrated Practice Advice and Support Unit's legal and finance teams and that all engagements with category 3 outputs shall be subject to mandatory review by the Unit's project management and infrastructure teams.

(i) Bypassing of mandatory review by the Integrated Practice Advice and Support Unit

161. The Board analysed a total of 15,150 Integrated Practice Advice and Support Unit mandatory review records for 8,258 engagement agreements signed between January 2020 and October 2023, and noted that 2,503 engagement agreements had not been reviewed by the Integrated Practice Advice and Support Unit. Of those, 6 engagements totalling $112.23 million were later made provisions or contingent liabilities of $4.43 million.

162. The Board also noted that 769 records for 396 engagements were post facto, with engagement agreements signed prior to review by the Integrated Practice Advice and Support Unit. Of the 769 post facto cases, 36 records for 15 engagements were marked as "not recommended", while 70 records for 41 engagements were marked as "recommended with reservation", although those recommendations were not able to be implemented during the engagement acceptance process since the agreements had already been signed. A further 32 review records clearly indicated that the legal agreements had been signed before being reviewed by the Unit. For post facto cases marked "not recommended", remedial measures recommended by the Unit were not implemented.

(ii) Inadequate tracking and accountability mechanism for implementation of the recommendations of the Integrated Practice Advice and Support Unit

163. Noting the above deficiencies, the Board did not observe the existence of a mature mechanism to follow up on the implementation of those recommendations or to ensure that any divergence from the recommendations was justified.

164. Management explained that the review recommendations of the Integrated Practice Advice and Support Unit were provided in an advisory capacity to support the decision-making of the relevant delegation of authority holder regarding

engagement acceptance. The relevant delegation of authority holder was responsible for ensuring that residual risks were mitigated and managed effectively.

165. The Board is of the view that the review by the Integrated Practice Advice and Support Unit plays a very important role in securing the best interests of UNOPS and helping UNOPS to build trust and create value with partners. Accountability is a central pillar of effective management that requires attention and strong commitment at all levels, and a mechanism for follow-up of recommendations is essential to move towards a strong culture of accountability throughout UNOPS, which will help to rebuild internal and external trust in UNOPS.

166. **The Board recommends that UNOPS avoid bypassing mandatory review by the Integrated Practice Advice and Support Unit and reinforce the tracking of residual risks identified during the review.**

167. UNOPS accepted the recommendation.

Deficiencies in monitoring and reporting on UNOPS contributions to the Sustainable Development Goals

168. The Secretary-General has noted that quality, accessible, timely and reliable disaggregated data will be needed to help with the measurement of progress and to ensure that no one is left behind. Such data are key to decision-making. These shifts must be supported by strengthened national institutions, greater accountability, effective regulatory frameworks and stronger digital infrastructure and data capacity.

169. The UNOPS strategic plan for the period 2022–2025 highlighted its commitment to expanding partners' implementation capacity across the Sustainable Development Goals and to responding to the needs of people in countries facing different challenges.

170. The Board noted that the contribution indicators adopted by UNOPS in its expanded results framework for the period 2022–2025 did not fully correspond to the focus of projects, and contributions to the Sustainable Development Goals were tracked by Goal rather than target, which had a negative impact on monitoring accuracy. It was also noted that the preparation of the composite indicator for reporting on the application of sustainable implementation approaches was not yet complete.

171. The Board further noted that the outputs set up and monitored for each engagement in the oneUNOPS system were for organizational management purposes, rather than corresponding to the outputs contained in the legal agreements. Therefore, the current information system in UNOPS could not provide strong support for the design and future implementation of country-level Sustainable Development Goals output reporting.

172. The Board was informed that UNOPS was undergoing a digital transformation and that the system would provide more support in the future.

173. While acknowledging the efforts made by UNOPS at the initial stage, the Board is of the view that swift actions are vitally important for commitment to the Sustainable Development Goals. The shifts and ambitions in the UNOPS strategic plan need to be supported by greater accountability, stronger digital infrastructure and data capacity.

174. **The Board recommends that UNOPS consider the project/programme focus as it develops and resources capacity for outcome-based reporting during the next indicator review, and finalize the country-level reporting indicators for its contribution goals.**

175. UNOPS accepted the recommendation.

Deficiency in management of peace and security projects by the UNOPS New York Portfolio Office

176. It is stated in paragraph 4.8.7 of the UNOPS Project Management Manual that value for money and quality-related aspects are key points in discussions with partners, as well as obvious indicators of effective project output.

177. Article 5.1.2 of the UNOPS management control guidelines for projects stipulates that "Monitoring the progress of project activities allows for the management and control of the schedule baseline. This process continues throughout the project to ensure that the timing of project activities is in line with the schedule."

178. The Board sampled and analysed documentation for 22 peace and security projects implemented by the New York Portfolios Office, including 16 active projects totalling $192 million, and 6 closed projects totalling $9.8 million, and identified the following issues:

(i) Some indicators and targets were not well designed

179. The Board noted that five indicators for two active projects were not relevant or applicable to the projects and were later deleted or under revision during the amendment process, which had a negative impact on the effectiveness of monitoring and reporting for projects. The measurable targets for 15 indicators were not included in the financial agreement for one project, so it was impossible to evaluate whether the results had been achieved. Furthermore, six indicators for four active projects were set without a clear baseline, which diminished the effectiveness of the indicators.

180. The Board was informed that certain vague indicators were required by the partner in a specific format, which was out of UNOPS control.

(ii) Progress and achievements not reported accurately against the targets set in financial agreements or amendments

181. The Board compared the reported achievements with the targets set in financial agreement or amendments, and noted that three targets for three projects were adjusted without official endorsement in financial agreements or amendments. For example, the output target for one project was set as "1,000 items and 100 per cent of items neutralized", while in the final report, the actual achievement was reported as "811 items have been rendered safe and destroyed during the reporting period", with a note stating that "The quantitative value in the target is indicative only". However, the Board did not see this note in the financial agreement and the interpretation by UNOPS was not officially endorsed by legal agreements.

(iii) Progress delayed and targets partially achieved

182. The Board reviewed the progress reports for 22 projects and found that of 207 targets planned for 16 active projects, 53 were delayed or off-track, equivalent to 26 per cent. Of 58 targets planned for five closed projects, 11 were partially achieved, equivalent to 19 per cent.

183. Management replied that in the logical framework set in financial agreements, assumptions were used to indicate risks that affected the achievement of targets.

184. The Board further noted that for the above-mentioned delayed or partially achieved targets, only five were provided with comments stating the impacts of assumptions on the achievement of targets. For others, sufficient justifications were not provided.

185. The Board is of the view that clear and comprehensive reporting against targets and indicators set forth in legal agreements are important for stakeholders to evaluate the achievement of projects that contribute to their strategic peace and security goals.

186. **The Board recommends that UNOPS, collaborating with partners, actively play its role in the design of peace and security projects and improve the quality of the indicators and targets set forth in legal agreements to comprehensively reflect actual progress and achievement of projects.**

187. UNOPS accepted the recommendation.

7. Procurement management

Inappropriate application of emergency procurement procedures in UNOPS

188. In clause 15.4 of the UNOPS procurement manual, it is stated that emergency procurement procedures allow UNOPS to use simplified processes to facilitate rapid response during an emergency situation without compromising compliance with UNOPS procurement principles. It is further stated in clause 15.4.1 that emergencies are defined as urgent situations in which there is clear evidence that an event has occurred which imminently threatens human lives or livelihoods, and where the event produces disruption in the life of a community on an exceptional scale.

189. During the period 2021–2023, UNOPS conducted procurement totalling $6,602 million, of which $1,836 million was procured using emergency procurement procedures, equivalent to 28 per cent. The most common category procured using emergency procurement procedures was engineering works, accounting for 24 per cent of the total value of emergency procurement procedures. Of 1,805 projects during the period 2021–2023, 435 involved emergency procurement procedures, with 171 projects exceeding 80 per cent of total procurement through emergency procurement procedures and 47 projects relying exclusively on emergency procurement procedures.

190. The Board reviewed an engagement initiated by the UNOPS Asia regional office in 2021 and noted that from 15 February 2021 to 30 June 2022, procurement totalling $3.27 million took place, of which 81 per cent ($2.82 million) was done through emergency procurement procedures in response to the coronavirus disease (COVID-19) pandemic. However, the purpose of the engagement was part of the ongoing daily work of the client, and the contents of the engagement were of very limited correlation to the response to the pandemic.

191. Management explained that the purpose of the engagement was to support the specific programme of the client, which was indeed initiated during the COVID-19 pandemic, with a specific emphasis on responding to maritime challenges heightened by the pandemic.

192. The Board is of the view that the aforementioned engagement and its procurement activities do not fall within the scope of emergency procurement procedures as stipulated in the procurement manual of UNOPS, as well as the intended purpose of responding to the COVID-19 pandemic.

193. The Board also conducted a case review of a project initiated by the UNOPS Austria multi-country office in October 2022 and noted that the objective of the project was to strengthen critical oncological diagnostic and care services in Member State U for populations in the capital regions. The project had a budget of $70.78 million, and emergency procurement procedures were utilized for the whole project, including office rental and procurement of office stationery, tables and chairs.

194. Management explained that the use of emergency procurement procedures was necessitated by the project's strategic urgency, complex equipment requirements,

specific market conditions, absence of reliable suppliers, suppliers' lack of procurement procedure knowledge, and demanding beneficiary specifications, all of which required flexibility and agility in procurement processes.

195. Considering that the urgency of the aforementioned project did not fully adhere to the relevant definitions outlined in the procurement manual, the Board is of the view that the justification for adopting emergency procurement procedures for the entire project was insufficient.

196. The Board is concerned that in situations where the project's strategic urgency and procurement rationale may not align, it is crucial to emphasize scrutiny to prevent the misuse of emergency procurement procedures for non-urgent procurement activities.

197. **The Board recommends that UNOPS ensure prudent application of emergency procurement procedures in future procurement activities.**

198. UNOPS accepted the recommendation and stated that UNOPS was taking action to review and update emergency procurement policies and procedures to enhance the emergency procurement process and ensure readiness to respond effectively to evolving operational needs and challenges.

8. Human resources management

Inadequacy of personnel performance evaluation

199. In paragraph 7.4 of the UNOPS operational instruction on the personnel management framework (OI.PCG.2023.01), it is stated that "Personnel shall have their performance assessed periodically in order to promote the most effective use of their expertise, to determine the quality of their outputs, to recognize their achievements, and to identify learning and development needs."

200. The Board reviewed the performance evaluation data for the previous three years in the personnel evaluation and performance review appraisal system, and noted that in 2021, 2022 and 2023, 2,350 personnel (48 per cent), 2,396 personnel (50 per cent) and 2,431 personnel (48 per cent), respectively, received ratings of "exceeded expectations" or "far exceeded expectations", while 47 personnel (1 per cent), 43 personnel (1 per cent) and 57 personnel (1 per cent), respectively, received ratings of "partly met expectations" or "unsatisfactory".

201. The Board conducted spot checks on personnel whose performance was rated as "exceeded expectations" and "far exceeded expectations", and noted that in 2023, two project managers who reported provisions for projects due to overspending and unreasonable expenses had received performance ratings of "exceeds expectations".

202. Management explained that UNOPS did not require managers to enforce the rating distribution in their teams and organizational units. Supervisors did not consistently consider the external circumstances that might impede individual performance.

203. The Board is of the view that performance assessment should adequately differentiate performance outcomes and fairly reflect the quality of individual outputs and achievements.

204. **The Board recommends that UNOPS take a proactive approach and supervision measures in overseeing performance management, to ensure the appropriateness of individual performance evaluation.**

205. UNOPS accepted the recommendation.

9. Information and communications technology

Deficiencies in management of computing devices

206. It is stated in paragraph 7.2 of the UNOPS operational directive on information technology and digital systems management (OD.ITG.2021.01) that the UNOPS Information Technology Group "strives to ensure the confidentiality, integrity and availability of UNOPS information assets, in alignment with UNOPS internal control frameworks, data classification and access policies".

207. During the period 2021–2023, UNOPS purchased 4,098 computing devices (desktops and laptops), with a total value of $2.89 million. Of those, 478 computing devices, with a total value of $583,303.37, were procured by UNOPS headquarters.

208. The Board noted that UNOPS did not have a centralized inventory of computing devices across the organization, while computing devices in regional and country offices were managed separately, resulting in limited visibility for headquarters regarding their management status.

209. The Board conducted a sample inspection of the computing devices at UNOPS headquarters and noted that 677 computing devices were currently registered, with a total value of $822,600. Of those 677 computing devices, 56 devices were in stock, 165 devices were awaiting disposal, and the remaining 456 devices were in use.

210. Upon inquiry, the Board was informed that relevant information, including asset custodianship, could not be traced in the oneUNOPS system. Details of the custodianship at headquarters and in regional and country offices were recorded manually (i.e. on paper), without a centralized, comprehensive database. During the period 2020–2023, UNOPS did not conduct any physical verification of computing devices. Of the 456 computing devices in use at headquarters, 116 devices, with a total value of $151,400, did not have a custodian.

211. The Board also reviewed the disposal process for computing devices and noted that UNOPS did not have a standard procedure for disposal. Computing devices at headquarters that were ready to be disposed of were stored centrally, not classified and awaiting processing, with the data on the devices remaining uncleared.

212. Management explained that guidelines for management of computing devices were currently being formulated. A physical verification was planned, and a professional company would be hired to dispose of the computing devices.

213. The Board is of the view that the lack of clear inventory management, inadequate policies and guidelines, and deficiencies in disposal procedures may result in inefficiencies, security risks and a lack of accountability in the management of computing devices.

214. **The Board recommends that UNOPS establish regulations or procedural guidelines on the management of computing devices and enhance the oversight of registration, disposal and data security at headquarters and in the regional and country offices, respectively.**

215. UNOPS accepted the recommendation.

C. Transmissions of information by management

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

216. Management informed the Board that, in 2023, it formally wrote off assets in the amount of $1,861,228, including overspending of $427,155 and client rejected expenditure of $547,585.

217. As at 31 December 2023, management had also reported provisions of $17.33 million for bad and doubtful debts.

2. Ex gratia payments

218. UNOPS informed the Board that an amount of $197,967.82 had been paid as an ex gratia payment during the year ended 31 December 2023.

3. Cases of fraud and presumptive fraud

219. 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.

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

221. UNOPS informed the Board that there were 62 substantiated fraud cases in 2023, up from 50 cases in 2022. That increase was due to the strengthening of reporting mechanisms. In addition, UNOPS informed the Board that 6 of those 62 cases had a monetary impact of $978,786 (2022: $971,293) on UNOPS, a 1 per cent increase in value compared with 2022.

D. Acknowledgement

222. 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*) **Hou** Kai
Auditor General of the People's Republic of China
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) Dorothy **Pérez Gutiérrez**
Comptroller General of the Republic of Chile

(*Signed*) Pierre **Moscovici**
First President of the French Cour des comptes

24 July 2024

Annex

Status of implementation of recommendations up to the financial year ended 31 December 2022

