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United Nations Development Programme

Financial report and audited financial statements

for the year ended 31 December 2013

and

Report of the Board of Auditors

United Nations • New York, 2014

* Reissued for technical reasons on 16 December 2014 to incorporate A/69/5/Add.1/Corr.1.

Note

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

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[24 July 2014]

Contents

Letters of transmittal and certification

Letter dated 30 April 2014 from the Administrator and the Chief Finance Office/Comptroller of the United Nations Development Programme addressed to the Chair of the Board of Auditors

Pursuant to financial regulation 26.01, we have the honour to submit the financial statements of the United Nations Development Programme (UNDP) for the year ended 31 December 2013, which we hereby approve.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

We, the undersigned, acknowledge that:

The management is responsible for the integrity and objectivity of the financial information included in these financial statements.

The financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and include certain amounts that are based on management's best estimates and judgements.

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. UNDP internal auditors continually review the accounting and control systems. Further improvements are being implemented in specific areas.

The management provided the United Nations Board of Auditors and UNDP internal auditors with full and free access to all accounting and financial records.

The recommendations of the United Nations Board of Auditors and UNDP 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 each 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*) Helen **Clark**
Administrator

(*Signed*) Jens **Wandel**
Assistant Administrator and Director
Bureau of Management

(*Signed*) Darshak **Shah**
Chief Finance Officer/Comptroller
Bureau of Management

Letter dated 30 June 2014 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Development Programme for the year ended 31 December 2013.

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland
Chair of the Board of Auditors

Chapter I

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

Report on the financial statements

We have audited the accompanying financial statements of the United Nations Development Programme (UNDP) for the year ended 31 December 2013, which comprise the statement of financial position (statement I), the statement of financial performance (statement II), the statement of changes in net assets/equity (statement III), the statement of cash flow (statement IV), the statement of comparison of budget and actual amounts (regular resources) (statement V (a)) and the statement of comparison of budget and actual amounts (regular resources) for the biennium 2012-2013 (statement V (b)) and the supporting statements and explanatory notes.

Responsibility of management for the financial statements

The Administrator is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and for such internal control as deemed necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the auditors

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we 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.

An audit includes the performance of procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement and include an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes an evaluation of the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of UNDP as at 31 December 2013 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Report on other legal and regulatory requirements

Further to our opinion, the transactions of UNDP 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 UNDP and legislative authority.

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

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland
Chair of the Board of Auditors

(*Signed*) Ludovick S. L. **Utouh**
Controller and Auditor General of the
United Republic of Tanzania
(Lead Auditor)

(*Signed*) **Liu** Jiayi
Auditor General of China

30 June 2014

Chapter II
Long-form report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Development Programme (UNDP) for the year ended 31 December 2013. The audit was carried out at the New York headquarters, the Regional Service Centre in Addis Ababa and at the country offices in Bangladesh, Jordan, Namibia, Nigeria, the Philippines, Saudi Arabia, Trinidad and Tobago and Zambia. The Board also carried out an audit of the global payroll system in Copenhagen.

Audit opinion

The Board issued an unqualified audit opinion on the financial statements of UNDP for the year ended 31 December 2013. The Board's opinion is set out in chapter I of the present report.

Overall conclusion

The Board noted that UNDP remains financially stable and able to sustain its core operations. It also continues to improve its financial statements after the adoption of IPSAS in 2012. The Board noted no particular concerns in financial reporting or operations which materially affect its audit opinion, but continues to note some areas with scope for improvement, specifically, the need for UNDP to place more focus on improving the management and monitoring of implementing partners, the management of field office operations, including the approval of workplans, and the management of projects and audits. Other areas with scope for improvement include: the application of the harmonized approach to cash transfers and the security of information and technology systems. While, UNDP has developed a number of strategies to deal with the deficiencies, the Board considers that the measures are not adequate to fully address some of the recurring shortcomings.

UNDP is planning to carry out a major restructuring of its operations, involving the relocation of functions and staff to different duty stations and regions, which is aimed at improving institutional effectiveness to meet the objectives of strategic plans, promoting better integration, both functionally and geographically, through strengthening its regional presence, consolidating policy functions, the rationalization of management support and improving staff-management ratios.

At the present time, the Board has no particular concerns regarding the restructuring, but general practice has shown that such major organizational changes may impact significantly upon the workflow of an organization. UNDP therefore needs well-designed implementation procedures that will mitigate the risks associated with the reorganization and a clear set of criteria against which to assess whether the restructuring has achieved its objectives.

Key findings and recommendations

The Board identified a number of issues that require active consideration by management. In particular, the Board highlights the following:

Results-based management

The Board reviewed annual project workplans of $274.2 million for 286 ongoing projects at five country offices and one Regional Service Centre and found a number of deficiencies. For example, of 127 projects reviewed at four country offices, 75 (59 per cent) lacked performance indicators, baselines data and defined targets on signed annual workplans. In addition, comparing 76 integrated workplans against annual project workplans at the remaining country office and the Regional Service Centre, the Board noted that 20 integrated workplans (27 per cent) used different performance indicators, baselines data and targets from those in the annual project workplans. The performance indicators on signed annual workplans in 12 of the 20 projects were not specific or measurable and lacked a suitable time frame for completion.

The Board also noted that some activities in 12 projects out of 87 were implemented before the approval of annual workplans and some were not included in the plan but appeared in the Regional Service Centre listing of ongoing projects. The Board considers that the deficiencies result from a lack of a quality assurance mechanism that would help UNDP to oversee the implementation of projects and to ensure consistency in implementing the concept of results-based budgeting while executing their programmes and projects.

The Board is also concerned that the inconsistent application of results-based budgeting at the field offices might affect UNDP efforts to achieve full benefits from the implementation of results-based management across the organizations of the common system.

Slow pace of project implementation

The Board visited eight country offices with 153 projects and a total budget of $131 million and noted that 87 projects had implementation delays ranging from one to six months. For example, programme financial summaries of 26 July 2013 showed that of the 153 projects, 56 (37 per cent) in four country offices with total budget of $19.71 million had spent less than 20 per cent (some had zero expenditure) of the total allocated funds. Similarly, as of November 2013, 31 projects in three country offices and the Regional Service Centre in Addis Ababa with total budget of $47.2 million had spent less than 50 per cent of the total allocated funds.

UNDP considers that the progress in the first two quarters might not be a good predictor of overall delivery rates. It attributed the slow pace of project implementation in the first half of the year to an extended consultative process, in some although not all cases, with implementation partners on the finalization of annual workplans. In addition, the low expenditure is due to a delay in recording the second quarter expenditure in the combined delivery report of July 2013.

The Board is concerned that the slow pace of project implementation during the year was due to inadequate monitoring of the pace of completion of project activities.

Lack of final review of closed projects

In November 2013 the Board noted that out of 69 projects at four country offices and one at a Regional Service Centre, 32 (46 per cent) had completed their activities, some since 2004, their final reviews for formal closure had been substantially delayed. Under the UNDP Programme and Operations Policies and Procedures, final review reports are to be prepared in the last three months before a project is declared operationally closed. Furthermore, at the Regional Service Centre no projects had equipment transfer documents or project completion checklists providing a trail of events and assets.

The delays and the absence of those documents are not compliant with the provisions of the Programme and Operations Policies and Procedures and it is possible that inappropriate procedures may have been adopted in handing over the assets of some projects.

Closure of projects

At the regional and country offices visited, the Board noted that 69 projects had been operationally closed for more than 12 months but had not been financially closed, contrary to the requirements of the Programme and Operations Policies and Procedures. Of those 69 projects, 32 had unspent balances totalling to $17.3 million. Under the Programme and Operations Policies and Procedures, upon the closure of projects, with the permission of the respective donors, fund balances are to be refunded or transferred to another project. The Board is concerned that delays in closing projects financially increases the risk of unspent funds being applied for purposes for which they were not intended, including the risk of loss or the misappropriation of funds.

Pending refunds

Of $5.42 million pending refund to donors, $4.14 million (76 per cent) was held by UNDP for more than 90 days after the closure of projects, contrary to the requirements of the Programme and Operations Policies and Procedures and the 2013 year-end closure instruction. In a previous report (A/63/5/Add.1) the Board recommended that UNDP ensure that refunds are made in a timely manner, and the Board noted management's follow-up with the concerned donors over the past years to reduce the amount of pending refunds. However, the persistence of the problem indicates that more effort is still needed.

Harmonized approach to cash transfers

Of the eight country offices evaluated to determine how the harmonized approach to cash transfers is being implemented, the Board noted that in four offices the macro- and microassessments for 2012-2013 had not been performed, and that at one office no such assessment has been performed since April 2008. While acknowledging subsequent actions taken by UNDP to rectify the noted anomalies, the Board considers that UNDP needs to further strengthen procedures to ensure that regional bureaux abide by the requirements of the harmonized approach to perform macro- and microassessments in a timely manner.

The Board noted that UNDP is currently formalizing its guidance notes to its country offices on the implementation of the revised harmonized approach to cash transfers framework, which has been approved by the United Nations Development Group. The Board will continue to monitor its implementation to ascertain the extent of compliance and achievement of the expected benefits of the revised framework.

Information technology

The Board reviewed the Atlas human capital management subsystem and human resources data and noted that 55 staff who had separated from UNDP remained active in the Atlas system. UNDP states that 49 of the 55 separated staff were allowed by its policy to have access to the Atlas system in order to e-service the module for up to three months for the purpose of completing their performance records. According to UNDP records, two staff continued to sign in the system after their last day of employment. However, there are no clear procedures or automated mechanisms that prompt the system administrators to remove all separated employees from the system in a timely manner. Therefore, the current arrangement that allow separated staff access to the organization’s systems increases the risks of unauthorized access and fraudulent entries and may affect the integrity of financial records.

Suspected irregularity in procurements under the national implementation modality

UNDP reported a number of cases of fraud and presumptive fraud to the Board, including one case involving suspected irregularities in procurement procedures under the national implementation modality affecting four projects in one country in Latin America. The details of the case are still under investigation by national authorities and the Board will continue to monitor developments in close consultation with UNDP. As the projects are funded almost entirely by contributions from the national Government, no significant losses are expected to be incurred by UNDP.

Recommendations

The Board has made a number of detailed recommendations based on its audit that are contained in the body of the report. The main recommendations, organized by subject, are that UNDP:

Results-based budget

(a) **Establish an appropriate quality assurance mechanism to further improve the consistent implementation of the quality-of-performance indicators and include appropriate baselines and targets for expected outputs for all its approved projects in the annual workplan and integrated annual workplan;**

(b) **Reconcile, on a regular basis, performance indicators, baselines and targets contained in the annual workplans and those in the integrated annual workplans; and ensure the timely approval of the annual project workplans;**

Slow pace of project implementation

(c) **Agree with Programme counterparts on a clear timetable, with target dates for completion of the preparation and approval of the annual workplans in advance of the beginning of the performance cycle, and improve the project implementation progress monitoring mechanism to ensure that all activities are completed within the scheduled time;**

Closure of projects

(d) **Identify and address the causes of the delays in the finalization of the projects so that all operationally closed projects are also financially closed within 12 months, in conformity with the requirements of the Programme and Operations Policies and Procedures;**

Lack of final review of closed project

(e) **Continuously monitor project completion dates and establish a feedback mechanism that will oblige the country offices to prepare final review reports within three months before a project is declared as operationally closed as required under the Programme and Operations Policies and Procedures;**

Pending refunds

(f) **Make every effort, subject to a bilateral agreement with the donor(s) concerned, to refund amounts due to donors and to clear all balances exceeding 90 days in the 2013 account (refunds pending to donors) as required by the Programme and Operations Policies and Procedures and year-end closure instructions;**

Harmonized approach to cash transfers

(g) **Prepare guidance notes for the implementation of the harmonized approach to cash transfers framework and a clear mechanism for monitoring the regional bureaux to ensure adherence to the requirements of the framework;**

Information technology

(h) **Immediately establish monitoring mechanisms to ensure that system administrators deactivate terminated employees in the Atlas system in a timely manner in order to avoid the risk of unauthorized access to the system;**

Suspected irregularity in procurements under the national implementation modality

(i) **Assess risks surrounding the operation of the national implementation modality to find out why assurance procedures other than auditing could not detect suspected irregular procurement procedures and improve controls, and continue engaging with the partner Government to obtain more facts about the matter, to establish the actual loss the projects suffered and to determine possible recovery of losses from the individuals involved.**

A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Development Programme (UNDP) for the year ended 31 December 2013 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UNDP as at 31 December 2013 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 the purposes intended and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of UNDP. The audit included a general review of financial systems and internal controls and testing of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the financial statements, the Board carried out reviews of UNDP operations under financial regulation 7.5 of the United Nations; focusing on programme and projects management, management of implementing partners, procurement management, results-based management, information technology and treasury management.

4. The Board performed the annual audit of the UNDP-Global Environment Facility Trust Fund. The Board issued an unmodified audit opinion for the year ended 31 December 2013.

5. The Board continues to report the results of its audits to UNDP management in the form of management letters containing detailed observations and recommendations. This practice allows for ongoing dialogue with UNDP management. One management letter in this regard was issued covering the period under review.

6. The Board coordinates with the Office of Audit and Investigations in planning its audits to avoid duplication of efforts and to determine the extent of reliance that could be placed on its work.

7. Where observations in the present report refer to specific locations, such observations are limited only to the locations specified. They do not in any way imply that they are applicable to other locations. However, some recommendations are addressed to the entire organization in cases where the nature of the findings suggests that they may be common to other UNDP offices which would benefit from transversal remedial actions.

8. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and

conclusions were discussed with UNDP management, whose comments have been appropriately considered in the report.

B. Findings and recommendations

1. Follow-up of previous recommendations

9. Of the 53 prior year recommendations, 31 (58 per cent) were fully implemented, while 22 (42 per cent) were under implementation. Further details are contained in annex I.

Recommendations under implementation

10. While the Board recognizes that positive progress has been made overall, it considers that there has been insufficient progress in the recommendations on findings regarding delays in: refunding unspent funds to donors; weaknesses in the national implementation modality audit process; delays in the financial closure of all operationally closed projects; inadequate information regarding projects in the Atlas system; failure to prepare and sign quarterly combined delivery reports in a timely manner; granting conflicting roles to a user in the Atlas system; and failure to hand over expense management processing to the Global Shared Service Centre.

11. UNDP explained that some recommendations depended on factors outside its control, for example the recommendation regarding delays in refunding unspent funds to donors, which await instructions from donors. However, until pending follow-up actions become effective, the organization's implementation rate, which currently stands at 43 per cent, remains low. The Board will continue to work with UNDP to monitor the effectiveness of the action taken.

2. International Public Sector Accounting Standards: post-implementation

12. While the Board noted substantial improvement in IPSAS compliance as compared to the previous period, UNDP still needs to continue working on the valuation and recognition of 10,104 pre-2012 project assets initially costing $76.02 million and to show them on the face of the financial statements.

13. The Board also noted that the property plant and equipment figure appearing in the 2013 financial statements includes a total of 655 assets costing $6.3 million, which were erroneously added as the new property, plant and equipment balance but were in fact acquired prior to 2012 and used during 2012. Those assets were neither recorded in the in-service report nor in the financial statements for the year ended 31 December 2012.

14. UNDP stated that there was an erroneous offset under retirements of $6.28 million, which resulted in the net prior period adjustment of $0.24 million. It had chosen not to restate the financial statements as the net amount is immaterial and it is still in the transitional provision, as per the application of IPSAS 17. The Board notes that the UNDP transitional provision covers project assets only, not management assets. Therefore, in accordance with paragraph 47 of IPSAS 3, UNDP should have adjusted the comparable prior-year balance as at 31 December 2012, rather than adding the omitted assets directly to the 2013 financial statements.

3. Financial overview

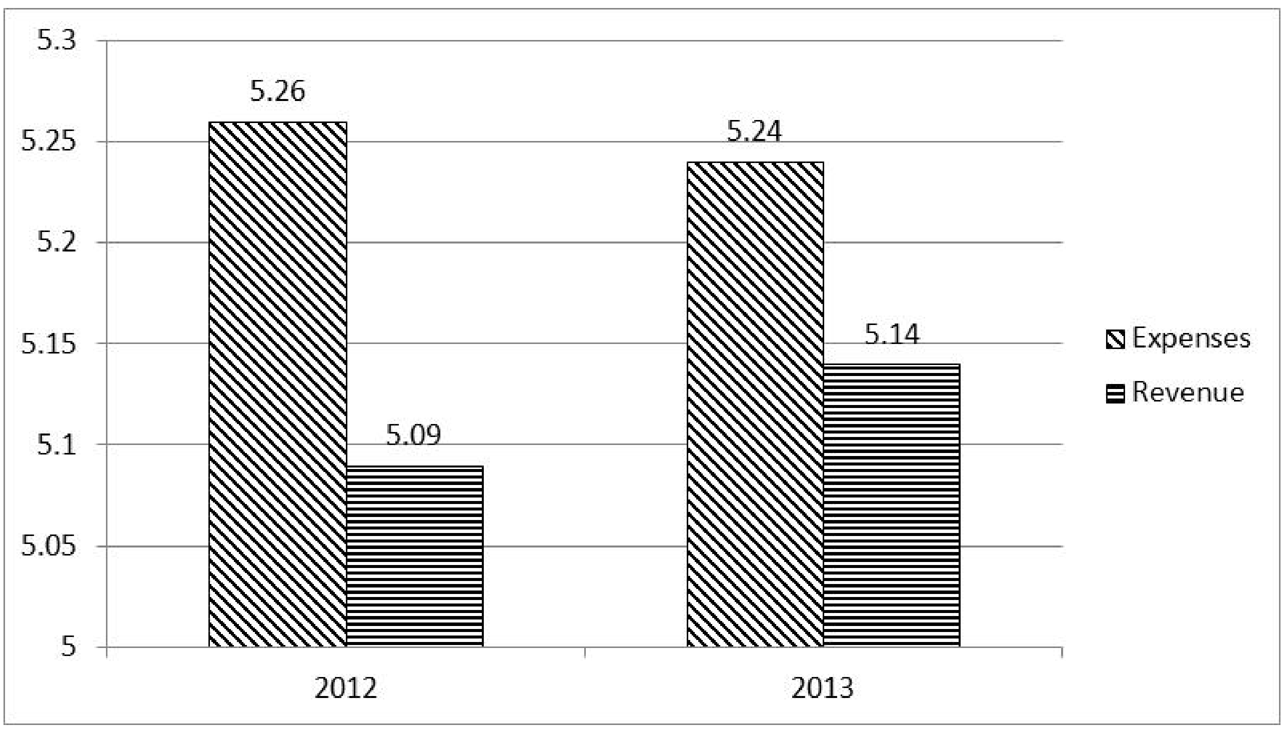
15. UNDP revenue includes regular resources (core funds), other resources (non-core funds), investments revenue and other revenue. During the period under review, total revenue amounted to $5.14 billion, compared with $5.10 billion for the previous period, an increase of 1 per cent. Total expenses amounted to $5.24 billion, compared with $5.26 billion for the previous year, a decrease of 0.4 per cent. In 2013, UNDP had a deficit of expenses over revenue of $0.09 billion, compared with a deficit of $0.17 billion in the previous period.

16. Overall, UNDP had cash and investments totalling $6.03 billion as at 31 December 2013 (2012: $5.5 billion). Total liabilities as at 31 December 2013 were $1.99 billion. In accordance with the Financial Regulations and Rules approved by its Executive Board, UNDP held $360.6 million in reserves and $4.38 billion as accumulated surplus.

Revenue and expenses

17. Total revenue and expenses for the financial periods 2012 and 2013 are shown in figure I.

Figure I
Revenue and expenses for 2012 and 2013
(Billions of United States dollars)



Source: The Board’s analysis of UNDP financial statements for the periods ended 31 December 2012 and 2013.

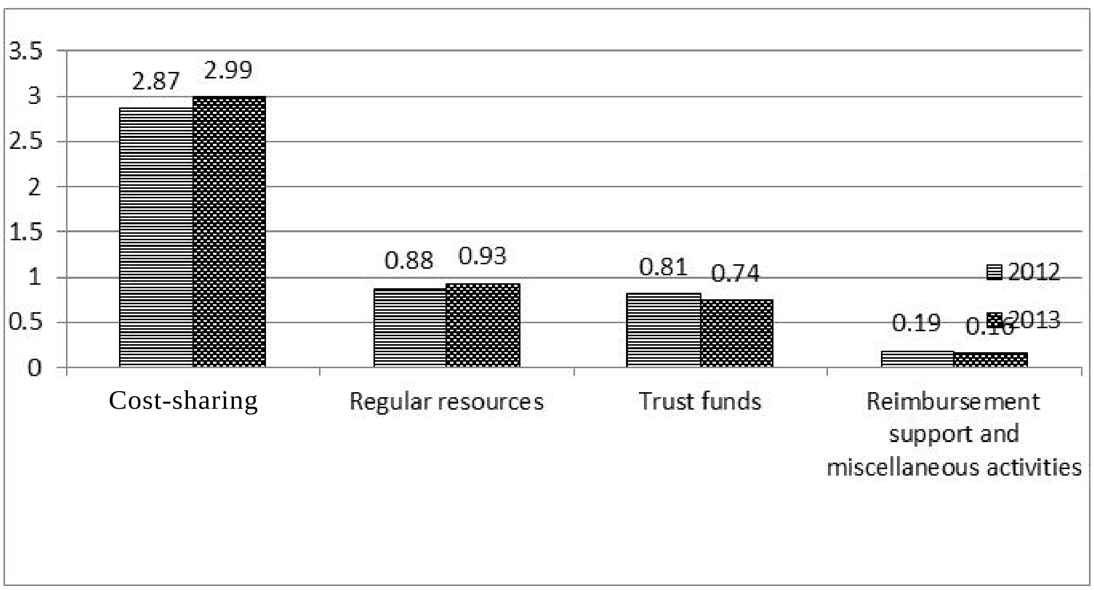
18. The figures are broadly consistent, with a slight increase in revenue mainly attributed to an increase in voluntary contributions by $81 million, and a slight decrease in expenses by $19 million, or 0.4 per cent, mainly attributed to a decrease in contractual services and depreciation and amortization.

Revenue

19. UNDP revenue includes voluntary contributions, revenue arising from exchange transactions (revenue generated by exchange of goods or services), investment revenue and other revenue. During the year under review, voluntary contributions amounted to $4.82 billion (2012: $4.75 billion), representing 94 per cent of the total revenue for the year. The amount included the following: cost-sharing $2.99 billion (62 per cent); regular resources $0.93 billion (19 per cent); trust funds $0.74 billion (16 per cent); and $0.16 billion (3 per cent) from reimbursement support services and miscellaneous (including elimination amount) activities.

20. Comparative contributions for regular and other resources for 2012 and 2013 are shown in figure II.

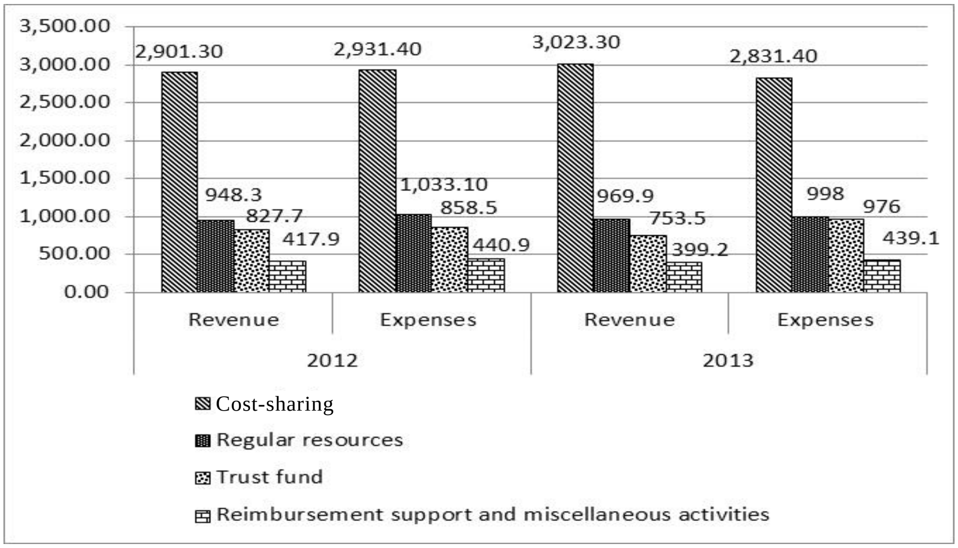
Figure II
Contributions for regular and other resources (2012 and 2013)
(Billions of United States dollars)



Source: UNDP financial statements for the periods ended 31 December 2012 and 2013.

21. The analysis of UNDP revenue and expenses by segment for 2013 compared to 2012 is shown in figure III below. The pattern also shows a broad consistency.

Figure III
Revenue and expenses by segment (2012 and 2013)
(Millions of United States dollars)



Source: UNDP financial statements for the periods ended 31 December 2012 and 2013.

Ratio analysis

22. The analysis in table 1 confirms that UNDP has sufficient assets to meet its short- and long-term liabilities and a high level of liquid assets. UNDP cash and investments of $6.029 billion (2012: $5.524 billion) continue to provide the Programme with a high level of liquidity.

Table 1
Ratio analysis

Description of ratio	*31 December 2013*	*31 December 2012*
Current ratio[a]		
Current assets: current liabilities	4.41	4.59
Total assets: total liabilities[b]		
Assets: liabilities	3.38	3.42
Cash ratio[c]		
Cash plus investments: current liabilities	3.86	3.47
Quick ratio[d]		
Cash plus investments plus accounts receivable: current liabilities	4.08	4.14

Source: Board's analysis of UNDP financial statements for the period ended 31 December 2013.

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

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

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

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

4. Results-based budgeting

Results-based budgeting for country office programmes

23. Results-based budgeting is a system by which resources are requested and allocated based on the results to be achieved rather than by input category or by broad strategic objectives. It is part of the Secretary-General's reform agenda of increasing transparency, efficiency and accountability of United Nations system organizations. It is also a key instrument for advancing the process of change towards a results-based management culture and a response to an increased public demand for accountability in the use of resources. The Executive Board mandated UNDP to implement results-based budgeting in the biennium 2008-2009.

24. Monitoring of the results-based budget and determination of whether it achieves its objectives depend on the adequacy of information available for those purposes. The UNDP Programme and Operations Policies and Procedures and its Handbook on Planning, Monitoring and Evaluating for Development Results require that adequate information on performance indicators, baselines or targets in annual workplans be maintained. However, during the review of country programme documents, regional programme documents, integrated workplans and annual project workplans relating to 286 ongoing projects with a total value of $274.2 million at various country offices, the Board found a number of deficiencies, including lack of performance indicators, baselines or targets in annual workplans, information mismatches and delays in approving workplans, as follows:

(a) At the country offices in Bangladesh, Nigeria, the Philippines and Saudi Arabia, 75 projects (annual budget of $46.1 million) out of their 127 total projects for 2013 (annual budget of $142.4 million) had no performance indicators, baselines or targets in their signed annual workplans provided to the Board. The Board recognizes that the annual workplans contained a reference to relevant United Nations Development Assistance Framework outcomes to which the activities in the annual workplans were meant to contribute, but the Framework had no annual performance indicators, targets or baselines. The Board considers that, in the absence of performance indicators, baselines and targets in the project workplan, monitoring of the project's achievement of planned results may be impaired;

(b) At the country office in the Philippines and at the Regional Service Centre in Addis Ababa, 20 out of 76 projects (with an annual budget of $54.4 million) had mismatches in performance indicators, baselines and targets between their integrated workplans and their annual project workplans. UNDP stated that in 2013 and earlier, it had decided that only project outputs that were directly linked to the annual business plan were to be migrated to the integrated workplan, and this was the reason for the mismatch of projects and performance indicators between the two workplans;

(c) At the country office in the Philippines, the Board noted that performance indicators in the integrated workplan as well as the annual workplan for some activities for 12 projects were not specific or measurable and had no specific time frame. The Board took note of the explanations provided by management, but nevertheless considered that the projects were included in the integrated workplan with different performance indicators, baselines and targets than those shown in the annual workplan. The Board is concerned that, with such mismatches in key information actual, results may not be measured reliably against the expected results;

(d) At the country offices in Nigeria, the Philippines and Saudi Arabia, 12 out of 87 projects had delays in the approval of the annual workplans. For example, at the Nigeria country office, annual workplans for 4 out of 39 projects reviewed were approved in the second quarter (April and May 2013), but some of their activities were implemented and completed during the first quarter (i.e., prior to the approval of the annual workplans). At the country office in Saudi Arabia, activities began before the approval of the plan; and at the country office in the Philippines the Board noted instances where the timing for the implementation of some activities was set prior to the time for the approval of the annual workplan (April-May 2013);

(e) At the Regional Service Centre in Addis Ababa, the Board reviewed integrated workplans for 2013, the "executive snapshot" and a list of ongoing projects, and noted that seven ongoing projects had not been included in the integrated workplan. Management stated that the exclusion of the projects was in line with instructions received from the Deputy Director (Regional Bureau for Africa/headquarters) requiring country offices not to include in the integrated workplan any project not in line with the corporate annual business plan. However, the Board found, through a review of the UNDP annual business plan, that the excluded projects were in line with the corporate annual business plan.

25. The Board is concerned that the deficiencies noted in project planning, monitoring and evaluation may weaken the ability of UNDP to achieve the full benefits to be gained from the implementation of results-based budgeting across the organizations

26. UNDP stated that an integrated results and resources framework will accompany the new strategic plan approved by its Executive Board. The framework has established specific, measurable, assignable, realistic and time-related (SMART) indicators for all outcomes and outputs, including development and institutional results. This means that for the new strategic plan period, all country offices will report programme and project results on the basis of a subset of the indicators of the integrated results and resources framework to which their programmes and projects are linked. There is also an ongoing effort to ensure that all of its programmes and projects become fully aligned with the strategic plan 2014-2017 while still responding to national priorities. Moreover, a new programme appraisal procedure has been initiated to strengthen the quality of country programme documents and efforts are under way to strengthen capacities in country offices to formulate and use SMART indicators.

27. The Board acknowledges management explanations but still considers that an adequate assurance mechanism needs to be in place to ensure that performance indicators, baselines and targets are properly formulated and are consistent with both annual and integrated workplans for the effective monitoring and evaluation of the projects.

28. **UNDP agreed with the recommendation of the Board that it: (a) establish an appropriate quality assurance mechanism to further improve the consistent implementation of the performance indicators; and (b) include appropriate**

baselines and targets for expected outputs for all its approved projects in the annual workplan and the integrated annual workplan.

29. **The Board also recommends that UNDP: (a) regularly reconcile performance indicators, baselines and targets contained in the annual workplans and those in the integrated annual workplans; and (b) ensure the timely approval of the annual project workplans.**

30. Subsequent to our audit, management informed the Board that a project level quality assurance system piloted in 2013 will be rolled out in 2014. It includes the "management and monitoring" criterion with standards for rigorous results-based management (e.g., theory of change, clear results and SMART indicators, systematic monitoring and decision-making based on evidence).

5. Programme and project management

Implementing partners

31. The Board reviewed the Programme's selection of implementing partners and its use of the harmonized approach to cash transfers to manage cash transfers and noted that UNDP has robust processes for identifying and selecting implementing partners based on an assessment of their legal, technical, financial, managerial and administrative capacities needed for project implementation. The selected implementing partners can enter into subagreements with other organizations or entities to assist in delivering project outputs. Implementing partners include government institutions, other eligible United Nations agencies, intergovernmental organizations and eligible civil society organizations. No significant issues were noted with regard to the identification and selection of implementing partners or on the harmonized approach to cash transfers.

32. However, the Board identified other deficiencies in the management of implementing partners, including: the slow pace of project implementation; some implementing partners did not implement audit recommendations within the planned time frames; recurring reasons for qualified audit opinion of national implementation modality/NGO audit reports; and, at one country office, projects that had not been visited by project managers as required under the Programme and Operations Policies and Procedures.

Slow pace of project implementation

33. The Board noted overall delays in project implementation at the eight country offices visited. These offices managed 153 projects with a total budget of $131 million out of 900 total ongoing projects with a total budget of $883.4 million. For example, as of 26 July 2013, 56 of those projects (with a total budget of $19.71 million) at the country offices in Namibia, the Philippines, Trinidad and Tobago and Zambia had spent less than 20 per cent (30 August 2013) of the total allocated funds.

34. In addition, 31 of the projects at the country offices in Bangladesh, Nigeria and Saudi Arabia and at the Regional Service Centre in Addis Ababa, with total budget of $47.2 million, had spent less than 50 per cent (30 November 2013) of the total allocated funds.

35. UNDP attributed the delay to the approval of annual workplans which is a consultative process involving programme counterparts. It also explained that as of 31 December 2013, the delivery rate at the country offices in Bangladesh, Namibia, Nigeria and Trinidad and Tobago exceeded 90 per cent; the delivery rate at the country office in Zambia was 74 per cent and the delivery rate at the country office in the Philippines was only 40 per cent. The Board is concerned that the slow pace in the delivery of the projects during the year indicates insufficient monitoring during implementation, and that this may negatively impact the completion of the projects' activities and the subsequent closure of the projects.

36. **UNDP agreed with the Board's recommendation that it: (a) work with government counterparts to ensure that the annual project workplans are approved in a timely manner; and (b) monitor the progress of project implementation at the country level to avoid delays during implementation.**

Country office project trends: 2011 to 2013

37. The operations of UNDP focus on the following practice areas: (a) helping countries to build and share solutions for fighting poverty, (b) building democratic societies, (c) preventing crisis and enabling recovery, (d) protecting the environment, (e) halting and reversing HIV/AIDS, (f) the empowerment of women, and (g) building national capacities for sustainable development. The Board noted that during the period 2011 to 2013 the country offices in Bangladesh, Jordan, Namibia, Nigeria, the Philippines, Saudi Arabia, Trinidad and Tobago and Zambia, and the Regional Service Centre in Addis Ababa had a total of 900 projects. The total budget allocated for these projects was $883.4 million and the total expenditure was $580.57 million.

38. The Board noted that some country offices have not been covering some of the thematic areas in the planning and implementation of their projects. For example, the Board found that projects on the empowerment of women made up only 2 per cent (19 projects) of 900 projects for the period from 2011 to 2013. The total budget for projects on the empowerment of women had been decreasing from 2011 to 2013 (2011, six projects with a total annual budget of $5.33 million; 2012, six projects with a total annual budget of $3.48 million; and 2013, seven projects with a total annual budget of $2.06 million).

39. UNDP informed the Board that due to the cross-cutting nature of thematic areas such as women's empowerment and gender equality, related activities at the country offices in Nigeria, the Philippines and Trinidad and Tobago were embedded in other projects. In addition, the country project documents are developed in consultation with national governments to meet their development priorities. Decisions as to which projects to choose in programme countries are based, inter alia, on their relevance to national development priorities, the country office's comparative advantage and the results of past engagements.

40. However, in contrast to the explanation provided by UNDP, from a review of annual workplans, project documents and letters of agreement between UNDP and implementing partners for the above country offices, the Board could not find specific activities, performance indicators or targets aimed at achieving the empowerment of women and gender equality. The Board therefore concludes that UNDP needs to incorporate women's empowerment and gender equality and all

thematic areas not covered to ensure that its projects are in line with the expectations of senior management as reflected in the approved thematic areas.

41. **The Board recommends that UNDP review the projects at its country offices to ensure that they cover mainstreamed activities addressing the thematic areas adopted by UNDP.**

42. The Board also noted delays in the implementation of projects as evidenced by a declining trend in the percentage of actual total expenditure to total accumulated budget for projects for the past three years, as follows: 2011 (83 per cent); 2012 (68 per cent); and 2013 (46 per cent). The management stated that factors which cause delays in implementation of projects include: national and local elections in some country offices resulting in changes in the leadership of national implementation modality projects (such as Bangladesh), natural disasters (the Philippines case) and civil conflicts (some areas in which UNDP works are prone to conflict).

43. **The Board recommends that UNDP implement projects according to the annual workplans and address deviations from planned implementation in a robust and a timely manner.**

Closure of projects

44. The UNDP Financial Regulations and Rules stipulate that financial closure of projects must take place within 12 months after operational closure. The timing for a project to be “operationally closed” is when the last UNDP-financed inputs have been provided and the related activities have been completed.

