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Financial report and audited financial statements

for the year ended 31 December 2014

and

Report of the Board of Auditors

Volume I
United Nations

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Note

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

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Contents

Letters of transmittal

Letter dated 31 March 2015 from the Secretary-General addressed to the Chair of the Board of Auditors

In accordance with financial regulation 6.2 of the Financial Regulations and Rules of the United Nations, I have the honour to transmit the financial statements of the United Nations for the year ended 31 December 2014, which I hereby approve. The financial statements have been certified by the Controller.

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

(*Signed*) **BAN** Ki-moon

Letter dated 30 June 2015 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you volume I of the report of the Board of Auditors on the financial statements of the United Nations for the year ended 31 December 2014.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania
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 operations of the United Nations as reported in volume I, which comprise the statement of financial position as at 31 December 2014 (statement I), the statements of financial performance (statement II), changes in net assets (statement III), cash flows (statement IV) and comparison of budget and actual amounts (statement V) for the year ended 31 December 2014, and the notes to the financial statements.

Management's responsibility for the financial statements

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

Auditors' responsibility

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 the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including 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 evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations as at 31 December 2014 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the United Nations 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 the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of the operations of the United Nations as reported in volume I.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
Chair of the Board of Auditors

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

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India

30 June 2015

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 for the year ended 31 December 2014 and examined a range of managerial issues. The Board examined financial transactions and operations at Headquarters in New York, the offices at Geneva, Vienna and Nairobi and other entities, including country offices and projects. The Board has also reported separately on many of the major business transformation projects of the United Nations.

Opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations as at 31 December 2014 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

The production of IPSAS-compliant financial statements for the Secretariat entities in 2014 is a commendable achievement, but there remains considerable scope to improve the efficiency of the procedures in place for preparing them.

Overall conclusion

The United Nations needs to improve its financial management to cope with the combined challenges of fiscal constraints and the continuing demands and expectations of wider and expanding mandates. While the Administration seeks improved ways of controlling and reducing costs, the General Assembly has mandated the Secretariat to deliver effectively and efficiently, without reducing mandated activities. Using financial resources well releases more funds for front-line activities, which Member States value most highly. This requires transforming the finance function from a focus on managing transactions to a more strategic role in challenging, interpreting and advising managers on the full costs and financial implications of their activities to help them to achieve the Organization's strategic objectives. Staff throughout the Organization also need to be more financially literate if they are to make full use of the new tools and systems available. Becoming more efficient and cost-effective is no longer optional — it is essential. Traditional skill sets in the Organization are, however, unlikely to match the new requirements and investment in a financial management training programme may therefore be necessary.

The absence of a comprehensive set of managerial tools and methodological frameworks for managing and controlling costs has significantly limited the Administration's ability to understand where opportunities lie to better manage or reduce costs. The Organization needs to develop appropriate data analytics, costing methodologies and updated policies and procedures to gain a deeper understanding of its underlying costs. That information can then be used to benchmark and measure costs in a way that promotes increased cost-consciousness, improved value for money and a culture of continuous improvement in financial management practices.

The Administration acknowledges the importance of the issues raised by the Board and recognizes the need to improve the ways in which cost data are used to support decision-making by management. While the existing budget framework and methodologies and the costing data obtained through the budget process permit some valuable analysis and monitoring of costs, the Administration plans to use the improved functionalities offered by Umoja to develop better tools for measuring costs at a more granular level. The Administration has informed the Board that, although detailed policies and procedures are not yet in place, it intends to develop policy guidance on managing costs in 2015 that will be included in forthcoming Secretary-General's bulletins and administrative instructions. The Board will review the steps taken to improve the management of costs during its audit of 2015 data.

The Organization also needs to improve the efficiency and strategic focus of its human resources management. Just as finance, human resources functions in the Secretariat have traditionally focused on transactional management issues and not developed more strategic and advisory roles within the Organization. Current systems and databases are not integrated or well suited to supporting core human resources tasks, such as workforce planning, professionalizing the workforce, classifying and reviewing posts, recruiting staff or managing staff absences. A wide-ranging package of reforms is currently under way, with improved human resources information available under Umoja. Such developments present a major opportunity for the Office of Human Resources Management to improve its internal processes and play a more strategic role in advising and supporting senior managers to deliver their mandates more efficiently and effectively. Strengthening the core professional skills of human resources staff will also be necessary if the Office is to lead that transformation.

The Administration is concurrently delivering major business transformation and modernization projects, but the pace of organizational-level improvement has been slow and only limited progress has been made in changing long-entrenched ways of working. Although a global service delivery model is to be submitted to the General Assembly for consideration at its seventieth session, the Secretariat has not yet developed a clear vision of how it will organize itself to better deliver mandates in the future. The scale and range of transformation projects are extremely ambitious and, while good progress has been made in some areas such as IPSAS, there are emerging signs that implementing them simultaneously is beginning to place strain on the capacity of the Organization to make strong progress in other areas. For example, much work remains to be done to fully embed enterprise risk management at all levels of the Organization and to build effective measures to counter fraud throughout the Organization.

Key findings

On financial performance and management

The Organization has successfully implemented IPSAS and its financial position remains stable. There is, however, significant scope to improve the procedures for preparing and finalizing the financial statements and to drive further benefits from IPSAS by making greater use of the improved information becoming available from Umoja. The production of IPSAS-compliant financial statements for 2014 was challenging and took longer than planned. The Administration has developed benefits realization plans based around five broad categories of desired outcomes and is tracking their delivery. To maximize the benefits from IPSAS and Umoja, there is a need to fundamentally transform the finance function from a focus on transaction management to an effective strategic value-adding function, based on better and more efficient provision of financial advice and services that help United Nations entities to deliver their mandates more effectively. Traditional finance skills are unlikely to match those required to support that transformation.

The United Nations should improve its understanding of and insights into the cost of its operations to manage them effectively. Historically, management accounting and costing have been underdeveloped specialisms throughout the United Nations and existing legacy systems do not provide comprehensive detailed information on costs. While some methodologies have been developed around standardized staff costs and programme support costs, they were developed many years ago and cover only specific elements of the Organization's costs. The Organization has not developed data analytics, comprehensive methodological frameworks or other managerial tools for analysing, benchmarking or managing costs effectively. The limitations of the current systems and the approach to managing costs do not enable the Secretariat to promote a strong culture of cost-consciousness or drive value for money and continuous improvement.

Analysis of United Nations staff costs revealed increases in costs and grade drift over time, together with marked differences in the costs of employing staff at the main United Nations locations. The high gross salaries obtained by some senior General Service staff in some locations were also noted. A greater insight into and deeper understanding of the costs of its activities and services would enable the Administration to analyse and benchmark its costs to better control its administrative costs and overheads.

On managing the workforce

It is vital that the United Nations make best use of its key resource, its workforce. It has, however, made limited progress against the concerns raised by the Board in its previous report. Although the Management Committee endorsed a new learning and career support strategy in 2014, the United Nations is still implementing it and has not yet produced workforce plans.

The Office of Human Resources Management is not currently involved in the process of creating, continuing, reclassifying and abolishing posts, which is part of the budget process. It has no role in post-budget monitoring and analysis of trends and profiles of the workforce. Although significant decisions with long-term implications are taken under delegated powers of authority, the Office is not in a position to exercise adequate oversight of the exercise of such delegations. Those systemic gaps and lack of integrated and standardized data on posts, positions and staff prevent the Office from carrying out strategic human resources functions effectively.

The audit noted weaknesses in areas such as performance management and managing staff absences. The Administration does not collect comprehensive information about the health and disability profile of employees and hours lost to sick leave. The United Nations has not established an assurance framework to monitor compliance with the policy on access to facilities, employment opportunities and availability of reasonable accommodation for staff members with disabilities.

On enterprise risk management

The Administration is continuing to develop its approach to enterprise risk management, but progress has been slow and further work is required to embed enterprise risk management in departments' day-to-day work. The Administration has made good progress in some areas, in particular managing the six critical risks identified by senior management. It has, however, made insufficient progress in embedding enterprise risk management throughout the Organization as a whole. The Administration has developed six risk-treatment plans to mitigate enterprise risks, but there is no overall plan governing the implementation of enterprise risk management throughout the Organization. Departments lack adequate resources and skills to support enterprise risk management. Consequently, few have developed internal risk registers and risk-treatment plans. The pace of implementation needs to increase significantly if enterprise risk management is to be embedded in the United Nations within a reasonable period.

On managing the risk of fraud

The Administration has made insufficient progress in response to the Board's previous recommendations on strengthening measures to counter fraud. The Organization has not yet conducted a comprehensive fraud risk assessment or developed a counter-fraud strategy. Policies and procedures relating to fraud remain fragmented and little substantive progress has been made in recovering the significant losses from fraud identified to date. Those defrauding the Organization are not systematically pursued. The procedures for exercising due diligence before employing partners have not yet been strengthened. Provisions for legal redress and restitution have not been incorporated into agreements with implementing partners. Many departments failed to provide an annual return on the levels of fraud identified in 2014 and overall reported levels remain very low.

On procurement and contract management

The Administration has introduced reforms to modernize and streamline procurement, but there is considerable scope to strengthen the procurement function and improve compliance with regulations. The reforms have, however, been focused on pre-award contract activities, with less attention directed towards managing contracts effectively. The Board continues to identify examples of non-compliance with the procurement regulations and rules and examples of the Procurement Division having overreached its delegated authority. Clarification of the circumstances in which such delegations can be exercised by the Division and where it would be appropriate to seek approval from a higher body such as the Headquarters Committee on Contracts would ensure greater transparency and scrutiny of procurement actions. Enhancing the level of professional procurement and commercial skills of staff would strengthen the procurement function and help to extract maximum value from commercial relations.

On special political missions

Special political missions are an important part of the Organization's peace operations, but the Administration has not yet developed a coherent framework for supporting them and delivering defined levels of capability and capacity. The missions are supported primarily by the Department of Political

Affairs and the Department of Field Support, but financial and performance data do not provide adequate information to manage them effectively. Although the complexities and challenges of managing such missions have been under discussion for a considerable period, the Administration has not yet filled some fundamental gaps in its understanding of the true cost of supporting and backstopping the missions, nor has it developed a coherent framework for defining the capabilities and capacities expected of them.

There is inadequate financial and other information on the nature and cost of official travel in special political missions. As was the case in peacekeeping operations, there was widespread non-compliance with the requirement to observe the 16-day advance purchase rule. Although the proportion of funding spent on official travel by special political missions has remained at a level equivalent to around 4 per cent of total expenditure, there is scope to reduce this. The amount of funding provided to the missions generally exceeded the expenditure incurred by a generous margin. Most travel cases examined by the Board did not comply with the requirement to purchase tickets at least 16 days before travel to obtain the most favourable prices. Inadequate management information systems hinder the Administration's ability to monitor and control travel costs effectively.

On business transformation

The Administration is implementing an ambitious programme of concurrent transformation projects, but has no overall vision in place or a central plan to align them and coordinate their implementation. This risks placing an unsustainable cumulative demand on a small core group of departments and staff. The Administration does not yet have a clear and agreed target operating model. It plans to submit a revised global service delivery model to the General Assembly at its seventieth session, but that model will address only transactional administrative support processes. A global service delivery model that considers all aspects of United Nations activities, including programme activities, would provide a more coherent plan for supporting the efficient and effective delivery of mandates. It would also avoid the risk of the Organization developing a service model that reinforces redundant or outdated organizational structures.

Recommendations

The Board has made recommendations throughout the report. The main recommendations are that the Administration:

(a) **Prepare a detailed and achievable timetable for preparing its 2015 financial statements, taking into account the lessons learned from the 2014 exercise and the timeline for implementing Umoja;**

(b) **Develop plans for transforming the finance function into a more strategic value-adding service and support that transformation with a wider financial management training programme to enhance financial literacy and management across the Organization;**

(c) **Develop standard approaches and methodologies for measuring the costs of providing services to internal and external users; and identify how Umoja can support more transparent recording, analysis and reporting of the full costs of activities;**

(d) **Develop an appropriate mechanism to ensure that budget and human resources functions currently handled in silos by the Office of Human Resources Management and the Office of Programme Planning, Budget and Accounts are better coordinated to improve strategic human resources planning; review job profiles to ensure that each post is categorized within an appropriate job family and network using a common standard classification system; and consider the scope for developing a workforce planning module in the scope of Umoja;**

(e) **Develop a detailed implementation plan for all elements of enterprise risk management that sets out a clear timetable, milestones, deliverables and resources required;**

(f) **Take concerted and urgent action to strengthen its counter-fraud policies and procedures;**

(g) **Revise the United Nations Procurement Manual and associated guidance material to clarify the circumstances in which delegated authority can be exercised and to indicate the criteria to be applied to determine when issues should be referred to a higher body;**

(h) **Continue to enhance its procurement and contract management capability by continuing its efforts to develop a career path for procurement professionals. This should include further training and other avenues, for example outward secondments, and the continued recruitment of procurement professionals;**

(i) **Work with all involved entities to develop a target operating model for the provision of support to all special political missions that clearly defines roles and responsibilities, the resources required and how performance would be measured;**

(j) **Include consideration of wider aspects of United Nations operations in subsequent phases of the global service delivery model, so as to ensure effective support to programmes.**

Follow-up of previous recommendations

Of the 47 extant recommendations, 5 (11 per cent) have been fully implemented, 19 (40 per cent) are under implementation, 18 (38 per cent) have not been implemented and 5 (11 per cent) have been closed by the Board. Overall, the Board judges that management is, on the whole, committed to implementing its recommendations, but expects to see more urgent progress made in implementing the recommendations relating to strengthening counter-fraud measures, enterprise risk management, business transformation and financial management and accounting. Annex I provides a more detailed summary of the action taken in response to the Board’s previous recommendations.

Key facts

$5.82 billion	Total revenue
$6.17 billion	Total expenses
$348 million	Deficit for the year
$7.5 billion	Assets
$5.8 billion	Liabilities
$1.7 billion	Total net assets
41,426	United Nations staff
$2.69 billion	Employee salaries, allowances and benefits

A. Mandate, scope and methodology

1. The United Nations, founded in 1945, provides the main forum for its 193 Member States to meet and take collective measures through its principal organs: the General Assembly, the Security Council, the Economic and Social Council, the Trusteeship Council, the International Court of Justice and the Secretariat. Under the Charter of the United Nations, the Organization can take action on a wide range of vital and complex issues. That has led to its evolution into a complex organization comprising a headquarters in New York made up of multiple departments and offices, as well as entities (many with their own governance structures and systems) and offices away from Headquarters and projects across the globe. The United Nations employs 41,426 staff to deliver its mandates.

2. The financial statements for the operations of the United Nations as reported in volume I encompass the full range of activities, entities and programmes falling under the auspices of the Secretariat and include all funds other than those of peacekeeping operations, United Nations escrow accounts, the United Nations Compensation Commission, the International Tribunal for the Former Yugoslavia, the International Criminal Tribunal for Rwanda and the International Residual Mechanism for Criminal Tribunals, which are reported separately.

3. The 2014 financial statements are the first to be prepared under the International Public Sector Accounting Standards (IPSAS) and comprise five separate primary statements supported by explanatory notes.

4. The Board of Auditors has audited the financial statements of the United Nations for the financial year ended 31 December 2014 in accordance with General Assembly resolution 74 (I). The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. The latter 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.

5. The Board conducted the audit at Headquarters in New York and the offices at Geneva, Vienna and Nairobi, in addition to visiting operations, projects and offices in Colombia, Ethiopia and Kuwait. The Board coordinated its work with the Office

of Internal Oversight Services (OIOS) to avoid unnecessary overlap of effort and to determine the extent of reliance that could be placed on its work. The Board's report was discussed with management, whose views have been appropriately reflected.

Scope

6. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the United Nations as at 31 December 2014 and the results of its operations and cash flows for the financial period, in accordance with IPSAS. This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent the Board considered necessary to support its audit opinion.

7. The Board also reviewed the operations of the United Nations under financial regulation 7.5, focusing on areas of fundamental importance to the capability, effective management and reputation of the United Nations, in particular financial performance and management (sect. C below), managing the workforce (sect. D), enterprise risk management (sect. E), managing the risk of fraud (sect. F), procurement (sect. G), a review of the management of special political missions (sect. H) and the management of business transformation (sect. I).

8. The coverage of those topics complements the Board's separate examinations of major United Nations business transformation projects, in particular the Board's fourth annual progress report on the implementation of the United Nations enterprise resource planning system (A/70/158), published in July 2015.

B. Findings and recommendations

Follow-up of previous recommendations

9. Of the 47 extant recommendations, 5 (11 per cent) have been fully implemented, 19 (40 per cent) are under implementation, 18 (38 per cent) have not been implemented and 5 (11 per cent) have been closed by the Board (see table II.1).

10. An implementation rate of 11 per cent is a significant decrease from the rate of 63 per cent reported previously. It is important to note that this is partly caused by the move to annual reporting, given that the Administration has had nine months to implement the 28 recommendations made in 2014 as opposed to 21 months under the biennial reporting structure. The Board notes, however, that the rate of implementation after nine months for recommendations made at the sixty-fifth session and sixty-seventh sessions was 40 and 41 per cent, respectively.

11. Of the 18 unimplemented recommendations, 8 relate to the United Nations approach to managing the risk of fraud, reflecting the limited progress made (see sect. F). Seven recommendations relate to financial management and accounting, reflecting the high demands placed on the Office of Programme Planning, Budget and Accounts in producing the first IPSAS-compliant financial statements and supporting the implementation of Umoja.

12. The Board judges that management is, on the whole, committed to implementing its recommendations. The reduced rate of implementation is partly a result of the high demands placed on the Secretariat from the concurrent implementation and prioritization of major reform initiatives (see sect. I). The Board expects, however, to see more urgent progress made in implementing its recommendations, in particular those relating to strengthening counter-fraud measures, enterprise risk management, business transformation and financial management and accounting. Annex I provides a more detailed summary of the action taken in response to the Board's previous recommendations.

Table II.1
Status of implementation of recommendations

	Fully implemented	*Under implementation*	*Not implemented*	*Overtaken by events*	*Closed by the Board*
Total	**5**	**19**	**18**	**–**	**5**
Percentage	11	40	38	–	11

Source: Board of Auditors.

C. Financial performance and management

Implementation of the International Public Sector Accounting Standards

13. The 2014 financial statements are the first set of IPSAS-compliant financial statements produced for the Secretariat and the Board has certified them with an unqualified audit opinion. The IPSAS accrual basis of accounting recognizes transactions and other events when they occur and not only when cash or its equivalent is received or paid. Adopting IPSAS introduces new terminology and changes the way in which transactions are treated and presented in the financial statements. Given that IPSAS require the reporting entity to be defined, a boundary was drawn between the Secretariat activities reported in volume I and those activities reported in volume II (United Nations peacekeeping operations) based primarily on existing financial reporting structures. Further refinement of the boundary may be appropriate over time.

14. While compliant with IPSAS, the boundary is not rigid. For example, two peacekeeping operations (the United Nations Truce Supervision Organization and the United Nations Military Observer Group in India and Pakistan) are reported herein, while Umoja is classed as an asset of the Secretariat although it was funded mainly by entities listed in volume II. There is also a single management and governance structure for the two "entities". This means that there is scope for the Administration to consider how the Secretariat financial statements may be presented in the future.

15. Recognizing all assets and liabilities of the Organization as they are incurred provides improved information for decision makers. It also enables Member States and other users of the financial statements to understand more readily the true financial position and performance of the Organization. The adoption of a common set of accounting standards throughout the United Nations system also facilitates

easier and more useful comparison of financial performance across and between organizations.

16. The statement of changes in net assets (statement III) reconciles the balances reported in the 2012-2013 audited financial statements, prepared under the United Nations system accounting standards, with the opening balances in the 2014 financial statements, prepared under IPSAS. Total adjustments of $1,245 million were made to establish IPSAS-compliant opening balances. Significant adjustments were necessary to recognize assets such as property, plant and equipment and to recognize revenue in line with IPSAS requirements.

17. The Administration also reviewed the recoverability of receivables and identified impairments totalling $258.1 million where amounts were not deemed recoverable, including an allowance of $203.2 million for assessed contributions contested by Member States. Although a prudent accounting judgement, it does not mean that the Member States concerned are relieved of the liability for the contested amount, nor is the Organization relieved of its responsibility to continue to pursue it. Allowances have also been made against loans to peacekeeping operations ($47.3 million) and against other receivables and voluntary contributions deemed irrecoverable ($1.8 million).

18. While the overall quality of the financial statements has improved, the level of detailed information provided has been reduced in some areas. For example, although fully compliant with IPSAS, detailed supporting schedules showing the activity of individual major trust funds are no longer provided. The form and content of notes and disclosures in financial statements often evolve over time to meet stakeholder needs and IPSAS encourage additional disclosures where they are of value to stakeholders.

Preparation of financial statements

19. The process of preparing financial statements for 2014 was challenging and took longer than planned to complete. The Secretariat was learning as it went through the process because there was no “dry run” exercise to facilitate problem identification and learning. There were also conflicting pressures on staff associated with the implementation of Umoja because they were required to attend training and complete data cleansing and conversion tasks alongside finalizing the financial statements. The Secretariat was overstretched and lacked sufficient financial management capacity to implement IPSAS smoothly and efficiently. It relied disproportionately on a relatively small number of skilled staff and performed an insufficiently thorough management review to identify all the errors in the first draft set of financial statements. Consequently, although implementing IPSAS throughout the entities is a highly commendable achievement, there is scope for considerable improvement in the procedures for preparing the accounts in future years.

20. Implementing Umoja throughout the Secretariat entities in June and November 2015 will place even greater demands on the Office of Programme Planning, Budget and Accounts than was the case in 2014. A comprehensive timetable for preparing the accounts and a stringent quality assurance regime will therefore be required to ensure that the 2015 financial statements are submitted by 31 March 2016. In that regard, preparing interim financial statements may help to spread the workload more evenly across the year, reduce some of the burden on Headquarters staff at year-end and help to identify and correct early any errors in the accounting records.

21. **To improve account preparation procedures in 2015, the Board recommends that the Secretariat:**

(a) **Prepare a detailed and achievable timetable for preparing its 2015 financial statements, taking into account the lessons learned from the 2014 exercise and the timeline for implementing Umoja;**

(b) **Ensure sufficient finance staff with the required skills are available to complete the key accounting tasks required in the time available;**

(c) **Integrate key Umoja activities, such as data cleansing and conversion, training and user-support activities, into the planning of and timetable for the preparation of the accounts to ensure that the activities are aligned;**

(d) **Perform an effective management review of the draft financial statements before their submission to the Board.**

Benefits of the International Public Sector Accounting Standards

22. To achieve the full benefits of implementing IPSAS, the Organization needs a clear vision of the desired outcomes. The Administration has identified five broad categories of benefits and developed a formal benefits realization plan, including opportunities for longer-term changes. Key benefits expected from IPSAS include alignment with best practices, improved stewardship of assets and liabilities, more comprehensive information on costs, improved transparency and accountability and greater consistency and comparability throughout the United Nations system.

23. The Administration recognizes that some benefits will be realized swiftly, for example more comprehensive information on real estate that can be used to drive improvement in property management. Other benefits will take longer to accrue because they require enhanced financial management skills throughout the Organization.

24. Some of the early benefits attributed to IPSAS, such as improved management of accounts receivable and property and inventory management, were not in fact dependent on changing financial reporting standards. Given that those balances were reported in prime financial statements under IPSAS, however, the Organization risked a qualified audit opinion if it failed to state them fairly. It therefore took concerted action as part of implementing IPSAS to verify the value and condition of those assets.

Enhancing the strategic role of the finance function

25. The implementation of IPSAS, coupled with the deployment of Umoja, offers wider and more strategic benefits by making available more comprehensive information on costs to improve decision-making, financial management and cost recovery. The continuing financial pressures and constraints on the United Nations also reinforce the need for an enhanced role for the finance function to challenge and advise on all aspects of operational and programme delivery.

26. This requires a fundamental transformation of the finance function from a focus on transaction management to an effective strategic value-adding function based on better and more efficient provision of financial advice and services that help United Nations entities to achieve their objectives. Finance functions must also

lead the drive towards improved financial management as a whole by helping managers to understand costs and how to deliver mandates more cost-effectively.

27. Traditional finance skills are unlikely to match those required to support that transformation. There will be a greater need for financial, management and cost-accounting skills. At the same time, using a suite of new value-adding services such as improved data analytics and reports, the finance function will be working with a wider "customer", or user, base, which will also require training and education to maximize the value from the transformational gains. The Administration has developed awareness training for staff to inform them of the benefits of IPSAS and the action needed to ensure that IPSAS will help to transform the Organization's financial management and its administrative and financial processes. It has not, however, yet looked beyond that to identify the competencies and skills required to maximize the benefits of up-to-date financial management processes.

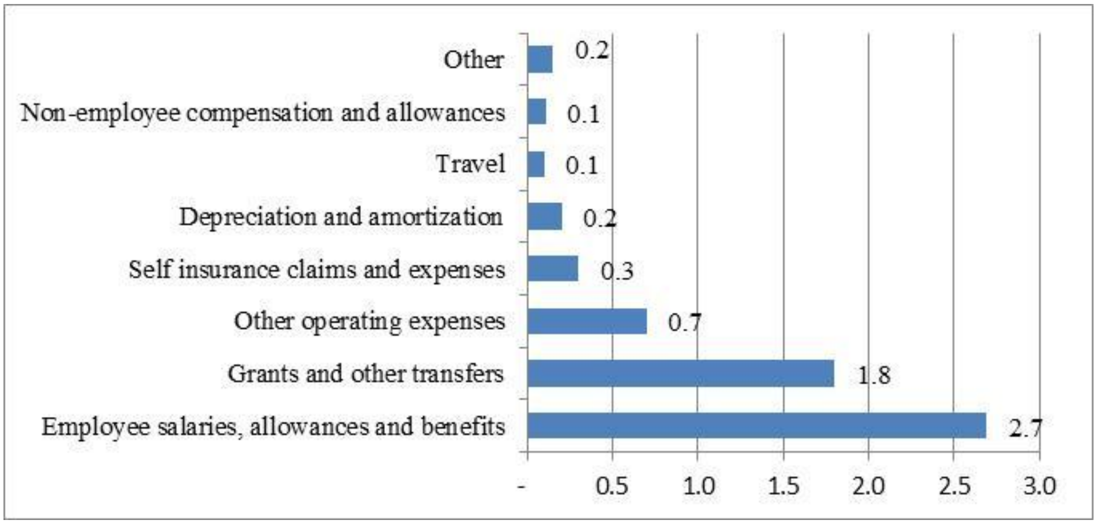
28. **The Board recommends that the Administration transform the finance function into a more strategic value-adding service and support that transformation with a wider financial management training programme to enhance financial literacy and management across the Organization.**

29. The Administration has informed the Board that it considers the professionalization and transformation of the finance function into a strategic value-adding service to be essential to leveraging the benefits of the transformation that the Organization has undergone in recent years. An IPSAS sustainability plan for the United Nations, endorsed by the Management Committee in June 2015, emphasizes that and presents an action plan to support the professionalization of the finance function.

Financial overview

30. In 2014, total revenue was $5.82 billion and expenses were $6.17 billion. Assessed and voluntary contributions totalled $5.19 billion, or 89 per cent of total revenue. Employee salaries and benefits represented $2.69 billion, or 45 per cent of the total expenses across regular budget and extrabudgetary activities. Grants and transfers to partners and other organizations to implement agreed programmes accounted for a further $1.82 billion, or 29 per cent (see fig. II.I). Given that this is the first set of annual accrual-based accounts, it was not possible to include fully comparable figures for the prior year.

Figure II.I
United Nations expenses, 2014
(Billions of United States dollars)



Source: Board analysis of United Nations financial statements (volume I) for 2014.

31. The financial report prepared by the Secretariat provides a comprehensive overview of the financial position of the United Nations (see chap. IV). Overall, the financial health of the United Nations remains sound and the Organization has sufficient assets to cover its liabilities.

32. The United Nations has amassed large unfunded liabilities in respect of employment benefits ($4.87 billion). They are, however, matched by large assets such as its land and buildings (with a net value of $2.9 billion) and cash and investments ($2.66 billion). Approximately half of the cash and investments are "restricted" because they relate to cash held in project trust funds and staff insurance fund reserves. They are not therefore owned by or available to the General Fund to discharge its liabilities. Borrowing from the Working Capital Fund and the special accounts was again necessary in 2014 to ensure that the United Nations could fund all its activities.

33. Total reserve balances (total net assets) fell by some $1.3 billion in 2014 to $1.7 billion. That significant reduction was almost entirely attributable to the net deficit of $348 million reported in 2014 and a small (1.2 per cent) change in the discount rate applied by the actuary when valuing post-employment benefits. This shows how susceptible the Organization's financial position is to changes in wider international market conditions. The Board has further analysed the Organization's financial health using a range of key financial ratios (see table II.2). Those broad ratios also confirm that the Organization has sufficient assets overall to meet both its short-term and longer-term liabilities.

Table II.2
Financial ratios

Description of ratio	*31 December 2014*	*1 January 2014*
Current ratio[a]		
Current assets: current liabilities	2.73	2.53
Total assets: total liabilities[b]		
Assets: liabilities	1.29	1.63
Cash ratio[c]		
Cash + short-term investments: current liabilities	1.50	1.41
Quick ratio[d]		
Cash + investments + accounts receivable: current liabilities	3.36	3.28

Source: Board analysis of United Nations financial statements (volume I) for 2014.

[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 indicates an entity's liquidity by measuring the amount of cash, cash equivalents or invested funds included 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.

Regular budget

34. The original budget for the biennium 2014-2015 was approved by the General Assembly in its resolution 68/248 A at $5.53 billion and subsequently revised, through resolution 69/263 A, to $5.65 billion. For 2014, the United Nations recognized revenue of $2.86 billion (49 per cent) relating to the assessed regular budget, representing the proportion invoiced in 2014. The introduction of annual financial statements under IPSAS means that the statements are no longer aligned with the biennial budget period. Comparing outturn in 2014 against the "annualized" biennial budget is therefore only a partial or interim process because a comprehensive and meaningful review of spend against the budget can be performed fully only at the end of the biennium.

35. While the United Nations has introduced accrual accounting for the financial statements, its budget remains on a cash basis. Consequently, IPSAS require a reconciliation of the accrual-based accounts with the cash-based budget outturn. This is reported in statement V and compares, at a summary level, to the information previously reported in the statement of appropriations. Note 6 to the financial statements also includes a reconciliation of the total actual budget expenditure reported in statement V ($2.9 billion, including capital master plan expenses) with the corresponding figures in the statement of cash flows.

Management of costs

36. In a period of financial constraint and growing pressure on spending from increasing demands and expanding mandates, becoming more efficient and cost-effective is no longer optional for the United Nations. Good financial management

practice demands that managers use money well and that resources reach front-line activities that are highly valued by Member States and stakeholders, rather than being tied up in administrative or low-value activities. The Secretariat has taken action in recent years to reduce support costs in response to budgetary pressures, and continues to do so, but continuing to make further cuts to budgets is unlikely to be a sustainable approach in the longer term.

37. Having a deeper understanding of and greater insight into the costs of the activities performed will enable the Administration to better analyse, benchmark and manage its costs. The limitations of the current systems and managerial tools, however, prevent management from gaining a sufficiently thorough understanding of cost structures. To date, management has not developed the information systems, analytical tools or skills necessary to build an understanding of the costs at a detailed granular level. Common United Nations frameworks or methodologies for identifying, classifying or managing costs have not been developed and each entity has therefore developed its own approach.

38. Although methodologies have been developed for establishing standard staff costs and also for setting programme support costs (with the aim of ensuring that any additional costs would not be borne by regular budget funds or other core resources), most of that work was performed in the 1980s and has since not progressed very far. In the case of the United Nations, the costs recovered in respect of support for extrabudgetary activities are not supported by detailed analysis that demonstrates that the full costs involved are truly recovered. For other services provided by United Nations departments to internal and external users, there is no standard methodology for costing those services and no systems are in place to capture costs comprehensively. In that regard, over the period 2010-2013, the United Nations financial statements show that revenue-raising activities of the Organization (such as catering operations and services to visitors) reported an overall loss of $870,000.

39. Management accounting and costing have been underdeveloped specialisms throughout the United Nations system and current United Nations legacy systems do not provide comprehensive financial information. While Umoja will provide the capability to systematically capture the costs of operations, the Administration needs to develop appropriate costing methodologies, tools and skills to measure and manage costs effectively.

40. **The Board recommends that the Administration:**

(a) **Develop standard approaches and methodologies for measuring the costs of providing services to internal and external users;**

(b) **Identify how Umoja can support more transparent recording, analysis and reporting of the full costs of activities.**

41. In its previous report, the Board estimated that 32 per cent of regular budget expenditure was related to administrative functions (A/69/5 (Vol. I), chap. II, para. 53). In 2014, $1.52 billion was spent on common support services. As part of its 2014 audit, the Board examined two areas of activity to analyse the costs in more detail. Specifically, it reviewed the composition of United Nations staff costs and examined how the costs of health insurance schemes are managed.

United Nations staff costs

42. The nature of Secretariat activities requires the support of many staff, meaning that significant staff costs are to be expected. In 2014, total expenditure on salaries, allowances and benefits was $2.69 billion (45 per cent of total expenditure), as shown in the statement of financial performance.

43. The salary levels of United Nations staff are promulgated by the International Civil Service Commission (ICSC) and the underlying principle[1] dates back to 1921. ICSC established the United States of America as its comparator for United Nations salaries and determines changes to each component of salaries annually. In that regard, the Board notes that, in a recent report,[2] the United States Government Accountability Office found that the margin between United Nations and United States civil service salaries had increased over the past 10 years (in favour of United Nations staff). The Office also reported that staff benefits were similar to United States civil service benefits, although United Nations leave benefits were more generous. For example, United Nations staff members can accumulate up to 60 days of leave during their career and receive those days as a lump-sum payment upon leaving the Organization. As at 31 December 2014, the accumulated and unfunded leave liability was $252 million (see note 19), with $12 million paid to staff members leaving in 2014. Closer management of accrued leave or alignment with less-generous comparator organizations could significantly reduce the Organization's unfunded liability.

44. The Board is aware that, in March 2013, ICSC launched a review of the United Nations common system compensation package with the objective of developing a revised system that is coherent and sustainable and addresses the expectations of its stakeholders. The outcome of the review, which is expected to be submitted to the General Assembly at its seventieth session, in the third quarter of 2015, provides an opportunity to simplify and streamline the staff benefits package and ensure that the benefits are properly aligned with the guiding principles.

45. The United Nations system for staff salaries, allowances and other benefits is complex. There are separate salary scales for the many categories in which staff are employed, and Professional and Field Service staff are also entitled to a post adjustment to compensate for the differences in living costs, thereby providing staff with the same relative purchasing power at all duty stations. Overall, the United Nations has some 300 separate categories for staff earnings, subsidies and deductions, ranging from dependency allowances for eligible spouses, children and other dependants to laundry allowances paid to just eight staff in 2014. As a consequence, United Nations staff performing identical jobs can be paid significantly different salaries depending on factors such as their location, the number of dependants that they have, the type of housing that they occupy, the number of languages that they speak and the number of years' service that they have accrued. Table II.3 provides a list of the major elements of United Nations pay and allowances paid through the Integrated Management Information System payroll systems in 2014 (78 per cent of total staff and related personnel costs).

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[1] The Noblemaire principle, which states in effect that, since there should be no difference in salary on the ground of nationality, the conditions of service of the international staff must be such as to attract citizens of the country with the highest pay levels.

[2] Available from www.gao.gov/products/GAO-13-526.

Table II.3
Major elements of United Nations pay and allowances
(Millions of United States dollars)

Payroll category	*Value*
Gross salary	1 251
Post adjustment	381
United Nations pension contribution	256
United Nations insurance contribution	73
Dependency allowances	38
Hardship element of mobility allowance	25
Overtime (gross salary)	15
Other payments	104
Total	**2 143**

Source: Board analysis of Administration data.

Regular budget posts

46. Analysis of staff in post shows that, for 2014-2015, the number of approved regular budget posts fell by 219, but that there has been an overall increase of 1,000 posts (11 per cent) to 10,118 since 2004-2005. The proportion of senior staff at the higher Professional grades (P-5 and above) relative to the number of total staff has also increased from 12 to 13.1 per cent.

47. Table II.4 shows that total expenditure on staff and related personnel costs over the period from 2004-2005 to 2012-2013 increased by 53 per cent. Overall, staff costs have remained fairly constant at between 73 and 75 per cent of the total regular budget.

Table II.4
Approved regular budget posts and expenditure on staff and other personnel costs

	2014-2015	*2012-2013*	*2010-2011*	*2008-2009*	*2006-2007*	*2004-2005*
Staff and other personnel costs (thousands of United States dollars)	..[a]	4 135 255	3 944 028	3 516 845	3 094 017	2 697 712
Approved posts	10 118	10 336	10 281	9 929	9 337	9 118
Senior staff (P-5 and above)	1 327	1 300	1 265	1 214	1 143	1 092
Other Professional staff	3 363	3 330	3 278	3 123	2 992	2 818
Other personnel	5 428	5 706	5 738	5 592	5 502	5 208
Percentage of senior staff	13.1	12.6	12.3	12.2	11.9	12.0

Source: Board analysis of United Nations regular budget and financial statements (volume I).
[a] Not available until 31 December 2015.

48. In view of the significant payroll costs incurred, the Board has reviewed the main factors driving those costs in recent years. In 2014, $2.1 billion (78 per cent)

of the Organization’s total payroll was processed through eight legacy Integrated Management Information System payroll instances. The Board has analysed the data relating to the past two years (2013 and 2014) using data analytic tools.

49. The analysis shows that the average cost per staff member per year increased only slightly, from $122,600 to $124,400, between the years. Calculating a simple average cost revealed that staff located in Geneva were the most costly, at $155,800, whereas the least costly staff were at the Economic Commission for Africa, at $63,600 (see table II.5).

Table II.5
Integrated Management Information System payroll costs by location

	2014			*2013*		
Integrated Management Information System instance	*Payments (millions of United States dollars)*	*Number of staff paid*	*Average (thousands of United States dollars)*	*Payments (millions of United States dollars)*	*Number of staff paid*	*Average (thousands of United States dollars)*
Headquarters	1 059.2	8 009	132.3	1 063.5	8 141	130.6
United Nations Office at Geneva	714.9	4 588	155.8	697.7	4 567	152.8
United Nations Office at Nairobi	67.1	1 030	65.2	62.3	1 061	58.7
United Nations Office at Vienna	59.5	633	94.0	57.7	631	91.4
Economic and Social Commission for Asia and the Pacific	73.3	868	84.5	78.5	851	92.3
Economic Commission for Latin America and the Caribbean	66.2	753	87.9	69.6	794	87.7
Economic Commission for Africa	57.8	909	63.6	57.1	902	63.3
Economic and Social Commission for Western Asia	44.8	430	104.3	43.7	426	102.5
	2 143.0	**17 220**	**124.4**	**2 130.1**	**17 373**	**122.6**

Source: Board analysis of Integrated Management Information System payroll data.

50. Further analysis of costs revealed some unexpected patterns. For example, senior General Service staff (G-7), including those in posts described as “Administrative Assistant” or “Chief of Unit”, were among the highest-paid staff, many earning similar gross salaries to under-secretaries-general. An analysis of the top 200 highest-paid United Nations employees (those earning $169,000 or more based on their gross salary in 2014) found that 73 were in the category of Assistant Secretary-General or higher, 8 were at the Director level, 62 at the G-7 level and 57 at the G-6 level.

51. The analysis also showed that overtime payments were relatively modest in 2014, at $15 million, but that $8.6 million of that amount was paid to security staff. Some individuals consistently worked high levels of overtime, however. For example, one received overtime payments of $62,000 in 2014 on top of a gross salary of $86,000.

Gender analysis

52. Using the payroll data for 2014, the Board performed an analysis of the distribution by gender, which showed a slight bias in the ratio in favour of the number of male staff compared with female staff (53 men to 47 women), but more pronounced bias in terms of the ratios evident in senior management categories of Director and higher (67 men to 33 women). This translated into a bias in the share of total remuneration paid to men compared with women (55 men to 45 women). In the General Service category, women outnumbered men by a ratio of 56 to 44 (3,208 women, 2,530 men).

Use of data analytics

53. The Administration does not yet have the tools to carry out comprehensive analysis of staff-cost data of the type performed by the Board. As noted in section D, the Office of Human Resources Management is also constrained by limitations in the completeness, accuracy and integration of its databases.

54. The Organization needs to develop appropriate data analytics, costing methodologies (beyond the standard costing techniques already in place) and updated policies and procedures to gain a deeper understanding of its underlying costs. That information can then be used to benchmark and measure costs in a way that promotes increased cost-consciousness, improved value for money and a culture of continuous improvement in financial management practices.

55. **The Board recommends that the Administration develop the tools, capacity and capability to generate comprehensive and detailed information that can be used to better understand, manage and control staff costs and to provide more accurate, timely and complete management information to support decision-making.**

Health insurance schemes

56. The Board has also analysed the Organization's health insurance schemes, which were established as part of the social security scheme for United Nations staff and retirees. Most of the schemes are self-insured. They provide health services to some 150,000 members and dependants. In 2014, claims to the value of $441.3 million were paid under the schemes. Contributions from the Organization and scheme members totalled $501.6 million. After taking account of the revenue earned on the invested surpluses and reserves and the costs of administering the schemes, the Administration held reserve balances of $346.2 million, equivalent to approximately eight months of claims.

57. The self-insured schemes are managed in two locations:

(a) United Nations Headquarters manages the United States-based medical and dental plans, the worldwide plan for internationally recruited field staff and retirees and the medical insurance plan for locally recruited field staff and retirees at designated duty stations. The programme is managed by third-party administrators that administer the plans and adjudicate claims on its behalf. Fees are paid to the administrators for their services;

(b) The United Nations Office at Geneva manages the United Nations Staff Mutual Insurance Society against Sickness and Accident for United Nations staff and retirees in Geneva and other staff and retirees of other Geneva-based organizations. The Society is self-administered and the local office reviews and adjudicates claims, as well as negotiating contracts with local providers and direct billing arrangements.

58. For each self-insurance plan, any excess of premiums, subsidy and rebates over claims and administrative expenses is maintained as reserves that are used to smooth out premium increases and to provide contingency cover for any catastrophic claim requirements. The cost of administering the schemes was $43 million; the relative costs are shown in table II.6. A simple calculation using the number of insurance claims and the claim costs shows that the average claim cost of the self-administered United Nations Staff Mutual Insurance Society against Sickness and Accident scheme is 2.7 times greater than the Headquarters-based schemes. The average transactional costs to process each claim range from $30 for the United States schemes to $106 for the medical insurance plan for local staff.

Table II.6
Costs of administering medical insurance

	Headquarters-based medical and dental plans	*Medical insurance plan for local field staff*	*United Nations Staff Mutual Insurance Society against Sickness and Accident*[a]
Self-insurance claims and expenses (thousands of United States dollars)	317 684	24 871	98 707
Operating costs (thousands of United States dollars)	21 875	4 124	3 505
Number of claims	720 004	38 979	83 363
Average claim cost (United States dollars)	441	638	1 184
Average operating cost per claim (United States dollars)	**30**	**106**	**42**

Source: Board analysis of United Nations financial statements (volume I) and Secretariat claim statistics.

[a] Operating costs exclude $13.5 million currency exchange losses from the revaluation of Swiss franc investments.