No.	Audit report year	Report reference	Board's recommendation	UNOPS response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
1.	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 automation of the UNOPS corporate financial statements has been completed in two phases. Phase 1 focused on automating the corporate financial statements ledger, resulting in streamlined preparation processes and reduced manual tasks. It also automated the generation of statements I and II. Phase 2 automated the remaining statements and key tables in note disclosures. This comprehensive effort allows for the automated generation of financial statements from oneUNOPS reports, enhancing operational efficiency and financial reporting reliability.	It is noted that UNOPS finalized the automation process for the corporate financial statements in two phases. This involved automating the primary tables within the financial statements ledger, as well as all statements and key tables within the note disclosures. Meanwhile, the automated generation of financial statements can now be produced directly from oneUNOPS reports. This recommendation is considered implemented.	X			
2.	2018	A/74/5/Add.11, chap. II, para. 174	The Board recommends that UNOPS automate preparation of financial statements to ensure the credibility of financial information. UNOPS also prioritize implementation of treasury management and inventory valuation and management in oneUNOPS.	The automation of the UNOPS corporate financial statements has been completed in two phases. Phase 1 focused on automating the corporate financial statements ledger, resulting in streamlined preparation processes and reduced manual tasks. It also automated the generation of statements I and II. Phase 2 automated the remaining statements and key tables in note disclosures. This comprehensive effort allows for the automated generation of financial statements from	It is noted that UNOPS finalized the automation process for the corporate financial statements in two phases. This involved automating the primary tables within the financial statements ledger, as well as all statements and key tables within the note disclosures. Meanwhile, the automated generation of financial statements can now be produced directly from oneUNOPS reports. 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
				oneUNOPS reports, enhancing operational efficiency and financial reporting reliability.					
3.	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 concluded, after carrying out an evaluation, that the current liquidated damages provisions remain effective. However, it decided to establish a task force to develop operational guidance on liquidated/delay damages provision in procurement. This operational guidance was approved by the Director of the Procurement Group and subsequently launched in November 2023.	It is noted that UNOPS has already finished the guidance document on liquidated damages. The recommendation is considered implemented.	X			
4.	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.	UNOPS has terminated the S3i initiative and is in the process of closing down the Helsinki office (previously known as the S3i office). As such, there is no ground for ongoing monitoring of the S3i investments.	Considering the termination of the S3i initiative, this recommendation is considered to have been overtaken by events.				X
5.	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.	Risk increment as a fee-setting element has been discontinued and will be reviewed once the strategic plan for the period 2026–2029 and the new budget estimates for the period 2026-2027 have been approved by the Executive Board and the organizational needs to implement that strategic plan have been determined. UNOPS therefore considers this recommendation closed.	Given that risk increment as a fee-setting element has been discontinued and will be reviewed once the strategic plan for the period 2026–2029 and the new budget estimates for the period 2026–2027 have been approved by the Executive Board and the organizational needs to implement that strategy have been determined, 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
6.	2021	A/77/5/Add.11, chap. II, para. 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 WATO and Ocean Generation projects, and establish a compliance and accountability mechanism to avoid the recurrence of such issues.	UNOPS has been implementing the recommendation. Some work has been undertaken, and work will continue in the course of 2024 to enhance compliance risk identification, assessment/ mitigation and reporting.	It is noted that in 2024, work will continue in enhancing compliance risk identification, assessment/mitigation and reporting. This recommendation is considered to be under implementation.		X		
7.	2021	A/77/5/Add.11, chap. II, para. 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.	Quarterly control effectiveness testing has continued for core processes (focusing on five key processes). New quarterly internal control reporting meetings were introduced in the first quarter of 2024 to discuss the outcomes and themes of the testing with the responsible process Director.	Given that quarterly control effectiveness testing has continued for the core processes (focusing on five key processes) and that new quarterly internal control reporting meetings were introduced in the first quarter of 2024 to discuss the outcomes and themes of the testing with the responsible process Director, this recommendation is considered implemented.	X			
8.	2021	A/77/5/Add.11, chap. II, para. 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.	UNOPS finds it not feasible to serve as a compliance department for its United Nations partners regarding human resources services matters in the short and mid-term. UNOPS plans to engage with the human resources directors of major United Nations partners, to propose that the existing memorandums of understanding governing service provision outline the specific rules each partner organization requires UNOPS to oversee when engaging	It is noted that a new framework memorandum of understanding has been signed. UNOPS needs to make more progress in reviewing and aligning its services with partners' applicable rules and memorandums of understanding on the management of individual contractors. This 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
				individual contractors. The new framework memorandum of understanding has been duly signed by UNOPS and the Secretariat.					
9.	2021	A/77/5/Add.11, chap. II, para. 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.	UNOPS has revised its standard operating procedure and established a mechanism to check data consistency between WASP and oneUNOPS project asset records. The mechanism is fully established and implemented by each field programme. The cross-checking and quality assurance of data is done on a periodic basis during each biannual asset verification process conducted in the oneUNOPS system.	It is noted that UNOPS has established a mechanism to check data consistency between WASP and oneUNOPS. This mechanism is enforced across all field programmes. Regular cross-checking and quality assurance occur during biannual asset verification processes conducted within the oneUNOPS project management system. This recommendation is considered implemented.	X			
10.	2021	A/77/5/Add.11, chap. II, para. 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.	UNOPS is collaborating with its counterparts in the United Nations Secretariat to expedite negotiations aimed at agreeing to a new memorandum of understanding. Taking into consideration the progress made to date as well as the complexity of the memorandum of understanding and related negotiations, every effort is being made to conclude the negotiations and have a final memorandum of understanding by the end of the second quarter of 2024 at the latest.	It is noted that the new memorandum of understanding was signed on 30 April 2024 and asset-related requirements (reporting and management) were introduced in the memorandum, as well as in the report template. 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
11.	2021	A/77/5/Add.11, chap. II, para. 147	The Board recommends that UNOPS strengthen the physical verification on Mine Action Service project assets.	UNOPS has revised its standard operating procedure and aligned it with the Mine Action Service standard operating procedure on asset management and disposal; amended its internal asset reporting template; implemented a biannual verification and reporting task tracking sheet; and created a physical verification template. UNOPS introduced a joint UNOPS/Mine Action Service monthly asset meeting. Training for all Mine Action Service offices has been conducted, guiding notes for individual processes have been shared, and the processes are fully implemented.	It is noted that physical verification and reporting of assets for the fourth quarter of 2023 has been fully implemented at country level. This recommendation is considered implemented.	X			
12.	2021	A/77/5/Add.11, chap. II, para. 206	The Board recommends that UNOPS list clearly in its rules the positions that entail "inherently UN activities" and must be filled by staff members to ensure that staff members remain the core human resources of the organization.	UNOPS indicates that in 2022, the People and Culture Group established a dedicated project team to ensure the appropriate usage of fixed term (staff) and individual contractors (individual contractor agreements) across the organization, aligning with the standards set forth in the comprehensive review of contract modalities across UNOPS. In 2023, vacancies for United Nations staff positions were advertised through recruitment websites, and a clear transition approach was implemented for converting individual contractor agreements, which takes the inherently United Nations functions to staff.	It is noted that the additional plan regarding fixed-term appointments was cancelled, which differentiated from the original plan. A further review of the staff position setting process will be done in the upcoming audit. This 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
				As of March 2024, UNOPS has completed 107 fixed-term appointment employee contracts. The conversion of an additional 60 fixed-term appointment posts targeted for 2024/2025 has been cancelled due to the net zero revenue targets set for the organization. Moving forward, the annual business planning process will be used to monitor contract usage across the organization.					
13.	2022	A/78/5/Add.11, chap. II, para. 26	The Board recommends that UNOPS review its budget- and price-setting practices and take measures to ensure that the cost-recovery/fee-setting algorithm is based on the needs of UNOPS in order to fund its management expenses for the budget period.	The UNOPS budget estimates for the biennium 2024–2025 (DP/OPS/2023/7) were approved by the Executive Board after review by the Advisory Committee on Administrative and Budgetary Questions in 2023. Section II outlines the full cost-recovery model, while annex II sets out the management fee-setting algorithm. As of October 2023, the revised fee-setting model has been implemented. All engagements created since then adhere to this model.	Considering that the UNOPS budget estimates for the biennium 2024–2025 align budgeting with pricing and outline the full cost-recovery model, including the management fee-setting algorithm, this recommendation is considered implemented.	X			
14.	2022	A/78/5/Add.11, chap. II, para. 35	The Board recommends that UNOPS conduct a thorough review of its revenue and make reasonable revenue forecasts to ensure the integrity of revenue estimates in the budget preparation process in accordance with its financial regulations and rules.	UNOPS has, in the budget estimates for the biennium 2024–2025 (DP/OPS/2023/7, para. 41), committed to presenting an approach that will integrate its finance income into its planning processes for the next budget estimates. UNOPS will seek to identify a solution at the earliest opportunity.	Given that UNOPS is still in the process of exploring methods to integrate financial income into the next budget estimation process, this 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
15.	2022	A/78/5/Add.11, chap. II, para. 47	The Board recommends that UNOPS adhere to the provisions of IPSAS 24 and assess the appropriateness of including write-offs and provisions in the budget to ensure budgeting accuracy and reliability.	The budget estimates for the biennium 2024–2025 (DP/OPS/2023/7) have been endorsed by the Executive Board. The resource plan (table 3) does not include budget allocations for provisions, liabilities, and contingencies, in contrast with the previous two fiscal years.	Given that UNOPS has made corresponding corrections to write-offs and provisions in the budget, this recommendation is considered implemented.	X			
16.	2022	A/78/5/Add.11, chap. II, para. 58	The Board recommends that UNOPS conduct a comprehensive assessment of the causes behind delays in internal investment projects and take measures to improve the budget performance.	The UNOPS Internal Investment Committee reviewed the root causes, as per the recommendation of the Board, and the Chief Financial Officer presented the findings to management in June 2023. Monthly monitoring by the Internal Investment Committee led to budget implementation rates ranging from 62 per cent to 94 per cent, with an average of 76 per cent. The 2024 budget approval does not include funds for internal investment projects, and therefore the process is currently not active.	It is noted that the Internal Investment Committee conducted a review of the root causes, and the Chief Financial Officer shared the results with management in June 2023. The full year implementation rate ranged from 62 per cent to 94 per cent, with an average of 76 per cent. This recommendation is considered implemented.	X			
17.	2022	A/78/5/Add.11, chap. II, para. 68	The Board recommends that UNOPS take all measures necessary within its remit to recover the funds associated with Sustainable Investments in Infrastructure and Innovation investment losses.	The Office of Legal Affairs leads fund recovery efforts for Sustainable Investments in Infrastructure and Innovation investments, collaborating with UNOPS on document handover, review and follow-up. External counsel assists the Office of Legal Affairs in exploring recovery options. UNOPS covers associated costs, and due to confidentiality, no further report is available to avoid prejudicing ongoing efforts.	It is noted that the recovery of funds associated with the Sustainable Investments in Infrastructure and Innovation investments is still ongoing. This 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
18.	2022	A/78/5/Add.11, chap. II, para. 80	The Board recommends UNOPS conduct a review to identify the root causes of the overrecovery of locally managed direct costs and regional managed direct costs at the project level and to integrate any learnings into its shared services management processes.	UNOPS has performed a root cause analysis of the top offices that have accumulated a surplus over the years.	Given that UNOPS has performed a root cause analysis of the top offices that have accumulated a surplus over the years, this recommendation is considered implemented.	X			
19.	2022	A/78/5/Add.11, chap. II, para. 81	The Board also recommends UNOPS establish a global budgeting and recovery approach of locally managed direct costs for client projects to keep the recovery at a reasonable level.	UNOPS has embarked on the cost recovery benchmarking review through a consultancy company. UNOPS has finalized the terms of reference and started the procurement process. Through this review, UNOPS will address all the recommendations of the Board concerning shared services, and plans to integrate the results in the next biennial budget estimate.	Given that the review is still in progress, this recommendation is considered to be under implementation.		X		
20.	2022	A/78/5/Add.11, chap. II, para. 93	The Board recommends that UNOPS conduct a thorough identification and assessment of the potential risks of the portfolios to ensure that risks are mitigated.	At a meeting of the Investment Advisory Committee on 22 March 2024, UNOPS completed the final in-depth review of the risks of the after-service health insurance portfolio, which completes the review of all UNOPS investment portfolios by the Investment Advisory Committee.	Given that UNOPS only recorded in the meeting minutes the impact of distributing excess reserves to the after-service health insurance investment portfolio, without providing a comprehensive review of the risk and performance of the existing investment portfolio, this recommendation is considered to be under implementation.		X		
21.	2022	A/78/5/Add.11, chap. II, para. 104	The Board recommends that UNOPS include a detailed reference to the treatment of interest collected on prepayments made by partners and a clear reference to	UNOPS has included a standard clause on interest as part of the engagement checklist so that it can be included in any legal agreements that are not	It is noted that UNOPS has included a standard clause on interest as part of the engagement checklist. This 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
			UNOPS investment principles in all legal agreements with partners, to ensure that partners are fully informed of the use by UNOPS of prepayments for investment.	predetermined by donors.					
22.	2022	A/78/5/Add.11, chap. II, para. 115	The Board recommends that UNOPS assess the procurement procedures of the asset manager selection process to ensure a robust management structure with clear reporting lines and a sufficient division of procurement duties.	The UNOPS Finance and Administration Group, Procurement Group and Risk and Compliance Group have drafted a new process for the selection of asset managers.	Given that UNOPS has drafted a new process for the selection of asset managers, this recommendation is considered implemented.	X			
23.	2022	A/78/5/Add.11, chap. II, para. 126	The Board recommends that UNOPS conduct a comprehensive review and analysis of the consolidated purchase of medicines and medical supplies, with a focus on identifying the causes of early termination, to improve project management.	The UNOPS Internal Audit and Investigations Group has completed the review of potential causes and contributing factors leading to the early termination of the PharmaMX project in 2023 (IAIG/13104), with the report issued in the fourth quarter of 2023 and shared with key stakeholders.	Given that the Internal Audit and Investigations Group has finalized the review of potential causes and contributing factors leading to the early termination of the PharmaMX project in 2023, this recommendation is considered implemented.	X			
24.	2022	A/78/5/Add.11, chap. II, para. 136	The Board recommends that UNOPS establish a centralized management mechanism for grant projects, including a digital system, to conduct effective monitoring at the organizational level.	As of March 2024, UNOPS has initiated system development with the Information Technology Group, focusing on prototyping. Their solution for the grant management system meets most requirements, but custom integration and further prototyping are needed for certain critical features. In addition, UNOPS joined the United Nations Partner Portal in November 2023 to streamline assessments and collaboration with implementing partners, with plans to integrate it into the	It is noted that UNOPS is currently working with an information technology consulting firm. This 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
				grant management system.					
25.	2022	A/78/5/Add.11, chap. II, para. 145	The Board recommends UNOPS develop guidelines to improve the timeliness, completeness and accuracy of grantee reporting and integrate it with the upcoming digitization system for more effective grantee reporting management.	UNOPS will release requirements for additional guidelines to strengthen routine monitoring of implementing partners in June 2024. Meanwhile, UNOPS is developing a prototype for a reporting module in the grant management system, which will enhance the capacity of UNOPS to monitor and report on the timeliness and quality of implementing partner reports.	It is noted that UNOPS is developing policies and updating the system. This recommendation is considered to be under implementation.		X		
26.	2022	A/78/5/Add.11, chap. II, para. 150	The Board recommends that UNOPS conduct a detailed analysis of the reasons for the write-offs and produce a report with recommendations as part of its continuous improvement and lessons learned management.	In line with another recommendation of the Board (A/78/5/Add.11, para. 145), the primary objective of the write-offs analysis report is to provide an overview of the root cause analysis conducted for write-offs that occurred during the 2021–2023 period. The report will provide action items to the organisation, support the learning journey and inform better decision-making to prevent the recurrence of similar situations.	It is noted that the write-offs analysis report has been developed, providing an overview of the root cause analysis conducted for write-offs that occurred during the 2021-2023 period. This recommendation is considered implemented.	X			
27.	2022	A/78/5/Add.11, chap. II, para. 157	The Board recommends that UNOPS take effective measures to appropriately record all financial reports to clients in the UNOPS financial reporting monitoring dashboard to ensure effective and timely internal oversight.	UNOPS submitted 57 per cent of financial client reports on time. It is anticipated that with advancements in process innovation, anticipated automation, and digitization, client reporting will improve. UNOPS has proposed developing a tool and collaborating with field offices to streamline processes and enhance efficiency and	Given that UNOPS submitted 57 per cent of financial client reports on time and the enhancement of financial client reporting remains in progress, this 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
				accuracy.					
28.	2022	A/78/5/Add.11, chap. II, para. 163	The Board recommends that UNOPS meet all the needs of the close-out to ensure all financial closure activities are implemented in a timely manner.	Significant progress has been made in project closure efforts. In 2023, out of 613 total projects, 94 per cent were successfully closed. Moreover, UNOPS demonstrated proactive management by closing 62 per cent of projects slated for closure in 2024 well ahead of schedule. In addition, UNOPS revised financial closure guidance to enable it to promptly close projects pending partner confirmation for over three months.	Given that of 613 total projects, 94 per cent were successfully closed in 2023, and that UNOPS demonstrated proactive management by closing 62 per cent of projects slated for closure in 2024 well ahead of schedule, and that UNOPS revised financial closure guidance, enabling it to promptly close projects pending partner confirmation for over three months, this recommendation is considered implemented.	X			
29.	2022	A/78/5/Add.11, chap. II, para. 171	The Board recommends that UNOPS prepare an overarching plan for the digital transformation programme, including a robust forecast of costs and a timetable.	The process innovation and digitalization programme has developed a comprehensive road map, which was approved by UNOPS senior management, that articulates the programme's scope, key performance indicators, approach to process improvement and digitalization, budget estimate, governance framework, change and risk management strategy and summary of progress to date.	Given that UNOPS has developed a comprehensive road map for the process innovation and digitalization programme, which includes various aspects and has been approved by senior management, this recommendation is considered implemented.	X			
30.	2022	A/78/5/Add.11, chap. II, para. 181	The Board recommends that UNOPS strengthen the approval process of pre-selection requests from United Nations funding sources and assess the feasibility of obtaining endorsement from their headquarters office so as to better implement the principle of mutual recognition of best practices in the United	UNOPS is currently working on enhancing the approval process of pre-selection requests from United Nations funding sources and assessing the feasibility of obtaining endorsement from their headquarters offices.	It is noted that UNOPS is working on enhancing the approval process of pre-selection requests from United Nations funding sources and assessing the feasibility of obtaining endorsement from their headquarters offices. This recommendation is considered to be under implementation.		X		

						Status after verification			
No.	*Audit report year*	*Report reference*	*Board's recommendation*	*UNOPS response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
			Nations development system.						
31.	2022	A/78/5/Add.11, chap. II, para. 187	The Board recommends that UNOPS continuously improve the functioning of the Internal Audit and Investigations Group and ensure its independence for improved risk management.	The Director of the Internal Audit and Investigations Group has proactively organized two closed meetings of the Executive Board, where confidential matters and the annual work plans have been discussed. This forum will be maintained. In addition, and on demand, the Director has one-on-one meetings with some Executive Board members.	It is noted that a number of governance changes have been made at UNOPS to ensure the independence of the Internal Audit and Investigations Group, which has the independent authority to report to the Executive Board on any matter it deems relevant. This recommendation is considered implemented.	X			
	Total number of recommendations				**31**	**18**	**12**	**–**	**1**
	Percentage of the total number of recommendations				**100**	**58**	**39**	**–**	**3**

Chapter III
Financial report for the year ended 31 December 2023

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 2023 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. It can continue to resource its organizational structures and other statutory requirements through the recovery of the indirect costs needed for the implementation of its restated strategic plan for the period 2022–2025, as endorsed by the Executive Board in its decision 2023/16 at the 2023 annual session.

2. The restated UNOPS strategic plan for the period 2022–2025 was requested by the Executive Board in its decisions 2022/24 and 2023/4. It was presented together with a fast-tracked midterm review requested by the Executive Board to provide situational analysis as a basis for rebuilding internal and external trust. The review and restated plan were part of the actions set out in the comprehensive response plan developed to address recommendations of third-party reviews pursuant to the failures of the social impact investing initiative initiated by the prior executive management of UNOPS.

3. As of the first quarter of 2024, the implementation of the comprehensive response plan has seen significant progress. Most actions are on track for implementation by the end of 2024.

4. At the 2024 annual session of the Executive Board, UNOPS will present its report on the implementation of the restated strategic plan for the period 2022–2025. The plan will emphasize continued commitment to enabling partners, helping people in need and supporting countries in their efforts to realize the ambitious targets of the 2030 Agenda for Sustainable Development. The report will be presented in accordance with the analytical approach requested by the Executive Board in decision 2022/13, including outcome-based reporting responding to the request by the Board for systematic analysis and reporting on contributions in decisions 2021/20 and 2023/16.

B. Highlights of results in 2023

5. UNOPS shares a mission to help people to build better lives and countries to 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 the implementation of flexible and modular project services, spanning infrastructure, procurement and project management, including human resources and financial management.

6. By the end of 2023, UNOPS employed 5,226 personnel implementing a portfolio of about 1,100 projects across more than 80 countries. In 2023, it expanded the implementation capacity of some 180 partners from the United Nations and beyond, providing project services amounting to $2.7 billion.

7. UNOPS procured about $1.6 billion of goods and services from more than 5,500 suppliers, managed over $510 million in grants for more than 2,300 implementing

partners and recruited 3,726 personnel to work for UNOPS and its partners. It signed more than $3 billion in agreements with partners, including 300 new engagements.

8. More than 23 million days of paid work for local people were created through UNOPS projects in 2023, primarily due to a major cash-for-work project in Afghanistan. Outputs completed on behalf of partners included work on 7 hospitals, 49 health clinics, 55 schools, 4 police stations and 187 kilometres of road.

Partners and project services

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 around $2.7 billion in 2023, with international financial institutions accounting for $605 million (23 per cent) and United Nations entities accounting for $555 million (21 per cent). Vertical funds and multi-partner initiatives followed with $515 million (19 per cent), donor countries with $409 million (15 per cent) and programme countries with $394 million (14 per cent).

11. UNOPS functional services are determined at the output level. In 2023, expenses associated with functional services were mainly procurement at $945 million (35 per cent) and infrastructure at $576 million (21 per cent). Financial management services accounted for $516 million (19 per cent), with project management and human resources services accounting for the remaining part.

Financial performance and results

12. The financial performance of UNOPS in 2023 can be summarized as follows:

(a) UNOPS decreased the value of the net services delivered to $2.7 billion. The amount comprised $1.1 billion in respect of projects delivered on behalf of UNOPS and $1.6 billion in respect of projects delivered on behalf of other organizations;

(b) The net surplus for the year was $41.3 million, which includes a deficit from operations of $21.8 million and a net finance gain of $63.1 million. The deficit from operations includes expenses related to the implementation of the comprehensive response plan;

(c) The net assets at year end stood at $293.8 million. This figure takes into account the impact of actuarial gains on post-employment benefits amounting to $43.3 million recognized in the statement of changes in net assets. Net assets are further described later in the present report.

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

13. 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 2023 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.

14. 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.

15. In 2023, the total expenses of UNOPS amounted to $2.8 billion, comprising the implementation of project services on behalf of its partners and costs for UNOPS institutional support at the country, regional and headquarters levels. This reflects the total volume of resources handled by UNOPS during the period and represents a decrease compared with 2022, in which total expenses of $3.6 billion were recorded.

16. In 2023, total revenue as reported in the statement of financial performance, which represents the actual income attributable to UNOPS, amounted to $1.21 billion, a decrease of 0.6 per cent compared with 2022 ($1.22 billion). The decrease is due mainly to changes in the composition of delivery volume on principal project expenditure.

17. 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.

18. The difference between gross delivery and IPSAS revenue figures consists of $1.6 billion 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).

19. After deducting annual expenses and long-term employee liabilities charges, the net surplus for 2023 was $41.3 million, compared with the net deficit for 2022 of $28.8 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)	445.3	2.9	448.2
Procurement	107.4	713.2	820.6
Financial management	103.3	574.5	677.8
Human resources administration	27.3	258.7	286.0
Other project management	532.8	40.6	573.4
Miscellaneous revenue	0.9	–	0.9
Non-exchange revenue	–	–	–
Total revenue	**1 217.0**	**1 589.9**	**2 806.9**
Expenses			
Construction contracts (infrastructure)	(426.1)	(2.9)	(429.0)
Procurement	(75.7)	(713.2)	(788.9)
Financial management	(84.4)	(574.5)	(658.9)
Human resources administration	(15.4)	(258.7)	(274.1)
Other project management	(500.8)	(40.6)	(541.4)
Total project expenses	**(1 102.4)**	**(1 589.9)**	**(2 692.3)**
Less: UNOPS administrative costs	(136.4)	–	(136.4)
Total expenses	**(1 238.8)**	**(1 589.9)**	**(2 828.7)**
Surplus from services	(21.8)	–	(21.8)
Add: net financial income	63.1	–	63.1
UNOPS 2023 surplus	**41.3**	**–**	**41.3**

Assets and liabilities

20. 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 2023

21. As at 31 December 2023, the liability to fund after-service health care and end-of-service benefits for qualifying staff members stood at $84.8 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.

22. As at 31 December 2023, UNOPS had assets of $3.8 billion, which more than covered liabilities of $3.5 billion, leaving net assets of $293.8 million.

23. The most significant assets were short-term investments, which amounted to $2.5 billion at the end of 2023, compared with $2.1 billion at the end of 2022.

24. Approximately 82 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

25. As at 31 December 2023, after an allowance had been made for all known liabilities, the net assets held by UNOPS stood at $293.8 million. A $43.3 million actuarial gain pertaining to the valuation of employee benefits at year end was recognized and has had an impact on the total reserves.

26. 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 $165.3 million in minimum operational reserves as at 31 December 2023. 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.

27. In February 2022, the UNOPS Executive Board established the Sustainable Investments in Infrastructure and Innovation reserve. Subsequently in June 2022, the Board requested UNOPS to freeze all further Sustainable Investments in Infrastructure and Innovation-related investment not already contractually committed by UNOPS. As at that date, the total committed Sustainable Investments in Infrastructure and Innovation investments amounted to $63.0 million.

28. In its decision 2023/22, the Executive Board approved the release of committed Sustainable Investments in Infrastructure and Innovation initiative funds to the UNOPS operational reserve. Consequently, the total committed Sustainable Investments in Infrastructure and Innovation investments, which amounted to $63.0 million in 2022, were released into the operational reserves in 2023.