45. At eight country offices (Bangladesh, Jordan, Namibia, Nigeria, the Philippines, Saudi Arabia, Trinidad and Tobago and Zambia) and one Regional Service Centre (Addis Ababa) the Board noted that 69 projects had been operationally closed for more than 12 months but had yet to be financially closed. Of the 69 projects 32 had unspent funds totalling $17.3 million. Also, 65 projects in four of those countries which were operationally closed took more than 12 months to be financially closed.

46. The delay in closing completed projects is inconsistent with the UNDP Financial Regulations and Rules, and the failure either to refund the unspent balances to donors or to transfer the balance to another project (with the permission of donors) is inconsistent with the Programme and Operations Policies and Procedures on the closure of projects.

47. UNDP informed the Board that the delay was due to: the refusal of implementing partners to prepare and sign asset transfer documents; the time required to resolve assets transfer in coordination with implementing partners for some projects; unresolved fund balances; the need to solicit approval from donors regarding unspent amounts; and the fact that some of the projects were managed by UNDP headquarters. As of December 2013, the number of inactive projects had been reduced by 78 per cent and the number of inactive trust funds by 48 per cent compared to the status at the beginning of the year. UNDP remains committed to addressing residual issues for inactive projects and trust funds.

48. While acknowledging the progress made and the explanations provided by UNDP, the Board considers that inadequate monitoring contributed to the

deficiencies noted because there was no evidence of follow-up by the regional bureaux on the financial closure of projects. The Board is of the view that UNDP needs to thoroughly address the issue of delays in closing projects financially because it increases the risk that unspent balances may be misused, including the risk of fraudulent use of fund balances.

49. **UNDP agreed with the recommendation of the Board that it comply with its Financial Regulations and Rules and its Programme and Operational Procedures and Policies and that it continue to build on current efforts to ensure the diligent monitoring by the regional bureaux and the prioritizing of the financial closure of the remaining tranches of identified operationally closed projects.**

Final review for closed projects

50. At four country offices and one Regional Service Centre. the Board noted 32 financially and operationally closed projects, some from as long ago as 2004, where final reviews to facilitate the assessment of performance and success of the project had not been performed as of November 2013. This is contrary to the Programme and Operations Policies and Procedures, which require final review reports to be prepared in the last three months before a project is declared to be operationally closed. In addition, some of these projects were only operationally closed, but not financially closed, while others lacked other vital documents, including:

(a) At the Addis Ababa Regional Service Centre: final review reports for 13 projects closed between April 2004 and November 2013 were not prepared and final lessons learned reports, equipment transfer or disposal documents, project completion checklists and final evaluation reports for all the closed projects were not prepared;

(b) At the Philippines country office: a final review was not performed for 10 out of 24 projects financially and operationally closed between January 2012 and July 2013;

(c) At the Trinidad and Tobago country office: two operationally closed projects were not financially closed within 12 months after the date of closure, the final review reports for those projects were not prepared and the two projects lacked final combined delivery reports or project completion checklists; since the purpose of signing quarterly combined delivery reports between UNDP and its implementing partners is to certify project-related expenses, the absence of such quarterly reports prevents management from adequately monitoring the use of funds.

51. Management attributed the non-preparation of these key documents to factors such as project personnel leaving before closing the projects in the Atlas system and the delay in the closure of projects to factors such as late finalization of some transactions relating to the projects.

52. The Board considers that the failure to perform final projects review and financially closing projects that are operationally closed, as well as the lack of proper handover of project documents, show weaknesses in project management. The Board also consider that such weaknesses related to the lack of a proper review of relevant documents may prevent UNDP getting the full benefit of lessons learned from closed projects.

53. **UNDP agreed with the Board recommendation that it ensure that the project completion checklist is used consistently for the financial closure of development projects, including the preparation of final review reports.**

Preparation and certification of the combined delivery reports

54. The combined delivery report is a mandatory official report reflecting the expenses and funds utilized on a project, which, according to the Programme and Operations Policies and Procedures, should be prepared quarterly and yearly. The Board noted instances where quarterly combined delivery reports were signed late by UNDP and its implementing partners, as shown in table 2 below:

Table 2
Delays of signing combined delivery report

	First quarter			*Second quarter*			*Third quarter*		
	No. of project	*Due date for signing combined delivery reports*	*Actual date combined delivery reports signed*	*No. of project*	*Due date for signing combined delivery reports*	*Actual date combined delivery reports signed*	*No. of project*	*Due date for signing combined delivery reports*	*Actual date combined delivery reports signed*
Zambia	9	April 2013	July 2013	All	October 2013	Not signed	All	October 2013	Not signed
Trinidad and Tobago	12	April 2013	July 2013	All	October 2013	Not signed	All	October 2013	Not signed
Nigeria	All	April 2013	October 2013	All	October 2013	October 2013	All	October 2013	Not signed
Jordan	All	April 2013		All	October 2013	October 2013	All	October 2013	Not signed
Saudi Arabia	4	April 2013	October 2013	1	October 2013	Not signed	All	October 2013	Not signed
Philippines	All	April 2013		All	October 2013	Not signed	All	October 2013	Not signed
Namibia	All	April 2013		All	October 2013	Not signed	All	October 2013	Not signed

Source: Country offices combined delivery reports at the time of audit.

55. UNDP headquarters informed the Board that the delay in preparation and signing of combined delivery reports for the first and second quarters was caused by the need to make specific adjustments to an inter-agency account and to restate the 2012 financial statements as required by the Board of Auditors, which also caused a delay in the closing of the books. The combined delivery reports for the third quarter were available in the system, in accordance with the schedule, except that country offices had yet to print, sign and share the signed reports with the implementing partners for their signature.

56. The Board considers that UNDP needs to ensure that combined delivery reports are completed promptly because delays may result in expenditures unrelated to the projects to remain undetected for a long time.

57. **UNDP agreed with the recommendation of the Board that it prepare and submit the combined delivery reports in a timely manner in compliance with the Programme and Operations Policies and Procedures.**

Projects monitoring, oversight and reporting

58. The Programme and Operations Policies and Procedures on programme and project management provide that, based on an agreed reporting and review schedule, the project manager should submit a report to the project board, preferably on a quarterly basis.

59. The Saudi Arabia country office had 20 ongoing projects, all of which were under national implementation modalities. The Board noted that seven projects had no quarterly progress reports, contrary to the requirements of the Programme and Operations Policies and Procedures. The Board is concerned that, in the absence of quarterly progress reports, the country office may fail to identify constraints facing the projects and that therefore timely remedial actions may not be instituted.

60. In November 2013 the Board also reviewed the "award summary reports", which comprise information such as project risk status and outputs, and noted that 10 projects at the Saudi Arabia country office had inadequate regular updates of the risks and issues logs in the Atlas system, contrary to the requirements of the Programme and Operations Policies and Procedures. The Board was informed by the country office that issues for six projects had been resolved in the previous quarter (June 2013), however no entry was made in the Atlas system. In the absence of timely updates of the risks log, management may fail to notice problems facing projects, resulting in delays in resolving them.

61. In addition, under the Programme and Operations Policies and Procedures, project managers from UNDP are required to visit each implemented project at least once a year. The Board noted that such visits had not been made to 7 of the 10 projects reviewed at the Saudi Arabia country office. The country office stated that it had fulfilled the requirement of the Programme and Operations Policies and Procedures through interactions with their implementing partners via phone, Skype or daily contact, and that, as such, its meetings had been held with ministries and other government counterparts. Nevertheless, the office was unable to provide verifiable evidence for the audit review and the Board was not satisfied that the requirement of the Programme and Operations Policies and Procedures had been fulfilled.

62. The Board considers that the failure to visit the projects, and the lack of evidence regarding the application of the alternative approach adopted, indicate that project monitoring was not adequately performed in compliance with the Programme and Operations Policies and Procedures, which may result in weakening supervision and control over the performance of the implementing partners.

63. **UNDP agreed with recommendation of the Board that it: (a) prepare quarterly progress reports for the country office as required by the Programme and Operations Policies and Procedures; (b) regularly update the risks log in the**

Atlas system; and (c) conduct project field visits and prepare and file reports, as required by the Programme and Operations Policies and Procedures.

Annual workplan

64. The Board found that 16 of 48 ongoing projects at the country office in Nigeria with annual budgets of $15.2 million were implemented without annual workplans for 2012 and 2013. This is contrary to the UNDP Handbook on Planning, Monitoring and Evaluating for Development Results, which requires the project manager to prepare an annual workplan at the beginning of the year, especially for programmes and projects that are normally multi-year and multi-partner efforts. The annual workplans provide details of the planned budget, planned activities, a time frame of specific activities and expected outputs. The Board considers this to be vital as it aids in the annual performance evaluation of the projects.

65. UNDP informed the Board that the 16 projects referenced are based on a project document with multi-year annual workplans, and that for these the signature of partners at a lower level is not required as the documents are usually signed at the Ministerial level. Once the document is signed, it remains a valid instrument for the rest of the project life cycle. The country offices assumed that the project documents were satisfactory and, as a result, they did not prepare annual project workplans.

66. The Board is of the view that the UNDP Handbook on Planning, Monitoring and Evaluating for Development Results clarifies the importance of annual workplans in the monitoring of multi-year projects. In the absence of annual workplans it will be difficult to assess project results on an annual basis.

67. **The Board recommends that UNDP ensure annual workplans are prepared for all projects in Nigeria as required by the UNDP Handbook on Planning, Monitoring and Evaluating for Development Results.**

68. UNDP has a different view, that the projects involved were signed for multi-year workplans and did not require separate annual plans, but the Board feels that the requirements of the Handbook applies to all projects regardless of the period of implementation.

National implementation modality/non-governmental organization audit planning

69. During the year under audit the Board reviewed annual audit plans for 35 country offices out of 142 in the Comprehensive Audit Reports and Recommendations Database for 2013. Under UNDP financial regulation 16.04 and the guidance issued by the Office of Audit and Investigation, all projects with total actual expenditure exceeding $0.3 million since their inception are to be included in the audit plan. The Board found that audit plans in 10 country offices did not cover 14 projects with total accumulated expenditure of $6.37 million, each of which had cumulative expenses exceeding $0.3 million as at 31 December 2013 but had not yet been audited.

70. The Office of Audit and Investigation stated that to meet the tight deadlines for the completion of the national implementation modality/NGO audits, planning commences before receiving final expenditure figures of a given financial year and before accounts are closed. For 2013, the planning for the national implementation modality/NGO audits was initiated on 4 December 2013; which excluded expenses incurred for the month of December 2013.

71. Taking this information into account, the Board is nevertheless of the view that the date set for submission of the referred audit plans was between 2 January and 15 January 2014, that is, when actual expenditure for December 2013 was already in the Atlas system, and that therefore, those projects were expected to be considered during the preparation of audit plans.

72. **UNDP agreed with the recommendation of the Board that it take appropriate action to include in the audit plans projects that have never been audited but whose cumulative expenses since inception exceed $0.3 million through the revision and clarification of the criteria to be applied and by considering all expenses recorded by the date set for submission of the audit plan.**

Submission of national implementation modality/non-governmental organization audit reports

73. In its previous report (A/68/5/Add.1), the Board highlighted delays in the submission of audit plans and audit reports by country offices. During the year under review, while information in the Comprehensive Audit and Recommendation Database System in respect of national implementation modality/NGO audits showed that a total expenditure of $1.9 billion was to have been audited in the financial year ended 2013, the actual expenditure audited amounted to $1.76 billion.

74. The Board continues to observe issues similar to those encountered in prior years. For example, of 1,148 outputs (from 800 projects) planned to be audited for 2013, 72 outputs (6 per cent) with a total expenditure of $133.41 million were not audited, and consequently audit reports for those projects were not submitted as at 15 May 2014 as instructed by the Office of Audit and Investigation. The Board assurance on outputs and projects expenditure is partly based on a sample review of the audit reports. Therefore, non-submission of 6 per cent of the planned outputs affects the assurance to be provided on expenditures for project outputs.

75. UNDP stated that the audit process was not completed within the stated deadline for a number of reasons, including the political crisis in the Central African Republic, which had created a security situation that did not allow auditors to be on the ground and which therefore delayed the commencement of national implementation modality audits.

76. The pending reports were expected to be finalized in June 2014; nevertheless, as at 28 May 2014, audit reports for 60 outputs ($123.14 million) were still pending.

77. **UNDP agreed with the recommendation of the Board that it direct all regional bureaux to work closely with country offices to ensure that the instructions of the Office of Audit and Investigations are complied with and that all audit reports are submitted within the required period or as subsequently agreed with the Office of Audit and Investigation.**

Previous audit recommendations for national implementation modality/non-governmental organization projects

78. The Board reviewed 20 external audit reports for 2013 across eight country offices in the Comprehensive Audit Reports and Recommendations Database System to verify implementation of the audit recommendations from previous years, encompassing 141 audit recommendations with target implementation dates ranging

from 1 April 2013 to 31 March 2014. The Board found that 87 recommendations (62 per cent) had been fully implemented, 39 (27 per cent) were under implementation and 15 (11 per cent) had not been implemented. The Board considers that the long delay in implementing recommendations is due to inadequate monitoring and lack of realistic targets on the part of the regional bureaux in ensuring implementation of the recommendations.

79. In addition, the Board could not find clear guidance on the follow-up to recommendations relating to project audits of previous years. Internal auditing guidance provided by UNDP to country offices requires project auditors to verify the audit recommendations made in previous years, but it does not state how the verification of audit recommendations for projects which are not included in subsequent audit cycles should be approached. The Board is concerned about the delays in implementing audit recommendations made in previous years because it may lead to recurrence of the same anomalies in subsequent years.

80. **UNDP agreed with the recommendation of the Board that it ensure that regional bureaux set realistic implementation target dates and monitor the implementation of long-outstanding audit recommendations (more than 18 months) involving implementing partners.**

National implementation modality/non-governmental organizations audit reports with qualified audit opinion

81. The Board previously recommended that UNDP regional bureaux consider the results of the national implementation modality audit process and work with implementing partners to address any weaknesses identified, with a particular focus on implementing partners that have recurring modified audit reports.

82. The Board reviewed audit reports for 14 projects with qualified audit opinions in both 2012 and 2013 and found that the qualified audit opinions related to understatement and overstatement of expenditure for both years. The Board noted an increase in the number of qualified audit reports, from 78 (2012) to 87 (2013); the number of qualified reports is still on the higher side, given that 31 projects received qualified opinions for the same reasons.

83. The Office of Audit and Investigation stated that when implementing partners are late in submitting their financial reports, the incurred expenses are not captured in the combined delivery report for the year. Conversely, when an implementing partner includes next year’s expenditure (incurred in January before the closure of accounts) in the current year’s combined delivery report, this results in an overstatement of expenditure for the current year and an understatement of expenditure for the next year. The Office of Audit and Investigation performs independent reviews of the reasons and basis for the audit qualification and provides the necessary independent review to ensure consistency of practice among auditors. The Board is concerned that recurring qualifications of the same projects indicates that implementing partners and country offices have not taken adequate measures to address the underlying causes of the noted deficiencies.

84. **UNDP agreed with the recommendation of the Board that it review the causes of recurring modified audit opinions and take remedial action, as required, through engaging the regional bureaux and respective implementing partners.**

Suspected irregularity in procurements under the national implementation modality

85. The Board noted that one case of alleged procurement irregularities in Latin America was currently under investigation. The case is disclosed in the list of presumed frauds reported to the Board (see annex II) and involves four projects implemented under the national implementation modality, involving one ministry as an implementing partner with UNDP. The projects were funded almost entirely by the national Government and were suspended following the results of an external audit in May 2013. The audit was unable to verify that competitive procurement procedures had been followed.

86. In July 2013 the Office of Audit and Investigation launched a joint forensic review with the Ministry's internal auditor to determine the nature and extent of the presumed fraud. The Office's investigations could not be completed, however, as some key documents had been seized by national authorities to support judicial proceedings.

87. UNDP further informed the Board that, although the Office of Audit and Investigation could not complete full enquiries, it was able to confirm through interviews and the examination of records obtained from the country office, that the irregularities began in 2012. It is believed to involve the falsification of procurement records to show that open and competitive tendering procedures were followed while in fact they were not.

88. UNDP estimates that total expenses involved in the procurements, to date, amount to $276 million ($79 million relating to 2013), but neither the forensic audit by the Office of Audit and Investigation nor the appointed private sector auditors has yet established an estimate of any losses that may have occurred as a result of alleged irregularities. As the projects were almost entirely (99.5 per cent) funded by the national Government concerned, any losses incurred under the projects will also be borne by them. No losses are expected to be incurred by UNDP directly and the national authorities have issued a letter indicating that UNDP had no responsibility in this matter. The review by the Office of Audit and Investigation indicates that UNDP staff were not suspected of any irregular practices. No UNDP officials have been charged with any offences.

89. While the total amount of unaudited project expenditure since 2012 is significant, it is unlikely to be wholly at risk and, on the basis of the known facts, it seems likely that only a portion of that sum is at risk. UNDP estimates that at the time of suspending the four projects physical performance had reached approximately 75 per cent of the expected level and that financial performance was approximately 85 per cent.

90. The Board notes the ongoing investigations and will continue to keep this matter under close review. At this time it does not consider that the suspected irregularities result in material uncertainty over amounts reported in the UNDP financial statements.

91. **UNDP agreed with the recommendation of the Board that it: (a) assess risks surrounding executing the national implementation modality to find out why assurance procedures other than an audit could not detect the suspected irregular procurement procedures and improve controls; and (b) continue engaging with the partner Government to ascertain more facts about the matter**

in order to establish the actual loss the projects suffered and possibilities of recovery from the individuals involved.

6. Treasury and cash management

Refunds pending to donors

92. An amount of $4.14 million or 76 per cent of a total amount of $5.42 million pending refund to donors was held by UNDP for more than 90 days contrary to the Programme and Operations Policies and Procedures and year-end closure instruction for 2013. UNDP stated that it was awaiting instructions from donors on what to do with the balance. In a previous report (A/63/5/Add.1), the Board had commented on the need for UNDP to ensure that refunds are made in a timely manner. The Board has noted management efforts in reducing the amount of pending refunds over the past years, including follow-up with donors concerned. However, the persistence of the problem indicates that more effort is still needed. The Board is of the view that UNDP needs to consider measures such as foreseeing and including comprehensive clauses in agreements with donors on how any unspent balance should be disposed of upon completion of the projects and revisiting the Programme and Operations Policies and Procedures to ensure that the guidance provided therein helps to resolve such issues.

93. The Board considers that unless there is a bilateral agreement, a failure to refund money to donors for more than 90 days is contrary to the requirements of the Programme and Operations Policies and Procedures.

94. **UNDP agreed with the recommendation of the Board that, unless there is a bilateral agreement with the donor(s) concerned, it make every effort to refund amounts due to donors and clear all balances exceeding 90 days in the 2013 account (refunds pending to donors) as required by the Programme and Operations Policies and Procedures and year-end closure instructions.**

7. Harmonized approach to cash transfers

Performance of macro- and microassessments

95. Pursuant to General Assembly resolution 56/201 on the triennial policy review of operational activities for development of the United Nations system, UNDP, the United Nations Children’s Fund, the United Nations Population Fund (UNFPA) and the World Food Programme (including all members of the United Nations Development Group Executive Committee agencies) adopted a common operational framework, the harmonized approach to cash transfers, for transferring cash to governmental and non-governmental implementing partners. This framework involves the performance of macro- and microassessments before implementing partners are selected.

96. Macro-assessment, which entails a review of the public financial management environment, is performed to ensure that there is adequate awareness of the environment within which agencies provide cash transfers to the implementing partners. Macro-assessment is followed by microassessment, which is concerned with assessment of risks relating to cash transfers to the partner and is done once in a programme cycle, or whenever a significant change in the organizational management of an implementing partner is identified.

97. During its visits to eight country offices, the Board noted that only the country offices in Jordan, Nigeria and Zambia had fully complied with implementation of the harmonized approach to cash transfers framework. The Saudi Arabia country office, which was exempted from the implementation of the framework for the programme cycle of 2012-2016, will implement the framework in the next programme cycle. As for the four remaining country offices, the Board found the following deficiencies with regard to implementation of the harmonized approach to cash transfers framework.

98. The macro- and microassessments for 2012-2013 were yet to be performed for the country offices in Bangladesh, the Philippines and Trinidad and Tobago. At the country office in Namibia, PricewaterhouseCoopers was engaged to conduct both macro- and microassessments in April 2008. A review of the PricewaterhouseCoopers report revealed that 16 implementing partners were selected for assessment and 20 projects were covered. The macro-assessment was done properly, but the microassessment of five implementing partners and a risk-ranking of all implementing partners were not performed.

99. UNDP stated that unclear communication with the consultant resulted in the deficiencies. It also informed the Board that a macro-assessment subsequently conducted at the country office in the Philippines by an independent individual consultant had been accepted by the country team. In addition, microassessments of 11 implementing partners was done in 2013, and assessments for the additional five implementing partners would be conducted in the first quarter of 2014. Trinidad and Tobago is operating in a net contributing country context, in which the largest donor is the Government. In such a case, the Government (donor) does not directly fund UNDP for project implementation. At the country office in Bangladesh, macro-assessment has been started and would be finalized in 2014; microassessment would be launched in the second quarter of 2014.

100. While acknowledging the subsequent actions taken by UNDP, the Board considers that the use of regional bureaux to ensure that macro- and microassessment are performed in a timely manner, as well as enforcement of the guidance UNDP provides on the implementation of the harmonized approach to cash transfers, are insufficient. To obtain benefits from the implementation of the framework, macro- and microassessments need to be performed and completed in a timely manner.

101. **UNDP agreed with the recommendation of the Board that it (a) enforce its guidance notes to country offices on the implementation of the revised harmonized approach to cash transfers framework; and (b) follow up with regional bureaux and work with country offices to ensure that pending macro- and microassessments for the respective programming cycle are conducted as planned.**

8. Inter-fund balances

Receivables from United Nations agencies

102. At the end of the financial year, as well as on a quarterly basis, UNDP prepares statements of reconciliations of inter-fund balances with other Atlas-partner United Nations agencies/units (the United Nations Office for Project Services (UNOPS), UNFPA, the United Nations Entity for Gender Equality and the Empowerment of

Women (UN-Women), the United Nations Capital Development Fund, the Multi-Partner Trust Fund Office and the United Nations University) which have to be agreed and countersigned by the agencies/units concerned.

103. The Board noted a net difference of $0.43 million as a result of a mismatch between the balance reported on the UNDP financial statements as receivables from United Nations agencies of $4.81 million and the total confirmed amount received from other United Nations agencies of $4.38 million. The net difference in the amount was pending further investigation.

104. UNDP informed the Board that the noted differences are mainly attributed to timing differences, varying methods of reporting or presentation used by other agencies in their financial statements and a few items that are under investigation or are in the process of resolution. Currently, there is no indication from the other United Nations agencies that those amounts will not be repaid to UNDP. However, the Board is concerned that most reconciliation statements were signed between March and April 2014, a period of about three months from year-end, which is a substantial period of time within which to investigate the transactions and reconcile the balances between agencies.

9. Payables to other United Nations agencies

105. The Board reviewed confirmations received from other United Nations agencies against the balance of $7.23 million reported in note 18 to the statements of financial position as of 31 December 2013 as payables to United Nations agencies (the World Health Organization (WHO) and the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA)). While the confirmations show that the amounts totalled $0.95 million, UNDP reported a different amount. The Board considers that, in view of the clear difference in the amounts reported in the confirmations received from WHO and UNRWA, the amount reported in the UNDP financial statements cannot be considered as a reliable figure.

106. UNDP stated that the primary reasons for the differences were that WHO and UNRWA had not included in their confirmations the amounts for the Junior Professional Officer programme payable and common services payable/receivable. WHO subsequently changed its project cooperation agreement figure reported to UNDP, which provided further evidence that the confirmation received by the Board from WHO was not correct. On 21 May 2014, WHO confirmed in an e-mail to UNDP that it had revised its project cooperation agreement balance upwards from $0.14 million to $0.72 million, which reduced the observed difference reported above. The Board is yet to receive the revised confirmation from WHO and UNRWA to substantiate management explanations.

107. **UNDP agreed with the recommendation of the Board that it work with WHO and UNRWA to clarify the propriety of the payable/receivable balances, including references to specific accounting policies (if different from UNDP) when confirming their balances to the Board.**

10. Procurement and contract management

Procurement planning

108. Under the requirement of the Programme and Operations Policies and Procedures, procurement plans should include, at a minimum, the following: type of goods/services/works to be provided: method of procurement; estimated cost (unitary and total); expected date for specification/terms of reference/statement of work to be finalized; sourcing period; bidding period; evaluation period; award (consolidated appeal process or annual consolidated appeal, if applicable); and delivery time. However, the Board found that consolidated procurement plans for three field entities out of eight visited (the country offices in Nigeria and the Philippines and the Regional Service Centre in Addis Ababa) and 18 individual procurement plans for 2013 had been prepared without the required information, such as bidding period and evaluation period.

109. At the country office in the Philippines, the consolidated procurement plan for 2013 was prepared and approved in March 2013, and was uploaded in the procurement planning tool in April 2013. The Board found that 12 out of 23 individual procurement plans had been approved by the end of March 2013, while the procurement of $0.14 million had already been done between January and March 2013 — before the approval of the procurement plans. Management stated that the delay in the preparation and approval of consolidated procurement plans was due to the late submission of individual procurement plans by project managers.

110. In response to the previous recommendations of the Board on procurement plans in the Comprehensive Audit and Recommendation Database System, UNDP had developed a web-based tool for the central recording of procurement plans. However, the Board noted that only the country office in the Philippines had uploaded its procurement plan using the new system. Furthermore, the Board noted that in the Africa Regional Bureau, only two country offices (Ethiopia and the Niger) had uploaded their consolidated procurement plans. The country offices in Nigeria and Zambia had not uploaded their procurement plans.

111. Failure to upload procurement plans limits the monitoring of procurement planning by headquarters and reveals an underutilization of the web-based tool developed by UNDP for the central recording of procurement plans.

112. **UNDP agreed with the recommendation of the Board that it: (a) develop a consolidated procurement plan in accordance with the programme cycle at the country office; and (b) ensure that country offices upload their procurement plans in the repository designed at UNDP headquarters.**

Signing of the declaration of impartiality by members of the evaluation committee

113. Under the Programme and Operations Policies and Procedures, members of evaluation committees who are non-UNDP staff are required to sign a declaration of impartiality to formalize their commitment to confidentiality and non-conflict of interest. However, the Board noted that in three out of five procurement exercises at the country office in Zambia and in four out of five procurement exercises at the country office in Saudi Arabia members of the evaluation committee (non-UNDP staff) did not countersign the declaration-of-impartiality form to declare their non-conflict of interest as required under the Programme and Operations Policies and Procedures. Management explained that the failure to sign the forms was an oversight.

114. **UNDP agreed with the recommendation of the Board that it ensure that all members of evaluation committees who are non-UNDP staff sign a declaration-of-impartiality to declare their non-conflict of interest as required under the Programme and Operations Policies and Procedures.**

Delays in the delivery of goods or services in the procurement process

115. At the country office in Jordan, the Board noted from the procurement dashboard that deliveries of goods and services relating to 18 out of 331 procurements made by 4 November 2013 were delayed for a period ranging from 20 to 127 days. For instance, one vendor with delivery dates of 17 April 2013 and 1 July 2013 delivered the report on 27 June 2013 and 30 September 2013, respectively, a late delivery of 91 days. Another vendor with a delivery date of 21 May 2013 delivered the report on 19 September 2013, a delay of 51 days.

116. UNDP explained that the delays were caused by a number of factors, notably the fact that reports/deliverables from contractors that require confirmations from governments take a long time to be reviewed and approved before they are submitted to UNDP. Nevertheless, the Board considers that serious management intervention is required since delays in the delivery of goods and services increase the risk that the procurement will not meet the intended objective and that UNDP will not realize value for money.

117. **The Board recommends that UNDP closely follow up with the implementing partners to ensure that the delivery of goods and services is made without delay and according to signed contracts; and that the signing of confirmation-of-delivery reports is done in a timely manner.**

11. Human resources management

Management of service contracts

118. The UNDP Programme and Operations Policies and Procedures on human resources management and the Service Contract User Guide explain that service contracts are intended for engaging individuals for non-core support services that would normally be outsourced to a company, for example a custodial, security or information technology (IT) service. They also require the evaluation of service contract holders to take place two months before the expiration of their contracts.

119. As at 21 October 2013, the staff listing at the country office in Bangladesh showed that the office had 943 services contract holders with different titles. The Board found that 18 of those staff were performing core support services instead of non-core support services, contrary to the Service Contract User Guide. In addition, performance evaluations of two service contract holders were done after the expiration of their service contracts, and nine evaluations were done one month before the expiration of the service contract rather than two months before the contract expiration as required by the Programme and Operations Policies and Procedures. UNDP stated that it was reviewing its service contract policy, specifically the restrictive use of service contracts for core functions.

120. **UNDP agreed with the recommendation of the Board that it: (a) ensure that country offices comply with the Service Contract User Guide in relation to the hiring of staff on service contracts and the proper timing of performance evaluations; and (b) review the current service contractor modality and policy,**

including the nature of project-related work at the country offices and associated service contract performance evaluation requirements.

12. End-of-service liabilities

Funding of after-service health insurance liabilities

121. The Board, in its previous report (A/68/5/Add.1), reported its concern about the funding gap in the after-service health insurance liability, and recommended that UNDP review the liability funding so that it remains appropriate in the respective year.

122. The Board noted that, as at 31 December 2013, UNDP liability for after-service health insurance costs were estimated at $858.16 million (2012: $941.45 million restated) and that UNDP had set aside funding of $496.70 million (2012: $494.87 million), representing 57.88 per cent of the liability, meaning that in 2013, the unfunded liability decreased to $361.46 million.

123. As discount rates used by the actuary in the evaluation and other assumptions vary, after-service health insurance liabilities also fluctuate, as is evident in the figures for 2013 ($858.15 million) and 2012 ($979.12 million). Management has adopted a 15-year funding plan and has also engaged an expert firm to conduct an asset liability management study and provide recommendations on an appropriate funding strategy. The Board notes the commitment to continue funding the liability when others have opted to adopt a pay-as-you-go approach. The Board encourages UNDP to continue reducing the gap between the funded and unfunded liability by developing appropriate means of predicting the required resources for each year and setting aside a sufficient amount for the funding of the liability.

124. **UNDP agreed with the recommendation of the Board that it review the after-service health insurance funding plan on a regular basis and develop an appropriate funding strategy so that the funding plan remains viable.**

13. Information technology

125. From its review of general and application controls over global payroll processing in the Atlas human capital management system in Copenhagen, the Board noted the following anomalies:

Segregation of duties in the human resources roles granted in the Atlas human capital management system

126. The UNDP internal control framework describes minimum internal control standards that must be observed in order to ensure sufficient internal controls in the organization. It requires that no one person should exercise both the human resources administrator (first authority) and the global payroll administrator (second authority) authority for any monthly payroll in order to ensure an independent check on the human resources administrator. In addition, the Disbursing Officer — Payroll (third authority) roles are also to be separated from the first and second authorities. The third authority performs the final sign-off of monthly payrolls and authorizes payments to be disbursed. It also clearly sets out the need to segregate the human resources and payroll roles not just in practice but also in the Atlas system.

127. The Board reviewed all user roles that have been granted in Atlas human capital management system in 2013 for both country office staff and staff administrative services users in Copenhagen. The Board observed generic human resources profiles (5 profiles) users were granted more than one profile in the Atlas system, and that the roles of Human Resource Administrator, Global Payroll Administrator and Disbursement Officer were not adequately segregated as required by the internal control framework.

128. UNDP informed the Board that the generic human resources profiles granted to users in country offices do not fully meet the specialized roles performed by the Benefits and Entitlements Section. The Board remains convinced that the there is no adequate segregation of duties in payroll, the absence of which may result in the unauthorized alteration of payroll transactions.

129. **UNDP agreed with the recommendation of the Board that it review the current Atlas payroll profiles to restrict the granting of conflicting roles in line with the internal control framework on payroll administration.**

Deactivation of separated system users in the Atlas human capital management system

130. Section 10 of the Atlas access standard requires all UNDP staff members separating from UNDP to sign out through the Office of Human Resources as part of the exit process prior to their last day of employment. Upon separation, their user accounts in the Atlas human capital management system are supposed to be suspended as quickly as possible.

131. During the review of active users of the Atlas human capital management system, the Board noted that 55 separated staff were listed as remaining active users in the system. In a further review, the Board noted that 15 of 55 separated staff continued to sign in on the Atlas system for periods ranging from one to 286 days after their last day of employment.

132. UNDP explained that 49 of the 55 separated staff were allowed under its policy to have access to the Atlas system to e-service the employee self-service module for up to three months for the purpose of completing their performance records. According to the records kept by UNDP, only two staff continued to log into the human capital management module after separation. The Board was informed that a process has been put in place whereby a termination action in the Atlas system would trigger a lock on the user profile of the staff concerned. This process was not working, however, and users were continuing to sign in. In addition, management informed the Board that a real-time report is being developed to alert the Atlas role generation and user-provisioning system focal points to deactivate the user accounts of separated staff.

133. The Board is concerned that any arrangement that allows separated staff access to UNDP systems increases the risks of unauthorized access and fraudulent entries, which may affect the integrity of financial records.

134. **UNDP agreed with the recommendation of the Board that it: (a) institute a rigorous monitoring mechanism to ensure that terminated employees are deactivated in the Atlas system without delay; and (b) consider options to mitigate situations involving future-dated separations to ensure that terminated employees do not have unauthorized access to the Atlas system.**

System controls over advance annual leave beyond the limits set in the Programme and Operations Policies and Procedures

135. Under the Programme and Operations Policies and Procedures, in exceptional circumstances, staff members may be granted advance annual leave up to a maximum of 10 working days, provided that their period of service is expected to continue beyond that necessary to accrue the equivalent amount of leave time. Staff use an e-leave system to request leave approval from their department head.

136. The Board found that the Atlas system had no built-in controls to restrict the approval of an advance leave beyond 10 days. The Board also found that the leave balances in the system for all UNDP staff for the month of September 2013 included four staff with negative leave balances beyond the approved 10-day limit. Furthermore, one staff member had a leave balance of 77 days, considerably more than the maximum 60 days allowed, as at September 2013.

137. UNDP stated that staff are encouraged to plan leave in advance, and therefore are allowed to apply for leave not earned as at the date of request and that the responsibility for monitoring the advance leave rests with the supervisor. While acknowledging the management comment, the Board remains concerned that the current Atlas controls do not alert approvers that the requested leave is an exceptional advance leave beyond the approved limit.

138. **UNDP agreed with the recommendation of the Board that it implement an automated e-mail notification to staff members and their supervisors for approvals of advance leave beyond the approved limit of 10 days.**

Disaster recovery plan and alternative site location for back-ups

139. According to the Programme and Operations Policies and Procedures, information and communications technology security involves protection of UNDP information assets and those entrusted to UNDP by partner agencies and establishing and overseeing the information security management practices that provide trust and metrics, thus assuring donors and other stakeholders that information is protected from improper access or modification.

140. At the country offices in Namibia and Trinidad and Tobago the Board noted that the disaster recovery plans were yet to be completed and that the offices had yet to confirm new alternate sites for the location of their offsite back-up. Management informed the Board that progress is being made at the country office in Trinidad and Tobago in identifying an alternative site while the country office in Namibia is exploring options for the implementation of an online back-up solution. The Board is of the view that, in the absence of disaster recovery plans at the country offices, there may be data loss in the event of any unforeseen calamity.

141. **UNDP agreed with the recommendation of the Board that it ensure that country offices establish updated disaster recovery plans and utilize them.**

14. Inventory management

Inventory certification

142. Under the requirements of the Programme and Operations Policies and Procedures, all business units must perform annual inventory count exercises for each storage location on a quarterly basis, that is, on 31 March, 30 June, 30 September and

31 December each year. The Resident Representative or designated officials are required to certify the quantity and value of the inventories reported by their offices. All business units must compile and submit the inventory control report for each project through the Document Management System along with the Resident Representative or designated officials for inventory certification to the Accounts Division at headquarters on 15 April, 15 July, 15 October and 15 January each year.