59. The Administration does not routinely perform such internal benchmarking analysis to review the costs of its operations, nor does it monitor such unit costs over time to track whether they are increasing or decreasing. Similarly, external benchmarks for similar insurance activities provided by other organizations are not employed to inform the Secretariat’s decision-making.

60. **The Board recommends that the Administration examine the underlying causes of the differences in average claim costs to determine whether there is scope to reduce the costs of administering the schemes.**

61. The Administration has informed the Board that differences in the location and category of insured persons have a significant impact on costs and that it does not consider it meaningful to compare average claim costs between the schemes. While the Board acknowledges that rational explanations may exist for the differences noted, it believes that they nevertheless warrant investigation and that movement in such costs should be monitored over time.

Insurance contracts

62. While the Administration recently awarded a new contract for the medical insurance plan to begin services in April 2015, the existing arrangements with the other service providers have not been reviewed for many years. The terms and conditions of the relationship and the respective rights and obligations of the United Nations and the insurance companies are set out in formal agreements. However, a recent audit by OIOS identified that the agreements with the service providers (third-party agreements) were not up to date, with some agreements not updated since 2000.[3]

63. The United Nations has previously exercised "open-book" access through independent audits of its third-party administrators with the objectives of measuring processing, payment and financial accuracy and claim turnaround time against industry standards and the Organization's performance guarantees. While the most recent audits provided assurance over the administration of the schemes, no such examination has occurred since 2009, meaning that the United Nations does not have independent assurance over the accuracy of claims paid and whether the third-party administrators are meeting their contractual obligations. In the intervening period, the third-party administrators have processed claims with a value of $1.533 billion.

64. **The Board recommends that arrangements be made to conduct an open-book audit of the third-party administrators to provide assurance over the accuracy of reported costs and activities performed by the Administration's agents and to confirm that they have complied with their contractual obligations. The inspection rights under those contacts should be exercised regularly in future.**

65. The Administration accepts the recommendation and has informed the Board that it is preparing a request for proposals aimed at selecting an audit firm to conduct the inspections.

D. Managing the workforce

66. Effective workforce management is critical to an organization's ability to achieve its objectives by ensuring that the organization has the right number of staff with the right skills in the right locations. The Office of Human Resources Management is responsible for aligning human resources with the delivery of mandates to ensure that the Secretariat carries out its functions efficiently and effectively (see ST/SGB/2004/8, para. 2.1). The Office employs 238 staff and provides support to some 41,426 staff throughout the Secretariat (as at 30 June 2014, see A/69/292) on an operating budget of $109 million (see table II.7).

[3] Audit of the administration and management of the health insurance scheme at United Nations Headquarters (2015/051).

Table II.7
Office of Human Resources Management budget requests by area, 2014-2015
(Thousands of United States dollars)

Area	*Regular budget*	*Assessed contributions*	*Extrabudgetary funding*	*Total*	*Percentage*	*Number of posts*
Executive direction and management	3 165	–	42	3 207	3	9
Policy	6 288	5 660	2 314	14 262	13	42
Strategic planning and staffing	12 471	2 471	996	15 938	15	50
Learning, development and human resources services	41 698	2 718	1 198	45 615	42	74
Medical services	6 642	4 107	2 747	13 496	12	41
Human resources information systems	7 398	9 114	–	16 511	15	22
Total	**77 662**	**24 071**[a]	**7 297**	**109 029**	**100**	**238**

Source: Administration data.
[a] Differences due to rounding.

67. In its previous report, the Board reported weaknesses in some of the fundamental aspects of workforce management, including:

(a) Lack of medium-term to long-term workforce planning;

(b) Need to perform an end-to-end review of the recruitment process and to put in place more accurate measures of its effectiveness;

(c) Lack of a comprehensive skills strategy, including key skills in core business functions such as finance;

(d) Weaknesses in performance evaluation of staff.

68. The Board made six recommendations, all of which are considered to be under implementation (see annex I). In 2014, the Board further examined the progress made in the areas of workforce planning, skills and capability, staff selection and recruitment and performance management.

Workforce planning

69. Workforce planning helps management to align the workforce with the delivery of its current business plans. It is also the basis by which management can plan for future workforce requirements in response to any changes in the Organization's mandates, structures and processes. In 2013, the General Assembly, in its resolution 68/252, urged the Secretary-General to develop a workforce planning system as a matter of priority. The Board reported in 2014, however, that no meaningful workforce planning was being performed and recommended that the Administration should develop a medium-term to long-term strategic workforce strategy and operational workforce plans informed by a review of the Organization's strategy, identifying any gaps in headcount, grades, knowledge and skills (see A/69/5 (Vol. I), chap. II, para. 164).

70. In response, the Secretary-General reported in August 2014 that workforce planning was on the reform agenda for the Office of Human Resources Management and a pilot project was planned (see A/69/353, para. 59). That work also remains in

its infancy, however, because the Office is currently according priority to implementing Umoja and the new mobility policy.

71. The Office is not currently involved in the process of creating, continuing, reclassifying and abolishing posts, which is part of the budget process. It has no role in post-budget monitoring and analysis of trends and profiles of the workforce. It is unable to exercise adequate oversight of the exercise of delegated authority, even though significant decisions with long-term implications are taken under such delegations. Those systemic gaps and lack of integrated and standardized data on posts and positions and staff prevent the Office from carrying out strategic human resources planning, structured periodic reviews or regular monitoring activities. It is a serious weakness and limits the Administration's ability to take a holistic and strategic view of human resources issues.

72. The Board found, for example, that the Office was not able:

(a) To actively track upcoming vacancies and tailor recruitment plans accordingly (e.g., by combining similar vacancies for group processing);

(b) To assess medium-term and long-term staffing requirements taking into account changing organizational requirements and mandates;

(c) To review job grading and profiles to assess whether the horizontal and vertical proliferation of posts continued to be functionally justified;

(d) To review posts that had been vacant for long periods to determine whether they were still required;

(e) To monitor educational status, qualifications, skills and development and training needs of the workforce;

(f) To analyse and ascertain the appropriate level at which a particular proposed post should be created or continued.

73. Without appropriate and effective policies, people, processes and information systems in place, the Office cannot perform any scenario analysis on the composition and financial costs of the workforce and is therefore not well placed to advise the Administration on any future resource model to support important management reforms such as new global service delivery models or staffing changes required to maximize benefits from Umoja.

74. **To address the shortcomings identified, the Board reiterates its previous recommendation and encourages the Secretariat to expedite work on developing workforce planning as a matter of urgency.**

75. The Administration has informed the Board that it continues to review and enhance the workforce planning methodology in coordination with Umoja and the mobility framework and that it plans to initiate a second pilot workforce planning exercise.

Lack of standard post classifications

76. A key role of a corporate human resources function is to ensure the standardization of job titles and codes. There are currently as many as 1,539 functional titles for the 41,426 staff members of the Secretariat. The system of job classification developed by ICSC and the mapping of the Common Classification of Occupational Groups codes to the budget codes for posts have not yet been fully

implemented. The Office of Human Resources Management holds no information on the extent of unclassified posts because classification is performed by individual departments under delegated authority. The standardization of job codes, functional title codes, Common Classification of Occupational Groups codes and budget codes for posts, coupled with the active tracking of upcoming planned vacancies, would allow the Office to consolidate recruitment for similar vacancies and could help to reduce delays and costs.

77. The Administration informed the Board that, in the context of the upcoming implementation of the mobility framework, the Office would conduct further assessment and analysis to harmonize and further streamline job titles for each category, level and job family.

78. Current information technology systems are also unable to support the Office to generate the required information easily. For example:

(a) Inspira, the Integrated Management Information System and the Nucleus system do not share a common approach to classifying job families, job function descriptions, job opening descriptions and job networks and do not use Common Classification of Occupational Groups codes;

(b) Data are stored in eight databases that are not synchronized and staff information is also maintained in other human resources systems;

(c) Details of the 41,426 posts do not include Common Classification of Occupational Groups codes, budget codes or any other unique coding indicating the key attributes of the post.

79. The Administration informed the Board that it expected Umoja to address those issues because it would serve as a single database containing details on posts and personnel, but that a workforce planning module was not in the current scope of Umoja.

80. **The Board recommends that the Secretariat:**

(a) **Develop an appropriate mechanism to ensure that budget and human resources functions currently handled in silos by the Office of Human Resources Management and the Office of Programme Planning, Budget and Accounts are better coordinated to improve strategic human resources planning;**

(b) **Review job profiles to ensure that each post is categorized within an appropriate job family and network using a common standard classification system;**

(c) **Consider the scope for developing a workforce planning module in the scope of Umoja.**

Delegations of authority

81. Delegating authority appropriately is a functional necessity in a globally dispersed international organization. In January 2010, the Secretary-General accepted the inadequacy of prevalent management information systems to support the delegation process and the need to clarify the responsibilities of all involved through a clear vertical chain of command and a central repository of all delegations (see A/64/640, para. 52).

82. The Office of Human Resources Management has not, however, developed a consolidated document containing up-to-date instructions setting out what decisions can be taken by whom in which entity, nor is there a clear vertical chain of command. Delegations of authority for decisions under the Staff Regulations and Rules of the United Nations are laid out in a number of Secretary-General's bulletins, administrative instructions, notes or memorandums on individual items. Consequently, oversight of the exercise of delegated authority is unstructured and informal, with no system of assurance reporting in place.

83. **The Board recommends that the Administration review, update and rationalize the current delegations of authority.**

84. **The Board also recommends that the Administration produce a consolidated policy document that clearly sets out delegations of authority and that the Office of Human Resources Management establish an assurance and oversight framework to monitor the exercise of delegated powers and ensure that they are exercised in conformity with the approved policy.**

Skills and capability

85. The Board recommended in its previous report that the Administration should develop a skills strategy for staff based on an improved understanding of current capability and existing skills gaps such as commercial skills for major projects, and on the skills required following the implementation of IPSAS and the roll-out of Umoja, such as professional training in financial management skills to lead financial management improvement and provide more strategic advisory services to the wider business (A/69/5 (Vol. I), chap. II, para. 177).

86. The Office of Human Resources Management has developed a new learning and career support strategy that was endorsed by the Management Committee in June 2014. The Administration has committed itself to developing skills to review and analyse financial information to support better management decision-making and work is under way to develop skills around the tracking and analysis of key financial ratios and key account balances.

Staff selection and recruitment

87. The Board previously recommended that the Administration should perform an end-to-end review of the recruitment process to reduce the lead time to fill vacancies (see ibid., para. 170). A review of the current recruitment process is in progress and will be extended to incorporate the mobility implementation design processes.

88. As reported previously, however, the measurement of the duration of the recruitment process does not cover the end-to-end process cycle from the day on which a vacancy arises to the day on which it is filled. Tracking the entire duration of the process would be more meaningful because it would enable the Office of Human Resources Management to analyse the entire process and identify the steps in the process experiencing the most delay. The Office is also failing to make use of information available on the date of superannuation of employees or the expiry of their term to track upcoming planned vacancies and proactively manage the recruitment process.

89. The General Assembly, in its resolution 68/265, requested the Secretary-General to give equal treatment to internal and external candidates when considering applicants for vacancies. The percentage of external candidate selection ranged between 29 and 38 per cent of total appointments made over the period from 2009 to 2014. The Board also noted that people holding temporary appointments with the United Nations were also considered to be external candidates when applying for jobs.

Well-being of staff

90. Staff absences due to sickness can be costly for organizations. The Administration does not collect comprehensive information concerning the health and disability profile of employees or the hours lost due to sick leave. While the Medical Services Division monitors hours lost due to absence from duty on medical grounds, there are gaps in the data and delays in their collection and consolidation. For example:

(a) Approval of up to 20 days is performed locally and not monitored or recorded centrally;

(b) There is no information collected on staff outside the Integrated Management Information System;

(c) There is no central reporting of health-care expenditure, and therefore no analysis performed of the reasonableness of those costs or review of any patterns of ill-health or absence that may require management intervention or present opportunities to reduce costs.

91. More widely, the United Nations has established a formal policy on access to facilities, employment opportunities and availability of reasonable accommodation for staff members with disabilities (ST/SGB/2014/3), but has no mechanisms or assurance frameworks in place to monitor progress in implementing it.

92. **The Board recommends that the Office of Human Resources Management monitor the implementation of the Secretary-General's bulletin on employment and accessibility for staff members with disabilities in the United Nations Secretariat (ST/SGB/2014/3).**

93. **The Board also recommends that the Administration address gaps in access to data on sick leave for comprehensive and timely reporting and develop capability to gather information on key health-care parameters covering all its clients across the United Nations system for more comprehensive reporting on status and policy issues.**

94. The Administration accepts the recommendations and has informed the Board that activities in that regard are under way.

Performance management

95. The Board previously recommended that the Administration should review and improve the appraisal system to enable more effective monitoring of performance trends and implementation of remedial action or rewards following the completion of staff performance evaluations (see A/69/5 (Vol. I), chap. II, para. 184). In response, the Office of Human Resources Management has developed a proposal that it will submit to the General Assembly at its seventieth session aimed at

improving monitoring of trends and compliance, ensuring effective remedial action following completion of staff performance evaluations and establishing a reward and recognition framework.

96. The performance appraisal process as a whole currently remains an area of concern, however. For the 2013-2014 cycle, 91.4 per cent of staff completed their appraisal. Only 1 per cent received a rating of "partially meets performance expectations" or "does not meet performance expectations". For 2014-2015, as at May 2015, 61 per cent of staff had completed their appraisals for the period, with departmental rates of completion ranging from 4 to 84 per cent.

97. Areas in which current arrangements could be improved are:

(a) Documented records of dedicated performance meetings with senior management teams should be held by the Office of Human Resources Management;

(b) Information on the number of staff members reporting to first and second reporting officers should be monitored by the Office of Human Resources Management. In that regard, the Board notes that OIOS reported in 2014 that, in some instances, the ratio of staff members to first and second reporting officers was very high;

(c) Monitoring and reporting frameworks focus exclusively on tracking delays in completing annual performance evaluations in the Inspira e-performance system. The full range of information that could be derived from the data being captured, such as performance grading profiles classified by department, grade, level, gender or nationality, is not being reported or analysed. Data mining on grades of individual employees would assist management to identify trends or issues warranting further action or investigation, such as cases where there is evidence of steep improvement or deterioration in performance;

(d) The system application cannot currently aggregate information on individual development plans and training activities to be undertaken. It would also be valuable if reporting officers could recommend, perhaps by picking from a pre-populated menu of options, specific areas in which employees require further training or development.

98. **The Board recommends that the Office of Human Resources Management:**

(a) **Consider capturing information on the spans of control of first and second reporting officers with a view to identifying cases where such spans are unacceptably large compared with office norms;**

(b) **Consider the use of enhanced data analytics for additional dashboard reports that would facilitate analysis of individual performance grading of individual employees;**

(c) **Consider enhancing system applications to aggregate information on individual development plans and training activities to be undertaken.**

99. The Administration accepts recommendations (a) and (b) and has informed the Board that it has begun work to develop relevant reports. It has also indicated that, with regard to recommendation (c), it will need to await the review by the General Assembly of the comprehensive performance management proposal because its decision will guide the Office of Human Resources Management on the next steps to be taken.

Management of disciplinary cases

100. The Office of Human Resources Management is responsible for processing all disciplinary cases for Secretariat staff. In December 2013, in its resolution 68/252, the General Assembly requested the Secretary-General to expedite the completion of disciplinary cases and to prevent a build-up of backlogs of cases in the future.

101. As at 31 December 2014, 83 disciplinary cases were pending, 10 for more than a year and 37 for more than six months. There were 40 cases awaiting an initial decision of the Office of Human Resources Management on whether to pursue a disciplinary case, 9 of which had been pending for more than six months. Management attributed the processing delays to a decision by the United Nations Appeals Tribunal in October 2011 that requires the establishment of “clear and convincing evidence” rather than the previously applied standard of “preponderance of evidence”.

102. The importance of taking all measures necessary to recoup any losses arising from relevant acts of misconduct on the part of staff members is accepted by the Administration. The Office of Human Resources Management stated, however, that it could not monitor actual recoveries made because the relevant data were not being systematically recorded.

103. The Office currently has no role in keeping track of investigations under way, although it recognizes the importance of such monitoring. It stated that OIOS held that responsibility and was working towards adopting a centralized “intake” system. Given that not all disciplinary cases originate from investigations recommended by OIOS, however, there remains a need to at least monitor the statistics on all investigations under way.

104. **The Board recommends that the Office of Human Resources Management expedite the progress and resolution of disciplinary cases and develop a centralized monitoring system to track the number of ongoing investigations of alleged misconduct from the stage when a complaint is formally lodged or recommended by OIOS.**

E. Enterprise risk management

105. In 2011, the Secretariat adopted an enterprise risk management and internal control framework as a strategic initiative to define a consistent methodology for assessing, monitoring and communicating risks. The framework was designed to address high-level strategic risks associated with carrying out the Organization’s mandates and objectives, as well as the risks inherent in day-to-day operations supporting the achievement of mandates. The implementation of the framework was intended to introduce significant improvements to governance and management practices.

106. In view of the complex, risk-exposed environments in which the United Nations operates, an inability to deliver outcomes can have serious consequences, including loss of life. It is therefore vital to have a strong internal control framework and risk management system in place.

107. The Board has reviewed the progress made in implementing enterprise risk management in the Secretariat since its previous audit. It considered the adequacy

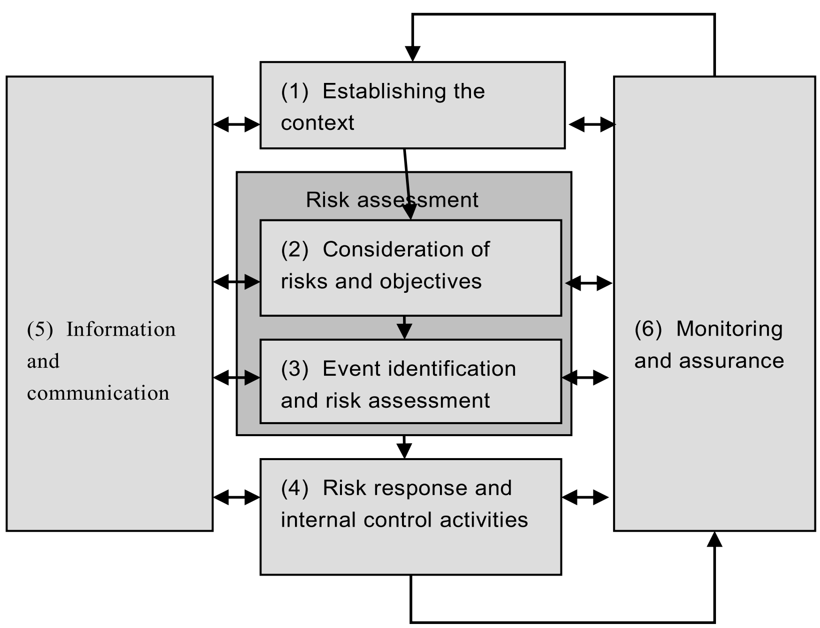
of the methodology and governance structures, reviewed the Secretariat risk register and a sample of departmental risk registers, interviewed officials in the Department of Management, the lead department in the initiative, and carried out consultations with risk focal points in 10 departments.

Enterprise risk management methodology

108. The enterprise risk management methodology draws on recognized best practice promulgated by bodies such as the Committee of Sponsoring Organizations of the Treadway Commission and the International Organization for Standardization. The methodology was formally adopted in May 2011 and built on a model of the Organization's "risk universe", developed in 2008, and General Assembly resolution 64/259, by which the Assembly mandated the introduction of enterprise risk management at all levels in the Secretariat.

109. The process envisaged under the enterprise risk management methodology is illustrated in figure II.II. It sets out the conduct of risk assessments and the development of appropriate response plans. Risks would be identified, registered and assigned an owner who would be responsible for developing appropriate risk-response plans and monitoring the implementation of the actions. The process is to be supported by clear communication of information to staff and a monitoring and assurance framework designed to assure management that enterprise risks are being handled appropriately.

Figure II.II
Enterprise risk management methodology adopted by the Secretariat



Source: United Nations enterprise risk management and internal control policy.

Governance

110. Typically, enterprise risk management governance structures include an enterprise risk management committee and a chief risk officer. The Secretariat has adopted a similar approach by appointing the Management Committee as the enterprise risk management committee. A risk officer (located within the Department of Management) has also been appointed, and each of the six critical enterprise risks has a corporate risk owner supported by a risk treatment working group.

111. The Management Committee is responsible for monitoring the effectiveness of overall enterprise risk management, fostering continued senior management engagement and leadership and aligning enterprise risk management with the wider transformation agenda. The six corporate risk owners are responsible for developing risk-response plans for their allotted risk. The plans detail the actions required to mitigate the risks effectively, including key milestones for completing that action. Corporate risk owners are supported by working groups, comprising staff members from different departments who represent various functional areas of the Secretariat.

112. The Secretariat has also, however, established an enterprise risk management function in the Office of the Under-Secretary-General for Management. Its functions are:

(a) To provide the methodology and consistent tools to support working groups;

(b) To coordinate meetings of working groups, participate in their discussions and frame a coherent enterprise risk management methodology (in conjunction with risk owners);

(c) To consolidate progress in the implementation of risk-mitigation strategies for reporting to the Management Committee.

113. The Deputy Secretary-General has also been assigned a coordinating role to ensure proper dialogue among and coordination of the activities of the risk treatment working groups. This is considered necessary to avoid potential overlap of work and ensure that possible synergies are recognized and exploited, given that risk-mitigating actions designed for one risk could also have a positive impact on other areas. To embed enterprise risk management at all levels, the responsibility for managing risks and internal controls defined under the enterprise risk management framework also extends to each head of department or office, and to all staff members, in accordance with their specific roles and functions.

114. Although the governance structures are relatively new, there is clear evidence that the Management Committee is actively involved and that corporate risk owners and the Department of Management are playing a role in developing tools and guidance to support the further implementation of enterprise risk management. The main focus of work to date, however, has been on the six “critical” strategic risks that were endorsed by the Secretary-General in September 2014, along with the enterprise risk register as a whole, which includes a total of 116 risks (see annex II for the current status of the six critical risks).

Managing the implementation of enterprise risk management

115. The strong commitment of the Secretary-General and the Management Committee, together with the strong support of the General Assembly, provides a clear mandate to drive the pace of implementation of enterprise risk management. Implementation is not, however, managed in accordance with an agreed project plan that sets out the overall timetable, deliverables, key milestones, dependencies, indicators of success and resource requirements.

116. At the time of the audit, three draft risk treatment plans for enterprise risks had been completed. The Administration has since informed the Board that all six plans were presented by the corporate risk owners and endorsed by the Management Committee on 25 June 2015.

117. A survey of 10 departments confirmed that the pace of progress was highly variable and that departments were not following an agreed timetable. There was, however, evidence that the enterprise risk management initiative had acted as a catalyst for departments to begin developing their approaches to risk management, or to enhance existing procedures, for example developing or refining risk registers and risk treatment plans and documenting roles and responsibilities. Departments were also using templates and methodologies developed centrally and aligning their risks and proposed responses with the Secretariat's enterprise risk management register.

118. It was not clear, however, what processes were to be followed to escalate lower-level departmental risks to higher levels (such as the Management Committee) and there are no corporate tools or an enterprise risk management guidance manual to support the implementation of enterprise risk management within departments. This could result in divergent practices between departments.

119. The most advanced department surveyed had developed an approved risk treatment plan; two others had implemented risk governance frameworks outlining roles and responsibilities and one of those entities had also developed internal procedures for monitoring risks.

120. Departments were generally positive about the role played by the Department of Management in communicating enterprise risk management requirements to risk focal points, but questioned whether the expectations and benefits of enterprise risk management had been communicated well enough to staff more generally. Departments also cited a lack of human and financial resources to implement enterprise risk management. While more than 100 staff have received training in risk management, none of the 10 departments surveyed had a dedicated risk management team and enterprise risk management work had to be performed alongside other existing duties. None of the departments could provide a breakdown of costs incurred to date or planned resource requirements going forward, and none had included any funding requirements in the budget for the biennium 2016-2017.

121. While some important progress has been made, and the Board would not yet expect the Secretariat to have all the elements of an effective enterprise risk management and internal control framework embedded and operating effectively, the current pace of implementation needs to be accelerated. If concerted action is not taken to embed the implementation of enterprise risk management more widely at all levels of the Organization, there is a risk that the initiative will stall or even fail.

122. **The Board therefore recommends that the Secretariat:**

(a) **Develop detailed enterprise risk management policies and procedures for staff to follow at departmental levels of the Organization to supplement the guidance in place for managing the critical enterprise risks;**

(b) **Develop a detailed implementation plan for all elements of enterprise risk management that sets out a clear timetable, milestones, deliverables and resources required;**

(c) **Increase the level of communication and training provided to staff on enterprise risk management policies and procedures;**

(d) **Consider the acquisition of appropriate tools, including software, to support the implementation of enterprise risk management;**

(e) **Introduce regular progress reports to inform the Management Committee of the status of implementation of enterprise risk management throughout the Organization and to provide assurance that risks are being managed and mitigated effectively.**

F. Managing the risk of fraud

123. In its previous report, the Board made recommendations aimed at strengthening counter-fraud controls and building a strong anti-fraud culture throughout the Organization. The Administration's response to the recommendations is included in annex I, but does not, in the Board's view, demonstrate that the Administration is currently responding adequately to the risks of fraud.

124. Specifically, the Organization has not yet conducted a comprehensive assessment of its vulnerability to fraud, has not modernized and consolidated the current suite of policy and guidance material on fraud, has not developed mandatory training for staff on fraud and has not taken concerted action to ensure the systematic legal pursuit of all proven cases of fraud.

125. The cases of fraud identified with regard to projects in Somalia under the control of the Office for the Coordination of Humanitarian Affairs have not progressed significantly since the Board last reported, but further cases of fraud by other non-governmental organizations have now been identified. Where fraud has been confirmed by the Investigations Division, the Administration has not yet activated the arbitration clauses within the project agreements to seek redress and restitution. None of the losses to the value of $9,354,949 stemming from fraud identified by the Internal Audit Division have been recovered to date, nor is legal action under way to pursue recovery of funds. The Administration informed the Board that it had provided copies of the OIOS reports relating to four of the cases to the Member States concerned.

126. Although the memorandum of understanding applied by the Office for the Coordination of Humanitarian Affairs to govern arrangements with implementing partners has been updated, at the time of the audit the Administration had not conducted a general review of implementing project agreements to confirm that they adequately protected the Organization from fraud and allowed for legal remedies and restitution should fraud be detected. General provisions of implementing partner agreements do not refer explicitly to the consequences for partners should fraud be

discovered. Similarly, mechanisms for improving due diligence processes before engaging implementing partners and for sharing key information on implementing partners among United Nations organizations have not yet been implemented.

127. As noted in section J, many departments and entities within the United Nations have also failed to respond to central requests to report details of fraud cases identified in 2014. Consequently, the Board can provide no assurance that the amounts reported by management and disclosed in section J are complete or accurate.

128. **The Board therefore reiterates its previous recommendations on fraud and strongly encourages management to take concerted and urgent action to strengthen its counter-fraud policies and procedures.**

G. Procurement

129. Procurement is the process of awarding and managing vendors to deliver goods and services in line with business requirements and plays a critical role in enabling organizations to achieve their objectives. Good procurement can bring improvements in the quantity and quality of goods and services, better management of risk and the avoidance of service failure and generate financial savings.

130. The Procurement Division is responsible for the largest procurement volume of all United Nations system organizations, managing more than $3 billion in expenditure per annum. The Division is responsible for acquisitions to meet the operational requirements of Headquarters, peacekeeping missions, special political missions and offices away from Headquarters.

Management of procurement

131. The Board's audit of the procurement function in 2014 examined the management of 36 contracts with a total not-to-exceed value of $784.89 million. Procurement in the United Nations is designed to be a single cohesive function from the stage of assessment and projection of requirements to contract management. In the cases examined, however, the Board found fragmented approaches and lack of synergy in the Organization that had an adverse impact on decision-making and blurred accountability for actions. Those, and other factors detailed in the present section, increase the risk of waste and poor value for money.

132. In 2014, the Procurement Division dealt with 839 active contracts with a not-to-exceed value of $15.22 billion, including 226 contracts with a not-to-exceed value of $1.71 billion awarded in 2014. Of the 839 active contracts, 451, with a not-to-exceed value of $8.86 billion (58 per cent of total not-to-exceed value), were classified under the commodity group "Others", which comprises miscellaneous goods ranging from night-vision devices to furniture and services such as consultancy and brokerage. The other top five commodity groups in terms of number of contracts are "air transportation services", "Electronic data processing equipment and maintenance services", "architecture, engineering and construction-related services", "motor vehicles/parts and transportation equipment" and "management services", as shown in table II.8.

Table II.8
Distribution of active contracts among commodity groups

Commodity group	*Number of contracts*	*Total not-to-exceed value (millions of United States dollars)*	*Not-to-exceed value (percentage)*
Air transportation services	192	2 197.96	14.44
Architecture, engineering and construction-related services	47	1 977.08	12.99
Electronic data processing equipment and maintenance services	49	1 027.45	6.75
Motor vehicles/parts and transportation equipment	40	579.74	3.81
Prefabricated buildings	8	270.67	1.78
Telecommunications equipment and services	19	160.88	1.06
Management services	33	149.52	0.98
Others	451	8 858.79	58.20
Total	**839**	**15 222.09**	**100.00**

Source: Administration data.

133. During its examination, the Board found examples of non-compliance with the procurement rules and regulations and examples of the Procurement Division having, in the Board's view, overreached its delegated authority in making contract changes without reference to the relevant contracts committee. United Nations procurement rules specify that recommendations of the Headquarters Committee on Contracts are required where any amendment to a contract significantly affects the criteria on which the original award was made or the original contractual terms,[4] yet in one case the Procurement Division did not seek higher authorization before amending a contract to procure an aircraft different to that specified in the approved contract. Consequently, additional operating costs of $0.48 million were incurred by the United Nations. While it is not uncommon for aircraft to be replaced under contract, replacement with a different model and operating cost amounts to a fresh contractual exercise and approval from the Headquarters Committee on Contracts is required to avoid a formal solicitation process.

134. The Procurement Division also amended a contract for the provision of satellite earth stations that constituted a material change: substituting a contractual provision with increase in prices of some items. The change was agreed upon with the vendor without referring the decision to the Headquarters Committee on Contracts or seeking the approval of the Assistant Secretary-General for Central Support Services.

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[4] Rule 105.13 (c) of the Financial Regulations and Rules of the United Nations stipulates that, where the advice of a review committee is required, no final action leading to the award or amendment of a procurement contract may be taken. It is stated in chapter 12 of the United Nations Procurement Manual that the recommendation of the Headquarters Committee on Contracts shall be obtained prior to any contractual commitment being made where the proposed amendment would significantly affect the original contract.

135. While acknowledging that operational exigencies may require delegations of authority to be exercised and that the role of the local contract committees is primarily advisory, the committees provide important external scrutiny of procurement action to promote transparency, accountability and adherence to the extant rules and regulations. Clear delegation of authority and responsibility for managing contracts is key, especially when procurement is decentralized.

136. **The Board recommends that the Administration review the United Nations Procurement Manual and associated guidance material to clarify the circumstances in which delegated authority can be exercised and to indicate the criteria to be applied to determine when issues should be referred to a higher body.**

Air transportation services

137. Air transportation services are the largest area of procurement expenditure. Given the strategic importance and high value, stringent safeguards are required to ensure that procedures are followed. A number of departures from established rules and regulations were noted during the examination, however, including:

(a) Lack of documentation to justify contracting for six helicopters when the recorded requisition asked for an extension in respect of only five helicopters;

(b) Contracting an aircraft that did not meet technical operational requirements because it was not suitable for casualty and medical evacuation operations. The Department of Field Support failed to ensure technical compliance with that requirement at the technical evaluation stage, resulting in the Procurement Division contracting for an aircraft that was technically non-compliant with the specifications stated in the invitation to bid. Furthermore, the United Nations paid $282,587 to the vendor for the period from 26 March to 25 April 2014 for an aircraft that was not technically compliant with its operational requirements;

(c) Logistical support provided by a vendor to rectify aircraft deficiencies for a mission was inadequate and the frequent breakdowns adversely affected the operational readiness of troops.

138. **In the light of those findings, the Board recommends:**

(a) **That procedures be stipulated to ensure greater coordination between the Department of Field Support and the Procurement Division in the chartering of aircraft so as to obviate the possibilities of engaging aircraft in excess of requirements or those that do not conform to technical specifications;**

(b) **That the process of technical evaluation of proposals be strengthened;**

(c) **That such procedures should include an effective post-contract technical confirmation of the technical compliance of the aircraft provided by the vendor with the specifications stipulated in the bid documents;**

(d) **That an accountability mechanism be put in place to ensure that contract actions are initiated only after adequate planning with reference to mandate, strategy and technical specifications.**

Enhancing procurement and contract management skills

139. In 2012, the Board reported that 54 per cent of contract managers had not undertaken any training in contract management, creating the risk that those responsible for delivering best value from the $2.6 billion a year of procurement expenditure lacked the skills and experience to do so (see A/67/5 (Vol. I), chap. II, para. 94). In 2014, the Joint Inspection Unit found that training on how to manage contracts after award was seriously neglected, did not cover in sufficient depth all phases of the procurement process and was focused on the front end of procurement — pre-solicitation, selection and contract award. It also noted that some 62 per cent of respondents to a survey had reported a lack of robust induction and training programmes for addressing post-award contract management (JIU/REP/2014/9, para. 62).

140. In its previous report, the Board noted that positive progress had been made through the development of procurement and contract management training, while stating that it had been informed that the Procurement Division lacked the jurisdiction to make the course mandatory for staff in other business units (A/69/5 (Vol. I), chap. II, para. 173).

141. The Administration has continued to take steps to strengthen the training available to procurement staff. Some departments require staff with contract management responsibilities to complete an online training course detailing roles and responsibilities. The Department of Field Support, for example, has trained more than 600 staff since August 2014. The Administration has also introduced a three-phase training programme, of which the higher standards offer routes for external accreditation. The phases are as follows:

(a) Basic-level training: online training that is mandatory for procurement staff;

(b) Intermediate-level training: offered through the Organization's Procurement Training Campus, which is optional for procurement staff depending on their functions;

(c) Highest-level training: offered through an internationally recognized procurement institution, leading to internationally recognized certification and accreditation in procurement.

142. **The Board recommends that the Administration continue to enhance its procurement and contract management capability by continuing its efforts to develop a career path for procurement professionals. This should include further training and other avenues, for example outward secondments, and the continued recruitment of procurement professionals.**

H. Special political missions

143. Special political missions are integral to the Organization's strategic objectives, in particular that of maintaining international peace and security (see A/67/6 (Part one) and resolution 67/236). At the beginning of 2014, there were 38 such missions, with an annual budget of $646 million (total budget for the biennium 2014-2015 of $1,081 million; see A/69/363). They are established in response to various complex political situations and vary significantly in size, role, mandate and complexity. A mission may make a transition from or to being a

peacekeeping operation, political activities delivered from a country office or from being a non-resident representative to becoming a field-based mission and vice versa. Some special political missions may face many of the same challenges as peacekeeping missions and require more complex support arrangements, such as guard units when operating in insecure environments.

144. The United Nations broadly categorizes missions in four clusters, as shown in table II.9.

Table II.9
Special political missions by type and appropriation in 2014

Cluster	*Role*	*Number*	*Appropriation (millions of United States dollars)*
Cluster IV: United Nations Assistance Mission for Iraq and United Nations Assistance Mission in Afghanistan	The two largest field-based missions	2	327.7
Cluster III: regional offices, country-specific missions and field-based missions	Typically larger missions that deal with much the same challenges as those in peacekeeping operations, including high levels of instability, volatility, danger and remoteness	12	244.1
Cluster II: sanctions monitoring teams, groups and panels	Technical experts who monitor the implementation of Security Council resolutions and track and report on the sanctions measures imposed by the Council, such as arms embargoes, asset freezes and travel bans	13	36.1
Cluster I: special and personal envoys and special advisers of the Secretary-General	High-level envoys of the Secretary-General requested to carry out good offices and mediation functions	11	38.1
Total		**38**	**646.0**

Source: Data reflect information reported in A/69/363. Subsequent changes are excluded.

145. In view of the significant growth in the number of special political missions and the significant expenditure that they incur, the Board has reviewed the organizational arrangements, policies and procedures in place to ascertain whether they are appropriate and effective. The Board also reviewed official travel in special political missions in response to a written request from the Advisory Committee on Administrative and Budgetary Questions. The audit involved reviewing organizational arrangements at Headquarters, interviewing key officials in the Department of Political Affairs, the Department of Field Support and special political missions and analysing available management information. The Board also visited the Kuwait Joint Support Office to review the administrative support provided to the United Nations Assistance Mission for Iraq (UNAMI) and the United Nations Assistance Mission in Afghanistan (UNAMA), the two largest special political missions.

146. The Department of Political Affairs has overall responsibility for 36 of the 38 special political missions,[5] with the Under-Secretary-General for Political Affairs accountable for requesting resources, reporting results and coordinating their work. Of those 36 missions, the Department of Political Affairs provides administrative support to 15 and the Department of Field Support to 20, with 1 jointly administered by both, with other parts of the United Nations also providing key input. The cluster III missions and UNAMA and UNAMI are led by a special representative of the Secretary-General who reports on the status to the Security Council as required. Cluster I missions are headed by a special envoy, a special adviser or a personal envoy of the Secretary-General. Cluster II missions comprise teams of experts, headed by a coordinator, and report to committees set up by the Council.

147. Special political missions have been the subject of much consideration by the Secretariat and the Advisory Committee on Administrative and Budgetary Questions. Much of the discussion has focused on the need to improve arrangements for budgeting for, funding and backstopping the missions. At the time of the Board's review, the High-level Independent Panel on Peace Operations was also conducting a review, but it had yet not reported its findings or conclusions.

Growth in the number of special political missions

148. The number of special political missions has increased in recent years, from 30 in 2008 to 38 in 2014, with biennial budgets also increasing from $877 million in 2008-2009 to $1,081 million in 2014-2015. The missions' share of the regular budget has ranged from 18 to 22 per cent since 2008, as shown in table II.10.

Table II.10
Growth in special political missions, 2008-2014
(Millions of United States dollars)

Biennium	*Number of missions*	*Amount allocated*	*Total programme budget*	*Percentage share of the regular budget*
2008-2009	30	877.0	4 799.9	18
2010-2011	27	1 192.7	5 416.4	22
2012-2013	32	1 204.4	5 399.4	22
2014-2015	38	1 081.1	5 404.4	20

Source: A/68/7/Add.10 and Corr.1 and A/69/628, table 1.

149. The complexity of missions has increased, as has the number of mandates that missions are expected to deliver. On average, cluster III missions were tasked with 6 mandates in 2013, compared with 3.5 in 2000 (see A/69/363). The Administration has not, however, been able to establish a direct link between the increase in the number of mandates and resource requirements because each mandate can vary significantly in terms of the approach and the resources required to deliver it. The volatility of mission mandates and circumstances on the ground makes it difficult for the Administration to estimate resource requirements over a biennium with any precision.

[5] Of the remaining two special political missions, the Counter-Terrorism Committee Executive Directorate is self-administered and the mission in support of the Security Council Committee established pursuant to resolution 1540 (2004) is supported by the Office for Disarmament Affairs.

Resourcing special political missions

150. Although special political missions operate mainly on an annual or short-term cycle, their resource requirements are managed within the biennial regular budget framework. The Board has previously reported its concerns over how the Administration formulates and presents budgets for consideration by the Assembly, including the risk of inappropriate or inefficient allocation of resources (see A/69/5 (Vol. I), sect. F). The situation for special political missions is further complicated by the fragmented arrangements in place for supporting some missions through the Department of Field Support and others through the Department of Political Affairs. This means that different management practices and budgeting procedures are applied at the working level. The Department of Political Affairs prepares budget submissions for the missions that it administers, whereas missions that the Department of Field Support administers have the capacity to prepare their own submissions. The Department of Field Support routinely operates on an annual cycle from July to June for the peacekeeping missions that it supports, whereas the Department of Political Affairs operates within the biennial regular budget cycle.

151. The Administration operates an incremental, bottom-up approach to budget formulation for each mission. The Department of Political Affairs presents a consolidated budget proposal for all special political missions to the General Assembly for approval. That process can result in an indicative budget set two years before the second year of the budget period begins. The Administration has reported resourcing difficulties to the Assembly, in particular that the volatility of mission resource requirements based on shifting mandates is difficult to reconcile with a programme budget process designed around predictability (see A/66/340, para. 14).

152. The Board found that the consolidated position of budget requirements presented to Member States rarely, if ever, reflected the full and final requirement (see table II.11). For example, as noted by the Advisory Committee on Administrative and Budgetary Questions (see A/69/628, para. 11), budget proposals for 2015 in the first performance report for the biennium 2014-2015 contained only the six-month interim resource requirements for UNAMA and the United Nations Support Mission in Libya. They were based on 50 per cent of the level of projected expenditure for 2014 and required an additional appropriation to be approved at the second part of the resumed sixty-ninth session of the General Assembly.

Table II.11

Changes in total reported requirements for special political missions, 2011-2015

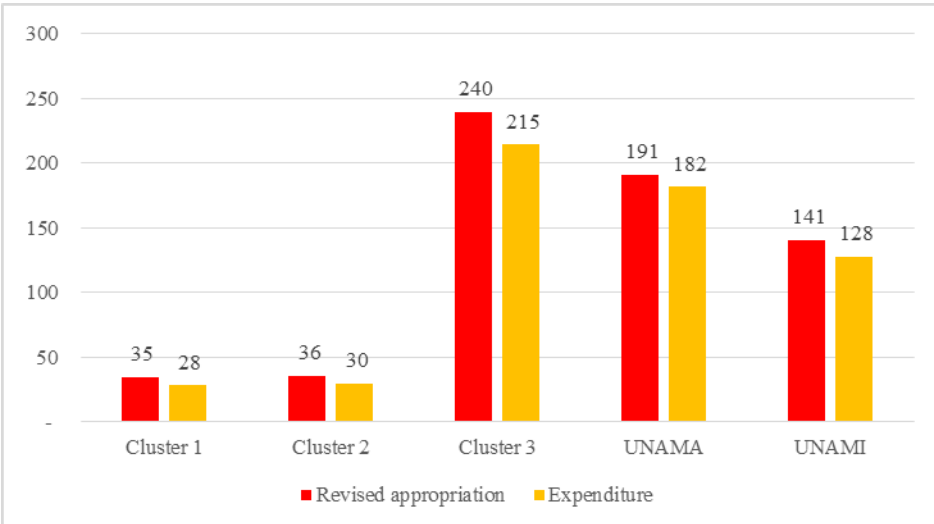
(Millions of United States dollars)

Year	*Initial total requirement*	*Revised total requirement*	*Change*
2011	676	728	52
2012	618	633	15
2013	555	571	16
2014	541	651	110
2015	486	596	110

Source: Board analysis of budget submissions to the General Assembly.

153. The Department of Political Affairs and the Department of Field Support build budget submissions for special political missions using forecasts based on six months of actual expenditure, which are rarely accurate. Further analysis of the data for 2014 presented for audit showed total expenditure of $582 million (9 per cent underspend) against a forecast of $634 million, even though the appropriation of $642 million had been revised only nine months previously. Figure II.III illustrates underspend by cluster. More detailed analysis revealed that all missions bar one underspent, with 20 underspending by 10 per cent or more.