29. In its decision 2023/4, the Executive Board requested that UNOPS distribute without delay its excess reserves accumulated as at 31 December 2021, minus $35.4 million, to each paying entity, including those of the United Nations system, based on the management fees generated from each paying entity as a proportional share of total management fees received by UNOPS from 1 January 2018 through 31 December 2021 (four calendar years). UNOPS has implemented this decision. The effect is visible in the reduction of UNOPS net assets of $123.8 million for approved distribution to UNOPS donors. With regard to its net assets, apart from the minimum operational reserves of $165.3 million, UNOPS is also reporting other operational reserves of $84.9 million for 2023. This includes the impact of the adoption of IPSAS 41: Financial instruments, on UNOPS net assets, which is disclosed in paragraphs 113 and 114 of the notes to the financial statements; these are unrealized results and as such are non-distributable. In line with the methodology adopted by the Executive Board in paragraph 17 of its decision 2023/22, this means that at the end of 2023, UNOPS has no liquid excess reserves that can be considered for refund.

Liquidity

30. The statement of cash flows shows that cash and cash equivalents held by UNOPS increased by $98.0 million during 2023. UNOPS continues to retain a strong working capital position.

Budget outcome

31. IPSAS requires the preparation of a statement of comparison of budget and actual amounts. The statement reports actual revenue and expenses against the Executive Board-approved management budget covering UNOPS administrative costs for the biennium 2022–2023.

32. For 2023, the overall budgetary outcome was negative, with UNOPS reaching a net revenue of -$3.3 million on a budget basis from its delivery of services, driven by a shortfall in revenue. The UNOPS revenue from management fees, reimbursable services and advisory income totalled $115.1 million in 2023, compared with $124.2 million in 2022, 8 per cent below the final budget of $125.1 million. In 2023, the Executive Board released $11.8 million from the reserves towards the implementation of the comprehensive response plan, and the total expense against this first tranche of the maximum total of $35.4 million amounted to $8.7 million as reported in the 2023 financial statements under the statement of comparison of budget and actual amounts (statement V). The remaining balance of $26.7 million will be covered by the administrative budget in the subsequent related years.

C. People excellence

33. At the end of 2023, UNOPS personnel totalled 5,226, down from 5,309 in 2022. In addition to UNOPS personnel, contracts were administered on behalf of a range of partners. At the end of 2023, the number of staff and contracts on UNOPS contracts stood at 13,223, an increase from 12,927 in 2022 (see table III.2).

Table III.2
Number of personnel, by category, as at 31 December 2023

Contract modality	*Staff*	*Contractors*	*Total*
UNOPS personnel	659[a]	4 567	5 226
Partner personnel	25	7 972	7 997
Combined personnel	**684**	**12 539**	**13 223**

[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

34. In 2023, UNOPS took a more dynamic approach to engagement surveys, as part of the response plan to address the findings of the reviews of the multinational audit firm KPMG in 2022, and conducted shorter and more frequent pulse surveys on key thematic areas, using the same methodology as before by way of the contracted external provider. The 2023 pulse surveys were designed to "take the pulse" of personnel by seeking feedback on crucial themes such as communication, empowerment, engagement, ethics and leadership. In addition to familiar questions from previous surveys, UNOPS asked personnel to share their ideas for a progressive and positive UNOPS culture. In this way, UNOPS empowered personnel to share their vision, aspirations and thoughts, contributing to the future UNOPS culture. UNOPS will continue the personnel pulse survey programme in 2024, with a focused approach on the new organizational cultural transformation elements.

35. In 2023, UNOPS continued its commitment to advancing diversity, equity and inclusion through the implementation of its strategy for the period 2022–2025 on

gender, diversity and inclusion in the workforce, launched in 2022. The organization is actively working towards creating a more inclusive and diverse environment by enhancing its culture, leadership, policies and processes. In late 2022, UNOPS embarked on a process to initiate the restructuring of its advisory panel on gender, diversity and inclusion, which was met with a delay in 2023. The restructuring process of the advisory panel was therefore not finalized. No meetings of the advisory panel were held in 2023 and this may have led to some setbacks in the implementation of activities projected in the action plan on diversity, equity and inclusion. UNOPS hopes to reinstate the advisory panel in 2024 or to consider adding an alternate senior-level mechanism.

36. In 2023, the reporting lines for the Diversity, Equity and Inclusion Unit were changed. The Unit is now incorporated into the Culture and Engagement Team of the People and Culture Group, and directly reports to the Director of the People and Culture Group, thereby increasing the visibility and accountability of this field of work.

37. UNOPS has strengthened its efforts in disability inclusion by establishing a centralized corporate fund for reasonable accommodation to support colleagues and candidates with disabilities. UNOPS is currently developing the accompanying reasonable accommodation guidelines for the workplace.

38. In 2023, UNOPS maintained its efforts to ensure equal representation of diverse groups. Among other initiatives, senior leaders in UNOPS committed to a recruitment target for women of 60 per cent to achieve gender parity across all business units, regions and levels. This, together with the continued implementation of the special temporary gender parity measures to accelerate the progress towards gender parity in business units that have not yet met parity, has allowed UNOPS to continue sustaining overall gender parity in the workplace. Efforts will continue until the organization meets its goals. Regular performance management training also emphasizes the role of UNOPS leaders in fostering a culture of high performance and feedback and promoting an enabling and inclusive work environment. In 2023, $253,000 was approved (for 2024) for the continued implementation of diversity, equity and inclusion activities as well as an accompanying $150,000 for efforts to provide reasonable accommodations for people with disabilities.

39. UNOPS also introduced an additional employee resource group for youth in the organization. Employee resource groups are spaces where personnel who share similar identities or experiences can come together as a community, and advocate to the organization in relation to the identity-related barriers they face. The employee resource group for youth is therefore a space where young professionals can meet with peers and talk about their shared experiences.

40. In 2023, UNOPS ensured the inclusion of self-identification questions in engagement surveys and analysed engagement along identity groups (e.g. age, gender, disability, race, sexual orientation, etc.). The surveys themselves are only a starting point; the critical next steps are to address the areas of priority using global and local action planning processes.

41. In countries where UNOPS maintains physical offices, 80 members of senior management were nationals of the relevant country, representing 13 per cent of the total number of 640 UNOPS personnel at the senior management level. In 2023, 105 of 640 senior managers were nationals of the duty station country, representing 16 per cent of the total number (“senior management” is defined as personnel employed at grade ICS-11 and above). At the end of 2023, more than 2,575 UNOPS personnel were based at hardship duty stations (locations rated “B” to “E” on the International Civil Service Commission hardship scale).

42. Overall, in 2023, 5,033 personnel benefited from learning opportunities at UNOPS and invested 114,060 hours in learning activities. This represents an increase of 32 per cent in the total learning hours versus the previous year. In addition, the average hours invested in learning per person increased from 19 in 2022 to 23 in 2023. Some 94 per cent of learning remained virtual. However, in local contexts, face-to-face training reached over 1,000 participants, highlighting the importance of physical presence. This increase is the result of the launch of new programmes and learning initiatives, and of enabling learning in regional locations by decentralizing part of the total learning budget envelope. One of the main highlights of 2023 was the significant increase in participation of colleagues in various learning initiatives. In 2023, 591 UNOPS personnel participated in leadership development programmes (up from 58 in 2022). In addition, UNOPS continued to strengthen the connection between UNOPS and the United Nations system through partnership with the United Nations System Staff College. A total of 2,134 courses were completed on the Blue Line platform and 198 senior leaders participated in the Sustainable Development Goal leadership programme. In addition, over 1,300 colleagues were actively learning and/ or improving a new language with instructor-led language training. Procurement, well-being and ethics training, both virtually and in-person, were among the most attended courses across the organization.

43. In 2023, the learning budget increased from $3.4 million in 2022 to $4.0 million in 2023. This increase is the result of a three-year learning investment strategy that was approved in 2022. Of the total budget envelope, 77.5 percent was spent on a range of global and strategic learning priorities, including UNOPS core operations (infrastructure, project management and procurement), administration and support topics, people and leadership topics and learning technologies and tools. In addition, 22.5 percent of the total budget envelope was spent on initiatives that responded to the learning needs identified in the regions and country offices.

44. In 2023, UNOPS embarked on a journey of cultural transformation to reinforce the alignment of the organization's culture with United Nations values and ensure its resilience for the future. An organizational culture review identified five key areas for improvement that the leadership has committed to work on in 2024. Through its commitment to invest in people, change the tone from the top, create a future-proof culture and enhance transparent communication, UNOPS is on a mission to review and adapt human resources policies and processes and enhance accountability. The goal is to reinforce expected behaviours from leaders at all levels and simplify operations by placing decision-making authority and accountability closer to where decisions are implemented.

45. In parallel, UNOPS established a new Organizational Culture and Engagement Team within the People and Culture Group to spearhead dedicated efforts on strengthening its protection from sexual exploitation, abuse and sexual harassment role; victim support; and diversity, equity and inclusion and well-being initiatives. Moreover, ongoing recruitment efforts are under way for a new Head of Organizational Culture and Engagement, further underlining the organization's commitment to building the desired culture within UNOPS and having a dedicated leader focused on driving positive cultural change.

46. Through its senior leaders induction programme, UNOPS equipped newly hired senior leaders in head-of-office roles to understand the organization's value proposition and culture and to better represent UNOPS and achieve impact in their roles. In addition, UNOPS continued its efforts to strengthen an organizational culture fully aligned with the United Nations system by providing access to all personnel to the Blue Line platform, which includes hundreds of e-learning courses that expand and reinforce knowledge of core United Nations values, leadership and management concepts. Furthermore, 198 personnel participated in the Sustainable Development

Goal leadership programme, which equips leaders to lead with purpose and high impact and achieve the goals of the 2030 Agenda.

47. UNOPS has committed to following and supporting the United Nations System Mental Health and Well-being Strategy for 2024 and beyond, which was launched within the organization in March 2024, by prioritizing the mental health and well-being of all personnel and creating a culture of care where no one is left behind. To promote and protect the mental health and well-being of its personnel, UNOPS continues to make available psychosocial support and stress management to all personnel through its external psychosocial counselling service provider for crisis counselling and counsellors from the regional Critical Incident Stress Management Unit of the Secretariat, whenever present on the ground.

48. Prevention requires an organizational approach to assessing and mitigating psychosocial risks. Actions can be taken to account for workplace factors that can lead to poor mental health. In 2023, the UNOPS People and Culture Group partnered with the Health, Safety, Social and Environmental Management Department to regularly hold global webinars on psychosocial hazards, including mental health promotion and mitigation strategies. The global webinars are part of a series of targeted webinars on mental health and well-being literacy which include topics such as preparation for deployment, dealing with potentially traumatic events and, in the future, coping strategies, psychosocial first aid, depression and anxiety. The webinars are directed at all personnel and are intended to create awareness regarding psychosocial hazards in the workplace (any aspects of the work environment that can cause psychological harm), and of prevention strategies that can be proactively put in place to continuously look after one's mental health.

49. In February 2023, UNOPS held two pilot sessions for UNOPS supervisors on the topic "Supporting your own mental health and that of others in the workplace". The training sessions aimed at equipping UNOPS supervisors at any level with the tools and knowledge to spot signs of poor mental health, initiate effective conversations on well-being in a team, practice self-care as a leader and refer team members to the well-being resources available in UNOPS. The training sessions have reached 586 personnel with a supervisory role. Targeted sessions were held specifically for regional offices, upon request.

50. In addition, since 2020, UNOPS has been partnering with Peace on Purpose, an initiative of the United Nations Foundation, to offer well-being programmes to its personnel (exploration series and champions programmes are offered twice a year). The programmes teach personnel the skills to focus attention, calm stress, communicate skilfully, prevent burnout and build resilience.

51. Furthermore, to contribute to a healthy workplace culture and to address the mental health needs of United Nations personnel across the United Nations system, as well as improve organizational capacities in this regard, as of 2023 UNOPS is an active member of the Mental Health and Well-being Strategy Implementation Board.

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

52. Achievements during 2023 included:

(a) Following its establishment in 2019, the UNOPS Client Board convened for its fifth annual meeting in March 2023. The purpose of the Client Board is to serve as an advisory body to the UNOPS Executive Director, providing a forum for the deepening of focused collaborative strategic partnerships;

(b) In its decision 2022/24, the UNOPS Executive Board requested a comprehensive response plan that included the recommendations of the two KPMG reviews. This was operationalized in a comprehensive response plan that included a timeline for implementation, organizational ownership and a publicly accessible online monitoring platform where progress can be monitored in near real time. Of the 43 recommendations received from KPMG, 33 have been completed, 2 are not operationalized, as they are outdated, and 1 will be led by the Office of Legal Affairs. Of the outstanding recommendations, six will be completed by the end of 2024 and one will continue until 2027;

(c) In 2023, UNOPS enhanced its health and safety risk assessment and incident management processes through the use of a digitized health and safety management system. Improvements noted included enhanced data accuracy, improved response times when addressing identified hazards and better engagement of line management. Furthermore, UNOPS also enhanced its external e-learning platform by incorporating specially curated courses aimed at addressing UNOPS fatal risk standards. This initiative in capacity-building led to the training of 1,630 contractors;

(d) Several steps were taken to increase business capabilities in UNOPS. Following the approval by the Executive Board of the allocation of funds, UNOPS initiated a process innovation and digitalization programme aimed at strengthening the organization's delivery for partners and beneficiaries through the optimization of UNOPS processes and by adopting the most appropriate digital systems. One notable milestone achieved through the programme was the development of a digital platform to match emergency support needs with available personnel on the Salesforce platform. This pioneering application enables the rapid mobilization and deployment of highly skilled personnel and specialized experts, particularly in exigent situations, thereby facilitating mandate delivery during crises and urgent requests for support. Moreover, UNOPS successfully launched the partnership management system pilot, the first phase of its integrated partnerships and project development platform. The partnership management system is designed to enhance partner relationship management, thereby augmenting efficiency, consistency and partner satisfaction. In its pursuit of operational excellence, UNOPS leveraged the MuleSoft platform to seamlessly integrate data across systems, reducing data entry efforts and enhancing data accuracy. This integration benefits both the organization's internal processes and also facilitates the integration of external parties, including hosted entities, into UNOPS systems. Finally, UNOPS implemented the means for a systematic recording of Sustainable Development Goals for all engagements and projects, ensuring that colleagues across the organization have access to crucial information for analysing and understanding its contributions, thereby facilitating impactful decision-making;

(e) By the end of 2023, the implementation rate of internal audit recommendations stood at 95 per cent, compared with 98 percent as at 31 December 2022. There was one long-outstanding audit recommendation issued more than 18 months before 31 December 2022 (on or before 30 June 2021), which was the same long-outstanding audit recommendation as of the end of 2022. Details of UNOPS audit and investigations findings in 2023 are available in a dedicated report (DP/OPS/2024/4).

E. System of internal controls and its effectiveness

53. The Executive Director is responsible and accountable to the Executive Board for establishing and maintaining an effective system of internal controls. This conforms to and complies with the regulations and rules of the United Nations and UNOPS.

Main elements of the system of internal controls

54. The main elements of the UNOPS internal control system are policies, procedures, standards and activities designed to provide reasonable assurance that operations are conducted in an economical, efficient and effective manner. They include the documentation of processes, instructions and guidance and operational directives promulgated by the Executive Director or his/her delegates; delegation of authority assignments with system-enabled approval workflows aligned with the organizational structure; the system of personnel performance management; key controls throughout the UNOPS value chain to address key risks to core processes; and the monitoring and communication of results by both management and the Executive Board.

55. UNOPS has continued to focus on further strengthening the system of internal controls throughout the financial year. This has led to:

(a) Implementation of quarterly core control testing to evaluate control design and operational effectiveness. The report is shared with the core process owners for continued improvement;

(b) Continued strengthening of the delegation of authority and accountability framework;

(c) Annual senior leadership self-assessment on the effectiveness of the system of internal controls and the implementation of its key principles;

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

56. 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 (e.g. risk categories and risk evaluation scale). 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 informed decision-making and 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 plans 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

57. 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 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. UNOPS 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 Director

of the Ethics Office 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 management team and external reviews by independent third parties 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 significant issues were being monitored and addressed by the policy owners.

58. 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. UNOPS continues to operationalize the internal control framework across its five core processes and will align with the recommendations in the Joint Inspection Unit's review of the accountability frameworks in the United Nations system organizations (JIU/REP/2023/3).

F. Looking ahead

Restated strategic plan, 2022–2025

59. In accordance with the request of the Executive Board, UNOPS presented its restated strategic plan for the period 2022–2025 at the 2023 annual session. The plan reoriented UNOPS towards pursuing its original mandate, by setting direction for the organization to perform the implementation role as set out in General Assembly resolution 65/176. In that resolution, the Assembly reaffirmed the role of UNOPS as a central resource for the United Nations system in procurement and contracts management, as well as in civil works and physical infrastructure development, including the related capacity development activities. It also recognized the potential for value-added contributions through the provision of efficient, cost-effective services to partners in the areas of project management, human resources, financial management and common/shared services.

60. The restated strategic plan emphasizes the collaborative advantage of UNOPS to expand partners' implementation capacity to help people in need and support countries in accelerating the achievement of the Sustainable Development Goals. UNOPS can be a resource that expands implementation capacity for all the Goals and the capacity of partners working across peace and security, humanitarian and development efforts. Owing to its self-financing and demand-driven operating model, the UNOPS substantive focus and country presence is a factor in partner demand and its ability to respond.

61. The restated strategic plan was accompanied by an expanded results framework, with a focus on impact, and indicators for contributions and management results. Three contribution goals provide operational focus to reinforce impact ambitions:

(a) Enable partners through cost-effective project services;

(b) Help people in need through sustainable implementation;

(c) Support countries in accelerating the achievement of the Sustainable Development Goals.

62. Four management goals reinforce the realization of the contribution goals, including the closed-loop implementation of the forward-looking recommendations

of the independent third-party reviews. The goals focus on: (a) people culture; (b) partner trust; (c) process excellence; and (d) financial stewardship.

63. In addition, through activities focused on the expanded results framework, the organization will, in implementing the strategic plan, pursue four main areas of strategic improvement:

(a) Reinforce management structures and capacities;

(b) Rebuild trust and organizational culture;

(c) Implement a digital transformation programme;

(d) Apply transparent cost-recovery for net-zero revenue.

United Nations Office for Project Services financial viability

64. UNOPS has assessed its capability and resilience to continue to operate at its current level of activity, and is committed to net-zero revenue. Accordingly, the 2023 financial statements have been prepared on a going-concern basis.

65. In its decision 2023/22, the Executive Board approved the net-zero revenue target for the biennium 2024–2025. The Executive Board endorsed the approach for setting indirect cost-recovery rates based on required revenue needs and underlined the need for full cost recovery to fully fund the investments needed to restore the operational and organizational capacity of UNOPS.