143. From the review of quarterly reports relating to the Regional Service Centre in Addis Ababa and the country office in Dakar, the Board noted delays in uploading the inventory certificate and control reports, contrary to the Programme and Operations Policies and Procedures. For example, the inventory certificate and control reports for three quarters at the country office in Dakar were uploaded with an average delay of 21 days, with the longest delay being 24 days. UNDP attributed the delay to absence of the responsible officer to sign the certificate, which had to be taken to Addis Ababa for signature. The Board is of the view that, in absence of the responsible officer, UNDP may delegate signing authority to other officers.

144. **UNDP agreed with the recommendation of the Board that it: (a) monitor the uploading of inventory certificates to ensure that it is done in a timely manner; (b) monitor and control reports from the country offices and attend to issues raised in those reports; and (c) deal with exceptional cases of delayed submissions by the country offices.**

C. Disclosures by management

145. UNDP disclosed a long list of 38 cases of fraud and presumptive fraud across the entity (similar cases are combined) involving staff members, implementing partners, service contract holders and contractors. The Board has examined the UNDP response to previous incidents and found that satisfactory investigative measures are being taken. Although the Board did not assess fraud awareness within the entity, given the frequency of fraudulent events, it is essential that fraud risks be reassessed and strong counter-measures put in place, for instance, by raising awareness of fraud training in order to tackle the problem more proactively.

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

146. The Administration informed the Board that in accordance with financial rule 126.77, no cash, receivable or property had been written off during 2013.

2. Ex gratia payments

147. As required by UNDP financial rule 123.01, the Administration reported ex gratia payments for the period under review amounting to $215,495.

3. Cases of fraud and presumptive fraud

148. During the year under review, in the context of paragraph 6 (c) of the annex to the Financial Regulations and Rules of the United Nations, UNDP reported 38 cases of fraud or presumptive fraud to the Board, with a total value of $3,345,269. Of the 38 cases, UNDP has already taken action on 22 cases, while 16 cases are pending. No recoveries of funds were recorded in 2013. The details of all cases are provided in annex II to the present report.

D. Acknowledgement

149. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Administrator of the United Nations Development Programme and her staff.

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland
Chair of the Board of Auditors

(*Signed*) Ludovick S. L. **Utouh**
Controller and Auditor General of the
United Republic of Tanzania
(Lead Auditor)

(*Signed*) **Liu** Jiayi
Auditor General of China

30 June 2014

Annex I

Status of implementation of recommendations for the year ended 31 December 2012

No.	Summary of recommendation	A/67/5/Add.1, chap. II, paragraph reference	Financial period first raised	Implemented	Under implementation
1.	Develop an IPSAS benefits realization plan; finalize the clean-up of long-outstanding inter-agency legacy balances; and monitor timelines in the preparation of opening balance and dry-run financial statements	23	2010-2011	X	
2.	Consider strategies on how the new information generated from IPSAS implementation will support decision-making in the organization	24	2010-2011	X	
3.	Seek further cooperation from partners in managing refunds and improve related monitoring processes	33	2006-2007		X
4.	Follow up with the identified country offices to improve the bank reconciliation process and consider, on a risk basis, a detailed review of bank accounts of country offices where it identifies specific risks	37	2010-2011	X	
5.	Work in partnership with other United Nations agencies to ensure complete and timely submissions and reconciliations of inter-agency balances	45	2008-2009	X	
6.	Resolve the dispute regarding inter-fund differences in accounts with the United Nations Office for Project Services (UNOPS)	52	2008-2009	X	
7.	Obtain confirmation of balances from UNOPS prior to closure of its account and perform a reconciliation of inter-fund balances, obtain semi-annual reports and certifications from UNOPS and establish an adequate validation for the amounts provided by UNOPS before it processes management- service-agreement transactions	53	2008-2009		X
8.	Provide fully for all end-of-service liabilities as part of its implementation of IPSAS	61	2006-2007	X	
9.	Formulate funding plans for end-of-service liabilities relating to accrued leave, termination benefits and repatriation benefits	62	2008-2009		X
10.	Regional bureaux should consider the results of the national implementation modality audit process and work with implementing partners to address the weaknesses identified in that audit process. A focus should be on implementing partners which have recurring negative reports	70	2010-2011		X
11.	Consider other procedures of obtaining assurance that funds were spent as intended in the Egypt country office	72	2010-2011	X	
12.	Regional bureaux should prioritize the financial closure of all operationally closed projects and address the causes of delays in the finalization of project closure	75	2006-2007		X
13.	Enhance the quality of information regarding projects through regular review of project information in Atlas	77	2008-2009		X

No.	Summary of recommendation	A/67/5/Add.1, chap. II, paragraph reference	Financial period first raised	Implemented	Under implementation
14.	Country offices should monitor the receipt of quarterly combined delivery reports	79	2010-2011		X
15.	Country offices should perform field visits and final project reviews to assess project performance and success and to improve on lessons learned	81	2010-2011		X
16.	Review all projects with microfinance activities and assess its policies to ensure consistent recording of those activities, and implement adequate project monitoring controls over microlending activities, in line with project agreements	86	2010-2011	X	
17.	Consider ways of enhancing the harmonized approach to cash transfers framework	92	2010-2011	X	
18.	Consider enhancing the roles of oversight and monitoring of implementation of the harmonized approach to cash transfers framework at country offices, and consider mechanisms to foster a common understanding and application of the framework by country offices as part of an inter-agency process	94	2010-2011	X	
19.	Consider further strengthening of oversight and monitoring of field-level activities associated with procurement, trust funds, projects, asset management, the harmonized approach to cash transfers framework and human resources to ensure accountability in the context of its highly decentralized structure and compliance with UNDP policies and procedures	98	2010-2011	X	
20.	Consider the implementation of individual and consolidated procurement plans at country offices and headquarters based on an analysis of procurement needs	102	2004-2005	X	
21.	Improve its maintenance and use of the procurement dashboard, and strengthen monitoring support to the regional bureaux for procurement actions at country offices	103	2010-2011	X	
22.	Perform a regular review of buyer profiles in Atlas to ensure that only certified procurement staff have buyer profiles, and remove inappropriate profiles in Atlas, and consider mechanisms aimed at improving the certification rate of personnel performing procurement functions	104	2006-2007		X
23.	Implement measures to enhance monitoring and oversight on direct contracting and other non-competitive procurement methods, and plan procurement activities in a timely manner to allow for competitive bidding and compliance with applicable procurement rules, for example by notifying all the requisitioners six months in advance of the need to start planning for a procurement exercise	107	2010-2011	X	
24.	Implement adequate segregation of duties in the procurement process to avoid conflict of interest, regularly perform vendor evaluations, and adhere to UNDP solicitation and contract award rules	110	2010-2011	X	
25.	Consider the application of its oversight role to ensure that country offices comply with the UNDP procurement measures currently being implemented by the Advisory Committee policies and procedures	111	2010-2011	X	

No.	Summary of recommendation	A/67/5/Add.1, chap. II, paragraph reference	Financial period first raised	Implemented	Under implementation
26.	Address the matters highlighted in its corporate procurement audit report	115	2010-2011		X
27.	Strengthen management controls in the field through reviewing its guidance available to country offices or through training on asset management. Initiatives should focus on asset verification procedures, asset identification and recording on acquisition, asset recognition and recording, and asset transfer procedures	119	2010-2011	X	
28.	Perform a thorough review of the completeness and accuracy of its land and building records	123	2010-2011	X	
29.	Improve all controls over leave administration to ensure accurate leave balances and prioritize addressing weaknesses in leave management	127	2010-2011		X
30.	Update the Atlas Change Control Manual to reflect practical working methods applied during change process, implement procedures to ensure that all types of changes are signed off by the business owners, complete and implement the draft testing strategy plan, maintain supporting documents for unit and user acceptance testing, and regularly review the activities of the database administrators and access to the production database and keep evidence of such reviews	131	2010-2011	X	
31.	Evaluate the criteria for data fixes and update the Atlas Change Control Manual to clearly define the different types of changes and clearly define controls to be followed for each type of change	135	2010-2011	X	
32.	The Board recommended that the United Nations Capital Development Fund perform regular review and reconciliation of the general ledger to detect errors, subject its accounts to a review and challenge during the financial statement preparation process to ensure that financial information presented is accurate and a complete reflection of the activities that have occurred, and review the level at which the operational reserve is maintained to ensure that maximum funds are available for programme activities	145	2010-2011		X
33.	The Board recommended that the United Nations Capital Development Fund fully provide for after-service health insurance and end-of-service liabilities, establish a policy to fund the liabilities and implement processes to correctly compute and accrue for the annual leave liability	149	2010-2011	X	

No.	Summary of recommendation	A/68/5/Add.1, chap. II, paragraph reference	Financial period first raised	Implemented	Under implementation
34.	(a) Consider the inclusion of all its budgeted resources in the statement of comparison of budget and actual amounts in order to enhance comparability and understandability of the statement; and (b) perform case-by-case determination of net realizable value/current replacement cost of inventory instead of using a generalized formula	23	2012		X

No.	Summary of recommendation	A/68/5/Add.1, chap. II, paragraph reference	Financial period first raised	Implemented	Under implementation
35.	Resolve disputes regarding the inter-fund balance with UNOPS through reconciliation and dialogue no later than 31 December 2013; and establish an effective reconciliation mechanism to avoid disagreements arising in future, including settling the cumulative balance of the inter-fund at monthly intervals	25	2012	X	
36.	Review (preferably annually) the after-service health insurance liability funding plan to ensure it remains appropriate	27	2012		X
37.	Continue to communicate with the donors to ensure that agreements are signed and funds are applied in a timely manner	30	2012	X	
38.	(a) Monitor and track projects' implementation progress reports and ensure that they are completed on time; and (b) ensure that country offices update the projects' status in the Atlas system, and actively address causes of delays in completion of projects	34	2012		X
39.	Ensure that all regional bureaux are working closely with country offices, and ensure that instructions of the Office of Audit and Investigation are complied with and all [national implementation modality/nationally executed projects] audit reports are submitted within the required period	39	2012		X
40.	Take appropriate actions to address the causes of recurring modified audit opinions [for national implementation modality/nationally executed projects audit] through engaging the regional bureaux and the respective implementing partners; and enhance review of the cash transfer modalities to provide additional assurance over amounts spent by implementing partners	44	2012		X
41.	(a) Ensure that for any future project [in Afghanistan], it further strengthens the identification and assessment of inherent external risks that may hamper project implementation and establish mitigating tactics; (b) consider a retrospective audit of the justice and human rights in Afghanistan project from its inception to the closure to identify lessons for future projects; (c) revisit the project expenses incurred for the period from July to December 2009 and ensure there was no duplicate expense on the same activities for the justice and human rights in Afghanistan project against activities implemented by the strengthening of the justice system of Afghanistan or access to justice at the district level projects	46	2012		X
42.	Ensure Funding Authorization and Certificate of Expenditure forms are used as required under the harmonized approach to cash transfers framework	50	2012	X	
43.	(a) Enhance the roles of oversight and monitoring of implementation of the harmonized approach to cash transfers framework at country offices by the regional bureaux; and (b) consider establishing follow-up mechanisms which will provide assurance over compliance with procedures	54	2012	X	

No.	Summary of recommendation	A/68/5/Add.1, chap. II, paragraph reference	Financial period first raised	Implemented	Under implementation
44.	(a) Remind the country offices to prepare procurement plans and introduce regular review mechanisms to ensure that they meet the Programme and Operational Policies and Procedures minimum information disclosure requirements; and (b) ensure that consolidated procurement plans are in place to secure improved value for money that may arise from economies of scale and increased purchasing power	56	2012		X
45.	(a) Improve monitoring mechanisms through sending regular reminders to country offices that they should enforce compliance with competitive procurement procedures; and (b) ensure proper planning of its procurement activities to allow for competitive bidding procurement procedures	58	2012	X	
46.	(a) Find a solution to restrict the entry of duplicate serial numbers for relevant asset categories; and (b) update the register to include the missing information and remove the duplicates	61	2012	X	
47.	Send regular reminders to country offices to ensure inventories are counted on a quarterly basis as per the requirements of the Programme and Operations Policies and Procedures	64	2012	X	
48.	(a) Monitor compliance with the approved human resources management procedures as per the Programme and Operations Policies and Procedures, and (b) improve the use of the e-Service module of the Atlas system for monitoring the timely processing of human resource management activities	68	2012		X
49.	(a) Improve the communication procedures between the Human Resource Office and the Atlas role generation and user provisioning system focal points to ensure that user accounts for employees leaving the entity are disabled promptly; and (b) establish a more rigorous process to ensure that the Atlas role generation and user provisioning system focal points perform regular review of user accounts and profiles as per the internal control framework requirement	74	2012		X
50.	Ensure that no single user is granted more than one profile and, whenever it is necessary to do so, a rigorous process for approval be in place to ensure that no conflicting roles are granted to the same user where there is no pressing need	79	2012	X	
51.	Implement adequate compensating controls, such as routine reviews of the transactions processed, where conflicting roles are granted by use of multiple accounts per user or multiple profiles per user	80	2012	X	
52.	Develop an action plan to hand over expense management processing to the Global Shared Service Centre in order to make optimum use of the Centre	84	2012		X

No.	*Summary of recommendation*	*A/68/5/Add.1, chap. II, paragraph reference*	*Financial period first raised*	*Implemented*	*Under implementation*
53.	(a) Develop a framework for capturing and accounting for accrued rent for the tenants in the buildings other than United Nations Development Group Executive Committee agencies; and (b) provide more thorough guidance to country offices on management of loans to governments and rent payable to governments in order to offset the loan balance	90	2012	X	
	Total		**53**	**31**	**22**
	Percentage		**100**	**58**	**42**

Annex II

Cases of fraud and presumptive fraud: disclosures by management of the United Nations Development Programme

No.	*Description*	*Remedial action*
1.	In Africa, a staff member fraudulently cashed two UNDP cheques amounting to $1,184	The subject resigned. Placement of a letter in the staff member's file pursuant to article 72 (b) of the legal framework is under review. The total amount was recovered from the bank
2.	In Africa, two UNDP staff members colluded with local travel companies and staff members of another United Nations agency to allow unauthorized persons to travel on United Nations flights	One UNDP staff member has been dismissed and the other has been charged with misconduct. A request for sanctions against the private travel companies will be submitted to the Vendor Review Committee
3.	In Asia Pacific, a service contract holder submitted false documentation to justify fraudulent expenditures of $58,784	The service contract holder resigned and could not be located
4.	In Asia Pacific, a carjacking of two service contract holders led to the theft of $28,000	Due to the lack of witnesses and the length of time which had elapsed, an investigation was not deemed feasible
5.	In Asia Pacific, a non-governmental organization (NGO) working on a project funded by the Global Environment Facility submitted fraudulent documentation to substantiate expenditures for a total estimated loss of $25,000	Interim sanctions have been imposed against the NGO
6.	In Asia Pacific, a service contract holder submitted an invoice for reimbursement in which he misrepresented hotel costs by $900	The subject's contract was not renewed. The guidelines of the country office for daily subsistence allowances have been updated and clarified
7.	In Europe and the Commonwealth of Independent States, two NGOs receiving medical supplies in a project implemented by UNDP could not account for stock with a total value of $7,474	The NGOs are no longer participating in the project
8.	In one country office in the Latin America and the Caribbean region, allegations of procurement irregularities concerning four national implementation projects being implemented by a national partner were brought to the attention of the Office of Audit and Investigation. The value of procurement undertaken by the national implementing partner is estimated to be $276 million (including $79 million in 2013). The four projects were 99.5 per cent funded by the national Government	All activities under the four projects were closed and the projects suspended following the results of the national implementation audits in May 2013. In July 2013, a forensic review of the procurement was launched by the Office of Audit and Investigation. The work could not be completed because the national partners did not provide unrestricted access to individuals and documentation and, therefore, it was not possible to determine the extent of the loss or the responsible parties. UNDP was informed that the national authorities have issued a letter indicating that UNDP has no responsibility in the matter. There is no indication that UNDP personnel were involved in the alleged irregularities

No.	Description	Remedial action
9.	In Asia Pacific, a staff member on a UNDP appointment serving with another United Nations agency misappropriated a laptop computer	The laptop has been recovered. The staff member has been charged with misconduct
10.	In Africa, bed nets were diverted and sold to an unauthorized third party for an estimated loss of $794,188	National authorities have acknowledged responsibility and agreed to pay restitution of losses in full
11.	In the Arab States, an error in Atlas led to a service contract holder receiving $18,482 in overpayment which he refused to return	The service contract holder has resigned. The Office of Audit and Investigation was advised that this was not an appropriate case for referral to the national authorities
12.	In Asia Pacific, 103 laptops listed on UNDP inventory could not be located	Due to security risks and the amount of time between the theft and reporting of it to the Office of Audit and Investigation, an investigation was not deemed feasible
13.	In the Arab States, an implementing partner submitted fraudulent bank statements to justify project expenses totalling approximately $215,266	All project activities have been suspended. A management letter has been issued with recommendations for a review of related projects and reconsideration of the implementation modality for future projects and programmes
14.	In Africa, cheques amounting to $2,266 were forged and cashed by persons outside of the organization	The bank has reimbursed all of the funds that were lost in the fraudulent transactions. National authorities are conducting an investigation
15.	In the Arab States, a vendor submitted fraudulent documentation to justify expenditures in the amount of $44,129	A request for sanctions against the vendor has been submitted to the Vendor Review Committee
16.	In Latin America and the Caribbean, a service contract holder working for another United Nations agency embezzled $4,795 from the petty cash fund	The subject’s contract was not renewed. $814 has been recovered
17.	In Asia Pacific, a country office was hacked by an unknown person(s) incurring a phone bill of $25,000	The country office is in the process of purchasing an upgraded and secure telephone system in order to prevent similar incidents from occurring. It was not possible to identify the parties responsible for the hacking, which originated from territory outside of the country where the office was located
18.	In Asia Pacific, a contractor working in a UNDP project allegedly withdrew UNDP funds in the amount of $41,000	An investigation was not possible as the subject left the country where the theft occurred and could not be located
19.	In the Arab States, an NGO submitted false documentation to justify fraudulent expenditures of $21,674	All project activities have been suspended. A request for sanctions against the NGO has been submitted to the Vendor Review Committee

No.	Description	Remedial action
20.	In Asia Pacific, a staff member, upon leaving UNDP employment, took a UNDP vehicle without permission. The vehicle was then damaged and left on the side of the road	The subject had separated from UNDP before the allegation was reported. Subject reimbursed UNDP for associated repair costs
21.	UNDP suffered collective loss of $214,702 from thirteen cases of medical insurance fraud	In most cases, the service contracts had expired prior to or during the investigation
22.	UNDP suffered an undetermined loss from seven cases of undisclosed conflicts of interest, bribery, and procurement fraud in 2013	As a result of investigations, interim sanctions have been imposed against 22 vendors, and requests for sanctions against two additional vendors are pending
Pending cases		
23.	In Africa, finance staff allegedly abetted the fraudulent cashing of a cheque in the amount of $1,316	The matter is under investigation
24.	In Africa, national partners allegedly misappropriated funds resulting in a loss of $1,173,765	The matter is under investigation. The national authorities have agreed to pay restitution of all expenditures found unsupported or not justified
25.	In Africa, a staff member allegedly altered UNDP cheques worth $2,621 and transmitted them to a colleague to be cashed	The matter is under investigation. Consideration is being given to waiving the staff member's immunity from legal process before the local authorities
26.	In Asia Pacific, a staff member allegedly ignored several orders to deactivate roaming and incurred mobile phone roaming charges of $15,000	The matter is under investigation. The country office has since updated the policy on telephone usage with clearer instructions on how staff members are to use the roaming function
27.	In Asia Pacific, a staff member allegedly transferred five vehicles with a total value of more than $650,000 to two governmental agencies without following proper procedures	The matter is under investigation
28.	In Africa, a staff member allegedly enabled an associate to steal a vehicle from UNDP premises	The matter is under investigation
29.	In Asia Pacific, a bond worth $34,000 intended for a Global Environment Facility project was cashed by an unknown individual without authorization	The matter is under investigation
30.	In Africa, four senior members of a project were arrested for suspected misuse of project funds	The matter is under investigation
31.	In the Arab States, the director of a UNDP funded project allegedly withdrew all project funds, amounting to $27,930, and fled the country	The matter is under investigation

No.	*Description*	*Remedial action*
32.	In the Arab States, a government partner allegedly submitted fraudulent telephone bills amounting to $2,700 for reimbursement	The matter is under investigation
33.	In Asia Pacific, a staff member allegedly engaged in financial mismanagement and improperly authorized the payment of $165,300 to a vendor	The matter is under investigation. The subject has since resigned
34.	In Latin America and the Caribbean, staff members in one country office are alleged to have used UNDP official resources for personal benefit	The matter is under assessment
35.	In Africa, a staff member on a UNDP letter of appointment serving with another United Nations agency allegedly misappropriated 910 litres of fuel with an approximate value of $2,472 using UNDP funds	The matter is under investigation
36.	In Asia Pacific, a contract was awarded without a competitive process allegedly resulting in a price inflation of $12,800. In addition, some of the funds that were withdrawn to make the payment were allegedly not transferred to the vendor	The matter is under investigation
37.	Five cases reported in 2013 are currently being investigated for medical insurance fraud with losses estimated at $69,500	The matters are under investigation
38.	Eighteen cases were reported in 2013 that are currently being investigated for conflict of interest, bribery and procurement fraud. At this point it is not possible to determine if the allegations or the amount of any loss will be substantiated	The matters are under investigation

Chapter III
Financial report for the year ended 31 December 2013

A. Introduction

1. In accordance with United Nations Development Programme (UNDP) financial regulation 26.01, the Administrator hereby submits the financial statements of UNDP for the year ended 31 December 2013.

2. The report of the Board of Auditors, their opinion on the financial statements and the comments of UNDP on the substantive observations are submitted in accordance with UNDP financial regulation 4.04.

3. UNDP was established by the General Assembly in 1965 through its resolution 2029 (XX). UNDP is politically neutral and partners with entities and people at all levels of society to help build nations that can withstand crisis and drive and sustain growth that improves quality of life for everyone. UNDP works primarily through its offices in more than 177 countries and territories and provides a global perspective and local insight to help empower lives and build resilient nations. The role of UNDP, in line with its mandate, which is defined through the intergovernmental process, includes the provision of: (a) support for the coordination and enhancement of the efficiency and effectiveness of the United Nations system at the country level; and (b) knowledge, policy advice, advocacy and technical support in four focus areas on the basis of best practices and comparative advantage; poverty reduction; democratic governance; crisis prevention and recovery; and environment and energy for sustainable development.

4. As the principal United Nations entity on the ground in 177 countries and territories, UNDP provides services, on a cost recovery basis, to 70 United Nations agencies, including peacekeeping missions. In 2013, the value of transactions processed on behalf of United Nations agencies was $578 million (2012: $563 million).

5. UNDP administers the United Nations Volunteers programme, the United Nations organization that promotes volunteerism to support peace and development worldwide, and its operations are reflected in the financial statements of UNDP. The key results for the United Nations Volunteers for 2013 were: (a) mobilization of volunteers for the delivery of peace and development results; (b) increased acknowledgement of volunteers and volunteerism as powerful resources and vital components of sustainable development; and (c) the enhancement or forging of traditional and new partnerships within and outside of the United Nations. During 2013, 6,351 United Nations Volunteers from 152 countries supported partner United Nations entities in their peace and development activities in the field through 6,459 assignments. With over 80 per cent of United Nations Volunteers coming from countries of the global South, and 67 per cent working in countries other than their own, South-South cooperation is a natural focus area of the organization. The United Nations Volunteers online volunteering service continued to expand during 2013, reaching a total of 367,840 users across the globe and mobilizing over 11,328 online volunteers, who handled 17,370 volunteer assignments — over the Internet.

6. UNDP administers the Junior Professional Officer programme on behalf of 15 United Nations entities. During 2013, 245 professionals were administered by UNDP, including 222 Junior Professional Officers and 23 special assistants to

Resident Coordinators. For the professionals placed in the programme in 2013, UNDP received $18.3 million in contributions and incurred $19.8 million in expenses.

7. The UNDP Administrator is responsible for the administration of the United Nations Capital Development Fund, which provides seed capital and technical assistance to promote sustainable inclusive growth in the least developed countries. While the Administrator continues to administer the Fund, beginning in 2012, in compliance with the International Public Sector Accounting Standards (IPSAS), the Fund prepared its financial statements separately from UNDP.

B. Financial performance

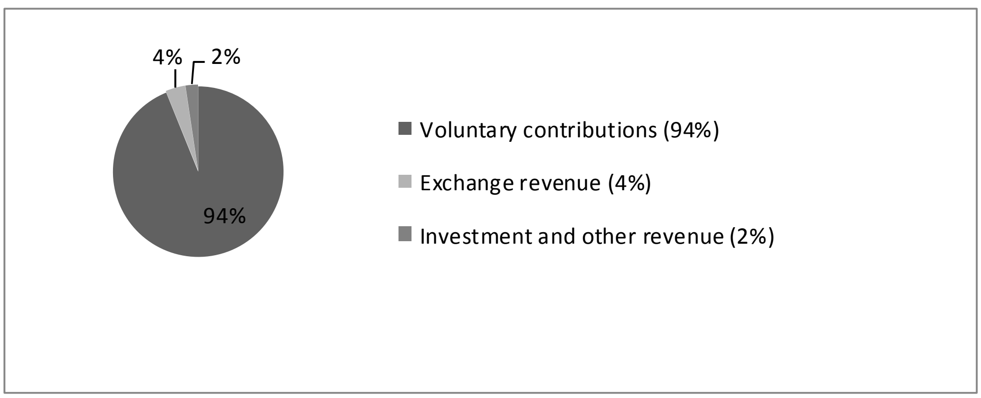
8. The total revenue of UNDP for 2013, that is, contributions and other revenue, was $5.146 billion (2012: $5.095 billion), compared with total expenses of $5.244 billion (2012: $5.264 billion), resulting in higher total expenses over total revenue of $98.5 million (2012: $168.7 million) in the year, drawing upon the accumulated surpluses which represent advance funding from UNDP partners of $4.376 billion (2012: $4.335 billion) from prior years.

Revenue analysis

Revenue by nature

9. The total revenue of UNDP in 2013 was $5.146 billion, of which $4.83 billion, or 94 per cent, was from voluntary contributions, $194.75 million, or 4 per cent, was from exchange revenue, and $121.3 million, or 2 per cent, was from investment and other revenue.

Figure I
Composition of total revenue in 2013 by nature

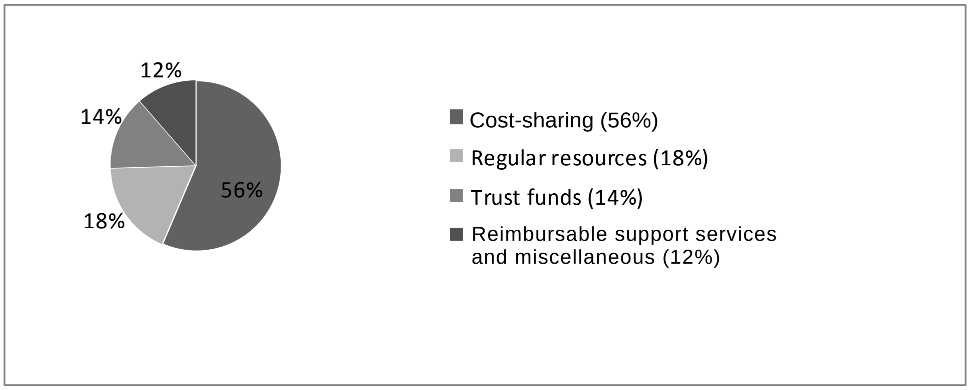


Revenue by segment

10. Analysis of revenue by segment[1] shows that cost-sharing is the largest revenue source, providing 56 per cent of the revenue of UNDP in 2013, followed by regular resources providing 18 per cent, trust funds providing 14 per cent, and reimbursable support services and miscellaneous activities providing 12 per cent.

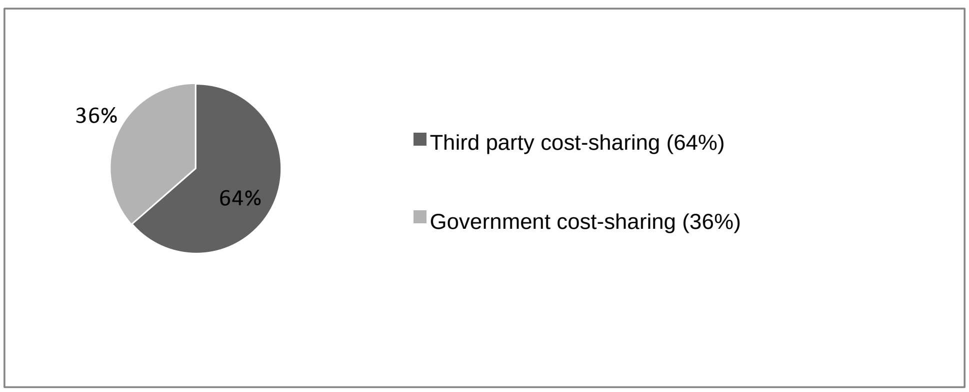
[1] Excludes the effect of inter-fund elimination.

Figure II
Composition of total revenue in 2013 by segment



11. Within cost-sharing revenue totalling $3.023 billion, third-party cost-sharing provided 64 per cent of the revenue, and government cost-sharing provided 36 per cent of the revenue.

Figure III
Composition of cost-sharing revenue in 2013 by type

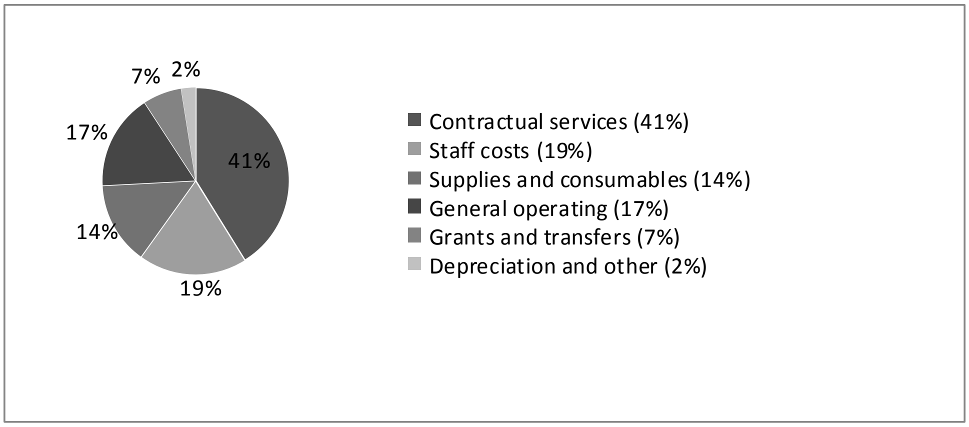


Expense analysis

Expenses by nature

12. The total expenses of UNDP in 2013 were $5.244 billion. Considering that the mandate of UNDP is to provide knowledge, policy advice, advocacy and technical support to governments and other implementing partners, the largest expense category by nature in 2013 was contractual services with individuals and companies of $2.157 billion, or 41 per cent. The remaining expenses by nature are: $985.1 million, or 19 per cent, for staff costs; $870.6 million, or 17 per cent, for general operating expenses; $747.6 million, or 14 per cent, for supplies and consumables used; $352.3 million, or 7 per cent, for grants and other transfers; and $131.7 million, or 2 per cent, for depreciation and other expenses.

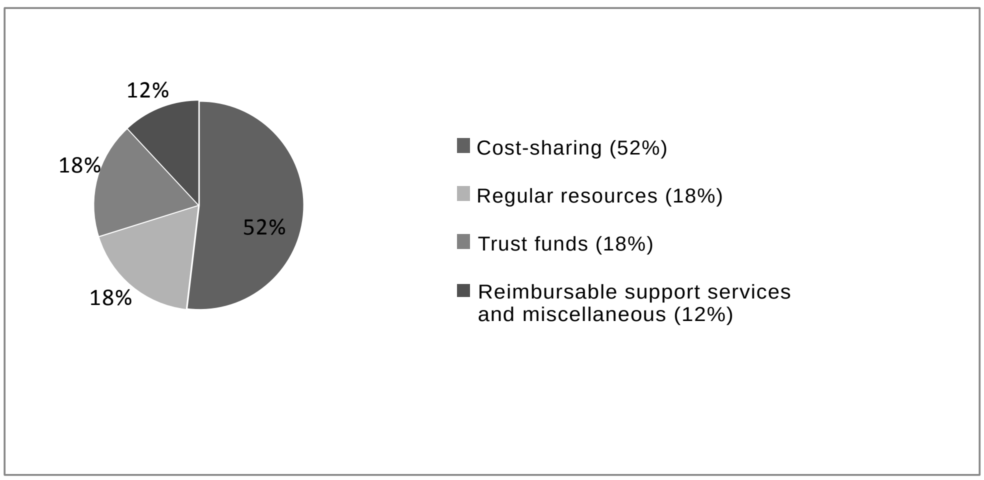
Figure IV
Composition of total expenses in 2013 by nature



Expenses by segment

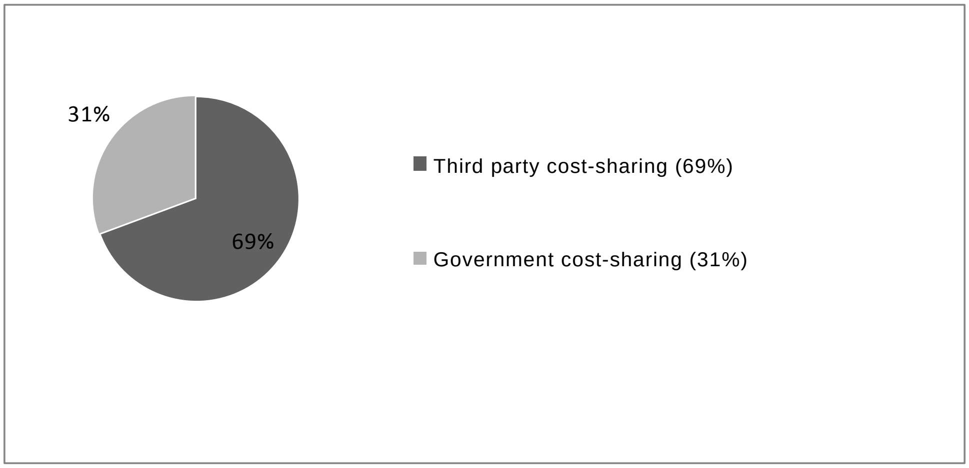
13. Of the total expenses for 2013,[1] 52 per cent was spent on cost-sharing, 18 per cent on regular resources, 18 per cent on trust funds and 12 per cent was spent on reimbursable support services and miscellaneous activities.

Figure V
Composition of total expenses in 2013 by segment



14. Within cost-sharing expenses, totalling $2.831 billion, 69 per cent was spent on third-party cost-sharing, and 31 per cent was spent on government cost-sharing.