Figure II.III
Revised appropriation and expenditure for special political missions in 2014
(Millions of United States dollars)



Source: Board analysis of Administration data.

154. Many of the issues have been known for some time and considered by the Advisory Committee on Administrative and Budgetary Questions in some detail. The Administration is, however, unable to provide detailed evidence and analysis to support a clear understanding of mission support costs. The consistent pattern of underspend against final appropriations, however, could indicate that in reality there is a generous contingency in mission budgets, which may help missions to cope with the volatility of operations, but does not promote tight budgetary control.

155. The use of different financial systems and accounting structures by the Department of Field Support and the Department of Political Affairs makes combining data on a common basis difficult. Although consultants have been engaged in the past to analyse the costs of missions, the results have proved inconclusive. The Board was also unable to find any comprehensive reliable data to support a thorough analysis of the budgets and costs incurred by special political missions. Umoja offers an opportunity to resolve those shortcomings and to capture the key information required to monitor and control budgets and expenditure across all special political missions in a consistent manner.

Staff costs

156. The Advisory Committee on Administrative and Budgetary Questions has expressed concern over the growth in senior-level positions in special political missions. Although the overall number of posts requested has fallen by 498 (10 per cent) to 4,302, this was mainly driven by a reduction of 557 Local-level national staff, offset in part by an overall increase in the number of staff in the Professional category and higher (see table II.12).

157. Some increase in management grades is explained by the increase in the number of missions from 32 to 38 (2012 and 2014, respectively), but there is also an overall upward grade drift. For example, a decrease of 40 P-2 positions has been offset by an increase in posts at other levels of the Professional category, notably 36 more posts at the P-5 level.

Table II.12
Staff by category and level in special political missions at the beginning of the bienniums 2012-2013 and 2014-2015

Category/level	*2012*	*2014*	*Variance*	*Percentage*
Under-Secretary-General	13	18	5	38
Assistant Secretary-General	14	19	5	36
D-2	15	16	1	7
D-1	37	47	10	27
P-5	122	158	36	30
P-4	340	343	3	1
P-3	305	313	8	3
P-2	87	45	(42)	(48)
Field Service	694	776	26	3
Principal	–	2	2	–
General Service	35	46	11	31
National Professional Officer	493	429	(64)	(13)
Local	2 536	1 979	(557)	(22)
United Nations Volunteer	109	111	2	(2)
Total	**4 800**	**4 302**	**(498)**	**(10)**

Source: Board analysis of budget submissions.

Performance reporting

158. A performance measurement and reporting framework is fundamental to implementing results-based management as mandated by the General Assembly, most recently in its resolution 69/272. Performance measurement frameworks need to balance consistency with the flexibility to provide different stakeholders with the information that they need, using a level of resources proportionate to the size and risk of the organization. An effective framework should:

(a) Help management to make evidence-based decisions to improve performance and learn from experience;

(b) Build stakeholder confidence by demonstrating achievements;

(c) Enable the governing body to hold management to account for the use of resources.

159. The performance framework for all special political missions is based primarily on reports produced for the annual budget cycle. There is no regular in-year performance report that the Under-Secretary-General for Political Affairs can use to monitor performance throughout the period. However, special political missions regularly report key events on a case-by-case basis to country desks in the Department of Political Affairs. Some missions produce quarterly performance reports as part of the results-based-budgeting framework, but this is not mandatory and the Board found no evidence that they were used to challenge or provide feedback on in-year mission performance by either the Department of Field Support or the Department of Political Affairs. Lastly, special representatives of the Secretary-General have compacts with the Secretary-General that contain an assessment of performance as part of the annual appraisal system.

160. The performance of special political missions is reported to both the Security Council and the General Assembly using established annual and biennial reporting cycles. The reports to the Assembly provide information on spend against budgets and performance against objectives. Reports to the Council focus more on situational analyses with monthly and annual reports containing a narrative account of the overall political, security and humanitarian situation in each country or region. The reports are supplemented by regular interactions with the special representatives of the Secretary-General. The frequency of reporting varies by mission.

161. The Board reviewed the performance reported to the General Assembly for all 38 missions. Owing to the length of the budget process, the budget submissions for 2015 (A/69/363 and Add.1-5) include estimates of achievements for the entirety of 2014 based on information relating to only the first six months of that year. Accordingly, at the time of the audit, the most current actual results reported by the United Nations for special political missions related to 2013. Given that the targets for 2013 are not disclosed alongside the reported performance, this information as presented in the budget submission is of limited value. Stakeholders must refer to the previous budget submissions (A/67/346 and Add.1-5) to be able to understand how actual performance reported for 2013 related to what was planned.

162. The Board reviewed actual versus planned performance on the basis of a review of the 28 missions covered by the relevant budget submissions. It concluded that, for the 240 performance measures, 65 (27 per cent) could be considered achieved and 72 (30 per cent) partly achieved. The Board considered that there had been no progress against 22 performance measures (9 per cent) and noted that 81 measures (34 per cent) had not been reported against at all. The process is unnecessarily cumbersome, however, and it is unreasonable to expect every stakeholder to perform such an analysis.

163. **To enable stakeholders to assess performance more readily, the Board recommends that the Administration revise the performance measurement and reporting framework to ensure that annual budget reports provide a clear comparison of actual and planned performance of missions.**

Arrangements for supporting special political missions

164. Special political missions rely on a complex set of inputs provided by various parts of the Secretariat. In addition to the Department of Political Affairs and the Department of Field Support, they often draw on support from other parts of the Secretariat, such as the Office of Rule of Law and Security Institutions and the Office of Military Affairs (both in the Department for Peacekeeping Operations), the Department of Management and the Department of Safety and Security. In addition, country-based and region-based missions coordinate with United Nations country teams and other United Nations bodies and it is sometimes necessary to coordinate with the Secretary-General's representatives on substantive global issues, such as sexual violence.

165. In 2011, the Administration reported on challenges in managing special political missions (see A/66/340). Key issues identified were:

(a) The United Nations regular budget is not optimized for highly dynamic operations where requirements change rapidly;

(b) There is no defined mechanism to finance the start-up and expansion of missions following a new mandate;

(c) Missions have difficulties in gaining access to expertise in Secretariat departments.

166. The Advisory Committee on Administrative and Budgetary Questions concluded that, although current arrangements had proven serviceable in the past, they were no longer optimal (see A/66/7/Add.21, para. 6). There have been extensive deliberations by Member States regarding recommendations made in response to those findings. In the Board's view, notwithstanding the strategic nature of some of those recommendations, and those that may be made by the High-level Panel on Peace Operations, there are areas in which changes could be made to improve current arrangements.

167. In 2011, a service-level agreement was developed to outline the responsibilities of the Department of Political Affairs and the Department of Field Support, a positive development at the time. The two departments informed the Board that the use of the agreement would be revisited after the audit. In the Board's view, that exercise should include consideration of whether a revised agreement is the best mechanism to manage the complex set of interdependencies supporting special political missions. The exercise should also include:

(a) **Developing a clearly defined target operating model for the provision of support to special political missions**, including the overall objectives, roles and responsibilities of all organizations (not just the Department of Field Support and the Department of Political Affairs) involved in supporting all special political missions;

(b) **Defining how to assign the resources required at Headquarters to support special political missions**. Support provided by departments is not currently defined and therefore not funded commensurate with the level of support required. Staff are diverted from other regular budget activities or even funded from extrabudgetary funds, resulting in stress being placed on key staff. For example, in the Department of Political Affairs, the Executive Office or desk officers in country teams are tasked with supporting an ever-increasing number of special political missions on top of existing duties. In the Department of Field Support, support functions established primarily to support peacekeeping operations are required to "fit in" work on special political missions;

(c) **Defining the level of demand expected and how performance for administrative support will be measured**. Performance against the current service-level agreement is not measured, and there are no incentives or penalties attached to the quality and timeliness of services provided to special political missions.

168. In examining the above opportunities, the Administration needs to consider the best operating model for each part of the special political mission life cycle, including transition between types of mission (see fig. II.IV), and for each type of special political mission. As noted in General Assembly resolution 64/269, careful planning and phasing of transitions are clearly needed. In 2012, the Administration developed comprehensive guidance detailing structures and processes to help managers during the start-up phase of a new field-based mission. No equivalent guidance exists for other parts of the special political mission life cycle, however. This can lead to delays. For example, during the recent transition of the field-based part of the special political mission for the Special Envoy of the Secretary-General for Yemen from the Department of Political Affairs to the Department of Field Support, there was an estimated three months of unnecessary effort because staff did not know the processes to follow nor who in the Department of Field Support to contact to find out.

Figure II.IV
Life cycle of special political missions

Member States decide that a special political mission is needed	• Political crisis triggers Security Council debate • Security Council decides on a special political mission (35 of 37 missions decided by the Council, 2 by the General Assembly) as opposed to a peacekeeping mission, or enhancing support from a United Nations country office
Planning and start-up	• Department of Political Affairs starts planning and budget forecast • Department decides which cluster response is appropriate, begins liaison with other Headquarters entities • Department dispatches any immediate "emergency" resource
Operations management / delivery of mandates	• Secretary-General seeks initial budget approval from General Assembly • Management cycle on an annual cycle (Jan–Dec), but budget cycle is biennial • Standard regular budget/strategic framework management process followed
Close out / transition of mission to peacekeeping operation or United Nations country team	• Political situation improves/worsens. • If the former, responsibilities transfer to the United Nations country office (if required) • If the latter, special political mission escalates into a peacekeeping mission
United Nations measures the success of the special political mission	• Evaluation as part of standard regular budget performance report, Member State-commissioned New York University annual report • Department of Political Affairs initiates "lessons learned" activity or through formal evaluations • OIOS reviews of special political missions

Source: Board analysis of Administration data.

169. **The Board recommends that the Department of Political Affairs work with all involved entities to develop a target operating model for the provision of support to all special political missions that clearly defines roles and responsibilities, the resources required and how performance would be measured.**

Official travel in special political missions

170. Effective travel management is an essential core discipline for a global organization. In 2012, the Secretary-General outlined proposals for more effective and efficient utilization of resources for air travel (see A/66/676), the implementation of which the General Assembly requested as a matter of urgency in section VI of its resolution 67/254. In January 2015, the Advisory Committee on Administrative and Budgetary Questions requested the Board to expand its coverage of official travel in peacekeeping operations to include special political missions.

Management information

171. In 2013, OIOS reported that travel was a significant category of expenditure for the Organization but that it was difficult to obtain consolidated and comprehensive data because of limitations in information systems (see A/67/695). The Board found that that continued to be the case and was unable to obtain comprehensive information from management on the nature, class and costs of travel that it could use to assess the efficiency and economy of current arrangements.

172. Expenditure data for travel on missions administered by the Department of Political Affairs are captured in the Integrated Management Information System, while the data for the remaining missions, administered by the Department of Field Support, are captured in Umoja. There is therefore no single authoritative source of information on official travel across all special political missions. The Department of Political Affairs has limited oversight of official travel for missions that it does not administer. It neither collects nor uses aggregate information on how staff travel across all missions and currently does not monitor or analyse trends and variations unless it directly administers those missions.

173. The roll-out of Umoja is an opportunity for the Administration to improve the way in which it monitors and analyses travel expenditure. The reporting categories within Umoja classify and describe the reasons for travel in a more useful way (e.g., training) than the Integrated Management Information System, which focuses on recording the type of individual travelling (e.g., consultant).

Compliance with the United Nations travel policy

174. In August 2013, to reduce travel costs and take advantage of the most economical fares available, the United Nations introduced a requirement to book flights 16 days in advance of departure (see ST/AI/2013/3). Given that the Department of Political Affairs does not collate data on compliance across all missions, the Board examined compliance with the 16-day rule using a sample of transactions for UNAMA and UNAMI.

175. Most travel arrangements in 2014 for UNAMA and UNAMI did not comply with the 16-day rule. In almost 60 per cent of cases, travel was booked in violation of the rule.

176. The Administration informed the Board that the need to respond to a sudden or escalating crisis, in particular in the case of special representatives of the Secretary-General, was a key cause of non-compliance. While that holds true in some cases, the Board notes that in 2014 travel by the special representatives of the Secretary-General for Iraq and Afghanistan accounted for only 14 and 8 per cent, respectively, of total official travel expenditure. On the basis of the information available, the Board has concluded that most instances of non-compliance were within the Administration's control. In that regard:

(a) Of the 58 per cent non-compliance in UNAMA, 16 per cent was attributable to unavoidable exigency or initial operational response, 39 per cent was attributable to delays by the Administration (28 and 11 per cent by the Mission and the wider United Nations, respectively) and the remainder was unknown;

(b) Of the 60 per cent non-compliance in UNAMI, 26 per cent was attributable to unavoidable exigency or initial operational response, 28 per cent was attributable to delays by the Administration (20 and 8 per cent by the Mission and the wider United Nations, respectively) and the remainder was unknown.

177. A sample analysis of information regarding the five routes most commonly flown by UNAMA staff in 2014, accounting for 10 per cent of journeys (10 per cent by value), indicates that compliance with the 16-day rule did result in overall savings, but that non-compliant flights could on occasion be less expensive, depending on the route travelled and the time of year. For UNAMI, a sample analysis of the five most commonly travelled routes, accounting for 17 per cent of journeys (10 per cent by value), indicates that most non-compliant flights were purchased at a lower cost than equivalent compliant journeys, depending on the route travelled and the time of year (see table II.13).

Table II.13
Average cost of the five routes most commonly travelled
(United States dollars)

Journey (round trip)	*Compliant flights*	*Non-compliant flights*
UNAMI		
Baghdad-Amman	778	771
Baghdad-New York	4 710	5 619
Kuwait-Entebbe	1 148	875
Erbil-Amman	784	761
Baghdad-Brindisi	1 923	1 509
UNAMA		
Kabul-New York	3 074	3 828
Kabul-Entebbe via Dubai	828	1 092
Kabul-Entebbe	1 140	1 036
Kabul-Brindisi	2 535	1 787
Kuwait-Brindisi	1 507	1 769

Source: Board analysis of Administration data.

178. **The Board recommends that the Administration strengthen its efforts to monitor and enforce compliance with the 16-day advance purchase rule by special political missions, including by developing a suite of management information reports that provide key information on the date of ticket purchase, the class of travel and the cost of flights.**

Travel budgets

179. In 2014, $20.2 million was appropriated for travel across all special political missions. This was some 3.4 per cent of total funds received. The Administration had requested $24 million across all missions (4 per cent of the total budget request). The amount of the budget devoted to travel has remained broadly stable since 2011 and, with the exception of UNAMI and UNAMA, all clusters reported a greater official travel requirement for 2014 than in 2010. In the absence of comprehensive travel data, the Board conducted an analysis based on actual expenditure and budgets for a sample of special political missions accounting for some 48 per cent of the total travel requirement across all clusters.[6] The sample comprised 5 missions from cluster I (8 per cent), 11 from cluster II (25 per cent) and UNAMI and UNAMA (15 per cent).

180. Across the biennium 2012-2013 and in 2014, the data show that, in general, actual expenditure on travel by special political missions was less than the funding provided. The total underspent travel budget of the missions was $1.9 million in the biennium 2012-2013 ($0.6 million in cluster I, $1.3 million in cluster II) and $2.5 million in 2014 ($0.4 million in cluster I, $2.1 million in cluster II).

181. The underspent travel budget is more significant in cluster II, where travel can comprise a significant share of the total resources. In 2014, missions reported underspends ranging from $86,000 to $335,000, with 9 of the 11 missions reporting a travel underspend greater than $100,000.

182. As part of its analysis, the Board noted that the average cost of all flights sampled had fallen to $5,500 in 2014, compared with $6,800 in 2012-2013. In cluster I, however, the average cost of flights had risen from $6,700 in 2012-2013 to $7,800 in 2014. It is possible that the overall reduction in the average cost of flights noted by the Board indicates that the measures taken to revise the travel policies have produced financial savings. The reasons for the increase in the average cost of flights for cluster I special political missions cannot, however, be explained on the basis of the information currently available.

183. Although the use that can be made of such crude indicators to manage travel costs is limited, the Administration has developed no new measures of unit travel costs, or specific key performance indicators for use by special political missions or the wider Secretariat, to use to monitor travel costs and drive changes in behaviour.

184. **The Board recommends that the Administration develop a range of financial performance indicators for measuring and reporting travel costs and compliance with the 16-day advance purchase rule, which will promote greater cost-consciousness and compliance with travel policies.**

[6] Reflects total travel requirements in 2014.

I. Business transformation

185. The United Nations faces many significant challenges in delivering increasing mandates in times of major humanitarian and political crises and fiscal constraint. To ensure that resources reach those who most need them, it is essential that they not be locked into administrative overheads, entrenched methods of operating or inflexible structures. Fundamentally, while financial pressures or challenges are important drivers, the need to improve value for money is a worthwhile and ethical aim in itself.

186. In that context, a sustained and coherent programme to transform how the United Nations delivers services is vital. In the past decade, the General Assembly has authorized the Secretary-General to invest significant time and resources in a series of initiatives to enable a more effective, efficient, coherent and accountable United Nations. They include improving governance by establishing a management committee (2005) and senior management compacts (2006); reforming core business functions, including human resources (2008) and procurement (2010), investing in information and communications technology (2014) and modern enterprise resource planning systems; and wider change initiatives such as "Delivering as one" (2006) and the change plan (2011).

187. The Board reports separately on the progress of two major transformation projects currently under way: the capital master plan (A/70/5 (Vol. V)) and the new enterprise resource planning system (Umoja) (A/70/158). It includes an examination of the global field support strategy in its latest report on peacekeeping operations (A/69/5 (Vol. II)). The Board comments on other reform initiatives such as enterprise risk management and the adoption of IPSAS in the relevant sections of the present report.

188. In the present section, the Board reports on two key developments since its previous report: the progress in developing a target operating model and the approach to managing the organizational transformation programme.

Target operating model

189. A target operating model is an articulation of how the Organization will deploy its resources to achieve its strategic objectives, detailing what work will be delivered by which staff in which locations. It describes all aspects of the Organization, both programme delivery and administrative. Defining a target operating model can be a powerful way of shaping a coherent improvement plan.

190. The Board has stressed that a target operating model is fundamental to achieving the return on Member States' investment in Umoja (see A/67/164, paras. 15-19; A/68/151, paras. 34-36; and A/69/158, para. 64). Responsibility for its development has shifted between the Chef de Cabinet, the change implementation team of the Executive Office of the Secretary-General and, latterly, the Under-Secretary-General for Management, who is the corporate risk owner for organizational transformation. The United Nations does not yet have a clear and agreed model, but has stated that detailed proposals for a new global service delivery model will be submitted to the General Assembly at its seventieth session for its consideration and approval.

191. The Board notes that the ambition is to propose a consolidation of administrative, transactional, back-office tasks only (see A/69/385, para. 80). The proposal will include no opportunities to improve the organizational structure of the United Nations and strengthen programme areas. This represents a missed opportunity and introduces a risk that the Organization will develop a model to provide administrative support functions that reinforces a redundant or outdated organizational structure.

192. **The Board recommends that the Administration include consideration of wider aspects of United Nations operations in subsequent phases of the global service delivery model, so as to ensure effective support to programmes.**

Management of transformation programme

193. The Board has stressed that heads of business units are ultimately accountable for ensuring the successful implementation of new ways of working, supported by central process owners and specialist project teams (see A/67/164, A/68/151 and A/69/158). Each under-secretary-general's personal compact now includes requirements to implement and support key organizational reform initiatives such as Umoja, the mobility framework or enterprise risk management.

194. The Administration's plans to mitigate its key enterprise risk regarding organizational transformation also require each department to define its own end state that takes into account the various improvement initiatives currently under way and a plan to achieve it. If implemented as currently proposed, that approach should encourage business units to plan how they will use the tools and capabilities provided by the transformation projects such as Umoja to deliver their mandates more cost-effectively. The Board remains concerned, however, that departments lack access to the skills and methodologies required to accomplish the task.

195. Acknowledging the challenge of implementing an improvement agenda of this scale, the Board recommended that the Management Committee should assess whether it had the tools and capabilities to support it in managing the organizational improvement programme and that it should devise a plan to address any gaps (see A/69/5 (Vol. I), chap. II, para. 36). To date, the Board has seen no such assessment.

196. Given the almost continual state of change over the past decade, the plans to continue that in the medium term and the fundamental weaknesses in departmental operations management reported previously, the United Nations urgently needs to build not just a central change programme, but a platform for change across all levels of the Organization to deliver the central target operating model. There is currently no holistic approach to continuous reform and improvement in the United Nations that would support this, increasing the risk that departments will not be able to define, implement and manage the end-state target operating model and generate the level of service delivery and cost-efficiencies possible.

197. **The Board recommends that the Administration establish a formal approach to managing and improving operations to enable continuous reform and improvement in departments.**

Overall management of transformation

198. The United Nations is seeking to implement many concurrent major transformation projects, which is placing an unsustainable cumulative demand on a

core group of key staff and has led to delays in the implementation of initiatives such as IPSAS, Umoja, human resources reform and enterprise risk management. The Department of Management is the lead department on many of the projects, but has no overall programme plan detailing dependencies between the initiatives and there is, for example, no dedicated portfolio management office to coordinate the transformation projects.

199. **The Board recommends that the Administration urgently enhance its capability to coordinate ongoing transformation projects.**

J. Management disclosures

Write-off of losses of cash, receivables and property

200. The Administration informed the Board that it had formally written off assets of $17 million, comprising receivable balances of $400,000 and property, plant and equipment of $16.6 million. The latter write-off is disclosed in note 15 to the financial statements.

Ex gratia payments

201. The Administration reported no ex gratia payments in 2014.

Cases of fraud and presumptive fraud

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

203. During the audit, the Board makes enquiries of management regarding its oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to those risks, including any specific risks that management has identified or that have been brought to its attention. The Board also enquires whether management has any knowledge of any actual, suspected or alleged fraud. The Board has identified no instances of fraud in its audit, and no cases have come to its attention through its testing.

204. In 2014, the Administration reported two new cases of fraud, valued at $526,000, which were investigated by OIOS. They comprised a fraudulent education grant claim within the Office of Legal Affairs, for which the staff member was dismissed, and an unauthorized advance to a third party at the United Nations Office at Nairobi, which remained under investigation at the time of the audit.

205. In 2014, the Administration reported that OIOS had completed investigations into three cases of fraud from previous years valued at $74,000, which had resulted in two staff members being fined and a third demoted. The Administration also reported that all losses had been recovered.

206. Although the Board identified no additional cases of fraud or presumptive fraud, 19 departments and offices, including the Department of Management and the Ethics Office, did not submit a return for 2014.

K. Acknowledgement

207. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Under-Secretary-General for Management and the management and staff of the United Nations at all the locations visited and audited.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania
Chair of the Board of Auditors

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

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India

30 June 2015

Annex I

Status of implementation of recommendations

Report reference	*Summary of recommendation*	*Administration's comments on status, as at April 2015*	*Board's comments on status, as at March 2015*	*Fully implemented*	*Under implementation*	*Not implemented*	*Closed by the Board*
A/69/5 (Vol. I), chap. II, para. 29	The Board recommends that the Administration establish how and under what time frame it will be able to more closely link budget consumption with what has been delivered in terms of outputs and outcomes; and with this as the aim in mind, set out a detailed plan for embedding results-based management as part of business as usual, defining clear responsibilities and resources.	The current budget format provides results-based costing at the subprogramme level. In addition, for specific projects across the Secretariat, costing is often provided at a more detailed level. The level of costing, therefore, is adjusted to the specific needs of the respective decision-making process. The Secretariat therefore requests the Board to close the recommendation.	The Board notes that the General Assembly, in its resolution 69/272, requested the Secretary-General to include in the next progress report on accountability a detailed plan, with a fixed time frame and clear milestones, for the implementation of results-based management as part of the regular functioning of the Organization. The recommendation will be judged to have been implemented when the Administration presents a plan for audit.			X	
A/69/5 (Vol. I), chap. II, para. 36	The Board recommends that the Management Committee assess whether it has the tools and capabilities to support it in managing the organizational improvement programme, and that it devise a plan to address any gaps.	The Management Committee has increased its focus on managing the various strands of the transformative agenda, including through senior management engagement and leadership, as well as direct technical support from lead departments and offices, which allows it to conclude that the Committee has the tools and capabilities to support the Secretary-General in managing the organizational improvement programmes.	As reported in section I, the Board has seen no evidence that such an assessment has been developed.			X	
A/69/5 (Vol. I), chap. II, para. 44	The Board recommends that the Administration develop plans for the production of monthly management accounts and improved financial reports	The Administration confirms that monthly management accounts will be completed once Umoja is fully deployed. In the meantime, the Administration has already begun to provide enhanced financial information	The Administration should continue to enhance financial reporting to the Management Committee in the absence of full management accounts.		X		

Report reference	Summary of recommendation	Administration's comments on status, as at April 2015	Board's comments on status, as at March 2015	Fully implemented	Under implementation	Not implemented	Closed by the Board
	to management, drawing on the opportunities being provided by IPSAS and the new enterprise resource planning system.	to the Management Committee to improve the discussion and decision-making on financial matters.					
A/69/5 (Vol. I), chap. II, para. 48	The Board recommends that the Administration, as part of its work on enterprise risk management, develop a strategy to enhance the accountability and internal control framework, including the development of a "statement on internal control" or equivalent document. This replaces the Board's previous recommendation on internal control (A/67/5 Vol. I), chap. II, para. 171).	Enterprise risk management is now in full implementation. Following the joint Policy Committee-Management Committee meeting on 9 September 2014, the Secretary-General formally approved the Secretariat's risk register, the implementation of relevant risk-response strategies and the governance structure guiding the process.	As reported in section E, the Administration made progress with regard to enterprise risk management in 2014, but has not yet developed firm plans for a statement on internal control.		X		
A/69/5 (Vol. I), chap. II, para. 56	The Board recommends that the Administration develop a deeper understanding of its cost base and therefore the capability to compare and benchmark its administrative overheads and the performance of its business functions to drive more cost-effective delivery. This might entail creating a general ledger of analysis codes for administrative and programme expenditure (and classifying each transaction according to the appropriate code).	The current budgetary process already allows for the segregation of budgets between programmatic (programme of work) elements, administrative (programme support) elements, policymaking organs and executive direction and management functions. It should be noted that the budget proposal for 2014-2015 included targeted improvements under programme support services, conference services, public information and construction that resulted in a reduction of $64.1 million. Programme managers reviewed possible areas of sustainable efficiencies stemming from, among others, process improvements and reorganized structures that resulted in consolidation or re-engineering of support services to ensure equal or better service delivery to substantive programmes at a lower cost.	While noting the Administration's response, the Board considers that the United Nations lacks a deep understanding of the costs of its operations and does not actively manage costs effectively. The Board has made further recommendations on the management of costs in section C.			X	

Report reference	*Summary of recommendation*	*Administration's comments on status, as at April 2015*	*Board's comments on status, as at March 2015*	*Fully implemented*	*Under implementation*	*Not implemented*	*Closed by the Board*
		This is a continuing effort for the Organization based on the directive of the Secretary-General to continue to find better and more effective and efficient ways of delivering mandates.					
A/69/5 (Vol. I), chap. II, para. 60	The Board recommends that the Administration prepare annual updates on the trends in, and funding options for, end-of-service liabilities in order to keep the General Assembly fully informed of the longer-term funding requirements associated with the pay-as-you-go approach.	The Administration confirms that trends in and funding options for end-of-service liabilities will be discussed in the management discussion and analysis that accompanies the 2014 financial statements for volume I.	As at 1 July 2015, the Board had not seen the financial report that accompanies the financial statements.			X	
A/69/5 (Vol. I), chap. II, para. 76	The Board recommends that the Administration perform a light-touch review of "quick win" changes to the current process to reduce the time and effort required as part of the next set of budget instructions (September 2014).	For the biennium 2016-2017, the Administration issued new, more simplified budget guidance aimed at reducing the time and effort required to prepare the proposed programme budget.	The Board considers this recommendation to have been implemented for the 2016-2017 budget, noting that the Administration could not demonstrate the impact of the changes. The Administration should further simplify the process as part of the continuous reform and improvement of key business processes.	X			
A/69/5 (Vol. I), chap. II, para. 77	The Board also recommends that the Administration perform a review of the budget process and implement an improved end-to-end budget process, including the information and communications technology elements of Umoja Extension 2.	The Administration is reviewing all elements relating to Umoja Extension 2. The Organization needs to have a better understanding of the technical solutions that will be made available and use those as an opportunity to improve its end-to-end budget process. It is not likely that all necessary information and the related new budget processes will be available before the beginning of the budget formulation cycle for 2018-2019.	The Board notes the Administration's response.		X		

Report reference	*Summary of recommendation*	*Administration's comments on status, as at April 2015*	*Board's comments on status, as at March 2015*	*Fully implemented*	*Under implementation*	*Not implemented*	*Closed by the Board*
A/69/5 (Vol. I), chap. II, para. 85	The Board recommends that the Administration consider extending the budget process beyond the financial reporting cycle to incorporate medium-term summaries of financial commitments for financial planning purposes. The appraisals of major projects and the development of business cases could also be aligned with medium- to long-term financial planning, and included as a capital budget item.	In its resolution 69/249 A, the General Assembly requested the Secretary-General not to implement the recommendation. The Board should therefore consider closing the recommendation.	The Board notes the General Assembly's request and closes the recommendation.				X
A/69/5 (Vol. I), chap. II, para. 89	The Board recommends that the Administration use the improved understanding of the true cost of end-to-end processing from the enterprise resource planning project to inform challenges to budget proposals.	Idem	Idem				X
A/69/5 (Vol. I), chap. II, para. 100	The Board recommends that the Office for the Coordination of Humanitarian Affairs perform a skills needs assessment of the standard fund management process as described in the latest guidance and develop a costed training plan for staff at all levels, including increasing management capability both in the field and at headquarters.	In 2015, the Office will develop a training framework for fund management, including an assessment of what skills stakeholders will need to implement the new global guidelines. In the interim, the Office has provided training to build the capacity and skills of colleagues at headquarters and the humanitarian financing units in the field.	The Board notes the Administration's response.		X		

Report reference	*Summary of recommendation*	*Administration's comments on status, as at April 2015*	*Board's comments on status, as at March 2015*	*Fully implemented*	*Under implementation*	*Not implemented*	*Closed by the Board*
A/69/5 (Vol. I), chap. II, para. 103	The Board recommends that the Office for the Coordination of Humanitarian Affairs require clusters and technical review boards to strengthen the consideration of previous project and implementing partner performance when recommending a project for approval by the humanitarian coordinator. This should include an assessment of: • The non-governmental organizations concerned, including past delivery performance across United Nations entities, and due diligence on the company and key individuals • The type of project, including the likelihood of successful delivery of the intended benefits, for example distribution of cash vouchers (high risk) versus construction (lower risk) • The location of the project and the ability to monitor progress	The new global guidelines require an assessment of the non-governmental organization's capacity and management, the type of project, the likelihood of successful delivery and the location. The results of the assessment are considered when reviewing proposals and determine eligibility to receive funding.	The new guidelines are a positive development, but need to be implemented in practice.		X		

Report reference	*Summary of recommendation*	*Administration's comments on status, as at April 2015*	*Board's comments on status, as at March 2015*	*Fully implemented*	*Under implementation*	*Not implemented*	*Closed by the Board*
A/69/5 (Vol. I), chap. II, para. 112	The Board recommends the Office for the Coordination of Humanitarian Affairs, working with the various stakeholder organizations involved, document operational and financial accountability for the management of country-based pooled funds at both the global and country levels.	The governance section of the global guidelines details accountability for the management of the country-based pooled funds as follows: (a) The Under-Secretary-General and Emergency Relief Coordinator holds authority over and is accountable for all country-based pooled funds; (b) The Humanitarian Coordinator acts on behalf of the Emergency Relief Coordinator regarding the use of each fund and ensures that it is delivering its key objectives; (c) The Advisory Board advises the Humanitarian Coordinator on the allocation of funds; (d) The head of office oversees the operation of each fund and is responsible for its effective management; (e) The Controller has delegated financial authority to the Executive Officer of the Office, who has assigned the Head of the Finance Unit of the Funding Coordination Section to exercise the delegation as it relates to country-based pooled funds.	The Board notes the Administration's response.	X			
A/69/5 (Vol. I), chap. II, para. 114	The Board recommends that the Secretariat work with other United Nations entities to establish formal requirements for information sharing on the performance of implementing partners in each country office.	The Office has raised its concerns regarding the different treatment of non-governmental organizations by United Nations agencies in relation to allegations of fraud with the United Nations Development Group and the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination. In those meetings, the Office called for the establishment of a formal requirement to	The Board emphasizes that implementing the recommendation is not fully within the control of the Office and has redirected the recommendation to the Secretariat.		X		

Report reference	Summary of recommendation	Administration's comments on status, as at April 2015	Board's comments on status, as at March 2015	Fully implemented	Under implementation	Not implemented	Closed by the Board
		share information on the performance of implementing partners. Two task forces are currently considering the matter. The United Nations Development Group Task Force on Risk Management in Fragile States developed a programme risk management framework for pooled funding solutions in fragile States, which was endorsed by the Group in May 2015. The High-level Committee on Management requested the establishment of a task force to look at assessing the feasibility of adapting the United Nations Global Marketplace as a platform to track fraud cases relating to implementing partners. It will also explore alternative means of sharing information.					
A/69/5 (Vol. I), chap. II, para. 125	The Board recommends that the Office for the Coordination of Humanitarian Affairs accelerate implementation of the improved controls established in the global guidance and accountability framework. This should be done with a more risk-based and flexible approach to the management of implementing partners in country operations involving: (a) Risk assessments to vet implementing partners to create a pool of trusted suppliers; (b) Revised funding arrangements where high-	The global guidelines for country-based pooled funds, including the new accountability framework, are being implemented in all funds. The guidelines also introduce a revised memorandum of understanding with implementing partners that includes strengthened provisions on risk management.	The new guidelines address the weaknesses raised, but need to be implemented in practice before the recommendation can be judged to have been implemented.		X		

Report reference	*Summary of recommendation*	*Administration's comments on status, as at April 2015*	*Board's comments on status, as at March 2015*	*Fully implemented*	*Under implementation*	*Not implemented*	*Closed by the Board*
	risk implementing partners receive an initial payment lower than the current initial 80 per cent payment; (c) Enhanced monitoring arrangements where, for example, high-risk projects should be subject to interim audits/inspections using audit access rights, while monitoring of lower-risk projects could be based on visits from regional staff; (d) Working with the Office of Legal Affairs to strengthen the current memorandum of understanding between the Office for the Coordination of Humanitarian Affairs and implementing partners.						
A/69/5 (Vol. I), chap. II, para. 136	The Board recommends that the Administration raise awareness of fraud risks by establishing a clear code of conduct (recognizing that a code of conduct includes requirements wider than fraud), reinforced through regular communication of fraud issues and through mandatory training courses for all staff.	The Ethics Office refers to the print and online publication of the ethics guide (in English and French) and the republication of the International Civil Service Commission standards of conduct for the international civil service (in English and French). Both highlight and summarize the most important ethical principles, behaviour and expectations set for United Nations staff members and are available on the Office's website at www.un.org/en/ethics/standvalue.shtml.	The Administration's response does not address the recommendation because it does not raise awareness of fraud risks, but focuses on ethical principles, behaviour and expectations of staff members.			X	
A/69/5 (Vol. I), chap. II, para. 142	The Board recommends that the Administration conduct a comprehensive fraud risk assessment, using in-depth research in high-risk areas, to determine the Organization's	In June 2015, the Secretariat put together a working group under the leadership of the Office of the Under-Secretary-General for Management to take stock of all the recommendations raised by the Board on the issue of fraud, including the development of an	The Board has further commented on managing the risk of fraud in section F, where it found limited progress in the implementation of its previous recommendations.			X	

Report reference	*Summary of recommendation*	*Administration's comments on status, as at April 2015*	*Board's comments on status, as at March 2015*	*Fully implemented*	*Under implementation*	*Not implemented*	*Closed by the Board*
	vulnerabilities and exposure to risks of fraud from both internal and external sources.	anti-fraud policy. The following departments and offices are represented: (a) Office of Programme Planning, Budget and Accounts; (b) Office of Human Resources Management; (c) Office of Internal Oversight Services; (d) Office of Legal Affairs; (e) Office for the Coordination of Humanitarian Affairs; (f) Department of Field Support; (g) Ethics Office; (h) United Nations Office at Geneva.					
A/69/5 (Vol. I), chap. II, para. 143	The Board also recommends that the Administration support the development of the Office of Internal Oversight Services as a central expert resource to support and work with departments to assess, analyse and act upon all significant fraud risks.	Idem	Idem			X	
A/69/5 (Vol. I), chap. II, para. 147	The Board recommends that the Administration review and rationalize the current suite of policy and guidance material on fraud and other misconduct to provide staff and others with clarity concerning the correct procedures to follow when a fraud is discovered.	Idem	Idem			X	

Report reference	*Summary of recommendation*	*Administration's comments on status, as at April 2015*	*Board's comments on status, as at March 2015*	*Fully implemented*	*Under implementation*	*Not implemented*	*Closed by the Board*
A/69/5 (Vol. I), chap. II, para. 148	The Board also recommends that the Administration establish a central intake mechanism for all reporting of staff grievances and suspected fraud, allowing the cases to be properly screened and assessed and sent to the right part of the Organization for action, and facilitating improved data collection.	The Office of Internal Oversight Services is moving forward with GoCase implementation and expects it to go live in September 2015. It will provide the electronic platform necessary to receive global reports of possible misconduct as a first step towards a central intake mechanism. With the focus being on development and deployment, however, the central intake initiative has not moved further forward from the original concept, which would require clarification on buy-in from other client or stakeholder groups and appropriate resource or funding arrangements for the development of an application based on GoCase. It is also to be noted that such a central intake mechanism will require the development and/or finalization of a related policy and administrative instruction with regard to the reporting and investigation of potential misconduct, including fraud.	Idem			X	
A/69/5 (Vol. I), chap. II, para. 151	The Board recommends that the Administration develop a framework of actions and arrangements for the systematic legal pursuit of all proven cases of fraud.	The Administration notes that it already has a framework of actions and arrangements in place for the systematic pursuit of cases of fraud. Accordingly, the recommendation has already been implemented.	The Board has seen no evidence of the systematic legal pursuit of all proven cases of fraud.			X	
A/69/5 (Vol. I), chap. II, para. 155	The Board recommends that the Administration update and enhance its whistle-blowing policies and procedures to cover the risk of both internal and external wrongdoing.	Final revisions to ST/SGB/2005/21 have been presented to the Secretary-General for his approval and concurrence. A status report on updates and enhancements to the United Nations policy on protection against retaliation will be given at the meeting of the Staff-Management Committee in April 2015.	As at 1 July 2015, the Administration had not issued revised whistle-blowing policies.			X	

Report reference	Summary of recommendation	Administration's comments on status, as at April 2015	Board's comments on status, as at March 2015	Fully implemented	Under implementation	Not implemented	Closed by the Board
A/69/5 (Vol. I), chap. II, para. 159	The Board recommends that the Administration develop an integrated strategic approach to tackling fraud, drawing on the many practical examples of good practice being adopted across the world and adapting these to the Organization's circumstances. The first step will be assessing and understanding the type and scale of fraud threats the United Nations is exposed to.	The Administration fully recognizes the importance of a mature and integrated Organization-wide approach to tackling fraud risk through the development and maintenance of sound anti-fraud policies and strategies, beginning with a comprehensive fraud risk assessment, developing and, when due, rationalizing the existing suite of policies and guidance material, and developing and implementing proper procedures, based on best practice.	The Board has further commented on managing the risk of fraud in section F, where it found limited progress in the implementation of its previous recommendations.			X	
A/69/5 (Vol. I), chap. II, para. 164	The Board recommends that the Administration develop a medium- to long-term strategic workforce strategy and operational workforce plans. These should be informed by a review of the Organization's strategy that identifies any gaps in headcount, grades, knowledge and skills.	The Administration initiated a new workforce planning project early in 2014 to formulate a standardized methodology for workforce planning. It is currently in the design phase and will continue to be reviewed and enhanced in coordination with the Umoja and mobility programmes over the next several years.	While noting the Administration's response, the Board is concerned that existing policies, systems and processes do not enable the Office of Human Resources Management to carry out workforce planning. The recommendation has been reiterated in section D.		X		
A/69/5 (Vol. I), chap. II, para. 169	The Board recommends that the Administration establish performance measures of the effectiveness of the recruitment process around getting "the right person, with the right skills, to the right position, at the right time and at the right cost".	Performance measures have been established in programme 25, Management and support services, of the proposed strategic framework for the period 2016-2017 (A/69/6 (Prog. 25)).	The Board notes the Administration's response.		X		

Report reference	*Summary of recommendation*	*Administration's comments on status, as at April 2015*	*Board's comments on status, as at March 2015*	*Fully implemented*	*Under implementation*	*Not implemented*	*Closed by the Board*
A/69/5 (Vol. I), chap. II, para. 170	The Board also recommends that the Administration perform an end-to-end review of the recruitment process to identify opportunities to reduce the lead time to recruit from the point at which a vacancy occurs until the post is filled.	A review of the current recruitment processes is in progress and will extend to incorporate the mobility implementation design processes.	Idem		X		
A/69/5 (Vol. I), chap. II, para. 177	The Board recommends that the Administration develop a skills strategy for staff based on an improved understanding of current capability and existing skills gaps such as commercial skills for major projects, and on the skills required following the implementation of IPSAS and the roll-out of Umoja, such as professional training in financial management skills to lead financial management improvement and provide more strategic advisory services to the wider business.	The Administration has developed a new learning and career support strategy that was endorsed by the Management Committee on 6 June 2014. It will ensure that Secretariat entities coordinate their learning and career support initiatives and support the Committee in its new oversight role through a learning and career support working group that will be led by the Office of Human Resources Management and have representation from offices away from Headquarters, regional commissions, departments and offices and the United Nations System Staff College. Plans are under way to review the opportunities for formal professional development training for accounting and finance staff under the Chartered Institute of Public Finance and Accountancy qualification programme that is being used by other United Nations system organizations.	The Board notes the new strategy. As reported in section I, however, without a clear target operating model it is difficult to forecast skills requirements.		X		

Report reference	*Summary of recommendation*	*Administration's comments on status, as at April 2015*	*Board's comments on status, as at March 2015*	*Fully implemented*	*Under implementation*	*Not implemented*	*Closed by the Board*
A/69/5 (Vol. I), chap. II, para. 184	The Board recommends that the Administration review and improve the appraisal system to enable more effective monitoring of performance trends and implementation of remedial action or rewards following completion of staff performance evaluations.	The General Assembly resolution that would contain the decision on the proposals is pending, with the issue to be taken up again in March 2016. The Administration is not in a position to proceed with the roll-out until it has the Assembly's approval.	The Board notes the Administration's response.		X		
A/67/5 (Vol. I), chap. II, para. 31	The Administration agreed with the Board's recommendation that the Office for the Coordination of Humanitarian Affairs strengthen its project management procedures to ensure regular review, verification and reporting of project expenditures to enable it to obtain timely and sufficient assurance and control over expenditure, confirmation that funds have been used for the intended purposes, and hence assurance over the accuracy of its recording in the financial statements.	The Office is rolling out the Grant Management System across all the country-based pooled funds in 2015. It is a web-based system that supports the management of the entire grant life cycle for all country-based pooled funds and allows for systematic tracking of documentation. It will allow for proper monitoring and accounting of fund management performance, including speed and quality of allocations, disbursements, monitoring, reporting and audits. The system has been piloted in the Sudan and Afghanistan and was rolled out in nine funds in 2014, with full roll-out to be completed by June 2015.	The recommendation has been closed by the Board because it has been superseded by the more detailed recommendations made in A/69/5 (Vol. I).				X
A/67/5 (Vol. I), chap. II, para. 34	The Administration agreed with the Board's recommendation that it, in collaboration with the Office for the Coordination of Humanitarian Affairs, rigorously review its accounting treatment for recording expenditures via executing agencies and make any necessary changes of accounting policy no later than 2014.	See the recently issued financial statements of 2014 and in particular the summary of significant accounting policies that details the Organization's accounting policy and the application of the policy in this regard. The recommendation should now be closed.	The Board considers the recommendation to have been implemented.	X			