Chapter IV

Financial statements for the year ended 31 December 2023

United Nations Office for Project Services

I. Statement of financial position as at 31 December 2023

(Thousands of United States dollars)

	Reference	*31 December 2023*	*31 December 2022*
Assets			
Non-current assets			
Property, plant and equipment	Note 6	17 629	18 393
Intangible assets	Note 7	4 672	5 299
Long-term investments	Note 10	187 464	806 387
Other financial assets	Note 11	–	–
Total non-current assets		**209 765**	**830 079**
Current assets			
Inventories	Note 8	9 811	11 723
Other assets	Note 12	1 247	5 340
Accounts receivable	Note 13		
Project accounts receivable		94 786	69 519
Prepayments		47 028	14 893
Other accounts receivable		213 984	61 386
Short-term investments	Note 10	2 516 861	2 079 129
Cash and cash equivalents	Note 14	702 587	604 609
Total current assets		**3 586 304**	**2 846 599**
Total assets		**3 796 069**	**3 676 678**
Liabilities			
Non-current liabilities			
Employee benefits, long-term	Note 15	84 902	75 186
Provisions	Note 23	172	2 178
Total non-current liabilities		**85 074**	**77 364**
Current liabilities			
Employee benefits, short-term	Note 15	37 463	35 955
Accounts payable and accruals	Note 16	563 607	453 888
Project cash advances received	Note 17		
Deferred revenue		1 805 022	1 311 308
Cash held on agency projects		995 020	1 441 813
Other liabilities	Note 18	7 787	20 708
Provisions	Note 23	8 286	11 605
Total current liabilities		**3 417 185**	**3 275 277**
Total liabilities		**3 502 259**	**3 352 641**
Net assets/equity		**293 810**	**324 037**

United Nations Office for Project Services

I. Statement of financial position as at 31 December 2023 (continued)

(Thousands of United States dollars)

	Reference	*31 December 2023*	*31 December 2022*
Net assets/equity			
After-service health insurance reserve	Note 19		
Actuarial gains/(losses)		43 259	48 897
Changes in fair value of after-service health insurance financial assets recognized in net assets/equity		(3 345)	–
Other after-service health insurance investment returns recognized in surplus/deficit		228	–
Post-employment funding gap		3 413	–
Changes in fair value of non-after-service health insurance financial assets	Note 19	–	(57 083)
Operational reserves	Note 19		
Minimum operational reserve		165 319	147 252
Other operational reserves		84 936	121 924
Sustainable Investment in Infrastructure and Innovation reserve		–	63 047
Accumulated surpluses	Note 19	–	–
Total net assets/equity		**293 810**	**324 037**
Total liabilities and net assets/equity		**3 796 069**	**3 676 678**

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

United Nations Office for Project Services

II. Statement of financial performance for the year ended 31 December 2023

(Thousands of United States dollars)

	Reference	*31 December 2023*	*31 December 2022*
Revenue			
Revenue from project activities	Note 20	1 216 013	1 221 541
Miscellaneous revenue		949	2 883
Non-exchange revenue	Note 20	–	–
Total revenue		**1 216 962**	**1 224 424**
Expenses			
Contractual services	Note 20	450 504	366 509
Other personnel costs – other personnel	Note 21	343 883	321 146
Salaries and employee benefits – staff	Note 21	130 770	121 940
Operational costs	Note 20	127 366	118 441
Supplies and consumables		135 524	222 658
Travel		47 033	34 996
Other expenses	Note 20	(1 388)	32 620
Depreciation on property, plant and equipment	Note 6	3 596	3 474
Amortization of intangible assets	Note 7	1 475	1 091
Total expenses		**1 238 763**	**1 222 875**
Surplus/(deficit) from operations		**(21 801)**	**1 549**
Finance income	Note 22	63 672	(54 808)
Exchange rate gain/(loss)	Note 22	(546)	24 479
Net finance income/(expense)		**63 126**	**(30 329)**
Surplus/(deficit) for the period		**41 325**	**(28 780)**

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

United Nations Office for Project Services

III. Statement of changes in net assets/equity for the year ended 31 December 2023

(Thousands of United States dollars)

	Reference	
Opening balance as at 1 January 2022	Note 19	**360 368**
Actuarial gains/(losses) for the period		39 198
Change in fair value of financial assets		(46 749)
Surplus/(deficit) for the period		(28 780)
Opening balance as at 1 January 2023	Note 19	**324 037**
Impact on adoption of IPSAS 41	Note 3.1	51 996
Opening balance as at 1 January 2023	Note 19	**376 033**
Actuarial gains/(losses) for the period		(5 638)
Change in fair value of after-service health insurance financial assets		5 882
Change in fair value of non-after-service health insurance financial assets		–
Approved distribution to UNOPS donors		(123 792)
Surplus/(deficit) for the period		41 325
Closing balance on 31 December 2023	Note 19	**293 810**

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

United Nations Office for Project Services

IV. Statement of cash flows for the year ended 31 December 2023

(Thousands of United States dollars)

	Reference	*31 December 2023*	*31 December 2022*
Cash flows from operating activities			
Surplus/(deficit) for the period		41 325	(28 780)
Non-cash movements			
Amortization	Note 7	1 475	1 091
Depreciation	Note 6	3 596	3 474
Impairments/provision of other financial assets	Note 11	–	24 021
Finance income	Note 22	(63 672)	54 808
(Gain)/loss on the disposal of property, plant and equipment	Note 6	345	912
Increase/(decrease) in provisions	Note 23	(5 325)	5 111
Net surplus before changes in working capital		**(22 256)**	**60 637**
Changes in working capital			
(Increase)/decrease in inventories	Note 8	1 912	3 598
(Increase)/decrease in other assets	Note 12	4 093	19 236
Increase/(decrease) in other liabilities	Note 18	(12 921)	3 864
(Increase)/decrease in accounts receivable	Note 13	(19 159)	(37 491)
(Increase)/decrease in prepayments	Note 13	(32 135)	(592)
Increase/(decrease) in employee benefits (net of actuarial gains)	Note 15	5 587	3 982
Increase/(decrease) in accounts payable and accruals	Note 16	(63 653)	(435 992)
Increase/(decrease) in deferred revenue	Note 17	493 714	(91 436)
Increase/(decrease) in project cash advances received	Note 17	(446 793)	(927 970)
Cash flow impact on changes in working capital		**(69 355)**	**(1 462 801)**
Finance income received on cash and cash equivalents	Note 22	1 396	434
Net cash flows from/(used in) operating activities		**(90 215)**	**(1 401 730)**

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

United Nations Office for Project Services

IV. Statement of cash flows for the year ended 31 December 2023 (continued)

(Thousands of United States dollars)

	Reference	*31 December 2023*	*31 December 2022*
Cash flows from investing activities			
Acquisitions of intangible assets	Note 7	(848)	(1 204)
Acquisitions of property, plant and equipment	Note 6	(3 137)	(3 209)
Proceeds from sale of property, plant and equipment	Note 6	79	3
Purchase of investments		(5 771 083)	(5 933 434)
Proceeds from the maturity of investments		6 071 521	7 212 913
Proceeds from the sale of other financial assets	Note 11	–	4 255
Interest income received on investments		42 362	(45 741)
Finance income/(cost) allocated to projects	Note 22	(26 343)	(10 632)
(Gain)/loss from disposal of other financial assets	Note 11	–	(8)
Net cash flows from investing activities		**312 551**	**1 222 943**
Cash flows from financing activities			
Approved distribution to UNOPS donors		(123 792)	–
Net cash flows from financing activities		**(123 792)**	**–**
Adjustment for fair value on cash equivalents		(566)	562
Net increase/(decrease) in cash and cash equivalents[a]		**97 978**	**(178 225)**
Cash and cash equivalents at the beginning of the period		**604 609**	**782 834**
Cash and cash equivalents at the end of the period[b]	Note 14	**702 587**	**604 609**

[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 2023 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 year ended 31 December 2023

(Thousands of United States dollars)

	Reference	*Biennial 2022–2023 management budget*[a] *Original*	*2023 management budget* *Original*	*2023 management budget* *Final*	*2023 actual amounts* *Actuals*	*Difference between final budget and actuals*
Revenue on budget basis		200 511	100 255	125 087	115 076	(10 011)
Response plan-related investments from reserves		–	–	11 800	8 742	(3 058)
Total revenue for the period	Note 26	**200 511**	**100 255**	**136 887**	**123 818**	**(13 069)**
Management resources						
Posts		31 259	15 629	25 107	20 364	(4 743)
Common staff costs		23 087	11 544	18 181	15 740	(2 441)
Travel		8 724	4 362	5 782	6 310	528
Consultants		100 999	50 499	61 070	59 130	(1 940)
Operating expenses		12 987	6 494	7 513	8 011	498
Furniture and equipment		1 410	705	2 234	1 901	(333)
Reimbursements		2 800	1 400	5 200	5 774	574
Response plan-related investments from reserves		–	–	11 800	8 742	(3 058)
Total use of management resources		**181 266**	**90 633**	**136 887**	**125 972**	**(10 915)**
Write-offs, provisions and contingency surplus		19 245	9 622	–	1 124	1 124
Total use of resources		**200 511**	**100 255**	**136 887**	**127 096**	**(9 791)**
Net revenue on budget basis		–	–	–	**(3 278)**	**(3 278)**

[a] DP/OPS/2021/6.

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

United Nations Office for Project Services
Notes to the 2023 financial statements

Note 1
Reporting entity

1. The mission of UNOPS is to help people to build better lives and countries to 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 enables 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 the United Nation system, Governments, and other partners in accelerating national achievement of the Sustainable Development Goals.[2]

3. Pursuant to General Assembly resolution 65/176 and subsequent Executive Board decisions,[3] UNOPS can 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 and financial management.

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 expands partners' implementation capacity through three service models: support services, technical advice and integrated solutions. Its functional 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, given that 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;

(d) Other services: human resources management services include recruitment, appointment and the administration of personnel contracts undertaken by UNOPS on behalf of its partners. The appointed individuals do not work under the

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

[3] Executive Board decisions 2009/25, 2010/21, 2013/23, 2015/12, 2016/12, 2016/19 and 2017/16.

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 in note 3.

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 specific 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 at least a 12-month period after the financial statements have been approved.

9. The financial statements are prepared in accordance with IPSAS and on an accrual basis and cover the period from 1 January 2023 to 31 December 2023. The financial statements comply with IPSAS as issued by the IPSAS Board.

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 unless otherwise stated. Calculations in the tables are made based on unrounded figures; as a result, rounding differences can occur. Transactions, including non-monetary items, in currencies other than 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

13. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition

14. All financial assets and financial liabilities are initially recognized when UNOPS becomes a party to the contractual provisions of the instrument. Cash equivalents are recognized when the cash is deposited in a financial institution.

15. A financial asset or financial liability is initially measured at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue, except when such instrument is designated at fair value through surplus or deficit: then transaction costs are expenses in the statement of financial performance.

16. The fair value of a financial asset on initial recognition is normally the transaction price unless the transaction is not at arm's length (i.e. at no or at nominal consideration for public policy purposes). In this case, the fair value of a financial asset is derived from current market transactions for a directly equivalent instrument and the difference between the fair value of the financial instrument and the transaction price is a non-exchange component recognized as an expense in the statement of financial performance. If there is no active market for the instrument, the fair value is derived from a valuation technique that uses available data from observable markets.

Classification and measurement

17. UNOPS uses a principles-based approach to the classification of financial assets which requires the use of two criteria to determine how financial assets should be classified and measured:

(a) The entity's management model for financial assets;

(b) The contractual cash flow characteristics of the financial asset.

18. Depending on the criteria, financial assets are subsequently measured at amortized cost, fair value through net assets or equity, or fair value through surplus or deficit.

19. UNOPS financial assets are classified as current assets if the financial assets mature, are realized, or management intends to dispose of them within 12 months of the end of the reporting period.

Subsequent measurement

20. The following table summarizes the organization's policies for subsequent measurement and recognition of subsequent gains and losses on its financial assets.

Table IV.1
Subsequent measurement and recognition of financial assets

Financial asset	*Subsequent measurement and recognition*
Financial assets at fair value through surplus/deficit	These assets are subsequently measured at fair value. Net gains/losses, including any

Financial asset	*Subsequent measurement and recognition*
	interest or dividend revenue, are recognized in surplus/deficit.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest revenue, foreign exchange gains and losses and impairment are recognized in surplus/deficit. Any gain/loss on derecognition is recognized in surplus/deficit.
Debt instruments at fair value through net assets/equity	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains/losses and impairment are recognized in surplus/deficit. Other net gains/losses are recognized in net assets/equity. On derecognition, gains/losses accumulated in net assets/equity are reclassified to surplus/deficit.
Equity instruments at fair value through net assets/equity	These assets are subsequently measured at fair value. Dividends are recognized as revenue in surplus/deficit unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains/losses are recognized in net assets/equity and, if irretrievably classified at fair value through net assets/equity, are never reclassified to surplus/deficit.

Financial assets at amortized cost

21. Financial assets with contractual cash flows that represent solely the repayment of principal and payment of interest are classified depending on the UNOPS management model. If the management model is solely to hold the financial assets in order to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, the financial assets are classified at amortized cost.

22. UNOPS has classified in this category cash and cash equivalents; money market funds; term deposits with original maturity of more than three months; bonds held in its operational reserve and working capital portfolios; and exchange receivables.

23. Financial assets with contractual cash flows that do not represent only principal and interest, but introduce exposure to risks and volatility other than those present in a basic lending arrangement (for example, changes in equity prices), are classified as fair value through surplus or deficit, regardless of the management model.

Financial assets at fair value through net assets/equity

24. These non-derivative financial assets have contractual cash flows that represent only principal and interest on the outstanding principal. In addition, the management

model is to hold the financial assets both to collect contractual cash flows and to sell the financial assets.

25. Included in this category are bonds and equity instruments held in the after-service health insurance portfolio, which may be sold in order to meet minimum investment income requirements.

Financial assets at fair value through surplus or deficit

26. Financial assets at fair value through surplus or deficit are designated on initial recognition or are held for trading. They are initially recorded at fair value and any transaction costs are expensed. The assets are measured at fair value at each reporting date, and any resultant fair value gains or losses are recognized through surplus or deficit. Derivatives are used for economic hedging purposes and not as speculative investments. UNOPS classifies derivatives as financial assets at fair value through surplus or deficit in the statement of financial performance. UNOPS does not apply hedge accounting treatment for derivatives.

27. UNOPS classifies in this category derivatives; investments in pooled portfolio funds; and other equity-type investments, including real estate investment trusts, as part of the investment portfolios.

Fair value at subsequent measurement

28. The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (for example, for unlisted securities and over-the-counter derivatives), UNOPS establishes a fair value by using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, discounted cashflow analysis, option pricing models and other valuation techniques commonly used by market participants.

29. Investments in venture capital funds which do not have a quoted market price in an active market are valued at the attributable net asset value, which is considered an equivalent of their fair value.

Impairment of non-derivative financial assets

30. UNOPS recognizes and measures an impairment loss for expected credit losses on financial assets that are measured at amortized cost and at fair value through net assets/equity. The expected credit loss is the present value of the difference between the contractual cash flows and the cash flows that UNOPS expects to receive. The expected credit loss incorporates reasonable and supportable information that is available without undue cost or effort as at the reporting date.

31. The expected credit loss is measured with a three-stage model that takes into account probability-weighted default events during the lifetime of the financial asset and the evolution of credit risk since the origination of the financial asset. S&P Global's global probability of default rating is utilized for this purpose. If there is no significant increase in credit risk since origination (stage 1), the impairment loss is the expected credit loss from possible default events in the next 12 months from the reporting date ("12 months expected credit loss"). If there is a significant increase in credit risk since origination (stage 2), or if there is objective evidence of a credit impairment (stage 3), the impairment loss equals the expected credit loss from possible default events over the whole lifetime of the financial asset ("lifetime expected credit loss").

32. To meet operational requirements, UNOPS holds cash and deposits in certain currencies in banking institutions with lower credit ratings or in banking institutions

that are unrated. For these accounts, a review was made using S&P Global's global probability of default ratings for rated banks, and the sovereign rating of the country in which the banking institution is located for non-rated banks. The review resulted in a determination that no expected credit loss is required to be recognized in the financial statements, and no impairment allowance has been recognized for the cash and cash equivalents held in these banks.

33. UNOPS measures the impairment loss at the amount of lifetime expected credit loss, using practical expedients (for example, provision).

34. For project accounts receivable from Member States of the United Nations, UNOPS has not previously incurred impairment losses, nor faced any defaults on payments. Therefore, UNOPS considers the expected credit losses of project receivables to be negligible, and a statistical approach to calculate expected credit losses to be inappropriate. Therefore, no expected credit losses are recognized in the statement of financial performance for the project receivables. However, contracts covering project accounts receivable may contain clauses providing for the withholding of reimbursement in connection with expenditures determined to be ineligible. For these disallowances a provision has been established (see details in note 13).

35. For receivables of accrued interest on cash equivalents, term deposits and other investments, a review was made using S&P Global's global probability of default ratings for the bank, entity or institution from which the accrued interest was to be paid. The review resulted in a determination that no expected credit loss is required to be recognized, and no impairment allowance has been recognized for these receivables.

36. For assets at amortized cost, the asset's carrying amount is reduced by the amount of the impairment loss, which is recognized in the statement of financial performance. For assets at fair value through net assets/equity, the loss allowance is recognized in net assets/equity and does not reduce the carrying amount of the financial asset in the statement of financial position. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss is reversed through the statement of financial performance.

Derecognition of financial assets

37. UNOPS derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which UNOPS neither transfers nor retains substantially all of the risks and rewards of ownership, and it does not retain control of the financial asset.

Write-offs

38. The gross carrying amount of a financial asset is written off when UNOPS has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. For individual receivables, UNOPS has a policy of writing off the gross carrying amount when the financial asset is deemed to be non-recoverable and all efforts for recovery have been exhausted, based on the historical experience of recoveries of similar assets.

Financial assets – management model assessment

39. UNOPS makes an assessment of the objective of the management model in which its financial assets are held at a portfolio level because this best reflects the

way in which the operations are managed, and information is provided to management. UNOPS categorizes each of its portfolios in one of the following management models: hold to collect cash flows that are solely payments of principal and interest on the amount outstanding; and hold to collect cash flows and sell. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at fair value through surplus or deficit.

Investment portfolios

40. Initial recognition of assets is measured at amortized costs, at fair value through net assets/equity or at fair value through surplus or deficit depending on the management model for the portfolio. UNOPS holds its investments in three different portfolios, and the types of securities held in them vary, as shown below:

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

(b) Reserves (relates to UNOPS operational reserves): government securities; government agency, other official entity and multilateral organization securities (limited to 50 per cent of the investment account assets); bank obligations; exchange-traded futures; and covered bonds (limited to 20 per cent of the investment account assets);

(c) After-service health insurance (relates to post-employment benefits): United States dollar investment-grade corporate bonds, developed market equities, emerging market equities and real estate investment trusts.

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

Other assets and liabilities

42. Other assets and liabilities consist of derivatives that are used for economic hedging purposes and not as speculative investments. Derivatives do not meet the hedge accounting criteria and are classified as held for trading and accounted for at fair value through surplus or deficit.

43. 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

44. Cash and cash equivalents comprise cash on hand, cash at banks, time deposits and money market instruments held with financial institutions that have very high credit ratings. The initial term is less than 90 days, therefore the instruments are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Given the short duration and low default probabilities, the expected credit losses from cash and cash equivalents are negligible. As a result, no impairment allowance is recognized. for these cash and cash equivalents. They are held at nominal value less an allowance for any anticipated losses.

Accounts receivable

45. Accounts receivable consist of project receivables and other accounts receivable. Project receivables and other accounts receivable 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.

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

Financial liabilities

Table IV.2
Classification and subsequent measurement

IPSAS classification	*Types of financial liabilities*
Amortized cost	Accounts payable and accruals, and other liabilities
Fair value through surplus or deficit	Derivative liabilities

47. Financial liabilities are classified as measured at amortized cost or fair value through surplus or deficit. A financial liability is classified as at fair value through surplus or deficit if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

48. Fair value through surplus or deficit financial liabilities are those held for trading or those that are so designated on initial recognition. They are initially recorded at fair value and any transaction costs are expensed. The liabilities are measured at fair value at each reporting date, and any resultant fair value gains or losses are recognized through surplus or deficit. UNOPS classifies derivatives as financial liabilities at fair value through surplus or deficit in the statement of financial performance. Liabilities in this category are classified as current liabilities if they are expected to be settled within 12 months of the reporting date.

49. All non-derivative financial liabilities are recognized initially at fair value, and subsequently measured at amortized cost using the effective interest method.

Accounts payable and accruals

50. Accounts payable are financial liabilities in respect of either goods or services that have been acquired and received by UNOPS and for which the invoices have been received from the suppliers, or payments due to implementing partners against agreements with those partners. Accruals are liabilities for goods and services that have been received or provided to UNOPS during the year and have not been invoiced by suppliers as at the reporting date.

51. Given that the accounts payable of UNOPS generally fall due within 12 months, the impact of discounting is immaterial, and nominal values are applied to initial recognition and subsequent measurement. Payables and accruals are initially measured at fair value, that is, the amount expected to be paid to discharge the liability, and subsequently measured at amortized cost using the effective interest method.

Other liabilities

52. Other liabilities consist of derivatives that are used for economic hedging purposes and not as speculative investments. Derivatives do not meet the hedge accounting criteria and are accounted for at fair value through surplus or deficit.

Derecognition of financial liabilities

53. UNOPS derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. UNOPS also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms are recognized at fair value.

54. Upon the derecognition of a financial liability, the difference between the carrying amount is extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in surplus or deficit.

Offsetting of financial instruments

55. Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, UNOPS has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Property, plant and equipment

56. 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.

57. 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.

58. 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.

59. UNOPS performs an annual review of the useful economic lives of property, plant and equipment in line with the requirements of IPSAS 17. There were no extensions to useful economic lives during the year under review. The estimated useful life ranges and capitalization thresholds for the various classes of property, plant and equipment are as follows:

Table IV.3
Depreciation of property, plant and equipment

Property, plant and equipment class	*Estimated useful life (years) as at 31 December 2023*	*Capitalization threshold (United States dollars)*
Buildings	10–40	2 500
Vehicles	5–20	2 500
Leasehold improvements	10	10 000

Property, plant and equipment class	*Estimated useful life (years) as at 31 December 2023*	*Capitalization threshold (United States dollars)*
Plant and equipment	3–10	2 500
Communications and information technology equipment	3–10	2 500

60. 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

61. 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.

62. 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, the assessment of the useful economic life of UNOPS intangible asset classes was undertaken in line with the requirements of IPSAS 31. The assessment did not result in changes to any of the asset classes. The estimated useful lives for intangible asset classes are as follows:

Table IV.4
Amortization of intangible assets

Intangible asset class	*Estimated useful life, in years*	*Capitalization threshold (United States dollars)*
Internally developed software	10	100 000
Software acquired	5	2 500

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

Inventories

64. 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.

