United Nations

Fund of the United Nations Environment Programme

Financial report and audited financial statements

for the year ended 31 December 2019

and

Report of the Board of Auditors

General Assembly

Official Records
Seventy-fifth Session
Supplement No. 5G

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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 2020 from the Executive Director of the United Nations Environment Programme addressed to the Chair of the Board of Auditors

In accordance with regulation 6.2 and rule 106.1 of the Financial Regulations and Rules of the United Nations, I have the honour to transmit the financial report and accounts of the United Nations Environment Programme, including associated trust funds and other related accounts, for the year ended 31 December 2019, which I hereby approve on the basis of the attestations of the Chief Finance Officer, the United Nations Office at Nairobi and the Chief, Financial Management Services, United Nations Environment Programme.

Copies of these financial statements are made available to both the Advisory Committee on Administrative and Budgetary Questions and the Board of Auditors.

(*Signed*) Inger **Andersen**
Executive Director
United Nations Environment Programme

Letter dated 21 July 2020 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Environment Programme for the year ended 31 December 2019.

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

Chapter I

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

Opinion

We have audited the financial statements of the Fund of the United Nations Environment Programme (UNEP), which comprise the statement of financial position (statement I) as at 31 December 2019 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UNEP as at 31 December 2019 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled "Auditor's responsibilities for the audit of the financial statements". We are independent of UNEP, in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Executive Director of UNEP is responsible for the other information, which comprises the financial report for the year ended 31 December 2019, contained in chapter IV below, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

The Executive Director of UNEP is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of UNEP to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless management intends either to liquidate UNEP or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of UNEP.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of UNEP.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Draw conclusions as to the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of UNEP to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause UNEP to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance with regard to, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of UNEP 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 UNEP.

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

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
(Lead Auditor)

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India

21 July 2020

Chapter II
Long-form report of the Board of Auditors

Summary

The Board of Auditors has completed the interim audit of the United Nations Environment Programme (UNEP) as part of the audit of the financial statements for the year ended 31 December 2019, in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as with the International Standards on Auditing. The interim audit was performed from 7 to 29 October 2019 at the United Nations Office at Nairobi; from 25 November to 13 December 2019 in Panama City for the Regional Office for Latin America and the Caribbean and the Regional Office for Africa (the audit of the Regional Office for Africa was performed remotely); and from 13 January to 5 February 2020, in Montreal, Canada, for the secretariat of the Convention on Biological Diversity and for the secretariat of the Bamako Convention secretariat (the audit of the secretariat of the Bamako Convention was performed remotely as part of the audit of the Regional Office for Africa). A summary of the Board's conclusions, key findings and recommendations is presented below.

Since April 2020, the Board has conducted the audit remotely owing to the coronavirus disease (COVID-19) pandemic. This included the final audit of the financial statements.

Scope of the report

The report covers matters that, in the opinion of the Board of Auditors, should be brought to the attention of the General Assembly and have been discussed with UNEP management, whose views have been appropriately reflected.

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UNEP as at 31 December 2019 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

The Board also reviewed UNEP operations in accordance with financial regulation 7.5 of the United Nations, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations. The Board examined six main areas of UNEP activities (programme management, project management, secretariat management, accounting management, human resources management and information and communications technology), as well as a detailed follow up of actions taken in response to recommendations made in previous years.

Audit opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UNEP as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with IPSAS.

Overall conclusion

The Board did not identify significant errors, omissions or misstatements from the review of financial records of UNEP for the year ended 31 December 2019. However, the Board identified scope for improvement in the areas of financial management and internal controls.

Key findings

Headquarters oversight

The Board observed that UNEP headquarters did not have consolidated management of the financial and project information of its offices deployed worldwide (e.g., regional, country and project offices and secretariats of multilateral environmental agreements), so that staff at headquarters had to manually request the information from each field office to prepare reports. In addition, the Board noted cross-cutting issues at the field office level in the areas of work planning, achievement measurement, reporting and budgeting that lacked attention from headquarters in terms of establishing procedures to guide the management of UNEP as a whole.

Absence of a clear regulatory framework at the secretariat of the Convention on Biological Diversity

The Board is of the view that article 24 of the Convention on Biological Diversity, which specifies the functions of the secretariat of the Convention, has been overtaken by the reality of the Conference of the Parties' decisions and is not, at this stage, a clear regulatory framework that could be taken as a referent of the duties to be fulfilled by the secretariat of the Convention on Biological Diversity. In addition, an administrative arrangement signed between the secretariat of the Convention and UNEP headquarters – which takes into account several administrative functions assumed by the secretariat – has also been surpassed by the reality, as the non-administrative functions acquired, such as the programmatic functions, are not covered by the arrangement.

Management of ongoing projects at the Regional Offices for Latin America and the Caribbean and for Africa

The Board reviewed a sample of eight ongoing projects of the Regional Office for Latin America and the Caribbean and two projects (out of three) of the Regional Office for Africa. All of the projects analysed presented delays at the onset of their implementation. Postponements of the projects ranged from 5 to 16 months.

Selection process for implementing partners

With regard to the UNEP partnership policy and procedures, the policy stipulates that the selection of not-for-profit executing partners should be prefaced by a comparative review process involving at least three candidate organizations. From a sample of six not-for-profit implementing partners, the Board noted five cases in which the required comparison was not performed or where the comparison of candidates done by UNEP was not sufficiently accredited. In addition, the evaluation processes used to select the implementing partners were not supported by measurable criteria or scoring factors that allowed the decision to be based on quantitative terms.