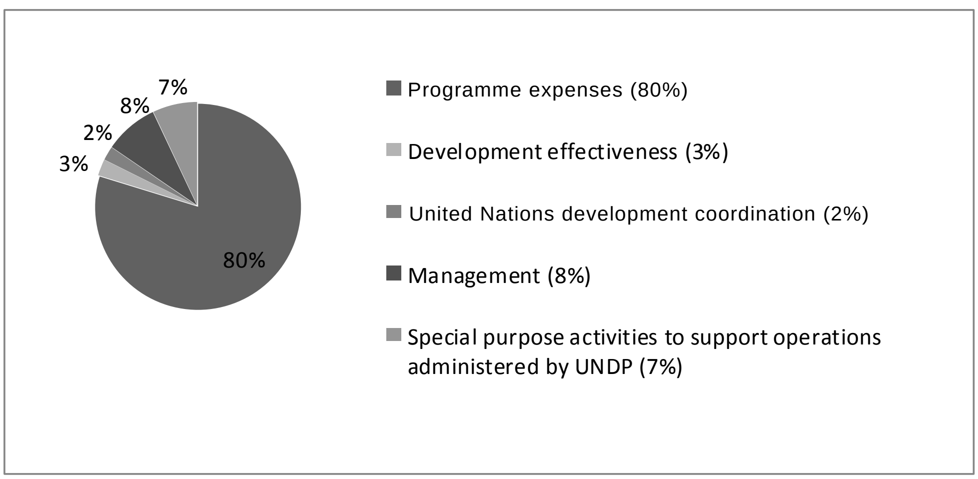
Figure VI
Composition of cost-sharing expenses in 2013 by type



Expenses by cost classification

15. The UNDP Executive Board approved four broad cost classification categories: (a) development activities, which encompass subcategories programme activities and development effectiveness activities; (b) United Nations development coordination activities; (c) management activities; and (d) special purpose activities. Of total UNDP expenses by cost-classification category[1] prescribed by the Executive Board, 80 per cent was spent on programme activities, 3 per cent was spent on development effectiveness, 2 per cent was spent on United Nations development coordination, 8 per cent was spent on management and 7 per cent was spent on special purpose activities to support operations administered by UNDP.

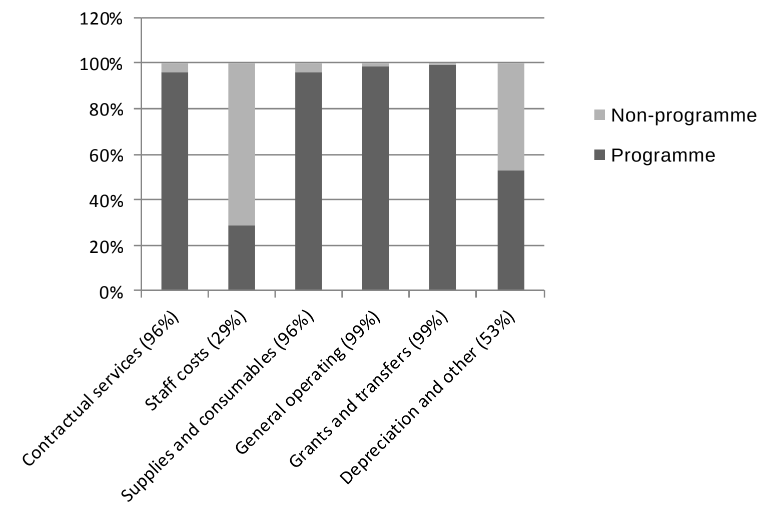
Figure VII
Composition of total expenses in 2013 by cost classification



Expenses relating to programme

16. In terms of the expense categories attributed to UNDP programme activities, in total, $4.353 billion (2012: $4.393 billion) of the total expenses of UNDP were programme expenses reflecting the development nature of the operations of UNDP. By expense category, 96 per cent of the total contractual services with individuals and companies were programme expenses. Similarly, 29 per cent of staff costs,[2] 96 per cent of supplies and consumables used, 99 per cent of general operating expenses, 99 per cent of grants and other transfers and 53 per cent of depreciation and other expenses were programme expenses.

Figure VIII
Composition of programme expenses in 2013 by nature

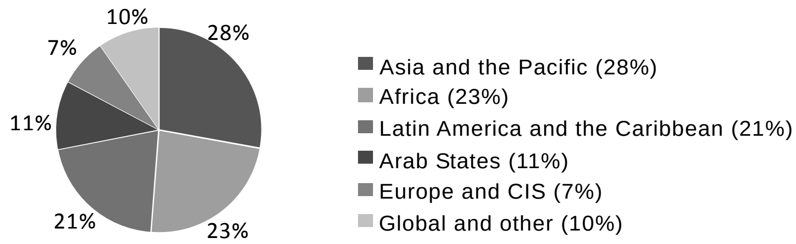


Programme expenses by geographical region

17. Of total programme expenses of $4.353 billion, by geographical region, 28 per cent is spent in Asia and the Pacific (noting that Afghanistan is one of the largest programmes), 23 per cent is spent in Africa, 21 per cent is spent in Latin America and the Caribbean, 11 per cent is spent in the Arab States, 7 per cent is spent in Europe and the Commonwealth of Independent States (CIS) and 10 per cent is spent in the global and other regional category.

[2] Non-programme staff costs relate to development effectiveness, United Nations development coordination, special purpose activities to support operations administered by UNDP and management. In addition, most of the capacity for programme implementation is provided through non-staff contractual modalities.

Figure IX
Composition of programme expenses in 2013 by geographical region



Financial performance by segment

18. In 2013, while segments, that is, regular resources, cost-sharing, trust funds and reimbursable support services and miscellaneous activities, showed annual expenses that were higher than annual revenue by $98.5 million, it is noted that UNDP partners provided funding in advance and that the accumulated surpluses of $4.376 billion was sufficient to absorb the current-year deficit. Note 6 to the financial statements, on segment reporting, provides details of financial performance by segment, which is summarized in table 1.

Table 1
Summary of financial performance by segment in 2013
(Millions of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Inter-fund elimination*	*Total*
Total revenue	969.9	3 023.3	753.5	612.2	(212.9)	5 146.0
Total expenses	998.0	2 831.4	975.9	652.1	(212.9)	5 244.5
Surplus/(deficit)	**(28.1)**	**191.9**	**(222.4)**	**(39.9)**	**–**	**(98.5)**
Total accumulated surpluses	**156.9**	**2 753.6**	**889.7**	**575.6**	**–**	**4 375.8**

Summary of financial performance by segment in 2012

(Millions of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Inter-fund elimination*	*Total*
Total revenue	948.3	2 901.3	827.7	631.3	(213.4)	5 095.2
Total expenses	1 033.1	2 931.4	858.5	654.3	(213.4)	5 263.9
Deficit	**(84.8)**	**(30.1)**	**(30.8)**	**(23.0)**	**–**	**(168.7)**
Total accumulated surpluses	**123.8**	**2 563.1**	**1 113.5**	**534.5**	**–**	**4 334.9**

19. While current-year deficits were funded through accumulated surpluses from prior years, and while this practice can be sustained in the short term for some segments, such as cost-sharing and trust funds, it cannot be sustained for the business activities of UNDP that are funded through regular resources. Despite enormous challenges, UNDP met its three-month minimum liquidity requirement for regular resources in 2013, maintaining a liquidity reserve of 3.45 months of average expenses, within the minimum threshold of liquidity required by the Executive Board.

20. Through the development of the UNDP strategic plan 2014-2017 and the agenda for organizational change, which is currently being implemented, UNDP is establishing a path that will address the continuing downturn in revenue through transformational change, structural realignment, enhanced business development and resource mobilization.

C. Budgetary performance

21. The budget of UNDP continues to be prepared on a modified cash basis and is presented in the financial statements as statement V, comparison of budget and actual amounts (regular resources) (statements V (a) and V (b)), and note 7, comparison to budget. In order to facilitate a comparison between the budget and the financial statements prepared under IPSAS, a reconciliation of the budget to the cash flow statement is also included in note 7.

22. Approved budgets are those that permit expenses to be incurred and are approved by the UNDP Executive Board. For IPSAS reporting purposes, the approved budgets of UNDP are the institutional budget financed from regular resources and the portion of the resource plan relating to development activities to be financed from regular resources. During 2013, UNDP revised the annual spending limits, noting the reduced level of voluntary contributions, in order to ensure improved burden-sharing and greater efficiency. This resulted in lower expenditure compared with the 2012-2013 budget approved by the Executive Board. The comparison of utilization against budget levels in 2013 and the biennium 2012-2013 is as follows:

Table 2
Budget utilization rates for 2013

Budget components	*Annualized approved final budget (millions of United States dollars)*	*Actual utilization rate (percentage)*
Development activities	702.3	80
United Nations development coordination activities	86.8	86
Management activities	275.3	85
Special purpose activities to support operations administered by UNDP	18.2	77
Total	**1 082.6**	**82**

Budget utilization rates for the biennium 2012-2013

Budget components	*Annualized approved final budget (millions of United States dollars)*	*Actual utilization rate (percentage)*
Development activities	1 333.6	87
United Nations development coordination activities	171.5	89
Management activities	539.9	87
Special purpose activities to support operations administered by UNDP	35.6	79
Total	**2 080.6**	**87**

23. The integrated resource plan of UNDP encompasses the integrated budget. The integrated resource plan estimates will be used in the integrated results and resources framework (covering development impact, development outcomes, UNDP outputs and organizational efficiency and effectiveness) of the strategic plan.

D. Financial position

Assets

24. UNDP assets of $6.728 billion (2012: $6.636 billion) were comprised largely of investments of $4.722 billion (2012: $4.409 billion), cash and cash equivalents of $1.308 billion (2012: $1.115 billion) and receivables of $224.1 million (2012: $600.9 million) (total: $6.254 billion, or 93 per cent). The large majority of investments and cash and cash equivalents are earmarked for cost-sharing and trust funds. The remaining assets balance comprised: advances issued as operating funds to implementing partners of $324.7 million (2012: $373.0 million); property, plant and equipment of $114.6 million (2012: $92.9 million), of which 80 per cent represented management assets and 20 per cent represented project assets; inventory of $16.3 million (2012: $23.9 million), consisting primarily of medical supplies and equipment for programmes being implemented on behalf of the Global Fund to Fight AIDS, Tuberculosis and Malaria; loans to governments of $10.8 million (2012: $13.5 million); intangible assets of $7.0 million (2012: $5.8 million),

consisting primarily of internally developed software; and other assets of $1.3 million (2012: $1.2 million), consisting primarily of dispensary, medical and other receivables.

Cash, cash equivalents and investments

25. As at 31 December 2013, UNDP held cash, cash equivalents and investments of $6.029 billion (2012: $5.524 billion), of which $496.6 million (2012: $512.7 million) were funds provided by donors “held in trust” for multi-donor trust funds and the UNDP-Spain Millennium Development Goals Achievement Fund. During 2013, UNDP maintained its vigilance of credit risks in the light of continued uncertainty in global financial condition, in particular with respect to euro areas. In addition to its own funds, UNDP manages investments in separate portfolios on behalf of a number of United Nations agencies. As at 31 December 2013, UNDP managed a total of $7.8 billion in investments for its own programme and for other United Nations entities (the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), the United Nations Population Fund (UNFPA), the United Nations Capital Development Fund and the United Nations Office for Project Services (UNOPS)) under service agreements. The investment revenue of UNDP was $54.6 million in 2013 (2012: $65.5 million).

26. UNDP has an Investment Committee comprising senior management, which meets quarterly to review the investment portfolio performance of UNDP and to ensure that investment decisions are in compliance with established its Investment Guidelines.

Receivables

27. As at 31 December 2013, UNDP had receivables of $224.1 million (2012: $600.9 million), which included: receivables due from United Nations agencies of $53.4 million (2012: $457.7 million); contributions receivable pending from donors of $131.9 million (2012: $100.3 million); and the remaining amount of $38.8 million (2012: $42.9 million) was primarily investment receivables of $28.1 million (2012: $30.3 million).

Advances issued

28. As at 31 December 2013, UNDP had outstanding advances of $324.7 million (2012: $373.0 million). Of that amount, $113.9 million was composed of advances for nationally executed projects (2012: $192.0 million), $37.0 million (2012: $41.1 million) had been advanced to United Nations agencies for project implementation and the remaining amount of $173.8 million (2012: $139.9 million) consisted primarily of advances to the United Nations Children’s Fund for medical supplies valued at $158 million (2012: $125.5 million).

29. In fulfilling its mandate, UNDP transfers cash to executing entities or implementing partners as a cash advance. Advances issued are recorded as assets and converted to expenses once the certified expense reports are received and accepted by UNDP.

30. UNDP monitors programme expenses to ensure they are incurred in compliance with project documents and workplans. Monitoring activities include field visits, comparisons of expense reports to workplans and narrative reports,

monitoring of progress towards outputs and outcomes and prescribed audits. The Office of Audit and Investigations reviews the audit reports covering the audit of projects that are implemented by national institutions or by NGOs. UNDP also monitors the outstanding balance of funds advanced to governments and NGOs to ensure that financial reports are received on a timely basis and that appropriate action is taken on audit report recommendations.

Property, plant and equipment and intangible assets

31. As at 31 December 2013, UNDP held property, equipment and intangible assets of $121.5 million (2012: $98.7 million), of which property and equipment were $114.6 million (2012: $92.9 million). Of that amount, $36.4 million (2012: $37.7 million) represented land and buildings; the remaining property and equipment consisted mainly of information technology assets and vehicles. All management assets meeting capitalization thresholds were capitalized by UNDP, as were project assets acquired on or after 1 January 2012 that UNDP controls. Project assets that were not controlled by UNDP are expensed as incurred. UNDP applied the transitional provision allowed under IPSAS and will capitalize project assets under the control of UNDP that were acquired before 2012 by 2015. Of the total number of items under property, plant and equipment held as at 31 December 2013, 20 per cent represented project assets and 80 per cent represented management assets.

32. Intangible assets held as at 31 December 2013 amounted to $7.0 million (2012: $5.8 million), of which $6.4 million (2012: $4.3 million), or 91 per cent, related to internally developed software.

Liabilities

33. The liabilities of UNDP in the amount of $1.992 billion (2012: $1.940 billion) largely comprised employee benefits of $1.114 billion (2012: $1.185 billion), including after-service health insurance, repatriation and death benefits (all of which are valued by independent actuaries) and annual leave. The principal employee benefit liability of after-service health insurance is valued at $858.2 million (included in the total employee benefits amount) (2012: $941.4 million), of which $496.7 million (58 per cent) has been funded. A funding strategy of 15 years has been formulated to fund the gap between the historical liability and the amount funded. The funding strategy will be adjusted, if needed, following the next actuarial valuation.

34. Other than employee benefits, the total liabilities of UNDP also include: payables-funds held in trust of $552.8 million (2012: $574.1 million), which relate primarily to multi-donor trust funds for which UNDP serves as the administrative agent; accounts payable and accrued liabilities of $126.9 million (2012: $111.4 million); funds received in advance and deferred revenue of $153.9 million (2012: $10.2 million); funds held on behalf of donors of $19.4 million (2012: $28.8 million); other liabilities, consisting primarily of unapplied deposits of $8.5 million (2012: $12.0 million); and advances payable of $16.7 million (2012: $18.2 million).

Net assets/equity

35. Net assets/equity of $4.736 billion reflects amounts received as advance funding from UNDP partners from prior years for activities funded under the integrated resources plan. Net assets/equity includes accumulated surpluses of $4.376 billion and reserves of $360.6 million, of which the operational reserve accounted for $357 million (99 per cent of total reserves). During 2013, net assets/equity was impacted primarily by: (a) a deficit of $98.5 million; and (b) a decrease in the value of the liability for after-service health insurance ("actuarial gain") of $149.3 million owing to external economic conditions and changes in actuarial assumptions.

Financial position by segment

36. The financial position of UNDP by segment and UNDP in aggregate, as included in note 6 on segment reporting to the financial statements, is summarized as follows:

Table 3
Summary financial position by segment as at 31 December 2013
(Millions of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Total UNDP*
Total assets	1 747.9	2 941.7	919.4	1 119.2	6 728.2
Percentage of total UNDP assets	**26**	**44**	**14**	**16**	**100**
Total liabilities	1 378.3	188.1	26.7	398.6	1 991.7
Percentage of total UNDP liabilities	**69**	**10**	**1**	**20**	**100**
Net assets/equity	369.6	2 753.6	892.7	720.6	4 736.5
Percentage of total UNDP net assets/equity	**8**	**58**	**19**	**15**	**100**

Summary financial position by segment as at 31 December 2012
(Millions of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Total UNDP*
Total assets	1 742.5	2 599.0	1 149.7	1 144.5	6 635.7
Percentage of total UNDP assets	**27**	**39**	**17**	**17**	**100**
Total liabilities	1 405.0	35.9	33.3	466.0	1 940.2
Percentage of total UNDP liabilities	**72**	**2**	**2**	**24**	**100**
Net assets/equity	337.5	2 563.1	1 116.4	678.5	4 695.5
Percentage of total UNDP net assets/equity	**7**	**55**	**24**	**14**	**100**

E. Accountability, governance and risk management

37. Accountability and governance of UNDP has four facets: (1) UNDP governing bodies and governance committees — the General Assembly, the Economic and Social Council, the UNDP Executive Board and the Fifth Committee; (2) UNDP accountability to its programmatic partners and beneficiaries — donors, programme governments, United Nations partners, implementing partners and project beneficiaries; (3) institutional oversight mechanisms of UNDP: (a) independent external oversight — the Advisory Committee on Administrative and Budgetary Questions, the Board of Auditors, the Joint Inspection Unit and the Audit Advisory Committee; (b) independent internal oversight — the Office of Audit and Investigations, the Ethics Office and the Evaluation Office; and (4) UNDP internal accountability — the Administrator and Associate Administrator, the Executive Office, the Executive Group, the Operations Group, regional and headquarters bureaux, regional centres and country offices.

38. Assurance that all the resources, including financial resources, entrusted to UNDP have been managed efficiently and effectively to achieve the expected development results is embedded in the way in which UNDP exercises stewardship over those resources.

39. UNDP has implemented a sound system of internal controls to ensure that effective risk management is integrated into normal business processes and is aligned to the strategic objectives of the organization. Regarding risk management of cash and investments, the risk management policies of UNDP with relation to treasury operations aim to minimize potential adverse effects on the resources available to UNDP to fund its development activities. The principal objectives of the UNDP risk management approach are: (a) safety, that is, the preservation of capital, provided through investing in high-quality fixed-revenue securities, emphasizing the creditworthiness of the issuers; (b) liquidity, that is, the flexibility to meet cash requirements through investments in highly marketable fixed-revenue securities and through structuring maturities to align with liquidity requirements; and (c) revenue, that is, the maximization of investment revenue within safety and liquidity parameters. UNDP utilizes funds to implement development activities in accordance with its Financial Regulations and Rules and its policies and procedures, which encompass strong risk mitigation and monitoring and assurance mechanisms.

F. Looking forward to 2014 and beyond

40. The overall financial position of UNDP at the end of 2013 was positive. Implementation of the UNDP agenda for organizational change and the UNDP strategic plan 2014-2017 will continue the transformational programme aimed at enabling UNDP to deliver effectively, responsively and with greater cost economy. UNDP will also continue to implement: (a) higher quality programmes through results-based management; (b) greater organizational openness, agility and adaptability to harness knowledge, solutions and expertise; and (c) improved financial and human resources management, which has already begun with improved financial reporting under IPSAS, in pursuit of sustainable results.

Chapter IV

Financial statements for the year ended 31 December 2013

United Nations Development Programme

I. Statement of financial position as at 31 December 2013

(Thousands of United States dollars)

	Note	*31 December 2013*	*31 December 2012 (Restated)*
Assets			
Current assets			
Cash and cash equivalents	8	1 077 935	848 426
Cash and cash equivalents — funds held in trust	8	229 750	266 613
Investments	9	2 432 889	1 771 719
Investments — funds held in trust	9	240 331	215 386
Receivables — non-exchange transactions	10	131 915	100 331
Receivables — exchange transactions, net	11	92 172	500 569
Advances issued, net	12	324 712	373 018
Loans to governments	15	772	–
Inventories	13	16 356	23 941
Other current assets, net	14	1 270	1 230
Total current assets		**4 548 102**	**4 101 233**
Non-current assets			
Investments	9	2 022 042	2 391 596
Investments — funds held in trust	9	26 480	30 676
Loans to governments	15	10 039	13 458
Property, plant and equipment	16	114 565	92 910
Intangible assets	17	6 970	5 834
Total non-current assets		**2 180 096**	**2 534 474**
Total assets		**6 728 198**	**6 635 707**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	18	126 863	111 415
Advances payable	19	16 667	18 215
Funds received in advance and deferred revenue	20	147 071	5 762
Funds held on behalf of donors	20	19 355	28 776
Payables — funds held in trust	21	526 325	543 421
Employee benefits	22	185 649	174 282
Other current liabilities	23	8 510	12 009
Total current liabilities		**1 030 440**	**893 880**

United Nations Development Programme

I. Statement of financial position as at 31 December 2013 (continued)

	Note	*31 December 2013*	*31 December 2012 (Restated)*
Non-current liabilities			
Payables — funds held in trust	21	26 480	30 676
Funds received in advance and deferred revenue	20	6 827	4 464
Employee benefits	22	928 037	1 011 167
Other non-current liabilities	23	2	6
Total non-current liabilities		**961 346**	**1 046 313**
Total liabilities		**1 991 786**	**1 940 193**
Net assets/equity			
Reserves	24	360 638	360 638
Accumulated surpluses	25	4 375 774	4 334 876
Total net assets/equity		**4 736 412**	**4 695 514**
Total liabilities and net assets/equity		**6 728 198**	**6 635 707**

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

United Nations Development Programme

II. Statement of financial performance for the year ended 31 December 2013

(Thousands of United States dollars)

	Note	*2013*	*2012 (Restated)*
Revenue			
Voluntary contributions, net[a]	26	4 829 911	4 748 588
Revenue: exchange transactions	27	194 748	197 700
Investment revenue	28	54 569	65 536
Other revenue	29	66 729	83 377
Total revenue		**5 145 957**	**5 095 201**
Expenses			
Contractual services	30	2 157 186	2 196 980
Staff costs	30	985 120	977 046
Supplies and consumables used	30	747 622	707 718
General operating expenses	30	870 578	872 427
Grants and other transfers	30	352 291	366 783
Other expenses	30	115 447	117 869
Depreciation and amortization	30	9 647	18 177
Finance costs	30	6 560	6 901
Total expenses		**5 244 451**	**5 263 901**
Deficit for the year		**(98 494)**	**(168 700)**

[a] Voluntary contributions are net of returns to donors of unused contributions.

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

United Nations Development Programme

III. Statement of changes in net assets/equity for the year ended 31 December 2013

(Thousands of United States dollars)

	Reserves	*Accumulated surpluses*	*Total net assets/equity*
Balance at 31 December 2012 (restated)[a]	**360 638**	**4 334 876**	**4 695 514**
Prior-period adjustments (note 5)	–	25	25
Balance at 31 December 2012 (adjusted)	**360 638**	**4 334 901**	**4 695 539**
Changes in net assets/equity			
Funds with specific purposes (note 25)	–	(2 831)	(2 831)
Changes in fair value of available-for-sale investments	–	(7 082)	(7 082)
Actuarial gains, net	–	149 280	149 280
Deficit for the year	–	(98 494)	(98 494)
Total revenue and expense recognized directly in net assets/equity	**–**	**40 873**	**40 873**
Balance at 31 December 2013	**360 638**	**4 375 774**	**4 736 412**

[a] The accumulated surpluses restated balance as at 31 December 2012 represents amounts restated under IPSAS 3: Accounting Policies, Changes in Accounting Estimates and Errors. This figure is reflected in the statement of financial position.

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

United Nations Development Programme

IV. Cash flow statement for the year ended 31 December 2013

(Thousands of United States dollars)

	Note	*2013*	*2012 (Restated)*
Cash flows from operating activities			
Deficit for the year		(98 494)	(168 700)
Adjustments to reconcile deficit for the year to net cash flows:			
Depreciation and amortization		9 647	18 177
Impairment, net		(157)	(3 019)
In-kind contributions		(175)	(251)
Amortization of premium/(discount) on investments, net		46 911	42 757
(Gains)/losses on foreign exchange translation		11 260	6 159
(Gains)/losses on bonds		11	(8)
Losses on disposal of property, plant and equipment		3 741	1 570
Changes in assets			
(Increase)/decrease in receivables: non-exchange transactions		(31 330)	103 803
(Increase)/decrease in receivables: exchange transactions, net[a]		312 567	(352 027)
(Increase)/decrease in advances issued, net		43 041	(188 099)
(Increase)/decrease in inventories		7 585	(3 718)
(Increase)/decrease in other current assets, net		(42)	1 095
Changes in liabilities, net assets/equity			
(Decrease)/increase in accounts payable and accrued liabilities		15 575	(39 838)
(Decrease)/increase in advances payable		(1 548)	4 676
(Decrease)/increase in funds received in advance and deferred revenue		143 672	10 226
(Decrease)/increase in funds held on behalf of donors		(9 421)	(10 015)
(Decrease)/increase in payables: funds held in trust		(21 292)	(117 397)
(Decrease)/increase in employee benefits		77 651	66 756
(Decrease)/increase in other current liabilities		(3 500)	(40 484)
(Decrease)/increase in funds with specific purposes		(2 831)	13 549
Net cash flows from/(used in) operating activities		**502 871**	**(654 788)**
Cash flows from investing activities			
Purchases of investments		(2 451 046)	(2 417 763)
Purchases of investments: funds held in trust		(273 167)	(382 720)
Maturities of investments		2 110 482	2 917 576
Maturities of investments: funds held in trust		247 362	406 929
Interest received		95 883	122 904
Decrease in loans to governments		2 647	562
Purchases of property, plant and equipment		(42 470)	(38 671)
Disposals of property, plant and equipment		8 907	3 171
Purchases of intangible assets		(2 441)	(6 698)
Net cash flows from/(used in) investing activities		**(303 843)**	**605 290**

United Nations Development Programme

IV. Cash flow statement for the year ended 31 December 2013 (continued)

	Note	*2013*	*2012 (Restated)*
Cash flows from financing activities			
Finance lease repayment		(4)	–
Net cash flows from/(used in) financing activities		**(4)**	**–**
Net increase/(decrease) in cash and cash equivalents		**199 024**	**(49 498)**
Effect of exchange rate changes on cash and cash equivalents		**(6 378)**	**(1 412)**
Cash and cash equivalents including funds held in trust: beginning of year		**1 115 039**	**1 165 949**
Cash and cash equivalents including funds held in trust: end of year	8	**1 307 685**	**1 115 039**

[a] This amount includes an adjustment for interest received of $(95.883) million in cash as well as an adjustment for foreign exchange translation of $0.053 million.

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

United Nations Development Programme

V. (a) Statement of comparison of budget and actual amounts (regular resources) for the year ended 31 December 2013

(Thousands of United States dollars)

	Approved budget			
	Original	*Final*	*Actual expenditure on comparable basis (note 7)*	*Difference: final approved budget and actual expenditure*
Development activities				
Programme	606 829	606 829	477 397	129 432
Development effectiveness	95 440	95 440	87 923	7 517
Subtotal	**702 269**	**702 269**	**565 320**	**136 949**
United Nations development coordination activities	**86 830**	**86 830**	**74 422**	**12 408**
Management activities				
Recurring	270 249	270 249	233 556	36 693
Non-recurring	5 100	5 100	1 682	3 418
Subtotal	**275 349**	**275 349**	**235 238**	**40 111**
Special purpose activities				
Non-UNDP operations administered by UNDP	18 156	18 156	14 009	4 147
Subtotal	**18 156**	**18 156**	**14 009**	**4 147**
Grand total	**1 082 604**	**1 082 604**	**888 989**	**193 615**

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

United Nations Development Programme

V. (b) Statement of comparison of budget and actual amounts (regular resources) for the biennium 2012-2013

(Thousands of United States dollars)

	Final approved budget			*Actual expenditure on a comparable basis (note 7)*			*Difference: final approved biennium budget and biennium actual expenditure*
	2013	*2012*	*Biennium*	*2013*	*2012*	*Biennium*	
Development activities							
Programme	606 829	534 571	1 141 400	477 397	498 547	975 944	165 456
Development effectiveness	95 440	96 760	192 200	87 923	96 674	184 597	7 603
Subtotal	**702 269**	**631 331**	**1 333 600**	**565 320**	**595 221**	**1 160 541**	**173 059**
United Nations development coordination activities	86 830	84 670	171 500	74 422	79 052	153 474	18 026
Management activities							
Recurring	270 249	259 651	529 900	233 556	232 196	465 752	64 148
Non-recurring	5 100	4 900	10 000	1 682	4 322	6 004	3 996
Subtotal	**275 349**	**264 551**	**539 900**	**235 238**	**236 518**	**471 756**	**68 144**
Special purpose activities							
Non-UNDP operations administered by UNDP	18 156	17 444	35 600	14 009	14 255	28 264	7 336
Subtotal	**18 156**	**17 444**	**35 600**	**14 009**	**14 255**	**28 264**	**7 336**
Grand total	**1 082 604**	**997 996**	**2 080 600**	**888 989**	**925 046**	**1 814 035**	**266 565**

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

United Nations Development Programme
Notes to the financial statements
2013

Note 1
Reporting entity

1. The United Nations Development Programme was established by the General Assembly in 1965 through its resolution 2029 (XX). UNDP partners with entities/people at all levels of society to help build nations that can withstand crisis and drive and sustain growth that improves the quality of life for everyone.

2. UNDP has its headquarters in New York, but works primarily through its offices in 177 countries and territories. UNDP provides a global perspective and local insight to help empower lives and build resilient nations.

3. The focus of UNDP is helping countries build and share solutions to the challenges of:

- Poverty reduction and achievement of the Millennium Development Goals
- Democratic governance
- Crisis prevention and recovery
- Environment and energy for sustainable development.

4. UNDP helps developing countries attract and use aid effectively and encourages, in all its activities, the protection of human rights, capacity development and the empowerment of women.

5. UNDP is politically neutral and its cooperation is impartial. It seeks to conduct its work in a transparent manner and is accountable to all its stakeholders. UNDP has an Executive Board, established by the General Assembly in its resolution 48/162, which is responsible for providing intergovernmental support to and supervision of UNDP. The amended Financial Regulations and Rules of UNDP (Executive Board decision 2011/33), governs the financial management of UNDP.

6. The financial statements include only the operations of UNDP, which has no subsidiaries or interests in associates or jointly controlled entities.

Note 2
Statement of compliance with the International Public Sector Accounting Standards

1. The annual financial statements of UNDP have been prepared in accordance with IPSAS and certain transitional provisions as identified in note 3 (Basis of preparation and authorization for issue).

Note 3
Basis of preparation and authorization for issue

Basis of measurement

1. These financial statements are prepared on an accrual basis of accounting in accordance with IPSAS and the Financial Regulations and Rules of UNDP.

2. UNDP applies the historical cost principle except where stated in note 4. Accounting policies have been applied consistently throughout the year. The financial year is from January to December.

Foreign currency

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

4. Foreign currency transactions are translated into United States dollars at the United Nations operational rates of exchange at the date of the transaction. The operational rates of exchange approximate market/spot rates.

5. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the reporting date and are recognized in net assets/equity.

6. Non-monetary items in foreign currencies measured at historical cost are translated at the exchange rate in effect at the date of the transaction.

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

Critical accounting estimates

8. Preparing financial statements in accordance with IPSAS requires UNDP to make estimates, judgements and assumptions in the selection and application of accounting policies and in the reported amounts of assets, liabilities, revenues and expenses. For this reason, actual results may differ from those estimates. Accounting estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: actuarial measurement of employee benefits; selection of useful lives and the depreciation/amortization method for property, plant and equipment/intangible assets; impairment on assets; classification of financial instruments; and contingent assets and liabilities.

Transitional provisions

9. IPSAS standards, with effect from 1 January 2012, are applied in accordance with IPSAS transitional provisions as follows:

- For IPSAS 17, “Property, plant and equipment”, UNDP has capitalized all management and project assets acquired as at 1 January 2012 and thereafter. Project assets acquired pre-2012 controlled by UNDP have not been capitalized and pre-2012 management assets have been capitalized. Land and buildings controlled by UNDP and meeting the minimal thresholds for capitalization were recognized at fair value as at 1 January 2012. All other items of property, plant and equipment were initially measured at cost less accumulated depreciation as at 1 January 2012;

- IPSAS 31, "Intangible assets", is applied prospectively. Intangible assets acquired or internally developed before 1 January 2012 have not been capitalized.

Future accounting pronouncements

10. Significant future accounting pronouncements from the International Public Sector Accounting Standards Board which are expected to have an impact on UNDP include:

- Public sector conceptual framework: the objective of the project is to develop a public sector conceptual framework which is applicable to the preparation and presentation of general purpose financial reports of public sector entities;
- Reporting service performance information: to use a principles-based approach to develop a consistent framework for reporting service performance information of public sector programmes and services that focuses on meeting the needs of users;
- Social benefits: the objective of the project is to identify the circumstances and manner in which expenses and liabilities of certain social benefits should be reflected in the financial statements.

11. The progress and impact of future accounting pronouncements on the financial statements of UNDP continues to be assessed and monitored.

Authorization for issue

12. These financial statements are approved and certified by the Administrator, the Assistant Administrator and Director of the Bureau of Management and the Chief Finance Officer/Comptroller of the Bureau of Management of UNDP. In accordance with the UNDP Financial Regulations and Rules, these financial statements are authorized for issue on 30 April 2014.

Note 4
Significant accounting policies

Financial assets classification

1. UNDP classifies financial assets into the following categories: held to maturity; available for sale; loans and receivables; and fair value through surplus or deficit in the statement of financial performance. The classification depends on the purpose for which the financial assets are acquired, and is determined at initial recognition and re-evaluated at each reporting date. All financial assets are initially measured at fair value. UNDP initially recognizes loans and receivables on the date that they originated. All other financial assets are recognized initially on the trade date, which is the date UNDP becomes party to the contractual provisions of the instrument.

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

IPSAS classification	*Type of UNDP financial asset*
Held to maturity	Investments excluding after-service health insurance investments
Available for sale	After-service health insurance investments
Loans and receivables	Cash and cash equivalents, receivables non-exchange and exchange, advances issued and loans to Governments
Fair value through surplus or deficit	Derivative assets

Held to maturity financial assets

3. Held to maturity financial assets are financial assets with fixed or determinable payments and fixed maturities that UNDP has the positive intention and ability to hold to maturity. They are initially recorded at fair value plus transaction costs and subsequently recognized at amortized cost calculated using the effective interest rate method. UNDP classifies a substantial portion of its investment portfolio as held to maturity assets.

Available-for-sale financial assets

4. Available-for-sale financial assets are those that have been either designated in this category or are not classified in any of the other categories. They are initially recorded at fair value plus transaction costs and subsequently reported at fair value with any resultant fair value gains or losses recognized directly in net assets/equity. Interest on available-for-sale financial assets is calculated using the effective interest method. When an available-for-sale financial asset is derecognized, the gain or deficit accumulated in net assets/equity is reclassified to surplus or deficit in the statement of financial performance. Fair values used for subsequent measurement are based on quoted market prices from knowledgeable third parties. Assets in this category are quoted in active markets or readily convertible to cash.

Loans and receivables

5. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus transaction costs and subsequently reported at amortized cost calculated using the effective interest method. Interest revenue is recognized on a time proportion basis using the effective interest rate method on the respective financial asset.

6. Cash and cash equivalents include cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, net of impairment for restricted use currencies. Financial instruments classified as cash equivalents include investments with a maturity of three months or less from the date of acquisition.

7. Receivables non-exchange comprises contributions receivable which represent uncollected revenue committed to UNDP by donors based on enforceable

commitments which are recognized as revenue. These non-exchange receivables are stated at carrying value less impairment for estimated irrecoverable amounts.

8. Exchange receivables represent amounts owed to UNDP for services provided by it to other entities. In exchange, UNDP directly receives approximately equal value in the form of cash.

9. Advances issued represents cash transferred to executing entities/ implementing partners (refer to note 35.2 for the definition of executing entities/implementing partners) as an advance. Advances issued are initially recognized as assets and subsequently converted to expense when goods are delivered or services are rendered by the executing entities/implementing partners and confirmed by receipt by UNDP of certified expense reports as applicable, i.e., financial reports, funding authorization and certificate of expenditure forms or project delivery reports. Once those certified expense reports are received, UNDP recognizes expenses in its statement of financial performance. Data may be obtained from the entities' audited statements or, when such statements are not available at the end of the reporting year, either from the statements submitted by the entities for audit or from the unaudited statements of the entities.

10. Prepayments are issued where agreements with UNDP and the executing entity/implementing partner/supplier require up-front payment. Prepayments are recorded as a current asset until goods/services associated with the prepayments are delivered, at which point the expense is recognized and the prepayment is reduced by a corresponding amount.