65. 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

66. 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.

67. 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

68. 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

69. 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

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

71. 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.

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

Other long-term employee benefits

73. Other long-term employee benefits comprise the non-current portion of home leave entitlements.

Termination indemnity

74. Termination indemnity is 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

75. 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.

76. 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

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

78. 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.

79. 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 non-exchange 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

80. 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. The recognition of the expense is therefore not linked to when cash or its equivalent is paid.

Taxation

81. 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

82. "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.

83. In the absence of any capital contributions, UNOPS net assets/equity comprise reserves as detailed in note 19.

Project cash advance

84. Project cash advance represents funds received from donors, United Nations agencies and other third parties for project activities yet to be utilized. These funds are recognized at fair value when received.

Segment reporting

85. 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

86. 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 Executive 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.

87. 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

88. The preparation of financial statements in accordance with IPSAS necessarily includes the use of accounting estimates, management assumptions and judgment. The areas in which 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.

89. 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.

90. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, UNOPS uses its judgment to select a variety of methods and make assumptions that are based mainly on market conditions existing at the end of each reporting period. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

91. The classification and measurement of financial assets under IPSAS 41: Financial instruments, depends on the characteristics of the contractual cashflows and the management model of UNOPS for a particular financial asset.

92. UNOPS determines the management model at a level that reflects how financial assets are managed together to achieve a particular management objective. This assessment includes judgment reflecting all relevant evidence as well as how the performance of the assets is evaluated and measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. UNOPS constantly monitors its financial assets that are derecognized prior to their maturity, if any, to understand the reason for their disposal and whether the reasons are consistent with the objective of the management for which the asset was held. Monitoring is part of the organization's continuous assessment of whether the management model for which the financial assets are held continues to be appropriate. For further details on the management model assessment policy see note 3.

93. The measurement of impairment losses in accordance with expected credit losses under IPSAS 41 for the financial assets of UNOPS requires judgment, in particular the estimation of the default instances, the amount and timing of future cash flows that are expected to be recovered after default and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, which can result in different levels of allowances. The organization's expected credit loss calculations are outputs of statistical estimation models that include a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The elements of the expected credit loss models that are considered for the judgments and estimates include:

(a) Qualitative and quantitative factors considered for the organization's judgment of the credit risk assessment of the issuer of the respective debt instrument;

(b) The segmentation of the organization's financial assets, when the expected credit loss of a segment is assessed on a collective basis;

(c) The development of expected credit loss models, including the various formulas and the choice of inputs and statistical models used;

(d) The determination of associations between macroeconomic scenarios and economic inputs, and their effect on the probability of default, the loss given a default and the exposure at default;

(e) The selection of forward-looking macroeconomic variables and scenarios and their probability weightages, to derive the economic inputs needed for the expected credit loss models.

Post-employment benefits and other long-term employee benefits

94. 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

95. 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.

Provision for write-off of disallowed costs

96. UNOPS has provisions for the write-off of disallowed costs, which are detailed in note 13. Such estimates are based on analysis of historical trends and UNOPS experience, taking into account economic conditions. Management believes that the impairment allowances for provisions for the write-off of disallowed costs are adequate, on the basis of currently available information. Given that these allowances are based on management estimates, they may be subject to change as better information becomes available.

Revenue recognition

97. 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.

Fair valuation of assets

98. The fair value of available-for-sale financial assets is based on several valuation techniques dependent on the market that those instruments are traded, as detailed in note 10. Where the financial instruments are traded on a quoted market, the valuation is based on the quoted market prices or dealer quotes for similar instruments. For financial instruments that are not traded on a quoted market, UNOPS uses its judgment to select a variety of methods and make assumptions that are based mainly on market conditions existing at the end of each reporting period.

IPSAS standards issued but not yet effective

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

IPSAS 43: Leases

100. In January 2022, the IPSAS Board issued IPSAS 43: Leases, to replace IPSAS 13: Leases. IPSAS 43 is based on International Financial Reporting Standard 16: Leases, developed by the International Accounting Standards Board. For lessees, IPSAS 43 introduces a right-of-use model that replaces the risks and rewards incidental to ownership model in IPSAS 13. For lessors, IPSAS 43 substantially

carries forward the risks and rewards incidental to ownership model in IPSAS 13. The effective date of IPSAS 43 is 1 January 2025.

IPSAS 44: Non-current assets held for sale and discontinued operations

101. In May 2022, the IPSAS Board issued IPSAS 44: Non-current assets held for sale and discontinued operations. IPSAS 44 is based on International Financial Reporting Standard 5: Non-current assets held for sale and discontinued operations, developed by the International Accounting Standards Board. IPSAS 44 specifies the accounting for assets held for sale and the presentation and disclosure of discontinued operations. It requires assets that meet the criteria as held for sale to be:

(a) Measured at the lower of carrying amount and fair value less costs to sell and depreciation on such assets to cease;

(b) Presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

102. The effective date for IPSAS 44 is 1 January 2025. This standard is not expected to have a material impact on the organization in the current or future reporting periods and on foreseeable future transactions.

IPSAS 45: Property, plant, and equipment

103. In May 2023, the IPSAS Board issued IPSAS 45: Property, plant and equipment, to replace IPSAS 17: Property, plant and equipment. IPSAS 45 removes the scope exclusion for heritage property, plant and equipment, provides application and implementation guidance on infrastructure assets, and captures property, plant and equipment-related measurement impacts from IPSAS 46: Measurement. The effective date for IPSAS 45 is 1 January 2025.

IPSAS 46: Measurement

104. In May 2023, the IPSAS Board issued IPSAS 46: Measurement. It is the Board's first measurement-dedicated standard, and draws upon International Financial Reporting Standard 13: Fair value measurement, with the addition of public sector-specific elements, including the current operational value measurement basis. The effective date for IPSAS 46 is 1 January 2025.

IPSAS 47: Revenue

105. In May 2023, the IPSAS Board issued IPSAS 47: Revenue, to replace IPSAS 9: Revenue from exchange transactions, IPSAS 11: Construction contracts, and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers). IPSAS 47 is based on International Financial Reporting Standard 15: Revenue from contracts with customers, developed by the International Accounting Standards Board. IPSAS 47 includes the application of the accounting model for revenue with binding arrangements, which is primarily aligned with International Financial Reporting Standard 15: Revenue from contracts with customers, but has been adapted and expanded for operability in the public sector, with binding arrangements and compliance obligations being the key adapted aspects. The effective date of IPSAS 47 is 1 January 2026.

IPSAS 48: Transfer expenses

106. In May 2023, the IPSAS Board issued IPSAS 48: Transfer expenses. It provides guidance on accounting for transfer expenses. The transfer expense model aligns with the Conceptual Framework for General Purpose Financial Reporting by Public Sector

Entities and presents two accounting models based on the existence of a binding arrangement. The effective date of IPSAS 48 is 1 January 2026.

IPSAS 49: Retirement benefit plans

107. In November 2023, the IPSAS Board issued IPSAS 49: Retirement benefit plans. It is aligned with International Accounting Standard 26: Accounting and reporting by retirement benefit plans, and prescribes the accounting and reporting requirements for public sector retirement benefit plans, which primarily provide benefits to retired public sector employees. IPSAS 49 will apply to a retirement benefit plan that prepares and presents financial statements under the accrual basis of accounting. It does not deal with other forms of employment benefits such as employment termination benefits or health and welfare plans. The effective date of IPSAS 49 is 1 January 2026.

Note 3.1
Impact of adoption of IPSAS 41: Financial instruments

108. IPSAS 41: Financial instruments, replaces parts of IPSAS 29: Financial instruments – recognition and measurement, bringing together all three aspects of accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

109. UNOPS has applied IPSAS 41 retroactively, with an initial application date of 1 January 2023. UNOPS has not restated the comparative information, which continues to be reported under IPSAS 29.[4] Differences arising from the adoption of IPSAS 41 have been recognized in the opening balance of each affected component of net assets/ equity at the date of initial application.

110. Previously, investments in equity instruments were classified as available-for-sale financial assets according to IPSAS 29 and measured at fair value through net assets/equity. Upon the adoption of IPSAS 41, UNOPS has elected to make an irrevocable election to represent equity instruments at fair value through net assets/ equity.[5]

111. As a result of the above changes in classification of the financial instruments, the following adjustments were recognized in the net assets/equity, and the effect of adopting IPSAS 41 as at 1 January 2023 was as follows:

[4] See https://www.ipsasb.org/_flysystem/azure-private/publications/files/IPSAS-41-Financial-Instruments.pdf, para. 173.

[5] Ibid., para. 106.

Table IV.5

Impact of adoption of IPSAS 41

(Thousands of United States dollars)

Financial statement line item	*Financial instrument*	*Measurement category according to IPSAS 29*	*New measurement category according to IPSAS 41*	*Carrying value adjustment under IPSAS 29 for balances as at 1 January 2023 (adjustments not due to reclassification under IPSAS 41)*	*Balance as at 1 January 2023 (under IPSAS 29)*	*Adjustments on initial application of IPSAS 41*	*Adjusted balance as at 1 January 2023 (under IPSAS 41)*
Assets							
Cash		Loans and receivables	Amortized cost	–	238 897	–	238 897
Cash equivalents	Money market funds	Available for sale	Amortized cost	566	365 712	(566)	365 146
Short-term investments							
Bonds held in operational reserves and working capital portfolios	Fixed income, treasury notes, index-linked bonds	Available for sale	Amortized cost	(15 829)	1 920 452	18 757	1 939 209
Pooled investments held in after-service health insurance portfolio	Funds common stock, corporate bonds, real estate ETF	Available for sale	FVSD	(6 449)	65 283	894	66 177
Time deposits	Time deposits	Loans and receivables	Amortized cost	–	39 987	–	39 987
Equities	Common stock	Available for sale	FVNAE	820	53 407	–	53 407
Accounts receivable							
Project accounts receivable		Loans and receivables	Amortized cost	–	69 519	–	69 519
Other accounts receivable		Loans and receivables	Amortized cost	–	27 580	–	27 580
Other financial assets	Derivatives	FVSD	FVSD	–	5 340	–	5 340
Long-term investments							
Bonds held in operational reserves and working capital portfolios	Fixed income, treasury notes, index-linked bonds	Available for sale	Amortized cost	(31 699)	794 697	32 911	827 608
Bonds held in after-service health insurance portfolio	Fixed income, treasury notes	Available for sale	FVNAE	(4 492)	11 690	–	11 690
Equity instruments	Common stock	Available for sale	FVNAE	–	–	–	–
Liabilities							
Accounts payable and accruals		Amortized cost	Amortized cost	–	(29 691)	–	(29 691)
Other liabilities – derivatives	Derivatives	FVSD	FVSD	–	(20 708)	–	(20 708)
Total effect of adopting IPSAS 41				**–**	**–**	**51 996**	**–**

Abbreviations: ETF, exchange-traded fund; FVNAE, fair value through net assets and equity; FVSD, fair value through surplus and deficit.

112. The financial assets and financial liabilities of UNOPS are categorized as follows:

Table IV.6
Financial assets and financial liabilities
(Thousands of United States dollars)

	Fair value through net assets and equity	*Fair value through surplus and deficit*	*Amortized cost*	*31 December 2023 book value*	*31 December 2022 book value*
Assets					
Cash and cash equivalents	–	–	702 587	702 587	604 609
Short-term investments					
Bonds held in operational reserves and working capital portfolios	–	–	2 429 927	2 429 927	1 939 209
Pooled investments held in after-service health insurance portfolio	–	61 934	–	61 706	66 177
Time deposits	–	–	25 000	25 000	39 987
Accounts receivable					
Project accounts receivable	–	–	94 786	94 786	69 519
Other accounts receivable	–	–	186 219	186 219	27 580
Other assets – derivative assets	–	1 247	–	43 678	74 100
Long-term investments					
Bonds held in operational reserves and working capital portfolios	–	–	175 525	175 525	827 608
Bonds held in after-service health insurance portfolio	11 939	–	–	15 284	11 690
Total financial assets	**11 939**	**63 181**	**3 614 044**	**3 734 712**	**3 660 479**
Liabilities					
Accounts payable	–	–	(202 942)	(202 942)	(29 691)
Other liabilities – derivatives	–	(7 787)	–	(193 706)	(135 147)
Total financial liabilities	**–**	**(7 787)**	**(202 942)**	**(396 648)**	**(164 838)**

113. The following table presents the net impact of the adoption of IPSAS 41 to net assets/equity:

Table IV.7
Net impact of adoption of IPSAS 41 to net assets/equity
(Thousands of United States dollars)

	Change in accumulated surplus as at 31 December 2023
Reclassification of fair value changes from accumulated surplus for financial assets classified as available-for-sale under IPSAS 29	47 856
Opening balance adjustment financial assets measured at amortized cost under IPSAS 41	4 140
Impact of adoption of IPSAS 41 to net assets/equity	**51 996**
Gain/loss on financial assets measured at amortized cost under IPSAS 41 (recognized in surplus/deficit)	45 962
Impact of adoption of IPSAS 41	**97 958**

114. The gain/loss on financial assets measured at amortized cost under IPSAS 41 represents the total cumulative amortization on financial assets since the actual purchase in order to present the effective interest. The reclassification of fair value changes represents the difference between the fair value and the amortized cost value of the financial instruments as at 1 January 2023. The total impact of $98.0 million represents an unrealized result. It is therefore classified as a non-distributable amount in the other operational reserves.

115. UNOPS has reclassified its portfolios as at the date of the initial adoption of IPSAS 41 in accordance with the new classification and measurement categories under the new standard, as compared to IPSAS 29: Financial instruments – recognition and measurement

116. As at 1 January 2023, UNOPS adopted IPSAS 41, which includes changes in the way unrealized gains and losses on investments are recognized in the UNOPS financial statements. The major change is that unrealized gains and losses on most of the assets held in the after-service health insurance portfolio will be recognized directly in net assets/equity rather than on the statement of financial performance. The other change is that for most financial assets held in the operational reserve and in working capital portfolios, unrealized gains and losses will no longer be recognized. Had IPSAS 41 not been implemented in the financial statements as at 1 January 2023, UNOPS would have been required to recognize an unrealized gain on these investments of $48.0 million as at 31 December 2023, compared with a loss of $47.8 million as at 31 December 2022.

117. The following qualitative factors have been considered when reclassifying the financial instruments in accordance with the measurement categories under IPSAS 41:

(a) The objective of the management model under which the respective financial instrument is held by UNOPS;

(b) The characteristics of the cash flows generated from the respective financial instruments, their periodicity, and whether they are solely payments of principal and interest on the principal amount outstanding;

(c) The nature of the financial instrument as equity, debt or a derivative instrument.

Note 4
Capital management

118. UNOPS defines the capital that it manages as the aggregate of its net assets/ equity, which consist of accumulated surplus and reserves as detailed in note 19.

119. In 2023, the Executive Board took decisions related to UNOPS reserves, which have been reflected in the 2023 financial statements.

120. The minimum requirement for the operational reserves 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 of UNOPS in paragraph 5 of its decision 2021/21. The Executive Board approved the change in the minimum requirement for the operational reserves 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 cost, with a weight of 50 per cent for the current year, 30 per cent for previous year and 20 per cent for the year prior.

121. In June 2022, the Executive Board requested that UNOPS transfer into the operational reserves any balance not committed to projects from the growth and innovation reserve and accumulated surpluses reserve.

122. 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.

123. 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.

124. 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.

125. 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 instruments and risk management

126. UNOPS has instituted prudent risk management policies and procedures in accordance with its financial regulations and rules. UNOPS is exposed to a variety of financial management risks, including but not limited to market risk (currency risk and interest rate risk), credit risk and liquidity 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.

127. UNOPS has outsourced both investment management and custodianship to professional entities selected through its procurement process. Some of the investments with the custodian are managed internally 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.

128. 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.

129. 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 nominal 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 be taken only when there is an expected return (i.e. unrewarded risks are to be avoided);

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

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

Currency risk

131. 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.

132. The currency risk is monitored closely 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.

133. 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/equity and surplus by the amounts shown.

Table IV.8
Currency risk sensitivity analysis as at 31 December 2023
(Thousands of United States dollars)

	MXN	*CHF*	*EUR*	*ARS*	*UAH*	*GBP*	*LBP*	*JPY*	*SSP*	*MMK*
+10 per cent	947	804	751	718	251	186	112	62	59	46
-10 per cent	(947)	(804)	(751)	(718)	(251)	(186)	(112)	(62)	(59)	(46)

Abbreviations: MXN, Mexican peso; CHF, Swiss franc; EUR, euro; ARS, Argentine peso; UAH, Ukraine hryvnia; GBP, British pound; LBP, Lebanese pound; JPY, Japanese yen; SSP, South Sudanese pound; MMK, Myanmar kyat.

Table IV.9
Currency risk sensitivity analysis – comparative, as at 31 December 2022
(Thousands of United States dollars)

	JPY	*ARS*	*GBP*	*ILS*	*UAH*	*EUR*	*MXN*	*JOD*	*GTQ*	*LBP*
+10 per cent	787	583	581	292	(250)	246	201	153	127	112
-10 per cent	(787)	(583)	(581)	(292)	250	(246)	(201)	(153)	(127)	(112)

Abbreviations: JPY, Japanese yen; ARS, Argentine peso; GBP, British pound; ILS, new Israeli shekel; UAH, Ukraine hryvnia; EUR, euro; MXN, Mexican peso; JOD, Jordanian dinar; GTQ, Guatemalan quetzal; LBP, Lebanese pound.

134. 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.

135. Given that the sensitivities are limited to period-end financial instrument balances, they do not take into account 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.

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

Credit risk

137. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. UNOPS is exposed to credit risks on its bank balances, investments, receivables, other financial assets and other assets. UNOPS applies IPSAS 41: Financial instruments, when

measuring expected credit losses (see note 13 for details). The table below shows the maximum exposure of UNOPS to credit risk, by class of financial instrument.

Table IV.10
Credit risk, by financial instrument
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Investments	2 704 325	2 885 516
Receivable items factored into expected credit loss	281 005	97 099
Other assets	1 247	5 340
Cash and cash equivalents	702 587	604 609
Total	**3 689 164**	**3 592 564**

138. UNOPS has considerable cash reserves, given that 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.

139. 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.

140. 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.

Market risk

141. UNOPS uses various financial instruments to minimize the risks associated with losses on its investments and fluctuations in foreign exchange. Financial instruments used by the UNOPS treasury to minimize these risks include foreign exchange derivatives (FX spot, FX forwards, non-deliverable forwards and FX options), interest rate derivatives (interest rate/bond futures, interest rate swaps and cross-currency swaps), credit derivatives (credit default swaps), equity derivatives (equity futures) and inflation swaps.

142. The organization operates internationally and is exposed to foreign exchange risk arising from its operations, primarily with respect to project-related transactions in foreign currencies (defined as all other currencies other than the United States dollar). This includes both payments and receipt of project contributions. Furthermore, UNOPS investment portfolios are allowed to diversify investments into non-United States dollar assets if the foreign exchange risk associated with that investment strategy is fully hedged to the United States dollar. In connection with this, derivatives are therefore allowed for hedging and risk management purposes.

143. Similarly, the organization manages investments in multiple different asset classes, including government bonds, agency mortgage-backed securities, covered bonds, investment grade corporate debt, equities, cash/cash equivalents, money

market instruments and real estate funds. UNOPS is exposed to interest rate risks on its fixed-income investment assets, in which an increase in market-based interest rates leads to a change (negative) in the fair value of fixed-income securities. This is known as duration risk, which is set up at a specific level by the UNOPS Executive Director and mandated in the investment portfolios. UNOPS invests in both floating and fixed rates assets and hedge instruments, but also occasionally swaps floating rates to fixed rates, and vice versa. UNOPS uses interest rate derivatives predominantly to maintain the correct level of duration (i.e. interest rate risk) in its investment portfolios, ensuring that this is in line at all times with the UNOPS risk appetite.

144. Derivatives and other financial instruments used by UNOPS do not qualify as "highly probable" forecast transactions and, hence, do not satisfy the requirements for hedge accounting (economic hedges). These instruments are accounted for as held for trading with gains/losses recognized in the statement of financial performance and included under "Finance income" and "Exchange rate gain/loss".

145. UNOPS investment guidelines allow the organization to invest in non-United States dollar government securities once fully hedged back to the United States dollar, given that this can sometimes increase the yield on investments for little or no additional credit risk. In these instances, realized gains or losses on associated financial assets are recognized in "Finance income", while the corresponding gain/loss on the associated financial liabilities are recognized in "Exchange rate gain/loss". The net effect is seen in "Net finance income", but this approach can also lead to volatility in the two sub-lines of this part of the UNOPS corporate financial statements. The total impact on "Net finance income" in the statement of financial performance from returns on investments and associated financial instruments is shown in the table below.