Non-exchange transactions

The Board realized that UNEP did not identify whether agreements were subject to restrictions or conditions in order to recognize their respective liabilities, taking into account the "substance over form" criteria required by IPSAS. These situations are not in line with the United Nations Policy Framework for IPSAS for non-exchange transactions.

Competitive hiring process of consultants and individual contractors at the secretariat of the Convention on Biological Diversity

The Board analysed all of the hiring processes for consultants and individual contractors during 2019 at the secretariat of the Convention on Biological Diversity. Among other issues, there were selection processes where applicants who were not recommended were considered as candidates. With regard to individual contractors, there were selection processes in which candidates who were not recommended in the previous step of the selection process were considered as candidates. In addition, with regard to the consideration of those applicants who were recommended for their technical skills, the Board found that, in general terms, there was no compliance with the rule that requires the consideration of three candidates during the selection process. Furthermore, the Board found that the technical evaluation was carried out without analysing whether the applicant had permission to work in Canada in those cases where the terms of reference contained that requirement.

Recommendations

In the light of the findings mentioned above, the main recommendations of the Board of Auditors are that UNEP:

Headquarters oversight

(a) **Set up an up-to-date dashboard with the consolidated financial and project data of the regional presence and secretariats, identifying all sources of budgetary and extrabudgetary financing, income and expenses, and information on projects and/or activities, in order to ensure an extensive view of UNEP worldwide presence;**

(b) **Establish monitoring and control mechanisms over the workplans delivered by regional offices and secretariats of multilateral environmental agreements to guarantee the accomplishment of the objectives of the UNEP programme of work and to ensure the fulfilment of the organization's secretariat functions;**

(c) **Implement a results-based budgeting approach at the regional and secretariat level;**

Absence of a clear regulatory framework at the secretariat of the Convention on Biological Diversity

(d) **Establish the proper liaison between its headquarters and the Executive Secretary of the Convention on Biological Diversity and its Protocols in order to agree on the procedures and responsibilities that each entity shall assume with regard to the provision of secretariat services to the Conference of the Parties to the Convention on Biological Diversity, including the aspects related to non-administrative functions;**

(e) **Liaise with the Executive Secretary of the Convention on Biological Diversity to propose to the Conference of the Parties to the Convention on Biological Diversity and its Protocols the adoption of a memorandum of understanding. If agreed, this instrument shall include the arrangements for the provision of secretariat functions by UNEP aiming to establish a regulatory**

framework that sets out clear responsibilities, transparency, guidance and accountability among the Parties and the Member States;

Management of ongoing projects at the Regional Offices for Latin America and the Caribbean and for Africa

(f) **Coordinate with the Regional Office for Latin America and the Caribbean and the Regional Office for Africa in order to take liaison measures with the external institutions involved in project implementation, with the aim of improving the efficiency of the project implementation process;**

(g) **Expedite the recruitment process of project coordinators as a principal priority and, subsequently, the recruitment of personnel to support project implementation, taking into consideration the committed starting date;**

(h) **Liaise with the Regional Office for Latin America and the Caribbean to coordinate and organize in a timely manner the inception workshops to start with the project review and, subsequently, begin its implementation;**

(i) **Coordinate its budget allocations in a timely manner, in order to comply with the execution schedule of project workplans;**

Selection process for implementing partners

(j) **Establish a control mechanism that ensures compliance with the provisions of the partnership policy and procedures with regard to the requirement to compare at least three candidate organizations. This mechanism should include the correct documentary record of the performance of the comparison;**

(k) **Include, in the evaluation process of candidates, records of their compliance with the requirements to be an implementing partner of UNEP and, in addition, implement a weighting or scoring system of the factors evaluated to ensure greater transparency in the selection process;**

(l) **Identify, within the requirements that UNEP considers when evaluating a candidate, those that are requested by the donor, so that the process is more transparent and creates a climate of trust between the different stakeholders towards the processes of implementing partner selection carried out by UNEP;**

Non-exchange transactions

(m) **Coordinate with the United Nations Secretariat and the United Nations Office at Nairobi to assess and elaborate a new accounting policy in order to establish an enhanced basis for decision-making on recognition of non-exchange transactions, in line with IPSAS 23;**

(n) **Implement appropriate controls to measure the level of accomplishment of contribution agreements and to make the necessary budgetary and programme of work adjustments before the year's closure;**

(o) **Implement a mechanism to ensure proper support documentation for the contribution agreements uploaded in Umoja;**

Competitive hiring process of consultants and individual contractors at the secretariat of the Convention on Biological Diversity

(p) **Reinforce UNEP control mechanisms at the secretariat of the Convention on Biological Diversity to ensure that the selection processes of consultants and individual contractors are competitive and transparent and consider at least three recommended applicants;**

(q) **Establish and correctly document an initial control mechanism at the secretariat of the Convention on Biological Diversity to verify whether the applicants for consultants and individual contractors have permission to work in the country, when that is required by the terms of reference, as a first filter before starting to make any evaluation of the candidate.**

Key facts	
$155.98 million	Original Environment Fund and regular budget
$94.95 million	Final Environment Fund and regular budget
$837.75 million	Revenue
$619.02 million	Expenses
1,242	Staff members

A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements of the Fund of UNEP and reviewed its operations for the financial period ended 31 December 2019 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of the Fund of UNEP as at 31 December 2019 and its financial performance and cash flows for the financial period then ended, and that they have been properly prepared in accordance with IPSAS. The audit 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. It also included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. The Board also reviewed UNEP operations under financial regulation 7.5, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of UNEP operations.

4. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with UNEP management, whose views have been appropriately reflected in the report.

United Nations Environment Programme: background

5. UNEP is the designated authority of the United Nations system with respect to environmental issues at the global and regional levels. Its mandate is to coordinate the development of environmental policy consensus by keeping the global environment under review and bringing emerging issues to the attention of Governments and the international community for action. The mandate and objectives of UNEP emanate from General Assembly resolution 2997 (XXVII) of 15 December 1972 and subsequent amendments adopted at the United Nations Conference on Environment and Development in 1992, the Nairobi Declaration on the Role and Mandate of UNEP, adopted at the nineteenth session of the UNEP Governing Council, and the Malmö Ministerial Declaration of 31 May 2000. It was founded as a result of

the United Nations Conference on the Human Environment held in June 1972 and has its headquarters in Nairobi.

6. UNEP is the leading global environmental authority which sets the global environmental agenda, promotes coherent implementation of the environmental dimension of sustainable development within the United Nations system and serves as an authoritative advocate for the global environment. Headquartered in Nairobi, UNEP works through its divisions, regional, liaison and out-posted offices, plus a growing network of collaborating centres of excellence. UNEP also hosts several secretariats of environmental conventions, and inter-agency coordinating bodies.

7. The United Nations Office at Nairobi provides administrative and financial services to UNEP, including procurement, human resources and information and communications technology. Many of the recommendations made by the Board to UNEP require joint action with the United Nations Office at Nairobi.

Global Environment Facility

8. UNEP is an implementing agency of the Global Environment Facility (GEF), which funds projects in developing countries on biodiversity, climate change, international waters, land degradation, ozone layer depletion and persistent organic pollutants. GEF receives contributions from 39 donor countries. The adoption and evaluation of the programmes of GEF are the responsibility of its Council.

9. UNEP manages the funds allocated to it from GEF through six trust funds, which are subject to annual audits by the Board. For the financial year ended 31 December 2019, the trust funds collected total revenue of $125.58 million and incurred total expenses of $115.45 million. The Board also provides an annual audit opinion on these trust funds at the request of UNEP and the World Bank, which is the GEF Trustee.

Multilateral environmental agreements

10. Over the years, UNEP activities have given rise to a number of conventions and associated protocols on major environmental challenges. These have generated multilateral environmental agreements, each requiring countries to develop specific mechanisms and fulfil agreed obligations for improving the environment. UNEP provides the secretariat functions to 15 multilateral environmental agreements and discloses in its financial statements the transactions of the trust funds it manages directly, in support of the activities of the agreements and conventions. The Board's audit of UNEP includes an examination of balances relating to its secretariat functions for multilateral environmental agreements.

B. Findings and recommendations

1. Follow-up of previous years' recommendations

11. The Board noted that of the 35 outstanding recommendations up to year ended 31 December 2018, 11 were implemented (31 per cent), 21 were under implementation (60 per cent) and 3 have not been implemented (9 per cent). Details on the status of implementation of the previous years' recommendations are provided in the annex to chapter II.

2. Financial overview

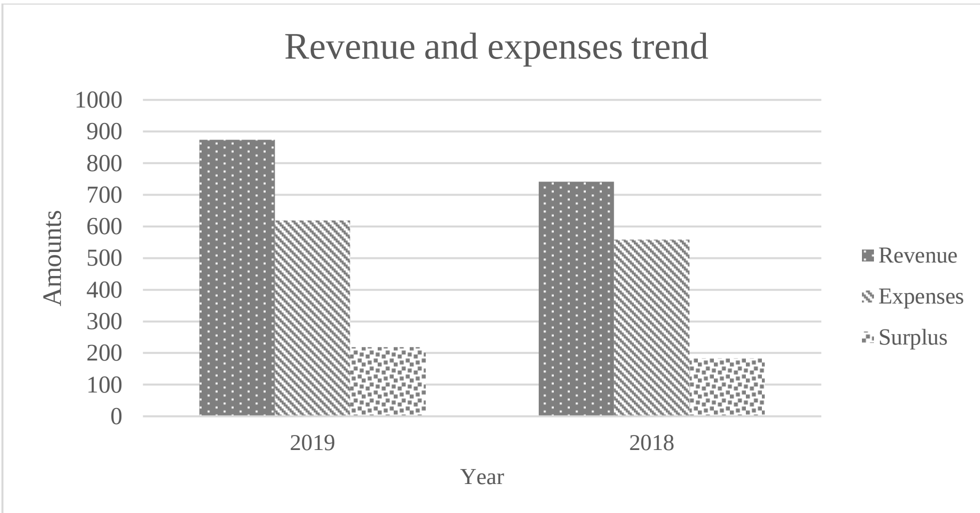
12. In 2019, UNEP reported total revenue of $837.75 million (2018: $741.75 million) and total expenses of $619.02 million (2018: 558.53 million), resulting in a surplus of $218.73 million (2018: 183.22 million). Total assets as at

31 December 2019 amounted to $2,415.1 million (2018: $2,085.36 million), comprising current assets of $1,543.87 million (2018: $1,465.68 million) and non-current assets of $871.23 million (2018: $619.68 million). Total liabilities amounted to $562.95 million (2018: $427.31 million), resulting in net assets of $1,852.15 million (2018: $1,658.05 million).