11. UNDP provides advances to staff for up to 12 months for specified purposes per the Staff Regulations of the United Nations and Staff Rules. These advances have an initial maturity of less than 12 months, and the carrying amount approximates fair value. The carrying amount is stated less any impairment.

12. Loans to governments are loans given to national governments to construct office or housing premises for use by UNDP and United Nations entities. Loans are carried at the original cost, less any recovery to date. Rent proceeds are applied as repayment of the loan. Subsequent measurement of loans to governments is at amortized cost less any impairment.

Fair value through surplus or deficit

13. Fair value through surplus and deficits financial assets are so 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 recognized through surplus and deficit. Derivatives are used to manage foreign exchange risk and are contracted with creditworthy counterparties in accordance with UNDP Investment Guidelines. UNDP classifies derivatives as financial assets at fair value through surplus and deficit in the statement of financial performance. The fair value of derivatives is obtained from counterparties and is compared to internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Assets in this category are classified as current assets if they are expected to be realized within 12 months of the reporting date. At 31 December 2013, UNDP had no open foreign exchange derivative instruments positions in this asset category and did not have embedded derivatives requiring

separate accounting at fair value through surplus or deficit. UNDP does not apply hedge accounting treatment for derivatives.

14. All categories of financial assets are assessed at each reporting date to determine whether there is objective evidence that an investment or group of investments is impaired. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in value of the asset. Impairment losses are recognized in surplus or deficit in the statement of financial performance (directly or through the use of an allowance account) in the year they arise.

Inventories

15. Inventories held for distribution at no charge or for a nominal charge are stated at the lower of cost and current replacement cost. Inventories held for sale are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost is determined using the first-in, first-out inventory valuation method. The cost of inventories includes costs incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. For inventories acquired through a non-exchange transaction (e.g., donated goods), costs are measured at fair value at the date of acquisition.

Property, plant and equipment

16. All items of property, plant and equipment are stated at historical cost, less accumulated depreciation and accumulated impairment losses. This includes costs that are directly attributable to the acquisition of the asset and the initial estimate of dismantling and site restoration costs. Where an asset is acquired for nil or nominal consideration, the fair value at the date of acquisition is deemed to be its cost. The threshold for recognition of property, plant and equipment as an asset is $500 or more per unit, and for leasehold improvements it is $50,000. UNDP will implement a new capitalization threshold of $1,500 for property, plant and equipment effective 1 January 2014; this change will have no impact on the 2013 financial statements, and in 2014 the impact of the change in accounting policy is expected to be a reduction of property, plant and equipment by an estimated $10 million, and a corresponding decrease in net assets/equity.

17. UNDP elected to apply the cost model to measurement after recognition instead of the revaluation model. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to UNDP and the cost of the item can be measured reliably. Repairs and maintenance are charged to surplus or deficit in the statement of financial performance in the year in which they are incurred.

18. Project assets that are not controlled by UNDP are expensed as incurred. UNDP is deemed to control an asset if it can use or otherwise benefit from the asset in pursuit of its objectives and if it can exclude or regulate the access of third parties to that asset. UNDP has control over assets when it is implementing the project directly.

19. Property, plant and equipment includes right-to-use arrangements for property that meets the criteria for recognition (refer to the section on "leases" below).

20. Depreciation of property, plant and equipment is calculated using the straight-line basis over the estimated useful lives, except for land, which is not subject to depreciation. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, that is, major components of property, plant and equipment. Assets under construction are not depreciated, as they are not yet available for use.

The estimated useful lives are as follows:

Class	*Estimated useful life (in years)*
Buildings	10-40
Vehicles	12
Communications and information technology equipment	8-20
Furniture and fixtures	15
Heavy machinery and other equipment	20
Leasehold improvements	Shorter of lease term or life of applicable asset

21. Given the expected pattern of usage of property, plant and equipment, there are no residual values following full depreciation. A gain or loss resulting from the disposal of property, plant and equipment arises where proceeds from disposal differ from its carrying amount. Those gains or losses are recognized in surplus or deficit in the statement of financial performance.

22. Where UNDP sublets premises acquired under a lease, it elects to record subsequent measurement at cost.

Intangible assets

23. Intangible assets are carried at historical cost, less accumulated amortization and accumulated impairment loss.

24. Acquired computer software licences are capitalized based on costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with the development of software for use by UNDP are capitalized as an intangible asset. Directly associated costs include the software development staff costs and the portion attributable to relevant overhead. Other development expenses that do not meet the capitalization criteria are recognized as an expense as incurred. Development costs previously recognized as an expense, for example, research costs, are not recognized as an asset in a subsequent year. The threshold for recognition of internally developed software is $50,000 and for externally developed software it is $5,000.

25. Amortization is recognized in surplus or deficit in the statement of financial performance provided on a straight-line basis on all intangible assets of finite life and at rates that will write off the cost or value of the assets to their estimated residual values.

The estimated useful lives are as follows:

Class	*Estimated useful life (in years)*
Software acquired	3-6
Internally developed software	3-6
Trademarks	2-6
Copyrights	3-10
Patents	2-6
Licences and other	2-6

26. If there is a binding arrangement that specifies that the contractual period of an asset is shorter than its estimated useful life, then the asset is amortized over the contractual period.

Impairment of non-cash generating assets

27. Property, plant and equipment, intangible and other non-cash generating assets are reviewed for impairment at each reporting date. For property, plant and equipment, UNDP reviews for impairment during the semi-annual physical verification process. An impairment loss is recognized in surplus or deficit in the statement of financial performance when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of an asset's fair value, less costs to sell, and its value in use.

28. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the impairment of value has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment deficit had been recognized.

Financial liabilities classification

IPSAS classification	*Types of financial liabilities*
Other financial liabilities	Accounts payable and accrued liabilities, funds held on behalf of donors, advances payable, funds received in advance, other liabilities and payables — funds held in trust
Fair value through surplus or deficit	Derivative liabilities

29. Other financial liabilities are initially recognized at fair value, less transaction costs, and subsequently measured at amortized cost using the effective interest method. Financial liabilities entered into with a duration of less than 12 months are recognized at their carrying value.

30. Payables and accruals arising from the purchase of goods and services are recognized initially at fair value and subsequently measured at amortized cost when goods/services are delivered/rendered and accepted by UNDP. Liabilities are stated

at invoice amounts, less payment discounts at the reporting date. Liabilities are estimated where invoices are not available at the reporting date.

31. Advances payable arise when amounts are owed to executing entities/ implementing partners. The liability is measured at the amount owed based on incurred expenses reflected in the approved financial reports, Funding Authorization and Certificate of Expenditure forms or project delivery reports for the year.

32. Funds received in advance represent contributions received for future periods specified in donor contribution agreements. The funds are recognized as revenue and applied to the earmarked activities at the beginning of the specified future period. Deferred revenue represents funds received from donors that will be recognized as revenue in future years when conditions are met or the revenue is earned.

33. Payables, that is, funds held in trust, represent the receipt of funds by UNDP when providing fund administration services, to be disbursed to participating organizations. When UNDP is appointed as an administrative agent, it provides fund administration services to United Nations system and national government multi-donor trust funds and joint programmes through the Multi-Partner Trust Funds Office. In this role, UNDP is responsible for the receipt of contributions from donors, the disbursement of such funds to participating organizations and the provision of consolidated reporting to donors and stakeholders. Under this arrangement, funds received by UNDP from donors are reflected as cash and cash-equivalent funds held in trust or investment funds held in trust along with a corresponding liability, that is as payables, funds held in trust until they are disbursed to participating organizations.

34. Other liabilities include unapplied deposits and other payables such as finance lease payable. Unapplied deposits represent contributions received from donors that have not been applied against contributions receivable for earmarked activities.

Fair value through surplus or deficit

35. Fair value through surplus and deficits financial liabilities are so designated on initial recognition or are held for trading. 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 and deficit. UNDP classifies derivatives as financial liabilities at fair value through surplus and deficit in the statement of financial performance. Derivatives are used to manage foreign exchange risk and are contracted with creditworthy counterparties in accordance with UNDP Investment Guidelines. These include derivatives embedded in time deposits that permit the instrument to be repaid by counterparties in an alternative currency in exchange for a higher yield. The fair value of derivatives is obtained from counterparties and is compared to internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Liabilities in this category are classified as current liabilities if they are expected to be settled within 12 months of the reporting date. At 31 December 2013, UNDP had no open foreign exchange derivative instruments positions in this category and did not have any embedded derivatives requiring separate accounting at fair value through surplus or deficit in the statement of financial performance. UNDP does not apply hedge accounting treatment for derivatives.

Employee benefits

Short-term employee benefits

36. Short-term employee benefits are those that are expected to be settled within 12 months after the end of the year in which employees render the related service. Those benefits include assignment benefits, regular monthly benefits (e.g., wages and salaries), compensated absences (e.g., paid leave, such as annual leave), other short-term and non-monetary benefits and the current portion of long-term benefits provided to current employees. An expense is recognized when a staff member provides services in exchange for employee benefits. A liability is reported for any entitlement that has not been settled at the reporting date and represents the amount paid or expected to be paid to settle the liability. Owing to the short-term nature of those entitlements, the liabilities are not discounted for the time value of money and are presented as current liabilities.

Post-employment benefits

37. Post-employment benefits are those payable after completion of employment, but exclude termination payments.

38. Post-employment benefits include pension plans, post-employment medical care, repatriation grants and other lump sums payable after the completion of employment. Post-employment benefit plans are classified as either defined contribution or defined benefit plans.

39. For defined contribution post-employment plans, the obligation for each year is determined by the amounts to be contributed for that year, and no actuarial assumptions are required to measure the obligation or the expense. Post-employment benefits under defined benefit plans are measured at the present value of the defined benefit obligation adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, reduced by the fair value of plan assets, if any, at the reporting date. UNDP does not hold any assets corresponding to the definition of a plan asset.

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

41. 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 participating organizations. UNDP and the Pension Fund, in line with the other participating, are not in a position to identify Programme’s proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence UNDP has treated this plan as if it were a defined contribution plan, in line with the requirements of IPSAS 25, Employee benefits. UNDP

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

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

The United Nations Board of Auditors carries out an annual audit of the Pension Fund and reports to the Fund's Board on the audit every year. The Pension Fund publishes quarterly reports on its investments, which can be viewed at its website (www.unjspf.org).

Defined benefit plans

43. The defined benefit plans of UNDP include after-service health insurance and certain end-of-service entitlements. The obligation of UNDP in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That obligation is discounted to determine its present value and stated at the end of the reporting year less the fair value of plan assets, together with adjustments for unrecognized past service costs. The calculation is performed annually by a qualified independent actuary using the projected unit credit method.

44. The discount rate is the yield at the reporting date on high-quality credit rated corporate bonds that have maturity dates approximating the terms of the payment obligations. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in net assets/equity in the year in which they arise. All other changes in the liability for those obligations are recognized as surplus or deficit in the statement of financial performance in the year in which they arise.

Other long-term employee benefits

45. Other long-term employee benefit obligations are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in which employees provide the related service. Those benefits include the non-current portions of home leave and compensation for death and injury attributable to performance of duties. These are recognized as non-current liabilities and are measured at the present value of the estimated future cash flows if the payments and the impact of discounting are considered to be material. Actuarial gains and losses are reported in the statement of changes in net assets/equity.

Termination benefits

46. Termination benefits are recognized as an expense only when UNDP is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either 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.

Leases

Operating lease

47. Leases are classified as operating leases where UNDP is the lessee, and the lessor retains a significant portion of the risks and rewards inherent to ownership. Payments under operating leases, net of incentives received from the lessor, are recognized on a straight line basis in the statement of financial performance over the lease term.

Finance lease

48. Leases of tangible assets, where UNDP has substantially all the risks and rewards of ownership, are classified as finance leases. Initial recognition of a finance lease results in an asset and liability being recognized at the lower of the fair value of the leased property and the present value of the minimum lease payments. Subsequent to initial recognition, leased assets are depreciated over the shorter of the lease term and their useful lives in accordance with the accounting policies for property, plant and equipment. Each finance lease payment is allocated between the lease liability and finance charges. The interest portion of the finance lease obligations is recognized as an expense in the statement of financial performance over the term of the lease to produce a constant periodic rate of interest on the remaining balance of the liability for each year.

Right-to-use arrangements

49. Where UNDP has signed an agreement for the right-to-use assets without legal title/ownership of the assets, for example through donated use granted to UNDP at no cost, the transaction is a non-exchange transaction. In this case, an asset and revenue is recognized at the point the agreement is entered into. Recognition of an asset is contingent upon satisfying criteria for recognition of an asset. Valuation of the asset will be the fair value of the resource for which the right to use was acquired at the date of acquisition. The asset is depreciated over the shorter of the asset's useful life and the right-to-use term. Revenue is also recognized at the same amount as the asset, except to the extent that a liability is also recognized.

Revenue recognition

Contributions

50. Voluntary contributions are non-exchange transactions which are recognized as revenue when contribution agreements become enforceable, or in some instances when cash is received in accordance with the UNDP Financial Regulations and Rules. Depending on the agreements, enforceability occurs upon signature alone, signature and receipt of deposit, when conditions, if any, in contributions agreements are met, or when funds are to be transferred to UNDP and intended to be utilized. Revenue is shown net of returns of unused funds to donors and impairment of receivables.

51. Governments make pledges for regular resources voluntary contributions, although in some cases the pledged funds are not paid to UNDP. As the probability of inflow is not certain, UNDP does not treat these amounts as contingent assets.

52. In-kind contributions of goods provided are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to UNDP and the fair value of those assets can be measured reliably. In-kind contributions recognize revenue from right-to-use arrangements at the fair value of the asset reported. UNDP does not recognize or disclose contributions of services in-kind as an asset and revenue as permitted by IPSAS.

Revenue from exchange transactions

53. Exchange transactions are those in which UNDP sells goods or provides services. Revenue comprises the fair value of consideration received or receivable for the sale of goods and services. Revenue is shown net of returns and discounts. Revenue is recognized when it can be reliably measured, when the inflow of future economic benefits is probable and when specific criteria have been met. For example:

- Cost recovery revenue from work performed, such as procurement and payment services by UNDP on behalf of United Nations entities, is recognized when services are performed;
- Revenue from sales of human development reports is recognized when the sale takes place;
- Revenue from commissions and fees for procurement, training, administrative, custodial and other services rendered to governments, United Nations entities and other partners is recognized when the service is performed/training takes place.

Expense recognition

54. Expenses are recognized when goods/services are delivered/rendered and accepted by UNDP or as specified below.

55. For direct implementation by UNDP and full country office support to national government implementation, expenses are recognized when goods, i.e., non-capital or services, have been received by UNDP.

56. For national implementation or NGO implementation, expenses are recognized when funds are disbursed by executing entities/implementing partners and reported to UNDP.

57. Advances transferred to executing entities/implementing partners are recognized as expenses when goods are delivered or services rendered by the executing entities/implementing partners and confirmed by receipt by UNDP of certified expense reports as applicable, that is, financial reports, Funding Authorization and Certificate of Expenditure forms or project delivery reports. Once these expense reports are received, UNDP recognizes expenses in its statement of financial performance. Data may be obtained from the audited statements of executing entities/implementing partners or, when such statements are not available at the reporting year end, from the entities' statements as submitted for audit/unaudited statements.

Commitments, provisions and contingencies

Commitments

58. Commitments are future expenses and liabilities to be incurred on contracts entered into at the reporting date for which UNDP has minimal discretion, if any, to avoid in the ordinary course of operations. Commitments relating to employment contracts are excluded. Commitments include:

- Capital commitments: aggregate amount of capital expenses contracted for but not recognized as paid or provided for at year end;
- Contracts for the supply of goods or services which UNDP expects to be delivered in the ordinary course of operations;
- Non-cancellable minimum lease payments;
- Other non-cancellable commitments.

Provisions

59. A provision is recognized if, as a result of a past event, UNDP has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenses expected to be required to settle the obligation. The increase in a provision due to the passage of time is recognized as a finance cost.

Contingencies

Contingent assets

60. A contingent asset is disclosed when an inflow of economic benefits or service potential is probable. If it has become virtually certain that an asset is no longer contingent and that its value can be measured reliably, the asset and the related revenue are recognized in the year in which the change occurs.

Contingent liabilities

61. A contingent liability is disclosed unless the possibility that it will be realized is remote. If it becomes probable that a contingent liability will be realized, a provision is recognized in the year in which the change of probability occurs.

Note 5
Prior-period adjustments

1. Net prior-period adjustments recorded in 2013 total $32.295 million. For the following material prior-period adjustments, where there is impact relating to 2012, the 2012 comparative figures at the individual line item were retrospectively restated. Where there is impact for periods prior to 2012, net assets/equity was restated:

(a) UNDP has been coordinating with Atlas partner agencies to ensure correct attribution of the responsible agency in the after-service health insurance enrolment records maintained by the Health and Life Insurance Section of the Secretariat. As a result of the review, 108 retiree records were updated to change the responsible agency from UNDP to UNFPA, and 49 retiree records were updated to reflect a change in the responsible agency from UNDP to UNOPS. $37.674 million was recorded as a prior-period adjustment to reduce the UNDP after-service health insurance liability. The effect of this adjustment is as follows: a decrease in current liabilities of $1.293 million in the statement of financial position; a decrease in non-current liabilities of $36.381 million in the statement of financial position; a decrease in expenses of $1.545 million in the statement of financial performance; a decrease in actuarial loss of $1.178 million in the statement of changes in net assets/equity; and an increase in accumulated surpluses of $34.951 million in the statement of financial position;

(b) $2.661 million relates to the UNDP share of costs for the administration of justice and the activities of the Ombudsman for 2012, which were administered by the Secretariat and invoiced to UNDP in February 2014. The effect of this adjustment is as follows: an increase to accounts payable and accrued liabilities of $2.661 million in the statement of financial position; and an increase in expenses of $2.661 million in the statement of financial performance;

(c) $17.684 million is an adjustment resulting from the reconciliation of submodules to the general ledger. The effect of this adjustment is as follows: a decrease in current assets of $17.684 million in the statement of financial position; a decrease in other revenue of $1.759 million in the statement of financial performance; and a decrease in accumulated surpluses of $15.925 million in the statement of financial position;

(d) $7.408 million relates to adjustments for the delayed submission of 2012 contribution agreements. The effect of this adjustment is as follows: an increase in contributions revenue of $7.408 million in the statement of financial performance; increase in non-exchange receivable of $5.908 in the statement of financial position; and decrease in other liabilities of $1.5 million in the statement of financial position;

(e) $7.533 million is a reclassification to revenue of trust fund interest that had been set aside for refund in prior years and had not been recognized as revenue. The effect of this adjustment is as follows: a decrease of funds held on behalf of donors of $7.533 million in the statement of financial position; an increase to investment revenue of $0.198 million in the statement of financial performance; and an increase in accumulated surpluses of $7.335 million in the statement of financial position.

2. Immaterial prior-period adjustments recorded in 2013 that were not restated totalled a net $0.025 million, consisting of: (a) $0.241 million relating to adjustments to property, plant and equipment; (b) $0.197 million relating to adjustments to revenue; and (c) $(0.413) million relating to adjustments to expense. These adjustments were not restated given the insignificant amounts involved; furthermore, UNDP is still in transition relating to application of IPSAS 17, “Property, plant and equipment”.

Reclassification of comparatives

3. To improve presentation and/or to account for new operating developments, the following reclassification, presentation adjustments were made:

(a) A new line item for funds received in advance and deferred revenue was introduced on the face of the statement of financial position to account for a large amount of funds received in advance from the Global Fund to Fight AIDS, Tuberculosis and Malaria. In addition, deferred revenue previously included in other liabilities was reclassified to new line item funds received in advance and deferred revenue. The effect of these reclassifications is as follows: $5.761 million was reclassified from current other liabilities to funds received in advance and deferred revenue in the statement of financial position; and $4.464 million was reclassified from non-current other liabilities to funds received in advance and deferred revenue in the statement of financial position;

(b) $3.523 million was reclassified from current liabilities, under the line item employee benefits, to current liabilities, under the line item accounts payable and accrued liabilities, in the statement of financial position to better reflect the nature of benefits payable;

(c) $2.731 million was reclassified from expenses, under the line item staff costs appointment and assignment, to expenses, under the line item staff costs — leave benefits, in the statement of financial performance to better reflect the nature of the expenses;

(d) $0.495 million was reclassified from expenses, under the line item staff costs, to expenses, under the line item contractual services, in the statement of financial performance to better reflect the nature of the expenses;

(e) $0.026 million was reclassified from current liability, under the line item employee benefits — other employee benefits, to current liability, under the line item employee benefits — accrued contribution to the United Nations Joint Staff Pension Fund, in the statement of financial position to better reflect the nature of the benefits payable;

(f) A new line item, employee benefits — current liability — medical insurance plan, was introduced in the statement of financial position to better present the nature of the liability payable. $65.558 million was reclassified from other employee benefits to the medical insurance plan;

(g) $7.944 million was reclassified from expenses, under the line item other expenses, to expenses, under the line item general operating expenses, in the statement of financial performance to better reflect the nature of the expense.

Note 6
Segment reporting

1. For purposes of evaluating its past performance in achieving its objectives and for making decisions about the future allocation of resources, UNDP classifies all its activities into four segments: regular resources; cost-sharing; trust funds; and reimbursable support services and miscellaneous activities.

Regular resources

2. Regular resources are all resources of UNDP that are commingled and untied/unearmarked. These include voluntary contributions, contributions from other governmental, intergovernmental or non-governmental sources and related interest earnings and miscellaneous revenue.

Other resources

Cost-sharing

3. Cost-sharing is a cofinancing funding modality under which contributions can be received for specific UNDP programme activities, in line with UNDP policies, aims and activities. This modality is used for the direct funding of a specific project, group of projects or part of a country programme. Use of donor contributions is normally limited to the duration of a particular project. Cost-sharing has a decentralized signatory authority, and agreements are signed at the country office level.

Trust funds

4. Trust funds are a cofinancing funding modality established as a separate accounting entity under which UNDP receives contributions to finance UNDP programme activities specified by the contributor. Separate accounting records are kept for and financial reporting is at the level of each individual trust fund. Trust funds are required to be reported separately to the UNDP Executive Board. Trust funds have a centralized signatory authority and agreements must be authorized by the Associate Administrator at the headquarters level. There are terms of reference governing each trust fund and each is assigned a trust fund manager.

Reimbursable support services and miscellaneous activities

5. Reimbursable support services and miscellaneous activities are the resources of UNDP, other than regular resources, cost-sharing and trust funds. Such funds are received for the provision of management and other support services to third parties. Reimbursable support services and miscellaneous activities comprise the following activities: management service agreements; the Junior Professional Officers programme; reimbursable support services; the United Nations Volunteers programme; the reserve for field accommodation; programme support to Resident Coordinators; the disaster mitigation programme; and extrabudgetary support for special purposes.

6. In order to attribute assets to the appropriate segment, UNDP has allocated cash and investments based on the inter-fund balances among the four segments.

Segment reporting: statement of financial position as at 31 December 2013

(Thousands of United States dollars)

	Regular resources		*Cost-sharing*		*Trust funds*		*Reimbursable support services and miscellaneous activities*		*Total UNDP*	
	31 December 2013	*31 December 2012 (Restated)*	*31 December 2013*	*31 December 2012 (Restated)*	*31 December 2013*	*31 December 2012 (Restated)*	*31 December 2013*	*31 December 2012 (Restated)*	*31 December 2013*	*31 December 2012 (Restated)*
Assets										
Current assets										
Cash and cash equivalents	234 384	100 253	481 443	393 412	165 188	170 281	196 920	184 480	**1 077 935**	**848 426**
Cash and cash equivalents: funds held in trust	229 750	266 613	–	–	–	–	–	–	**229 750**	**266 613**
Investments	481 853	240 901	1 114 058	804 213	383 920	349 482	453 058	377 123	**2 432 889**	**1 771 719**
Investments: funds held in trust	240 331	215 386	–	–	–	–	–	–	**240 331**	**215 386**
Receivables: non-exchange transactions	–	2	108 335	61 516	16 145	33 335	7 435	5 478	**131 915**	**100 331**
Receivables: exchange transactions, net	80 555	493 618	717	504	201	259	10 699	6 188	**92 172**	**500 569**
Advances issued, net	26 915	30 755	272 965	223 560	23 998	117 306	834	1 397	**324 712**	**373 018**
Loans to governments	–	–	–	–	–	–	772	–	**772**	**–**
Inventories	1 731	2 022	12 625	20 312	682	475	1 318	1 132	**16 356**	**23 941**
Other current assets, net	810	806	368	345	86	76	6	3	**1 270**	**1 230**
Total current assets	**1 296 329**	**1 350 356**	**1 990 511**	**1 503 862**	**590 220**	**671 214**	**671 042**	**575 801**	**4 548 102**	**4 101 233**
Non-current assets										
Investments	378 605	320 930	936 821	1 085 597	325 636	476 001	380 980	509 068	**2 022 042**	**2 391 596**
Investments: funds held in trust	26 480	30 676	–	–	–	–	–	–	**26 480**	**30 676**
Loans to governments	–	–	–	–	–	–	10 039	13 458	**10 039**	**13 458**
Property, plant and equipment	43 023	37 637	14 291	9 508	3 259	2 342	53 992	43 423	**114 565**	**92 910**
Intangible assets	3 440	2 911	119	–	257	134	3 154	2 789	**6 970**	**5 834**
Total non-current assets	**451 548**	**392 154**	**951 231**	**1 095 105**	**329 152**	**478 477**	**448 165**	**568 738**	**2 180 096**	**2 534 474**
Total assets	**1 747 877**	**1 742 510**	**2 941 742**	**2 598 967**	**919 372**	**1 149 691**	**1 119 207**	**1 144 539**	**6 728 198**	**6 635 707**

Segment reporting: statement of financial position as at 31 December 2013 (continued)

(Thousands of United States dollars)

	Regular resources		*Cost-sharing*		*Trust funds*		*Reimbursable support services and miscellaneous activities*		*Total UNDP*	
	31 December 2013	*31 December 2012 (Restated)*	*31 December 2013*	*31 December 2012 (Restated)*	*31 December 2013*	*31 December 2012 (Restated)*	*31 December 2013*	*31 December 2012 (Restated)*	*31 December 2013*	*31 December 2012 (Restated)*
Liabilities										
Current liabilities										
Accounts payable and accrued liabilities	39 007	46 614	44 112	26 860	5 413	11 394	38 331	26 547	**126 863**	**111 415**
Advances payable	1 174	1 972	6 481	8 194	8 419	7 658	593	391	**16 667**	**18 215**
Funds received in advance and deferred revenue	99	935	137 124	–	60	154	9 788	4 673	**147 071**	**5 762**
Funds held on behalf of donors	6 254	14 506	366	775	12 715	13 495	20	–	**19 355**	**28 776**
Payables: funds held in trust	526 325	543 421	–	–	–	–	–	–	**526 325**	**543 421**
Employee benefits	169 351	131 356	13	32	–	83	16 285	42 811	**185 649**	**174 282**
Other current liabilities	7 720	11 146	20	29	110	458	660	376	**8 510**	**12 009**
Total current liabilities	**749 930**	**749 950**	**188 116**	**35 890**	**26 717**	**33 242**	**65 677**	**74 798**	**1 030 440**	**893 880**
Non-current liabilities										
Payables: funds held in trust	26 480	30 676	–	–	–	–	–	–	**26 480**	**30 676**
Funds received in advance and deferred revenue	–	–	–	–	–	–	6 827	4 464	**6 827**	**4 464**
Employee benefits	601 912	624 361	–	–	–	–	326 125	386 806	**928 037**	**1 011 167**
Other non-current liabilities	2	6	–	–	–	–	–	–	**2**	**6**
Total non-current liabilities	**628 394**	**655 043**	**–**	**–**	**–**	**–**	**332 952**	**391 270**	**961 346**	**1 046 313**
Total liabilities	**1 378 324**	**1 404 993**	**188 116**	**35 890**	**26 717**	**33 242**	**398 629**	**466 068**	**1 991 786**	**1 940 193**
Net assets/equity										
Reserves	212 669	213 669	–	–	3 000	3 000	144 969	143 969	**360 638**	**360 638**
Accumulated surpluses	156 884	123 848	2 753 626	2 563 077	889 655	1 113 449	575 609	534 502	**4 375 774**	**4 334 876**
Total net assets/equity	**369 553**	**337 517**	**2 753 626**	**2 563 077**	**892 655**	**1 116 449**	**720 578**	**678 471**	**4 736 412**	**4 695 514**
Total liabilities and net assets/equity	**1 747 877**	**1 742 510**	**2 941 742**	**2 598 967**	**919 372**	**1 149 691**	**1 119 207**	**1 144 539**	**6 728 198**	**6 635 707**

Segment reporting: statement of financial performance for the year ended 31 December 2013

(Thousands of United States dollars)

	Regular resources		*Cost-sharing*		*Trust funds*		*Reimbursable support services and miscellaneous activities*		*Elimination*[b]		*Total UNDP*	
	2013	*2012 (Restated)*	*2013*	*2012 (Restated)*	*2013*	*2012 (Restated)*	*2013*	*2012 (Restated)*	*2013*	*2012 (Restated)*	*2013*	*2012 (Restated)*
Revenue												
Voluntary contributions, net[a]	932 901	884 357	2 992 249	2 866 456	741 782	812 293	162 979	185 482	–	–	**4 829 911**	**4 748 588**
Revenue from exchange transactions	336	58	111	320	1	5	194 300	197 317	–	–	**194 748**	**197 700**
Investment revenue	12 739	13 188	25 117	29 187	8 922	13 550	7 791	9 611	–	–	**54 569**	**65 536**
Other revenue	23 946	50 686	5 853	5 362	2 777	1 814	247 101	238 879	(212 948)	(213 364)	**66 729**	**83 377**
Total revenue	**969 922**	**948 289**	**3 023 330**	**2 901 325**	**753 482**	**827 662**	**612 171**	**631 289**	**(212 948)**	**(213 364)**	**5 145 957**	**5 095 201**
Expenses												
Contractual services	212 196	227 636	1 257 997	1 400 456	602 674	467 764	84 319	101 124	–	–	**2 157 186**	**2 196 980**
Staff costs	426 903	430 839	125 099	123 056	79 630	81 742	353 488	341 409	–	–	**985 120**	**977 046**
Supplies and consumables	54 212	53 522	569 847	517 161	44 718	55 409	78 845	81 626	–	–	**747 622**	**707 718**
General operating expenses	224 990	231 210	592 002	586 205	147 494	152 010	119 040	116 366	(212 948)	(213 364)	**870 578**	**872 427**
Grants and other transfers	20 969	20 716	236 009	253 355	92 980	91 014	2 333	1 698	–	–	**352 291**	**366 783**
Other expenses	51 197	56 371	46 825	47 597	7 923	9 870	9 502	4 031	–	–	**115 447**	**117 869**
Depreciation and amortization	4 044	8 742	1 228	1 201	343	447	4 032	7 787	–	–	**9 647**	**18 177**
Finance costs	3 472	4 038	2 389	2 379	194	238	505	246	–	–	**6 560**	**6 901**
Total expenses	**997 983**	**1 033 074**	**2 831 396**	**2 931 410**	**975 956**	**858 494**	**652 064**	**654 287**	**(212 948)**	**(213 364)**	**5 244 451**	**5 263 901**
Surplus/(deficit) for the year	**(28 061)**	**(84 785)**	**191 934**	**(30 085)**	**(222 474)**	**(30 832)**	**(39 893)**	**(22 998)**	**–**	**–**	**(98 494)**	**(168 700)**

[a] Voluntary contributions are net of returns to donors of unused contributions.
[b] This adjustment is required to remove the effect of internal UNDP cost recovery.

Note 7
Comparison to budget

1. The budget and the accounting basis are different. Statement V (statements V (a) and V (b)), statement of comparison of budget and actual amounts (regular resources), is prepared on the budget basis, that is, a modified cash basis, and statement II, statement of financial performance, is prepared on an accounting basis, that is, an accrual basis.

2. The presentation of activities and associated budget expenditures in statement V reflects the cost classification categories approved by the Executive Board of UNDP, that is: (a) development activities: (i) programme; and (ii) development effectiveness; (b) United Nations development coordination activities; (c) management activities: (i) recurring; and (ii) non-recurring; and (d) special purpose activities: non-UNDP operations administered by UNDP. It is noted that statement II reflects expenses by nature.

3. For these reasons, the total actual regular resources budget expenditure differs from total financial accounting expenses.

4. Approved budgets are those that permit budget expenditures to be incurred and are approved by the UNDP Executive Board. For IPSAS reporting purposes, the approved budgets of UNDP are the institutional budget financed from regular resources and the portion of the resource plan relating to development activities to be financed from regular resources. As other resources of UNDP are a forward estimate and projection based on assumptions about future events and are not formally approved by the Executive Board, the other resources are not presented in statement V. These budgets were approved for the two-year period 2012-2013. While UNDP approved budgets are for a two-year period, UNDP allocates those budgets into two annual amounts, comprising the total of the two-year budget in order to provide the budget to actual comparison for the annual financial statements. In addition to the annual statement V (statement V (a)), comparison of budget and actual amounts (regular resources), at the end of the second year of the two-year period, UNDP will also present a biennium statement V (statement V (b)), comparison of budget and actual amounts (regular resources).

5. Statement V shows the comparison between the final approved budget with actual amounts calculated on the same basis as the corresponding budget. Explanations of material differences between the original approved budget and the final approved budget, and the final approved budget and the actual amounts are presented below.

6. Material differences between the original approved budget and the final approved budget are nil, as the original approved budget equates to the final approved budget. Budget utilization levels in 2013 and in 2012-2013 were driven by a combination of the following factors: (a) approved budget levels; (b) overall cash flow and liquidity requirements; and (c) requirements and implementation of the UNDP strategic plan 2014-2017.

Accordingly, actual amounts/utilization in 2013 against budget levels is as follows:

- Development activities, actual utilization of $565.3 million, representing 80.5 per cent of the annualized approved budget of $702.3 million;

- United Nations development coordination activities, actual utilization of $74.4 million, representing 85.7 per cent of the annualized approved budget of $86.8 million;

- Management activities, actual utilization of $235.2 million, representing 85.4 per cent of the annualized approved budget of $275.3 million;

- Special purpose activities, non-UNDP operations administered by UNDP, actual utilization of $14.0 million, representing 77.2 per cent of the annualized approved budget of $18.2 million.

Accordingly, actual amounts/utilization in the biennium 2012-2013 against budget levels is as follows:

- Development activities, actual utilization of $1.161 billion, representing 87.0 per cent of the biennial approved budget of $1.334 billion;

- United Nations development coordination activities, actual utilization of $153.5 million, representing 89.5 per cent of the biennial approved budget of $171.5 million;

- Management activities, actual utilization of $471.8 million, representing 87.4 per cent of the biennial approved budget of $539.9 million;

- Special purpose activities, non-UNDP operations administered by UNDP, actual utilization of $28.3 million, representing 79.4 per cent of the biennial approved budget of $35.6 million.

7. During 2013 and 2012-2013, UNDP revised the annual spending limits noting the reduced level of voluntary contributions. This resulted in lower budget expenditure compared with the annualized budget for 2013, and the two-year budget 2012-2013 approved by the Executive Board.

8. Actual net cash flows from operating activities, investing activities, and financing activities in statement V as presented on a comparable basis reconcile to the amounts presented in statement IV, cash flow statement, as follows:

(Thousands of United States dollars)

	Operating	*Investing*	*Financing*	*Total*
Total actual budget expenditure on comparable basis as presented in statement V	(878 338)	(10 651)	–	**(888 989)**
Basis differences	9 137	1 706	–	**10 843**
Entity differences	1 372 072	(294 898)	(4)	**1 077 170**
Net increase/(decrease) in cash and cash equivalents from statement IV	**502 871**	**(303 843)**	**(4)**	**199 024**

9. A reconciliation of the biennium 2012-2013 statement V to statement IV is not prepared as UNDP does not present a biennial cash flow statement.