Table IV.11
Impact of returns on investment on finance income
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Realized gains/(losses) from investments	12 409	(78 163)
Gains/(losses) from derivatives	(1 364)	12 124
Gains/(losses) from foreign exchange deals	2 927	56 021
Total	**13 972**	**(10 018)**

Liquidity risk

146. Liquidity risk is the risk that UNOPS will not be able to meet its financial obligations as they fall due. 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

147. As at 31 December 2023, the net book value of UNOPS property, plant and equipment was $17.6 million ($18.4 million in 2022). UNOPS also held assets with an acquisition value of $143.3 million and net book value of $15.3 million

($17.7 million in 2022) as a custodian under service concession arrangements with the Mine Action Service. These assets are not included in property, plant and equipment.

148. The table below summarizes property, plant and equipment held by UNOPS as at 31 December 2023 under each of the classes mentioned in note 3.

Table IV.12
Property, plant and equipment by class
(Thousands of United States dollars)

	Administration	*Project*	*Total*
Vehicles	3 878	6 508	10 386
Plant and equipment	462	985	1 447
Land and buildings	2 871	1 103	3 974
Communications and information technology equipment	779	374	1 153
Leasehold improvements	530	44	574
Assets under construction	95	–	95
Net carrying amounts as at 31 December 2023	**8 615**	**9 014**	**17 629**

Table IV.13
Property, plant and equipment by class – 2022 comparatives
(Thousands of United States dollars)

	Administration	*Project*	*Total*
Vehicles	2 392	8 604	10 996
Plant and equipment	434	1 106	1 540
Land and buildings	3 166	1 180	4 346
Communications and information technology equipment	358	469	827
Leasehold improvements	464	220	684
Assets under construction	–	–	–
Net carrying amounts as at 31 December 2022	**6 814**	**11 579**	**18 393**

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

Table IV.14
Movement in property, plant and equipment
(Thousands of United States dollars)

	Vehicles	*Plant and equipment*	*Land and buildings*	*Communications and information technology equipment*	*Leasehold improvements*	*Assets under construction*	*Total*
Cost as at 1 January 2023	28 279	3 373	8 878	6 435	1 266	–	48 231
Additions	2 163	202	100	684	12	95	3 256
Disposals	(916)	(225)	(119)	(226)	–	–	(1 486)
Other changes/ reclassification	–	28	(34)	6	–	–	–
Cost as at 31 December 2023	**29 526**	**3 378**	**8 825**	**6 899**	**1 278**	**95**	**50 001**
Accumulated depreciation and impairment as at 1 January 2023	(17 283)	(1 833)	(4 532)	(5 608)	(582)	–	(29 838)
Depreciation	(2 480)	(268)	(397)	(329)	(122)	–	(3 596)
Release of accumulated depreciation on asset disposal	623	169	78	192	–	–	1 062
Reclassification of depreciation	–	1	–	(1)	–	–	–
Accumulated depreciation and impairment as at 31 December 2023	**(19 140)**	**(1 931)**	**(4 851)**	**(5 746)**	**(704)**	**–**	**(32 372)**
Net carrying amount as at 31 December 2023	**10 386**	**1 447**	**3 974**	**1 153**	**574**	**95**	**17 629**

Table IV.15
Movement in property, plant and equipment – 2022 comparatives
(Thousands of United States dollars)

	Vehicles	*Plant and equipment*	*Land and buildings*	*Communications and information technology equipment*	*Leasehold improvements*	*Assets under construction*	*Total*
Cost as at 1 January 2022	26 996	3 304	9 372	6 290	1 179	108	47 249
Additions	2 372	301	57	380	99	–	3 209
Disposals	(1 089)	(232)	(551)	(235)	(12)	(108)	(2 227)
Cost as at 31 December 2022	**28 279**	**3 373**	**8 878**	**6 435**	**1 266**	**–**	**48 231**
Accumulated depreciation and impairment as at 1 January 2022	(15 706)	(1 727)	(4 282)	(5 502)	(459)	–	(27 676)
Depreciation	(2 307)	(285)	(475)	(281)	(126)	–	(3 474)
Release of accumulated depreciation on asset disposal	730	179	225	175	3	–	1 312
Accumulated depreciation and impairment as at 31 December 2022	**(17 283)**	**(1 833)**	**(4 532)**	**(5 608)**	**(582)**	**–**	**(29 838)**
Net carrying amount as at 31 December 2022	**10 996**	**1 540**	**4 346**	**827**	**684**	**–**	**18 393**

150. The table below shows the profit made on disposal of property, plant and equipment by UNOPS through sales or donations.

Table IV.16
Profit/loss on the disposal of property, plant and equipment
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Net book amount of disposed assets	424	915
Proceeds from disposal	(79)	(3)
Total (profit)/loss on disposal	**345**	**912**

Note 7
Intangible assets

151. The net carrying value of intangible assets amounted to $4.7 million as at 31 December 2023 ($5.3 million as at 31 December 2022), which includes internally developed software and other computer software (acquired).

152. A total of $0.1 million of development costs incurred by UNOPS during 2022 was capitalized in 2023 in line with the requirement of IPSAS 31. No development costs from 2021 were capitalized during 2022.

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

Table IV.17
Intangible assets
(Thousands of United States dollars)

	Internally generated computer software	*Other computer software*	*Intangible assets under construction*	*Total*
Cost as at 1 January 2023	10 418	241	141	10 800
Additions	773	–	75	848
Completed assets under construction	141	–	(141)	–
Disposals	–	(34)	–	(34)
Cost as at 31 December 2023	**11 332**	**207**	**75**	**11 614**
Accumulated amortization and impairment as at 1 January 2022	(5 293)	(208)	–	(5 501)
Amortization	(1 465)	(10)	–	(1 475)
Less removal of amortization on asset disposal	–	34	–	34
Accumulated amortization and impairment as at 31 December 2023	**(6 758)**	**(184)**	**–**	**(6 942)**
Net carrying amount as at 31 December 2023	**4 574**	**23**	**75**	**4 672**

Table IV.18
Intangible assets – 2022 comparatives
(Thousands of United States dollars)

	Internally generated computer software	*Other computer software*	*Intangible assets under construction*	*Total*
Cost as at 1 January 2022	9 355	241	–	9 596
Additions	1 063	–	141	1 204
Cost as at 31 December 2022	**10 418**	**241**	**141**	**10 800**
Accumulated amortization and impairment as at 1 January 2022	(4 215)	(195)	–	(4 410)
Amortization	(1 078)	(13)	–	(1 091)
Impairment	–	–	–	–
Accumulated amortization and impairment as at 31 December 2022	**(5 293)**	**(208)**	**–**	**(5 501)**
Net carrying amount as at 31 December 2022	**5 125**	**33**	**141**	**5 299**

Note 8
Inventories

154. 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.

155. A total of $4.5 million of inventory was recognized as an expense during 2023 ($5.2 million in 2022), and $1.1 million of inventory was written down during 2023 ($1.2 million in 2022).

Table IV.19
Inventories
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Inventories	9 811	11 723

Table IV.20
United Nations Office for Project Services offices holding inventories
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Central African Republic	3	34
Democratic Republic of the Congo	2	4
Haiti	237	1 534
Libya	3 181	2 383
Myanmar	5	7
Peace and Security Cluster	6 336	7 595
Pakistan	1	30
Serbia	14	21
South Sudan	32	49
Zimbabwe	–	66
Total	**9 811**	**11 723**

Note 9
Financial instruments

Table IV.21
Assets according to the statement of financial position

(Thousands of United States dollars)

	31 December 2023				31 December 2022				
	Financial assets at amortized cost	*Financial assets at fair value through surplus or deficit*	*Financial assets at fair value through net assets/equity*	*Total*	*Cash and cash equivalents*	*Loans and receivables*	*Available-for-sale investments*	*Financial assets at fair value through surplus or deficit*	*Total*
Investments (note 10)	25 000	–	2 679 325	2 704 325	–	–	2 885 516	–	2 885 516
Other financial assets (note 11)	–	–	–	–	–	–	–	–	–
Other assets (note 12)	–	1 247	–	1 247	–	–	–	5 340	5 340
Accounts receivable excluding prepayments (note 13)	308 770	–	–	308 770	–	130 905	–	–	130 905
Cash and cash equivalents (note 14)	702 587	–	–	702 587	604 609	–	–	–	604 609
Total	**1 036 357**	**1 247**	**2 679 325**	**3 716 929**	**604 609**	**130 905**	**2 885 516**	**5 340**	**3 626 370**

Table IV.22
Liabilities according to the statement of financial position

(Thousands of United States dollars)

	31 December 2023			31 December 2022		
	Financial liabilities at amortized cost	*Financial liabilities at fair value through surplus or deficit*	*Total*	*Financial liabilities at amortized cost*	*Financial liabilities at fair value through surplus or deficit*	*Total*
Accounts payable and accruals (note 16)	563 607	–	563 607	453 888	–	453 888
Cash held by UNOPS as agent (note 17)	995 020	–	995 020	1 441 813	–	1 441 813
Other liabilities (note 18)	–	7 787	7 787	–	20 708	20 708
Total	**1 558 627**	**7 787**	**1 566 414**	**1 895 701**	**20 708**	**1 916 409**

Note 10
Investments

156. The majority of the UNOPS investment portfolio is outsourced to external investment managers and is measured at fair value. UNOPS has three investment portfolios, namely, the working capital portfolio, the after-service health insurance portfolio and the operational reserve portfolio. The working capital portfolio of $2,894.2 million is managed by the World Bank ($220.4 million) and Allianz ($2,170.5 million), and the remaining $503.2 million (17 per cent) is managed internally by the UNOPS treasury. The operational reserve portfolio of $222.6 million is managed by DWS. BNP Paribas manages $81.3 million for the after-service health insurance portfolio. The growth and innovation reserve portfolio, which was operated by UNOPS in the previous periods, was closed in September 2022 based on a decision taken by the Executive Board.

Table IV.23
Financial assets held in investment portfolios
(Thousands of United States dollars)

	31 December 2023
After-service health insurance	81 349
Operational reserve portfolio	222 579
Working capital portfolio	2 894 210
Total investments and cash and cash equivalents	**3 198 138**

157. The investment portfolio is classified as follows:

Table IV.24
Classification of investment portfolio
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Long-term investments	187 464	806 387
Short-term investments	2 516 861	2 079 129
Less: allowance for expected credit losses on assets classified at amortized cost	–	–
Subtotal	**2 704 325**	**2 885 516**
Investments classified as cash and cash equivalents	493 813	365 712
Less: allowance for expected credit losses	–	–
Total investments	**3 198 138**	**3 251 228**

158. Investments amounting to $493.8 million in 2023 ($365.7 million in 2022), which consist of money market instruments with less than three months to maturity and time deposits, have been classified as cash and cash equivalents in accordance with IPSAS 2: Cash flow statements.

159. The UNOPS working capital portfolio remains safe, in line with its investment policy on working capital, given that it holds high-quality assets aimed at preserving

principal over the investment horizon. Adverse impacts on the global bond markets were the main driver for the decrease in investment revenue.

160. UNOPS investment income has increased overall with an investment income of $88.6 million in 2023 (expense of $44.6 million in 2022). Starting from 2023, besides derivatives, other assets measured at fair value through surplus or deficit will also be reported as part of the finance income.

161. 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 invested in highly rated sovereigns, supranational and agency debt and highly rated bank obligations, in line with the principal investment objective of the preservation of capital over the investment horizon.

162. 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 2023.

163. The operational reserve portfolio and the after-service health insurance portfolio include allocations to developed and emerging market equity and to developed market fixed income.

Table IV.25
Movements in investments
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Opening balance as at 1 January	2 885 516	4 208 465
Impact of IPSAS 41 adoption on short- and long-term investments	52 562	–
Restated opening balance as at 1 January	**2 938 078**	**4 208 465**
Additions (purchases of investments)	5 944 335	5 955 128
Disposals	(6 230 160)	(7 232 493)
Recognition of amortized costs	45 962	–
Fair value adjustment	6 110	(45 584)
Less: allowance for expected credit losses	–	–
Closing balance as at 31 December	**2 704 325**	**2 885 516**
Of which:		
Current portion (short-term investments)	2 516 861	2 079 129
Non-current portion (long-term investments)	187 464	806 387

164. The impact of the adoption of IPSAS 41 on short- and long-term investments of $52.6 million is included in the total effect of the adoption of IPSAS 41 in table IV.5, which also comprises the effect of the adoption of IPSAS 41 on cash equivalents.

165. Accrued interest receivables of $7.6 million ($7.6 million in 2022) have been included in the statement of financial position within "other accounts receivable" (see note 13).

166. As at 31 December 2023, additions to investments amounting to $173.3 million ($21.7 million in 2022) had not been paid for and were included as part of payables.

167. As at 31 December 2023, proceeds for the sale of financial assets amounting to $186.2 million ($27.6 million in 2022) were yet to be received.

Short-term investments

168. 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.26
Short-term investments
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Time deposits	25 000	39 987
Bonds	2 491 861	2 039 142
Less: allowance for expected credit losses	–	–
Total short-term investments	**2 516 861**	**2 079 129**

Long-term investments

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

Table IV.27
Long-term investments
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Bonds	187 464	806 387
Less: allowance for expected credit losses	–	–
Total long-term investments	**187 464**	**806 387**

170. 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.28
Credit rating distribution of investments
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
AAA	2 443 988	2 406 746
AA+	50 867	133 990
AA	77 801	104 799
AA-	24 992	2 106
A+	11 358	15 027
A	62 018	35 005
A-	–	20 022
BBB+	–	49 210

	31 December 2023	31 December 2022
BBB	–	21 327
BBB-	–	8 447
Unrated[a]	33 301	88 837
Total	**2 704 325**	**2 885 516**

[a] Pertains to equity instruments, listed derivatives and recoverable taxes which, by their nature, do not have a credit exposure, and are therefore unrated.

Note 11
Other financial assets

171. There were no other financial assets in 2023. In 2022, all other financial assets related to the Sustainable Investments in Infrastructure and Innovation initiative were fully impaired. Furthermore, in 2023, the Executive Board approved the release of committed Sustainable Investments in Infrastructure and Innovation initiative funds to the UNOPS operational reserve. Details are included in note 19.

Note 12
Other assets

172. Other assets comprise forward exchange contracts and futures contracts gains at year end.

Table IV.29
Other assets
(Thousands of United States dollars)

	31 December 2023	31 December 2022
Derivative assets	1 247	5 340

Note 13
Accounts receivable

173. 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.

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

Table IV.30
Accounts receivable
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Project accounts receivable (gross)	101 389	73 423
Less: provision for write-off of disallowed costs	(6 603)	(3 904)
Project accounts receivable (net)	**94 786**	**69 519**
Other accounts receivable (gross)	215 083	61 958
Less: provision for write-off of disallowed costs	(1 099)	(572)
Other accounts receivable (net)	**213 984**	**61 386**
Total accounts receivable (net) excluding prepayments	**308 770**	**130 905**
Prepayments	47 028	14 893
Total accounts receivable (net) including prepayments	**355 798**	**145 798**
Of which:		
Current portion of accounts receivable	355 798	145 798

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

176. Given that 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.

177. As at 31 December 2023, receivables of $7.7 million ($4.5 million in 2022) were impaired and provisions were made against them (see table IV.36 for details). There was no provision relating to Sustainable Investments in Infrastructure and Innovation projects in 2023 or 2022.

178. As at 31 December 2023, receivables of $18.4 million ($20.4 million in 2022) were past due but not impaired, given that there is no recent history of default regarding those receivables. The ageing of those receivables exceeds three months.

Table IV.31
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 receivables	290 357	2 921	1 614	13 878	308 770

Project accounts receivable

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

Table IV.32
Project accounts receivable
(Thousands of United States dollars)

	31 December 2023	31 December 2022
Project implementation-related receivables	57 975	51 132
Accounts receivable – United Nations Development Programme	35 601	17 250
Accounts receivable – other United Nations agencies	1 210	1 137
Total project accounts receivable	**94 786**	**69 519**

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

181. Of the balance of project receivables of $94.8 million ($69.5 million in 2022), $5.8 million ($8.3 million in 2022) relates to cash advances due from customers for construction contracts for the period ended 31 December 2023, as detailed in note 20.

182. 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.

183. For project accounts receivable from Member States of the United Nations, UNOPS has not previously incurred impairment losses, nor faced any defaults on payments. Therefore, UNOPS considers the expected credit losses of project receivables to be negligible, and a statistical approach to calculate expected credit losses as inappropriate.

184. 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.33
Accounts receivable – United Nations Development Programme
(Thousands of United States dollars)

	31 December 2023	31 December 2022
Cumulative project expenses and fees due to UNOPS	35 527	17 684
Less: provision for write-off of disallowed costs	(710)	(721)
Net receivable/(project advances) from UNDP	**34 817**	**16 963**
Cumulative advances/(payables) to UNDP to disburse payments on behalf of UNOPS	784	287
Total balance with UNDP	**35 601**	**17 250**
Of which:		
Receivable from UNDP	35 601	17 250
Payable to UNDP (excluding project advances)	–	–
Project advances from UNDP	–	–

185. As at 31 December 2023, UNOPS had an amount due from UNDP of $35.6 million ($17.3 million in 2022).

Other accounts receivable

186. The other accounts receivable are composed of the following:

Table IV.34
Other accounts receivable
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Staff receivables	1 037	1 431
Accrued interest receivable on investments	7 620	7 554
Miscellaneous receivables	205 327	52 401
Total other accounts receivable	**213 984**	**61 386**

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

188. The composition of miscellaneous receivables as at 31 December 2023 is as follows:

Table IV.35
Breakdown of miscellaneous receivables
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Provident fund for personnel	10 802	9 195
Investment settlements receivable	186 219	27 580
Refundable taxes: value added tax/sales tax	5 656	5 813
Rent deposits	1 039	865
Other staff-related receivables	538	527
Other miscellaneous receivables	1 073	8 421
Total miscellaneous receivable	**205 327**	**52 401**

189. The other miscellaneous receivables relate to receivables from other United Nations agencies for shared costs and doubtful receivables net of any bad debt allowance.

190. For the purposes of IPSAS 41, the investment settlements receivable is the only item factored into the expected credit loss. The review resulted in a determination that no expected credit loss is required to be recognized in the financial statements, and no impairment allowance has been recognized for these receivables.

Provision for write-off of disallowed costs

191. The movement in provision for write-off of disallowed costs is as follows:

Table IV.36
Movement in provision for write-off of disallowed costs
(Thousands of United States dollars)

	31 December 2023	31 December 2022
Opening balance		
Project-related	3 904	4 033
Other accounts receivable	572	23 882
Opening balance	**4 476**	**27 915**
Net increase/(decrease) in provision for receivables impairment		
Increase	3 794	2 940
Receivables written off during the year as uncollectible	(844)	(98)
Unused amounts reversed or reclassified	276	(26 281)
Net increase/(decrease)	**3 226**	**(23 439)**
Closing balance		
Project-related	6 603	3 904
Other accounts receivable	1 099	572
Closing balance	**7 702**	**4 476**

192. 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

193. As at 31 December 2023, UNOPS held $702.6 million of cash and cash equivalents, as follows:

Table IV.37
Cash and cash equivalents
(Thousands of United States dollars)

	31 December 2023	31 December 2022
Cash at banks	208 541	238 662
Cash equivalents	493 813	365 712
Cash on hand	233	235
Less: allowance for expected credit losses	–	–
Total cash and cash equivalents	**702 587**	**604 609**

194. 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.

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

196. 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 any expected credit losses.

197. Cash at banks is denominated in the following currencies:

Table IV.38
Cash at banks
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
United States dollar	180 568	192 810
Japanese yen	8 165	8 705
Israeli shekel	5 540	3 387
Guatemalan quetzal	2 798	1 237
Danish krone	2 155	313
Euro	1 977	7 462
Jordanian dinar	1 818	1 552
Other currencies	5 520	23 196
Total	**208 541**	**238 662**

198. The credit quality of the cash at banks, by reference to external credit ratings, is summarized below.

Table IV.39
Credit rating distribution of cash at banks
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
AAA	1 437	–
AA+	329	4 433
AA	105	1 941
AA-	157	106 221
A+	10 142	11 001
A	5 785	87 235
A-	732	–
BBB+	213	849
BBB	330	–
BBB-	617	–
BB+	3 596	4 871
BB	247	–
BB-	285	–
B+	3 198	168
B	637	1 351
B-	1 435	4 171
CCC+	388	–
CCC-	44 843	–

	31 December 2023	*31 December 2022*
CC	72 639	–
Unrated	61 426	16 421
Total	**208 541**	**238 662**

199. 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.

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

Table IV.40
Credit rating distribution of cash equivalents
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
AAA	261 188	333 430
AA	51 916	5 000
AA-	130 503	9 706
A+	25 000	3 032
A	10 000	–
A-	13 800	–
BBB+	–	–
Unrated	1 406	14 544
Total	**493 813**	**365 712**

201. To meet operational requirements, UNOPS holds cash and deposits in certain currencies in banking institutions with lower credit ratings or in banking institutions that are unrated. For these accounts, a review was made using S&P Global's global probability of default ratings (for rated banks) and using the sovereign rating of the country in which the banking institution is located for unrated banks. The review resulted in a determination that no expected credit loss is required to be recognized in the financial statements, and no impairment allowance has been recognized for the cash and cash equivalents held in these banks.