13. A comparison of revenue and expenses for the financial years 2018 and 2019 is illustrated in the figure below.

Financial performance pattern

(Millions of United States dollars)



Source: UNEP financial statements for 2019 and 2018.

Revenue analysis

14. Voluntary contributions form a major part of the revenues of UNEP. During 2019, UNEP received total contributions of $663.14 million (2018: $543.21 million), of which $413.36 million (2018: $296.25 million), equivalent to 62 per cent, represents voluntary contributions from various donors. The remaining $249.78 million (2018: $246.96 million), equivalent to 38 per cent, represents assessed contributions from Member States. In 2019, voluntary contributions increased by $117.12 million (40 per cent). The increase in revenue was largely attributed to the increase in the voluntary contributions from donors and other United Nations entities in 2019.

Expense analysis

15. Grants and other transfers for the period amounted to $284.79 million (2018: $269.74 million), which accounts for 46 per cent of the total expenses of $619.02 million. The reported amount of grants and transfers includes outright grants and transfers to implementing agencies, partners and other entities as well as quick-impact projects.

Ratio analysis

16. Table II.1 contains key financial ratios analysed from the UNEP financial statements, mainly from the statement of financial position.

Table II.1
Ratio analysis

Description of ratio	*31 December 2019*	*31 December 2018*
Current ratio[a]		
Current assets: current liabilities	4.80	6.07
Asset to liabilities ratio[b]		
Total assets: total liabilities	4.29	4.88
Cash ratio[c]		
Cash plus investments: current liabilities	2.61	3.24
Quick ratio[d]		
Cash plus investments plus accounts receivable: current liabilities	3.89	4.80

Source: UNEP 2019 financial statements.

[a] A high ratio (defined as greater than 1:1) indicates an entity's ability to pay off its short-term liabilities.

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

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

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

17. The analysis of ratios above indicates the healthy financial position of UNEP as at 31 December 2019. UNEP has a strong liquidity position as indicated by current, quick and cash ratios. In addition, the solvency of UNEP remains strong as measured by the ratio of total assets to total liabilities. During the year under review, the revenue and expenses of UNEP increased by $132.0 million and $60.5 million, respectively, resulting in a surplus of $218.7 million. Total assets increased by $329.74 million or 15.81 per cent, while total liabilities recorded an increase of $135.64 million or 24.09 per cent. A combination of all these fluctuations maintained the levels of liquidity and solvency ratios for UNEP in 2019.

3. Programme management

3.1 Management at the headquarters level

Headquarters oversight

18. UNEP issued a paper entitled "Policy paper for strengthened strategic regional presence by June 2015". In section II of the paper, on the UNEP track record in the regions and expectations, it indicates that the organization's track record of regional presence is strong and includes support to countries on specific technical issues, global conventions and environmental concerns.

19. Moreover, section III of the paper highlights that regional offices receive from headquarters the full complement of UNEP technical expertise, services and products, as well as financial resources for the effective delivery of services. The paper also indicates that technical support enables regional offices to carry out their functions, including:

(a) Strengthening the integration of UNEP normative work on the ground at the regional, subregional and national levels;

(b) Strengthening synergies across all projects and initiatives being implemented by UNEP at the regional and national levels to ensure coherence and continuity;

(c) Supporting the ratification and coherent implementation of different regional and global multilateral environmental agreements by Member States.

20. In addition, the UNEP programme manual, when referring to corporate budgeting, indicates that UNEP continues to improve its results-based budgeting approach based on lessons learned from previous years, aiming to set and achieve realistic targets in the programme of work and to ensure that resources are appropriate for the level of ambition that is set. Finally, the manual indicates the working assumptions that shall be followed in the implementation of the results-based budgeting approach.

21. The Board analysed the oversight activities of UNEP headquarters in order to conduct and assess the performance of its regional offices and the secretariats of multilateral environment agreements. In relation to the regional offices, the following issues can be mentioned:

(a) First, the Board noted that UNEP headquarters did not have consolidated financial and project information about its offices deployed worldwide (e.g., regional, country and project offices and secretariats of multilateral environmental agreements), so that when staff at headquarters had to prepare a report, they needed to reach each office to collect the information. The Board verified that UNEP regional and country offices were not depicted in Umoja at a level that allowed for the extraction of financial data that would identify all sources of budgetary and extrabudgetary financing, income, expenses and the information related to their projects and/or activities;

(b) Second, each regional office has an annual workplan with activities that contribute directly to the achievement of the objectives of the UNEP programme of work (applied globally). Nevertheless, the Board observed that the performance indicators proposed by UNEP headquarters for the regional workplans are applicable at the global level but are not customized to the reality and the work to be delivered by regional offices. In addition, the Board noticed that, in fact, regional offices used different types of performance indicators to measure the performance and fulfilment of their respective annual workplans. Also, section 3.2 of the present report describes several issues regarding the preparation and reporting of regional workplans.