Report reference	*Summary of recommendation*	*Administration's comments on status, as at April 2015*	*Board's comments on status, as at March 2015*	*Fully implemented*	*Under implementation*	*Not implemented*	*Closed by the Board*
A/67/5 (Vol. I), chap. II, para. 80	The Board recommends that the Administration review the disclosures in future financial statements with a view to providing more detailed commentary on the reasons for the increased holdings of investments and cash pools.	Movements in investments and cash pools are included in the management discussion and analysis that accompanies the 2014 financial statements for volume I.	As at 1 July 2015, the Board had not seen the financial report that accompanies the financial statements.			X	
A/67/5 (Vol. I), chap. II, para. 95	The Administration agreed with the Board's recommendation that it require all staff to have undertaken contract management training prior to taking up contract management responsibility. Such training should cover key aspects of contract management such as contract administration, vendor relationship management, risk management, and performance evaluation and management.	The Procurement Division has developed an online training course on contract management that is set to be mandatory under the new learning and career support strategy, at which point the Under-Secretary-General for Management will inform all heads of department and office to take the action necessary to ensure that all staff under their supervision with contract management functions take the training.	The Board notes the progress made, but also that the Administration has not demonstrated that the training is mandatory for all staff responsible for managing contracts and has not demonstrated compliance with the policy.		X		
A/67/5 (Vol. I), chap. II, para. 98	The Administration agreed with the Board's recommendation that the Administration include specific, measurable and relevant key performance indicators, linked to payment, in every contract to cover all key aspects of the goods or services to be delivered.	Management considers the recommendation to have been implemented because most United Nations contracts, unless the Procurement Division assesses that there is a very low risk to the Organization, include either specific, measurable, attainable, relevant and time-bound key performance indicators or other forms of performance measurements that are linked to supplier payment. The Administration has committed itself to ensuring that all future contracts include key performance indicators, unless assessed as posing a very low risk.	The recommendation is considered to have been implemented.	X			

Report reference	*Summary of recommendation*	*Administration's comments on status, as at April 2015*	*Board's comments on status, as at March 2015*	*Fully implemented*	*Under implementation*	*Not implemented*	*Closed by the Board*
A/67/5 (Vol. I), chap. II, para. 128	The Board recommends that the Department of Management urgently clarify the authority of the United Nations Office at Nairobi for undertaking procurement on behalf of the United Nations Environment Programme and the United Nations Human Settlements Programme.	Service-level agreements with the United Nations Human Settlements Programme and the United Nations Environment Programme were signed on 5 March 2015 and 25 November 2014, respectively. The agreements are an interim arrangement for two years; at the end of that period and upon completion of the new procurement arrangement under Umoja, the procurement authority and arrangements for both bodies will be revisited.	The Board notes the Administration's response.	X			
A/67/5 (Vol. I), chap. II, para. 130	The Administration agreed with the Board's recommendation that the Department of Management review the delegations granted to the United Nations Office at Vienna and the United Nations Office at Geneva, to ensure that delegated procurement authority is sufficiently clear.	A review of the delegations granted to the United Nations Office at Vienna and the United Nations Office at Geneva is continuing.	Idem		X		
A/67/5 (Vol. I), chap. II, para. 145	The Administration agreed with the Board's recommendation that it: (a) develop more outcome-focused objectives and indicators of achievement; (b) establish clear chains from indicators of resource use and activity, through indicators of output to achievement of high-level objectives; and (c) make subparagraphs (a) and (b) above a clearly articulated responsibility of the Under-Secretaries-General for their respective departments.	The Administration is finalizing a proposal to be considered by the Committee on Programme and Coordination at its fifty-fifth session, where it will propose more outcome-oriented strategic frameworks.	Idem		X		

Report reference	*Summary of recommendation*	*Administration's comments on status, as at April 2015*	*Board's comments on status, as at March 2015*	*Fully implemented*	*Under implementation*	*Not implemented*	*Closed by the Board*
A/67/5 (Vol. I), chap. II, para. 171	The Administration agreed with the Board's recommendation that, to provide assurance that the system of internal control is understood and operating as expected, it: (a) document the internal control framework; and (b) consider developing a management assurance system which requires managers at all levels to periodically provide senior management assurance on the effectiveness of internal controls in their sphere of control to test both understanding and compliance at all levels.	The Administration requests the Board to close the recommendation because it has been replaced by the recommendation contained in paragraph 48 of A/69/5 (Vol. I).	The recommendation has been closed by the Board because it has been superseded by the recommendation contained in paragraph 48 of A/69/5 (Vol. I).				X
A/67/5 (Vol. I), chap. II, para. 176	The Administration agreed with the Board's recommendation that, in support of existing work on developing risk management in the United Nations, the Management Committee: (a) periodically identify the top risks facing the Organization and communicate that information to all managers; and (b) develop high-level and regular (monthly) reporting on the current status of the risks and associated mitigating strategies.	The Management Committee led the first Secretariat-wide risk assessment and has identified the six critical risks and assigned corporate risk owners to coordinate the Organization-wide response. The risk register and the governance structures were formally approved by the Secretary-General in September 2014 and the Committee will continue to have a central role in the periodic monitoring of the current status of risk and associated mitigating strategies through regular reporting by the relevant corporate risk owners.	The Board has further commented on enterprise risk management in section E. Corporate risk owners have not established risk mitigation strategies in practice and there is no regular reporting on status.		X		

Report reference	*Summary of recommendation*	*Administration's comments on status, as at April 2015*	*Board's comments on status, as at March 2015*	*Fully implemented*	*Under implementation*	*Not implemented*	*Closed by the Board*
A/67/5 (Vol. I), chap. II, para. 183	The Administration agreed with the Board's recommendation that United Nations senior management set out an action plan addressing the key lessons identified by the Board on business transformation, to demonstrate and track how it is developing and implementing a more strategic and holistic grip on the direction and delivery of the business transformation programmes.	Under the name of "organizational transformation", the concurrent implementation of major transformation initiatives has been identified as one of the major risks facing the Organization. The risk treatment plan is informed by the Board's analysis of key lessons.	The Board notes the response of the Administration, but also that the risk treatment plan has not been completed and approved. The Board comments further on business transformation in section I.		X		
A/65/5 (Vol. I), chap. II, para. 25	The Administration agreed with the Board's recommendation that it: (a) Plan for the automated preparation of the financial statements under Umoja; (b) Without waiting for the implementation of Umoja, enhance internal documentation on the preparation of the financial statements and, more generally, on all financial procedures, notably by updating the Financial Manual.	The software to interface with Umoja for the automated preparation of financial statements has been purchased. The related project will be launched in the middle of 2015 and is expected to have at least a six-month duration. Accordingly, the estimated target date has been revised to December 2016. In the meantime, the Organization has already summarized the financial statement process used during the transitional period in the financial statement instructions.	The Board notes the response of the Administration, but also that there continue to be weaknesses in the processes for the preparation of the financial statements. Further recommendations in that regard have been made in section D.		X		

Report reference	*Summary of recommendation*	*Administration's comments on status, as at April 2015*	*Board's comments on status, as at March 2015*	*Fully implemented*	*Under implementation*	*Not implemented*	*Closed by the Board*
A/65/5 (Vol. I), chap. II, para. 62	The Administration agreed with the Board's recommendation that it define a strategy to streamline and further automate the management of voluntary contributions, along the lines of the redesign of assessed contributions procedures.	Automation of voluntary contributions will be considered as part of the deployment of Umoja. The target date continues to be based on the Umoja deployment schedule.	The Board notes the Administration's response. The recommendation is considered not implemented.			X	
A/65/5 (Vol. I), chap. II, para. 66	The Administration agreed with the Board's recommendation that it develop indicators to measure the processing times for contributions.	The target date continues to be based on the Umoja deployment schedule.	Idem			X	
A/65/5 (Vol. I), chap. II, para. 160	The Administration agreed with the Board's recommendation that it strengthen internal controls to ensure the accuracy of its payable and receivable balances with counterpart entities as at the end of the financial period.	The implementation of the recommendation continues to be tied to the deployment of Umoja because it will provide for a consolidated view of payable and receivable balances with counterpart entities. The estimated target date is thus moved to December 2015, when Umoja should be deployed in most offices.	The Board continues to find weaknesses in the accuracy of the payable and receivable balances and has made a further recommendation in that regard in section D.			X	
A/65/5 (Vol. I), chap. II, para. 164	The Administration agreed with the Board's recommendation that it reduce the time taken for certifying invoices so as to conform to accrual-based accounting.	The time taken for certifying invoices will be further reduced with the full deployment of Umoja in clusters 3 and 4.	The Board notes the Administration's response. The recommendation is considered not implemented.			X	
A/65/5 (Vol. I), chap. II, para. 387	The Board recommends that the Administration draw up a schedule by which the staff members who have not taken the mandatory training programmes be obliged to do so in a close time limit	The Learning, Development and Human Resources Services Division will continue to deploy the learning management system in Inspira to field missions. That process, over the coming year, will help to improve the ability of the Organization to track mandatory training requirements.	Idem			X	

Report reference	*Summary of recommendation*	*Administration's comments on status, as at April 2015*	*Board's comments on status, as at March 2015*	*Fully implemented*	*Under implementation*	*Not implemented*	*Closed by the Board*
	(one year or 18 months), and that the effective implementation be verified.						
A/65/5 (Vol. I), chap. II, para. 390	The Board recommends that the Administration ensure that all departments and offices draw up and document a medium- and short-term staff training strategy that would identify needs and objectives, and carry out a qualitative analysis of the results obtained.	The Learning, Development and Human Resources Services Division will be implementing the new strategy in 2015. New programmes are in development and the first meeting of the coordination mechanism was held in March 2015. Qualitative analysis of the results obtained from the new strategy will not be available until 2016.	The recommendation has been superseded by the recommendation contained in paragraph 177 of A/69/5 (Vol. I) and is closed by the Board.				X
A/65/5 (Vol. I), chap. II, para. 437	The Administration agreed with the Board's recommendation that it take appropriate measures to ensure that the "Carbon" project is interfaced with Umoja.	In collaboration with the Umoja team, the Department for General Assembly and Conference Management identified required data interfaces between the Department's meeting management system, gMeets (formerly known as "Carbon"), and the Contractor Management Application and Umoja. The implementation of those interfaces is planned for June 2015. The estimated target date for the implementation of the interfaces for the conference management solution with Umoja Extension 2 remains as 2017. For the implementation of data interfaces between the Contractor Management Application and Umoja Foundation, the Department provided the Umoja technical team responsible for building the data interfaces with the technical specifications, which include functional details, a technical overview and required data fields from Umoja.	The Board notes the progress made as part of the design and implementation of Umoja.		X		
	Total			**5**	**19**	**18**	**5**
	Percentage			**11**	**40**	**38**	**11**

Annex II

Six critical risks identified by the Secretariat

Risk and definition	*Impact*	*Likelihood*	*Internal control*	*Residual risk (June 2015)*	*Risk owner*
Organizational structure and synchronization. The overall structure of the Organization does not support the efficient and effective achievement of strategic and operational objectives. Lack of clarity as to the organizational structure, responsibilities and objectives of departments and offices leads to conflicting or redundant activities and, ultimately, to loss of public and Member State trust.	Significant	Expected	Ineffective	Critical	Deputy Secretary-General
Organizational transformation. The Organization is unable to respond to the needs of a changing environment. A conservative, risk-averse culture hinders the ability of the Organization to respond to and embrace change.	Critical	Highly likely	Significant improvement needed	Critical	Under-Secretary-General for Management
Strategic planning and budget allocation. There is an inability to discover, evaluate and select among alternatives to provide direction and allocate resources for effective execution in achieving the mission, mandate and objectives of the Secretariat and departments, creating a lack of clarity in decision-making. Budget requests are not completely fulfilled, impeding the ability to carry out missions, objectives, plans and strategies effectively.	Significant	Expected	Ineffective	Critical	Chef de Cabinet
Safety and security. There is an inability or a failure to provide a secure working environment and to protect, promote and monitor the personal safety and security of staff, volunteers and others at United Nations facilities or in support of United Nations and related activities. Overly restrictive security rules can have a negative impact on mandate implementation and humanitarian endeavours.	Critical	Highly likely	Significant improvement needed	Critical	Under-Secretary-General for Safety and Security

Risk and definition	*Impact*	*Likelihood*	*Internal control*	*Residual risk (June 2015)*	*Risk owner*
Extrabudgetary funding and management. The inability to obtain extrabudgetary funding may have an impact on the ability of some departments to achieve their objectives. Reliance upon extrabudgetary funding may jeopardize or appear to have an impact on the independence of the United Nations because projects that obtain earmarked funding may be accorded higher priority. There is an inability to identify, establish and maintain the optimal structure and controls for trust funds, resulting in loss or misuse of assets.	Critical	Highly likely	Significant improvement needed	Critical	Controller
Human resources strategy, management and accountability. There is no well-defined human resources strategy that supports organizational and strategic objectives, employee needs and the desired organizational mission, vision and values. There is an inability to develop and enhance staff skills and provide effective performance feedback and guidance. There is inadequate promotion of accountability or otherwise holding parties or constituents accountable for their actions or inaction.	Significant	Highly likely	Ineffective	Critical	Assistant Secretary-General for Human Resources Management

Chapter III
Certification of the financial statements

Letter dated 31 March 2015 from the Assistant Secretary-General, Controller, addressed to the Chair of the Board of Auditors

The financial statements of the United Nations for the year ended 31 December 2014 have been prepared in accordance with financial rule 106.1 of the Financial Regulations and Rules of the United Nations. They include all funds except peacekeeping operations, the United Nations Compensation Commission, the United Nations escrow accounts established under provisions of Security Council resolution 1958 (2010) and the international tribunals, which are the subject of separate financial statements.

The summary of significant accounting policies applied in the preparation of these statements is included in the notes to the financial statements. These notes provide additional information on and clarification of the financial activities undertaken by the Organization during the period covered by these statements, for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the United Nations, numbered I to V, are correct.

(*Signed*) Bettina Tucci **Bartsiotas**
Assistant Secretary-General, Controller

Chapter IV
Financial report for the year ended 31 December 2014

A. Introduction

1. The Secretary-General has the honour to submit the financial report on the accounts of the United Nations for the year ended 31 December 2014.

2. The financial position and results presented herein do not include those of peacekeeping operations, the United Nations Iraq escrow accounts, the United Nations Compensation Commission, the International Tribunal for the Former Yugoslavia, the International Criminal Tribunal for Rwanda and the International Residual Mechanism for Criminal Tribunals, which are reported separately. Separate financial statements are also issued for the International Trade Centre, the United Nations University, the United Nations Institute for Training and Research, the United Nations Office on Drugs and Crime, the United Nations Environment Programme and the United Nations Human Settlements Programme.

3. The accounts of the Organization are presented in five financial statements and notes that provide financial information relating to the United Nations General Fund and related funds, trust funds, technical cooperation funds, the Tax Equalization Fund, the capital master plan, capital assets and construction in progress, post-employment benefits and other funds. Details of individual trust funds are not presented in these published accounts, but are available separately.

4. The present financial report is designed to be read in conjunction with the financial statements. It presents a discussion of major policy changes and an overview of the position and performance of the Organization, highlighting trends and significant movements. The annex to the report provides supplementary information to be reported to the Board of Auditors as required by the Financial Regulations and Rules of the United Nations.

B. Adoption of the International Public Sector Accounting Standards

5. For the first time, the financial statements of the United Nations have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). In 2013 and prior years, the financial statements were prepared in accordance with the United Nations system accounting standards.

6. The adoption of IPSAS has been accepted as best practice for accounting and reporting by the public sector and not-for-profit governmental organizations. The United Nations adopted IPSAS on 1 January 2014 in accordance with General Assembly resolution 60/283. Cited IPSAS benefits include improving the quality, comparability and credibility of financial reporting across the United Nations system.

Highlights of key changes to the financial statements resulting from the adoption of the International Public Sector Accounting Standards

7. Financial statements prepared in accordance with IPSAS apply full accrual-based accounting, which is a significant change from the modified cash basis of accounting previously applied under the United Nations system accounting

standards. Accrual-based accounting requires the recognition of transactions and events when they occur and the presentation of all assets and liabilities of the entity appropriately valued at the reporting date. Accordingly, the accounting policies of the Organization have been updated to support compliance with IPSAS; the summary of significant accounting policies, presented in note 3 to the financial statements, reflects that update.

8. **Assets**. Under the United Nations system accounting standards, physical assets and intangibles were expensed when purchased and did not appear on the balance sheet; under IPSAS, the Organization has reported property, plant and equipment, inventories and intangible assets on the face of the financial statements for the first time. Assets qualifying as financial instruments are now fair valued and thus the Organization’s share of the investments in the United Nations cash pool reflects mark-to-market adjustments; also for the first time, the United Nations has created allowance accounts to adjust doubtful accounts receivable in accordance with IPSAS.

9. **Liabilities**. Under the United Nations system accounting standards, only some liabilities were recognized; under IPSAS, all liabilities are recognized. In preparation for IPSAS, the Organization had already recognized its long-term employee benefits liabilities of after-service health insurance, unused annual leave and accrued repatriation benefits; in 2014, the Organization, for the first time, also recognized its employee benefits liabilities relating to its workers’ compensation programme. For the first time, the Organization has recognized liabilities associated with its finance lease arrangements, liabilities (provisions) for valid claims (legal or constructive) against the Organization and liabilities for conditional funding arrangements.

10. **Revenue**. Under IPSAS, revenue is recognized when an agreement to provide unconditional voluntary funding is signed, even before the receipt of cash; thus the Organization has changed its revenue recognition point for its voluntary contributions. As regards assessed contributions, under IPSAS the Organization recognizes revenue in the year to which the assessments relate, even if billed to Member States in a subsequent financial period. In accordance with IPSAS, the Organization has also recognized, for the first time, revenue for contribution of goods in kind and for donated right-to-use property arrangements.

11. **Expenses**. Expenses are now recorded in the financial statements only when goods or services have been received, and not when commitments have been made, as was the case under the United Nations system accounting standards. Thus, under IPSAS, commitments against budgets do not qualify as expenses in the financial statements and such commitments held at the beginning of the year were adjusted against net assets, and accrued expenses for goods and services received were recorded. Transfers to implementing partners, which were previously presented as accounts receivable, are now presented as expenses under IPSAS. Furthermore, the Organization now reports on the face of the IPSAS financial statements expenses relating to depreciation, amortization and impairment of assets, actuarial service cost and interest cost on its employee benefits liabilities, together with rental expenses relating to the use of donated facilities.

12. **Note disclosures**. IPSAS require significantly more note disclosures in the financial statements; some of the new areas of note disclosures for the Organization include segment reporting, explanations of material budget versus actual variances,

information on key management personnel, details of employee benefits liabilities, details of the life cycle of property, plant and equipment, inventory and intangibles and investment risks.

Tax Equalization Fund

13. The Tax Equalization Fund was established to equalize the net pay of all staff members, whatever their national tax obligations, and to support the payment of income taxes to Member States that levy them. The Fund operationally records as revenue a charge against the salaries of staff members financed under assessed funds. It includes as expenses reimbursement to staff members subject to income taxes, together with credits against the assessments of Member States that do not levy income taxes on the salaries paid by the United Nations to their nationals. Previously, under the United Nations system accounting standards, the revenue and expenses of the Fund were reported on the face of the Organization's financial statements. Under IPSAS, given that the Organization acts as an agent in the arrangement, the net of the related revenue and expenses is now reported as current liabilities in the financial statements.

Accounting for joint ventures

14. The Organization has entered into joint venture arrangements for a number of United Nations system-wide jointly financed activities and other joint operations in which the nature of the arrangements is that the Organization has significant influence over the financial and operating policy decisions of the operations. Previously, under the United Nations system accounting standards, the assets, liabilities, income and expenditure of those joint ventures were presented in the financial statements of the Organization. Under IPSAS, the interests in the activities are accounted for using the equity method and only the Organization's share is recognized.

Multi-partner trust funds

15. Multi-partner trust funds are pooled resources from multiple financial partners that are allocated to multiple implementing entities to support specific national, regional or global development priorities; the United Nations Development Programme acts in the capacity of an agent for the funds. The funds were assessed to determine the existence of control for financial reporting purposes based on IPSAS principles. Where control exists, such funds are considered to be the Organization's operations. Previously, under the United Nations system accounting standards, the financial activities of controlled funds were not included in the financial statements of the Organization; under IPSAS, the financial activities of the funds that are controlled by the Organization are reported in full in the financial statements.

16. Under the United Nations system accounting standards, the principal financial statements were presented showing the distinction between groups of funds. Under IPSAS, an entity-level view of the position, performance and cash flows of the Organization is shown on the face of the financial statements.

17. Of note is that the assessed budget of the Organization continues to be prepared on a modified cash basis. Given that the accounting basis for the budget differs from the basis applied to the financial statements, a reconciliation between

expenditure against the budget and the IPSAS statement of cash flows is provided in note 6.

18. To make the transition to IPSAS, the financial position as at 31 December 2013 was restated and IPSAS-compliant opening balances were compiled as at 1 January 2014, which resulted in an adjustment to the net asset position of the Organization (see statement III). Owing to the change of accounting basis in the first year of the adoption of IPSAS, a full suite of comparative information for the prior year is not provided in the financial statements.

C. Overview of the financial statements for the year ended 31 December 2014

19. The financial statements of the United Nations under IPSAS now comprise five statements and 35 notes thereto. The five statements are the statement of financial position, the statement of financial performance, the statement of changes in net assets, the statement of cash flows and the statement of comparison of budget and actual amounts.

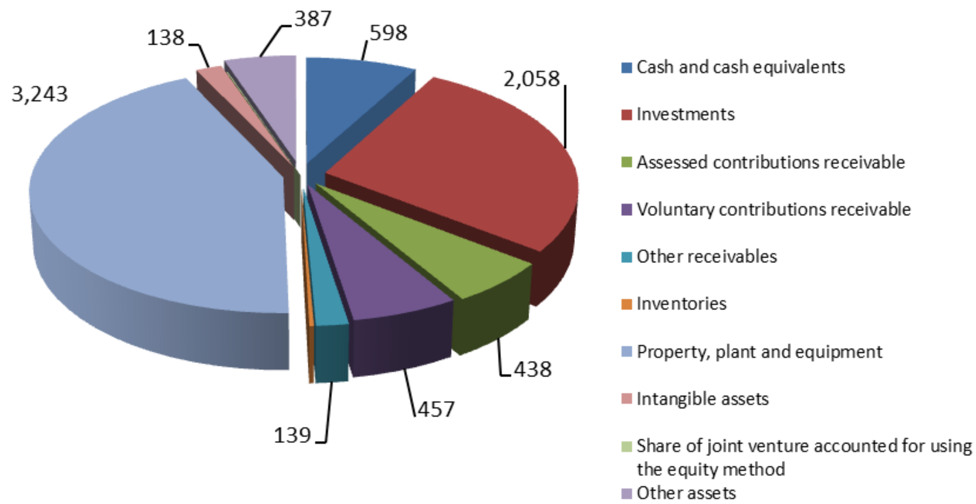
20. The statements show the financial results of the Organization's activities and its financial position as at 31 December 2014. The notes thereto explain the accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

Assets

21. The total assets of the Organization declined in 2014 by $269.1 million (3.5 per cent) to $7,487.4 million, with the most notable decline in investment balances, which fell by $432.9 million (17.4 per cent) to $2,058.0 million, partially offset by an increase in cash and cash equivalents of $284.0 million. The investment balances declined owing to consumption of funds held by the capital master plan as the project neared its final stage and the consumption of working capital funds to meet continuing operations.

22. Figure IV.I presents the structure of the Organization's assets as at 31 December 2014, totalling $7,487.4 million.

Figure IV.I
Assets of the Organization as at 31 December 2014
(Millions of United States dollars)

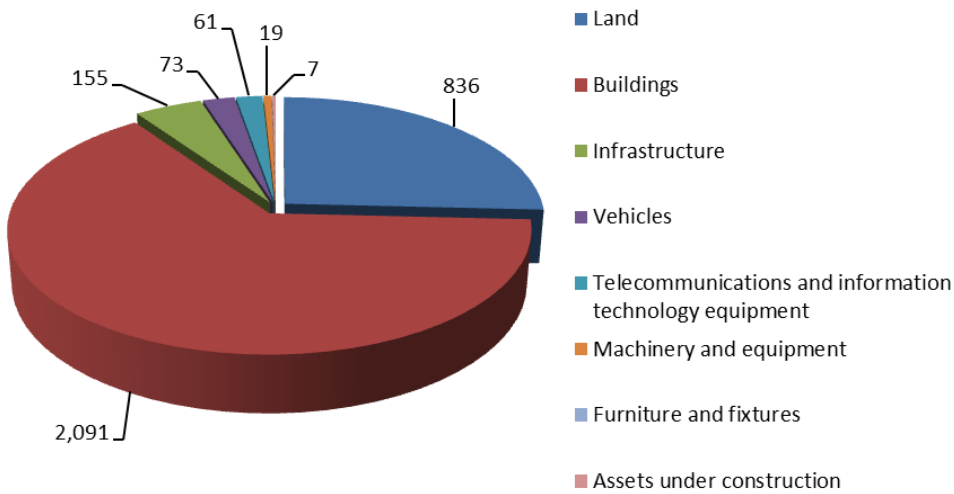


23. As figure IV.I illustrates, the Organization's assets largely comprised property, plant and equipment ($3,243.4 million, or 43.3 per cent), investments ($2,058.0 million, or 27.5 per cent), cash and cash equivalents ($597.8 million, or 8.0 per cent), voluntary contributions receivable ($456.8 million, or 6.1 per cent) and assessed contributions receivable ($438.2 million, or 5.9 per cent). Property, plant and equipment is concentrated mainly in capital assets and construction funds and mostly consists of land and buildings (90 per cent). Investments comprise technical cooperation investments of $542.9 million, trust fund investments of $541.5 million, amounts relating to insurance funds of $429.0 million, amounts relating to regular budget funds of $235.6 million and other investments of $309.5 million. Assessed contributions receivable of $438.2 million represent the outstanding balance of receivables from Member States as at 31 December 2014. Voluntary contributions receivable of $456.8 million mostly comprise receivables for trust funds ($348.9 million) and technical cooperation funds ($102.6 million). Cash and cash equivalents mostly comprise balances held in the main cash pool ($533.6 million) and the euro pool ($3.9 million), United Nations Staff Mutual Insurance Society against Sickness and Accident investments ($14.1 million) and other cash and cash equivalents ($46.3 million).

Property, plant and equipment

24. Property, plant and equipment of $3,243.4 million was the Organization's major asset category, at 43.3 per cent of total assets. As at 31 December 2014, the profile of the Organization's property, plant and equipment, which mostly consists of land and buildings (90 per cent), was as shown in figure IV.II.

Figure IV.II
Property, plant and equipment
(Millions of United States dollars)



25. Buildings, at $2,090.7 million, largely reflected the buildings at Headquarters, valued at $1,499.3 million, the United Nations Office at Geneva, valued at $193.5 million, and the Economic Commission for Africa, valued at $107.2 million. Land, at $835.7 million, largely included the land at Headquarters and at the United Nations Office at Geneva, valued at $617.8 million and $191.7 million, respectively. The land at the Economic Commission for Africa and at the United Nations Office at Nairobi was not included because those assets were not deemed to be under the control of the Organization owing to conditions in the arrangements with the respective Governments. The Vienna International Centre, which houses the United Nations Office at Vienna, was deemed to be jointly controlled by the Organization, along with three other United Nations entities that are parties to the donated right-to-use arrangement for the Centre. The Centre was not included in the financial statements because IPSAS transitional provisions were applied to it. The Centre, which had an estimated fair value of about €1.5 billion in 2010, is scheduled to be recognized in the 2015 financial statements on the basis of a current valuation.

26. In 2014, net property, plant and equipment declined by $61.7 million (1.9 per cent) from a balance of $3,305.2 million to $3,243.4 million. The decline was largely attributable to the recording of depreciation of $185.6 million for the year and, in addition, an impairment loss of $28.8 million that was recorded against the carrying value of the Temporary North Lawn Building at Headquarters, given that demolition is scheduled to begin by the end of 2015. Furthermore, during the year there was a significant level of disposal of vehicles, stemming from transfers from special political missions to peacekeeping missions, as well as of buildings valued at $1.2 million at the Economic and Social Commission for Asia and the Pacific and the United Nations Truce Supervision Organization.

27. Offsetting the decline in property, plant and equipment from depreciation, impairment and disposals were additions to assets under construction in the amount of $139.8 million, which upon completion were transferred to buildings and

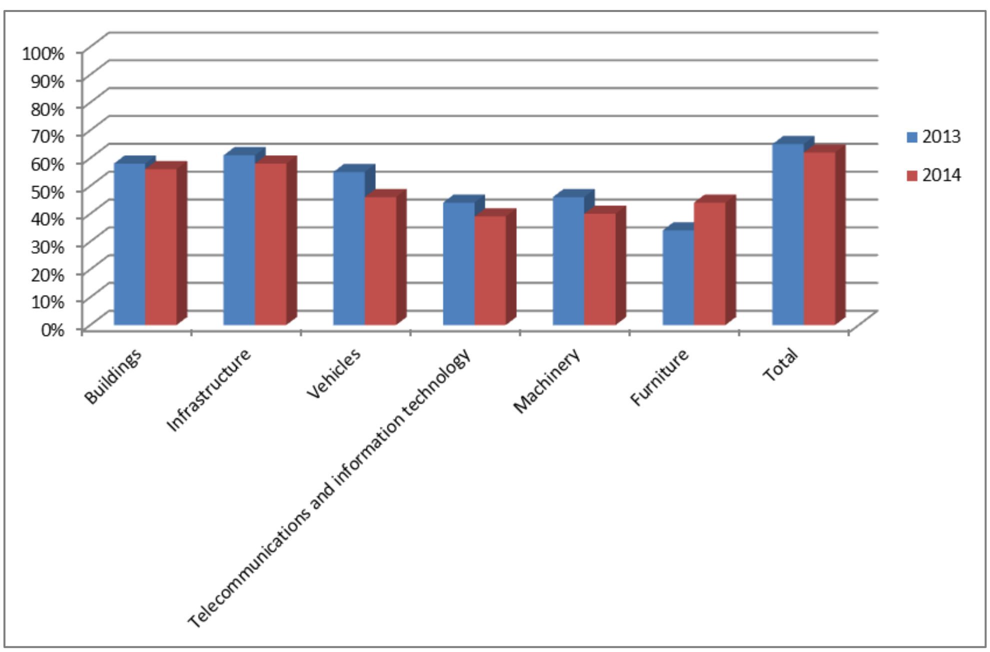
infrastructure assets. This mainly resulted from the construction activity of the capital master plan at Headquarters; the capitalized costs of the project included in buildings and infrastructure assets amounted to $164.7 million in 2014.

28. As at 31 December 2014, property, plant and equipment included assets under construction of $7.1 million, primarily relating to capitalized expenditure of $4.7 million for the strategic heritage plan of the United Nations Office at Geneva and $1.3 million for continuing renovations at the Economic Commission for Africa. The strategic heritage plan has a total projected cost of $848.0 million and is expected to be completed by 2023.

29. Depreciation rates for property, plant and equipment in 2014 ranged from 0 to 11.5 per cent, depending on the category, with an average effective depreciation rate for 2014 of approximately 3.6 per cent. The movement is captured in note 15 to the financial statements.

30. Overall, the remaining useful lives of depreciable property, plant and equipment fell slightly in 2014, but more notably for vehicles, telecommunications and information technology equipment, and machinery. For furniture, there was an increase in the remaining useful lives, reflecting a significant increase in the amount of furniture at Headquarters in connection with the final phase of the capital master plan. The comparative remaining useful lives as at 31 December 2014 and 31 December 2013 are shown in figure IV.III.

Figure IV.III
Remaining useful lives of property, plant and equipment
(Percentage)

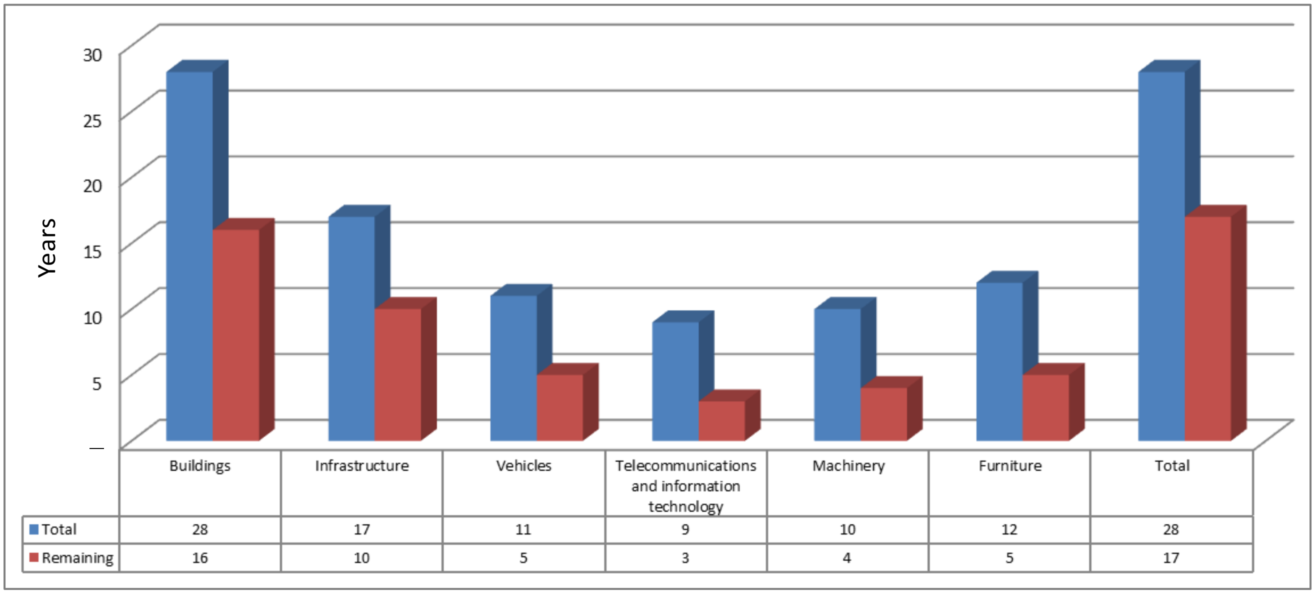


31. The comparison of remaining useful lives versus original useful lives is shown in figure IV.IV.

Figure IV.IV

Remaining useful lives of property, plant and equipment

(Years)



Cash, cash equivalents and investments

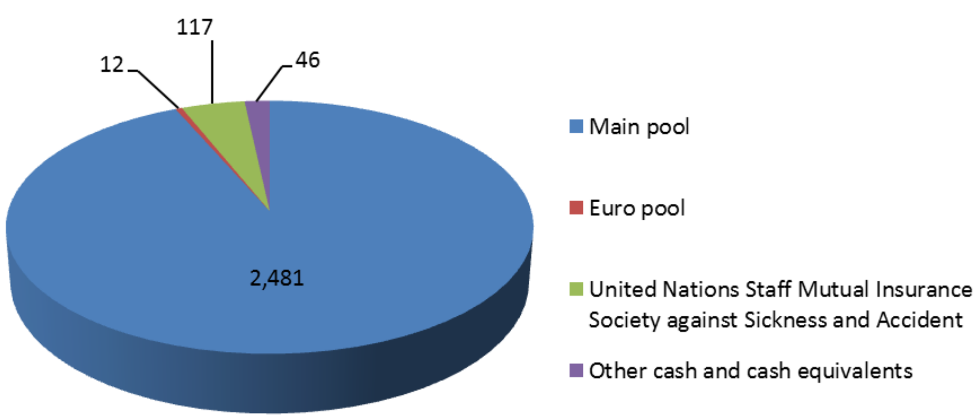
32. As at 31 December 2014, the United Nations held cash and cash equivalents and investments of $2,655.8 million, of which $2,481.4 million was held in the main cash pool and the remainder in other pools and in banking institutions.

33. As at 31 December 2014, the Organization held $2,493.0 million (25.9 per cent) of the total assets of the main and euro cash pools, which amounted to $9,608.8 million. The main cash pool was predominantly denominated in United States dollars and the euro cash pool entirely in euros (see fig. IV.V).

Figure IV.V

Cash and investments by pool

(Millions of United States dollars)



34. The cash pools consist largely of investments in bonds (non-United States agencies, non-United States sovereigns and United States treasuries), certificates of deposit and term deposits and are highly liquid. The investments are presented at fair value with the relevant gains or losses recorded in the statement of financial performance. For 2014, the Organization earned $14.8 million in net income from the cash pools, an average return of about 0.6 per cent.

35. The investments of the United Nations Staff Mutual Insurance Society against Sickness and Accident, valued at $116.5 million, were held in Swiss francs; they were held largely in fixed-income securities of government and related supranational entities, in addition to an exchange-traded fund benchmarked to the Swiss Market Index. For 2014, the Organization earned $1.8 million in investment income from the investments of the Society, but, after accounting for exchange losses and revaluation gains, there was a net loss of $4.7 million from those investments.

36. As at 31 December 2014, balances of cash and cash equivalents and investments were held in groups of funds (see fig. IV.VI).

Figure IV.VI
Cash and cash equivalents by fund groups
(Millions of United States dollars)

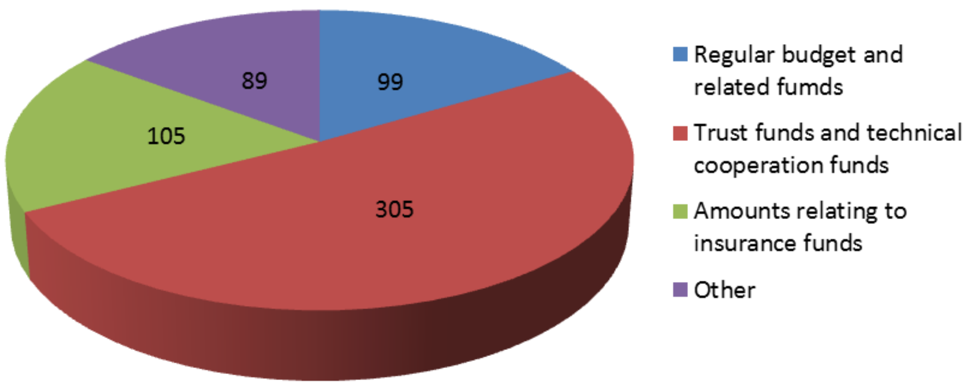
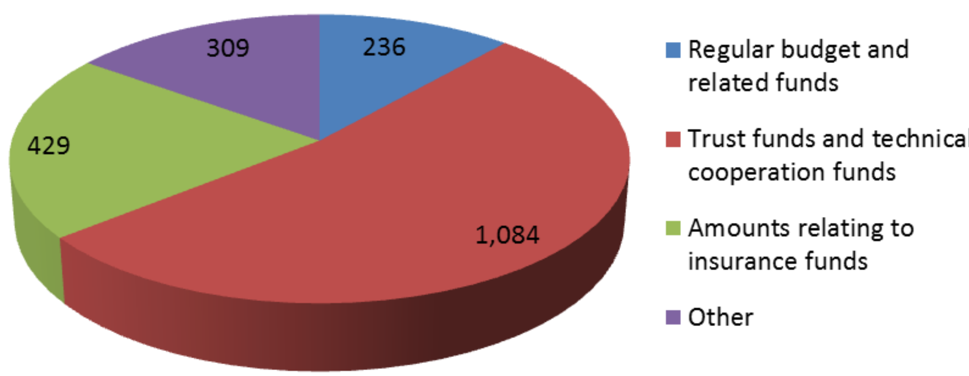


Figure IV.VII
Investments in cash pools by fund groups
(Millions of United States dollars)



37. The major portion of investments was held by trust funds and technical cooperation funds; a significant portion was also held by insurance funds. The General Fund and related funds held 11.4 per cent of investment holdings, amounting to $235.6 million (see fig. IV.VII).

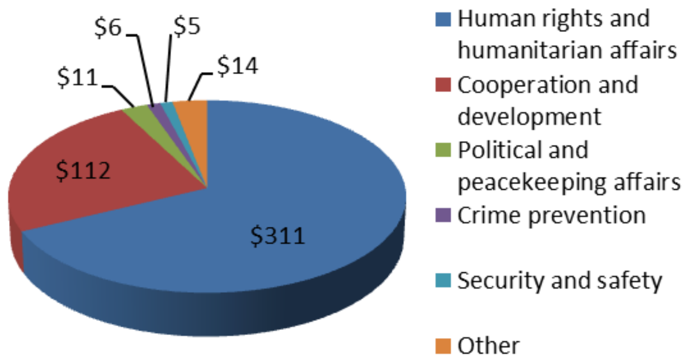
38. The Organization's exposure to credit risks, liquidity risks and market risks with regard to its investment portfolios is considered to be low. Risk analyses of the investment portfolios are presented in notes 30 and 31 to the financial statements.

Voluntary contributions receivable

39. Voluntary contributions receivable as at 31 December 2014 were $456.8 million, presented net of an allowance for doubtful accounts of $1.8 million. The amounts are due to the Organization under voluntary trust fund-related arrangements.

40. The current and non-current voluntary contributions receivable relating to general and technical cooperation trust funds as at 31 December 2014 amounted to $348.9 million and $102.6 million, respectively (see fig. IV.VIII).

Figure IV.VIII
Voluntary contributions receivable, by segment
(Millions of United States dollars)



41. The outstanding balance was mainly due from the human rights and humanitarian affairs segment (67.8 per cent), reflecting largely the receivables of the Office for the Coordination of Humanitarian Affairs, the cooperation and development segment (24.5 per cent) and other segments (7.7 per cent). In 2014, voluntary contributions receivable declined by $152.9 million (25.1 per cent), mainly as a result of the reduction of $190.6 million in the receivables balance of the Central Emergency Response Fund, offset by increases in United Nations Conference on Trade and Development technical cooperation activities of $18.9 million, the Trust Fund for Disaster Relief Assistance of the Office for the Coordination of Humanitarian Affairs of $16.6 million and the United Nations Trust Fund for Disaster Reduction of $12.5 million.