10. Basis differences include differences between the budget basis (modified cash) and accounting basis (accrual), which result primarily from purchase orders that have been issued but not delivered. Those are included in the budget basis but not in

the accounting basis as delivery of goods and the rendering of services has not yet occurred for those undelivered purchase orders.

11. Entity differences between statement V and statement IV include other resources, that is, amounts for cost-sharing, trust funds and reimbursable support services and miscellaneous activities, which are incorporated in statement IV but not in statement V.

12. Timing differences do not exist, as the budget period annualized is the same as the financial statement reporting year.

Note 8
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2013	*31 December 2012 (Restated)*
UNDP		
Cash held in bank accounts	305 762	157 281
Petty cash and project cash	437	327
Money market funds	235 192	280 730
Time deposits	100 000	150 000
Money market instruments	344 955	249 976
Overnight investments	51 784	35 807
Bonds	65 477	–
Impairment	(25 672)	(25 695)
Total cash and cash equivalents, net	**1 077 935**	**848 426**
Held in trust for multi-donor trust funds		
Cash held in bank accounts	1 278	2 334
Money market funds	57 655	148 972
Time deposits	32 500	95 600
Money market instruments	109 991	–
Bonds	–	4 607
Subtotal	**201 424**	**251 513**
Held in trust for the UNDP-Spain Millennium Development Goals Achievement Fund		
Cash held in bank accounts	8	17
Money market funds	318	83
Time deposits	28 000	15 000
Subtotal	**28 326**	**15 100**
Total cash and cash equivalents: funds held in trust	**229 750**	**266 613**
Total cash and cash equivalents and funds held in trust	**1 307 685**	**1 115 039**

1. Cash held in bank accounts includes cash held by UNDP at headquarters and country offices in various currencies. National currencies that have restricted utility for UNDP programme costs are regularly reviewed for impairment.

2. Overnight investments are balances from UNDP zero-balance bank accounts that are automatically transferred on a daily basis to a master account and invested.

3. The decrease in impairment of $0.023 million comprises $0.077 million recognized in the statement of financial performance (refer to note 30, “Expenses”) for unrecoverable project petty cash advances and $(0.100) million recognized in the statement of financial performance (refer to note 29, “Other revenue”) as reversal for impairment relating to the valuation of certain non-convertible currency held by UNDP.

4. The exposure of UNDP to credit, market and currency risks and its risk management activities related to its financial assets is disclosed in note 31.

Note 9
Investments

9.1
Total investments, portfolio held to maturity and available-for-sale financial assets

(Thousands of United States dollars)

	1 January 2013	*Purchases*	*Maturities*	*Amortization*	*Realized gains/ (losses)*	*Fair value increase/ (decrease)*	*Reclassification non-current to current*	*31 December 2013*
Investments								
Current investments								
Money market instruments	24 971	886 139	(230 000)	536	–	(12)	74 901	756 535
Bonds	1 744 688	390 398	(1 731 771)	(12 148)	–	–	1 284 535	1 675 702
Bonds: fair value adjustments	2 060	–	–	–	–	(2 060)	652	652
Total current investments	**1 771 719**	**1 276 537**	**(1 961 771)**	**(11 612)**	**–**	**(2 072)**	**1 360 088**	**2 432 889**
Non-current investments								
Money market instruments	–	74 518	–	383	–	–	(74 901)	–
Bonds	2 386 376	1 099 991	(148 711)	(30 626)	(11)	–	(1 284 535)	2 022 484
Bonds: fair value adjustments	5 220	–	–	–	–	(5 010)	(652)	(442)
Total non-current investments	**2 391 596**	**1 174 509**	**(148 711)**	**(30 243)**	**(11)**	**(5 010)**	**(1 360 088)**	**2 022 042**
Total investments held to maturity and available for sale	**4 163 315**	**2 451 046**	**(2 110 482)**	**(41 855)**	**(11)**	**(7 082)**	**–**	**4 454 931**

As at 31 December 2013, UNDP did not have any impairment on investments.

The exposure to UNDP from credit, market and currency risks and risk management activities related to investments is disclosed in note 31.

9.1 (a)

Held to maturity financial assets

(Thousands of United States dollars)

	1 January 2013	*Purchases*	*Maturities*	*Amortization*	*Realized gains/ (losses)*	*Reclassification non-current to current*	*31 December 2013*
Investments held to maturity							
Current investments							
Money market instruments	24 971	836 168	(210 000)	512	–	74 901	726 552
Bonds	1 546 784	390 398	(1 536 953)	(11 122)	–	1 171 403	1 560 510
Total current investments	**1 571 755**	**1 226 566**	**(1 746 953)**	**(10 610)**	**–**	**1 246 304**	**2 287 062**
Non-current investments							
Money market instruments	–	74 518	–	383	–	(74 901)	–
Bonds	2 104 816	1 043 228	(148 711)	(29 402)	(11)	(1 171 403)	1 798 517
Total non-current investments	**2 104 816**	**1 117 746**	**(148 711)**	**(29 019)**	**(11)**	**(1 246 304)**	**1 798 517**
Total investments held to maturity	**3 676 571**	**2 344 312**	**(1 895 664)**	**(39 629)**	**(11)**	**–**	**4 085 579**

As at 31 December 2013, UNDP did not have any impairment on investments.

The exposure to UNDP from credit, market and currency risks and risk management activities related to investments is disclosed in note 31.

9.1 (b)
Available-for-sale financial assets

(Thousands of United States dollars)

	1 January 2013	*Purchases*	*Maturities*	*Amortization*	*Fair value increase/ (decrease)*	*Reclassification non-current to current*	*31 December 2013*
Investments available for sale							
Current investments							
Money market instruments	–	49 971	(20 000)	24	(12)	–	29 983
Bonds	197 904	–	(194 818)	(1 026)	–	113 132	115 192
Bonds: fair value adjustments	2 060	–	–	–	(2 060)	652	652
Total current investments	**199 964**	**49 971**	**(214 818)**	**(1 002)**	**(2 072)**	**113 784**	**145 827**
Non-current investments							
Bonds	281 560	56 763	–	(1 224)	–	(113 132)	223 967
Bonds: fair value adjustments	5 220	–	–	–	(5 010)	(652)	(442)
Total non-current investments	**286 780**	**56 763**	**–**	**(1 224)**	**(5 010)**	**(113 784)**	**223 525**
Total investments available for sale	**486 744**	**106 734**	**(214 818)**	**(2 226)**	**(7 082)**	**–**	**369 352**

The available-for-sale portfolio represents investments for after-service health insurance. In addition to the above investments, $127.31 million (2012: 8.13 million) in after-service health insurance investments have been classified under cash and cash equivalents.

Total after-service health insurance investments, including cash and cash equivalents, amounted to $496.7 million (2012: 494.9 million).

As at 31 December 2013, UNDP did not have any impairment on investments.

The exposure to UNDP from credit, market and currency risks and risk management activities related to investments is disclosed in note 31.

9.2
Funds held in trust total investments portfolio

(Thousands of United States dollars)

	1 January 2013	*Purchases*	*Maturities*	*Amortization*	*Reclassification non-current to current*	*31 December 2013*
Investments of funds held in trust						
Current investments						
Money market instruments	49 959	74 960	(75 000)	66	–	49 985
Bonds	165 427	95 490	(163 357)	(2 189)	94 975	190 346
Total current investments	**215 386**	**170 450**	**(238 357)**	**(2 123)**	**94 975**	**240 331**
Non-current investments						
Bonds	30 676	102 717	(9 005)	(2 933)	(94 975)	26 480
Total non-current investments	**30 676**	**102 717**	**(9 005)**	**(2 933)**	**(94 975)**	**26 480**
Total investments of funds held in trust	**246 062**	**273 167**	**(247 362)**	**(5 056)**	**–**	**266 811**

As at 31 December 2013, UNDP did not have any impairment on investments of funds held in trust.

9.2 (a)
Funds held in trust for multi-donor trust funds

(Thousands of United States dollars)

	1 January 2013	*Purchases*	*Maturities*	*Amortization*	*Reclassification non-current to current*	*31 December 2013*
Investments of funds held in trust for multi-donor trust funds						
Current investments						
Money market instruments	49 959	74 960	(75 000)	66	-	49 985
Bonds	151 179	95 490	(149 357)	(1 941)	94 975	190 346
Total current investments	**201 138**	**170 450**	**(224 357)**	**(1 875)**	**94 975**	**240 331**
Non-current investments						
Bonds	30 676	102 717	(9 005)	(2 933)	(94 975)	26 480
Total non-current investments	**30 676**	**102 717**	**(9 005)**	**(2 933)**	**(94 975)**	**26 480**
Total investments of funds held in trust for multi-donor trust funds	**231 814**	**273 167**	**(233 362)**	**(4 808)**	**–**	**266 811**

As at 31 December 2013, UNDP did not have any impairment on investments — funds held in trust.

9.2 (b)

Funds held in trust for the UNDP-Spain Millennium Development Goals Achievement Fund

(Thousands of United States dollars)

	1 January 2013	*Maturities*	*Amortization*	*31 December 2013*
Investments of funds held in trust for the UNDP-Spain Millennium Development Goals Achievement Fund				
Current investments				
Bonds	14 248	(14 000)	(248)	–
Total current investments	**14 248**	**(14 000)**	**(248)**	**–**
Total non-current investments	**–**	**–**	**–**	**–**
Total investments of funds held in trust for the UNDP-Spain Millennium Development Goals Achievement Fund	**14 248**	**(14 000)**	**(248)**	**–**

As at 31 December 2013, UNDP did not have any impairment on investments — funds held in trust.

For details concerning the transfer of the UNDP-Spain Millennium Development Goals Achievement Fund from UNDP to the Multi-Partner Trust Fund Office refer to note 21, “Payables: funds held in trust”.

Note 10
Receivables: non-exchange transactions

(Thousands of United States dollars)

	31 December 2013	*31 December 2012 (Restated)*
Contributions receivable	131 915	100 331
Total receivables: non-exchange transactions	**131 915**	**100 331**

Ageing of receivables: non-exchange transactions

(Thousands of United States dollars)

	31 December 2013	*31 December 2012 (Restated)*
Less than 6 months	119 866	88 388
Over 6 months	12 049	11 943
Total receivables: non-exchange transactions	**131 915**	**100 331**

The exposure to UNDP from credit and currency risks related to receivables is disclosed in note 31.

As at 31 December 2013, UNDP did not have any impairment on Receivables: non-exchange transactions.

1. UNDP evaluates for impairment of doubtful accounts at each reporting date. Impairment results when there is objective evidence that UNDP will not collect the full amount due.

Note 11
Receivables: exchange transactions

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Receivables from United Nations entities	53 402	457 671
Investment receivables	28 114	30 331
Receivables from third parties	10 053	10 900
Receivables from staff	1 028	1 303
Derivative assets	–	789
Total receivables: exchange transactions, gross	**92 597**	**500 994**
Impairment[a]	(425)	(425)
Total receivables: exchange transactions, net	**92 172**	**500 569**

Ageing of receivables: exchange transactions

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Less than 6 months	89 823	498 359
Over 6 months	2 774	2 635
Total receivables: exchange transactions, gross	**92 597**	**500 994**

Receivables: exchange transactions from United Nations entities

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
United Nations Office for Project Services	3 851	269 042
United Nations Population Fund	23 395	127 609
United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)	17 101	48 920
United Nations Capital Development Fund	–	7 774
Receivables from other entities for common services and reserve for field accommodation	8 586	2 878
United Nations University	469	1 448
Total receivables — exchange transactions from United Nations entities	**53 402**	**457 671**

The exposure to UNDP from credit and currency risks related to receivables is disclosed in note 31.

[a] There is no change to the impairment allowance of $0.425 million, which was already recognized under surplus and deficit in prior years.

Note 12
Advances issued

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Operating funds issued to governments and NGOs not yet implemented	113 930	192 045
Operating funds issued to United Nations entities not yet implemented	36 987	41 050
Advances issued: non-exchange transactions	**150 917**	**233 095**
Prepayments	158 328	125 458
Advances to staff	16 994	16 149
Advances issued: exchange transactions	**175 322**	**141 607**
Total advances issued, gross	**326 239**	**374 702**
Impairment[a]	(1 527)	(1 684)
Total advances issued, net	**324 712**	**373 018**

Ageing of advances: non-exchange and exchange transactions

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Less than 6 months	280 975	358 584
Over 6 months	45 264	16 118
Advances issued: non-exchange and exchange transactions, gross	**326 239**	**374 702**

[a] The decrease in impairment of $(0.157) million represents reversal for impairment for advances to staff (refer to note 29, "Other revenue") recognized in the statement of financial performance.

Note 13
Inventories

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Medical supplies and equipment	11 037	17 403
Information technology supplies and consumables	793	2 777
Office supplies	1 567	700
Fuel	199	461
Publications	364	389
Human development reports	42	149
Electoral supplies and equipment	1	173
Crisis supplies and equipment	90	77
Other project-related inventories	2 263	1 812
Total inventories	**16 356**	**23 941**

Note 14
Other assets

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Current		
Dispensary, medical and other receivables	1 681	1 641
Impairment[a]	(411)	(411)
Total other current assets, net	**1 270**	**1 230**

[a] There is no change to the impairment allowance of $0.411 million which was already recognized in surplus and deficit in prior years.

Note 15
Loans to governments

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Current		
Loans to governments	772	–
Total current loans to governments	**772**	**–**
Non-current		
Loans to governments	10 039	13 458
Total non-current loans to governments	**10 039**	**13 458**
Total loans to governments	**10 811**	**13 458**

1. Loans to governments are loans given to national governments to construct office or housing premises for use by UNDP and United Nations entities.

2. Loans to governments consist of loans issued to the Governments of Burundi, Cape Verde, the Comoros, Guinea-Bissau, Sao Tome and Principe and Zambia.

Note 16
Property, plant and equipment

1. UNDP has two broad categories of property, plant and equipment, project assets and management assets. Project assets, which comprise 20 per cent of total assets, are utilized in the delivery of UNDP programmes/projects. Management assets, which comprise 80 per cent of total assets, are used for non-project specific operations at UNDP country offices and headquarters. As at 31 December 2013, UNDP has a gross carrying amount of $12.4 million of fully depreciated property, plant and equipment that is still in use.

2. In 2013, UNDP reviewed the useful lives of its classes of assets. As expectations differed from previous estimates, UNDP revised the useful lives of several classes of assets (refer to note 4 for revised useful lives). This revision was accounted for prospectively and the effect on the financial year 2013 as a result of this change in estimate is depreciation expense in the year decreased by $8.97 million and accumulated depreciation decreased by $8.97 million. The effect on future periods as a result of this change, assuming no changes to the asset base, useful lives and asset capitalization threshold, would be approximately $8.97 million per year in decreased expenses and accumulated depreciation.

Property, plant and equipment

(Thousands of United States dollars)

	Land	*Buildings*	*Furniture and fixtures*	*Communications and information technology equipment*	*Vehicles*	*Heavy machinery and other equipment*	*Leasehold improvements*	*Total*
Balance at 1 January 2013 (reclassified)[a]								
Cost	6 950	30 728	6 750	53 660	36 616	12 094	2 879	149 677
Accumulated depreciation	–	(664)	(3 330)	(31 260)	(17 784)	(3 684)	(45)	(56 767)
Carrying amount at 1 January 2013	**6 950**	**30 064**	**3 420**	**22 400**	**18 832**	**8 410**	**2 834**	**92 910**
Year ended 31 December 2013								
Additions	–	12	3 813	14 443	10 230	3 736	6 937	39 171
Disposals	(325)	(28)	(521)	(7 284)	(3 625)	(2 375)	(2 414)	(16 572)
Adjustments	–	459	54	630	236	43	2 052	3 474
Depreciation	–	(763)	(1 498)	(2 694)	(2 418)	(448)	(521)	(8 342)
Adjustments to accumulated depreciation, i.e., disposals, other adjustments	–	3	214	3 329	333	91	(46)	3 924
Carrying amount at 31 December 2013	**6 625**	**29 747**	**5 482**	**30 824**	**23 588**	**9 457**	**8 842**	**114 565**
Balance at 31 December 2013								
Cost	6 625	31 171	10 096	61 449	43 457	13 498	9 454	175 750
Accumulated depreciation	–	(1 424)	(4 614)	(30 625)	(19 869)	(4 041)	(612)	(61 185)
Carrying amount at 31 December 2013	**6 625**	**29 747**	**5 482**	**30 824**	**23 588**	**9 457**	**8 842**	**114 565**

As at 31 December 2013, UNDP did not have any impairment under property, plant and equipment.

As at 31 December 2013, assets under construction of $2.353 million are included under buildings and leasehold improvements.

[a] Assets under construction as at 31 December 2012 have been reclassified under buildings and leasehold improvements.

Note 17
Intangible assets

(Thousands of United States dollars)

	Software acquired	*Software internally developed*	*Trademarks, copyrights, and licences*	*Assets under development*	*Total*
Balance as at 1 January 2013					
Cost	10	4 925	858	905	6 698
Accumulated amortization	(2)	(673)	(189)	–	(864)
Carrying amount as at 1 January 2013	**8**	**4 252**	**669**	**905**	**5 834**
Additions, adjustments	231	1 697	6	502	2 436
Amortization	(65)	(952)	(288)	–	(1 305)
Adjustments to accumulated amortization, i.e., disposals, other adjustments	–	214	–	(209)	5
Carrying amount as at 31 December 2013	**174**	**5 211**	**387**	**1 198**	**6 970**
Balance as at 31 December 2013					
Cost	241	6 831	864	1 198	9 134
Accumulated amortization	(67)	(1 620)	(477)	–	(2 164)
Carrying amount as at 31 December 2013	**174**	**5 211**	**387**	**1 198**	**6 970**

As at 31 December 2013, UNDP did not have any impairment on intangible assets.

Note 18
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2013	*31 December 2012 (Restated)*
Accruals	43 540	41 475
Payables to United Nations entities[a]	43 816	35 376
Payables to third parties	38 960	33 094
Derivative liabilities	–	1 053
Payables to staff	547	417
Total accounts payable and accrued liabilities	**126 863**	**111 415**

[a] Payable to United Nations entities.

(Thousands of United States dollars)

	31 December 2013	*31 December 2012 (Restated)*
Payables to United Nations current account	9 706	20 541
World Health Organization	4 818	4 597
United Nations Relief and Works Agency for Palestine Refugees in the Near East	2 411	2 538
Joint United Nations Programme on HIV/AIDS	2 680	2 246
United Nations Industrial Development Organization	2 130	–
United Nations Capital Development Fund	8 369	–
Payables to other United Nations entities for common services	13 702	5 454
Total payables to United Nations entities	**43 816**	**35 376**

Note 19
Advances payable

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Operating funds payable to governments and NGOs	220	–
Operating funds payable to executing entities/ implementing partners	16 447	18 215
Total advances payable	**16 667**	**18 215**

Note 20
(a) Funds received in advance and deferred revenue

(Thousands of United States dollars)

	31 December 2013	*31 December 2012 (Reclassified)*
Current		
Funds received in advance	141 368	3 123
Deferred revenue: United Nations Department of Safety and Security	1 997	772
Deferred revenue: Multi-Partner Trust Fund Office administrative agent fees	3 697	1 867
Deferred revenue: other	9	–
Tot al current funds received in advance and deferred revenue	**147 071**	**5 762**
Non-current		
Deferred revenue: Multi-Partner Trust Fund Office administrative agent fees	6 827	4 464
Total non-current funds received in advance and deferred revenue	**6 827**	**4 464**
Total funds received in advance and deferred revenue	**153 898**	**10 226**

(b) Funds held on behalf of donors

(Thousands of United States dollars)

	31 December 2013	*31 December 2012 (Restated)*
Refunds to donors	19 355	28 776
Total funds held on behalf of donors	**19 355**	**28 776**

1. Refunds pending to donors comprise unspent funds for completed or terminated projects and, where applicable, interest that has been set aside to be refunded to donors in accordance with contribution agreements and the UNDP Financial Regulations and Rules. The funds will be refunded or reprogrammed upon receipt of instructions from donors.

Note 21
Payables: funds held in trust

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Current		
Multi-donor trust funds	462 508	452 608
Clearing accounts with United Nations entities	63 816	63 139
Spain-UNDP Millennium Development Goals Achievement Fund	1	27 674
Total current payables: funds held in trust	**526 325**	**543 421**
Non-current		
Multi-donor trust funds	26 480	30 676
Total non-current payables: funds held in trust	**26 480**	**30 676**
Total payables: funds held in trust	**552 805**	**574 097**

1. Payables, funds held in trust, represent funds provided by donors to UNDP to be held on their behalf for future disbursement to organizations of the United Nations system and to national governments. UNDP manages investments in separate portfolios on behalf of several organizations.

2. In 2013, UNDP and the Government of Spain agreed to transfer the remaining funds in the Spain-UNDP Millennium Development Goals Achievement Fund from UNDP to the Multi-Partner Trust Fund Office.

Note 22
Employee benefits

(Thousands of United States dollars)

	31 December 2013	*31 December 2012 (Restated)*
Current		
Annual leave	74 077	69 967
Medical insurance plan	70 285	65 558
After-service health insurance	19 913	16 333
Repatriation entitlements	9 410	7 395
Home leave	6 552	6 777
Termination benefits	2 915	3 114
Contribution to the United Nations Joint Staff Pension Fund	769	580
Death benefits	236	222
Other employee benefits	1 492	4 336
Total current employee benefit liabilities	**185 649**	**174 282**
Non-current		
After-service health insurance	838 242	925 115
Repatriation entitlements	84 609	81 563
Home leave	2 974	2 153
Death benefits	2 212	2 336
Total non-current employee benefit liabilities	**928 037**	**1 011 167**
Total employee benefit liabilities	**1 113 686**	**1 185 449**

1. The liabilities arising from post-employment benefits are determined by independent actuaries and these employee benefits are established in accordance with the Staff Regulations of the United Nations and Staff Rules.

2. As at 31 December 2013, liabilities for after-service health insurance, repatriation entitlements and death benefits are determined by the actuarial valuation conducted as at 31 December 2013.

Defined benefit plans

3. UNDP provides its staff and former staff with the following defined benefit plans, which are actuarially valued: after-service health insurance; end-of-service entitlements, such as repatriation entitlement; and other benefits, such as death benefits.

4. The movements in the present value of the defined benefit obligation for those plans are:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation*	*Death benefits*	*Total*
Net defined benefit obligation as at 31 December 2012 (restated)	941 448	88 958	2 558	1 032 964
Increase of the obligation				
Current service cost	43 685	7 135	314	51 134
Interest cost	37 325	3 407	97	40 829
Actuarial losses from change in assumptions	–	2 062	–	2 062
Actuarial losses on disbursements	–	2 445	–	2 445
Decrease of the obligation				
Actual benefits paid	(10 832)	(9 988)	(205)	(21 025)
Actuarial (gains) from change in assumptions	(147 645)	–	(295)	(147 940)
Actuarial (gains) on disbursements	(5 826)	–	(21)	(5 847)
Net recognized liability as at 31 December 2013	**858 155**	**94 019**	**2 448**	**954 622**

5. The value of the defined benefit obligation equals the defined benefit liability that is recognized in the statement of financial position.

6. The current service cost and interest cost recognized in the statement of financial performance and the statement of financial position are as follows:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation*	*Death benefits*	*Total*
Current service cost	43 685	7 135	314	51 134
Interest cost	37 325	3 407	97	40 829
Total employee benefits expenses recognized	**81 010**	**10 542**	**411**	**91 963**

7. The actuarial gains/(losses) recognized in net assets/equity directly are as follows:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation*	*Death benefits*	*Total*
Actuarial gains/(losses) from change in assumptions	147 645	(2 062)	295	145 878
Actuarial gains/(losses) on disbursement	5 826	(2 445)	21	3 402
Total net actuarial gains/(losses) recognized	**153 471**	**(4 507)**	**316**	**149 280**

8. In 2013, of the net actuarial gain of $149.28 million, the actuarial gain relating to after-service health insurance from a change in actuarial assumptions was $147.64 million.

9. UNDP has funded $496.7 million of the after-service health insurance liability and a funding strategy of 15 years has been formulated to fund the gap between the historical liability and the amount funded.

10. The next comprehensive actuarial valuation will be conducted as at 31 December 2014.

Actuarial assumptions

11. The last actuarial valuation for after-service health insurance, repatriation and death benefits was completed as at 31 December 2013. The principal actuarial assumptions used to determine the defined benefit obligation are as follows:

	2013
Single equivalent discount rate:	
(a) After-service health insurance	4.87 per cent
(b) Repatriation benefits	4.24 per cent
(c) Death benefits	4.09 per cent
Expected rate of medical cost increase for after-service health insurance (varies by medical plan)	5-7.3 per cent
Salary scale (varying by age and staff category)	5.5-10.8 per cent
Rate of inflation	2.5 per cent
Per capita claim cost (varies by age)	$897-$12,646
Actuarial method	Projected unit credit method

12. Assumptions regarding future mortality are based on published statistics and mortality tables. The current rates of death underlying the values of the liabilities in the after-service health insurance and repatriation calculations are as follows:

Rate of death — Active employees	*At age 20*	*At age 69*
Male	0.00065	0.00906
Female	0.00034	0.00645

Rate of death — Retired employees	*At age 20*	*At age 70*
Male	0.00072	0.01176
Female	0.00037	0.00860

13. The rates of retirement for Professionals with 30 or more years of service hired on or after 1 January 1990 are as follows:

Rate of retirement: Professionals with 30 or more years of service	*At age 55*	*At age 62*
Male	0.16	0.70
Female	0.20	0.80

Sensitivity analysis

14. Should the assumptions about medical cost trends described above change, this would have an impact on the measurement of the after-service health insurance obligation as follows:

(Thousands of United States dollars)

	+1 per cent health costs	*-1 per cent health costs*
Effect of discount rate change on year-end accumulated defined benefit obligation	(152 072)	194 891
Effect of change in expected rate of medical costs on combined service and interest cost components of net periodic post-employment medical costs	21 647	(15 318)

United Nations Joint Staff Pension Fund

15. UNDP's financial obligation to the United Nations Joint Staff Pension 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, Rules and Pension Adjustment System of the Pension Fund. Such deficiency payments are only payable if and when the General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

16. The actuarial valuation completed as of 31 December 2011 revealed an actuarial deficit of 1.87 per cent (0.38 per cent in the 2009 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2011 was 25.57 per cent of pensionable remuneration, compared to the actual contribution rate of 23.7 per cent. The actuarial deficit was primarily attributable to the lower than expected investment experience in recent years. The next actuarial valuation was conducted as of 31 December 2013 and was not available as of the date of finalization of the UNDP 31 December 2013 financial statements presented herein.

17. At 31 December 2011, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 130 per cent (140 per cent in the 2009 valuation). The funded ratio was 86 per cent (91 per cent in the 2009 valuation) when the current system of pension adjustments was taken into account.

18. After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as of 31 December 2011, for deficiency payments under article 26 of the Regulations, Rules and Pension Adjustment System of the Pension Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. 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 this report, the General Assembly has not invoked the provision of article 26.

19. In July 2012, the Pension Board noted in its report to the fifty-ninth session of the General Assembly that an increase in the normal age of retirement for new participants of the Fund to 65 is expected to significantly reduce the deficit and that it would potentially cover half of the current deficit of 1.87 per cent. In December 2012 and April 2013, the General Assembly authorized an increase to age 65 in the normal retirement age and the mandatory age of separation for new participants in the Fund, with effect not later than 1 January 2014. The related change to the Fund's Regulations, Rules and Pension Adjustment System was approved by the General Assembly in December 2013.

20. During 2013, UNDP's contributions to the United Nations Joint Staff Pension Fund amounted to $170.02 million (2012: $168.5 million). The amounts include the organizational share as well as the contributions made by the participants. Expected contributions due in 2014 will depend on the staffing levels and any changes in the pensionable remuneration scales estimated at $175 million.

Termination benefits

21. In the course of normal operations, UNDP recognized $2.92 million in termination benefits.

Note 23
Other liabilities

(Thousands of United States dollars)

	31 December 2013	*31 December 2012 (Restated)*
Current		
Unapplied deposits	7 722	8 385
Other payables	783	3 619
Finance lease	5	5
Total other current liabilities	**8 510**	**12 009**
Non-current		
Finance lease	2	6
Total other non-current liabilities	**2**	**6**
Total other liabilities	**8 512**	**12 015**

1. The finance lease is for office equipment in one UNDP country office.

Note 24
Reserves

(Thousands of United States dollars)

	31 December 2012	*Movements*	*31 December 2013*
Endowment Fund	3 000	–	3 000
Operational reserve	356 968	–	356 968
Reserve for special initiatives	670	–	670
Total reserves	**360 638**	**–**	**360 638**

1. The Endowment Fund reserve is a contribution of $3.0 million in 1998 from the Government of Japan to strengthen the planning and managerial capacities of Palestinian institutions in order to promote sustainable socioeconomic development. Under the Fund's mechanism and implementation arrangements, the principal amount will not be available for programming until such time as the Government of Japan and/or UNDP agree to terminate the Fund. However, interest earned on the fund is available for programming.

2. The operational reserve was established in 1979 by the Governing Council (now the Executive Board) of UNDP to ensure adequate liquidity of UNDP by funding such reserve through a defined formula that is calculated yearly.

3. The reserve for special initiatives of $0.67 million was first approved by the Executive Board in 2000 to establish a capital reserve as a charge from UNDP general resources. This amount will cover relocation costs, such as renovations, furniture, fittings and moving costs.

Note 25
Accumulated surpluses

(Thousands of United States dollars)

	1 January 2013 (Restated)	*Movements*	*31 December 2013*
Accumulated surpluses	4 347 308	(98 494)	4 248 814
Funds with specific purposes[a]	77 287	(2 831)	74 456
Actuarial gains/(losses), net	(97 054)	149 280	52 226
Changes in fair value of available-for-sale investments	7 335	(7 082)	253
Prior-period adjustments	–	25	25
Total accumulated surpluses	**4 334 876**	**40 898**	**4 375 774**

[a] The funds with specific purposes include: security; working capital; information and communications technology; United Nations Volunteers; learning; and personnel and other.

Note 26
Voluntary contributions

(Thousands of United States dollars)

	2013	*2012 (Restated)*
Contributions	4 863 595	4 871 232
Contributions in-kind	17 032	15 845
Less: returns to donors of unused contributions	(50 716)	(138 489)
Total voluntary contributions, net	**4 829 911**	**4 748 588**

1. Contributions include $33.382 million (2012: $34.139 million) of government contributions to local office costs provided by programme country governments.

2. Contributions in-kind primarily comprise donated use of land and buildings of $16.857 million (2012: $15.594 million), as well as donated goods such as computer equipment and supplies received from donors of $0.175 million (2012: $0.251 million).

3. At 31 December 2013, UNDP had $1.14 billion of contribution agreements signed with donors for which revenue has not been recognized in the financial statements. This amount represents contributions due from donors (excluding contributions from programme country Governments for development activities in their country offices) where revenue will be recorded in future accounting periods in accordance with the UNDP revenue recognition accounting policy.

Note 27
Revenue: exchange transactions

(Thousands of United States dollars)

	2013	*2012*
United Nations Department of Safety and Security	87 076	89 601
Reimbursement for management and support services	54 029	49 451
United Nations Volunteers programme	13 757	24 200
Implementation support services fees	21 839	20 098
Payroll management services fees	4 963	4 825
Procurement handling fees	4 105	3 931
Training fees	3 576	2 296
Rental revenue	2 115	1 737
Multi-Partner Trust Fund Office administrative agent fees	2 994	1 373
Sales and royalties from sale of publications	16	18
Other exchange revenue	278	170
Total revenue from exchange transactions	**194 748**	**197 700**

Note 28
Investment revenue

(Thousands of United States dollars)

	2013	*2012 (Restated)*
Investment revenue	54 569	65 536
Total investment revenue	**54 569**	**65 536**

1. Investment revenue represents interest plus amortized discount, net of amortized premium, earned on the UNDP investment portfolio and interest earned on bank account balances.

Note 29
Other revenue

(Thousands of United States dollars)

	2013	*2012 (Restated)*
Foreign exchange gains	20 060	47 679
Common services and miscellaneous revenue[a]	42 563	29 746
General management services fees	4 106	5 952
Total other revenue	**66 729**	**83 377**

[a] Of the total amount of $42.563 million, $0.257 million represents reversal for impairment relating to the valuation of certain non-convertible currency held by UNDP (refer to note 8, "Cash and cash equivalents") and advances to staff (refer to note 12, "Advances issued") which were recognized in the statement of financial performance in prior years.

Note 30
Expenses

(Thousands of United States dollars)

	Programme expenses[a]	*Total expenses*	*Programme expenses*	*Total expenses*
	2013	*2013*	*2012 (Restated)*	*2012 (Restated)*
30.1 Contractual services				
Contractual services with individuals	1 314 360	1 373 417	1 285 022	1 343 426
Contractual services with companies	723 266	741 392	795 812	807 121
United Nations Volunteers expenses for contractual services	37 245	42 377	41 586	46 433
Total contractual services	**2 074 871**	**2 157 186**[b]	**2 122 420**	**2 196 980**
30.2 Staff costs				
Salary and wages	200 898	666 925	202 554	668 756
Pension benefits	31 934	112 658	31 373	111 410
Post-employment and termination	16 390	101 864	14 575	91 081
Appointment and assignment	12 241	32 025	11 481	32 729
Leave benefits	7 885	21 119	9 237	22 555
Other staff benefits	15 854	50 529	14 574	50 515
Total staff costs	**285 202**	**985 120**	**283 794**	**977 046**
30.3 Supplies and consumables used				
Maintenance costs for property, plant and equipment and project-related supplies	326 149	342 270	301 704	311 762
Medical, pharmaceutical and agricultural supplies	269 671	274 303	240 180	243 985
Information technology supplies and software maintenance	45 562	49 695	48 153	53 730
Information technology and communications equipment	53 406	56 423	49 585	51 887
Security and office supplies	18 644	22 155	30 438	34 342
Other consumables used	1 670	2 776	10 002	12 012
Total supplies and consumables used	**715 102**	**747 622**[b]	**680 062**	**707 718**

	Programme expenses[a] 2013	Total expenses 2013	Programme expenses 2012 (Restated)	Total expenses 2012 (Restated)
30.4 General operating expenses				
Travel	231 240	266 900	230 646	267 882
Learning and recruitment	165 932	182 555	167 276	182 218
Rent, leases, utilities	72 447	153 105	71 865	151 598
Communications	113 736	138 167	123 344	147 486
Freight	24 432	29 559	20 850	26 912
Professional services	23 336	26 812	23 600	25 658
Security	6 398	20 862	6 106	20 271
Reimbursement	10 068	14 748	10 042	13 087
Contribution to jointly financed United Nations activities	2 348	8 631	2 304	8 514
Contribution to information and communications technology	2 052	7 349	2 020	7 272
Insurance/warranties	5 774	6 774	4 753	6 089
Management service agreement fees	2 675	2 675	3 884	3 884
Miscellaneous operating expenses	199 251[c]	12 441[d]	199 254	11 556
Total general operating expenses	**859 689**	**870 578**	**865 944**	**872 427**
30.5 Grants and other transfers				
Grants	343 805	345 488	358 356	360 220
Transfers	4 404	6 803	5 155	6 563
Total grants and other transfers	**348 209**	**352 291**	**363 511**	**366 783**
30.6 Other expenses				
Sundries	58 073	72 306	67 449	74 702
Foreign exchange losses	5 324	39 108[e]	4 184	44 590
Losses on sale of fixed assets and intangible assets	1 092	3 741	875	1 570
Ex gratia payments[f]	–	215	–	26
Impairment	–	77[g]	–	(3 019)
Total other expenses	**64 489**	**115 447**	**72 508**	**117 869**

	Programme expenses[a]	*Total expenses*	*Programme expenses*	*Total expenses*
	2013	*2013*	*2012 (Restated)*	*2012 (Restated)*
30.7 Depreciation and amortization				
Depreciation	2 146	8 342	2 048	17 313
Amortization	58	1 305	2	864
Total depreciation and amortization	**2 204**	**9 647**	**2 050**	**18 177**
30.8 Finance costs				
Bank charges	2 904	6 560	3 074	6 901
Total finance costs	**2 904**	**6 560**	**3 074**	**6 901**
Total expenses	**4 352 670**	**5 244 451**	**4 393 363**	**5 263 901**

[a] Of the total expenses, $4.353 billion represents programme expenses and the remaining $891 million represents development effectiveness, United Nations development coordination, management, special purpose and other. Refer to note 35.1 for details.