22. In the context of the 15 secretariats of multilateral environmental agreements hosted by UNEP, each one is an independent entity overseen by UNEP, which delivers administrative and financial services supported by the United Nations Office at Nairobi. With regard to this situation, the Board found the following issues:

(a) The Board asked about the controls that UNEP headquarters was using to monitor the multilateral environmental agreements and the services delivered by the United Nations Office at Nairobi on the matter. However, UNEP indicated that the administrative services were provided on an on-demand basis and the Board found that controls with the aim of assessing the performance of the secretariats had not been established or formalized. In addition, the Board noted that a financial advisory unit at UNEP headquarters was in charge of attending to the administrative matters related to the multilateral environmental agreements and the United Nations Environment Assembly. Regarding the functions of that unit, UNEP reported that it had a coordinating role between the secretariats and the other areas of UNEP (which also includes the Office as a service provider) in areas such as acquisitions, human resources, finances and policies for harmonization. However, the functions of that unit had not been included in the organizational chart or formalized. The Board asked about the reports delivered on the performance of the secretariats and the unit replied that they were not generating reports;

(b) As at 31 August 2019, UNEP recorded revenue of $250 million for the delivery of services to the multilateral environmental agreements. Considering this level of income and the secretariat responsibilities assumed by UNEP, the Board inquired about the existence of cross-cutting procedures from headquarters to the multilateral environmental agreements in order to assess the following issues: the measurement of the achievement of the activities in the secretariats' programmes of work; the main risks related to their functions; and guidance or standards to communicate the results to the Member States. UNEP informed the Board that there were no such procedures in place. Sections 5.1 and 5.2 of the present report elaborate more on the matter;

(c) Also, when the Board inquired about the implementation of the results-based budgeting approach, UNEP indicated that a framework had been tested in some multilateral environmental agreements. However, at headquarters level, the Board noted that a cross-cutting results-based budgeting procedure was not applied, as required by the programme manual. In addition, the findings pointed out in paragraphs 207, 208, 217, 218 and 293 of the present report relate to the need for results-based budgeting. All of the paragraphs contain issues that reveal flaws in the budgetary planning for multilateral environmental agreements. Proper budgetary planning is necessary to accomplish the activities included in their respective workplans.

23. The Board is of the opinion that UNEP has room for improvement in the strategic monitoring and management of its units stemming from: the absence of performance indicators from headquarters that are customized to the regional level; a lack of identification of priorities for action; and the dearth of compilation and consolidation of data. The Board is of the view that this type of information should be available and ready to use for decision-making or planning in order to meet its regional presence objectives. In addition, these indicators would facilitate the supervision role of headquarters, as well as of the regional offices.

24. Moreover, the Board considers it important that UNEP headquarters properly manage the available information about financial and project data with the aim of improving the global guidance of the organization.

25. Finally, the Board highlights the need to strengthen and clarify the existing oversight role of headquarters to ensure the monitoring and management of its regional presence and secretariats.

26. **The Board recommends that UNEP – at the headquarters level – set up an up-to-date dashboard with the consolidated financial and project data of the regional presence and secretariats, identifying all sources of budgetary and extrabudgetary financing, income and expenses, and information on projects and/or activities, in order to ensure an extensive view of UNEP worldwide presence.**

27. **The Board recommends that UNEP – at the headquarters level – establish monitoring and control mechanisms over the workplans delivered by regional offices and the secretariats of the multilateral environmental agreements in order to guarantee the accomplishment of the objectives of the UNEP programme of work and to ensure the fulfilment of the organization's secretariat functions.**

28. **The Board recommends that UNEP implement a results-based budgeting approach at the regional and secretariat level.**

29. UNEP accepted the recommendations.

Prioritization of recommendations of the United Nations Environment Programme Evaluation Office

30. In the UNEP Evaluation Policy of March 2016 it is indicated that the Evaluation Office of UNEP "promotes the uptake of lessons and tracks compliance with evaluation recommendations". Later, it is stated that, "at the end of each biennium" the Evaluation Office of UNEP "will prepare a Biennial Evaluation Synthesis Report. This report will summarize the performance of the organization through trends and patterns observed during the biennium from completed evaluations at all levels. The patterns and trends will be used to identify recommendation and lessons to be brought to the attention of, and discussed with", the UNEP senior management team. The most recent Biennial Evaluation Synthesis Report available corresponds to the period 2016–2017 and presents, among other things, the key findings from strategic evaluations.

31. In this regard, UNEP reported to the Board that the Evaluation Office of UNEP does not list the recommendations in order of risk, and, although it sometimes identifies priorities, it is not done systematically.

32. The Board has identified room for improvement in the prioritization of the recommendations issued by the Evaluation Office, whereby the Office could identify the risks and their criticality in relation to each recommendation. Thus the Office could guarantee a wider field of vision according to the level of significance of the recommendations, allowing for the follow-up work regarding the implementation of the proposed measures to be targeted at those of greater relevance. In this way, the limited resources of the Evaluation Office could be managed more efficiently.

33. In this context, if UNEP used a risk matrix as a management tool, that matrix could allow the entity to identify the impact of the recommendations, the probability of their occurrence and those responsible for the implementation of the proposed measures. In addition, the Evaluation Office of UNEP could encourage the implementation of those recommendations that are most critical for UNEP.

34. The Board considers that with these tools, the audited entity could identify the main recommendations that have been issued, and then consider them in a prioritized way in the Biennial Evaluation Synthesis Report.