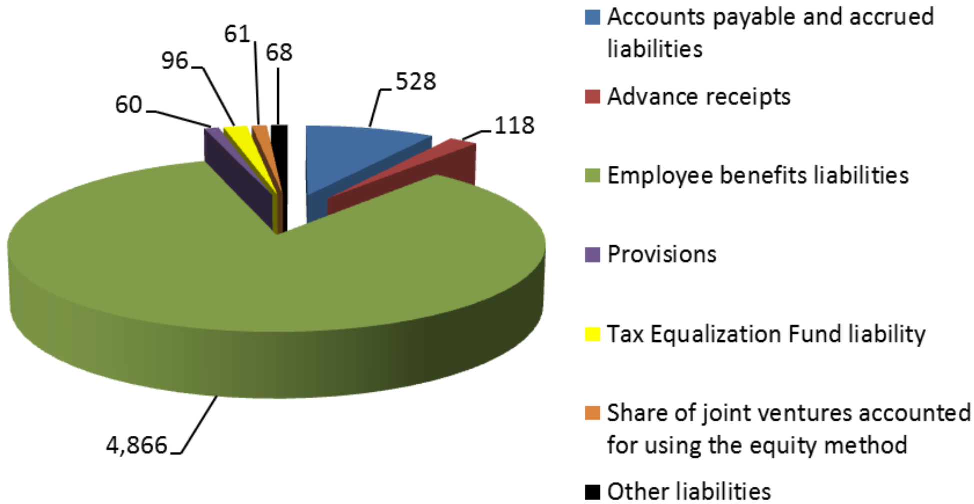
Assessed contributions receivable

42. The balance of assessed contributions receivable as at 31 December 2014 of $438.2 million consisted of a gross balance of $641.4 million offset by an allowance for doubtful receivables of $203.2 million. The balance of assessed contributions receivable increased in 2014 compared with 2013 by $110 million, or 33.5 per cent.

Liabilities

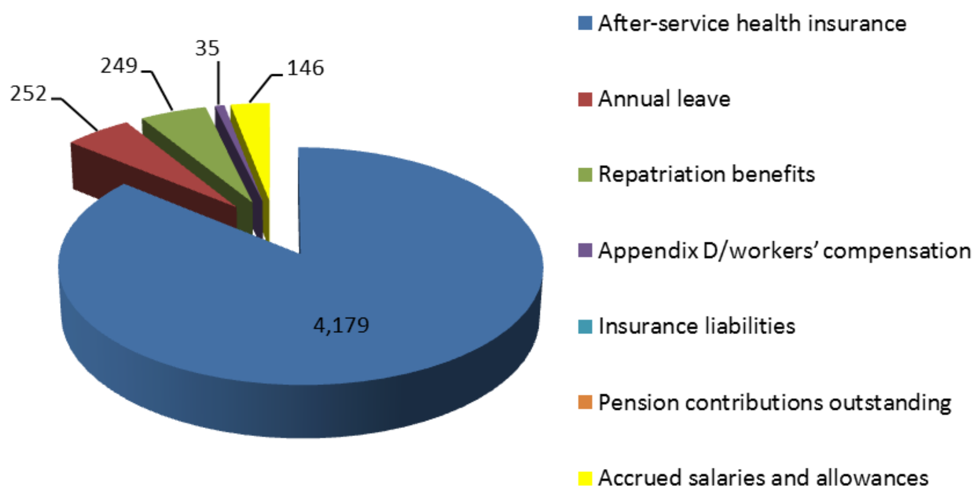
43. Figure IV.IX presents the structure of the Organization's liabilities as at 31 December 2014, totalling $5,797.5 million.

Figure IV.IX
Liabilities as at 31 December 2014
(Millions of United States dollars)



44. As illustrated in figure IV.IX, the Organization's liabilities largely comprised employee benefits liabilities of $4,866.2 million, or 83.9 per cent, and accounts payable and accrued liabilities of $528.3 million, or 9.1 per cent.

Figure IV.X
Employee benefits liabilities
(Millions of United States dollars)



45. Employee benefits liabilities consist largely of liabilities relating to after-service health insurance ($4,178.7 million), annual leave ($252.3 million) and repatriation benefits ($249.2 million), all of which are valued by independent actuaries (see fig IV.X). Those liabilities had been previously recognized under the United Nations system accounting standards as the Organization prepared for IPSAS adoption; however, the outstanding balance relating to annual leave was adjusted as at 1 January 2014 because, to fully comply with IPSAS, the actuarial valuation method was changed from the straight-line method to the attribution method. The impact on the opening balances of that change was an increase of $110.5 million in the liability; that amount, along with an amount of $27.1 million representing the initial recognition of liabilities for the Organization's workers' compensation programme under appendix D to the Staff Rules, resulted in an adjustment of $137.6 million recognized as an IPSAS adjustment in the statement of changes in net assets.

46. As was the case in 2012 and 2013, employee benefits liabilities increased in 2014. The increase in 2014 by $1,101.8 million, or 29.3 per cent, was mainly due to actuarial losses of $944.9 million (associated with a fall in the discount rate) recognized directly in the statement of changes in net assets, as well as current service cost of $141.3 million and interest cost of $155.7 million, partially offset by benefits paid in the amount of $123.0 million.

47. IPSAS require recognition of all accumulated employee benefits liabilities in the financial statements, although the disbursements for some of those benefits would occur over several decades in the future. Whereas IPSAS highlight the prudence of providing for those liabilities, they do not require funding of them; for extrabudgetary activities, plans are already in place to begin funding the liabilities as direct project costs; for activities relating to the regular budget options have been submitted to the General Assembly, but a decision has been taken to continue the pay-as-you-go approach for now (see resolution 68/244). The Organization continues to explore options for funding the liabilities, including a possible system-wide approach similar to that currently employed for retirement and disability benefits by the United Nations Joint Staff Pension Fund.

Accounts payable and accrued liabilities

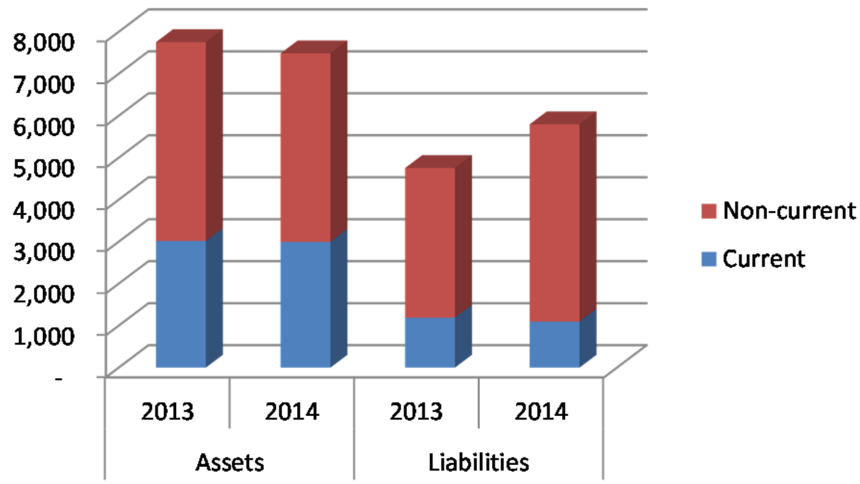
48. Accounts payable and accrued liabilities of $528.3 million mainly consist of accruals for goods and services of $158.2 million and payables to Member States of $279.0 million. A decline in accounts payable and accrued payable balances in 2014 of $58.1 million, or 9.9 per cent, was mainly due to the repayment of 2013 construction-related payables by capital assets and construction funds in 2014.

49. Figure IV.XI provides an analysis of the structure of the United Nations by current and non-current assets and liabilities as at 31 December 2014 and 31 December 2013.

Figure IV.XI

Structure of the United Nations by current and non-current assets and liabilities as at 31 December 2014 and 31 December 2013

(Millions of United States dollars)



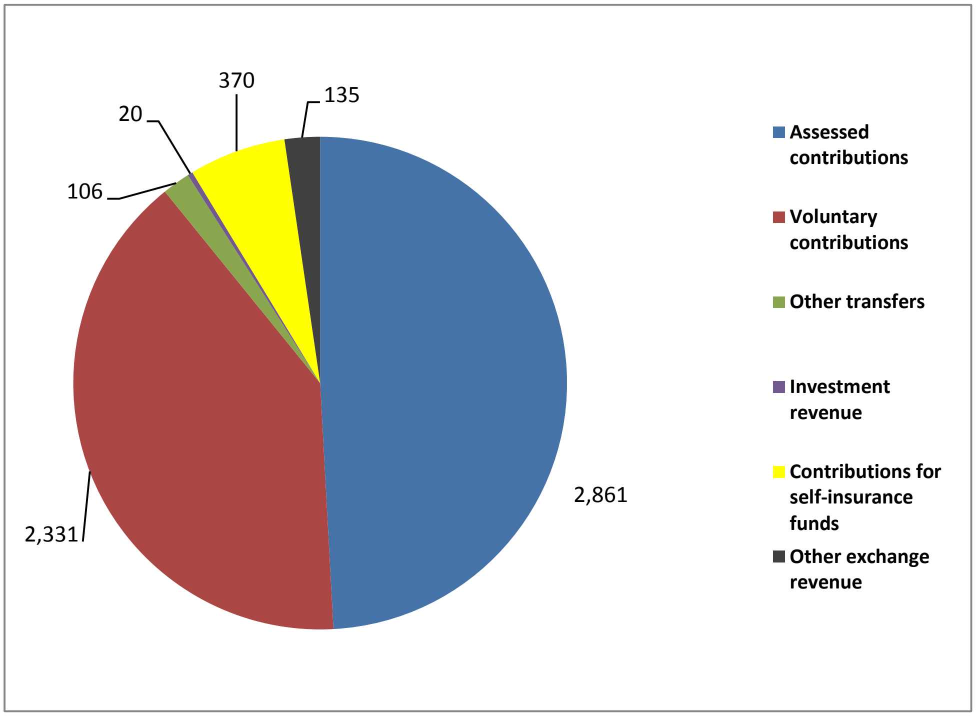
50. Figure IV.XI illustrates that neither the total balance of assets nor the share of current assets versus non-current assets has changed significantly in 2014 compared with 2013. That is not the case for liabilities, however, given that those balances have increased by 21.9 per cent year-on-year, and the share of current liabilities has decreased from 25.0 to 18.9 per cent, with respective increases in the share of non-current liabilities from 75.0 to 81.1 per cent in 2014 compared with 2013.

Financial performance

Revenue analysis

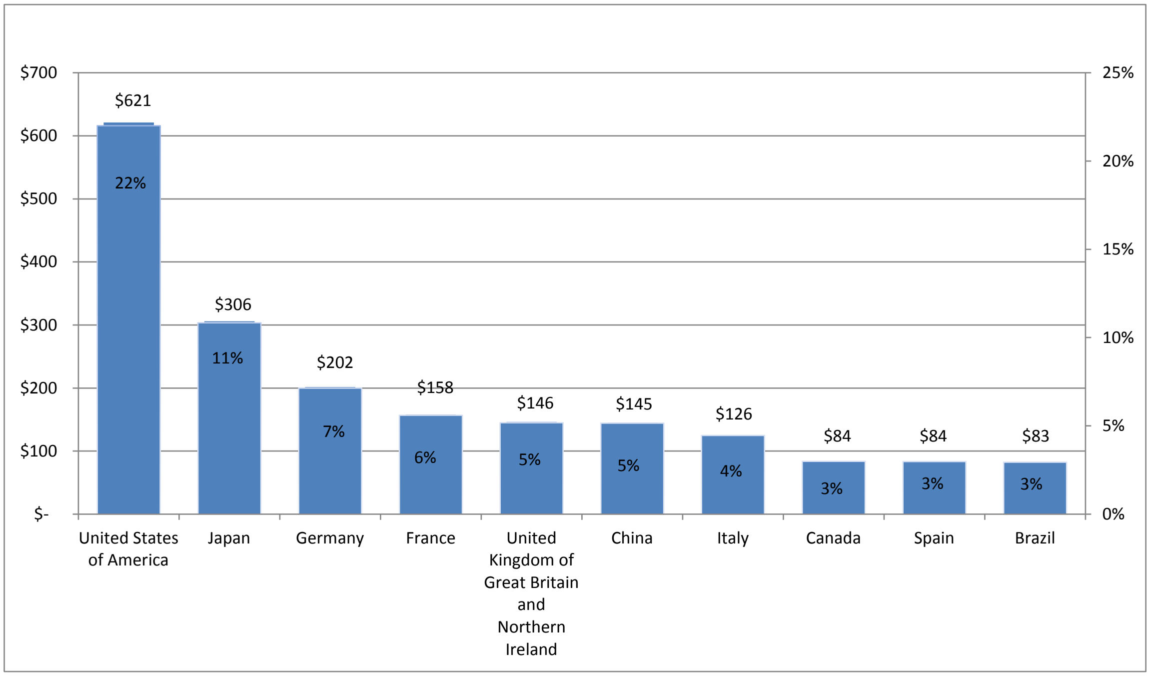
51. The total revenue of the Organization for 2014 was $5,822.1 million, compared with total expenses of $6,170.3 million, resulting in an excess of total expenses over total revenue of $348.2 million, drawing upon the accumulated surpluses and reserves of $2,999.5 million from prior years. Figure IV.XII provides an analysis of revenue and expenses by their nature, as well as by segments.

Figure IV.XII
Revenue and expenses by nature and by segment
(Millions of United States dollars)



52. Assessed contributions of $2,861.1 million comprised 49.1 per cent of the funding of the Organization for 2014. Assessed contributions are based on a scale of assessments approved by the General Assembly; figure IV.XIII highlights Member States with the larger assessments for 2014.

Figure IV.XIII
Top 10 contributors of assessed contributions
(Millions of United States dollars)



53. Voluntary contributions amounted to $2,330.6 million, or 40.0 per cent, of the revenue in 2014. Figures IV.XIV and IV.XV highlight the major voluntary contributors and contributions by segment, showing Saudi Arabia as the major contributor for 2014 and that voluntary funding is largely directed to the segment of human rights and humanitarian affairs.

Figure IV.XIV
Voluntary contributions from State donors exceeding $5 million per donor
(Millions of United States dollars)

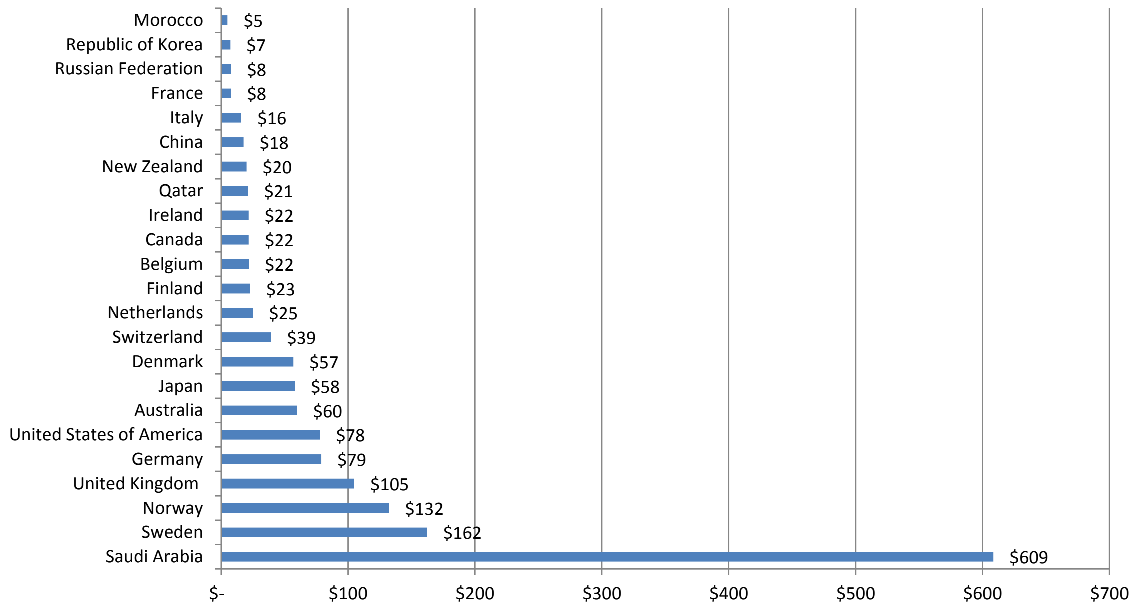
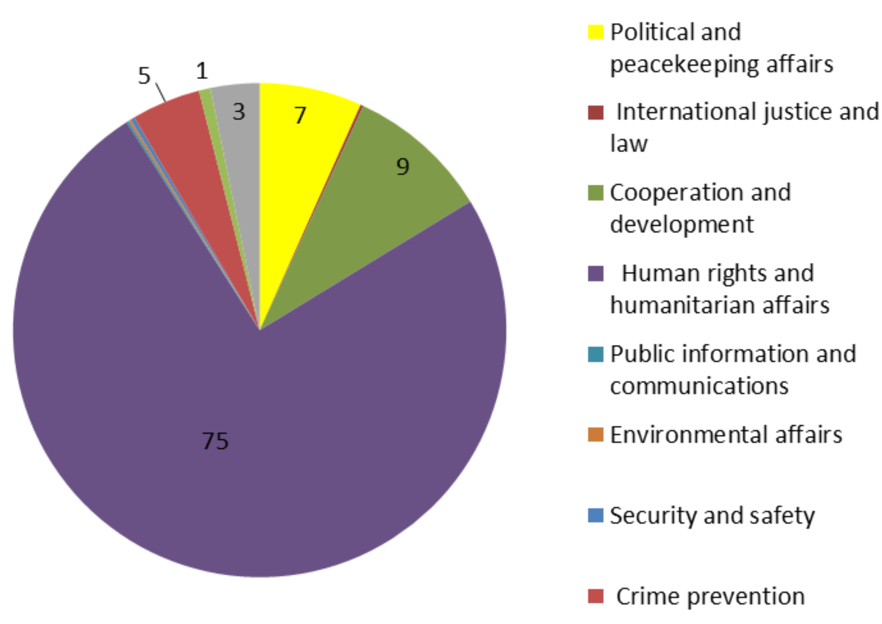


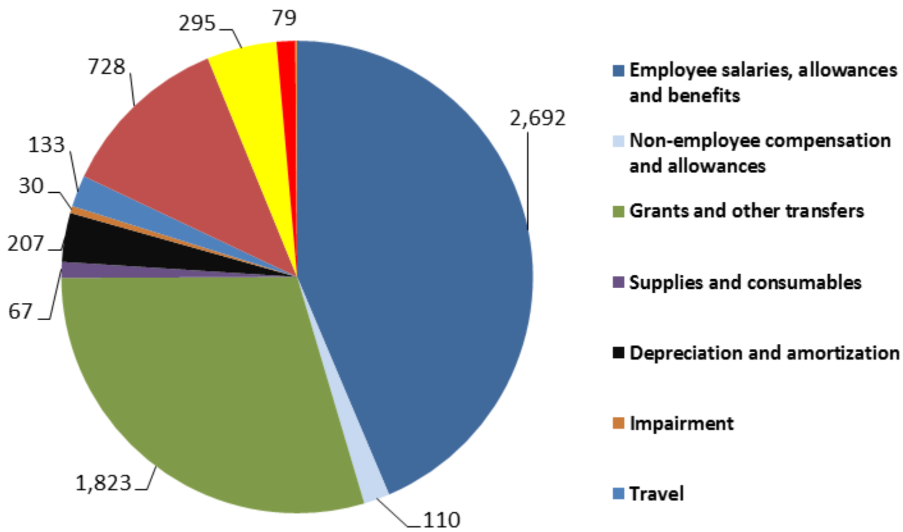
Figure IV.XV
Voluntary contributions by programme
(Percentage)



Expense analysis

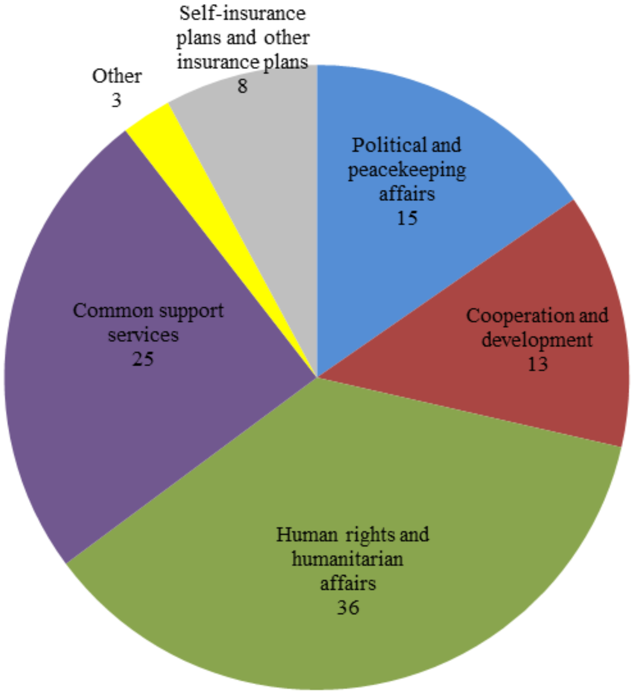
54. Figure IV.XVI highlights expenses by nature, showing that the largest categories are personnel cost ($2,801.3 million, or 45.4 per cent) and grants and transfers to end beneficiaries and implementing partners ($1,822.7 million, or 29.5 per cent). Operating expenses of $728.2 million, or 11.8 per cent, are also significant and comprise largely contracted services, acquisition of expensed goods and rental of office space.

Figure IV.XVI
Expenses by nature
(Millions of United States dollars)



55. Figure IV.XVII highlights expenses by segment.

Figure IV.XVII
Expenses by segment
(Percentage)



Financial performance by segment

56. In 2014, segments with the highest revenue rates had the highest expense rates and contributed mostly to the net deficit of $348.2 million. Those segments are human rights and humanitarian affairs, with a net expense of $192.7 million, common support services, with a net expense of $196.7 million, and after-service benefits, with a net expense of $166.1 million. The net expense, however, was partially offset by a net segment surplus for such segments as crime prevention ($99.3 million), cooperation and development ($59.3 million) and self-insurance plans and other insurance plans ($32.2 million). Although the 2014 performance has resulted in a net expense, the accumulated surpluses and reserves of $2,999.5 million as at 1 January 2014 were sufficient to absorb the current-year deficit. Note 5 to the financial statements provides details of financial performance by segment.

Net assets

57. Net assets of $1,689.9 million as at 31 December 2014 consist of an accumulated surplus of $1,630.8 million and reserves of $59.1 million, reflecting the accumulated effect of the Organization's historical activity. The impact on accumulated surplus and reserves in the first year of IPSAS implementation is primarily the result of the cumulative effect of pre-2014 IPSAS adjustments to net assets of $1,449.1 million, the deficit for 2014 of $348.2 million, actuarial losses on employee benefits liabilities recognized directly in the statement of net assets in the amount of $944.9 million owing in particular to changes in the discount rate and the share of changes recognized by joint ventures directly in net assets of $25.2 million.

D. General Fund and related funds

58. The summary financial position of the General Fund and related funds as at 31 December 2013 and 31 December 2014 was as shown in table IV.1.

Table IV.1
Statement of financial position of the General Fund and related funds
(Thousands of United States dollars)

	General Fund and related funds	*Working Capital Fund*	*Special account*	*Eliminations*	*31 December 2014*	*1 January 2014*
Assets						
Current assets						
Cash and cash equivalents	48 634	–	50 562		99 196	63 263
Investments	27 125	–	98 035		125 160	192 477
Assessed contributions receivable	437 752	–	–		437 752	326 639
Other receivables	53 411	6 039	–		59 450	69 117
Inventories	19 269	–	–		19 269	20 334
Other assets	342 773	143 961	5	(143 966)	342 773	377 744
Total current assets	**928 964**	**150 000**	**148 602**	**(143 966)**	**1 083 600**	**1 049 574**
Non-current assets						
Investments	23 880	–	86 539		110 419	147 645
Property, plant and equipment	345 617	–	–		345 617	375 437
Intangibles	1 596	–	–		1 596	–
Share of joint ventures accounted for using the equity method	10 805	–	–		10 805	18 305
Other assets	437	–	–		437	159
Total non-current assets	**382 335**	**–**	**86 539**	**–**	**468 874**	**541 546**
Total assets	**1 311 299**	**150 000**	**235 141**	**(143 966)**	**1 552 474**	**1 591 120**
Liabilities						
Current liabilities						
Accounts payable and accrued payables	140 001	150 000	–		290 001	285 193
Advance receipts	16 342	–	–		16 342	14 985
Employee benefits liabilities	35 514	–	–		35 514	38 904
Provisions	42 422	–	–		42 422	41 101
Other liabilities	730 756	–	–	(143 966)	586 790	662 732
Total current liabilities	**965 035**	**150 000**	**–**	**(143 966)**	**971 069**	**1 042 915**

	General Fund and related funds	Working Capital Fund	Special account	Eliminations	31 December 2014	1 January 2014
Non-current liabilities						
Employee benefits liabilities	19 452	–	–		19 452	17 457
Provisions	491	–	–		491	493
Share of joint ventures accounted for using the equity method	60 880	–	–		60 880	44 282
Other liabilities	6 256	–	–		6 256	10 547
Total non-current liabilities	**87 079**	**–**	**–**	**–**	**87 079**	**72 779**
Total liabilities	**1 052 114**	**150 000**	**–**	**(143 966)**	**1 058 148**	**1 115 694**
Total assets and liabilities	**259 185**	**–**	**235 141**	**–**	**494 326**	**475 426**
Net assets						
Accumulated surplus	259 185	–	235 141		494 326	475 426

59. The increase in current assets is mainly due to an increase in assessed contributions receivable, which was partially offset by a decrease in cash and cash equivalents and short-term investments. The decrease in non-current assets was mainly due to a decrease in long-term investments and property, plant and equipment, as well as the share of joint ventures accounted for using the equity method, in 2014.

60. The summary financial performance for the General Fund and related funds for the year 2014 is shown in table IV.2.

Table IV.2
Statement of financial performance for the year ended 31 December 2014 for the General Fund and related funds
(Thousands of United States dollars)

Revenue	
Assessed contributions	2 861 069
Voluntary contributions	36 380
Investment revenue	3 235
Other exchange revenue	45 056
Total	**2 945 740**
Expenses	
Employee salaries allowance and benefits	1 979 831
Non-employee compensation and allowances	63 160
Grants and other transfers	185 592
Supplies and consumables	46 149
Depreciation and amortization	44 228
Impairment	377

Travel	66 596
Other operating expenses	425 624
Finance costs	243
Contributions to/share of joint ventures	78 734
Other expenses	6 445
Total	**2 896 979**
Surplus for the year	**48 761**

61. Total revenue consists largely of assessed contributions (97.1 per cent of the total). Other exchange revenue of $45.1 million includes $13.5 million derived from the Organization's revenue-producing activities.

62. Total expenses mainly consist of employee salaries, allowances and benefits of $1,979.8 million, or 68.3 per cent, grants and other transfers of $185.6 million, or 6.4 per cent, and other operating expenses of $425.6 million, or 14.7 per cent.

63. The surplus of $48.8 million reflects a loss of $2.9 million in the Organization's revenue-producing activities, which had total expenses of 16.4 million against revenue of $13.5 million. The loss was due largely to the catering operations, which experienced a loss of $1.1 million because one of the major dining facilities was closed in 2014; losses were also experienced in the areas of postal operations, services to visitors and sale of publications.

Budgetary performance of the regular budget

64. The regular budget of the United Nations continues to be prepared on a modified cash basis, as presented in statement V. To facilitate a comparison between the budget performance and the financial statements prepared under IPSAS, a reconciliation of the budget with the cash flow statement is included in note 6.

65. Approved budgets are those that authorize expenses to be incurred and are approved by the General Assembly. For IPSAS reporting purposes, approved budgets are the appropriations authorized under Assembly resolutions. The original budget for the biennium 2014-2015 is the appropriations approved by the Assembly for the biennium in resolution 68/248 A. The original annual budget is the portion of the initial appropriations allocated to 2014. The final budget reflects the original budget plus any adjustments reflected in the revised appropriations approved by the Assembly, in this case by resolution 69/263 A. The relevant element of assessed contributions is recognized as revenue at the beginning of each year in the biennium.

Changes from original budget to final budget

66. In 2014, the final annual budget of $3,039.9 million exceeded the original annual budget of $2,866.6 million by $173.3 million, or 6.0 per cent. Changes to the original budget related to overall policymaking, direction and coordination, political affairs, international cooperation for development, human rights and humanitarian affairs, common support services, jointly financed administrative activities and special expenses, capital expenditures, safety and security, and staff assessment.

Budget utilization

67. The total budget utilized in 2014 was $2,940.6 million, which is under the final budget by $99.4 million, or 3.3 per cent. Figures IV.XVIII and IV.XIX provide a breakdown of the overbudget and underbudget utilization by regular budget categories.

Figure IV.XVIII
Expenditure overbudget
(Millions of United States dollars)

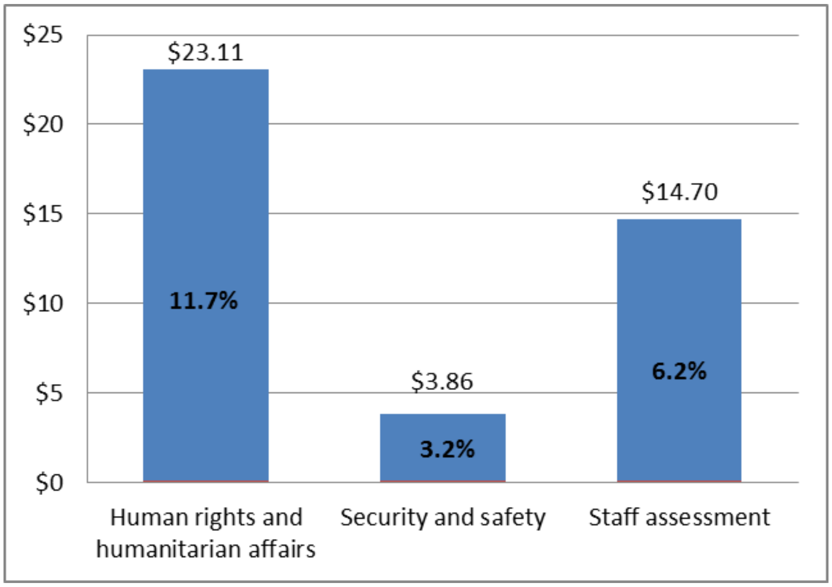
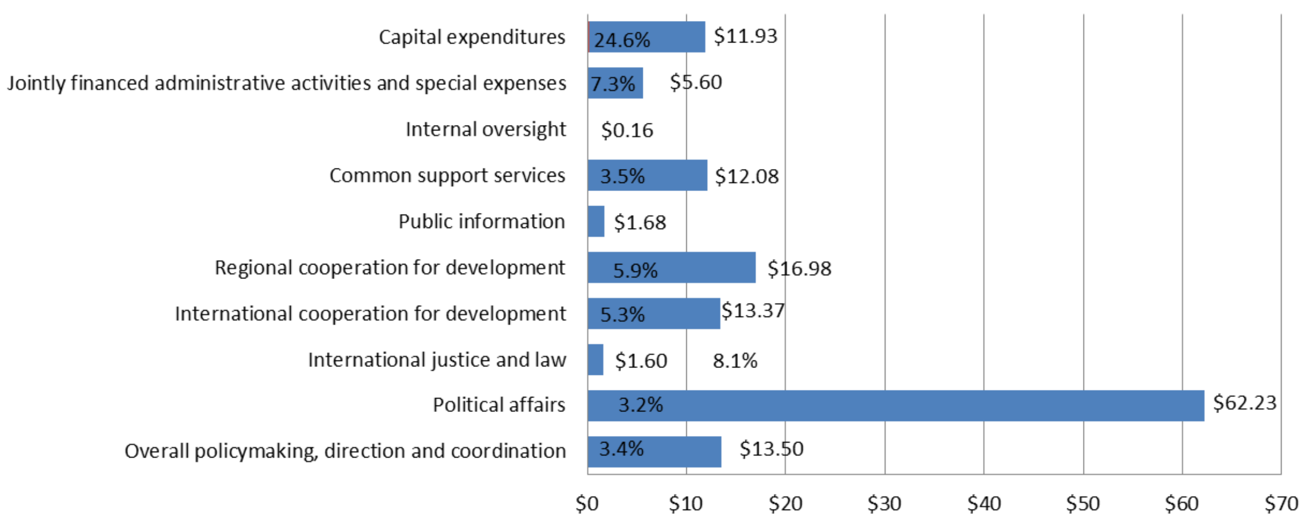


Figure IV.XIX
Expenditure underbudget
(Millions of United States dollars)



68. Material differences greater than 10 per cent are considered in note 6 to the financial statements.

Regular budget appropriations

69. Table IV.3 provides a summary reconciliation of budget appropriations and gross assessments for the biennium 2014-2015 with the amount disclosed in statement II as assessed contributions for 2014.

Table IV.3
Reconciliation of budget appropriations and gross assessments for 2014-2015 to assessed contributions for 2014
(Thousands of United States dollars)

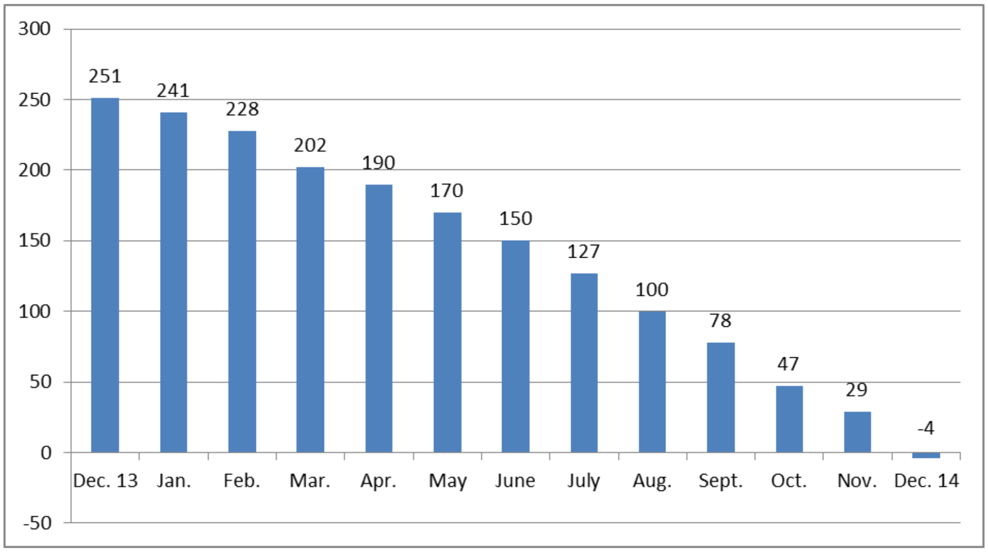
	2014	*2015*	*Total*
Budget appropriations (resolution 68/248 A)	2 765 175	2 765 175	5 530 350
Add: Increased appropriations for the biennium 2014-2015:			
Resolution 68/247 B	–	8 201	8 201
Resolution 69/263 A	–	115 272	115 272
Total 2014-2015 revised budget appropriations	**2 765 175**	**2 888 648**	**5 653 823**
Estimated income (other than staff assessment) for the biennium 2014-2015 (resolution 68/248 B)	15 980	15 980	31 960
Add: Increase in income (other than staff assessment) for the biennium 2014-2015:			
Resolution 69/263	–	983	983
Total revised estimated income	**15 980**	**16 963**	**32 943**
Total 2014-2015 revised budget appropriations less total estimated income	**2 749 195**	**2 871 685**	**5 620 880**
Add: Net increase in appropriations for the biennium 2012-2013 (resolution 68/245) assessed in 2014 (resolution 68/248 C)	79 652	–	79 652
Add: Commitment authority assessed (resolution 69/263 C)	–	104 583	104 583
Less: Increase in income (other than staff assessment) for the biennium 2012-2013 (resolution 68/245 B) adjusted against the assessment in 2014 (resolution 68/248 C)	(5 194)	–	(5 194)
	74 458	**104 583**	**179 041**
Gross amounts assessed to Member States in the biennium 2014-2015 (resolutions 68/248 C and 69/263 C)	**2 823 653**	**2 976 268**	**5 799 921**
Add: IPSAS adjustments[a]	37 416		
Assessed contributions for 2014 as reported in statement II	**2 861 069**		

[a] Includes deductions of additional 2012-2013 assessments charged to Member States in 2014 and additional appropriation approved for the year 2014.

E. Capital master plan

70. In 2014, the capital master plan drew down its resources as the project completed its last full year of construction. A shortfall in funding of $65.0 million was projected as at 30 June 2014, with the cost to complete the project estimated at $2,215.0 million compared with the approved resources of $2,150.0 million (see A/69/360). In its resolution 68/247 B, the General Assembly authorized the use of the Working Capital Fund and the Special Account as a bridging mechanism to address possible cash flow challenges. The use of that mechanism began in December 2014, as shown in figure IV.XX.

Figure IV.XX
Capital master plan cash position: actual figures for the capital master plan for 2014-2015
(Millions of United States dollars)



Note: The deficit is funded by a loan from the Working Capital Fund and the Special Account.

71. In April 2015, the General Assembly authorized the funding of the final shortfall in its resolution 69/274 A. Note 35, Events after the reporting date, discusses the treatment of that resolution in the context of the financial statements.

F. Tax Equalization Fund

72. As at 31 December 2014, the Organization held liabilities relating to the activities of the Tax Equalization Fund amounting to $96.3 million, including $27.6 million due to the United States, $36.8 million due to other Member States and a 2014 tax liability of $23.3 million due to the Internal Revenue Service of the United States that was settled early in 2015.

73. In 2014, the Tax Equalization Fund had an operational net surplus of $14.7 million, as shown in table IV.4.

Table IV.4
Operational revenue and expenses of the Tax Equalization Fund
(Thousands of United States dollars)

	United States of America	*Other Member States*	*Total*
Staff assessment receipts from:			
United Nations regular budget	56 017	198 605	254 622
Peacekeeping operations	51 088	129 037	180 125
International tribunals	5 142	15 279	20 421
Interest revenue split	56	170	226
Total staff assessment revenue	**112 303**	**343 091**	**455 394**
Staff costs and other	87 768	–	87 768
Contractual services	172	–	172
Credits given to other Member States for:			
United Nations regular budget	–	211 920	211 920
Peacekeeping operations	–	127 529	127 529
International tribunals	–	13 304	13 304
Total expenses	**87 940**	**352 753**	**440 693**
Net excess of revenue over	**24 363**	**(9 662)**	**14 701**

G. Liquidity

74. The liquidity assessment reviews the adequacy of the liquid assets at the Organization's disposal to quickly settle its immediate obligations. As at 31 December 2014, the overall liquidity position of the Organization was healthy, given that the Organization had sufficient liquid assets to settle its immediate obligations.

75. As at 31 December 2014 and 31 December 2013, liquid funds amounted to $2,452.8 million and $2,463.4 million, respectively, as shown in table IV.5.

Table IV.5
Liquid funds as at 31 December 2014 and 31 December 2013
(Millions of United States dollars)

	2014	*2013*
Cash and cash equivalents	597.8	313.8
Short-term investments	1 055.4	1 370.1
Assessed contributions receivable	438.2	328.2
Voluntary contributions receivable — current	361.4	451.3
	2 452.8	**2 463.4**

76. Total current liabilities as at 31 December 2014 and 31 December 2013 amounted to $1,097.4 million and $1,191.2 million, respectively.

77. Table IV.6 provides a summary of three key liquidity indicators for the years ended 31 December 2014 and 31 December 2013.

Table IV.6
Liquidity indicators for the years ended 31 December 2014 and 31 December 2013

Indicators	*2014*	*2013*
Ratio of current assets to current liabilities	2.7:1	2.5:1
Ratio of liquid assets to current liabilities	2.2:1	2.1:1
Ratio of liquid assets less accounts receivable to current liabilities	1.5:1	1.4:1
Ratio of liquid assets to total assets	0.3:1	0.3:1
Average months of cash, cash equivalents and investments on hand	5.4	–[a]

[a] Comparative not available.

78. The ratio of current assets to current liabilities indicates the ability of the Organization to pay its short-term obligations from its current funds, showing that as at 31 December 2014 current liabilities were covered by up to 2.7 times from current assets, demonstrating the availability of sufficient assets to pay liabilities should the need arise. An increase in that value from 2.5 in the prior year indicates a higher liquid funds holding at the end of 2014.

79. The ratio of liquid assets to current liabilities of 2.2 indicates that the holding of liquid funds was sufficient to cover short-term liabilities. The positive change in the ratio from the prior year of 2.1 also indicates an improvement in the Organization's overall liquidity.

80. When accounts receivable are excluded from liquid assets, the ratio indicates how the Organization handles its current liabilities without reliance on amounts receivable, i.e., using only funds on hand. As at 31 December 2014, the ratio was 1.5, meaning that the Organization was able to fully cover its current liabilities using its immediately available funds. The positive trend from 1.4 in the prior year is also an indicator of improved liquidity.

81. The ratio of liquid assets to total assets shows the share of the Organization's liquid funds to total assets. The ratio of 0.3 indicates that 33 per cent of the Organization's total assets are relatively liquid. The ratio remained unchanged from the prior year.

82. With regard to average months of cash, cash equivalents and investments on hand, as at 31 December 2014 the Organization held sufficient cash and cash equivalents and investments to cover its estimated average monthly expenses (less depreciation, amortization and impairment) of $494.5 million for 5.4 months.

83. It was noted that the liquidity of Organization was supported largely by liquid assets relating to trust funds; when the assessment is performed separately for the regular budget and related funds, the liquidity result is much tighter, as shown in table IV.7.

Table IV.7
Liquidity indicators for the regular budget and related funds

Indicators	*2014*	*2013*
Ratio of current assets to current liabilities	1.1:1	1.0:1
Ratio of liquid assets to current liabilities	0.7:1	0.6:1
Ratio of liquid assets less accounts receivable to current liabilities	0.2:1	0.2:1
Ratio of liquid assets to total assets	0.4:1	0.4:1
Average months of cash, cash equivalents and investments on hand	1.4	–[a]

[a] Comparative not available.

H. Looking forward to 2015 and beyond

84. The overall financial position of the United Nations at the end of 2014 was positive, a tight liquidity position relating to the regular budget notwithstanding. The longer-term risk of employee benefits liabilities, which remain largely unfunded, has been recognized and is progressively being addressed.

85. The adoption of IPSAS, including the preparation of the first set of IPSAS-compliant financial statements, has positioned the Organization as a lead entity in best practice accounting and reporting, confirming the United Nations as a progressive, modern organization, committed to sound governance and enhanced accountability.

86. Alongside the production of the first IPSAS-compliant financial statements, the Organization has launched IPSAS sustainability activities to ensure the long-term sustainability of IPSAS-compliant accounting and reporting. It has also articulated the end-state vision of its efforts to sustain IPSAS compliance. That vision includes ongoing reporting on IPSAS benefits realization, an up-to-date IPSAS regulatory framework, a statement of internal controls supported by a strengthened internal control framework, automated financial statements and management information from Umoja and a finance function repositioned to use IPSAS-triggered information to better manage the Organization.

Annex

Supplementary information

1. The present annex provides supplementary information that the Secretary-General is required to report.

Write-off of losses of cash and receivables

2. Pursuant to financial rule 106.7 (a), the following write-offs totalling $349,591.34 were approved for the year 2014:

(United States dollars)

Fund/activity	*Amount*
United Nations General Fund	274 225
Technical cooperation activities	23 151
General trust funds	27 365
Other funds	24 850
Total	**349 591**

Write-off of losses of property

3. Pursuant to financial rule 106.7, property losses amounted to $16,643,387.35 in 2014. The losses are based on the original cost of the property and include write-offs arising from shortfalls, thefts, damages and accidents.