Note 15
Employee benefits

202. 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.41
Employee benefits liabilities
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Short-term employee benefits	34 413	33 342
Long-term employee benefits	3 190	2 987
Post-employment benefits	84 762	74 812
Total employee benefits liabilities	**122 365**	**111 141**
Of which:		
Current portion	37 463	35 955
Non-current portion	84 902	75 186

Short-term benefits liabilities

203. Short-term employee benefits are composed of:

Table IV.42
Short-term employee benefits
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Annual leave entitlements	32 091	31 197
Home leave entitlements (current portion)	2 213	2 100
Assignment grant on first appointment or reassignment	109	45
Total short-term employee benefits liabilities	**34 413**	**33 342**

204. 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

205. Long-term employee benefits consist of the non-current portion of the home leave entitlement. Rights vested that 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 liabilities

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

Table IV.43
Post-employment benefits liabilities
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
After-service health insurance		
Current portion	1 303	1 402
Non-current portion	68 606	62 028
Subtotal	**69 909**	**63 430**
Repatriation grant		
Current portion	1 711	1 179
Non-current portion	12 800	9 879
Subtotal	**14 511**	**11 058**
Death benefit		
Current portion	36	32
Non-current portion	306	292
Subtotal	**342**	**324**
Total post-employment benefits	**84 762**	**74 812**
Of which:		
Current	3 050	2 613
Non-current	81 712	72 199

207. Post-employment benefits consist of after-service health insurance, repatriation grants, 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 the shipment of household effects. The actuarial valuation of liabilities regarding after-service health insurance, the repatriation grant and the death benefit was undertaken by an independent professional actuary. At the end of 2023, total post-employment benefits liabilities amounted to $84.8 million ($74.8 million in 2022). 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

208. The year-end liabilities for after-service health insurance are derived from the actuarial valuation conducted at year end 2023. The net present value of the UNOPS accrued liability as at 31 December 2023, net of contributions from plan participants, was estimated by actuaries at $69.9 million ($63.4 million in 2022).

209. 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 specific 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

210. Upon end of service, staff members who meet specific 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.

211. The net present value of the UNOPS accrued liability as at 31 December 2023 was estimated by actuaries at $14.5 million ($11.1 million in 2022).

Death benefit

212. The 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.

213. The net present value of the UNOPS accrued liability as at 31 December 2023 was estimated by actuaries at $0.3 million ($0.3 million in 2022).

Accounting for post-employment benefits

214. 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.44
Post-employment benefits liabilities
(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Death benefit*	*Total 2023*	*Total 2022*
Liability as at 1 January	**63 430**	**11 058**	**324**	**74 812**	**107 068**
Current service cost	2 555	1 092	11	3 658	6 217
Interest cost	3 237	518	16	3 771	3 356
Benefits paid	(1 363)	(1 754)	–	(3 117)	(2 631)
Actuarial losses/(gains)	2 050	3 597	(9)	5 638	(39 198)
Liability as at 31 December	**69 909**	**14 511**	**342**	**84 762**	**74 812**

Table IV.45
Post-employment benefits liabilities: active and retired staff
(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Death benefit*	*Total 2023*	*Total 2022*
Current retirees	33 509	–	–	33 509	33 004
Active employees – fully eligible	12 705	6 817	342	19 864	15 271
Active employees – not yet fully eligible	23 695	7 694	–	31 389	26 537
Liabilities as at 31 December	**69 909**	**14 511**	**342**	**84 762**	**74 812**

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

Table IV.46
Impact of post-employment benefits on financial performance
(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Death benefit*	*Total 2023*	*Total 2022*
Current service cost	2 555	1 092	11	3 658	6 217
Interest cost	3 237	518	16	3 771	3 356
Total	**5 792**	**1 610**	**27**	**7 429**	**9 573**

216. The total expense has been included under "salaries and employee benefits" in the statement of financial performance.

Actuarial gains/losses

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

Table IV.47
Actuarial gains/losses
(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Death benefit*	*Total 2023*	*Total 2022*
Changes in financial assumptions	(11 874)	(158)	(6)	(12 038)	27 656
Changes in demographic assumptions	870	17	(8)	879	–
Experience adjustments	8 954	(3 456)	23	5 521	11 542
Total actuarial gains/(losses)	**(2 050)**	**(3 597)**	**9**	**(5 638)**	**39 198**

Actuarial assumptions

218. 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.

219. The principal actuarial assumptions for 2023 were as follows:

Table IV.48
Principal actuarial assumptions
(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Death benefit*
Discount rate as at 1 January 2023	5.16	5.09	5.06
Discount rate as at 31 December 2023	4.74	4.91	4.86
Future salary increases (on top of inflation)	United Nations Salary scale	United Nations Salary scale	United Nations Salary scale

	After-service health insurance	*Repatriation grant*	*Death benefit*
Mortality rate	United Nations Joint Staff Pension Fund scales	United Nations Joint Staff Pension Fund scales	United Nations Joint Staff Pension Fund 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

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

Table IV.49
Potential impact of changes in discount rates on post-employment benefits
(Thousands of United States dollars)

	After-service health insurance	*Repatriation*	*Death benefit*
Increase of 0.5 per cent	(6 671)	(484)	(10)
Decrease of 0.5 per cent	7 732	515	11

Table IV.50
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	7 525	955
Decrease of 0.5 per cent	(6 560)	(790)

United Nations Joint Staff Pension Fund

221. 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.

222. 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. The UNOPS contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

223. 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. 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.

224. The UNOPS financial obligation to the Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are payable only if and when the Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.

225. The most recent actuarial valuation for the Fund was completed as at 31 December 2021, and the valuation as at 31 December 2023 is currently being performed. A roll forward of the participation data as at 31 December 2022 to 31 December 2023 was used by the Fund for its 2022 financial statements.

226. The actuarial valuation as at 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0 per cent. The funded ratio was 158.2 per cent when the current system of pension adjustments was not taken into account.

227. After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2021, 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 of the valuation date. At the time of the writing of the present report, the General Assembly had not invoked the provision of article 26.

228. Should article 26 be invoked owing to an actuarial deficiency, either during the ongoing operation or as a result of the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2020, 2021 and 2022) amounted to $8,937.68 million, of which 0.6 per cent was contributed by UNOPS.

229. During 2023, contributions paid to the Fund by UNOPS amounted to $17.7 million ($16.8 million in 2022). There is no material change to the expected contributions in 2024.

230. Membership in the Fund may be terminated by a 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.

231. 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

232. As at 31 December 2023, UNOPS had no termination entitlement liabilities (nil as at 31 December 2022).

Note 16
Accounts payable

Table IV.51
Accounts payable and accruals
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Accounts payable	408 024	190 508
Accruals	155 583	263 380
Total	**563 607**	**453 888**

233. Balances of accounts payable as at 31 December 2023 are shown below.

Table IV.52
Accounts payable
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Accounts payable – UNDP	–	–
Accounts payable – other United Nations agencies	3 928	4 192
Accounts payable – other	404 096	186 316
Total accounts payable	**408 024**	**190 508**

234. Accounts payable relate to transactions in which invoices from vendors were received and approved for payment but not yet paid. The accounts payable include the refund of the balance of the grant from Finland of $7.1 million.

Accruals

235. The accrued charges amounting to $155.6 million ($263.4 million in 2022) 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

236. 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.53
Project cash advances received
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Deferred revenue	1 805 022	1 311 308
Cash held by UNOPS as agent	995 020	1 441 813
Total	**2 800 042**	**2 753 121**

237. Of the balance in deferred revenue of $1,805.0 million ($1,311.3 million in 2022), $1,230.7 million relates to cash advances on construction contracts for the period ended 31 December 2023, as detailed in note 20.

Note 18
Other liabilities

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

Table IV.54
Other liabilities
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Derivative liabilities	7 787	20 708

Note 19
Net assets/equity

239. UNOPS net assets/equity are as follows:

Table IV.55
Net assets/equity
(Thousands of United States dollars)

	After-service health insurance reserve					*Operational reserves*					
	Actuarial gains/(losses)	*Changes in fair value of after-service health insurance financial assets recognized in net assets/equity*	*Other after-service health insurance investment returns recognized in surplus/deficit*	*Post-employment funding gap*	*Changes in fair value of non-after-service health insurance financial assets*	*Minimum operational reserves*	*Other operational reserves*	*Sustainable Investments in Infrastructure and Innovation reserve*	*Growth and innovation reserve*	*Accumulated surpluses*	*Total*
Balance as at 1 January 2022	9 699	–	–	–	(10 334)	138 764	–	–	111 119	111 120	360 368
Surplus/(deficit) for the period	–	–	–	–	–	–	–	–	–	(28 780)	(28 780)
Actuarial gains/(losses)	39 198	–	–	–	–	–	–	–	–	–	39 198
Change in fair value of financial assets	–	–	–	–	(46 749)	–	–	–	–	–	(46 749)
Transfers to/from other reserves	–	–	–	–	–	8 488	121 924	63 047	(111 119)	(82 340)	–
Opening balance as at 1 January 2023	**48 897**	**–**	**–**	**–**	**(57 083)**	**147 252**	**121 924**	**63 047**	**–**	**–**	**324 037**
Impact of IPSAS 41 adoption	–	–	–	–	47 856	–	–	–	–	4 140	51 996
Opening balance as at 1 January 2023	**48 897**	**–**	**–**	**–**	**(9 227)**	**147 252**	**121 924**	**63 047**	**–**	**4 140**	**376 033**
Surplus/(deficit) for the period	–	–	–	–	–	–	–	–	–	41 325	41 325
Reclassification of change in fair value	–	(9 227)	228	–	9 227	–	–	–	–	(228)	–
Actuarial gains/(losses)	(5 638)	–	–	–	–	–	–	–	–	–	(5 638)
Change in fair value of after-service health insurance financial assets	–	5 882	–	–	–	–	–	–	–	–	5 882
Approved distribution to UNOPS donors	–	–	–	–	–	–	(123 792)	–	–	–	(123 792)
Transfers to/from other reserves	–	–	–	3 413	–	18 067	86 804	(63 047)	–	(45 237)	–
Balance as at 31 December 2023	**43 259**	**(3 345)**	**228**	**3 413**	**–**	**165 319**	**84 936**	**–**	**–**	**–**	**293 810**

After-service health insurance reserve

240. As UNOPS operates with a net-zero revenue commitment and requires the distribution of any excess to paying entities, the after-service health insurance reserve has been created with the purpose of ring fencing the gains and losses arising from the after-service health insurance investment portfolio and the actuarial gains and losses of the defined benefit obligations of the after-service health insurance, repatriation grant and death benefit post-employment defined benefit plans. The purpose of this reserve is to mitigate the risk of not having sufficient funds to meet the UNOPS post-employment defined benefit obligations in the future. Therefore, the after-service health insurance reserve is excluded from the calculations of the excess reserves to be distributed to paying entities.

Actuarial gains/losses

241. Actuarial gains or losses reflect the changes in the present value of the defined benefit obligation of the defined benefit plans resulting from experience adjustments and the effects of changes in actuarial assumptions, as required by IPSAS 39. See note 3 on accounting policies on employee benefits liabilities.

Changes in fair value of after-service health insurance financial assets recognized in net assets/equity

242. Fair value movements of certain after-service health insurance financial assets are recognized directly in net assets/equity, in line with IPSAS 41, and are part of the after-service health insurance reserve for ring-fencing purposes.

Other after-service health insurance investment returns recognized in surplus/deficit

243. Realized and unrealized gains and losses arising from after-service health insurance financial assets recognized in surplus and deficit, in line with IPSAS 41, are transferred from the accumulated surpluses to the after-service health insurance reserve. Those gains are not considered part of the excess reserves available for distribution to paying entities.

Post-employment funding gap

244. UNOPS fully funds the post-employment benefit obligation. The results of the after-service health insurance assets and liabilities are presented below to reflect the current funding deficit/surplus. Given past experience, it is expected that the post-employment benefits obligation will continue to increase over the years.

Table IV.56
Post-employment funding gap
(Thousands of United States dollars)

	31 December 2023
Assets	
Book cost value	84 466
Fair value of assets through net assets/equity	(3 345)
Fair value of assets through surplus/deficit	228
Market value	**81 349**
Liabilities	
Post-employment benefit obligation	(84 762)
Total funding gap	**3 413**

Fair value of non-after-service health insurance financial assets

245. Fair value movements of certain financial assets not part of the after-service health insurance financial assets are recognized directly in net assets/equity, in line with IPSAS 41.

Minimum operational reserves

246. New minimum operational reserves were 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 reserves 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.

247. The requirement for the minimum operational reserves of UNOPS is 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 previous year and 20 per cent for the year prior. On the basis of this formula, for the period ended 31 December 2023, the minimum operational reserves requirement was $165.3 million, an increase of $18.0 million compared to 2022.

Growth and innovation reserve

248. 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 this reserve was set at 50 per cent of the excess operational reserves. The reserve funded Sustainable Investments in Infrastructure and Innovation activities to catalyse investment in socially inclusive large-scale infrastructure projects until 2022.

249. In June 2022 (see DP/2022/27), the Executive Board requested UNOPS to transfer into the operational reserves the balance not committed to projects from the growth and innovation reserve, the Sustainable Investments in Infrastructure and Innovation reserve and accumulated surpluses. As a result, a total of $111.1 million of the growth and innovation reserve was transferred into the operational reserves in 2022. As at 31 December 2023, the balance of this reserve was nil.

Other operational reserves

250. In February 2023 (see DP/2023/11), the Executive Board established the level of reserves that UNOPS should hold. As a result, all reserves beyond that level should be distributed to the partners that have worked with UNOPS within the past four years. UNOPS enlisted an independent external party, Deloitte, to review and ensure the accuracy and appropriateness of the process for determining, calculating and distributing the excess reserves. As a result, the Executive Board approved the allocation of $123.8 million to be distributed to paying entities from the UNOPS operational reserves.

251. In its decision 2023/18, the Executive Board requested that UNOPS propose for approval, at every second regular session at which the UNOPS biennial budget is considered, starting in 2023, a fair and transparent methodology and time frame for distributing any excess reserves accumulated in the relevant budget cycle to paying entities, including those within the United Nations system. The proposal should be presented to the Executive Board in an informal session prior to those second regular sessions, with the aim of distributing the reserves within 12 months of receiving the report of the Board of Auditors.

Sustainable Investments in Infrastructure and Innovation reserve

252. In February 2022, the UNOPS Executive Board established the Sustainable Investments in Infrastructure and Innovation reserve. Subsequently in June 2022, the Board requested UNOPS to freeze all further Sustainable Investments in Infrastructure and Innovation-related investments not already contractually committed by UNOPS. As at that date, the total committed Sustainable Investments in Infrastructure and Innovation-related investments amounted to $63.0 million.

253. In its decision 2023/22, the Executive Board approved the release of committed Sustainable Investments in Infrastructure and Innovation initiative funds to the UNOPS operational reserves. Consequently, the total committed Sustainable Investments in Infrastructure and Innovation investments that amounted to $63.0 million in 2022 were released to the operational reserves in 2023.

Accumulated surpluses

254. Accumulated surpluses represent the accumulated surpluses and deficits from UNOPS operations over the years, net of those transferred to other reserves, as detailed above. During 2023, a total of $45.2 million of accumulated surplus was transferred into the operational reserves.

Note 20
Revenue and expenses

Non-exchange revenue

255. During the year 2023 UNOPS did not generate any non-exchange revenue, nor did it generate any non-exchange revenue in 2022.

256. Services in kind for the period amounted to $4.2 million ($4.1 million in 2022), $3.7 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

257. The exchange revenue of UNOPS comprised $1,216.0 million ($1,221.5 million in 2022) in revenue from project activities and $0.9 million ($2.9 million in 2022) from miscellaneous revenue. The revenue and expenses from UNOPS project activities were as follows:

Table IV.57
Revenue and expenses from project activities
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Construction contracts (infrastructure)	445 251	308 811
Procurement	107 449	161 942
Financial management	103 267	78 243
Human resources administration	27 285	27 562
Other project management	532 761	644 983
Total project-related revenue	**1 216 013**	**1 221 541**
***Less*: project expenses**		
Construction contracts	426 056	293 911
Procurement	75 720	116 600
Financial management	84 433	61 655
Human resources	15 423	11 797
Other project management	500 779	610 252
Total project-related expenses	**1 102 411**	**1 094 215**
Net revenue from project activities	**113 602**	**127 326**

258. 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: infrastructure; procurement; and project management. These categories are detailed in note 1.

Construction contracts

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

Table IV.58
Construction contracts – revenue and expenses
(Thousands of United States dollars)

	Cumulative to 2023	*Cumulative in prior years*	*Recognized in current year*
Revenue	1 796 884	1 351 633	445 251
Expense	(1 669 010)	(1 242 954)	(426 056)
Surplus	**127 874**	**108 679**	**19 195**

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

Table IV.59
Construction contracts – amounts due to/from customers
(Thousands of United States dollars)

	Projects with net deferred revenue balance	*Projects with a net receivables balance*	*Total*
Cash advances received, including accrued interest	(2 875 010)	(205 557)	(3 080 567)
Revenue recognized over the life of the contract	1 644 285	211 380	1 855 665
Amount due (to)/from customers included in deferred revenue and project receivables, respectively	**(1 230 725)**	**5 823**	**(1 224 902)**
Retentions			19 316

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

Operational costs and other expenses

262. Operational costs of $127.4 million ($118.4 million in 2022) relate to expenses incurred by UNOPS for a range of activities, which included payments for:

(a) Rental of office space and leases: $22.6 million;

(b) Maintenance of buildings and equipment: $37.5 million;

(c) Management and reporting services: $8.8 million;

(d) Utilities: $0.9 million.

263. Other expenses of -$1.4 million ($32.6 million in 2022) comprise:

(a) Movements in provisions and impairments: -$2.2 million;

(b) Other expenses: $0.8 million.

264. Contractual services of $450.5 million ($366.5 million in 2022) relate to expenses incurred for a range of UNOPS activities, some of which included payments for:

(a) Construction and engineering services: $272.1 million;

(b) Humanitarian aid and relief services: $45.8 million;

(c) Trade and business services: $34.2 million;

(d) Security services: $27.4 million.

Note 21
Employee benefits expenses

Table IV.60
Employee benefits expenses
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Salaries	78 433	73 697
After-service health insurance	5 792	7 752
Annual leave	1 721	(10)
Home leave	671	717
Defined contribution plan	17 720	16 767
Repatriation grants	1 705	1 881
Other short-term employee benefit expenses	24 728	21 136
Expense related to staff	**130 770**	**121 940**
Other personnel expenses	343 883	321 146
Total employee benefits expenses	**474 653**	**443 086**

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

266. In October 2014, UNOPS implemented a provident fund scheme for all UNOPS local individual contractors. The provident fund is a defined contribution plan. The employer contributions of 15 per cent of local individual contractors’ agreement fees are fixed and are recognized as an expense. The contractors contribute 7.5 per cent of their fee on a monthly basis. The UNOPS responsibility is to establish arrangements to provide a provident fund facility and 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 2023 was $129.0 million ($106.3 million in 2022). Further details on the provident fund are disclosed in the annex to the financial statements.

267. 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.61
Finance income/(expense)
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Total finance income on investments	42 429	(44 610)
Recognition of amortized cost (note 10)	45 962	–
Gain/(loss) on financial assets at fair value through surplus/(deficit)	228	–
Total finance income/(expense) on investments and other financial assets	**88 619**	**(44 610)**

	31 December 2023	31 December 2022
Less: finance income/(expense) allocated to projects	(26 343)	(10 632)
Net finance income/(expense) retained by UNOPS	**62 276**	**(55 242)**
Finance income on UNOPS bank balances	1 396	434
Charge/(reversal) for expected credit loss impairment losses	–	–
Total finance income/(expense)	**63 672**	**(54 808)**

268. The component of total finance income/expense that relates to returns on investment is detailed in table IV.11.

269. In accordance with IPSAS 1: Presentation of financial statements, revenue and expenses are required to be presented separately and not to be offset against each other unless they relate to similar transactions or it is required in line with another IPSAS. There was no interest earned on other financial assets during the year ended 31 December 2023 and, accordingly, impairment on other financial assets has been included as part of other expenses in 2023 and not finance income/expense.

Table IV.62
Exchange rate gain/loss
(Thousands of United States dollars)

	31 December 2023	31 December 2022
Net foreign exchange gain/(loss)	(546)	24 479

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

271. Net unrealized losses of $6.5 million of derivative instruments are included within the UNOPS net foreign exchange gain/loss.