35. **The Board recommends that UNEP implement a risk matrix which considers the risks associated with the recommendations for the purpose of prioritizing the recommendations made by the Evaluation Office of UNEP.**

36. UNEP accepted the recommendation, and reported that initiatives were being carried out to implement it.

Management of inactive trust funds

37. Regulations 4.1 and 4.2 of the Financial Regulations and Rules of the United Nations state:

> Regulation 4.1. There shall be established a general fund for the purpose of accounting for the programme budget undertakings of the Organization. The contributions paid by Member States under regulation 3.1, the revenue categories under 3.3 and any advances made from the Working Capital Fund shall be available to fund expenditure of the General Fund.
>
> Regulation 4.2. There shall be established a working capital fund in an amount and for purposes to be determined from time to time by the General Assembly. The source of moneys of the Working Capital Fund shall be advances from Member States, and those advances, made in accordance with the scale of

assessments as determined by the Assembly for the apportionment of the expenses of the United Nations, shall be carried to the credit of Member States that have made such advances.

38. In addition, regulation 4.13 states: "Trust funds and reserve and special accounts may be established by the Secretary-General and shall be reported to the Advisory Committee."

39. In addition, regulation 4.14 states: "The purpose and limits of each trust fund and reserve and special account shall be clearly defined by the appropriate authority. Unless otherwise provided by the General Assembly, such funds and accounts shall be administered in accordance with the present Regulations."

40. In Umoja, there are 163 trust funds recorded for the management of the activities within UNEP, which may fall under the following categories: the Environment Fund; the regular budget; other trust funds to support the programme of work of UNEP; trust funds to support multilateral environmental agreements and the Multilateral Fund of UNEP; trust funds for the programme support costs; and end-of-service and retirement benefits trust funds.

41. The Board reviewed all of the trust funds that were included in the financial statements of UNEP with the aim of identifying the funds that did not record any expenditure and income in 2019. As a result of the analysis, the Board identified six trust funds that had no expenses or revenue postings. These trust funds were related to the United Nations Secretariat and the United Nations Human Settlements Programme, of which UNEP does not have control.

42. The Board also reviewed the 163 trust funds with a view to identifying those that had no records of income from contributions, but that recorded other revenue and adjustments in 2018 and 2019. The following cases were identified:

(a) There were 14 trust funds that did not record revenue from contributions in 2018 and 2019;

(b) There were nine trust funds that did not record revenue from contributions in 2019;

(c) There were also nine trust funds that had negative balances in 2019 and 2018.

43. The Board considers that trust funds that have no record of income and expenses should be reviewed.

44. In the cases of trust funds that had no record of income from contributions, the posting records of income and expense transactions did not reflect the actual and substantive activities of the funds.

45. UNEP should review the trust funds that have low or no contributions and/or activities and determine whether they can be closed or merged. In addition, noting that in Umoja the funds can be closed at the end of their life cycles, the Board holds that managing trust funds that have no contributions may not be administratively efficient.

46. **The Board recommends that UNEP review the trust funds that have low contributions and/or no activity and determine whether they can be merged, closed or transferred.**

47. UNEP accepted the recommendation and added that the reconciliation and financial closure of additional inactive trust funds is ongoing and forms part of the clean-up exercise of grants and projects.

3.2 Programme management at the regional office level

48. The proposed programme of work for the biennium 2018–2019 of UNEP (UNEP/EA.2/16), approved by the United Nations Environment Assembly, provides detailed elements of what UNEP will deliver and how performance will be measured for the first half of the period covered by the medium-term strategy. Although the programme of work is set out at a global level for UNEP, at the regional scale it cascades down through an "annual workplan" for which a template is provided by UNEP headquarters. Once provided with the template, the Deputy Regional Director is in charge of preparing and submitting the annual workplan for the approval of the Deputy Executive Director. The programme of work is structured in accordance with seven subprogrammes, each of which contains different expected accomplishments. Finally, each expected accomplishment considers performance indicators. For each indicator, the programme of work also contains a unit of measure in order to calculate its progress and the data sources from which the progress information should be extracted. This is also the structure used in the annual workplans.

49. In addition, it is stated in the programme manual that results-based management is a life-cycle approach to management that integrates strategy, people, resources, processes and measurements to improve decision-making, transparency, accountability and delivery of results that are long-lasting. The approach focuses on achieving results by measuring performance and learning, as well as reporting performance. Furthermore, results-based management highlights the importance of monitoring the progress towards results and resources consumed through the use of appropriate indicators.

Elaboration of workplans of regional offices

50. The Board analysed the contents of the 2019 workplan for the Regional Office for Latin America and the Caribbean and the 2019 workplan for the Regional Office for Africa. The observations stemming from the review can be grouped into two topics: (a) the absence of performance indicators related to the work planned at the regional level; and (b) the absence of homogeneity in the use of the workplan template provided by UNEP headquarters. In addition, in relation to the latter topic, the Board noted an absence of homogeneity between workplans, on one hand, and within a workplan, on the other.

51. First, with regard to the absence of indicators for work planning at the regional level, according to the template to be used by the chiefs of division and regional offices for the 2019 workplan elaboration, part of the disclosures of each annual workplan refer to the indicator(s) of achievement and target(s). The template specifies that these indicators should be labelled as already formulated in the programme of work.

52. In the case of the 2019 workplan of the Regional Office for Latin America and the Caribbean, the Board noted that some subprogrammes considered the quantities or magnitudes stated in the programme of work. However, other subprogrammes considered values that were lower than those indicated in the programme of work, drifting away from the instructions specified in the workplan template. A similar situation occurs with regard to the Regional Office for Africa: when the Office was asked about the indicators of its workplan, it replied that, while the medium-term strategy and programme of work contain high-level indicators, those indicators are customized to the individual and office workplans. However, the workplan indicators and targets section of the Regional Office for Africa's 2019 workplan makes only a generic reference to several expected accomplishments and indicators of the programme of work per each subprogramme. It therefore prevents the reviewer from understanding how the deliverables included in the plan represent progress in the

achievement of the indicators. In addition, the workplan does not contain any values related to the indicators of achievement.