Ex gratia payments

4. No ex gratia payments were made in 2014.

Chapter V

Financial statements for the year ended 31 December 2014

Operations of the United Nations as reported in volume I

I. Statement of financial position as at 31 December 2014

(Thousands of United States dollars)

	Note	*31 December 2014*	*1 January 2014*
Assets			
Current assets			
Cash and cash equivalents	7	597 795	313 822
Investments	8	1 055 386	1 370 070
Assessed contributions receivable	9	438 195	328 184
Voluntary contributions receivable	10	361 437	451 348
Other receivables	11	138 584	160 118
Inventories	12	19 649	20 914
Other assets	13	386 076	372 672
Total current assets		**2 997 122**	**3 017 128**
Non-current assets			
Investments	8	1 002 627	1 120 841
Voluntary contributions receivable	10	95 367	158 389
Property, plant and equipment	15	3 243 431	3 305 161
Intangible assets	16	137 529	136 493
Share of joint venture accounted for using the equity method	24	10 805	18 305
Other assets	13	504	164
Total non-current assets		**4 490 263**	**4 739 353**
Total assets		**7 487 385**	**7 756 481**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	17	528 334	583 245
Advance receipts	18	101 019	99 373
Employee benefits liabilities	19	271 831	289 453
Provisions	20	44 438	42 393
Tax equalization liability	21	96 252	133 555
Other liabilities	22	55 476	43 141
Total current liabilities		**1 097 350**	**1 191 160**
Non-current liabilities			
Accounts payable and accrued liabilities	17	–	3 230
Advance receipts	18	16 492	9 581
Employee benefits liabilities	19	4 594 386	3 474 977
Provisions	20	15 582	15 584
Share of joint ventures accounted for using the equity method	24	60 880	44 282
Other liabilities	22	12 800	18 153
Total non-current liabilities		**4 700 140**	**3 565 807**
Total liabilities		**5 797 490**	**4 756 967**
Net of total assets and total liabilities		**1 689 895**	**2 999 514**

	Note	*31 December 2014*	*1 January 2014*
Net assets			
Accumulated surplus	25	1 630 779	2 935 318
Reserves	25	59 116	64 196
Total net assets		**1 689 895**	**2 999 514**

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

Operations of the United Nations as reported in volume I

II. Statement of financial performance for the year ended 31 December 2014

(Thousands of United States dollars)

	Note	*2014*
Revenue		
Assessed contributions	26	2 861 069
Voluntary contributions	26	2 330 608
Other transfers	26	106 457
Investment revenue	30	19 590
Contribution for self-insurance funds	28	369 610
Other exchange revenue	27	134 798
Total revenue		**5 822 132**
Expenses		
Employee salaries, allowances and benefits	29	2 691 559
Non-employee compensation and allowances		109 762
Grants and other transfers	29	1 822 668
Supplies and consumables		67 050
Depreciation and amortization	15, 16	206 613
Impairment	15	29 504
Travel		133 280
Other operating expenses	29	728 234
Self-insurance claims and expenses	28	295 195
Finance costs	33	243
Contributions to and share of deficit of joint ventures accounted for on an equity basis	24	78 785
Other expenses		7 415
Total expenses		**6 170 308**
Deficit for the year		**(348 176)**

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

Operations of the United Nations as reported in volume I

III. Statement of changes in net assets for the year ended 31 December 2014

(Thousands of United States dollars)

	Net assets
Net assets as at 31 December 2013 (United Nations system accounting standards)	**1 550 401**
IPSAS adjustments (note 4):	
Entity differences — Derecognition of funds	(34 474)
— Recognition of funds	1 427
Initial recognition of inventories	20 914
Derecognition of land, buildings and construction in progress previously recognized at cost under the United Nations system accounting standards	(2 316 214)
Initial recognition of property, plant and equipment	3 305 161
Initial recognition of intangible assets	136 493
Initial recognition or derecognition of receivables balance	(148 172)
Initial recognition for allowance for doubtful receivables	(256 562)
Initial recognition and change in the valuation of employee benefits liabilities	(137 613)
Initial recognition of accruals	(175 642)
Derecognition of unliquidated obligations	879 932
Initial recognition of liabilities from conditional funding arrangements	(82 665)
Initial recognition of provisions	(57 977)
Change in other liabilities	333 460
Recognition of equity accounted investments	(25 977)
Recognition of working capital reserves as liability	(195 000)
Change in other assets balances	331 098
Change in advance receipts	(92 440)
Initial recognition of tax equalization liability	(133 555)
Change in other accounts payable	(145 475)
Initial recognition of controlled multi-partner trust funds	242 394
Total IPSAS adjustments	**1 449 113**
Restated net assets as at 1 January 2014 (IPSAS)	**2 999 514**
Change in net assets	
Actuarial (losses) on employee benefits liabilities (note 19)	(944 910)
Share of changes recognized by joint ventures directly in net assets (note 24)	(25 225)
Other adjustments to net assets	8 692
Deficit for the year	(348 176)
Total changes in net assets	**(1 309 619)**
Net assets as at 31 December 2014	**1 689 895**

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

Operations of the United Nations as reported in volume I

IV. Statement of cash flows for the year ended 31 December 2014

(Thousands of United States dollars)

	Note	*2014*
Cash flows from operating activities		
Deficit for the year		(348 176)
Non-cash movements		
Depreciation and amortization	15, 16	206 613
Impairment of property, plant and equipment and intangibles	15	29 504
Impairment of inventory	12	852
Decrease in allowance for doubtful receivables		(1 868)
Net loss on disposal of property, plant and equipment and inventory		12 375
Investment revenue presented in net receipts from cash pool investments	30	(19 590)
Current service cost and interest cost of employee benefits liabilities	19	297 034
Donations of intangible assets		(499)
Net (surplus) on joint ventures	24	(1 127)
Changes in assets		
(Increase) in assessed contributions receivable		(110 706)
Decrease in voluntary contributions receivable		152 237
Decrease in other receivables		24 793
Decrease in inventories		413
(Increase) in other assets		(13 744)
Changes in liabilities		
Increase in share of joint venture asset/liability accounted for using the equity method		9 098
(Decrease) in accounts payable and accrued liabilities		(58 141)
Increase in employee benefits liabilities		(140 157)
Increase in advance receipts		8 557
Increase in provisions	20	2 043
(Decrease) in tax equalization fund liability		(37 303)
Increase in other liabilities		6 982
Net cash flows from operating activities		**19 190**
Cash flows from investing activities		
Net receipts from cash pool investments		452 488
Acquisitions of property, plant and equipment	15	(168 146)
Proceeds from disposal of plant and equipment		2 423
Acquisitions of intangibles	16	(22 075)
Donation of intangible assets		499
Net cash flows from investing activities		**265 189**
Net increase in cash and cash equivalents		**284 379**

	Note	2014
Cash and cash equivalents — beginning of year		313 822
Exchange losses on cash and cash equivalents		(406)
Cash and cash equivalents — end of year	7	**597 795**

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

Operations of the United Nations as reported in volume I

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2014

(Thousands of United States dollars)

	Publically available budget[a]				*Actual expenditure (budget basis)*	*Difference (percentage)*[b]
	Original biennial	*Revised biennial*	*Original annual*	*Final annual*		
Regular budget						
Overall policymaking, direction and coordination	790 612	792 739	397 801	402 877	389 374	-3.4
Political affairs	1 344 302	1 379 155	727 815	767 433	705 203	-8.1
International justice and law	100 154	99 390	50 460	50 617	49 016	-3.2
International cooperation for development	496 111	496 685	248 197	250 479	237 114	-5.3
Regional cooperation for development	572 414	569 916	285 041	285 418	268 436	-5.9
Human rights and humanitarian affairs	353 091	389 791	177 612	197 582	220 687	11.7
Public information	188 444	190 080	93 784	94 611	92 928	-1.8
Common support services	657 782	660 508	344 950	348 336	336 259	-3.5
Internal oversight	40 552	40 632	20 240	20 323	20 165	-0.8
Jointly financed administrative activities and special expenses	155 018	155 072	76 822	76 832	71 230	-7.3
Capital expenditures	75 269	109 864	45 515	48 443	36 511	-24.6
Security and safety	241 370	243 751	119 516	122 070	125 925	3.2
Development account	28 399	28 399	28 399	28 399	28 399	0.0
Staff assessment	486 832	497 841	233 122	237 928	252 629	6.2
Subtotal, regular budget	**5 530 350**	**5 653 823**	**2 849 274**	**2 931 348**	**2 833 876**	**-3.3**
Other publically available budgets						
Capital master plan	Not applicable		17 306	108 621	106 676	-1.8
Total	**5 530 350**	**5 653 823**	**2 866 580**	**3 039 969**	**2 940 552**	**-3.3**

[a] The original budget for the biennium 2014-2015 is the appropriations approved by the General Assembly for the biennium in resolution 68/248 A. The original annual budget is the portion of the initial appropriations allocated to 2014. The final budget reflects the original budget plus any adjustments reflected in the revised appropriations approved by the General Assembly, as reflected in the revised appropriations for the biennium 2014-2015 approved in resolution 69/263 A. The relevant element of assessed contributions is recognized as revenue at the beginning of each year in the biennium.

[b] Actual expenditure (budget basis) less final budget. Material differences greater than 10 per cent are considered in note 6: Comparison to budget.

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

Operations of the United Nations as reported in volume I Notes to the 2014 financial statements

Note 1 Reporting entity

The United Nations and its activities

1. The United Nations is an international organization founded in 1945 after the Second World War. The Charter of the United Nations, which was signed on 26 June 1945 and became effective on 24 October 1945, set out the primary objectives of the United Nations as follows:

(a) The maintenance of international peace and security;

(b) The promotion of international economic and social progress and development programmes;

(c) The universal observance of human rights;

(d) The administration of international justice and law.

2. These objectives are implemented through the major organs of the United Nations, as follows:

(a) The General Assembly focuses on a wide range of political, economic and social issues, as well as financial and administrative aspects of the Organization;

(b) The Security Council is responsible for various aspects of peacekeeping and peacemaking, including efforts to resolve conflicts, restore democracy, promote disarmament, provide electoral assistance, facilitate post-conflict peacebuilding, engage in humanitarian activities to ensure the survival of groups deprived of basic needs, and oversee the prosecution of persons responsible for serious violations of international humanitarian law;

(c) The Economic and Social Council plays a particular role in economic and social development, including a major oversight role in the efforts of other organizations of the United Nations system to address international economic, social and health problems;

(d) The International Court of Justice has jurisdiction over disputes between Member States brought before it for advisory opinions or binding resolutions.

3. The United Nations is headquartered in New York, has major offices in Geneva, Vienna and Nairobi and peacekeeping and political missions, economic commissions, tribunals, training institutes and other centres around the world.

Operations of the United Nations as reported in volume I

4. The present financial statements relate to the operations of the United Nations (the Organization) as reported in volume I, a separate financial reporting entity of the United Nations for the purposes of IPSAS-compliant reporting. The operations of the United Nations as reported in volume I, comprising the core operations of the Secretariat, are under the direction of the General Assembly in its role as lead organ for the financial and administrative aspects of the United Nations. The core operations of the Secretariat are funded by the regular budget, which has a unique

scale of assessments and budgetary process, by trust funds established by the Assembly or the Secretary-General, which supplement the activities of the regular budget, or by special accounts or funds established to facilitate mandate implementation by the Secretary-General in his role as Chief Administrative Officer of the United Nations.

5. The reporting entity — the operations of the United Nations as reported in volume I — is regarded as an autonomous reporting entity that, owing to the uniqueness of the governance and budgetary process of each of the reporting entities of the United Nations, neither controls nor is controlled by any other United Nations financial reporting entity. Therefore, consolidation is not applicable to the operations of United Nations as reported in volume I as a reporting entity and the financial statements include only the activities of the United Nations as reported in volume I.

6. However, given the existence of a joint venture between the United Nations and the World Trade Organization as regards the International Trade Centre (ITC), coupled with the significant influence of the United Nations over the operations of ITC, the reporting entity — the operations of the United Nations as reported in volume I — accounts for its investment in ITC using the equity method of accounting. The Organization participates in a number of jointly financed activities with other United Nations system organizations. The Organization's share of those activities is also included in the financial statements using the equity method.

7. The United Nations regular budget includes an assessed portion of the budget of other United Nations reporting entities, comprising the United Nations Environment Programme, the United Nations Office on Drugs and Crime, the United Nations Human Settlements Programme, the United Nations Relief and Works Agency for Palestine Refugees in the Near East, the Office of the United Nations High Commissioner for Refugees and the United Nations Entity for Gender Equality and the Empowerment of Women. Those amounts are accounted for as grants by the reporting entity — the operations of the United Nations as reported in volume I.

8. The financial statements comprise activities managed through various funds, as follows:

(a) **General Fund and related funds**. The General Fund relates to regular budget activities and related funds consist of the Special Account and the Working Capital Fund;

(b) **General and technical cooperation trust funds**. General trust funds are established to record the receipt of voluntary contributions to support various activities, including emergency assistance, political, economic and humanitarian activities and those that relate to security issues, international justice and law, public information and support services. Technical cooperation funds are those that provide economic and social development assistance to developing countries;

(c) **Capital funds**. The capital master plan was established in 2001 by the General Assembly to undertake a project for the major refurbishment of the Headquarters complex, including security enhancements and a secondary data centre. Other funds in the category relate to capital assets and construction-in-progress funds relating to security measures in various locations and other construction at the Economic Commission for Africa and the United Nations Office at Nairobi;

(d) **Tax Equalization Fund**. The Tax Equalization Fund was established to equalize the net pay of all staff members, whatever their national tax obligations;

(e) **End-of-service and post-retirement benefits**. Such funds were established to account for end-of-service liabilities in respect of benefits payable to staff separating from service and comprise after-service health insurance, repatriation benefits and unused annual leave;

(f) **Other funds**. These comprise self-insurance funds; special accounts for administrative cost recoveries; common support services; conferences and conventions; special multi-year funds accounting for supplementary development activities; and other funds.

Note 2
Basis of preparation and authorization for issue

Basis of preparation

9. In accordance with the Financial Regulations and Rules of the United Nations, the financial statements are prepared on an accrual basis in accordance with the International Public Sector Accounting Standards (IPSAS). They have been prepared on a going-concern basis, and the accounting policies have been applied consistently in their preparation and presentation. In accordance with the requirements of IPSAS, the financial statements, which present fairly the assets, liabilities, revenue and expenses of the Organization, consist of the following:

(a) Statement of financial position (statement I);

(b) Statement of financial performance (statement II);

(c) Statement of changes in net assets (statement III);

(d) Statement of cash flows (using the indirect method) (statement IV);

(e) Statement of comparison of budget and actual amounts (statement V);

(f) Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory notes.

Going concern

10. The going-concern assertion is based on the approval by the General Assembly of the regular budget appropriations for the biennium 2014-2015 and the programme budget outline for the biennium 2016-2017, the positive historical trend of collection of assessed and voluntary contributions over the past years and the fact that the Assembly has taken no decision to cease the operations of the United Nations.

11. This is the first set of financial statements prepared in compliance with IPSAS, which includes the application of certain transitional provisions as identified below. Before 1 January 2014, the financial statements were prepared in accordance with the United Nations system accounting standards, a modified cash basis of accounting.

12. The adoption of the new accounting standards, including the related IPSAS-compliant policies, has resulted in changes to the assets and liabilities recognized in the statement of financial position. Accordingly, the last audited United Nations

system accounting standards statement of assets, liabilities and reserves and fund balances as at 31 December 2013 has been revised and the resulting changes are summarized in the statement of changes in net assets.

Authorization for issue

13. The financial statements are certified by the Controller and approved by the Secretary-General. In accordance with financial regulation 6.2, the Secretary-General transmitted the financial statements as at 31 December 2014 to the Board of Auditors by 31 March 2015. In accordance with financial regulation 7.12, the reports of the Board are to be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements that are authorized for issue on 30 July 2015.

Measurement basis

14. The financial statements, which are for the year from 1 January to 31 December, are prepared using the historical-cost convention, except for certain property, plant and equipment assets recorded at depreciated replacement cost and financial assets recorded at fair value through surplus or deficit.

Functional and presentation currency

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

16. Foreign currency transactions are translated into United States dollars at the United Nations operational rate of exchange at the date of the transaction. The United Nations operational rate of exchange approximates the spot rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies, those other than the functional currency, are translated at the year-end United Nations operational rate of exchange. Non-monetary foreign currency items measured at historical cost or fair value are translated at the United Nations operational rate of exchange prevailing at the date of the transaction or when the fair value was determined.

17. 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 on a net basis.

Materiality and use of judgement and estimation

18. Materiality is central to the preparation and presentation of the Organization's financial statements, and its materiality framework provides a systematic method in guiding accounting decisions relating to presentation, disclosure, aggregation, offsetting and retrospective versus prospective application of changes in accounting policies. In general, an item is considered material if its omission or aggregation would have an impact on the conclusions or decisions of the users of the financial statements.

19. Preparing financial statements in accordance with IPSAS requires the use of estimates, judgements and assumptions in the selection and application of accounting

policies and in the reported amounts of certain assets, liabilities, revenues and expenses.

20. 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 methods for property, plant and equipment/intangible assets; impairment of assets; classification of financial instruments; valuation of inventory; inflation and discount rates used in the calculation of the present value of provisions and classification of contingent assets/liabilities.

IPSAS transitional provisions

21. As permitted for the first-time adoption of IPSAS, the following transitional provisions have been applied:

(a) IPSAS 1: Presentation of financial statements — comparative information is provided only for the statement of financial position;

(b) IPSAS 4: The effects of changes in foreign exchange rates — the cumulative translation differences that may have existed at the date of the first-time adoption of IPSAS are deemed to be zero;

(c) IPSAS 17: Property, plant and equipment allows a transitional period of up to five years for the full recognition of capitalized property, plant and equipment. The Organization partially invoked that transitional provision and has not recognized project assets acquired using funds provided to implementing partners, leasehold improvements and certain assets received under long-term donated right-to-use agreements, specifically the Vienna International Centre. Given that organizations based in the Centre initially implemented IPSAS on different adoption dates, the five-year transitional provision period to account for the Centre under IPSAS expires on 31 December 2015;

(d) IPSAS 31: Intangible assets is applied prospectively. Other than the new enterprise resource planning system, Umoja, intangible assets acquired or internally developed before 1 January 2014 have not been capitalized in the financial statements. IPSAS 31 has been applied retrospectively to the expenditure associated with Umoja, which is being capitalized as an intangible asset in the financial statements. A number of key systems, for which software costs were incurred before 1 January 2014, such as the Integrated Management Information System and Galileo, are not recognized in the opening balances because the Organization has invoked the transitional provision.

Future accounting pronouncements

22. The progress and impact on the Organization's financial statements of the following significant future accounting pronouncements from the International Public Sector Accounting Standards Board continues to be monitored:

(a) Reporting service performance information — the project's objective is 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;

(b) Public sector combinations — the project will set out the accounting treatment for public sector combinations and develop a new standard setting out the classification and measurement of public sector combinations, i.e., transactions or other events that bring two or more separate operations into a single public sector entity;

(c) Public sector-specific financial instruments — to develop this accounting guidance, the project will focus on issues relating to public sector-specific financial instruments that are outside the scope of those covered by IPSAS 28: Financial instruments: presentation, IPSAS 29: Financial instruments: recognition and measurement and IPSAS 30: Financial instruments: disclosures;

(d) Social benefits — the project's objective is to identify the circumstances and manner in which expenses and liabilities of certain social benefits should be reflected in the financial statements.

Future requirements of IPSAS

23. On 30 January 2015, the International Public Sector Accounting Standards Board published five new standards, four of which have the potential to have an impact on the future financial statements. They are: IPSAS 34: Separate financial statements, IPSAS 35: Consolidated financial statements, IPSAS 36: Investments in associates and joint ventures, IPSAS 37: Joint arrangements and IPSAS 38: Disclosure of interests in other entities. Their application is required for periods beginning on or after 1 January 2017. Their impact on the Organization's financial statements is being evaluated for application by the Organization by 1 January 2017.

Note 3
Significant accounting policies

Financial assets classification

24. The classification of financial assets depends primarily on the purpose for which the financial assets are acquired. The Organization classifies its financial assets in one of the following categories at initial recognition and re-evaluates the classification at each reporting date.

Classification	*Financial assets*
Fair value through surplus or deficit	Investments in cash pools and United Nations Staff Mutual Insurance Society against Sickness and Accident
Loans and receivables	Cash and cash equivalents and receivables

25. All financial assets are initially measured at fair value. The Organization initially recognizes financial assets classified as loans and receivables on the date on which they originated. All other financial assets are recognized initially on the trade date, which is the date on which the Organization becomes party to the contractual provisions of the instrument.

26. 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 currencies are translated into United States dollars at the

United Nations operational rates of exchange prevailing at the reporting date, with net gains or losses recognized in surplus or deficit in the statement of financial performance.

27. Financial assets at fair value through surplus or deficit are those that either have been designated in this category at initial recognition, are held for trading or are acquired principally for the purpose of selling in the short term. These assets are measured at fair value at each reporting date, and any gains or losses arising from changes in the fair value are presented in the statement of financial performance in the year in which they arise.

28. Loans and receivables are non-derivative 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 are 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.

29. Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in the value of the asset. Impairment losses are recognized in the statement of financial performance in the year in which they arise.

30. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Organization has transferred substantially all risks and rewards of the financial asset. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Investment in cash pools

31. The United Nations Treasury invests funds pooled from the Secretariat entities and other participating entities. These pooled funds are combined in two internally managed cash pools. Participation in a cash pool implies sharing the risk and returns on investments with the other participants. Given that the funds are commingled and invested on a pool basis, each participant is exposed to the overall risk of the investment portfolio to the extent of the amount of cash invested.

32. The Organization's investments in the cash pools are included as part of cash and cash equivalents, short-term investments and long-term investments in the statement of financial position depending on the maturity period of the investments.

Cash and cash equivalents

33. Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments with a maturity of three months or less from the date of acquisition.

Receivables from non-exchange transactions: contributions receivable

34. Contributions receivable represent uncollected revenue from assessed and voluntary contributions committed to the Organization by Member States,

non-Member States and other donors on the basis of enforceable agreements. These non-exchange receivables are stated at nominal value, less impairment for estimated irrecoverable amounts, the allowance for doubtful receivables. Voluntary contributions receivable are subject to an allowance for doubtful receivables on the same basis as other receivables. For assessed contributions receivable, the allowance for doubtful receivables is calculated as follows:

(a) Receivables from Member States that are subject to Article 19 of the Charter of the United Nations on voting rights restrictions in the General Assembly due to arrears equalling or exceeding the amount of the contributions due from them for the preceding two full years and that are past due in excess of two years: 100 per cent allowance;

(b) Receivables that are past due in excess of two years for which the General Assembly has granted special treatment as regards payment (United Nations Emergency Force, United Nations Operation in the Congo, unpaid assessed contributions by China that were transferred to a special account pursuant to General Assembly resolution 36/116 A, the former Yugoslavia): 100 per cent allowance;

(c) Receivables that are past due in excess of two years for which Member States have specifically contested the balance: 100 per cent allowance;

(d) For receivables with approved payment plans, no allowance for doubtful debt will be established, but disclosures will be made in the notes to the financial statements.

Receivables from exchange transactions: other receivables

35. Other receivables include primarily amounts receivable for goods or services provided to other entities, amounts receivable for operating lease arrangements and receivables from staff. Receivables from other United Nations reporting entities are also included in this category. Material balances of other receivables and voluntary contributions receivable are subject to specific review and an allowance for doubtful receivables is assessed on the basis of recoverability and ageing accordingly.

Investments accounted for using the equity method

36. The equity method initially records an interest in a jointly controlled entity at cost and is adjusted thereafter for the post-acquisition changes in the Organization's share of net assets. The Organization's share of the surplus or deficit of the investee is recognized in the statement of financial performance. The interest is recorded as a non-current asset unless there is a net liability position, in which case it is recorded as a non-current liability.

Other assets

37. Other assets include education grant advances and prepayments that are recorded as an asset until goods are delivered or services are rendered by the other party, at which point the expense is recognized.

Inventories

38. Inventory balances are recognized as current assets and include the categories set out below:

Categories	*Subcategories*
Held for sale or external distribution	Books and publications, stamps
Raw materials and work in progress associated with items held for sale or external distribution	Construction materials/supplies, work in progress
Strategic reserves	Fuel reserves, bottled water and rations reserves
Consumables and supplies	Material holdings of consumables and supplies, including spare parts and medicines

39. The cost of inventory in stock is determined using the average price cost basis. The cost of inventories includes the cost of purchase, plus other costs incurred in bringing the items to the destination and condition for use. Inventory acquired through non-exchange transactions, i.e., donated goods, are measured at fair value at the date of acquisition. Inventories held for sale are valued at the lower of cost and net realizable value. Inventories held for distribution at no or nominal charge or for consumption in the production of goods or services are valued at the lower of cost and current replacement cost.

40. The carrying amount of inventories is expensed when inventories are sold, exchanged, distributed externally or consumed by the Organization. Net realizable value is the net amount that is expected to be realized from the sale of inventories in the ordinary course of operations. Current replacement cost is the estimated cost that would be incurred to acquire the asset.

41. Holdings of consumables and supplies for internal consumption are capitalized in the statement of financial position only when material. Such inventories are valued using a methodology based on records available in the inventory management system, such as Galileo, which are validated through the use of thresholds, cycle counts and enhanced internal controls. Valuations are subject to impairment review, which takes into consideration the variances between moving average price valuation and current replacement cost, as well as slow-moving and obsolete items.

42. Inventories are subject to physical verification based on value and risk as assessed by management. Valuations are net of write-downs from cost to current replacement cost/net realizable value, which are recognized in the statement of financial performance.

Heritage assets

43. Heritage assets are not recognized in the financial statements, but significant heritage assets transactions are disclosed in notes thereto.

Property, plant and equipment

44. Property, plant and equipment are classified into different groups of a similar nature and with similar functions, useful lives and valuation methodologies, as: vehicles; communications and information technology equipment; machinery and equipment; furniture and fixtures; and real estate assets (land, buildings, infrastructure and assets under construction). Recognition of property, plant and equipment is as follows:

(a) Property, plant and equipment are capitalized when their cost per unit is greater than or equal to the threshold of $20,000, or $100,000 for leasehold improvements and self-constructed assets. A lower threshold of $5,000 applies to five commodity groups: vehicles; prefabricated buildings; satellite communication systems; generators; and network equipment;

(b) All property, plant and equipment other than real estate assets are stated at historical cost, less accumulated depreciation and accumulated impairment losses. Historical cost comprises the purchase price, any costs directly attributable to bringing the asset to its location and condition and the initial estimate of dismantling and site restoration costs;

(c) Owing to the absence of historical cost information, buildings and infrastructure real estate assets are initially recognized at fair value using a depreciated replacement cost methodology. The method involves calculating the cost per unit of measurement, e.g., cost per square metre, by collecting construction cost data, utilizing in-house cost data (where available) or using external cost estimators for each catalogue of real estate assets and multiplying that unit cost by the external area of the asset to obtain the gross replacement cost. Depreciation allowance deductions from the gross replacement cost to account for physical, functional and economic use of the assets have been made to determine the depreciated replacement cost of the assets;

(d) With regard to property, plant and equipment acquired at nil or nominal cost, including donated assets, the fair value at the date of acquisition is deemed to be the cost to acquire equivalent assets.

45. Property, plant and equipment are depreciated over their estimated useful lives using the straight-line method up to their residual value, except for land and assets under construction, which are not subject to depreciation. Given that not all components of a building have the same useful lives or the same maintenance, upgrades or replacement schedules, significant components of owned buildings are depreciated using the components approach. Depreciation begins in the month in which the Organization gains control over an asset in accordance with international commercial terms and no depreciation is charged in the month of retirement or disposal. Given the expected pattern of usage of property, plant and equipment, the residual value is nil unless residual value is likely to be significant. The estimated useful lives of property, plant and equipment classes are set out below.

Class	*Subclass*	*Estimated useful life*
Communications and information technology equipment	Information technology equipment	4 years
	Communication and audiovisual equipment	7 years
Vehicles	Light-wheeled vehicles	6 years
	Heavy-wheeled and engineering support vehicles	12 years
	Specialized vehicles, trailers and attachments	6 to 12 years
Machinery and equipment	Light engineering and construction equipment	5 years
	Medical equipment	5 years
	Security and safety equipment	5 years
	Water treatment and fuel distribution equipment	7 years
	Transportation equipment	7 years
	Heavy engineering and construction equipment	12 years
	Printing and publishing equipment	20 years
Furniture and fixtures	Library reference material	3 years
	Office equipment	4 years
	Fixtures and fittings	7 years
	Furniture	10 years
Buildings	Temporary and mobile buildings	7 years
	Fixed buildings, depending on the type	25, 40 or 50 years
	Major exterior, roofing, interior and services/utilities components, where component approach is utilized	20 to 50 years
	Finance lease or donated right-to-use buildings	Shorter of term of arrangement or life of building
Infrastructure assets	Telecommunications, energy, protection, transport, waste and water management, recreation, landscaping	Up to 50 years
Leasehold improvements	Fixtures, fittings and minor construction work	Shorter of lease term or 5 years

46. Where there is a material cost value of fully depreciated assets that are still in use, adjustments to accumulated depreciation are incorporated into the financial statements to reflect a residual value of 10 per cent of historical cost based on an analysis of the classes and useful lives of the fully depreciated assets.

47. The Organization chose the cost model for measurement of property, plant and equipment after initial recognition instead of the revaluation model. Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to the Organization and the subsequent cost exceeds the threshold for initial recognition. Repairs and maintenance are expensed in the statement of financial performance in the year in which they are incurred.

48. A gain or loss resulting from the disposal or transfer of property, plant and equipment arises where proceeds from disposal or transfer differ from its carrying amount. Those gains or losses are recognized in the statement of financial performance as part of other revenue or other expenses.

49. Impairment assessments are conducted during annual physical verification procedures and when events or changes in circumstance indicate that carrying amounts may not be recoverable. Land, buildings and infrastructure assets with a year-end net-book-value greater than $500,000 are reviewed for impairment at each reporting date. The equivalent threshold for other property, plant and equipment items (excluding assets under construction and leasehold improvements) is $25,000.

Intangible assets

50. Intangible assets are carried at cost, less accumulated amortization and accumulated impairment loss. For intangible assets acquired at nil or nominal cost, including donated assets, the fair value at the date of acquisition is deemed to be the cost to acquire. The thresholds for recognition are $100,000 for internally generated intangible assets and $20,000 per unit for externally acquired intangible assets.

51. Acquired computer software licences are capitalized on the basis of costs incurred to acquire and bring into use the specific software. Development costs that are directly associated with the development of software for use by the Organization are capitalized as an intangible asset. Directly associated costs include software development employee costs, consultants costs and other applicable overhead costs. Intangible assets with finite useful lives are amortized on a straight-line method, starting from the month of acquisition or when they become operational. The useful lives of major classes of intangible assets have been estimated as shown below.

Class	*Range of estimated useful life*
Software acquired externally	3-10 years
Software internally developed	3-10 years
Licences and rights	2-6 years (period of licence/right)
Copyrights	3-10 years
Assets under development	Not amortized

52. Annual impairment reviews of intangible assets are conducted where assets are under development or have an indefinite useful life. Other intangible assets are subject to impairment review only when indicators of impairment are identified.

Financial liabilities: classification

53. Financial liabilities are classified as "other financial liabilities". They include accounts payable, transfers payable, unspent funds held for future refunds and other liabilities such as balances payable to other United Nations system reporting entities. Financial liabilities classified as other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities with a duration of less than 12 months are recognized at their nominal value. The Organization re-evaluates the classification of financial liabilities at each reporting date and derecognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

Financial liabilities: accounts payable and accrued liabilities

54. Accounts payables and accrued expenses arise from the purchase of goods and services that have been received but not paid for as at the reporting date. Payables are recognized and subsequently measured at their nominal value because they are generally due within 12 months.

Advance receipts and other liabilities

55. Other liabilities consist of payments received in advance relating to exchange transactions, liabilities for conditional funding arrangements and other deferred revenue.

Leases

The Organization as "lessee"

56. Leases of property, plant and equipment where the Organization has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the start of the lease at the lower of fair value or the present value of the minimum lease payments. The rental obligation, net of finance charges, is reported as a liability in the statement of financial position. Assets acquired under finance leases are depreciated in accordance with property, plant and equipment policies. The interest element of the lease payment is charged to the statement of financial performance as an expense over the lease term on the basis of the effective interest rate method.

57. Leases where all of the risks and rewards of ownership are not substantially transferred to the Organization are classified as operating leases. Payments made under operating leases are charged to statement of financial performance as an expense on a straight-line basis over the period of the lease.

The Organization as "lessor"

58. The Organization is the lessor for certain assets subject to operating leases. Assets subject to operating leases are reported under property, plant and equipment. Lease income from operating leases is recognized in the statement of financial performance over the lease term on a straight-line basis.

Donated rights to use

59. The Organization occupies land and buildings and uses infrastructure assets, machinery and equipment through donated right-to-use agreements granted primarily by host Governments at nil or nominal cost. Donated right-to-use arrangements are accounted for as operating leases or finance leases depending on whether assessment of the agreements indicates that control of the underlying asset is transferred to the Organization.

60. Where a donated right-to-use arrangement is classified as an operating lease, an expense and corresponding revenue equal to the annual market rent of similar property are recognized in the financial statements. Where a donated right-to-use arrangement is classified as a finance lease (principally with lease term of over 35 years for premises), the fair market value of the property is capitalized and depreciated over the shorter of the useful life of the property and the term of the arrangement. In addition, a liability for the same amount is recognized, which is progressively recognized as revenue over the lease term.

61. Donated right-to-use land arrangements are accounted for as operating leases where the Organization does not have exclusive control and title to the land is not transferred.

62. The threshold for the recognition of revenue and expense is the yearly rental value equivalent of $20,000 for donated right-to-use premises and $5,000 for machinery and equipment.

Employee benefits

63. Employees comprise staff members, as described under Article 97 of the Charter of the United Nations, whose employment and contractual relationship with the Organization are defined by a letter of appointment subject to regulations promulgated by the General Assembly pursuant to Article 101, paragraph 1, of the Charter. Employee benefits are classified into short-term benefits, long-term benefits, post-employment benefits and termination benefits.

Short-term employee benefits

64. Short-term employee benefits are employee benefits (other than termination benefits) that are payable within 12 months after the end of the year in which the employee renders the related services. Short-term employee benefits comprise first-time employee benefits (assignment grants), regular daily/weekly/monthly benefits (wages, salaries and allowances), compensated absences (paid sick leave, maternity/paternity leave) and other short-term benefits (death grant, education grant, reimbursement of taxes, and home leave) provided to current employees on the basis of services rendered. All such benefits that are accrued but not paid at the reporting date are recognized as current liabilities within the statement of financial position.

Post-employment benefits

65. Post-employment benefits comprise after-service health insurance, end-of-service repatriation benefits and annual leave that are accounted for as defined-benefit plans, in addition to the pension through the United Nations Joint Staff Pension Fund.

Defined-benefit plans

66. Defined-benefit plans are those where the Organization's obligation is to provide agreed benefits and therefore the Organization bears the actuarial risks. The liability for defined-benefit plans is measured at the present value of the defined-benefit obligation. Changes in the liability for defined-benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The Organization has chosen to recognize changes in the liability for defined-benefit plans from actuarial gains and losses directly through the statement of changes in net assets. As at the end of the reporting year, the Organization held no plan assets as defined by IPSAS 25: Employee benefits.

67. The defined-benefit obligations are calculated by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using the interest rates of high-quality corporate bonds with maturity dates approximating those of the individual plans.

68. After-service health insurance provides worldwide coverage for medical expenses of eligible former staff members and their dependants. Upon end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of the United Nations, provided that they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007 and 5 years for those recruited before that date. The after-service health insurance liability represents the present value of the share of the Organization's medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff. A factor in the after-service health insurance valuation is to consider contributions from all plan participants in determining the Organization's residual liability. Contributions from retirees are deducted from the gross liability, and a portion of the contributions from active staff is also deducted to arrive at the Organization's residual liability in accordance with the cost-sharing ratios authorized by the General Assembly.

69. **Repatriation benefits**. Upon end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based upon length of service, and travel and removal expenses. A liability is recognized from when the staff member joins the Organization and is measured as the present value of the estimated liability for settling these entitlements.

70. **Annual leave**. The liabilities for annual leave represent unused accumulating compensated absence up to a maximum of 60 days, whereby an employee is entitled to monetary settlement of this balance upon separation from service. Therefore, the Organization recognizes as a liability the actuarial value of the total accumulated leave days of all staff members as at the date of the statement of financial position. Annual leave benefits are considered to be a post-employment defined benefit and, as such, are recognized on the same actuarial basis as other defined benefit plans.

Pension plan: United Nations Joint Staff Pension Fund

71. The Organization is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to

provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined-benefit plan. As specified in article 3 (b) of the regulations of the Pension Fund, membership of the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies. 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 participating organizations. The Organization, along with other participating organizations, is not in a position to identify its share of the defined-benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Therefore, the Organization has treated this plan as if it were a defined-contribution plan in line with the requirements of IPSAS 25. The Organization's contributions to the Fund during the financial year are recognized as employee benefit expenses in the statement of financial performance.

Termination benefits

72. Termination benefits are recognized as an expense only when the Organization 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 provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits to be 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 if the impact of discounting is material.

Other long-term employee benefits

73. 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.

74. **Appendix D benefits**. Appendix D to the Staff Rules governs compensation in the event of death, injury or illness attributable to the performance of official duties on behalf of the United Nations. Actuaries value these liabilities, and changes in the liability are recognized in the statement of financial performance.

Provisions

75. Provisions are liabilities recognized for future expenditure of uncertain amount or timing. A provision is recognized if, as a result of a past event, the Organization 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. The provision is measured as the best estimate of the amount required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the provision is the present value of the amount required to settle the obligation.

76. Uncommitted balances of the appropriations at the end of the budget period and expired balances of the appropriations retained from prior periods shall be

reported as provisions. These provisions will remain until the General Assembly decides the manner of their disposal.

Contingent liabilities

77. Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Organization; or present obligations that arise from past events but are not recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations; or the amount of the obligations cannot be reliably measured. Provisions and contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become more or less probable. If it becomes more probable that such an outflow will be required, a provision is recognized in the financial statements of the year in which the change of probability occurs. Similarly, where it becomes less probable that such an outflow will be required, a contingent liability is disclosed in the notes to the financial statements.

Contingent assets

78. Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the effective control of the Organization.

Commitments

79. Commitments are future expenses to be incurred by the Organization on contracts entered into by the reporting date and that the Organization has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (amount of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that will be delivered to the Organization in future years, non-cancellable minimum lease payments and other non-cancellable commitments.

Non-exchange revenue

Assessed contributions

80. Appropriations are financed by contributions from Member States that are assessed according to the scale of assessments determined by the General Assembly. These assessments are subject to adjustments in respect of, among others, supplementary appropriations for which contributions have not previously been assessed, revenue attributable to Member States, contributions resulting from the assessment of new Member States, any uncommitted balance of the appropriations at the end of the budget period and expired balances of the appropriations retained from prior periods surrendered, and credits in the Tax Equalization Fund not required to meet charges for tax reimbursements. Appropriations for the regular budget are approved and assessed for a two-year budget period; the relevant portion of assessed contributions is recognized as revenue at the beginning of each year in the biennium.

Voluntary contributions

81. Voluntary contributions and other transfers, which are supported by legally enforceable agreements, are recognized as revenue at the time when the agreement becomes binding, which is the point when the Organization is deemed to acquire control of the asset. Where cash is received subject to specific conditions, however, recognition is deferred until those conditions have been satisfied.

82. Voluntary pledges and other promised donations that are not supported by binding agreements with terms of offer and acceptance are recognized as revenue upon the receipt of cash. Unused funds returned to the donors are netted against voluntary contributions.

83. Revenue received under inter-organizational arrangements represents allocations of funding from agencies to enable the Organization to administer projects or other programmes on their behalf.

84. In-kind contributions of goods above the recognition threshold of $20,000 (per discrete contribution) are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to the Organization and the fair value of those assets can be measured reliably. For vehicles, prefabricated buildings, satellite communication systems, generators and network equipment, a lower threshold of $5,000 applies. Contributions in kind are initially measured at their fair value at the date of receipt determined by reference to observable market values or by independent appraisals. The Organization has elected not to recognize in-kind contributions of services, but to disclose in-kind contributions of service, above the threshold of $20,000, per discrete contribution, in the notes to the financial statements.

Exchange revenue

85. Exchange transactions are those in which the Organization sells goods or services in exchange for compensation. Revenue comprises the fair value of consideration received or receivable for the sale of goods and services. 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, as follows:

(a) Revenue from sales of publications, books and stamps and from sales by the United Nations Gift Centre is recognized when the sale occurs and risks and rewards have been transferred;

(b) Revenue from commissions and fees for technical, procurement, training, administrative and other services rendered to Governments, United Nations entities and other partners is recognized when the service is performed;

(c) Exchange revenue also includes income from the rental of premises, the sale of used or surplus property, guided tours and net currency exchange gains.

86. An indirect cost recovery called “programme support cost” is charged to trust fund and other “extrabudgetary” activities to ensure that the additional costs of supporting activities financed from extrabudgetary contributions are not borne by assessed funds and/or other core resources of the Secretariat. The programme support cost is eliminated for the purposes of financial statement preparation, as disclosed in Note 5: Segment reporting. The programme support cost charge agreed

upon with the donor is included as part of voluntary contributions. It is expressed as a percentage of direct costs (actual expenditure and unliquidated obligations).

Investment revenue

87. Investment revenue includes the Organization's share of net cash pool income and other interest income. The net cash pool income includes any gains and losses on the sale of investments, which are calculated as the difference between the sales proceeds and book value. Transaction costs that are directly attributable to the investment activities are netted against income and the net income is distributed proportionately to all cash pool participants on the basis of their average daily balances. The cash pool income also includes unrealized market gains and losses on securities, which are distributed proportionately to all participants on the basis of year-end balances.

Expenses

88. Expenses are decreases in economic benefits or service potential during the reporting year in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets and are recognized on an accrual basis when goods are delivered and services are rendered, regardless of the terms of payment.

89. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. The allowances and benefits include other staff entitlements, such as pension and insurance subsidies, staff assignment, repatriation, hardship and other allowances. Non-employee compensation and allowances consists of United Nations Volunteers living allowances and post-employment benefits, consultant and contractor fees, ad hoc experts, International Court of Justice judges' allowances and non-military personnel compensation and allowances.

90. Grants and other transfers include outright grants and transfers to implementing agencies, partners and other entities, as well as quick-impact projects. For outright grants, an expense is recognized at the point at which the Organization has a binding obligation to pay.

91. Supplies and consumables relate to the cost of inventory used and expenses for supplies.

92. Other operating expenses include maintenance, utilities, contracted services, training, security services, shared services, rent, insurance and allowance for bad debt. Other expenses relate to hospitality and official functions, foreign exchange losses and donations or transfers of assets.

93. Programmatic activities, distinct from commercial or other arrangements where the United Nations expects to receive equal value for funds transferred, are implemented by the United Nations or are implemented by executing entities or implementing partners to service a target population that typically includes Governments, non-governmental organizations and United Nations agencies. Transfers to implementing partners are fully expensed when disbursed. Binding agreements to fund executing entities or implementing partners, other than outright grants, not paid out by the end of the reporting period are shown as commitments in the notes to the financial statements.