[b] Includes a reclassification of implementing partner expenses of $9.664 million from supplies and consumables used to contractual services.

[c] Of the $199.251 million, $190.027 million is eliminated to remove the effect of internal UNDP cost recovery.

[d] Of the total miscellaneous operating expenses, $8.104 million represents administrative service fees for United Nations agencies.

[e] Foreign exchange losses of $39.108 million include the effect of exchange rate changes on cash and cash equivalents of $6.378 million.

[f] Ex gratia payments were approved and paid by UNDP in accordance with UNDP financial regulation 23.01 and UNDP financial rule 123.01.

[g] In 2013, UNDP recognized $0.077 million in the Statement of financial performance for unrecoverable project petty cash advances (refer to note 8, “Cash and cash equivalents”).

Note 31
Financial instruments and risk management

Valuation

1. The table below presents the fair value hierarchy of the UNDP available-for-sale financial instruments carried at fair value at 31 December 2013.

(Thousands of United States dollars)

	Level 1	*Level 2*	*Level 3*	*Total*
Available-for-sale financial assets:				
Money market investments	29 983	–	–	29 983
Bonds	339 369	–	–	339 369
Total	**369 352**	**–**	**–**	**369 352**

2. The three fair value hierarchies are defined by IPSAS based on the significance of the inputs used in the valuation as:

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

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

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

3. UNDP did not have any financial assets or liabilities recognized at fair value through surplus or deficit at 31 December 2013.

4. UNDP's risk management policies along with its Investment Guidelines and Financial Regulations and Rules aim to minimize potential adverse effects on the resources available to UNDP to fund its activities. The principal objectives of the UNDP Investment Guidelines are:

- Safety: preservation of capital, provided through investing in high-quality, fixed-income securities emphasizing the creditworthiness of the issuers;
- Liquidity: flexibility to meet cash requirements through investments in highly marketable, fixed-income securities and through structuring maturities to align with liquidity requirements;
- Revenue: maximization of investment revenue within the foregoing safety and liquidity parameters.

In its operations, UNDP is exposed to a variety of financial risks, including:

- Credit risk: the risk of financial loss to UNDP if counterparties to a financial asset do not meet their contractual obligations;
- Liquidity risk: the risk that UNDP might not have adequate funds to meet its obligations as they fall due;

• Market risk: the risk that UNDP might incur financial losses on its financial assets due to unfavourable movements in foreign currency exchange rates, interest rates and/or prices of investment securities.

5. UNDP has an Investment Committee comprising senior management which meets quarterly to review its investment portfolio performance and to ensure that investment decisions are in compliance with the established Investment Guidelines.

6. The UNDP Financial Regulations and Rules govern the financial management of UNDP. The regulations and rules are applicable to all funds and programmes administered by UNDP and establish the standard of internal control and accountability within the organization.

7. There were no significant changes in the UNDP risk management framework in 2013.

8. The following tables show the value of UNDP financial assets and financial liabilities outstanding at year end based on the IPSAS classifications adopted by UNDP.

(a) Financial assets classification

(Thousands of United States dollars)

	Held to maturity	*Available for sale*	*Loans and receivable*	*Fair value through surplus and deficit*	*31 December 2013 Book value*	*31 December 2012 (Restated) Book value*
Cash and cash equivalents	–	–	1 077 935	–	1 077 935	848 426
Investments	4 085 579	369 352	–	–	4 454 931	4 163 315
Receivables: non-exchange transactions	–	–	131 915	–	131 915	100 331
Receivables: exchange transactions, net	–	–	92 172	–	92 172	500 569
Advances issued	–	–	324 712	–	324 712	373 018
Loans to Governments	–	–	10 811	–	10 811	13 458
Total financial assets	**4 085 579**	**369 352**	**1 637 545**	**–**	**6 092 476**	**5 999 117**

(b) Financial liabilities classification

(Thousands of United States dollars)

	Other financial liabilities	*Fair value through surplus and deficit*	*31 December 2013 Book value*	*31 December 2012 (Restated) Book value*
Accounts payable and accrued liabilities	126 863	–	126 863	111 415
Advances payable	16 667	–	16 667	18 215
Funds received in advance and deferred revenue	153 898	–	153 898	10 226
Funds held on behalf of donors	19 355	–	19 355	28 776
Other liabilities	8 512	–	8 512	12 015
Total financial liabilities	**325 295**	**–**	**325 295**	**180 647**

9. Held-to-maturity financial assets are carried at amortized cost. As at 31 December 2013, the market value of these assets exceeded book value by $9.9 million. Available-for-sale assets are carried at fair market value based on quoted prices obtained from knowledgeable third parties. The carrying values for loans and receivables are a reasonable approximation of their fair value. As at 31 December 2013, UNDP had no outstanding financial assets recorded at fair value through surplus and deficit.

10. As at 31 December 2013, UNDP had no outstanding financial liabilities recorded at fair value through surplus and deficit. The carrying value of other financial liabilities is a reasonable approximation of their fair value.

Analysis of UNDP credit risk

11. UNDP is exposed to credit risk on its outstanding financial asset balances, primarily cash and cash equivalents, investments and receivables (non-exchange).

12. UNDP operates bank accounts in 154 countries, which exposes it to default risk of local financial institutions. UNDP has established risk assessment criteria to assess the credit worthiness of financial institutions before new bank accounts are opened. In addition, UNDP, using zero-balance accounts, permits local offices to draw funds in United States dollars and euros from a headquarters-managed master account to periodically replenish local currency accounts. Zero-balance accounts are designed to automatically transfer excess balances to the master account for overnight investment on a daily basis. The arrangement minimizes excess balances in local bank accounts.

13. With regards to its financial instruments, the UNDP's Investment Guidelines limit the amount of credit exposure to any one counterparty and includes minimum credit quality requirements. The credit risk mitigation strategies stated in the Investment Guidelines include conservative minimum credit criteria of investment grade for all issuers with maturity and counterparty limits by credit rating. The Guidelines also require ongoing monitoring of issuer and counterparty credit ratings. Permissible investments are limited to fixed income instruments of sovereigns, supranationals, governmental or federal agencies, and banks.

14. UNDP utilizes credit ratings from the three leading credit rating agencies, Moody's, Standard & Poor's and Fitch, to evaluate credit risk on its financial instruments. As at 31 December 2013, UNDP investments were in investment grade instruments as shown in the table below (presented using Standard & Poor's rating convention).

15. The investment management function is centralized at UNDP headquarters, and country offices are not permitted in normal circumstances to engage in investing. A country office may receive exceptional approval when conditions warrant investing locally under specified parameters.

(a) Concentration by credit rating

(Thousands of United States dollars)

31 December 2013	*AAA*	*AA+*	*AA-*	*A*	*Total*
Money market instruments	324 856	99 973	249 759	81 947	756 535
Bonds	1 470 132	1 686 588	522 760	18 916	3 698 396
Total	**1 794 988**	**1 786 561**	**772 519**	**100 863**	**4 454 931**

31 December 2012	*AAA*	*AA+*	*AA to AA-*	*A*	*BB+ to BBB-*	*Total*
Money market instruments	24 971	–	–	–	–	24 971
Bonds	3 485 632	406 628	200 674	460	44 950	4 138 344
Total	**3 510 603**	**406 628**	**200 674**	**460**	**44 950**	**4 163 315**

Note: Excludes investments classified as cash equivalents and funds held in trust.

16. UNDP's credit risk exposure on outstanding non-exchange receivables is mitigated by the Financial Regulations and Rules of UNDP, which require that, for non-regular resources, expenses be incurred after receipt of funds from donors. Exceptions to incurring expenses prior to the receipt of funds are only permitted if specified risk assessment criteria with regards to the obligor are met. In addition, a large portion of the contributions receivable is due from sovereign governments and supranational agencies, including other United Nations entities (as shown in the table below) that do not have significant credit risk.

Receivables: non-exchange transactions by entity type

(Thousands of United States dollars)

	31 December 2013	*31 December 2012 (Restated)*
Government entities	66 641	45 947
Non-governmental entities	65 274	54 384
Total receivables: non-exchange transactions	**131 915**	**100 331**

Note: Non-governmental entities mainly comprise supranational and international entities.

17. The top three donors accounted for 44 per cent of the outstanding non-exchange receivable balances and comprise of two multilateral agencies and one donor Government as shown in the table below. Based on historical payment patterns, UNDP believes that all non-exchange receivable balances are collectable.

Receivables: non-exchange

(Thousands of United States dollars)

Top three outstanding balances

No.	*Balance*	*Percentage of total*	*Entity type*
1	26 867	20	Multilateral agency
2	17 020	13	Donor Government
3	14 177	11	Multilateral agency
Subtotal	**58 064**	**44**	
Grand total	**131 915**	**100**	

Analysis of UNDP's liquidity risk

18. Liquidity risk is the risk that UNDP might be unable to meet its obligations, including accounts payable, accrued liabilities, refunds to donors and other liabilities, as they fall due.

19. Investments are made with due consideration of UNDP's cash requirements for operating purposes based on cash flow forecasting of future funding needs. As shown in the table below, UNDP maintains a portion of its cash and investments in cash and cash equivalents and current investments, which is sufficient to cover its commitments as and when they fall due.

Liquidity analysis

(Thousands of United States dollars)

	31 December 2013	*Percentage*	*31 December 2012 (Restated)*	*Percentage*
Cash balances	280 527	5	131 913	3
Cash equivalents	797 408	14	716 513	14
Total cash and cash equivalents	**1 077 935**	**19**	**848 426**	**17**
Current investments	2 432 889	44	1 771 719	35
Non-current investments	2 022 042	37	2 391 596	48
Total short- and long-term investments	**4 454 931**	**81**	**4 163 315**	**83**
Total investments, cash and cash equivalents	**5 532 866**	**100**	**5 011 741**	**100**

Note: Excludes funds held in trust; investments classified as cash equivalents have a maturity of three months or less from the date of purchase.

20. UNDP surplus cash is invested in highly liquid short-term financial instruments, as shown in the table below.

Composition of cash equivalents

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Money market funds	235 192	280 730
Time deposits	100 000	150 000
Money market instruments	344 955	249 976
Overnight sweep investments	51 784	35 807
Bonds	65 477	–
Cash equivalents	**797 408**	**716 513**

Note: Excludes funds held in trust.

21. UNDP further mitigates its liquidity risk through its Financial Regulations and Rules, which prohibit offices from entering into commitments, including purchase commitments, unless a budget already exists. Spending is possible after funds are received and budgets are updated. Spending ability is constantly revised as commitments are made and expenditures incurred. Spending in the absence of a funded budget has to comply with UNDP risk management guidelines.

Analysis of market risk to UNDP

22. Market risk is the risk that UNDP is exposed to potential financial losses due to unfavourable movements in market prices of financial instruments including movements in interest rates, exchange rates and prices of securities.

23. Interest rate risk arises from the effects of market interest rates fluctuations on:

(a) Fair value of financial assets and liabilities;

(b) Future cash flows.

24. A portion (8.3 per cent) of the UNDP investment portfolio is classified as available-for-sale investments that are carried at fair value through net assets/equity, which expose UNDP to interest rate risk. However, a significant portion (91.7 per cent) of the portfolio is classified as held to maturity, which is not marked to market, and therefore net assets and surplus/deficit reported in UNDP's financial statements are not significantly impacted by changes in interest rates.

Classification of investments

(Thousands of United States dollars)

	Book value basis	*31 December 2013*	*31 December 2012*
Held to maturity investments	Amortized cost	4 085 579	3 676 571
Available-for-sale investments	Fair value	369 352	486 744
Total investments		**4 454 931**	**4 163 315**

25. UNDP invests in a limited amount of United States dollar-denominated floating rate debt, which exposes it to fluctuations of future cash flows. This exposes the organization to a decrease in future cash flows of interest income in a

declining interest rate environment and an increase in future cash flows of interest income in an increasing interest rate environment. As at 31 December 2013, UNDP had $183.77 million in outstanding floating rate fixed income securities, with maturities ranging from less than one month to two-and-a-half years.

26. The table below presents the interest sensitivity of UNDP investments based on the duration of its securities. The sensitivity is limited to the investments classified as available for sale, which are marked to market through net assets/equity and changes in interest rates would therefore have no impact on the UNDP surplus and deficit.

Available-for-sale financial assets interest rate sensitivity analysis

(Thousands of United States dollars)

		Impact on the financial statements	
31 December 2013 Market value	*Sensitivity variation*	*Net assets*	*Surplus and deficit*
369 352	100 basis point increase	(6 909)	–
369 352	50 basis point decrease	3 454	–

Note: Excludes investments classified as cash and cash equivalents.

Foreign exchange risk

27. UNDP's transactions are primarily denominated in United States dollars but UNDP is exposed to currency risk arising from financial assets that are denominated in foreign currency and financial liabilities that have to be settled in foreign currency.

28. UNDP receives donor contributions primarily in United States dollars and also in a number of major currencies, including the euro, the pound sterling, the Norwegian kroner, the Canadian dollar, the Japanese yen, the Swiss franc and the Australian dollar. In addition, programme country governments make contributions mainly in their national currencies to programmes in their countries. On an ongoing basis, UNDP evaluates its need to hold cash and other financial assets in foreign currencies against its foreign currency obligations.

(a) Cash and cash equivalents and investments by currency

	United States dollar	*Peru nuevo sol*	*Dominican peso*	*Euro*	*Japanese yen*	*Venezuelan bolivar fuerte*	*Pound sterling*	*Other*	*31 December 2013 total*	*31 December 2012 total (Restated)*
Cash and cash equivalents	788 203	70 920	43 235	39 318	32 770	32 353	–	71 136	1 077 935	848 426
Investments	4 454 931	–	–	–	–	–	–	–	4 454 931	4 163 315
Total cash and cash equivalents and investments	**5 243 134**	**70 920**	**43 235**	**39 318**	**32 770**	**32 353**	**–**	**71 136**	**5 532 866**	**5 011 741**

(b) Foreign exchange sensitivity analysis

(Thousands of United States dollars)

	Currency depreciation		*Currency appreciation*	
	Surplus/(deficit)	*Net assets*	*Surplus/(deficit)*	*Net assets*
Euro (10 per cent change)	(6 775 512)	–	8 281 181	–
Peru nuevo sol (10 per cent change)	(6 447 286)	–	7 880 017	–

Note: The above figures represent the sensitivity of cash and cash equivalents, investments and receivables: non-exchange to changes in foreign exchange rates.

29. At 31 December 2013, all UNDP investments were denominated in United States dollars. However, cash balances were held in several non-United States dollar currencies, primarily in order to support local operating activities in programme countries where a large portion of payments are made in the local currency. UNDP maintains a minimum level of assets in local currencies and, whenever possible, converts excess local currency balances in bank accounts into United States dollars.

30. The Programme's financial assets and financial liabilities are primarily denominated in United States dollars, thereby reducing its overall foreign currency exposure. Financial liabilities, including funds received in advance and funds held on behalf of donors are carried in the UNDP ledger in United States dollars, although some portion may be refunded in local currency at the donor's request.

Note 32
Related parties

Key management personnel

1. The leadership structure of UNDP consists of an Executive Group of 12 members. The Executive Group is responsible for the strategic direction and operational management of UNDP and is entrusted with significant authority to execute the UNDP mandate. Collectively the Executive Group comprises four tiers: an Under-Secretary-General and Administrator (Administrator); an Under-Secretary-General (Associate Administrator); nine Assistant Secretaries-General (Assistant Administrators); and a Chief of Staff and Director (Chief of Staff and Director, Office of the Administrator (ex officio)).

Remuneration

(Thousands of United States dollars)

Tier	*Number of positions*	*Salary and post adjustment*	*Other entitlements*	*Total remuneration*	*After-service health insurance, repatriation, death benefit and annual leave liability*
Key management personnel	12	2 639	234	2 873	584
Close family members of key management personnel	1	68	3	71	2
Total	**13**	**2 707**	**237**	**2 944**	**586**

2. The remuneration paid to key management personnel includes salary, post adjustment and other entitlements as applicable in accordance with the Staff Regulations of the United Nations and the Staff Rules.

Loans

3. Staff advances are available to UNDP staff, including key management personnel, for specific purposes as provided for in the Staff Regulations of the United Nations. As at 31 December 2013, there were no advances issued to key management personnel and their close family members that would not have been made available to all UNDP staff.

United Nations system

4. UNDP is engaged in United Nations system initiatives such as joint funding arrangements (multi-donor trust funds and joint programmes) and common services arrangements. Within joint funding mechanisms, United Nations entities work together to implement activities and achieve results. Each of the participating United Nations entities assumes its share of responsibilities related to planning, implementing, monitoring and evaluating these activities.

5. UNDP is a cosponsoring organization of the Joint United Nations Programme on HIV/AIDS (UNAIDS), an innovative joint effort of the United Nations family to respond in a coordinated manner on the issue of HIV/AIDS. UNDP participates in setting the financial and operating policies of the Programme Coordinating Board of UNAIDS, which is headquartered in Geneva.

Note 33
Commitments and contingencies

Open commitments

(Thousands of United States dollars)

	31 December 2013	*31 December 2012 (reclassified)*
Property, plant and equipment	8 197	7 000
Goods	225 358	183 683
Services	84 405	76 530
Total open commitments	**317 960**	**267 213**

1. As at 31 December 2013, commitments of UNDP for the acquisition of various goods and services contracted but not received amounted to $317.960 million.

Lease commitments by term

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Obligations for property leases		
Less than 1 year	48 663	52 703
1-5 years	88 719	100 469
Beyond 5 years	31 949	49 011
Total property leases obligations	**169 331**	**202 183**

(Thousands of United States dollars)

	31 December 2013[a]
Obligations for equipment leases	
Less than 1 year	60
1-5 years	41
Beyond 5 years	90
Total equipment leases obligations	**191**

[a] Obligations for equipment leases for 2012 was not available.

2. The above tables represent future lease payment obligations during the contractual term of the leases. Typically, at the inception, the duration of contractual leases for premises entered into by UNDP is between 1 to 5 years.

Contingent assets

3. At 31 December 2013, UNDP had a contingent asset for a compound in South Sudan over which there is an ownership dispute. Owing to that dispute, UNDP has not recognized the land and buildings in the compound as property, plant and equipment. The fair value of the land and buildings was last assessed by independent valuators in 2011 at $8.9 million.

4. At 31 December 2013, UNDP had $1.14 billion in non-regular resources contribution agreements signed with donors for which revenue has not been recognized in the financial statements. This amount represents contributions due from donors (excluding contributions from programme country Governments for development activities in their country offices), revenue from which will be recorded in future accounting periods in accordance with the UNDP revenue-recognition accounting policy. In addition, $18.4 million in 2013 pledged contributions for regular resources has not been recognized as revenue. It will be recognized in future periods when the cash is received in accordance with the UNDP revenue-recognition accounting policy.

Contingent liabilities

5. In the normal course of operations, UNDP is subject to claims which have been categorized as: (a) corporate and commercial claims; (b) administrative law claims; and (c) other claims.

6. As at 31 December 2013, corporate and commercial and administrative law claims totalled $5.305 million. Owing to the uncertainty of the outcome of those claims, no impairment or allowance for loss has been recorded as the occurrence, amount and timing of outflow is not certain. UNDP does not expect the ultimate resolution of any of the proceedings to which it is party to have a significant adverse effect on its financial position, performance or cash flows.

7. UNDP is a partner organization with the International Computing Centre, which is based in Geneva. The memorandum of understanding between the two organizations provides for financial responsibility of both partner organizations should any third-party claim or liability arise within certain conditions. As at 31 December 2013, there were no such claims.

Note 34
Events after reporting date

1. The reporting date for these financial statements is 31 December 2013. UNDP is in the process of a corporate restructuring, the implementation of which will begin in 2014. As at 31 December 2013, details and associated costs are in the process of being determined. For that reason, a restructuring provision has not been recorded in 2013. Other than this corporate restructuring, there have been no material events, favourable or unfavourable, that occurred between the date of the financial statements and the date when the financial statements were authorized for issue that would have had a material impact on these statements.

Note 35
Additional disclosure

35.1
Total expenses by cost classification

(Thousands of United States dollars)

	2013
Development	
Programme	4 352 670
Development effectiveness	140 805
United Nations development coordination	119 531
Management	461 360
Special purpose	55 806
Other	327 227
Elimination	(212 948)[a]
Total expenses	**5 244 451**

[a] This adjustment is required to remove the effect of internal UNDP cost recovery.

35.2
Programme expenses by executing entity/implementing partner, and responsible party

1. The executing entity/implementing partner is the entity that has management responsibility and accountability for project implementation and results. The executing entity/implementing partner may contract with a responsible party to implement and practically deliver outputs.

35.2 (a)

Programme expenses by executing entity/implementing partner

(Thousands of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Total*
Governments	224 324	1 549 670	615 775	663	2 390 432
International NGOs	275	30 568	1 223	–	32 066
National NGOs	583	6 076	4 747	–	11 406
Food and Agriculture Organization of the United Nations	1 224	–	–	–	1 224
International Atomic Energy Agency	–	–	281	–	281
International Civil Aviation Organization	–	1 383	5	–	1 388
International Maritime Organization	–	–	519	–	519
International Telecommunication Union	–	312	–	–	312
United Nations Volunteers Programme	1	(1)	–	32 735	32 735
United Nations Educational, Scientific and Cultural Organization	–	248	34	–	282
United Nations Industrial Development Organization	–	4	–	–	4
United Nations Office for Project Services	3 008	16 024	79 157	75 521	173 710
United Nations Institute for Training and Research	–	–	335	–	335
Other United Nations entities	53	80	39	4	176
World Bank	–	–	43	–	43
World Health Organization	–	–	1 093	–	1 093
World Meteorological Organization	–	–	2	–	2
United Nations Development Programme	241 995	1 227 032	236 598	1 037	1 706 662
Total programme expenses	**471 463**	**2 831 396**	**939 851**	**109 960**	**4 352 670**

35.2 (b)
Programme expenses by responsible party

1. “Responsible party” refers to the party responsible for contractual implementation and practical delivery of outputs.

(Thousands of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Total*
Government	207 807	1 409 817	635 034	629	2 253 287
International NGOs	1 985	99 685	5 190	–	106 860
National NGOs	2 151	43 489	4 212	–	49 852
Economic and Social Commission for Asia and the Pacific	157	–	–	–	157
Economic Commission for Latin America and the Caribbean	24	41	–	–	65
Economic and Social Commission for Western Asia	30	11	3	–	44
Economic Commission for Europe	–	55	–	–	55
Food and Agriculture Organization of the United Nations	1 670	4 444	1 039	–	7 153
International Atomic Energy Agency	–	–	281	–	281
International Civil Aviation Organization	–	1 383	5	–	1 388
International Labour Organization	407	4 083	–	–	4 490
International Maritime Organization	–	–	519	–	519
International Organization for Migration	556	5 651	3 153	–	9 360
International Trade Centre	–	–	389	–	389
International Telecommunication Union	–	1 100	–	–	1 100
Joint United Nations Programme on HIV/AIDS	–	298	–	–	298
United Nations Capital Development Fund	350	–	–	–	350
United Nations Human Settlements Programme (UN-Habitat)	509	12 833	336	–	13 678
United Nations Conference on Trade and Development	–	212	2	–	214
United Nations Department of Economic and Social Affairs	343	838	–	–	1 181
United Nations Volunteers Programme	3	–	–	33 149	33 152
United Nations Environment Programme	18	396	(38)	–	376
United Nations Educational, Scientific and Cultural Organization	8	1 607	582	–	2 197
United Nations Population Fund	64	6 113	125	–	6 302
United Nations Children’s Fund	98	8 171	–	–	8 269

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Total*
United Nations Industrial Development Organization	–	815	61	–	876
United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)	27	2 119	9	–	2 155
United Nations Institute for Training and Research	255	311	335	–	901
United Nations Office on Drugs and Crime	60	130	–	–	190
United Nations Office for Project Services	4 525	34 346	92 293	75 605	206 769
Other United Nations entities	(3)	412	36	–	445
World Food Programme	–	736	–	–	736
World Health Organization	99	10 184	1 093	–	11 376
World Meteorological Organization	–	14	34	–	48
World Tourism Organization	436	106	–	–	542
United Nations Development Programme	249 884	1 181 996	195 158	577	1 627 615
Total programme expenses	**471 463**	**2 831 396**	**939 851**	**109 960**	**4 352 670**

35.3
Programme expenses by geographical region

(Thousands of United States dollars)

	Africa	*Arab States*	*Asia and the Pacific*	*Europe and Commonwealth of Independent States*	*Latin America and the Caribbean*	*Global and others*	*Total*
Expenses							
Contractual services	316 973	190 593	830 254	157 620	462 003	117 428	2 074 871
Staff costs	72 987	32 284	58 280	15 516	26 876	79 259	285 202
Supplies and consumables used	265 736	71 750	72 424	60 017	179 371	65 804	715 102
General operating expenses	265 449	92 555	172 984	66 012	172 477	90 212	859 689
Grants and other transfers	77 656	69 775	67 846	25 636	42 842	64 454	348 209
Other expenses	15 375	12 806	10 249	4 017	18 149	3 893	64 489
Depreciation and amortization	933	396	369	181	193	132	2 204
Finance costs	1 393	727	129	267	238	150	2 904
Total	**1 016 502**	**470 886**	**1 212 535**	**329 266**	**902 149**	**421 332**	**4 352 670**

35.4
Reimbursable support services and miscellaneous activities

35.4 (a)
Statement of financial position

(Thousands of United States dollars)

	Reimbursable support services	*Management service agreements*	*United Nations Volunteers programme*	*Special activities*	*Junior Professional Officers programme*	*Reserve for field accommodation*	*Government cash counterparts contributions*	*Total*
Assets								
Current assets								
Cash and cash equivalents	127 279	24 906	18 615	15 740	6 096	1 127	3 157	196 920
Investments	294 711	57 679	43 100	36 449	11 198	2 609	7 312	453 058
Receivables: non-exchange transactions	153	–	–	2 654	4 628	–	–	7 435
Receivables: exchange transactions, net	8 286	–	2 364	24	–	25	–	10 699
Advances issued, net	335	–	188	311	–	–	–	834
Loans to Governments	–	–	–	–	–	772	–	772
Inventories	1 303	–	2	13	–	–	–	1 318
Other current assets, net	5	–	–	1	–	–	–	6
Total current assets	**432 072**	**82 585**	**64 269**	**55 192**	**21 922**	**4 533**	**10 469**	**671 042**
Non-current assets								
Investments	247 826	48 502	36 244	30 651	9 415	2 193	6 149	380 980
Loans to Governments	–	–	–	–	–	10 039	–	10 039
Property, plant and equipment	36 419	–	782	6 129	4	10 658	–	53 992
Intangible assets	3 154	–	–	–	–	–	–	3 154
Total non-current assets	**287 399**	**48 502**	**37 026**	**36 780**	**9 419**	**22 890**	**6 149**	**448 165**
Total assets	**719 471**	**131 087**	**101 295**	**91 972**	**31 341**	**27 423**	**16 618**	**1 119 207**

35.4 (a)

Statement of financial position (continued)

(Thousands of United States dollars)

	Reimbursable support services	*Management service agreements*	*United Nations Volunteers programme*	*Special activities*	*Junior Professional Officers programme*	*Reserve for field accommodation*	*Government cash counterparts contributions*	*Total*
Liabilities								
Current liabilities								
Accounts payable and accrued liabilities	16 553	4 912	6 828	951	9 057	30	–	38 331
Advances payable	316	–	–	259	18	–	–	593
Funds received in advance and deferred revenue	3 697	–	–	6 082	–	9	–	9 788
Funds held on behalf of donors	–	–	–	20	–	–	–	20
Employee benefits	16 283	–	–	2	–	–	–	16 285
Other current liabilities	84	–	–	20	548	8	–	660
Total current liabilities	**36 933**	**4 912**	**6 828**	**7 334**	**9 623**	**47**	**–**	**65 677**
Non-current liabilities								
Funds received in advance and deferred revenue	6 827	–	–	–	–	–	–	6 827
Employee benefits	326 125	–	–	–	–	–	–	326 125
Total non-current liabilities	**332 952**	**–**	**–**	**–**	**–**	**–**	**–**	**332 952**
Total liabilities	**369 885**	**4 912**	**6 828**	**7 334**	**9 623**	**47**	**–**	**398 629**
Net assets/equity								
Reserves	119 969	–	–	–	–	25 000	–	144 969
Accumulated surpluses/(deficits)	229 617	126 175	94 467	84 638	21 718	2 376	16 618	575 609
Total net assets/equity	**349 586**	**126 175**	**94 467**	**84 638**	**21 718**	**27 376**	**16 618**	**720 578**
Total liabilities and net assets/equity	**719 471**	**131 087**	**101 295**	**91 972**	**31 341**	**27 423**	**16 618**	**1 119 207**

35.4 (b)
Statement of financial performance

(Thousands of United States dollars)

	Reimbursable support services	*Management service agreements*	*United Nations Volunteers programme*	*Special activities*	*Junior Professional Officers programme*	*Reserve for field accommodation*	*Total*
Revenue							
Voluntary contributions, net[a]	23 615	60 379	14 045	46 618	18 322	–	162 979
Revenue: exchange transactions	91 434	–	14 044	87 984	–	838	194 300
Investment revenue	5 626	1 243	636	282	4	–	7 791
Other revenue	218 864	58	19 251	8 736	–	192	247 101
Total revenue	**339 539**	**61 680**	**47 976**	**143 620**	**18 326**	**1 030**	**612 171**
Expenses							
Contractual services	33 634	13 583	20 681	16 360	–	61	84 319
Staff costs	232 034	–	12 811	92 518	15 959	166	353 488
Supplies and consumables used	15 015	58 720	1 193	3 820	–	97	78 845
General operating expenses	69 931	3 023	14 255	27 995	3 788	48	119 040
Grants and other transfers	1 811	–	82	440	–	–	2 333
Other expenses	7 542	195	507	1 255	–	3	9 502
Depreciation and amortization	3 564	–	16	170	–	282	4 032
Finance costs	444	–	7	49	5	–	505
Total expenses	**363 975**	**75 521**	**49 552**	**142 607**	**19 752**	**657**	**652 064**
Surplus/(deficit) for the year	**(24 436)**	**(13 841)**	**(1 576)**	**1 013**	**(1 426)**	**373**	**(39 893)**

[a] Voluntary contributions are net of returns to donors of unused contributions.

35.5
Cost-sharing: government and third-party cost-sharing: statement of financial performance

(Thousands of United States dollars)

	Third-party cost-sharing	*Government cost-sharing*	*Total*
Revenue			
Voluntary contributions, net[a]	1 908 568	1 083 681	2 992 249
Revenue: exchange transactions	101	10	111
Investment revenue	9 359	15 758	25 117
Other revenue	3 560	2 293	5 853
Total revenue	**1 921 588**	**1 101 742**	**3 023 330**
Expenses			
Contractual services	778 498	479 499	1 257 997
Staff costs	110 069	15 030	125 099
Supplies and consumables used	392 342	177 505	569 847
General operating expenses	441 875	150 127	592 002
Grants and other transfers	207 491	28 518	236 009
Other expenses	29 501	17 324	46 825
Depreciation and amortization	1 162	66	1 228
Finance costs	2 142	247	2 389
Total expenses	**1 963 080**	**868 316**	**2 831 396**
Surplus/(deficit) for the year	**(41 492)**	**233 426**	**191 934**
Net assets/equity			
Closing accumulated surpluses as at 31 December 2012	1 843 280	712 813	2 556 093
Prior period adjustments	4 308	1 291	5 599
Closing net assets/equity as at 31 December 2013	**1 806 096**	**947 530**	**2 753 626**

[a] Voluntary contributions are net of returns to donors of unused contributions.

35.6 (a)
Top 10 trust funds: statement of financial position
(Thousands of United States dollars)

	Programme of Assistance to the Palestinian People	*Law and Order Trust Fund for Afghanistan*	*UNDP Thematic Trust Fund on Poverty Reduction for Sustainable Development*	*Global Environment Facility*	*Multilateral Fund for the Implementation of the Montreal Protocol*
Assets					
Current assets					
Cash and cash equivalents	6 558	23 726	2 099	59 198	17 929
Investments	15 186	54 944	4 862	137 055	41 519
Receivables: non-exchange transactions	–	3 241	–	3 299	–
Receivables: exchange transactions, net	–	–	1	41	–
Advances issued, net	950	1 510	4	13 534	188
Inventories	–	–	–	305	–
Other current assets, net	–	–	19	1	–
Total current assets	**22 694**	**83 421**	**6 985**	**213 433**	**59 636**
Non-current assets					
Investments	12 770	46 203	4 088	115 251	34 914
Property, plant and equipment	332	1 352	40	496	35
Intangible assets	–	–	–	19	–
Total non-current assets	**13 102**	**47 555**	**4 128**	**115 766**	**34 949**
Total assets	**35 796**	**130 976**	**11 113**	**329 199**	**94 585**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	274	22	245	2 628	195
Advances payable	–	–	–	3 334	–
Funds held on behalf of donors	–	–	–	79	–
Employee benefits	–	–	–	–	–
Other current liabilities	–	–	–	70	–
Total current liabilities	**274**	**22**	**245**	**6 111**	**195**
Total liabilities	**274**	**22**	**245**	**6 111**	**195**

	Programme of Assistance to the Palestinian People	*Law and Order Trust Fund for Afghanistan*	*UNDP Thematic Trust Fund on Poverty Reduction for Sustainable Development*	*Global Environment Facility*	*Multilateral Fund for the Implementation of the Montreal Protocol*
Net assets/equity					
Reserves	3 000	–	–	–	–
Accumulated surpluses	32 522	130 954	10 868	323 088	94 390
Total net assets/equity	**35 522**	**130 954**	**10 868**	**323 088**	**94 390**
Total liabilities and net assets/equity	**35 796**	**130 976**	**11 113**	**329 199**	**94 585**

35.6 (a)

Top 10 trust funds: statement of financial position (continued)

(Thousands of United States dollars)

	UNDP Thematic Trust Fund for Democratic Governance	*UNDP Thematic Trust Fund for Crisis Prevention and Recovery*	*International Commission against Impunity in Guatemala*	*UNDP Trust Fund for Support to Iraq Reconstruction*	*Trust Fund for Innovative Partnerships*
Assets					
Current assets					
Cash and cash equivalents	3 064	16 878	909	842	2 590
Investments	7 096	39 072	2 104	1 950	5 998
Receivables: non-exchange transactions	154	8 490	207	–	677
Receivables: exchange transactions, net	–	54	–	–	–
Advances issued, net	121	1 250	33	1 183	107
Inventories	12	353	–	–	4
Other current assets, net	–	9	–	–	–
Total current assets	**10 447**	**66 106**	**3 253**	**3 975**	**9 376**
Non-current assets					
Investments	5 968	32 856	1 770	1 639	5 044
Property, plant and equipment	78	437	–	105	32
Intangible assets	–	–	–	–	–
Total non-current assets	**6 046**	**33 293**	**1 770**	**1 744**	**5 076**
Total assets	**16 493**	**99 399**	**5 023**	**5 719**	**14 452**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	277	782	–	4	1
Advances payable	164	1 624	–	–	–
Funds received in advance and deferred revenue	27	33	–	–	–
Funds held on behalf of donors	–	5 400	–	–	–
Employee benefits	–	–	–	–	–
Other current liabilities	6	–	–	–	1
Total current liabilities	**474**	**7 839**	**–**	**4**	**2**
Total liabilities	**474**	**7 839**	**–**	**4**	**2**

	UNDP Thematic Trust Fund for Democratic Governance	*UNDP Thematic Trust Fund for Crisis Prevention and Recovery*	*International Commission against Impunity in Guatemala*	*UNDP Trust Fund for Support to Iraq Reconstruction*	*Trust Fund for Innovative Partnerships*
Net assets/equity					
Reserves	–	–	–	–	–
Accumulated surpluses	16 019	91 560	5 023	5 715	14 450
Total net assets/equity	**16 019**	**91 560**	**5 023**	**5 715**	**14 450**
Total liabilities and net assets/equity	**16 493**	**99 399**	**5 023**	**5 719**	**14 452**

35.6 (b)

Top 10 trust funds: statement of financial performance

(Thousands of United States dollars)

	Programme of Assistance to the Palestinian People	*Law and Order Trust Fund for Afghanistan*	*UNDP Thematic Trust Fund on Poverty Reduction for Sustainable Development*	*Global Environment Facility*	*Multilateral Fund for the Implementation of the Montreal Protocol*
Revenue					
Voluntary contributions, net[a]	10 740	228 511	3 769	322 547	37 502
Investment revenue	388	1 400	131	3 135	922
Other revenue	2	48	–	15	1 086
Total revenue	**11 130**	**229 959**	**3 900**	**325 697**	**39 510**
Expenses					
Contractual services	19 510	358 349	2 332	142 587	18 774
Staff costs	114	2 463	1 215	22 968	2 260
Supplies and consumables used	1 683	487	159	23 770	5 075
General operating expenses	2 928	16 809	2 222	65 188	5 721
Grants and other transfers	2 750	–	191	56 442	13 671
Other expenses	195	–	397	4 559	390
Depreciation and amortization	37	127	2	46	4
Finance costs	–	–	1	57	1
Total expenses	**27 217**	**378 235**	**6 519**	**315 617**	**45 896**
Surplus/(deficit) for the year	**(16 087)**	**(148 276)**	**(2 619)**	**10 080**	**(6 386)**

[a] Voluntary contributions are net of returns to donors of unused contributions.