53. Considering the instruction stated in the workplan template, the values of the indicators and targets stated in the regional annual workplans do not necessarily reflect an objective for the respective regional office concerned, as they tend to represent a broader target to be fulfilled by the entire organization. Hence, under these circumstances, it is difficult to understand how the deliverables committed to in the regional workplans cooperate to achieve the fulfilment of the specific aims that the respective regional office should have established for its work. In addition, although regional offices have tried to overcome this situation by customizing the indicators or their values to the regional reality, such customization has not been done according to a common standard that is applicable to all of the regional offices.

54. Second, regarding the absence of homogeneity between workplans in the use of the template provided by UNEP headquarters, and responding to questions related to the possibilities of changing it, management indicated that there would be an opportunity to take on board lessons learned and revise the template at the end of the cycle. Nevertheless, when analysing the annual workplan prepared by the Regional Office for Africa, the Board noted that it was structured differently from the annual workplan of the Regional Office for Latin America and the Caribbean, as it differed more from the format provided in the workplan template. The annual workplan for the Regional Office for Africa altered the order of the subprogramme deliverables, merging into one cell of one table all of the expected accomplishments and indicators and targets for one subprogramme. Hence, there was no clear link between the results indicators and the expected accomplishment. In addition, in the "milestones" annex to the workplan for the Regional Office for Africa, it was not possible to track the linkages between the projects described and the part of the programme of work those projects related to. This is because the annex did not use the elements of the structure used in the programme of work (expected accomplishments, indicators, etc.) to describe the projects.

55. Third, in the case of the Regional Office for Latin America and the Caribbean, homogeneity regarding the completion of the template was lacking. The description of the Office's plan for each subprogramme and its expected achievements, indicators and objectives was not consistent. This situation may be the result of the fact that, as mentioned above, different criteria were used to populate the values included for the indicators of achievements and targets depending on the subprogramme, although the workplan template specified that all indicators should be expressed as already formulated in the programme of work. In addition, one of the subprogrammes expressed its deliverables in relation to the entire expected accomplishment, even though it should have been related to the respective indicator. Finally, although the "milestones" annex used the nomenclature of the programme of work to refer to projects, the annex lacked consistency in making this linkage: in some cases, a project was coupled with an indicator of the programme of work; in others the project was related to a subprogramme and an expected accomplishment, omitting the indicator; and in others this relationship was made using a number whose purpose was not possible to identify (e.g., "415.1", "111", "113", etc.).

56. The Board is of the view that a results-based approach requires that results achievement play a fundamental role in the planning and strategies at the different levels of the audited agency. In addition, the Board is of the opinion that the UNEP medium-term strategy should capture and highlight this value, underlining also the principle of strategic regional presence. Hence, the Board considers that annual workplans should be the leading instrument of the work to be done at the level of regional offices. Under this hypothesis, although indicators at the regional workplan level should be aligned with the programme of work, they should also reflect the

regional reality in order to provide a better understanding of where to focus the work to achieve the goals proposed and facilitate the monitoring process. Hence, the template to be used should be able to capture these objectives, taking into account the actual reality at both the global and the regional level to which the annual workplan is applied. In this sense, early involvement of stakeholders has been always valued for the development of these kinds of tools. A proper framework for the template-making process is needed that ensures an adequate understanding of both global and regional realities in order to capture them in the goals to be implemented at the regional level.

57. In addition, the Board considers that the absence of values for the indicators and targets of the workplan of the Regional Office for Africa, along with the various discrepancies found between workplans, are a sign that coordination was not properly performed by UNEP headquarters. The transmission of a proper understanding on the use of the template to obtain an adequate implementation of the instrument was missing. Moreover, the absence of homogeneity found within the same annual workplan is a reflection of the need to improve coordination in the respective offices in order to obtain a more coherent planning instrument.

58. The Board is of the view that the approval of the workplan by the Deputy Executive Director is a mechanism that should be reinforced with other types of controls to enhance its efficacy, ensuring that a common knowledge is transmitted to regional offices in relation to the use of the workplan template.

59. **The Board recommends that UNEP introduce a new framework for the regional workplan template elaboration, which involves regional representatives from an early stage of the development process and allows for the inclusion of indicators of achievement and targets customized to the reality of the respective regional office.**

60. **The Board recommends that UNEP establish the proper coordination measures and controls in order to ensure an adequate use of the workplan formats at the regional level and to enhance coherence within and between workplans.**

61. UNEP accepted the recommendations and reported that initiatives were being carried out to implement them.

Monitoring and reporting process for workplans of regional offices

62. The Board reviewed the 2018 annual workplans for both the Regional Office for Africa and the Regional Office for Latin America and the Caribbean, as those plans had concluded their respective monitoring processes. The following are the findings related to the analysis, which refer to the evaluation of the indicators of the programme of work and to the revision or updating of the regional annual workplans.