Joint ventures

94. A joint venture is a contractual arrangement whereby the Organization and one or more parties undertake an economic activity that is subject to joint control and can be classified under IPSAS 8: Interests in joint ventures using three methods:

(a) Jointly controlled entities, which the Organization recognizes using the equity method;

(b) Jointly controlled operations, which are accounted for by recognizing the liabilities and expenses incurred by the Organization, the assets that it controls and its share of any revenue earned;

(c) Jointly controlled assets, where the Organization recognizes its share of the assets, any liabilities that it has incurred, its share of joint liabilities, its share of expenses incurred by the joint venture and revenue earned from the sale or use of its share of the output from the joint venture.

95. The Organization has also entered into joint-venture arrangements for jointly financed operations in which the nature of the arrangements is that the Organization has significant influence, which is the power to participate in the financial and operating policy decisions of the activities but has no control or joint control over those activities. Under IPSAS 8, the interests in those activities are accounted for using the equity method.

Multi-partner trust funds

96. Multi-partner trust fund activities are pooled resources from multiple financial partners that are allocated to multiple implementing entities to support specific national, regional or global development priorities.

97. They are assessed to determine the existence of control and whether the Organization is considered to be the principal of the programme or activity. Where control exists and the Organization is exposed to the risks and rewards associated with the multi-partner trust fund activities, such programmes or activities are considered to be the Organization's operations and are therefore reported in full in the financial statements.

98. Where joint control exists but the Organization is not considered to be the principal, the activities are considered jointly controlled operations and accounted for as described above.

Note 4
First implementation of IPSAS: opening balances

99. On 1 January 2014, the Organization adopted IPSAS accrual-based financial accounting standards; the conversion to full accrual accounting resulted in significant changes to accounting policies and in the types and the measurement of assets, liabilities, revenue and expenses recognized.

100. Accordingly, adjustments and reclassifications were made to the Organization's United Nations system accounting standards statement of assets, liabilities and reserves and fund balances as at 31 December 2013 to arrive at the 1 January 2014 IPSAS opening statement of financial position.

101. The net effect of the changes resulting from the adoption of IPSAS adjustments resulted in an increase in net assets. Line-by-line adjustments to net assets are shown in the statement of changes in net assets.

Note 5
Segment reporting

102. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and to make decisions about the future allocation of resources. Segment reporting information is provided on the basis of 11 pillars:

Segment	*Activities in segment*
Political and peacekeeping affairs	Maintain international peace and security by providing assistance to resolve potentially violent disputes or conflicts peacefully; support efforts in areas of disarmament and non-proliferation; promote the peaceful uses of outer space; and support the maintenance of peace and security through the deployment of peacekeeping operations.
International justice and law	Advise the principal and subsidiary organs of the United Nations and promote among Member States a better understanding of and respect for the principles and norms of international law.
Cooperation and development	Promote and support international and regional cooperation and development in the pursuit of sustained economic growth, the eradication of poverty and hunger, development of trade, gender equality and empowerment of women, and sustainable human settlements in an urbanizing world.
Human rights and humanitarian affairs	Promote and protect the effective enjoyment by all of all human rights by making development equitable, sustainable and responsive to the needs of people and ensure the timely, coherent and coordinated response of the international community to disasters and emergencies and ensure the provision of international protection to refugees.
Public information and communications	Provide global communication about the ideals and work of the United Nations; interact and partner with diverse audiences; and build support for peace, development and human rights for all.
Environmental affairs	Contribute to the well-being of current and future generations and the attainment of global environmental goals, centring on transition to low-carbon, resource-efficient and equitable development based on the protection and sustainable use of ecosystem services, coherent and improved environmental governance and the reduction of environmental risks.
Security and safety	Provide leadership, operational support and oversight of the United Nations security management system.
Crime prevention	Work with Member States to enhance their efforts to combat the intertwined problems of transnational crime, corruption and terrorism by helping to create and strengthen legislative, judicial and health systems to safeguard some of the most vulnerable persons in society.

Segment	*Activities in segment*
Common support services	Provide finance, human resources, information and communications technology and support services to support United Nations operations, projects and fund activities.
Other	Consists of General Assembly and Economic and Social Council affairs and conference management, to ensure effective and efficient decision-making processes of intergovernmental bodies and United Nations conferences.
	Also includes internal oversight functions encompassing the responsibilities of monitoring, internal audit, joint inspection and evaluation and investigations.
Self-insurance plans and other insurance plans	Accounts for activities with regard to the various health, dental and life insurance plans and compensation for general liability of the United Nations.
	Health and dental self-insurance were established as part of the social security scheme for United Nations staff and retirees and for the coverage of general third party liabilities.
Unallocated	Relates to Headquarters-related activities that cannot be directly allocated to any specific segment in an identifiable fashion.
Eliminations	Comprises inter-fund allocations between various segments that are eliminated upon consolidation of funds of the Organization, i.e., the financial reporting entity.
	Among eliminated values are programme support costs allocated to recoup administrative costs relating to administering extrabudgetary activities.
	In addition, allocations from regular budget activities to subactivities in other funds are eliminated as expenses of the regular budget against revenues of other funds.

103. Inter-segment transactions are priced at cost recovery under normal operating policies and are eliminated for the purposes of segment reporting preparation. The Organization's approach is that, during the transitional phase before the full deployment of the Umoja enterprise resource planning system, only the statement of financial performance elements will be considered for disclosure. As such, the segment revenue and expenses are as shown below.

All funds
Statement of financial performance for the period ended 31 December 2014
(Thousands of United States dollars)

	P&PA	*IJ&L*	*C&D*	*HR&HA*	*PI&C*	*EA*	*S&S*	*CP*	*CSS*	*Other*	*SI&OIP*	*Unallocated*	*Eliminations*	*Total*
Revenue														
Assessed contributions	785 473	54 701	610 416	207 366	105 077	–	138 727	–	959 309	–	–	–	–	2 861 069
Voluntary contributions	156 422	4 569	218 534	1 739 588	3 508	3 777	6 392	105 499	17 517	74 802	–	–	–	2 330 608
Other transfers	4 296	724	42 017	90 228	59	1 001	–	–	124 343	1 357	–	–	(157 568)	106 457
Investment revenue	1 923	62	1 372	3 896	40	37	–	252	3 512	253	6 255	1 988	–	19 590
Cont. to self-insurance	–	–	–	–	–	–	–	–	561	–	513 462	–	(144 413)	369 610
Other	7 851	2	3 535	3 263	938	–	–	20	220 425	22 714	8 050	18 782	(150 782)	134 798
Total	**955 965**	**60 058**	**875 874**	**2 044 341**	**109 622**	**4 815**	**145 119**	**105 771**	**1 325 667**	**99 126**	**527 767**	**20 770**	**(452 763)**	**5 822 132**
Expenses														
Employee expenses	524 773	49 236	514 818	366 441	94 878	2 391	111 893	1 798	844 401	6 871	183 285	852	(10 078)	2 691 559
Non-employee compensation/ allowances	28 562	540	38 264	12 860	2 401	114	404	667	25 467	483	–	–	–	109 762
Grants and other transfers	86 133	150	98 181	1 621 563	154	292	–	1 539	40 634	55 342	–	–	(81 320)	1 822 668
Supplies and consumables	42 407	372	4 541	5 067	314	11	1 165	–	12 513	414	7	239	–	67 050
Depreciation and amortization	30 553	–	224	5 364	87	–	148	–	158 753	343	–	11 141	–	206 613
Impairment	359	–	–	–	–	–	–	–	29 145	–	–	–	–	29 504
Travel	34 087	2 894	27 114	49 520	1 317	492	2 580	846	12 957	2 928	8	–	(1 463)	133 280
Other operating expenses	194 774	6 373	118 754	176 004	8 725	1 857	4 929	1 597	363 317	28 407	39 509	–	(216 012)	728 234
Self-insurance expenses	–	–	–	–	–	–	–	–	–	–	438 935	–	(143 740)	295 195
Finance costs	–	–	–	–	–	–	–	–	–	–	–	243	–	243
Equity basis	183	–	14 396	29	538	–	29 821	–	33 818	–	–	–	–	78 785
Other	5 307	17	272	160	57	–	124	–	1 356	122	–	–	–	7 415
Total	**947 138**	**59 582**	**816 564**	**2 237 008**	**108 471**	**5 157**	**151 064**	**6 447**	**1 522 361**	**94 910**	**661 744**	**12 475**	**(452 613)**	**6 170 308**
Surplus/deficit for the year	**8 827**	**476**	**59 310**	**(192 667)**	**1 151**	**(342)**	**(5 945)**	**99 324**	**(196 694)**	**4 216**	**(133 977)**	**8 295**	**(150)**	**(348 176)**

Abbreviations: P&PA, political and peacekeeping affairs; IJ&A, international justice and law; C&D, cooperation and development; HR&HA, human rights and humanitarian affairs; PI&C, public information and communications; EA, environmental affairs; S&S, security and safety; CP, crime prevention; CSS, common support services; SI&OIP, self-insurance plans and other insurance plans.

Note 6
Comparison to budget

104. The statement of comparison of budget and actual amounts (statement V) presents the difference between budget amounts, which are prepared on a modified cash basis, and actual expenditure on a comparable basis.

105. Approved budgets are those that permit expenses to be incurred and are approved by the General Assembly. For IPSAS reporting purposes, approved budgets are the appropriations authorized under Assembly resolutions.

106. The original budget for the biennium 2014-2015 is the budget approved by the General Assembly for the biennium on 27 December 2013 in resolution 68/248. The original 2014 budget is the portion of the initial appropriation allocated to 2014, as indicated by the programme managers who have the authority and responsibility to do so in the budget process. The final budget reflects the original budget plus any adjustments reflected in the revised appropriation approved by the Assembly for the biennium 2014-2015. Actual amounts are all obligations, including disbursements, incurred in the period.

107. Explanations for material differences between the original and final budget amounts, as well as material differences between the final budget amounts and actual expenditure on a modified cash basis, which are deemed to be those greater than 10 per cent, are considered below.

Budget part	*Material differences greater than 10 per cent*
Human rights and humanitarian affairs	The final biennial budget adopted in resolution 69/263 A was $36.7 million (10.4 per cent) higher, primarily as a result of an increase in the allocation to human rights of $33.6 million.
	For 2014, the difference between the initial and the final annual budget (appropriations) is an increase of $20.0 million, or 11.2 per cent, which relates mainly to increases of $15.2 million and $3.7 million in human rights and humanitarian assistance, respectively.
	This increase relates primarily to approved funding for new mandates emanating from the Human Rights Council and resolutions of the Main Committees (see A/C.5/69/4, A/69/615 and A/68/779) and technical adjustments relating to variations in the rates of inflation and exchange rates, and standard cost adjustments as reflected in the first performance report on the programme budget for the biennium 2014-2015 (A/69/612), all of which have been approved by the General Assembly in its resolutions 69/262, 68/247 B and 68/268.
	The variance of 11.7 per cent (budget versus expenditure on a budget basis) relates primarily to the inclusion of expenditure for the United Nations Mission for Ebola Emergency Response, which is not part of the revised appropriation and was funded through a commitment authority (see resolutions 69/263 A-C).
Capital expenditures	Final budget versus original budget has a non-material variance.
	Actual expenditure on a budget basis is $11.9 million (24.6 per cent) less than the final budget. The variance primarily reflects non-linear expenditure for activities under section 33, which require planning, design and/or extended procurement due diligence before contracts or purchase orders are effected. Consequently, expenditure typically peaks in the second year of the biennium when fully fledged construction works are carried out.

Budget part	*Material differences greater than 10 per cent*
	Furthermore, the planned deployment of Umoja cluster 3 at some duty stations in June 2015 has required the prioritization of administrative efforts towards business-readiness activities, which has led to temporary downturns in less-urgent activities, although it is expected that underexpenditure to 31 December 2014 will be made up by 31 December 2015. Other delays in the execution of projects have arisen owing to either a change in scope or deteriorating security situations that have caused temporary office closures. Furthermore, delays in the recruitment process for project management team positions led to lower staff costs, and for some of the projects, the fully fledged construction works are scheduled for 2015.
Capital master plan	The final budget is $91.3 million greater than the original budget. Actual expenditure is a non-material variance. One reason contributing to the increase is, as indicated in the report of the Advisory Committee on Administrative and Budgetary Questions on the capital master plan (A/69/529), additional funding was made available to fund the acceleration of work relating to the General Assembly Building to enable it to meet the deadline for the general debate to be held there in September 2014. The capital master plan is further considered in the annual progress reports to the General Assembly (most recently, A/69/360).

Reconciliation between actual amounts on a comparable basis and the statement of cash flows

108. The reconciliation between the actual amounts on a comparable basis in the statement of comparison of budget and actual amounts and the actual amounts in the statement of cash flows is reflected below.

Reconciliation of actual amounts on a comparable basis to statement of cash flows
(Thousands of United States dollars)

	Operating	*Investing*	*Total*
Actual amounts on a comparable basis (statement V)	**2 940 552**	**–**	**2 940 552**
Basis differences	(96 226)	(187 299)	(283 525)
Entity differences	2 997 000	–	2 997 000
Presentation differences	(5 822 136)	452 488	**(5 369 648)**
Actual amounts in statement of cash flows (statement IV)	**19 190**	**265 189**	**284 379**

109. Basis differences capture the differences resulting from preparing the budget on a modified cash basis. To reconcile the budgetary results to the statement of cash flows, the modified-cash elements such as unliquidated obligations, which are commitments against the budget but do not represent a cash flow, and payments against prior-year obligations, which do not apply to 2014, must be eliminated. Similarly, IPSAS-specific differences such as investing cash flows relating to acquisition of property, plant and equipment or intangibles, and indirect operating cash flows relating to changes in receivables due to movements in the allowance for

doubtful receivables and accrued liabilities, are included as basis differences to reconcile to the statement of cash flows.

110. Presentation differences are differences in the format and classification schemes in the statement of cash flows and the statement of comparison of budget and actual amounts, which include the latter not presenting income and the net changes in cash pool balances. Other presentation differences are that the amounts included in the statement of comparison of budget and actual amounts are not segregated into the operating, investing and financing activities.

111. Entity differences arise when the actual amounts on the budget basis omit programmes or fund groups that are part of the Organization, as reported in the statement of cash flows, or vice versa. Those differences represent cash flows to or from fund groups other than the regular budget and capital master plan funds that are reported in the financial statements. The financial statements include results for all the Organization's fund groups.

112. Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. Given that the budget reflects the 2014 proportion of the biennium, there are no timing differences.

Note 7
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2014
Main pool (notes 30, 31)[a]	533 605
Euro pool (notes 30, 31)	3 872
United Nations Staff Mutual Insurance Society against Sickness and Accident investments (note 30)	14 059
Other cash and cash equivalents	46 259
Total	**597 795**

[a] Includes non-convertible Syrian pounds equivalent to $0.101 million.

113. Cash and cash equivalents include trust fund moneys totalling $304.6 million held for the specific purposes of the respective trust funds. Similarly, an amount of $105.3 million relates to insurance funds relating primarily to restricted moneys held for health and dental self-insurance plans (see note 28).

Note 8
Investments

(Thousands of United States dollars)

	Trust fund investments	*Amount relating to insurance funds*	*Other investments*	*Total 31 December 2014*
Current				
Main pool (notes 30, 31)	286 783	170 233	577 596	1 034 612
Euro pool (notes 30, 31)	1 611	6 092	–	7 703
United Nations Staff Mutual Insurance Society against Sickness and Accident investments (note 30)	–	13 071	–	13 071
Subtotal	**288 394**	**189 396**	**577 596**	**1 055 386**
Non-current				
Main pool (notes 30, 31)	253 154	150 241	509 833	913 228
United Nations Staff Mutual Insurance Society against Sickness and Accident investments (note 30)	–	89 399	–	89 399
Subtotal	**253 154**	**239 640**	**509 833**	**1 002 627**
Total	**541 548**	**429 036**	**1 087 429**	**2 058 013**

114. The principal of three trust funds, amounting to $4.2 million, is considered restricted because it has been set aside and is unavailable for use in the operations of those trust funds. The amounts are invested to generate revenue that is used in the operations of the trust funds. The principal portion of the investment must be kept separately until further advised by the donor.

Note 9
Assessed contributions: receivables from non-exchange transactions

(Thousands of United States dollars)

	31 December 2014
Member States	641 388
Allowance for doubtful assessed contributions receivable	(203 193)
Total assessed contributions receivable — current	**438 195**

Note 10
Voluntary contributions: receivables from non-exchange transactions

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2014*
Voluntary contributions	363 216	95 367	458 583
Allowance for doubtful voluntary contributions receivable	(1 779)	–	(1 779)
Total voluntary contributions receivable	**361 437**	**95 367**	**456 804**

Note 11
Other accounts receivable: receivables from exchange transactions and loans

	31 December 2014
Other accounts receivable	117 453
Loans receivable — loans provided by the Central Emergency Response Fund	27 000
Loans receivable — loans to peacekeeping operations (note 32)	47 300
Subtotal	**191 753**
Allowance for doubtful loans receivable (note 32)	(47 300)
Allowance for doubtful other receivables	(5 869)
Total other receivables — current (note 30)	**138 584**

Loans provided by the Central Emergency Response Fund

115. The General Assembly decided in its resolution 60/124 to upgrade the former Central Emergency Revolving Fund, which provided loans only, to the current Central Emergency Response Fund, incorporating a grant element. The outstanding balance as at 31 December 2014 relating to loans provided by the Fund amounted to $27.0 million. The World Food Programme reimbursed the full balance in 2015.

Note 12
Inventories

(Thousands of United States dollars)

Inventory reconciliation	*Held for sale*	*Raw materials*	*Strategic reserves*	*Consumables and supplies*	*Total*
Opening inventory 1 January	**1 780**	**246**	**694**	**18 194**	**20 914**
Purchased in period	5 374	24	1 054	8 933	15 385
Total inventory available	**7 154**	**270**	**1 748**	**27 127**	**36 299**
Consumption	(5 593)	(119)	(172)	(9 914)	(15 798)
Impairment and write-offs	(3)	(1)	(54)	(794)	(852)
Total inventory as at 31 December 2014	**1 558**	**150**	**1 522**	**16 419**	**19 649**

Note 13
Other assets

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2014*
Receivable from other Secretariat reporting entities	28 404	–	28 404
Advances to vendors	23 383	–	23 383
Advances to staff	31 808	–	31 808
United Nations Development Programme Multi-Partner Trust Fund advances (note 23)	252 061	–	252 061
Other	50 420	504	50 924
Total other assets	**386 076**	**504**	**386 580**

Note 14
Heritage assets

116. Certain assets are categorized as heritage assets because of their cultural, educational or historical significance. The Organization's heritage assets were acquired over many years by various means, including purchase, donation and bequest. The design, construction and installation of a memorial for the victims of slavery and the transatlantic slave trade, unveiled in March 2015, was funded by voluntary donations of $1.8 million, for which costs in the amount of $0.855 million were incurred in 2014.

117. Heritage assets are not held to generate any future economic benefits or service potential; accordingly, the Organization elected not to recognize them in the statement of financial position. Significant heritage assets owned by the Organization comprise works of art, statues, monuments, historical buildings and books and maps.

Note 15
Property, plant and equipment

118. In accordance with IPSAS 17, opening balances was initially recognized at cost or fair value as at 1 January 2014 and measured at cost thereafter. The opening balance for buildings was obtained by valuation professionals on 1 January 2014 on the basis of depreciated replacement cost. Machinery and equipment, vehicles, fixtures and fittings and communications and information technology equipment are valued using the cost method.

119. During the year, the Organization impaired machinery, vehicles and information technology equipment on account of accidents, malfunctions and other losses, in addition to the impairment of the Temporary North Lawn Building considered below. An impairment review of buildings and infrastructure was conducted and no further impairment was identified because the buildings were in use, there were no known government policies, laws or statutes that would have an impact on the functioning of the buildings, there was no material physical damage or obsolescence to the buildings and infrastructure assets and to their individual components, the maintenance plans had been followed and the expected use of the buildings has not been changed significantly.

120. Real estate assets of $1.2 million were disposed of during the year in accordance with the United Nations asset disposal procedures. This comprised $0.8 million for the demolished part of a building that was replaced at the Economic and Social Commission for Asia and the Pacific and $0.4 million for two infrastructure assets at the United Nations Truce Supervision Organization owing to the decision to vacate sites for security reasons.

Assets under construction

121. The opening balance for assets under construction was $66.6 million. During the year, additions of $139.8 million were capitalized, relating primarily to the now-completed capital master plan works in New York and a new office building at the Economic Commission for Africa. Assets under construction totalling $199.3 million were completed and became operational, including $145.0 million, $20.0 million and $20.0 million relating to capital master plan buildings, capital master plan infrastructure and the completion of the building at the Economic Commission for Africa, respectively.

122. Assets under construction at year-end of $7.1 million relate primarily to $1.3 million for renovation at the Economic Commission for Africa and $4.7 million for the planning phase of the refurbishment and renovation of the Palais des Nations under the strategic heritage plan of the United Nations Office at Geneva. The plan has a total projected cost, according to the report of the Secretary-General on the subject (A/68/372), of CHF 837.0 million ($848.0 million as at 31 December 2014 using the United Nations operational rate of exchange) and the construction phase is expected to last from 2017 to 2023.

Temporary North Lawn Building

123. The Temporary North Lawn Building in New York was constructed in 2009 to accommodate conference rooms and staff on a temporary basis until the renovation of the Headquarters buildings, as set out in the capital master plan project, was completed. Demolition and restoration costs of $15.0 million were included as part of the replacement cost and an associated amount of $15.0 million for restoration is recognized. The Temporary North Lawn Building is not expected to be fully utilized in 2015 and is scheduled for demolition at the end of 2015, with completion in 2016. Accordingly, an impairment of $28.5 million has been recorded to arrive at a value of $25.0 million as at 31 December 2014.

Vienna International Centre

124. The property, plant and equipment balances do not include the premises of the Vienna International Centre, for which the Organization has applied transitional provisions under IPSAS 17 and not recognized its share of those assets in the statement of financial position. In 1979, the United Nations, the International Atomic Energy Agency, the United Nations Industrial Development Organization and the Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization entered into a 99-year real estate arrangement with the Government of Austria giving those four United Nations system entities the right to use the Centre premises for a nominal rent of 1 Austrian schilling per year. The agreement has been determined to meet the criteria of a finance lease and, when the IPSAS 17 transitional period ends on 31 December 2015 for the United Nations Industrial

Development Organization, the entities will capitalize their share of the Centre buildings on the basis of the Building Management Services cost-sharing ratio (the Organization's share is 22.67 per cent using the 2013 cost-sharing ratio). The Organization has also taken transitional provisions for leasehold improvements and all such amounts are expensed as incurred. Given that this is a jointly controlled asset, the Organization's share of the building and the fair rental value of the land is further considered in Note 24: Interests in joint ventures.

Property. plant and equipment

(Thousands of United States dollars)

	Land	*Buildings*	*Infrastructure*	*Vehicles*	*Communications and information technology equipment*	*Machinery and equipment*	*Furniture and fixtures*	*Assets under construction*	***Total***
Cost as at 1 January 2014	**835 698**	**3 586 823**	**246 017**	**159 912**	**158 490**	**47 295**	**3 768**	**66 582**	**5 104 585**
Additions	–	2 462	145	10 868	11 462	2 354	1 056	139 799	**168 146**
Disposals[a]	–	(1 732)	(769)	(12 206)	(12 137)	(2 924)	(316)	–	**(30 084)**
Completed assets under construction	–	177 414	21 877	–	–	–	–	(199 291)	**–**
Impairment losses	–	(28 855)	–	(478)	(154)	(17)	–	–	**(29 504)**
Cost as at 31 December 2014	**835 698**	**3 736 112**	**267 270**	**158 096**	**157 661**	**46 708**	**4 508**	**7 090**	**5 213 143**
Accumulated depreciation as at 1 January 2014	**–**	**1 514 455**	**96 779**	**71 249**	**89 096**	**25 375**	**2 470**	**–**	**1 799 424**
Depreciation	–	132 118	15 639	14 803	18 171	4 480	363	–	**185 574**
Disposals[a]	–	(1 160)	(244)	(1 298)	(10 532)	(1 736)	(316)	–	**(15 286)**
Accumulated depreciation as at 31 December 2014	**–**	**1 645 413**	**112 174**	**84 754**	**96 735**	**28 119**	**2 517**	**–**	**1 969 712**
Net carrying amount									
1 January 2014	835 698	2 072 368	149 238	88 663	69 394	21 920	1 298	66 582	**3 305 161**
31 December 2014	**835 698**	**2 090 699**	**155 096**	**73 342**	**60 926**	**18 589**	**1 991**	**7 090**	**3 243 431**

[a] Plant and equipment items with a carrying value of $11.9 million transferred from special political missions to peacekeeping operations are shown as disposals.

Note 16
Intangible assets

125. All intangible assets acquired before 1 January 2014, except for the capitalized costs associated with the Umoja project, are subject to IPSAS transitional provisions and are not recognized. The total carrying value of the Umoja project as at year-end was $104.7 million. Umoja-related development costs are capitalized as assets under development until the relevant phase becomes operational, at which time this completed asset under development is transferred to operational intangible assets. Development costs amounting to $0.070 million on projects other than Umoja were expensed because they were below the capitalizable threshold.

Intangible assets

(Thousands of United States dollars)

	Umoja	Other software internally developed	Software acquired externally	Licences and rights	Assets under development		Total
					Umoja	Other	
Cost as at 1 January 2014	**114 532**	**–**	**–**	**–**	**33 096**	**–**	**147 628**
Additions	–	1 087	322	126	20 270	270	**22 075**
Disposals	–	–	–	–	–	–	**–**
Completed assets under development	22 291	–	–	–	(22 291)	–	**–**
Cost as at 31 December 2014	**136 823**	**1 087**	**322**	**126**	**31 075**	**270**	**169 703**
Accumulated amortization as at 1 January 2014	**11 135**	**–**	**–**	**–**	**–**	**–**	**11 135**
Amortization	20 946	60	24	9	–	–	**21 039**
Accumulated amortization as at 31 December 2014	**32 081**	**60**	**24**	**9**	**–**	**–**	**32 174**
Net carrying amount							
1 January 2014	103 397	–	–	–	33 096	–	**136 493**
31 December 2014	**104 742**	**1 027**	**298**	**117**	**31 075**	**270**	**137 529**

Note 17
Accounts payable

(Thousands of United States dollars)

	31 December 2014
Accounts payable	30 347
Accruals for goods and services	158 197
Payable to Member States	278 985
Transfers payable	17 497
Retained payables	36 892
Other	6 416
Total accounts payable	**528 334**

Working Capital Fund

126. Balances payable to Member States include the $150.0 million Working Capital Fund liability. The Fund was established pursuant to General Assembly resolution 80 (I) in 1946. Under current financial regulations, the source of moneys in the Fund is advances from Member States made in accordance with the scale of assessments as determined by the General Assembly for the apportionment of the expenses of the United Nations. In accordance with Assembly resolution 60/283, the level of the Fund was increased to $150.0 million with effect from 1 January 2007. Advances may be made from the Fund to finance budgetary appropriations or unforeseen and extraordinary expenses or for other purposes as authorized by the Assembly.

127. Balances payable to Member States also include the working capital reserve of the capital master plan in the amount of $45.0 million.

Note 18
Advance receipts

(Thousands of United States dollars)

	Current	*Non–current*	*Total 31 December 2014*
Liabilities for conditional arrangements	71 318	16 492	**87 810**
Deferred income	6 881	–	**6 881**
Other advance receipts	22 820	–	**22 820**
Total advance receipts	**101 019**	**16 492**	**117 511**

Note 19
Employee benefits liabilities

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2014*
After-service health insurance	83 835	4 094 838	**4 178 673**
Annual leave	18 570	233 778	**252 348**
Repatriation benefits	19 685	229 542	**249 227**
Defined post-employment benefit liabilities	**122 090**	**4 558 158**	**4 680 248**
Appendix D/workers' compensation	31	35 437	**35 468**
Insurance liabilities	2 021	–	**2 021**
Pension contributions outstanding	2 476	–	**2 476**
Accrued salaries and allowances	145 213	791	**146 004**
Total employee benefits liabilities	**271 831**	**4 594 386**	**4 866 217**

128. The liabilities arising from post-employment benefits and the workers' compensation programme under appendix D to the Staff Rules are determined by independent actuaries and are established in accordance with the Staff Rules and Staff Regulations of the United Nations. Actuarial valuation is usually undertaken every two years. The most recent full actuarial valuation was conducted as at 31 December 2013, and the actuaries have rolled forward the valuation to 31 December 2014.

Actuarial valuation: assumptions

129. The Organization reviews and selects assumptions and methods used by the actuaries in the year-end valuation to determine the expense and contribution requirements for the employee benefits. The principal actuarial assumptions used to determine the employee benefit obligations at 31 December 2013 and for roll-forward to 31 December 2014 are shown below.

(Percentage)

Assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*	*Appendix D/workers' compensation*
Discount rates 31 December 2013	4.47	4.23	4.47	[a]
Discount rates 31 December 2014	3.29	3.36	3.52	
Inflation 31 December 2013	5.00-7.30	2.50	–	2.50
Inflation 31 December 2014	5.00-6.80	2.25	–	2.50

[a] For the appendix D/workers' compensation valuation, the actuaries applied the year-end Citigroup Pension Discount Curves discount rate applicable to the year in which the cash flows take place.

130. Discount rates are based on a weighted blend of three discount rate assumptions based on the currency denomination of the different cash flows: United States dollars (Citigroup Pension Discount Curve), euros (euro area government

yield curve) and Swiss francs (Federation bonds yield curve). Given that interest rates have decreased since 31 December 2013, lower discount rates were assumed for roll-forward.

131. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption is revised to reflect the current short-term expectations of the after-service health insurance plan cost increases and economic environment. Medical cost trend assumptions that were used for the valuation as at 31 December 2013, which included escalation rates for future years, were maintained for roll-forward because no significant evolution regarding the medical trend has been observed. As at 31 December 2014, these escalation rates were a flat health-care yearly escalation rate of 5.0 per cent for non-United States medical plans, health-care escalation rates of 6.8 per cent for all other medical plans (except 6.1 per cent for the United States Medicare plan and 5.0 per cent for the United States dental plan), grading down to 4.5 per cent for financial year 2024.

132. With regard to the valuation of repatriation benefits as at 31 December 2013, inflation in travel costs was assumed to be 2.50 per cent, on the basis of the projected United States inflation rate over the next 10 years. For the roll-forward valuation, the assumption was decreased to 2.25 per cent to take into consideration the decrease observed on those references in the year.

133. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: 1-3 years — 10.9 days; 4-8 years — 1 day; and more than 8 years — 0.5 days up to the maximum of 60 days. The assumption was maintained for the roll-forward valuation. Given that the annual leave actuarial valuation method under the United Nations system accounting standards was not in compliance with IPSAS, the actuarial valuation method for the 1 January 2014 IPSAS opening balances and roll-forward to year-end was changed from the straight-line method to the attribution method. The impact on the opening balances of the change was an increase in liability of $110.5 million, which is disclosed in the statement of changes in net assets.

134. For defined-benefit plans, assumptions regarding future mortality are based on published statistics and mortality tables. Salary increases, retirement, withdrawal and mortality assumptions are consistent with those used by the United Nations Joint Staff Pension Fund in making its actuarial valuation. Appendix D/workers' compensation uses mortality assumptions based on World Health Organization statistical tables.

Movement in post-employment benefits liabilities accounted for as defined-benefit plans

(Thousands of United States dollars)

	Liability
Net defined-benefit liability as at 1 January 2014	**3 561 331**
Current service cost	141 347
Interest cost	155 687
Total costs recognized in the statement of financial performance	**297 034**
Benefits paid	(123 027)
Actuarial losses recognized directly in the statement of changes in net assets[a]	944 910
Net defined-benefit liability as at 31 December 2014	**4 680 248**

[a] The cumulative amount of actuarial gains and losses recognized in the statement of changes in net assets is $944.9 million.

Discount rate sensitivity analysis

135. The changes in discount rates are driven by the discount curve, which is calculated on the basis of corporate and government bonds. The bonds markets varied over the reporting period, and volatility has an impact on the discount rate assumption. Should the assumption vary by 1 per cent, its impact on the obligations would be as shown below.

(Thousands of United States dollars)

Discount rate sensitivity to end-of-year employee benefits liabilities	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 1 per cent	(781 836)	(24 271)	(24 908)
As a percentage of end-of-year liability	(18.71)	(9.74)	(9.87)
Decrease of discount rate by 1 per cent	972 155	27 183	27 938
As a percentage of end-of-year liability	23.26	10.91	11.07

Medical costs sensitivity analysis

136. The principal assumption in the valuation of the after-service health insurance is the rate at which medical costs are expected to increase in the future. The sensitivity analysis looks at the change in liability due to changes in the medical cost rates while holding other assumptions constant, such as the discount rate. Should the medical cost trend assumption vary by 1 per cent, this would have an impact on the measurement of the defined benefit obligations, as shown below.

(Thousands of United States dollars)

1 per cent movement in the assumed medical costs trend rates	*Increase*		*Decrease*	
Effect on the defined-benefit obligation	21.54%	900 190	(16.62%)	(694 663)
Effect on the aggregate of the current service cost and interest cost	2.20%	91 795	(1.63%)	(67 904)

Other defined-benefit plan information

137. The General Assembly, in its resolution 67/257, endorsed the decision of the International Civil Service Commission (ICSC) in its report to support the recommendation of the United Nations Joint Staff Pension Fund to raise the mandatory age of retirement to 65 years for new staff as from 1 January 2014. Actuaries determined that that increase would not have a material effect on the valuation of the liabilities.

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
Estimated 2015 defined-benefit payments, net of participants' contributions	86 625	20 352	19 231	**126 208**

Historical information: total liability after-service health insurance, repatriation benefits and annual leave as at 31 December

(Millions of United States dollars)

	2013	*2012*	*2011*	*2010*	*2009*
Present value of the defined-benefit obligations	3 537	3 398	3 212	2 306	2 174

Accrued salaries and allowances

138. Accrued salaries and allowances comprise $71.1 million relating to medical and dental self-insurance claims incurred and received but not paid and claims incurred but not reported. The remaining balance relates to repatriation grant payables of $9.7 million and other payables and accruals for home leave benefits, assignment and other allowances.

United Nations Joint Staff Pension Fund

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

140. The Organization's financial obligation to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently 7.90 per cent for participants and 15.80 per cent for member organizations), together

with any share of any actuarial deficiency payments under article 26 of the regulations of the Fund. Such deficiency payments are payable only if and when the Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date. Each member organization is to contribute to that deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.

141. The actuarial valuation performed as at 31 December 2013 revealed an actuarial deficit of 0.72 per cent (compared with 1.87 per cent in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as at 31 December 2013 was 24.42 per cent of pensionable remuneration, compared with the actual contribution rate of 23.70 per cent. The next actuarial valuation will be conducted for 31 December 2015.

142. As at 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.50 per cent (compared with 130.00 per cent in the 2011 valuation). The funded ratio was 91.20 per cent (compared with 86.20 per cent in the 2011 valuation) when the current system of pension adjustments was taken into account.

143. After assessing the actuarial sufficiency of the Pension Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2013, for deficiency payments under article 26 of the regulations of the Fund because the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of reporting, the General Assembly had not invoked the provision of article 26.

144. In December 2012 and April 2013, the General Assembly authorized an increase to age 65 in the normal retirement age and in the mandatory age of separation, respectively, for new participants in the Pension Fund, with effect not later than from 1 January 2014. The related change to the Fund's regulations was approved by the Assembly in December 2013. The increase in the normal retirement age is reflected in the actuarial valuation of the Fund as at 31 December 2013. The Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board on the audit every year. The Fund publishes quarterly reports on its investments, which are available from www.unjspf.org.

145. In 2014, the Organization's contributions to the Pension Fund amounted to $265.7 million.

Fund for compensation payments — appendix D/workers' compensation

146. The fund for compensation payments relates to the payment of compensation with regard to death, injury or illness attributable to the performance of official duties. The rules governing the compensation payments are under appendix D to the Staff Rules. The fund allows the Organization to continue to fulfil its obligation to make compensation payments for death, injury or illness. The fund derives its revenue from a charge of 1.0 per cent of the net base remuneration, including post adjustment for eligible personnel. It covers appendix D claims submitted by personnel, covering monthly death and disability benefits and lump sum payment for injury or illness as well as medical expenses.

Note 20
Provisions

(Thousands of United States dollars)

	Credits to Member States	*Litigation and claims*	*Restoration*	*Credits to donors*	*Total*
Opening provisions as at 1 January 2014	**40 239**	**1 745**	**15 993**	**–**	**57 977**
Additional provisions made		1 632	162	1 657	3 451
Amounts used	–	(1 358)	(50)	–	(1 408)
Closing provisions as at 31 December 2014	**40 239**	**2 019**	**16 105**	**1 657**	**60 020**
Current	40 239	2 019	523	1 657	44 438
Non-current	–	–	15 582	–	15 582
Total	**40 239**	**2 019**	**16 105**	**1 657**	**60 020**

147. The provision for credits to Member States comprises the opening provision as at 1 January 2014. The restoration provision relates primarily to the provision of $15.0 million to restore and reinstate the Temporary North Lawn Building site at Headquarters. At year-end, the Organization had provided for various ongoing legal claims, assessing that a total provision of $2.0 million should be recognized. Credits to donors relate to estimated amounts repayable to donors where there is uncertainty over the timing and the actual amount to be repaid.

Note 21
Tax Equalization Fund liability

148. The Tax Equalization Fund was established under the provisions of General Assembly resolution 973 (X) to equalize the net pay of all staff members, whatever their national tax obligations. The Fund reports as income the staff assessment in respect of staff members financed under the regular budget, assessed peacekeeping operations and the tribunals for Rwanda and the former Yugoslavia and the International Residual Mechanism for Criminal Tribunals.

149. The Fund includes as expenditure the credits against the regular budget, peacekeeping, the International Residual Mechanism and tribunals' assessments of Member States that do not levy taxes on the United Nations income of their nationals. Member States that levy income taxes on their nationals working for the Organization do not receive this credit in full; instead, their share is utilized in the first instance to reimburse staff members for taxes that they had to pay on their United Nations income. Such reimbursements for taxes paid are partially reported as expenditure by the Fund. Staff members financed by extrabudgetary funds who are required to pay income tax are reimbursed directly from the resources of those funds. Given that the Organization acts an agent in the arrangement, the net of the related revenue and expenses is reported as a payable in the financial statements.

150. The cumulative surplus payable to the United States of America at year-end was $27.6 million and other Member States $36.8 million. In addition, the Tax Equalization Fund had an estimated tax liability of $23.3 million relating to the

2014 and prior tax years, of which $13.3 million was disbursed in January 2015 and approximately $10.0 million is expected to be settled in April 2015.

Note 22
Other liabilities

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2014*
Payables to other Secretariat reporting entities	50 596	–	50 596
Liabilities under donated right-to-use arrangements	40	691	731
Finance lease liabilities	1 080	2 756	3 836
Borrowings	–	6 125	6 125
Other liabilities	3 760	3 228	6 988
Total other liabilities	**55 476**	**12 800**	**68 276**

Note 23
Controlled multi-partner trust funds

151. Multi-partner trust funds are pooled resources from multiple financial partners that are allocated to multiple implementing entities to support specific national, regional or global development priorities. They are administered by the United Nations Development Programme Multi-Partner Trust Fund Office.

Multi-partner trust funds where the Organization has control and is the principal

152. Common humanitarian funds have been established in a number of countries as partnerships between United Nations agencies for humanitarian activities. The Office for the Coordination of Humanitarian Affairs serves as the funds' technical unit and is responsible for managing the allocation process. The Organization therefore controls the funds and is the principal in that multi-partner trust fund.

153. The Peacebuilding Fund supports more than 200 projects in 25 countries by delivering fast, flexible and relevant funding for peacebuilding initiatives in post-conflict countries. Given that the Fund is controlled and managed by the Assistant Secretary-General for Peacebuilding Support, who is supported by the Peacebuilding Support Office, the Organization is the principal in the programme. Those multi-partner trust funds are therefore recorded in full in the Organization's financial statements and a summary of the balances is as shown below.

Common humanitarian funds and Peacebuilding Fund multi-partner trust funds

(Thousands of United States dollars)

	Year ended 31 December 2014		
	Common humanitarian funds	*Peacebuilding Fund*	***Total***
Revenue	390 372	75 345	**465 717**
Expenses	(343 214)	(85 329)	**(428 543)**
Net surplus/(deficit)	**47 158**	**(9 984)**	**37 174**
Net assets as at 1 January 2014	112 888	129 506	**242 394**
Net assets as at 31 December 2014	**160 046**	**119 522**	**279 568**
Current assets	160 046	119 522	**279 568**
Net assets	**160 046**	**119 522**	**279 568**

Multi-partner trust fund accounted for as a jointly controlled operation — Ebola Response Multi-Partner Trust Fund

154. The Secretary-General launched the United Nations Mission for Ebola Emergency Response to unite the efforts of all United Nations entities concerned and act as a platform for the global control of the outbreak of Ebola virus disease. As a jointly controlled operation, the Mission is considered in note 24.

Note 24
Interests in joint ventures

Interests in joint ventures accounted for using the equity method

Joint ventures accounted for using the equity method, as at 31 December 2014

(Thousands of United States dollars)

	Net assets/ (liability) as at 1 January 2014	*Statement of changes in net assets: actuarial losses relating to actuarial valuation of employee benefit liabilities*	*Statement of financial performance: surplus/(deficit) for the year*	*Net assets/ (liability) as at 31 December 2014*
Interest in joint ventures: non-current asset				
ITC	15 363	(10 932)	3 856	8 287
United Nations System Staff College	2 942	(276)	(148)	2 518
Total non-current asset	**18 305**	**(11 208)**	**3 708**	**10 805**

	Net assets/ (liability) as at 1 January 2014	*Statement of changes in net assets: actuarial losses relating to actuarial valuation of employee benefit liabilities*	*Statement of financial performance: surplus/(deficit) for the year*	*Net assets/ (liability) as at 31 December 2014*
Interest in joint ventures: non-current liability				
United Nations Office at Vienna	(25 449)	(6 509)	(2 001)	(33 959)
Other joint ventures	(18 833)	(7 508)	(580)	(26 921)
Total non-current liability	**(44 282)**	**(14 017)**	**(2 581)**	**(60 880)**
Net interest in joint ventures	**(25 977)**	**(25 225)**	**1 127**	**(50 075)**
Net contribution to joint ventures[a]			(79 912)	
Statement II: Contributions to and share of surpluses/deficits of joint ventures accounted for on an equity basis			**(78 785)**	

[a] This represents 2014 regular budget contribution to the funds accounted for under the joint venture equity method and is broken down into $59.5 million joint financing arrangement contribution, $20.2 million ITC contribution and $0.2 million United Nations System Staff College contributions.

Joint venture entity accounted for using the equity method: non-current assets

155. The Organization has significant influence over the operations of ITC. Accordingly, its 50.0 per cent interest, based on its regular budget contribution ($20.2 million in 2014), is accounted for using the equity method. The Organization's share of the ITC future revenue for multi-year donor agreements that has not been recognized is $5.2 million. A summary of the financial performance and net assets position of ITC is provided below.