35.6 (b)

Top 10 trust funds: statement of financial performance (continued)

(Thousands of United States dollars)

	UNDP Thematic Trust Fund for Democratic Governance	*UNDP Thematic Trust Fund for Crisis Prevention and Recovery*	*International Commission against Impunity in Guatemala*	*UNDP Trust Fund for Support to Iraq Reconstruction*	*Trust Fund for Innovative Partnerships*
Revenue					
Voluntary contributions, net[a]	9 715	65 221	6 650	4 730	2 285
Investment revenue	257	974	76	90	145
Other revenue	18	130	3	141	989
Total revenue	**9 990**	**66 325**	**6 729**	**4 961**	**3 419**
Expenses					
Contractual services	5 732	26 473	13	5 697	1 701
Staff costs	5 566	22 131	10 369	1 172	2 643
Supplies and consumables used	857	6 776	415	113	233
General operating expenses	7 698	22 200	1 797	3 059	1 527
Grants and other transfers	1 762	10 746	–	18	281
Other expenses	398	646	77	6	93
Depreciation and amortization	12	48	–	9	16
Finance costs	5	42	1	4	1
Total expenses	**22 030**	**89 062**	**12 672**	**10 078**	**6 495**
Surplus/(deficit) for the year	**(12 040)**	**(22 737)**	**(5 943)**	**(5 117)**	**(3 076)**

[a] Voluntary contributions are net of returns to donors of unused contributions.

35.7
All trust funds established by UNDP: schedule of financial performance

(Thousands of United States dollars)

Name of trust fund	*Net assets 31 December 2012*	*Prior period adjustments*	*Adjusted opening balance*	*Revenue*	*(Expenses)*	*Net assets 31 December 2013*
Fund Manager: UNDP Africa						
African Peer Review Mechanism of the New Partnership for Africa's Development	1 969	–	1 969	12	(1 134)	847
Appui au processus désarmement, démobilisation et réintégration en Côte d'Ivoire — equipment et fonctionnement des sites et appui à la communication — désarmement, démobilisation et réintégration	69	–	69	–	–	69
Belgium Trust Fund for Support to the Elections Project in the Democratic Republic of the Congo	4 315	–	4 315	(21)	(1 401)	2 893
Belgium Trust Fund for Trade Capacity Development for Poverty Reduction and Human Development for Sub-Saharan Africa	396	–	396	–	(199)	197
Canadian International Development Agency/UNDP Trust Fund to Support "Recensement général de la population et de l'habitat" in Sénégal	34	–	34	–	–	34
Comoros transitional arrangement	105	–	105	–	–	105
European Commission: Joint Donor Basket Fund to Support Nigeria's 2007 Elections	2 562	–	2 562	–	–	2 562
EEC: Angola trust fund for implementation of the Ottawa Convention through the disposal of stockpiled anti-personnel landmines	1	–	1	(1)	–	–
EEC: Republic of Congo Trust Fund for the project "Collecte et destruction des armes pour le développement"	13	–	13	–	(32)	(19)
EEC: Eritrea Trust Fund for Support to the Mine Action Capacity-building Programme	324	–	324	–	(161)	163
EEC: Appui a la mise en place des centres de brassage dans le cadre de la reforme du secteur sécuritaire en République démocratique du Congo	3	–	3	–	–	3
EEC: Appui a la sécurisation des élections en République démocratique du Congo	(387)	–	(387)	387	–	–
EEC: Programme d'appui a la bonne gouvernance au Tchad	1 038	–	1 038	–	(970)	68
EEC: "Project CHOC Cameroun: Change Habits-Oppose Corruption"	11	–	11	–	–	11
EEC: Réhabilitation des pistes rurales suivant la méthode haute intensité de main d'œuvre en République du Congo	(533)	–	(533)	–	–	(533)
EEC: 2005 Census Support Initiatives in Nigeria	468	–	468	–	(3)	465
EEC: Appui aux Elections Législatives 2007 (phase 1)	141	210	351	(350)	–	1
EEC: Appui institutionnel au CNDAH, au niveau national et provincial	261	–	261	(260)	–	1

Name of trust fund	*Net assets 31 December 2012*	*Prior period adjustments*	*Adjusted opening balance*	*Revenue*	*(Expenses)*	*Net assets 31 December 2013*
EEC: Assistance to Electoral Process in the Democratic Republic of Congo	355	–	355	(355)	–	–
EEC: Building Strong, Efficient and Capable National Arms Commissions in the ECOWAS Subregion	(74)	–	(74)	–	74	–
EEC: Capacity Development Component of the Parliamentary Reform Programme III	192	–	192	–	–	192
EEC: Capacity support for sustainable management of energy resources with ECOWAS and UEMOA	39	–	39	128	(89)	78
EEC: Election Observation Mission to Nigeria	–	–	–	–	(1)	(1)
EEC: Enhancing knowledge management in disaster preparedness and risk reduction within Southeast Africa and Southwest Indian Ocean, the Comoros, Madagascar, Malawi and Mozambique	32	–	32	(32)	–	–
EEC: Mine Action in the Tigray and Afar Regions of Ethiopia	21	–	21	–	–	21
EEC: Mozambique Landmine Technical Survey: Inhambane and Maputo Provinces	3	–	3	–	(3)	–
EEC: Organisation de l’atelier de démarrages du programme réhabilitation et développement en Guinée Forestière	7	–	7	–	–	7
EEC: Review of the Constitution of the Republic of Malawi	–	1	1	–	–	1
EEC: Capacity-Building of State and Non-State Actors in the Seychelles	249	–	249	53	(260)	42
EEC: Support for the Strengthening of the Rule of Law through Enhanced Capacity of Stakeholders in Zimbabwe	–	–	–	–	–	–
EEC: Support for deepening democracy in the United Republic of Tanzania	298	–	298	482	(749)	31
EEC: Support for Election Observation in the United Republic of Tanzania	1	–	1	–	–	1
EEC: Support for internally displaced persons/expellees/return/resettlement: health facility in Eritrea	22	–	22	–	(50)	(28)
EEC: Support for Legislative and Presidential Elections in Niger	1	–	1	–	–	1
EEC: Support for Swaziland Gender Programme	(1)	–	(1)	–	–	(1)
EEC: Support for the Election Observation Mission to Nigeria in April 2007	214	–	214	–	–	214
EEC: Support for the implementation of the integrated drylands development programme	398	–	398	(39)	(379)	(20)
EEC: Support for the National Civic Education Programme (Phase II)	1	–	1	–	–	1
EEC: Support for the National Institute of Statistics of Rwanda	1	–	1	(2)	(1)	(2)
EEC: Support for the Observation of the Election Process in Côte d’Ivoire	398	–	398	–	–	398

Name of trust fund	Net assets 31 December 2012	Prior period adjustments	Adjusted opening balance	Revenue	(Expenses)	Net assets 31 December 2013
EEC: Support for the Organisation of the October 2005 National Elections in Liberia	1	–	1	–	–	1
EEC: Support to the Sustainable Development Poverty Reduction Programme in Ethiopia	2	–	2	–	–	2
EEC: Supporting Citizen Access to Justice in Mozambique	(114)	–	(114)	(7)	–	(121)
EEC: Transfer of Knowledge through Expatriate Nationals in Mali	(106)	–	(106)	–	–	(106)
EEC: Support to internally displaced persons/expellees/return/ resettlement (foodod security) in Eritrea	(17)	–	(17)	–	19	2
EEC: Appui au processus electoral en Mauritanie	55	–	55	–	(16)	39
EEC: Support ‘Assessoria technica para a consolidacao das capacidades da CNIDAH, Angola	(41)	–	(41)	(28)	–	(69)
EEC: Support to Central Bank of Kenya Decision Capacity Development Project	15	–	15	–	–	15
EEC: Support to shared funding for the joint governance assessment for Rwanda	6	–	6	–	(7)	(1)
EEC: Support the Civil Society Index	14	–	14	(14)	–	–
EEC: Support for the International Colloquium on Women’s Empowerment, Leadership Development, International Peace and Security and the follow up in Liberia	1	–	1	–	–	1
EEC: Appui à la stratégie nationale de lutte antimine: appui au démarrage de Centre de Lutte contre les Mines en Casamance	16	–	16	–	–	16
EEC/Seychelles: Post-Tsunami Rehabilitation Efforts	1	–	1	–	–	1
EEC-Comoros: Appui à la mise en oeuvre de l’accord sur les dispositions transitoires	(267)	–	(267)	–	(7)	(274)
European Union Election Observation Mission to Liberia	2	–	2	–	–	2
Extension of the Eritrean Landmine Impact Survey	74	–	74	–	–	74
Finland Trust Fund for National Technical Cooperation Assessment and Programme Activities	495	–	495	4	(161)	338
Fonds fiduciaire du PNUD concernant l’organisation pour l’harmonisation en Afrique du droit des affaires	260	(2)	258	(259)	(60)	(61)
Humanitarian Information Coordination: Zimbabwe	4	–	4	(4)	–	–
Justice and Security Trust Fund for Liberia	3 691	–	3 691	32	(1 090)	2 633
Support for capacity-building for the National Demining Institute in Mozambique	59	–	59	–	(36)	23
Support to Burundi elections process	240	–	240	–	–	240

Name of trust fund	*Net assets 31 December 2012*	*Prior period adjustments*	*Adjusted opening balance*	*Revenue*	*(Expenses)*	*Net assets 31 December 2013*
Support to the Malawi tripartite elections — 2004	489	–	489	–	(488)	1
Support for the organization of municipal elections in Niger	2	–	2	–	–	2
Trust Fund for the 2006 Burundi Emergency Programme	1 203	–	1 203	–	–	1 203
Trust Fund with Norway for Support for Governance in Africa	1 140	–	1 140	8	(862)	286
UNDP: “Appui au processus électoral en Guinée”	(65)	–	(65)	92	(28)	(1)
UNDP Trust Fund for Angola	87	(5)	82	(56)	–	26
UNDP Trust Fund for Assistance to Refugee-Related Development Projects in Africa	267	–	267	(54)	(270)	(57)
UNDP Trust Fund for Community Assistance and Sustainable Reinstallation in Burundi	629	–	629	(18)	2	613
UNDP Trust Fund for Demobilization Reintegration Rehabilitation and Recovery in Sierra Leone	1	–	1	–	–	1
UNDP Trust Fund for Namibia	29	–	29	–	–	29
UNDP Trust Fund for Receipt of Payments by Users of the African Project Development Facility	1	–	1	–	–	1
UNDP Trust Fund for Rwanda	57	–	57	(58)	–	(1)
UNDP Trust Fund for Support to the Reform Agenda in Nigeria	1 959	–	1 959	(1 508)	–	451
UNDP Trust Fund for Support to the United Nations Country Team Humanitarian Assistance and Recovery Programme in Zimbabwe	9	–	9	(11)	–	(2)
UNDP Trust Fund for the Mozambique Mine Clearance Programme	250	–	250	3	43	296
UNDP Trust Fund for the United Nations Educational and Training Programme for Southern Africa	2 625	–	2 625	20	(825)	1 820
UNDP Trust Fund to Combat Poverty and Hunger in Africa	1 585	(13)	1 572	15	(462)	1 125
UNDP/Belgium Trust Fund for Support to the Electoral Process in South Africa	45	–	45	–	–	45
UNDP/EEC Trust Fund Agreement for the Africa 2000 Network Programme: Grants in Burkina Faso, Cameroon and Uganda	1	–	1	–	–	1
UNDP/IDA Trust Fund for the National Environment Support Programme in Mozambique	24	–	24	(24)	–	–
UNDP/Norway Trust Fund for Assistance to the Electoral Process in Mozambique	807	–	807	(1 177)	–	(370)
Total Fund Manager: UNDP Africa	**28 483**	**191**	**28 674**	**(3 042)**	**(9 606)**	**16 026**

Name of trust fund	*Net assets 31 December 2012*	*Prior period adjustments*	*Adjusted opening balance*	*Revenue*	*(Expenses)*	*Net assets 31 December 2013*
Fund Manager: UNDP Arab States						
Arab Human Development Report	49	–	49	–	–	49
EC-UNDP: Joint electoral assistance project in Yemen	256	–	256	–	660	916
EEC: Trust fund for human rights capacity-building project in Egypt	1	–	1	(1)	–	–
EEC: Integrated support for decentralization in Albania	(559)	–	(559)	–	648	89
EEC: Iraq: Support to Law and Justice	281	–	281	–	5	286
EEC: Mobilizing Palestinian Civil Society during elections via UNDP/PAPP	5	–	5	(5)	–	–
EEC: Northern Border Clearance project in Jordan	–	–	–	–	–	–
EEC: PAPP: Silwan community development through the establishment of the Europe House	(1)	–	(1)	1	–	–
EEC: PAPP Governance Strategy Group Coordinator	(210)	–	(210)	709	(632)	(133)
EEC: Projet d’appui a la decentralisation et aux collectivite’s locales	71	–	71	–	(3)	68
EEC: Somali Support Secretariat	(122)	–	(122)	–	–	(122)
EEC: Somalia: Support for Rule of Law and Security in Somalia	176	–	176	–	(54)	122
EEC: Sudan: Capacity Development for Good Aid Management	(193)	–	(193)	–	–	(193)
EEC: Sudan: Promotion of Equality, Tolerance and Peace through the Dissemination of the Comprehensive Peace Agreement and of the Transitional Legal Framework in Southern Sudan	36	–	36	–	(18)	18
EEC: Support to human security in eastern Sudan	191	–	191	(191)	–	–
EEC/Sudan: Post-Conflict Community-based Recovery and Rehabilitation Programme	2 030	–	2 030	–	(3 219)	(1 189)
Information and Communication Technology Trust Fund for Egypt	2 384	(33)	2 351	419	(880)	1 890
Promoting the rights of women and children through information (Egypt, Lebanon, Tunisia)	1	–	1	(1)	–	–
Support to Iraq reconstruction	10 840	(8)	10 832	4 961	(10 078)	5 715
Trust Fund for Poverty Alleviation in the Arab Region	107	–	107	1	–	108
Trust Fund for Support of Programme Activities in the Iraq Elections	101	–	101	–	–	101
UNDP: Trust Fund for the Programme of Assistance to the Palestinian People	51 537	72	51 609	11 130	(27 217)	35 522
UNDP: Trust Fund for Somalia	1 569	–	1 569	16	–	1 585
UNDP: Trust Fund for the Iraq Programme	1	–	1	–	–	1
Total Fund Manager: UNDP Arab States	**68 551**	**31**	**68 582**	**17 039**	**(40 788)**	**44 833**

Name of trust fund	*Net assets 31 December 2012*	*Prior period adjustments*	*Adjusted opening balance*	*Revenue*	*(Expenses)*	*Net assets 31 December 2013*
Fund Manager: UNDP Asia/Pacific						
Australian Development Assistance Bureau/UNDP Programme Trust Fund	96	–	96	1	(1)	96
Building Information Management Capacity in Afghanistan	71	–	71	(71)	–	–
Cambodia Climate Change Alliance Trust Fund	1 762	(58)	1 704	471	(1 412)	763
EEC: Capacity Strengthening Component of Rural Employment Opportunities for Public Assets	82	–	82	–	–	82
EEC: Community-based livelihoods recovery programme for earthquake-affected areas of Azad, Jammu and Kashmir and North-West Frontier Province	134	–	134	(829)	695	–
EEC: Disaster Risk Management/Institutional Systems Development in Timor-Leste	1	–	1	(1)	–	–
EEC: Emergency Response and Recovery for the Tsunami-affected people of Maldives	8	–	8	(8)	–	–
EEC: Governance for Equitable Development Strengthening Rule of Law and Civil Society Participation in China	48	–	48	(49)	–	(1)
EEC: Lao People's Democratic Republic — Enhancing the Contribution of International Law to the Strengthening of the Rule of Law in the Lao People's Democratic Republic	4	–	4	–	(4)	–
EEC: Lao People's Democratic Republic: Saravane Governance, Public Administration Reform and Decentralized Service Delivery Project	7	–	7	128	(25)	110
EEC: Local Government Support Project — Learning and Innovation Component	(10)	–	(10)	354	(344)	–
EEC: Mainstreaming Disaster Risk Management in Subnational/Local Development and Land Use Planning in the Philippines	7	–	7	(6)	(1)	–
EEC: Preparedness and Response Capacity-Building in Afghanistan (second phase)	70	–	70	(200)	130	–
EEC: Trust Fund for Promotion of Development and Confidence-Building in Chittagong Hills Tracts	(19)	–	(19)	–	20	1
EEC: Strengthening the Capacity of the National Assembly and Supporting Lao People's Democratic Republic in the International Criminal Court	(10)	–	(10)	–	13	3
EEC: Support for durable solutions to the protracted refugees situation along the Thai/Myanmar border	321	–	321	–	–	321
EEC: Support for the Restoration of Tsunami-affected Livelihoods — Maldives	35	–	35	–	3	38
EEC: Support for the Afghanistan Subnational Governance Programme	36	–	36	(36)	–	–

Name of trust fund	*Net assets 31 December 2012*	*Prior period adjustments*	*Adjusted opening balance*	*Revenue*	*(Expenses)*	*Net assets 31 December 2013*
EEC: Support for the Capacity-strengthening Component of Rural Employment Opportunities for Public Assets	32	–	32	–	–	32
EEC: Support for Improving Health, Nutrition and Population in the Chittagong Hill Tracts	304	–	304	–	–	304
EEC: Support for the National Initiative for Civic Education	17	–	17	(15)	–	2
EEC: Support disaster risk reduction at the national level in Nepal (phase II)	7	–	7	(7)	–	–
EEC: Support provincial governance strengthening programme in Solomon Islands	1 185	–	1 185	(20)	(771)	394
EEC: Support security sector review in Timor-Leste — capacity development facility	81	–	81	(74)	–	7
EEC: Support strengthening response to internal displacement in Mindanao	3	–	3	(2)	–	1
EEC: Support the justice system — activating village courts in Bangladesh	2 584	–	2 584	–	(1 787)	797
EEC/EU: China Biodiversity Programme	4 755	–	4 755	(4 734)	–	21
Law and Order Trust Fund for Afghanistan	278 956	274	279 230	229 959	(378 235)	130 954
Rehabilitation and community development in rural areas of East Timor	(84)	–	(84)	–	–	(84)
Trust Fund for Support to the Full Implementation of the Convention on Cluster Munitions in the Lao People's Democratic Republic within the Framework of the Vientiane Declaration on Aid Effectiveness	5 260	–	5 260	1 948	(5 252)	1 956
UNDP: Counter-Narcotics Trust Fund for Afghanistan	8 376	–	8 376	(254)	–	8 122
UNDP: Trust Fund for Support to Indonesia's Response to Climate Change	5 190	–	5 190	38	(2 451)	2 777
UNDP: Trust Fund for Peace and Development Initiative in Nepal	34	–	34	(34)	–	–
UNDP: Trust Fund for Support to the 2004 Elections in Indonesia	290	–	290	(82)	–	208
UNDP: Trust Fund for the Indonesian Community Recovery Programme	26	–	26	(26)	–	–
UNDP: Trust Fund to Support Capacity-Building for Governance Reform in Indonesia	447	–	447	(273)	–	174
UNDP/Lao People's Democratic Republic: Trust Fund for Clearance of Unexploded Ordnance	46	–	46	–	–	46
UNDP/Republic of Korea Trust Fund	84	–	84	347	–	431
UNDP/Republic of Korea Trust Fund in Support of the Tumen River Area Development Programme	581	–	581	4	(247)	338
Total Fund Manager: UNDP Asia/Pacific	**310 817**	**216**	**311 033**	**226 529**	**(389 669)**	**147 893**

Name of trust fund	*Net assets 31 December 2012*	*Prior period adjustments*	*Adjusted opening balance*	*Revenue*	*(Expenses)*	*Net assets 31 December 2013*
Fund Manager: UNDP Bureau for Crisis Prevention and Recovery						
EC/UNDP: Collaboration to advance the post-crisis needs assessment and early recovery agendas I	34	–	34	–	(34)	–
EC/UNDP: Collaboration to advance the post-crisis needs assessment and early recovery agendas II	34	–	34	–	–	34
UNDP: Thematic Trust Fund for Crisis Prevention and Recovery	110 248	4 049	114 297	66 325	(89 062)	91 560
UNDP: Trust Fund for Crisis Post-conflict and Recovery Situations	406	–	406	–	–	406
UNDP: Trust Fund for Support to Capacity Development for Reform	1 045	–	1 045	(1 086)	41	–
UNDP: Trust Fund for Sustainable Social Development, Peace and Support to Countries in Special Situations	2 378	–	2 378	(44)	–	2 334
Total Fund Manager: UNDP Bureau for Crisis Prevention and Recovery	**114 145**	**4 049**	**118 194**	**65 195**	**(89 055)**	**94 334**
Fund Manager: UNDP Bureau of Development Policy						
Capacity 2015 Trust Fund	154	–	154	(12)	(111)	31
Capacity 21 Trust Fund	14	–	14	–	–	14
EEC: Improving market access for drylands commodities	–	–	–	–	–	–
EEC: Joint Migration and Development Initiative	(253)	(2)	(255)	405	(150)	–
EEC: Study on the development of governance indicators in developing countries	(3)	–	(3)	–	3	–
EEC: ACE Electoral Knowledge Network: Practitioner’s Network	1	–	1	–	–	1
Forest Carbon Partnership Facility	–	–	–	13 129	(250)	12 879
Germany: Trust Fund for UNDP Programme for Accountability and Transparency	70	–	70	(70)	–	–
Global Capacity Development Facility	560	–	560	4	(241)	323
Integrated Framework Trust Fund for Trade-related Technical Assistance to Least Developed Countries, window 1	9	–	9	1	–	10
Integrated Framework Trust Fund for Trade-related Technical Assistance to Least Developed Countries, window 2	47	896	943	95	(2)	1 036
Multilateral Fund for the Implementation of the Montreal Protocol	101 275	(499)	100 776	39 510	(45 896)	94 390
Netherlands: Trust Fund for Special Action Programme for Public Administration and Management	44	–	44	1	(10)	35
Trust Fund for the Global Environmental Facility	312 929	79	313 008	325 697	(315 617)	323 088
Trust Fund to Combat Desertification and Drought	4 305	(2)	4 303	1 818	(1 648)	4 473

Name of trust fund	*Net assets 31 December 2012*	*Prior period adjustments*	*Adjusted opening balance*	*Revenue*	*(Expenses)*	*Net assets 31 December 2013*
UNDP Energy account	802	1	803	433	(344)	892
UNDP: Thematic Trust Fund for Democratic Governance	27 442	617	28 059	9 990	(22 030)	16 019
UNDP: Thematic Trust Fund on Energy for Sustainable Development	1 466	122	1 588	10	(412)	1 186
UNDP: Thematic Trust Fund on Environment	27 191	313	27 504	26 070	(5 255)	48 319
UNDP: Thematic Trust Fund on Gender	1 544	25	1 569	1 293	(1 594)	1 268
UNDP: Thematic Trust Fund on Information and Communication Technology	4 096	–	4 096	31	(1 208)	2 919
UNDP: Thematic Trust Fund on Poverty Reduction for Sustainable Development	12 970	517	13 487	3 900	(6 519)	10 868
UNDP: Thematic Trust Funds on HIV/AIDS	849	–	849	8	(50)	807
UNDP: Trust Fund for Public-Private Partnerships for the Urban Environment	314	–	314	2	(208)	108
UNDP: Trust Fund for World Summit on Social Development	3	–	3	–	–	3
UNDP: Trust Fund to Support the Organization of the Warsaw Conference	1	–	1	(1)	–	–
UNDP/Germany: Trust Fund for Decentralization and Local Governance for Poverty Reduction	37	–	37	(15)	(22)	–
UNDP/United States: Environmental Trust Fund	633	–	633	(546)	(87)	–
Total Fund Manager: UNDP Bureau of Development Policy	**496 500**	**2 067**	**498 567**	**421 753**	**(401 651)**	**518 669**
Fund Manager: UNDP Bureau of Management						
Trust Fund for Implementation of UNDP Business Plan Initiatives 2000-2003	312	–	312	2	(153)	161
UNDP 2001 Trust Fund	622	(4)	618	4	(95)	527
UNDP Trust Fund for the Evaluation of the United Nations Development Fund for Women	31	–	31	(31)	–	–
UNDP/SIDA Trust Fund for Assistance to UNDP-specific Activities	3 806	1	3 807	1 910	(2 704)	3 013
UNDP/United Kingdom Trust Fund on behalf of UNSECOORD Programme for the Reinforcement of Security for United Nations Operations in Iraq	265	–	265	–	21	286
Total Fund Manager: UNDP Bureau of Management	**5 036**	**(3)**	**5 033**	**1 885**	**(2 931)**	**3 987**

Name of trust fund	*Net assets 31 December 2012*	*Prior period adjustments*	*Adjusted opening balance*	*Revenue*	*(Expenses)*	*Net assets 31 December 2013*
Fund Manager: UNDP Bureau of Management/Division for Resource Planning and Coordination						
UNDP Trust Fund for the Developing Countries Afflicted by Famine and Malnutrition	84	–	84	(54)	(31)	(1)
Total Fund Manager: UNDP Bureau of Management/Division for Resource Planning and Coordination	**84**	**–**	**84**	**(54)**	**(31)**	**(1)**
Fund Manager: UNDP Bureau of External Relations and Advocacy						
Belgium Trust Fund for Enhancing Private Sector Development Assistance for Developing Countries and promoting United Nations reform at the country level	40	–	40	(40)	–	–
EC: Trust Fund for the European Millennium Campaign against Poverty	2	–	2	(2)	–	–
Fonds d’affectation spécial français	723	–	723	310	(568)	465
UNDP Millennium Trust Fund	204	–	204	2	(206)	–
UNDP Trust Fund for International Partnership	3 563	–	3 563	(532)	(1 959)	1 072
UNDP/Italy: Trust Fund for Anti-Poverty Partnership Initiatives	1 343	(1)	1 342	(32)	(898)	412
UNDP-South Korea: Millennium Development Goals Trust Fund for Programming Fund-based Cooperation	11 231	(47)	11 184	4 157	(5 383)	9 958
UNDP Trust Fund for Private Sector in Development	2 012	–	2 012	20	(258)	1 774
Total Fund Manager: UNDP Bureau of External Relations and Advocacy	**19 118**	**(48)**	**19 070**	**3 883**	**(9 272)**	**13 681**
Fund Manager: UNDP Development Operations Coordination Office						
EEC: Development of post-conflict needs assessment and transitional results framework	1	–	1	–	(1)	–
Total Fund Manager: UNDP Development Operations Coordination Office	**1**	**–**	**1**	**–**	**(1)**	**–**
Fund Manager: UNDP Europe/Commonwealth of Independent States						
EEC: Programme supporting integrated border management systems in the South Caucasus	(56)	–	(56)	57	–	1
EEC: Border Management in Central Asia (phase 7)	109	–	109	(106)	–	3
EEC: Enhancement of Living Standards in Ferghana Valley, Uzbekistan	(32)	–	(32)	–	32	–
EEC: Enhancement of living standards in Ferghana Valley, Uzbekistan	12	–	12	–	–	12

Name of trust fund	Net assets 31 December 2012	Prior period adjustments	Adjusted opening balance	Revenue	(Expenses)	Net assets 31 December 2013
EEC: Mainstreaming disaster risk management into decentralization process in Kyrgyzstan: strengthening capacities of vulnerable communities, local self-government bodies and partners to address disaster risks	1	–	1	–	(2)	(1)
EEC: Promoting Integrated Water Management and Fostering Transboundary dialogue in Central Asia	(25)	–	(25)	167	(105)	37
EEC: Small and Medium Enterprise Development in the Southeastern Anatolia Region — Turkey	133	–	133	–	(33)	100
EEC: Small Arms Control Programme in Bosnia and Herzegovina	(68)	–	(68)	–	–	(68)
EEC: Strengthening National Capacities for Strategic Planning and Policy Development in Bosnia and Herzegovina	(1)	–	(1)	–	–	(1)
EEC: Support to Strengthening the National Preventive Mechanism according to the provisions of the Optional Protocol to the Convention against Torture	(27)	–	(27)	22	–	(5)
EEC: Private Sector Development within the Turkish Cypriot Community	53	–	53	–	–	53
EEC: Upgrading of Local and Urban Infrastructure in Northern Cyprus	(743)	–	(743)	1 067	(261)	63
EEC: Women and Children’s Rights in Ukraine	10	–	10	–	–	10
EEC: Technical Assistance for Industrial Restructuring of Sanhurfa in Turkey	36	–	36	(36)	–	–
EEC: Upgrading the local and urban infrastructure in Northern Cyprus (phase II)	83	–	83	476	(441)	118
EEC/Croatia: Trust Fund for Income Generation and Small- and Medium-size Enterprise Support — Quick Impact Facility	9	–	9	–	(5)	4
Norway Trust Fund for Municipal Employment Assistance Programme in Macedonia	15	–	15	(15)	–	–
Trust Fund in Support of Estonia’s State Programme for Integration of Non-Estonians into Estonian Society	84	–	84	(84)	–	–
UNDP Trust Fund for Support to Mine Action in Bosnia and Herzegovina	131	–	131	–	–	131
UNDP Trust Fund for Support to the Baltic Countries	142	–	142	(142)	–	–
UNDP Trust Fund for Urgent Human Needs in Uzbekistan	705	2	707	777	(973)	511
Total Fund Manager: UNDP Europe/CIS	**571**	**2**	**573**	**2 183**	**(1 788)**	**968**

Name of trust fund	Net assets 31 December 2012	Prior period adjustments	Adjusted opening balance	Revenue	(Expenses)	Net assets 31 December 2013
Fund Manager: UNDP Geneva						
UNDP Trust Fund for Advocacy	21	–	21	–	–	21
UNDP Trust Fund for Innovative Partnerships with National Governments, Local Authorities, Private Sector, NGOs, Academic Institutions and Foundations	17 335	191	17 526	3 419	(6 495)	14 450
Total Fund Manager: UNDP Geneva	**17 356**	**191**	**17 547**	**3 419**	**(6 495)**	**14 471**
Fund Manager: UNDP Latin America and the Caribbean						
Belgium Trust Fund in Support of the Cuba Programme for Saneamiento Ambiental de la Bahía de la Habana	78	–	78	(78)	–	–
EC: Programma de Recuperacion Ambiental Communitario para Combatir la Desertification	6	–	6	(6)	–	–
EC: Strengthening the National Capacity for disaster prevention and preparedness in the Dominican Republic	41	–	41	(83)	–	(42)
ECHO: Fostering Knowledge Transfer and Replication of Best Practice in Disaster Preparedness/Risk Reduction within the Caribbean	1	–	1	(1)	–	–
ECHO/Jamaica: Community Disaster Management Strengthening Programme	1	–	1	(1)	–	–
EEC: Compilation and Dissemination of Disaster Preparedness tools, methodologies and lessons learned in local level risk management in Central America	6	–	6	(6)	–	–
EEC: Hurricanes Fay, Gustav, Anna and Ike in Haiti — Support to a joint Post Disaster Needs assessment and recovery planning exercise	(2)	–	(2)	–	3	1
EEC: Rural Electrification Programme in the Dominican Republic based on renewable energy sources	1 374	(124)	1 250	(414)	(365)	471
EEC: Support to Caribbean Regional Assistance Centre	5	–	5	–	–	5
EEC: Support to Prevention of the Diversion of Chemical Precursors for the Scope of Drug Manufacturing in the Andean Countries	228	–	228	(7)	–	221
EEC: Support to the Caribbean Regional Technical Assistance Centre	55	–	55	–	–	55
EEC: Support to the Organization of Local, Legislative and Presidential Elections in Haiti	3	–	3	(3)	–	–
EEC: Appui au renforcement de la societé civile dans le cadre de participation au processus de réforme de la justice pénale en Haïti	48	–	48	(48)	–	–
EEC: Appui des Elections locales, legislatives et Presidentielles en Haiti	1	–	1	–	–	1
EEC: Ecological and financial sustainable management of the Guiana Shield Eco-region, Guyana	381	–	381	502	(493)	390

Name of trust fund	*Net assets 31 December 2012*	*Prior period adjustments*	*Adjusted opening balance*	*Revenue*	*(Expenses)*	*Net assets 31 December 2013*
EEC: Barbados/Overseas Territories of the Caribbean Regional Risk Reduction Initiative	(23)	–	(23)	388	(414)	(49)
EU: Electoral Observation Mission to El Salvador, 2009	(27)	–	(27)	–	–	(27)
International Commission Against Impunity in Guatemala	10 966	–	10 966	6 729	(12 672)	5 023
Programme for Democratic Development in Latin America	5	–	5	–	–	5
UNDP Trust Fund for Assistance to the Haitian National Police	87	–	87	(74)	–	13
UNDP/Spain: Trust Fund for Integrated and Inclusive Development	8 633	–	8 633	2 029	(4 972)	5 690
UNDP/Spain: Trust Fund for Support to the Governance in Central America	16	–	16	–	–	16
Total Fund Manager: UNDP Latin America and the Caribbean	**21 883**	**(124)**	**21 759**	**8 927**	**(18 913)**	**11 773**
Fund Manager: UNDP Office of Evaluation						
Norway Trust Fund for Evaluation Office of UNDP	81	–	81	(21)	–	60
Total Fund Manager: UNDP Office of Evaluation	**81**	**–**	**81**	**(21)**	**–**	**60**
Fund Manager: UNDP Technical Cooperation among Developing Countries						
India, Brazil and South Africa Facility	12 271	–	12 271	3 135	(2 259)	13 147
Perez-Guerrero Trust Fund for Economic and Technical Cooperation among Developing Countries	7 173	–	7 173	319	(432)	7 060
UNDP Trust Fund for the Promotion of South-South Cooperation	6 487	–	6 487	2 332	(3 065)	5 754
Total Fund Manager: UNDP Technical Cooperation among Developing Countries	**25 931**	**–**	**25 931**	**5 786**	**(5 756)**	**25 961**
Grand total trust funds	**1 108 557**	**6 572**	**1 115 129**	**753 482**	**(975 956)**	**892 655**

Abbreviations: CIDAH, Inter-Sectoral Commission on Demining and Humanitarian Assistance; ECHO, Directorate-General for Humanitarian Aid and Civil Protection; ECOWAS, Economic Community of West African States; EEC, European Economic Commission; EEG, Environment and Energy Group West African State; IDA, International Development Association; PAPP, Programme of Assistance to the Palestinian People; UEMOA, West African Economic and Monetary Union; UNSECOORD, United Nations Security Coordinator.

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