Note 23
Provisions

Table IV.63
Provisions
(Thousands of United States dollars)

	1 January 2023	Additional provisions	Unused amounts reversed	Utilized	31 December 2023
Claims	1 950	1 101	–	–	3 051
Leasehold restoration provisions	247	–	(30)	–	217
Other provisions	11 586	1 577	(4 429)	(3 544)	5 190
Total	**13 783**	**2 677**	**(4 459)**	**(3 544)**	**8 458**
Of which:					
Current portion					8 286
Non-current portion					172

Table IV.64
Provisions – 2022 comparatives
(Thousands of United States dollars)

	1 January 2022	*Additional provisions*	*Unused amounts reversed*	*Utilized*	*31 December 2022*
Claims	1 970	–	–	(20)	1 950
Leasehold restoration provisions	262	–	(15)	–	247
Other provisions	6 440	7 311	(5)	(2 160)	11 586
Total	**8 672**	**7 311**	**(20)**	**(2 180)**	**13 783**
Of which:					
Current portion					11 605
Non-current portion					2 178

272. 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 in which outflow of resources is probable and can be reliably estimated. Other provisions relate mostly to the estimated cost of remedial work required on projects being implemented by UNOPS.

Note 24
Contingent liabilities

273. 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 the timing of any outflow is therefore difficult to ascertain.

Table IV.65
Contingent liabilities
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Project related claims from clients	–	3 804
Staff related claims	–	–
Total contingent liabilities	**–**	**3 804**

274. There were four staff-related claims, with the probability of a liability exposure being low.

Contingent assets

275. UNOPS had no contingent assets as at 31 December 2023 (nil as at 31 December 2022).

Note 25
Commitments

276. 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 countries where the field offices are located.

277. The operating expenses include lease payments for an amount of $9.3 million ($7.9 million in 2022) recognized as operating lease expenses during the year in the statement of financial performance under "operational costs".

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

Table IV.66
Lease commitments

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Within 1 year	9 046	9 770
Later than 1 year and not later than 5 years	14 090	13 909
Later than 5 years	2 102	3 778
Total operating lease commitments	**25 238**	**27 457**

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

280. As at 31 December 2023, the total future minimum lease payments under sublease agreements that UNOPS expects to receive on such agreements that cannot be cancelled was $0.5 million ($1.0 million in 2022), owing mainly to the expiration of several sublease agreements during 2023.

Open commitments

281. 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 2023:

Table IV.67
Open commitments
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Management budget	6 465	5 133
Project-related commitments	851 363	1 099 249
Total open commitments	**857 828**	**1 104 382**
Of which:		
Commitments for property, plant and equipment	1 017	867
Commitments for intangible assets	–	17

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

Table IV.68
Statement of comparison of original and final budget amounts
(Thousands of United States dollars)

	Biennial 2022–2023 management budget	*2023 management budget*	*2023 management budget*	*Variance between original and final 2023 budget*		
	Original	*Original*	*Final*		*Percentage*	*Explanation*
Revenue on budget basis	200 511	100 255	125 087	24 832	25	Management fee projections changed following the budget estimates formulation
Response plan-related investments from reserves	–	–	11 800	11 800	100	Executive Board decision 2023/4 related to the comprehensive response plan
Total revenue for the period	**200 511**	**100 255**	**136 887**	**36 632**	**37**	
Management resources						
Posts	31 259	15 629	25 107	9 478	61	Increase reflects the implementation of Board of Auditors' recommendation related to ensuring that the core structures are resourced with appointments under United Nations staff regulations and rules
Common staff costs	23 087	11 544	18 181	6 637	58	
Travel	8 724	4 362	5 782	1 420	33	Anticipation of increased travel plans in 2023
Consultants	100 999	50 499	61 070	10 571	21	Harmonization with the wider United Nations guidance on cost-recovery
Operating expenses	12 987	6 494	7 513	1 019	16	Overall increase in estimation of office operation costs at headquarters and regions
Furniture and equipment	1 410	705	2 234	1 529	217	Budget increase to ensure improved funding for the enhancement of UNOPS enterprise resource planning and associated assets
Reimbursements	2 800	1 400	5 200	3 800	271	Harmonization with the wider United Nations guidance on cost recovery
Response plan-related investments from reserves	–	–	11 800	11 800	100	Executive Board decision 2023/4 related to the comprehensive response plan
Total use of management resources	**181 266**	**90 633**	**136 887**	**46 254**	**51**	
Write-offs, provisions and contingency surplus	19 245	9 622	–	(9 622)	(100)	
Total use of resources	**200 511**	**100 255**	**136 887**	**36 632**	**37**	

Table IV.69

Statement of comparison of budget and actual amounts

(Thousands of United States dollars)

	Biennial 2022–2023 management budget	*2023 management budget*	*2023 management budget*	*2023 actual amounts*			
	Original	*Original*	*Final*	*Actuals*	*Difference between final budget and actuals*	*Percentage*	*Explanation*
Revenue on budget basis	200 511	100 255	125 087	115 076	(10 011)	(8)	
Response plan-related investments from reserves	–	–	11 800	8 742	(3 058)	(26)	Reflects actual use against the first tranche approved under the Executive Board decision 2023/4 related to the comprehensive response plan
Total revenue for the period	**200 511**	**100 255**	**136 887**	**123 818**	**(13 069)**	**(10)**	
Management resources							
Posts	31 259	15 629	25 107	20 364	(4 743)	(19)	
Common staff costs	23 087	11 544	18 181	15 740	(2 441)	(13)	
Travel	8 724	4 362	5 782	6 310	528	9	
Consultants	100 999	50 499	61 070	59 130	(1 940)	(3)	
Operating expenses	12 987	6 494	7 513	8 011	498	7	
Furniture and equipment	1 410	705	2 234	1 901	(333)	(15)	
Reimbursements	2 800	1 400	5 200	5 774	574	11	
Response plan-related investments from reserves	–	–	11 800	8 742	(3 058)	(26)	Reflects actual use against the first tranche approved under the Executive Board decision 2023/4 related to the comprehensive response plan
Total use of management resources	**181 266**	**90 633**	**136 887**	**125 972**	**(10 915)**	**(8)**	
Write-offs, provisions and contingency surplus	19 245	9 622	–	1 124	1 124	100	UNOPS does not budget internally for write-offs, provisions or contingency surplus
Total use of resources	**200 511**	**100 255**	**136 887**	**127 096**	**(9 791)**	**(7)**	
Net revenue on budget basis	**–**	**–**	**–**	**(3 278)**	**(3 278)**	**(100)**	

Table IV.70
Statement of comparison of response plan budget and actual amounts
(Thousands of United States dollars)

	2023 management budget	2023 actual amounts	Difference between final budget and actuals	Percentage
	Final	*Actuals*		
Response plan-related investments from reserves	11 800	8 742	(3 058)	(26)
Management resources				
Posts	676	305	(371)	(55)
Common staff costs	489	355	(134)	(27)
Travel	388	251	(137)	(35)
Consultants	10 088	5 358	(4 730)	(47)
Operating expenses	159	873	714	449
Furniture and equipment	–	1 600	1 600	100
Reimbursements	–	–	–	–
Total use of resources	**11 800**	**8 742**	**(3 058)**	**(26)**
Net revenue on budget basis	**–**	**–**	**–**	**–**

282. 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.

283. 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.71
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

284. The approved budget covers the biennium 2022–2023. The annual budget for 2023 was included in statement V.

285. 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

286. As required under IPSAS 24: Presentation of budget information, 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.

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

288. 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.

289. 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.72
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	(2 081)	(1 197)	–	(3 278)
Basis differences (acquisition and disposal of intangibles and property, plant and equipment)	–	–	–	–
Entity differences	(18 779)	(2 709)	–	(21 488)
Changes in working capital	(69 355)	–	–	(69 355)
Movement in investments	–	300 438	–	300 438
Movement in interest received	–	16 019	–	16 019
Distribution to donors	–	–	(123 792)	(123 792)
Subtotal	**(90 215)**	**312 551**	**(123 792)**	**98 544**
Net foreign exchange gains/(losses)	–	–	–	–
Adjustment for fair value on cash equivalents	–	–	–	(566)
Actual amount in the statement of cash flows	**(90 215)**	**312 551**	**(123 792)**	**97 978**

Note 27
Segment reporting

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

291. The UNOPS structure consists of six regions and headquarters, located in Denmark. Headquarters as a segment is made up of four units: corporate functions; delivery and partnerships; independent functions; and management and policy.

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

293. 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.

294. UNOPS revenue, expenses, assets and liabilities are segmented as follows:

Table IV.73
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 Portfolios Office*	*Total*
Revenue								
Revenue from project activities	245 820	168 878	137 270	41 851	205 172	188 378	228 644	1 216 013
Miscellaneous revenue	3 470	3 572	–	(7 065)	204	768	–	949
Non-exchange revenue	–	–	–	–	–	–	–	–
Total revenue	**249 290**	**172 450**	**137 270**	**34 786**	**205 376**	**189 146**	**228 644**	**1 216 962**
Expenses								
Contractual services	97 287	56 988	19 662	16 560	83 402	86 997	89 608	450 504
Other personnel costs	60 790	54 049	52 318	53 443	50 806	18 438	54 039	343 883
Salaries and employee benefits	5 075	6 021	33 011	22 322	4 249	8 923	51 169	130 770
Operational costs	25 481	24 844	9 459	17 239	11 283	30 445	8 615	127 366
Supplies and consumables	35 176	11 596	3 877	4 933	38 257	31 999	9 686	135 524
Travel	11 987	12 319	7 009	4 069	3 447	1 105	7 097	47 033
Other expenses	1 080	(726)	156	185	(2 503)	4	416	(1 388)
Total expenses	**236 876**	**165 091**	**125 492**	**118 751**	**188 941**	**177 911**	**220 630**	**1 233 692**
Finance income	–	–	–	63 672	–	–	–	63 672
Exchange rate gain/(loss)	–	–	–	(546)	–	–	–	(546)
Net finance income/(expense)	**–**	**–**	**–**	**63 126**	**–**	**–**	**–**	**63 126**
Surplus before unallocated expenses	**12 414**	**7 359**	**11 778**	**(20 839)**	**16 435**	**11 235**	**8 014**	**46 396**
Unallocated segment expenses								
Depreciation of property, plant and equipment	–	–	–	–	–	–	–	(3 596)
Amortization of intangible assets	–	–	–	–	–	–	–	(1 475)
Surplus/(deficit) for the period	**12 414**	**7 359**	**11 778**	**(20 839)**	**16 435**	**11 235**	**8 014**	**41 325**

Table IV.74
Segment revenue and expenses – 2022 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	210 537	86 051	129 325	38 375	397 285	100 595	259 373	1 221 541
Miscellaneous revenue	159	1 789	5	583	107	240	–	2 883
Non-exchange revenue	–	–	–	–	–	–	–	–
Total revenue	**210 696**	**87 840**	**129 330**	**38 958**	**397 392**	**100 835**	**259 373**	**1 224 424**
Expenses								
Contractual services	76 230	14 183	11 204	10 936	113 650	30 334	109 972	366 509
Other personnel costs	59 225	43 675	42 154	48 782	53 884	18 430	54 996	321 146
Salaries and employee benefits	4 784	5 019	28 928	18 036	3 320	8 303	53 550	121 940
Operational costs	27 792	10 428	18 265	15 252	16 233	18 424	12 047	118 441
Supplies and consumables	18 571	4 672	12 432	2 200	163 330	12 061	9 392	222 658
Travel	11 119	5 809	4 541	2 325	2 853	768	7 581	34 996
Other expenses	1 931	434	156	24 322	4 509	399	869	32 620
Total expenses	**199 652**	**84 220**	**117 680**	**121 853**	**357 779**	**88 719**	**248 407**	**1 218 310**
Finance income	–	–	–	(54 808)	–	–	–	(54 808)
Exchange rate gain/(loss)	–	–	–	24 479	–	–	–	24 479
Net finance income/(expense)	**–**	**–**	**–**	**(30 329)**	**–**	**–**	**–**	**(30 329)**
Surplus before unallocated expenses	**11 044**	**3 620**	**11 650**	**(113 224)**	**39 613**	**12 116**	**10 966**	**(24 215)**
Unallocated segment expenses								
Depreciation of property, plant and equipment	–	–	–	–	–	–	–	(3 474)
Amortization of intangible assets	–	–	–	–	–	–	–	(1 091)
Surplus/(deficit) for the period	**11 044**	**3 620**	**11 650**	**(113 224)**	**39 613**	**12 116**	**10 966**	**(28 780)**

Table IV.75
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 Portfolios Office*	*Total for allocated assets and liabilities*	*Unallocable*	*Grand total*
Assets										
Non-current assets										
Property, plant and equipment	–	–	–	–	–	–	–	–	17 629	17 629
Intangible assets	–	–	–	–	–	–	–	–	4 672	4 672
Long-term investments	–	–	–	187 464	–	–	–	187 464	–	187 464
Other financial assets	–	–	–	–	–	–	–	–	–	–
Non-current accounts receivable	–	–	–	–	–	–	–	–	–	–
Total non-current assets	**–**	**–**	**–**	**187 464**	**–**	**–**	**–**	**187 464**	**22 301**	**209 765**
Current assets										
Inventories	3 218	6	14	–	237	–	6 336	9 811	–	9 811
Other assets	–	–	–	1 247	–	–	–	1 247	–	1 247
Accounts receivable										
Project accounts receivable	–	–	–	–	–	–	–	–	94 786	94 786
Prepayments	3 674	22 071	6 194	4 839	7 429	2 632	189	47 028	–	47 028
Other accounts receivable	–	–	–	–	–	–	–	–	213 984	213 984
Short-term investments	–	–	–	2 516 861	–	–	–	2 516 861	–	2 516 861
Cash and cash equivalents	–	–	–	–	–	–	–	–	702 587	702 587
Total current assets	**6 892**	**22 077**	**6 208**	**2 522 947**	**7 666**	**2 632**	**6 525**	**2 574 947**	**1 011 357**	**3 586 304**
Total assets	**6 892**	**22 077**	**6 208**	**2 710 411**	**7 666**	**2 632**	**6 525**	**2 762 411**	**1 033 658**	**3 796 069**
Liabilities										
Non-current liabilities										
Employee benefits, long-term	–	–	–	–	–	–	–	–	84 902	84 902
Provisions	–	–	–	172	–	–	–	172	–	172
Total non-current liabilities	**–**	**–**	**–**	**172**	**–**	**–**	**–**	**172**	**84 902**	**85 074**

Table IV.75
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 Portfolios Office*	*Total for allocated assets and liabilities*	*Unallocable*	*Grand total*
Current liabilities										
Employee benefits, short-term	–	–	–	–	–	–	–	–	37 463	37 463
Accounts payable	–	–	–	–	–	–	–	–	563 607	563 607
Project cash advances received										
Deferred revenue	370 112	323 844	284 930	34 275	344 206	384 133	63 522	1 805 022	–	1 805 022
Cash held on agency projects	282 103	169 462	281 262	37 609	183 267	31 328	9 989	995 020	–	995 020
Other liabilities	–	–	–	7 787	–	–	–	7 787	–	7 787
Provisions	3 611	2 090	–	196	1 950	439	–	8 286	–	8 286
Total current liabilities	**655 826**	**495 396**	**566 192**	**79 867**	**529 423**	**415 900**	**73 511**	**2 816 115**	**601 070**	**3 417 185**
Total liabilities	**655 826**	**495 396**	**566 192**	**80 039**	**529 423**	**415 900**	**73 511**	**2 816 287**	**685 972**	**3 502 259**

Table IV.76
Segment assets and liabilities – 2022 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										
Property, plant and equipment	–	–	–	–	–	–	–	–	18 393	18 393
Intangible assets	–	–	–	–	–	–	–	–	5 299	5 299
Long-term investments	–	–	–	806 387	–	–	–	806 387	–	806 387
Other financial assets	–	–	–	–	–	–	–	–	–	–
Non-current accounts receivable	–	–	–	–	–	–	–	–	–	–
Total non-current assets	**–**	**–**	**–**	**806 387**	**–**	**–**	**–**	**806 387**	**23 692**	**830 079**
Current assets										
Inventories	2 535	37	21	–	1 535	–	7 595	11 723	–	11 723
Other assets	–	–	–	5 340	–	–	–	5 340	–	5 340
Accounts receivable										
Project accounts receivable	–	–	–	–	–	–	–	–	69 519	69 519
Prepayments	2 188	1 042	75	5 401	4 748	1 338	101	14 893	–	14 893
Other accounts receivable	–	–	–	–	–	–	–	–	61 386	61 386
Short-term investments	–	–	–	2 079 129	–	–	–	2 079 129	–	2 079 129
Cash and cash equivalents	–	–	–	–	–	–	–	–	604 609	604 609
Total current assets	**4 723**	**1 079**	**96**	**2 089 870**	**6 283**	**1 338**	**7 696**	**2 111 085**	**735 514**	**2 846 599**
Total assets	**4 723**	**1 079**	**96**	**2 896 257**	**6 283**	**1 338**	**7 696**	**2 917 472**	**759 206**	**3 676 678**
Liabilities										
Non-current liabilities										
Employee benefits, long-term	–	–	–	–	–	–	–	–	75 186	75 186
Provisions	230	1 772	–	176	–	–	–	2 178	–	2 178
Total non-current liabilities	**230**	**1 772**	**–**	**176**	**–**	**–**	**–**	**2 178**	**75 186**	**77 364**

Table IV.76
Segment assets and liabilities – 2022 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	–	–	–	–	–	–	–	–	35 955	35 955
Accounts payable	–	–	–	–	–	–	–	–	453 888	453 888
Project cash advances received										
Deferred revenue	233 732	197 676	112 270	73 013	346 384	277 136	71 097	1 311 308	–	1 311 308
Cash held on agency projects	218 030	264 011	299 000	9 910	596 742	44 797	9 323	1 441 813	–	1 441 813
Other liabilities	–	–	–	20 708	–	–	–	20 708	–	20 708
Provisions	2 960	1 337	–	222	6 647	439	–	11 605	–	11 605
Total current liabilities	**454 722**	**463 024**	**411 270**	**103 853**	**949 773**	**322 372**	**80 420**	**2 785 434**	**489 843**	**3 275 277**
Total liabilities	**454 952**	**464 796**	**411 270**	**104 029**	**949 773**	**322 372**	**80 420**	**2 787 612**	**565 029**	**3 352 641**

Note 28
Related parties

295. 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, given that it exercises significant influence over UNOPS as governing body.

296. The activities of UNOPS are overseen by the Executive Board and UNOPS 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 of the Board. There were no travel-related costs in relation to the Executive Board during 2023. 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.

297. 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

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

Table IV.77
Key management personnel
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Number of individuals	16	11
Aggregate remuneration:		
Base compensation and post adjustments	2 985	1 941
Other entitlements	599	302
Post-employment benefits	1 000	656
Total remuneration	**4 584**	**2 899**
Outstanding advances against entitlements	80	89
Outstanding loans	–	–
After-service health insurance, repatriation grant and leave liability[a]	2 686	1 301

[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.

299. For the purpose of this disclosure, key management personnel include the Executive Director and staff members of the management team. The Executive Director has the overall authority and responsibility to plan, lead, direct and control the activities of the organization. The management team is an internal coordination forum that supports the Executive Director in the strategic positioning of UNOPS.

300. 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.

301. These financial statements disclose key management personnel remuneration and post-employment liabilities directly attributable to the individuals.

302. In 2023, there were no known instances of executive management personnel facing conflicts of interest that could potentially influence decision-making, either stemming from the ordinary course of business or with regard to business relationships with family members, other related individuals or vendors.

303. The appointed UNOPS Executive Director assumed duties in 2023. In addition, the position of Deputy Executive Director, which had been vacant since March 2020, was filled in 2023. In September 2022, the UNOPS Executive Board approved the creation of a position for a second Deputy Executive Director. This position is still vacant.

Note 29
Events after reporting date

304. 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.

305. As at the date of signature of the UNOPS financial statements and related notes for the period ended 31 December 2023, no other material events, favourable or unfavourable, 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 2023

(Thousands of United States dollars)

	2023	*2022*
Opening balance as at 1 January	106 329	100 818
Contribution/premium	33 104	29 527
Payouts	(20 240)	(16 644)
Funds not earmarked for the fund	940	1 475
Earnings/(losses)	8 915	(8 847)
Closing balance as at 31 December	**129 048**	**106 329**

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)

	2023	*2022*
Opening balance of the non-earmarked contributions	7 362	7 082
Change in non-earmarked contributions within the period	1 607	774
Total expenses against non-earmarked contributions, following provident fund principles		
Payment attributed to UNOPS personnel	–	(38)
Payment attributed to provident fund administrator or investment adviser	(393)	(392)
Payment attributed to services benefiting all members	(269)	(64)
Total expenses against non-earmarked contributions	**(662)**	**(494)**
Closing balance as at 31 December	**8 307**	**7 362**

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