Joint venture entity accounted for using the equity method

(Thousands of United States dollars)

	International Trade Centre, year ended 31 December 2014	*Organization's share*
Current assets	67 915	33 957
Non-current assets	66 677	33 339
Current liabilities	(23 900)	(11 950)
Non-current liabilities	(94 118)	(47 059)
Net assets	**16 574**	**8 287**
Total revenues	109 574	54 789
Total expenses	(101 872)	(50 933)
Net surplus	**7 702**	**3 856**

Joint venture operation accounted for using the equity method: non-current assets

156. The United Nations System Staff College was created by the General Assembly to improve the effectiveness of the United Nations system. It runs courses

and delivers learning initiatives to United Nations personnel. The College operates on a biennial budget approved by its Board. A core portion of the budget is met by the members of the United Nations System Chief Executives Board for Coordination (CEB) in accordance with the cost-sharing formula decided upon by CEB. According to the cost-sharing formula for the 2014 core contribution, the Organization's share is 30.08 per cent. The College's statements of financial position, financial performance and cash flows are shown below.

Joint venture operations accounted for using the equity method: non-current liability

157. These jointly financed operations are established under binding agreements. The Organization has significant influence over these activities, which under IPSAS 8, is the power to participate in the financial and operating policy decisions of the activities but has no control or joint control over these activities. These jointly financed operations, all of which have the same reporting period as the Organization, are accounted for using the equity method:

(a) United Nations Office at Vienna: jointly financed operations of the United Nations at Vienna consist of three operations, each of which has a cost-sharing agreement:

(i) Safety and security;

(ii) Access control programme of the Vienna International Centre shooting range;

(iii) Conference and administrative services;

(b) ICSC: ICSC is an independent expert body established by the General Assembly with a mandate to regulate and coordinate the conditions of service of staff in the United Nations common system, while promoting and maintaining high standards in the international civil service;

(c) Joint Inspection Unit: The Joint Inspection Unit is an independent external oversight body of the United Nations system established by the General Assembly to conduct evaluations, inspections and investigations system-wide;

(d) CEB secretariat: CEB is the longest-standing and highest-level coordination forum of the United Nations system. It was established as a standing committee of the Economic and Social Council that is chaired by the Secretary-General. While not a policymaking body, CEB supports and reinforces the coordinating role of intergovernmental bodies of the United Nations system on social, economic and related matters;

(e) Safety and security: The Department of Safety and Security is a single security management framework responsible for providing leadership, operational support and oversight of the security management system, ensuring the maximum security for staff and eligible dependants and enabling the safest and most efficient conduct of the programmes and activities of the United Nations system.

158. The Organization's interest in these activities is its share of their net liabilities, which is based on the funding apportionment percentage. These cost-sharing ratios, which vary to reflect key factors such as the number of employees and the total space occupied, are included in the statement of financial performance and statement of financial position tables below.

Joint venture operations accounted for using the equity method: financial statements

Statement of financial position as at 31 December 2014

(Thousands of United States dollars)

	United Nations System Staff College	*United Nations Office at Vienna*	*Other*	***Total***
Current assets	9 454	5 483	12 503	**27 440**
Non-current assets	4 879	761	6 632	**12 272**
Total assets	**14 333**	**6 244**	**19 135**	**39 712**
Current liabilities	(753)	(6 942)	(7 208)	**(14 903)**
Non-current liabilities	(5 209)	(54 430)	(132 673)	**(192 312)**
Total liabilities	**(5 962)**	**(61 372)**	**(139 881)**	**(207 215)**
Net of total assets and total liabilities	**8 371**	**(55 128)**	**(120 746)**	**(167 503)**
Net assets: accumulates surpluses/deficits	**8 371**	**(55 128)**	**(120 746)**	**(167 503)**

Statement of financial performance for the year ended 31 December 2014

(Thousands of United States dollars)

	United Nations System Staff College	*United Nations Office at Vienna*	*Other*	***Total***
Revenue	8 888	47 183	140 592	**196 663**
Expenses	9 380	50 431	143 197	**203 008**
Deficit for the year	**(492)**	**(3 248)**	**(2 605)**	**(6 345)**
Net assets at beginning of year	**9 777**	**(41 313)**	**(84 470)**	**(116 006)**
Deficit for the year	(492)	(3 248)	(2 605)	**(6 345)**
Actuarial (losses) on employee benefits liabilities	(914)	(10 567)	(33 671)	**(45 152)**
Net assets at year-end	**8 371**	**(55 128)**	**(120 746)**	**(167 503)**
Organization's interest in joint venture	**30.08%**	**61.60%**	**22.30%**	
Share of (deficit) for the year	(148)	(2 001)	(580)	**(2 729)**
Share of actuarial losses recognized directly in net assets	(276)	(6 509)	(7 508)	**(14 293)**
Share of net assets/(liabilities) at year-end	2 518	(33 959)	(26 921)	**(58 362)**

Jointly controlled operation

159. As a jointly controlled operation, the Organization's interest in the Ebola Response Multi-Partner Trust Fund is accounted for by recognizing the liabilities and expenses incurred by the Organization, the assets that it controls and its share of any revenue earned. During the year ended 31 December 2014, the Fund received voluntary contributions from donors amounting to $125.9 million. A total amount of $100.5 million was also transferred to participating organizations, of which $6.7 million was transferred to the Organization.

Joint venture operations over which the Organization significant influence: Vienna International Centre Major Repair and Replacement Fund

160. The Major Repair and Replacement Fund is a jointly financed activity whose contributors are the organizations based at the Vienna International Centre. Its objective is to make major capital improvements at the Centre. The accounting recognition of the Fund is therefore aligned with the timing of recognition of the Centre as a jointly controlled asset. The Organization's 2014 contributions to the Fund were $0.5 million and are recognized as expenses in the financial statements. The total net assets of the Fund, reported in its 31 December 2014 financial statements, are $13.1 million. According to the 2013 Building Management Services cost-sharing ratio of 22.67 per cent, the Organization's share of the net assets is $2.6 million.

Jointly controlled asset: Vienna International Centre

161. The Vienna International Centre is a jointly controlled asset of the United Nations and other organizations based at the Centre. The Organization is required to recognize its share of the Centre assets and common services on the basis of the Building Management Services cost-sharing ratio. As stated in Note 2: Basis of preparation and authorization for issue, the statement of financial position does not include the Organization's share of the cost of the jointly controlled Centre assets, given that transitional provisions under IPSAS 17 have been applied.

162. The last external valuation of the Centre buildings as at 1 January 2011 using depreciated replacement cost was at EUR 311.7 million ($409.6 million using the United Nations operational rate of exchange). According to the 2013 Building Management Services cost-sharing ratio of 22.67 per cent, the Organization's share is $92.9 million. The fair rental value of the Centre land was EUR 1.4 million ($1.8 million as at 1 January 2014 using the United Nations operational rate of exchange) per annum and, on the same basis, the Organization's share was $0.4 million).

Note 25
Net assets

(Thousands of United States dollars)

	Accumulated surpluses/deficits	*Reserves*	*Total*
General Fund and related funds	494 327	–	494 327
General trust funds	1 980 399	–	1 980 399
After-service employee benefits funds	(4 617 396)	–	(4 617 396)
Self-insurance plan funds	277 318	57 716	335 034
Other funds	3 496 131	1 400	3 497 531
Total net assets	**1 630 779**	**59 116**	**1 689 895**

Accumulated surplus

163. The accumulated surplus includes the accumulated surplus of the General Fund and related funds, general trust funds, after-service employee benefits funds,

self-insurance plan funds and other funds. Self-insurance plans are recorded fully in the financial statements because the Organization acts as a principal for them.

Reserves

164. Reserves comprise a premium stabilization reserve amounting to $1.4 million with regard to the United Nations Group Staff Life Insurance Reserve Fund, and $57.7 million held for the United Nations Staff Mutual Insurance Society against Sickness and Accident, which is required under its statute to maintain a reserve balance.

United Nations Special Account

165. Under the provisions of General Assembly resolutions 2053 A (XX) and 3049 A (XXVII), the Special Account has received voluntary contributions from Member States and private donors in order to overcome the financial difficulties of the United Nations and to resolve the Organization's short-term deficit. The balance as at 31 December 2014 was $237.2 million, of which $48.7 million relates to the Fund principal from contributions and $188.5 million to accumulated surplus.

Note 26
Revenue from non-exchange transactions

Assessed contributions

166. Assessed contributions of $2,861.1 million have been recorded in accordance with the Financial Regulations and Rules of the United Nations, the relevant resolutions of the General Assembly and the policies of the United Nations, on the basis of the regular budget scale of assessment. A reconciliation of assessed contributions to gross amounts assessed to Member States in 2014 is presented below.

(Thousands of United States dollars)

	2014
Gross amounts assessed to Member States in 2014 (see resolution 68/248 C and ST/ADM/SER.B/889)	2 823 653
Additional assessment pertaining to the biennium 2012-2013	(44 734)
Additional appropriation approved for 2014	82 074
Non-Member States assessments	76
Amount reported in statement II — assessed contributions	**2 861 069**

Voluntary contributions

(Thousands of United States dollars)

	2014
Voluntary monetary contributions	2 300 069
Voluntary in-kind contributions of premises	40 841
Voluntary in-kind contributions of land	1 403
Voluntary in-kind contributions of plant, equipment, intangible assets and other goods	5 465
Total voluntary contributions received	**2 347 778**
Refunds	(17 170)
Net voluntary contributions received	**2 330 608**

167. Voluntary monetary contributions include $4.4 million relating to conferences of States parties to treaties and conventions assessments, which are levied on the basis of agreements among the States parties to the respective treaty or convention.

Other transfers and allocations

(Thousands of United States dollars)

	2014
Inter-organizational arrangements	29 774
Other transfers and allocations	76 683
Total other transfers and allocations	**106 457**

Services in kind

168. In-kind contributions of technical assistance, experts, security and other services received during the year are not recognized as revenue and therefore not included in the above in-kind contributions revenue.

Note 27
Other exchange revenue

(Thousands of United States dollars)

	2014
Revenue from services rendered	85 119
Insurance claim settlement	22 404
Rental income	16 311
Revenue-producing activities and other miscellaneous revenue	10 964
Total other exchange revenue	**134 798**

Note 28
Health and dental self-insurance plans

169. Health and dental insurance plans were established as part of the social security scheme for United Nations staff and retirees. Most of the plans are self-insured and managed in two locations:

(a) Headquarters in New York manages the United States-based health and dental plans, the worldwide plan for internationally recruited field staff and retirees and the medical insurance plan for locally recruited field staff and retirees at designated duty stations;

(b) The United Nations Office at Geneva manages the United Nations Staff Mutual Insurance Society against Sickness and Accident for United Nations staff and retirees in Geneva, as well as other staff and retirees of other Geneva-based organizations.

170. There are also fully insured health insurance plans. At Headquarters, there is the health insurance plan of New York, which has been closed to new subscribers. In Vienna, staff and retirees are eligible to enrol in the Austrian national health insurance programme and the plans administered by the United Nations Industrial Development Organization (full medical insurance plan and supplementary medical insurance plan). In those instances, premiums collected from staff, retirees and the Organization are recorded as liabilities and paid to the respective insurance providers.

171. In the case of self-insurance plans, the Organization and the participating subscribers assume the risk of providing health insurance to members. These health insurance plans include:

(a) United States-based medical and dental plans, comprising Empire Blue Cross, Aetna and Cigna (dental only);

(b) Worldwide plan for internationally recruited field staff and retirees (administered by Cigna International);

(c) Medical insurance plan for locally recruited staff and retirees at designated duty stations;

(d) United Nations Staff Mutual Insurance Society against Sickness and Accident for United Nations staff and retirees in Geneva, as well as other staff and retirees of other Geneva-based organization.

172. The plans are administered by third-party administrators on behalf of the United Nations or, as in the case of the United Nations Staff Mutual Insurance Society against Sickness and Accident, are self-administered.

173. The United Nations acts as the principal for the self-insurance arrangements because it is exposed to the risks and rewards associated with the plans and is responsible for administering or appointing the administrators of all the schemes. The assets, liabilities, revenue and expenditure relating to those plans are therefore reported in the Organization’s financial statements. Note 5: Segment reporting includes self-insurance funds as a separate segment. The statement of financial performance and statement of financial position for the funds is as shown below.

Self-insurance funds

Statement of financial performance for the year ended 31 December 2014

(Thousands of United States dollars)

	Blue Cross, Aetna and Cigna health plans	*Medical insurance plan for field local staff*	*United Nations Staff Mutual Insurance Society against Sickness and Accident*	*Total*
Revenue				
Investment revenue	1 046	307	4 184	5 537
Contributions for self-insurance funds[a]	367 483	28 971	105 164	501 618
Other revenue	5 041	–	–	5 041
Total revenue	**373 570**	**29 278**	**109 348**	**512 196**
Expenses				
Self-insurance claims and expenses[b]	312 645	24 871	98 707	436 223
Employee salaries, allowances and benefits	–	–	3 491	3 491
Supplies and consumables	–	–	6	6
Travel	–	–	8	8
Other operating expenses	21 875	4 124	13 523	39 522
Total expenses	**334 520**	**28 995**	**115 735**	**479 250**
Surplus/(deficit) for the year	**39 050**	**283**	**(6 387)**	**32 946**

[a] The above figure for contributions for self-insurance funds of $501.618 million has been adjusted to eliminate the Organization’s contributions of $144.413 million. In addition, an amount of $12.405 million relating to life insurance and compensation awards has been included to arrive at $369.610 million, as shown in statement II.

[b] The above figure for self-insurance claims and expenses of $436.223 million has been adjusted for the elimination of the Organization’s share of claims and expenses amounting to $143.740 million. In addition, an amount of $2.712 million of expenses relating to compensation awards and other insurance programmes has been included to arrive at $295.195 million, as shown in statement II.

Self-insurance funds

Statement of financial performance for the year ended 31 December 2014

(Thousands of United States dollars)

	Blue Cross, Aetna and Cigna health plans	*Medical insurance plan for field local staff*	*United Nations Staff Mutual Insurance Society against Sickness and Accident*	*Total*
Assets				
Cash and cash equivalents	43 530	12 847	18 205	74 582
Investments	158 261	46 720	112 469	317 450
Other receivables	164	–	2 218	2 382
Other assets	31 153	9 233	2 123	42 509
Total assets	**233 108**	**68 800**	**135 015**	**436 923**

	Blue Cross, Aetna and Cigna health plans	*Medical insurance plan for field local staff*	*United Nations Staff Mutual Insurance Society against Sickness and Accident*	*Total*
Liabilities				
Accounts payable and accrued payables	3 708	1 916	–	5 624
Employee benefits liabilities	64 576	7 175	30 948	102 699
Advance receipts	–	7	134	141
Other liabilities	934	–	1	935
Total liabilities	**69 218**	**9 098**	**31 083**	**109 399**
Net of total assets and liabilities	**163 890**	**59 702**	**103 932**	**327 524**
Net assets				
Accumulated surpluses	163 890	59 702	46 216	269 808
Reserves	–	–	57 716	57 716
Total net assets	**163 890**	**59 702**	**103 932**	**327 524**

Note 29
Expenses

Employee salaries, allowances and benefits

174. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. The allowances and benefits include other staff entitlements, including pension and insurance subsidies, staff assignment, repatriation, hardship and other allowances.

(Thousands of United States dollars)

	2014
Salary and wages	2 395 930
Pension and insurance benefits	243 391
Repatriation benefits	26 224
Leave benefits	26 014
Total employee salaries, allowances and benefits	**2 691 559**

Grants and other transfers

175. Grants and other transfers include outright grants and transfers to implementing agencies, partners and other entities, as well as quick-impact projects.

(Thousands of United States dollars)

	2014
Grants to end beneficiaries	1 385 217
Transfers to implementing partners	437 451
Total grants and other transfers	**1 822 668**

Other operating expenses

176. Other operating expenses include maintenance, utilities, contracted services, training, security services, shared services, rent, insurance, allowance for doubtful receivables and expenses related to mine action, human security and the United Nations Democracy Fund.

(Thousands of United States dollars)

	2014
Contracted services	147 109
Acquisitions of goods[a]	143 368
Rent — offices and premises	104 037
Rental — other	54 440
Maintenance expense	71 896
Contributions in kind	37 664
Allowance for doubtful receivables expenses	22 896
Net foreign exchange losses	32 229
Other	114 595
Total other operating expenses	**728 234**

[a] Acquisitions of goods includes expenses relating to items not meeting the capitalization thresholds.

Note 30
Financial instruments and financial risk management

(Thousands of United States dollars)

Financial instruments	*Note*	*31 December 2014*
Financial assets		
Fair value through the surplus or deficit		
Short-term investments: main pool[a]	8, 31	1 034 612
Short-term investments: euro pool[a]	8, 31	7 703
Short-term investments: United Nations Staff Mutual Insurance Society against Sickness and Accident	8	13 071
Total short-term investments		**1 055 386**

Financial instruments	*Note*	*31 December 2014*
Long-term investments: main pool	8, 31	913 228
Long-term investments: United Nations Staff Mutual Insurance Society against Sickness and Accident	8	89 399
Total long-term investments		**1 002 627**
Total fair value through the surplus or deficit investments		**2 058 013**
Loans and receivables		
Cash and cash equivalents: main pool	7, 31	533 605
Cash and cash equivalents: euro pool	7, 31	3 872
Cash and cash equivalents: United Nations Staff Mutual Insurance Society against Sickness and Accident	7	14 059
Cash and cash equivalents — other	7	46 259
Total cash and cash equivalents		**597 795**
Assessed contributions	9	438 195
Voluntary contributions	10	456 804
Other receivables	11	138 584
Other assets (excluding advances)	13	79 328
Total loans and receivables		**1 710 706**
Total carrying amount of financial assets		**3 768 719**
Of which relates to financial assets held in main pool	31	2 481 445
Of which relates to financial assets held in euro pool	31	11 575
Of which relates to financial assets held in the United Nations Staff Mutual Insurance Society against Sickness and Accident		116 529
Financial liabilities at amortized cost		
Accounts payable and accrued payables (excludes deferred payables)	17	528 334
Tax Equalization Fund liability	21	96 252
Other liabilities	22	68 276
Total carrying amount of financial liabilities		**692 862**
Summary of net income from financial assets		
Net cash pool income		14 779
Net United Nations Staff Mutual Insurance Society against Sickness and Accident loss		(4 673)
Other investment revenue		9 484
Total net income from financial assets		**19 590**

[a] Short-term investments include accrued investment income of $3.9 million, $0.01 million and $0.7 million for the main pool, the euro pool and the United Nations Staff Mutual Insurance Society against Sickness and Accident, respectively.

Financial risk management

Overview

177. The Organization has exposure to the following financial risks:

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk.

178. This note and Note 31: Financial instruments — cash pools present information on the Organization's exposure to those risks, the objectives, policies and processes for measuring and managing risk, and the management of capital.

Risk management framework

179. The Organization's risk management practices are in accordance with its Financial Regulations and Rules and Investment Management Guidelines (Guidelines). The Organization defines the capital that it manages as the aggregate of its net assets, which comprises accumulated fund balances and reserves. Its objectives are to safeguard its ability to continue as a going concern, to fund its asset base and to accomplish its objectives. The Organization manages its capital in the light of global economic conditions, the risk characteristics of the underlying assets and its current and future working capital requirements.

Credit risk

180. Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, investments and deposits with financial institutions, as well as credit exposure to outstanding receivables. The carrying value of financial assets is the maximum exposure to credit risk.

181. The investment management function is centralized at the United Nations Treasury. Other areas are not permitted, in normal circumstances, to engage in investing. An area may receive exceptional approval when conditions warrant investing locally under specified parameters that comply with the Guidelines.

Credit risk: contributions receivable and other receivables

182. A large portion of the contributions receivable is due from sovereign Governments and supranational agencies, including other United Nations entities that do not have significant credit risk. The maximum exposure to credit risk of financial assets equals to their carrying amount at year-end. As at the reporting date, the Organization held no collateral as security for receivables.

Credit risk: allowance for doubtful receivables

183. The Organization evaluates the allowance for doubtful receivables at each reporting date. An allowance is established when there is objective evidence that the Organization will not collect the full amount due. Management-approved write-offs under the Financial Regulations and Rules or reversals of previously impaired receivables are recognized directly in the statement of financial performance. The movement in the allowances account during the year as shown below.

Movement in the allowance for doubtful receivables

(Thousands of United States dollars)

	Total allowance for doubtful receivables
As at 1 January 2014	256 562
Net movement	1 579
As at 31 December 2014	**258 141**

184. The ageing and associated allowance of assessed contributions receivable is as shown below.

Ageing of contributions receivable as at 31 December 2014

(Thousands of United States dollars)

	Gross receivable	*Allowance*
Less than one year	423 922	–
One to two years	14 407	740
Two to three years	10 194	9 948
More than three years	192 865	192 505
Total	**641 388**	**203 193**

185. The ageing and associated allowance of receivables other than assessed contributions is as shown below.

Ageing of voluntary contributions and other receivables as at 31 December 2014

(Thousands of United States dollars)

	Gross receivable	*Allowance*
Neither past due nor impaired	333 265	–
Less than one year	237 970	635
One to two years	21 682	1 217
Two to three years	6 420	2 729
More than three years	50 999	50 367
Total	**650 336**	**54 948**

Credit risk: cash and cash equivalents

186. The Organization had cash and cash equivalents of $597.8 million as at 31 December 2014, which is the maximum credit exposure on those assets.

Credit risk: investments of the United Nations Staff Mutual Insurance Society against Sickness and Accident

187. The United Nations Treasury makes investments on behalf of the United Nations Staff Mutual Insurance Society against Sickness and Accident. A significant

proportion of those investments are in fixed-income securities comprising supranational securities, government agency securities, government securities and corporates. A portion of the Society investment portfolio is also invested in iShares SMI (CH), an exchange-traded fund, with the aim of achieving a return on investment that reflects the return of its benchmark index, the Swiss Market Index.

188. At year-end, the Organization owned 312,830 shares of iShares SMI (CH).

189. The credit ratings used are those determined by major credit-rating agencies; Standard & Poor's and Moody's and Fitch are used to rate bonds and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At year-end, the United Nations Staff Mutual Insurance Society against Sickness and Accident credit ratings, determined by major credit-rating agencies, were as shown below.

United Nations Staff Mutual Insurance Society against Sickness and Accident credit ratings as at 31 December 2014

	Ratings — percentage based on carrying value
Bonds	Standard & Poor's: 2.5% AAA, 85.2% AA+/AA/AA- and 10.8% A+/A-; 1.5% not rated by Standard & Poor's; Moody's: 26.9% Aaa and 67.6% Aa1/Aa2/Aa3; 5.5% not rated by Moody's; Fitch: 16.9% AAA, 42.1% AA+/AA/AA-, 6.0% A and 35.0% not rated
Exchange traded fund	Not applicable

Financial risk management: liquidity risk

190. Liquidity risk is the risk that the Organization might not have adequate funds to meet its obligations as they fall due. The Organization's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Organization's reputation.

191. The Financial Regulations and Rules of the United Nations require that expenses be incurred after the receipt of funds from donors, thereby considerably reducing the liquidity risk with regard to contributions, which are a largely stable annual cash flow. Exceptions to incurring expenses before the receipt of funds are permitted only if specified risk management criteria are adhered to with regard to amounts receivable.

192. The Organization performs cash flow forecasting and monitors rolling forecasts of liquidity requirements to ensure that there is sufficient cash to meet operational needs. Investments are made with due consideration to the cash requirements for operating purposes based on cash flow forecasting. The Organization maintains a large portion of its investments in cash equivalents and short-term investments sufficient to cover its commitments as and when they fall due.

Liquidity risk: investments of the United Nations Staff Mutual Insurance Society against Sickness and Accident

193. The United Nations Staff Mutual Insurance Society against Sickness and Accident is exposed to low liquidity risk because there are only limited requirements to withdraw funds at short notice and it maintains sufficient cash and marketable securities, such as the exchange-traded fund, to meet commitments as and when they fall due. As at the reporting date, the Society had invested primarily in securities with short- to medium-term maturity, with the maximum being less than seven years. The Society's liquidity risk is therefore considered to be low.

Liquidity risk: financial liabilities

194. The exposure to liquidity risk is based on the notion that the entity may encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely owing to the cash and cash equivalents, receivables and investments available to the entity and internal policies and procedures put in place to ensure that there are appropriate resources to meet its financial obligations. As at the reporting date, the Organization had pledged no collateral for any liabilities or contingent liabilities, and during the year no accounts payable or other liabilities were forgiven by third parties. Maturities for financial liabilities based on the earliest date at which the Organization can be required to settle each financial liability are as shown below.

Maturities for financial liabilities as at 31 December 2014

(Undiscounted thousands of United States dollars)

	< 3 months	*3 to 12 months*	*> 1 year*	*Total*
Accounts payable and accrued payables	528 334	–	–	528 334
Tax Equalization Fund liability	96 252	–	–	96 252
Other liabilities	55 476	–	12 800	68 276
Total	**680 062**	**–**	**12 800**	**692 862**

Financial risk management: market risk

195. Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices of investment securities, will affect the Organization's income or the value of its financial assets and liabilities. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the Organization's fiscal position.

Interest rate risk

196. Interest rate risk is the risk of variability in financial instruments' fair values or future cash flows due to a change in interest rates. In general, as an interest rate rises, the price of a fixed-rate security falls, and vice versa. Interest rate risk is commonly measured by the fixed-rate security's duration, with duration being a number expressed in years. The larger the duration, the greater the interest rate risk. The main exposure to interest rate risks relates to the cash pools and is considered in Note 31: Financial instruments — cash pools. The average duration of the

investments of the United Nations Staff Mutual Insurance Society against Sickness and Accident was 2.5 years, which, within the investment objectives of the Society, is considered to be an indicator of low interest rate risk.

Currency risk

197. Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in foreign exchange rates. The Organization has transactions, assets and liabilities in currencies other than in its functional currency and is exposed to currency risk arising from fluctuations in exchange rates. Management policies and the Guidelines require the Organization to manage its currency risk exposure.

198. The Organization's financial assets and liabilities are primarily denominated in United States dollars. Non-United States dollar financial assets primarily relate to investments in addition to cash and cash equivalents and receivables held to support local operating activities where transactions are made in local currencies. The Organization maintains a minimum level of assets in local currencies and, whenever possible, maintains bank accounts in United States dollars. The Organization mitigates currency risk exposure by structuring contributions from donors in foreign currency to correspond to the foreign currency needs for operational purposes.

199. The most significant exposure to currency risk relates to cash pool cash and cash equivalents and investment balances, in addition to the investments of the United Nations Staff Mutual Insurance Society against Sickness and Accident. As at the reporting date, the non-United States-dollar-denominated balances in those financial assets were primarily euros and Swiss francs, along with more than 35 other currencies, as shown below.

Currency exposure as at 31 December 2014
(Thousands of United States dollars)

	United States dollar	*Euro*	*Swiss franc*	*Other*	*Total*
Main cash pool	2 469 985	819	36	10 605	2 481 445
Euro cash pool	–	11 575	–	–	11 575
Subtotal	**2 469 985**	**12 394**	**36**	**10 605**	**2 493 020**
United Nations Staff Mutual Insurance Society against Sickness and Accident investments	–	–	116 529	–	116 529
Total	**2 469 985**	**12 394**	**116 565**	**10 605**	**2 609 549**

Currency risk: sensitivity analysis

200. A strengthening or weakening of the euro and Swiss franc United Nations operational rates of exchange as at the reporting date would have affected the measurement of investments denominated in a foreign currency and increased or decreased the net assets and surplus or deficit by the amounts shown below. This analysis is based on foreign currency exchange rate variances considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

Currency exposure sensitivity analysis as at 31 December 2014

(Thousands of United States dollars)

	Effect on net assets/surplus or deficit	
	Strengthening	*Weakening*
Euro (10 per cent movement)	1 239	(1 239)
Swiss franc (10 per cent movement)	11 656	(11 656)

Currency risk: forward contracts

201. In 2014, the Organization entered into United States dollar to Swiss franc forward contracts to hedge against currency risk in relation to the operations of the United Nations Office at Geneva being exposed to risks arising from fluctuations in payments for staff costs in Swiss francs. Net foreign exchange losses from those contracts amounted to $1.7 million for the year ended 31 December 2014. The losses were recorded against employee benefits, the result of the loss being an increase in employee benefit expenses. There were no forward contract positions outstanding as at 31 December 2014.

Other market price risk

202. The Organization is not exposed to significant other market price risk because it has limited exposure to price-related risk relating to expected purchases of certain commodities used regularly in operations. A change in those prices may alter cash flows by an immaterial amount.

Accounting classifications and fair value

203. The carrying value of fair value through surplus or deficit investments is fair value. For cash and cash equivalents, receivables and accounts payable, carrying value is a fair approximation of fair value.

Fair value hierarchy

204. The table below analyses financial instruments carried at fair value, by the fair value hierarchy levels. The levels are defined as:

(a) Level 1: quoted prices (unadjusted) 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 (that is, as prices) or indirectly (that is, derived from prices);

(c) Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

205. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian based on valuation of securities sourced from third parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an

arm's-length basis. The quoted market price used for financial assets held by the cash pools is the current bid price.

206. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques that maximize the use of observable market data. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

207. There were no level 3 financial assets or any liabilities carried at fair value or any transfers of financial assets between fair value hierarchy classifications. The fair value hierarchy for the cash pools is disclosed in Note 31: Financial instruments — cash pools.

Fair value hierarchy

(Thousands of United States dollars)

	31 December 2014		
	Level 1	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit			
Exchange — traded fund	29 527	–	29 527
Bonds — corporate	–	38 528	38 528
Bonds — non-United States agencies	22 770	–	22 770
Bonds — non-United States sovereigns	9 137	–	9 137
Bonds — supranationals	1 783	–	1 783
Total fair value through surplus or deficit United Nations Staff Mutual Insurance Society against Sickness and Accident assets	**63 217**	**38 528**	**101 745**

Note 31
Financial instruments: cash pools

208. In addition to directly held cash and cash equivalents and investments, the Organization participates in the United Nations Treasury cash pools. Pooling the funds has a positive effect on overall investment performance and risk, because of economies of scale, and by the ability to spread yield curve exposures across a range of maturities. The allocation of cash pool assets (cash and cash equivalents, short-term investments and long-term investments) and income is based on each participating entity's principal balance.

209. The Organization participates in two Treasury-managed cash pools:

(a) The main pool, which comprises operational bank account balances in a number of currencies and investments in United States dollars;

(b) The euro pool, which comprises investments in euros. The pool participants are mostly offices of the Secretariat away from Headquarters that may have a surplus of euros from their operations.

210. As at 31 December 2014, the cash pools held total assets of $9,608.8 million, of which $2,493.0 million was due to the Organization, and its share of net income from cash pools was $14.8 million.

Summary of assets and liabilities of the cash pools as at 31 December 2014

(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Fair value through the surplus or deficit			
Short-term investments	3 930 497	97 011	4 027 508
Long-term investments	3 482 641	–	3 482 641
Total fair value through the surplus or deficit investments	**7 413 138**	**97 011**	**7 510 149**
Loans and receivables			
Cash and cash equivalents	2 034 824	48 819	2 083 643
Accrued investment income	14 842	119	14 961
Total loans and receivables	**2 049 666**	**48 938**	**2 098 604**
Total carrying amount of financial assets	**9 462 804**	**145 949**	**9 608 753**
Cash pool liabilities			
Payable to funds reported in United Nations Volume I	2 481 445	11 575	2 493 020
Payable to other cash pool participants	6 981 359	134 374	7 115 733
Total liabilities	**9 462 804**	**145 949**	**9 608 753**
Net assets	–	–	–

Summary of net income and expenses of the cash pools

(Thousands of United States dollars)

	Main pool	*Euro pool*	***Total***
Investment revenue	62 511	132	**62 643**
Financial exchange (losses)	(7 064)	(14 396)	**(21 460)**
Unrealized gains/(losses)	(3 084)	9	**(3 075)**
Bank fees	(214)	(2)	**(216)**
Net income from cash pools	**52 149**	**(14 257)**	**37 892**

Financial risk management

211. The United Nations Treasury is responsible for investment and risk management for the cash pools, including conducting investment activities in accordance with the Guidelines.

212. The objective of investment management is to preserve capital and ensure sufficient liquidity to meet operating cash while attaining a competitive market rate of return on each investment pool. Investment quality, safety and liquidity are emphasized over the market-rate-of-return component of the objectives.

213. An investment committee periodically evaluates investment performance and assesses compliance with the Guidelines and makes recommendations for updates thereto.

Financial risk management: credit risk

214. The Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible cash pool investments may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The cash pools do not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.

215. The Guidelines require that investments not be made in issuers whose credit ratings are below specifications, and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made.

216. The credit ratings used for the cash pools are those determined by major credit-rating agencies; Standard & Poor's and Moody's and Fitch are used to rate bonds and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At year-end, the credit ratings were as shown below.

Investments of the cash pools by credit ratings as at 31 December 2014

Main pool	*Ratings*
Bonds	Standard & Poor's: 31.2% AAA, 59.8% AA+/AA/AA- and 1.3% A+; 7.7% not rated by Standard & Poor's; Moody's: 69.3% Aaa and 30.7% Aa1/Aa2/Aa3; Fitch: 52.2% AAA, 21.4% AA+/AA/AA- and 26.4% not rated
Discounted instruments	Standard & Poor's: 100% A-1+; Moody's: 70.0% P1 and 30.0% not rated; Fitch: 90.0% F1+ and 10.0% not rated
Term deposits	Fitch: 64.1% aa- and 35.9% a+/a/a-

Euro pool	*Ratings*
Bonds	Standard & Poor's: 100% AA+; Moody's: 100% Aaa; Fitch: 100% not rated
Term deposits	Fitch: 22.1% aa- and 77.9% a+/a/a-

217. The United Nations Treasury actively monitors credit ratings and, given that the Organization has invested only in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations, except for any impaired investments.

Financial risk management: liquidity risk

218. The cash pools are exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. They maintain sufficient cash and marketable securities to meet participants' commitments as and when they fall due. The major portion of cash and cash equivalents and investments are available within a day's notice to support operational requirements. The cash pool liquidity risk is therefore considered to be low.

Financial risk management: interest rate risk

219. The cash pools comprise the Organization's main exposure to interest rate risk with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the cash pools had invested primarily in securities with shorter terms to maturity, with the maximum being less than five years. The average durations of the main pool and the euro pool were 1.10 years and 0.22 years, respectively, which are considered to be an indicator of low risk.

Cash pool interest rate risk sensitivity analysis

220. This analysis shows how the fair value of the cash pools as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. Given that the investments are accounted for at fair value through surplus or deficit, the change in fair value represents the increase or decrease in the surplus or deficit and net assets. The impact of a shift up or down of up to 200 basis point in the yield curve is shown (100 basis points equals 1 per cent). The basis point shifts are illustrative.

Organization's share of cash pool interest rate risk sensitivity analysis as at 31 December 2014

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*50*	*100*	*150*	*200*
Increase/(decrease) in fair value (Millions of United States dollars)									
Main pool Total	**53.89**	**40.41**	**26.93**	**13.48**	–	**(13.45)**	**(26.93)**	**(40.38)**	**(53.83)**
Euro pool Total	**0.05**	**0.04**	**0.03**	**0.01**	–	**(0.01)**	**(0.02)**	**(0.04)**	**(0.05)**
Total	**53.94**	**40.45**	**26.96**	**13.49**	–	**(13.46)**	**(26.95)**	**(40.42)**	**(53.88)**

Other market price risk

221. The cash pool is not exposed to significant other price risk because it does not sell short, borrow securities or purchase securities on margin, which limits the potential loss of capital.

Accounting classifications and fair value hierarchy

222. All investments are fair valued through surplus and deficit. Cash and cash equivalents carried at nominal value are deemed to be an approximation of fair value. The following fair value hierarchy presents the cash pool assets that are measured at fair value as at the reporting date. There were no level 3 financial assets or any significant transfers of financial assets between fair value hierarchy classifications.

Fair value hierarchy

(Thousands of United States dollars)

	31 December 2014		
	Level 1	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit			
Bonds — non-United States agencies	2 154 956	–	2 154 956
Bonds — non-United States sovereigns	691 489	–	691 489
Bonds — supranationals	440 169	–	440 169
Bonds — United States treasuries	1 297 290	–	1 297 290
Main pool — discounted instruments	999 234	–	999 234
Main pool — certificate of deposit	–	1 830 000	1 830 000
Subtotal main pool	**5 583 138**	**1 830 000**	**7 413 138**
Euro pool — bonds: non-United States sovereigns	6 157	–	6 157
Euro pool — term deposits	–	90 854	90 854
Subtotal euro pool	**6 157**	**90 854**	**97 011**
Total fair value through surplus or deficit assets in the cash pools	**5 589 295**	**1 920 854**	**7 510 149**

Note 32
Related parties

Key management personnel

223. Key management personnel are those with the ability to exercise significant influence over the financial and operating decisions of the Organization. For the operations of the United Nations as reported in volume I, the key management personnel group comprises the Secretary-General, the Deputy Secretary-General and selected officials at the Under-Secretary-General, Assistant Secretary-General and Director levels. Those persons have the relevant authority and responsibility for planning, directing and controlling the Organization’s activities.

224. The aggregate remuneration paid to 12 (full-time equivalent) key management personnel includes gross salaries, post adjustment and other entitlements such as grants, subsidies, and employer pension and health insurance contributions.

(Thousands of United States dollars)

	Key management personnel
Salary and post adjustment	3 514
Other monetary entitlements	700
Non-monetary benefits	1 200
Total remuneration for the year ended 31 December 2014	**5 414**

225. A residence, the annual rental fair value equivalent of which is $1.2 million, is provided to the Secretary-General free of charge. Other non-monetary and indirect benefits paid to key management personnel were not material. While no close family member of key management personnel was employed by the Organization at the management level, $72,000 was transacted by the Organization with close family members in 2014. Advances made to key management personnel are those made against entitlements in accordance with the Staff Rules and Regulations; any such advances against entitlements are widely available to all staff of the Organization.

Related entity transactions

226. The Organization provides grants to related party entities as shown below.

Grants provided to related party entities

(Thousands of United States dollars)

	31 December 2014
United Nations Office on Drugs and Crime	25 935
United Nations Environment Programme	17 598
United Nations Human Settlements Programme	13 771
International Trade Centre[a]	18 213
United Nations Entity for Gender Equality and the Empowerment of Women	7 691
United Nations Relief and Works Agency for Palestine Refugees in the Near East	31 174
Office of the United Nations High Commissioner for Refugees	45 676
Total	**160 058**

[a] Net of $2.0 million refund from ITC.

Loans provided to peacekeeping operations

227. The Organization provided loans to the value of $37.3 million and $10.0 million to the United Nations Operation in the Congo and the United Nations Emergency Force, respectively. Those missions closed on 30 June 1964 and 30 June 1978, respectively, and the Organization has recorded a 100 per cent allowance for doubtful receivables for those loans.

Note 33
Leases and commitments

Finance leases

228. The Organization entered into commercial finance leases for the use of communications and information technology equipment and has entered into donated right-to-use arrangements for buildings and premises. As at 31 December 2014, commercial finance leases totalled $3.8 million and donated right-to-use arrangements meeting the finance lease recognition criteria totalled $0.73 million. Statement II includes finance costs of $0.243 million relating to those arrangements. The net year-end carrying value for each class of asset is as shown below.

Net finance lease asset carrying value

(Thousands of United States dollars)

	Communications and information technology equipment	***Total***
As at 31 December 2014	3 475	**3 475**

229. Future minimum finance lease payments under non-cancellable arrangements are as shown below.

Obligations for finance leases

(Thousands of United States dollars)

	Minimum lease payments as at 31 December 2014
Due in less than 1 year	896
Due in 1 to 5 years	2 576
Total present value of minimum finance lease payments	**3 472**
Future finance charges	363
Total minimum finance lease payments	**3 835**

Operating leases

230. The Organization enters into operating leases for the use of land, buildings, machinery and equipment. The total operating lease payments recognized as expenditure for the year were $196.1 million. That amount includes $37.2 million and $0.419 million towards donated right-to-use premises and land arrangements, respectively, for which corresponding revenue is recognized in the statement of financial performance and presented within voluntary contributions revenue. Future minimum lease payments under non-cancellable operating lease arrangements are as shown below.

Obligations for operating leases

(Thousands of United States dollars)

	Minimum lease payments as at 31 December 2014
Due in less than 1 year	69 191
Due in 1 to 5 years	111 853
Due later than 5 years	5 400
Total minimum operating lease obligations	**186 444**

231. These contractual leases are typically between one and seven years, with some leases allowing extension clauses and/or permitting early termination within 30, 60 or 90 days. The amounts present future obligations for the minimum contractual term, taking into consideration annual lease payment increases in accordance with

lease agreements. No real estate lease agreements contain purchase options. No other material lease agreements contain purchase options.

Leasing arrangements where the Organization is the lessor

232. Certain owned and leased office premises are leased to third parties through operating lease arrangements. Future minimum lease receipts for those arrangements, of which $6.5 million relates to sublease receipts, under non-cancellable lessor arrangements, are as shown below.

Operating lease receipts

(Thousands of United States dollars)

	Minimum lease receipts as at 31 December 2014
Receipts in less than 1 year	8 772
Receipts in 1 to 5 years	24 743
Total minimum operating lease receipts (undiscounted)	**33 515**

Contractual commitments

233. As at the reporting date, commitments to transfer moneys to implementing partners were $118.2 million. The commitments for property, plant and equipment, intangible assets and goods and services contracted but not delivered were as shown below.

(Thousands of United States dollars)

	At as 31 December 2014
Property, plant and equipment	148 262
Intangibles	5 699
Goods and services	274 554
Total open contractual commitments	**428 515**

Note 34
Contingent liabilities and contingent assets

Contingent liabilities

234. The Organization is subject to a variety of claims that arise from time to time in the ordinary course of its operations. Those claims are segregated into three main categories: commercial claims, administrative law claims and other claims.

235. Consistent with IPSAS, contingent liabilities are disclosed for pending claims when the probability of outcome cannot be determined and the amount of loss cannot be reasonably estimated. As at 31 December 2014, commercial claims pending arbitration and other claims of a private law nature brought against the Organization in respect of its activities, for which provisions had not been recognized, totalled $1.2 million, including a claim against the United Nations Assistance Mission for Iraq of $0.418 million. Similarly, no provision for loss has

been recorded for administrative law claims whose outcomes are determined to be unpredictable and potential outflows uncertain. Those cases concern, for the most part, appointment-related matters, benefits and entitlement, disciplinary cases and separation from service. The administrative law claims that fall under that category are classified as contingent liabilities because the amount of outflow cannot be reliably measured, and the probability of pay-out is less than 50 per cent. The total projected outflow is estimated, as at the reporting date, at $1.8 million. Management 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.

236. No contingent liabilities arise from the Organization's interest in jointly controlled entities or joint venture operations over which the Organization has significant influence.

Contingent assets

237. In accordance with IPSAS 19: Provisions, contingent liabilities and contingent assets, the United Nations discloses contingent assets when an event gives rise to a probable inflow of economic benefits or service potential to the Organization and there is sufficient information to assess the probability of that inflow. As at 31 December 2014, there were no material contingent assets relating to the Organization's operations. No contingent assets arise from the Organization's interest in joint ventures.

Note 35
Events after the reporting date

238. By its resolution 69/274 A, the General Assembly authorized the following resources to finance the final shortfall of the capital master plan project:

(a) An amount of $33.0 million resulting from the cancellation of 2012-2013 obligations of the General Fund, which was recorded as revenue in the financial statements;

(b) An amount of $45 million corresponding to the working capital reserve of the capital master plan, which will be treated as non-exchange revenue in 2015 and has no impact on the financial statements.

239. There have been no further 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.

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