63. First, on the matter of the evaluation of the indicators of the programme of work for the biennium 2018–2019, the Board asked UNEP headquarters about the existing reporting obligations for the regional offices regarding the implementation of the annual workplans. UNEP headquarters indicated that regional workplans were used as performance measurement tools, which feed into organizational reporting processes, as part of adaptive management. The official reporting route occurs through the programme of work and does not include an overview specifically devoted to the level of implementation of the regional annual workplans. Thus, annual workplan reporting should be contained in the reports on the programme of work, which is done through quarterly reports submitted to the Committee of Permanent Representatives. UNEP headquarters indicated that this obligation was not set out in any document.

64. At the regional office level, when asked about their reporting obligations in regard to their annual workplans, both the Regional Office for Africa and the Regional Office for Latin America and the Caribbean indicated that they provide their inputs for the elaboration of the quarterly reports mentioned above. In addition, both offices, at the end of their respective workplan cycles, also report on the achievements accomplished each year related to their specific projects and activities (achievement reports).

65. When analysing both the quarterly reports submitted to the Committee of Permanent Representatives by headquarters and the achievement reports of the Regional Office for Africa and the Regional Office for Latin America and the Caribbean, the Board noted that both kinds of reporting are focused mainly on the highlights and achievements accomplished as at the reporting date. However, none of the reports reviewed contained an analysis of how those achievements cooperate to fulfil the performance indicators of the programme of work. That is, none of the reports included an assessment of the fulfilment of the respective indicators by analysing the elements described in paragraph 48 above (sources of data and units of measure). As a result, it was not possible to ascertain the level of progress that had been achieved in each region compared with the overall target stated in the programme of work.

66. Second, part of the elements analysed regarding regional annual workplan monitoring related to its implementation and revision. In response to the Board's query, the audited regional offices responded that they had not been in a situation where the workplan has had to be revised. It was also clarified that, theoretically, the revision of a workplan is not excluded, especially considering that a midterm review is performed.

67. The Board analysed the achievement reports prepared by the regional offices at the end of their respective workplan cycles. After analysing these reports, the Board noted that the offices also reported achievements related to activities and/or projects that were not included in the respective workplans. It was observed that the annual workplans of both the Regional Office for Africa and the Regional Office for Latin America and the Caribbean had been modified by including new activities without formalizing that modification in the respective documents, thereby providing the Board with versions that were not updated.

68. As stated above, annual workplans are the way that the programme of work cascades down to the regional level, as they also serve as the guiding instrument for project implementation in every region. Therefore, the Board considers that regional offices should be accountable for the level of accomplishment of their respective workplans, taking into consideration the different parameters established in the programme of work. A report at the end of each workplan cycle that includes an analysis of the implementation of every indicator included in regional planning is seen as necessary.

69. In the opinion of the Board, reports at the end of each workplan cycle that include an analysis of the implementation of every indicator comprised in regional planning is an appropriate and transparent tool that could be provided to the different bodies and parties of the United Nations Environment Assembly, which approves the programme of work. Moreover, this kind of perspective strengthens a results-based approach, especially considering that relevant sources of data considered by the programme of work for the measurement of performance indicators, such as a project's progress reports, are managed at the regional level.

70. In addition, the Board is of the view that an updated workplan will allow for better guidance of the work in the regional offices with regard to the implementation of the planned projects and activities. Moreover, an updated workplan would also

contribute to the appropriate monitoring functions and reporting that should be developed from both the headquarters and the regional perspective.

71. **The Board recommends that UNEP introduce a new framework and a template for regional workplan reporting that includes an analysis of the implementation of indicators of accomplishment and takes into consideration the expected progress and sources of data for verification established in the programme of work as applied to the regional level.**

72. **The Board recommends that regional offices of UNEP maintain updated workplans by formalizing in them the new activities and projects that have been included in the respective year's performance.**

73. UNEP accepted the recommendations and reported that initiatives were being carried out to implement them.

4. Project management

Project database for the United Nations Environment Programme Evaluation Office

74. The purpose of the UNEP Evaluation Policy of March 2016 is to establish a clear institutional basis for the programme evaluation function. The Policy explains the objectives, roles and functions of evaluations in UNEP. It also defines the institutional framework within which it operates and outlines the general processes by which it is operationalized.

75. In paragraph 23 of the Policy, it is indicated that the Evaluation Office of UNEP aims to undertake evaluations of a high proportion of completed projects.

76. Regarding the evaluation plan, it is indicated that the Evaluation Office of UNEP shall prepare a biennial evaluation workplan, which is part of UNEP biennial programme of work and budget. It is further noted within this biennial evaluation plan that the Evaluation Office of UNEP maintains an operational workplan of upcoming and ongoing evaluations.

77. The eligible projects to be evaluated are enumerated in the workplan, which corresponds to a list that is updated and monitored manually in an Excel spreadsheet. Therefore, the Evaluation Office of UNEP compiles the workplan manually, which is done through an annual data collection exercise. This is frequently updated as project completion dates change and additional projects are brought to the attention of UNEP.

78. The universe of projects used for building the Evaluation Office of UNEP workplan is compiled based on inputs from division directors, subprogramme coordinators and Global Environment Facility portfolio managers. In the final quarter of each year, they are requested to provide details of all projects expected to reach operational completion in the upcoming year.

79. The Evaluation Office of UNEP indicated that, despite the constraints posed by corporate project management systems and the difficulties related to their multiplicity and absence of linkage with Umoja, it makes all efforts to not only gather manually but also verify the project information that populates its Excel spreadsheet. While the Evaluation Office does gather a list of projects that are reaching operational completion in the final quarter of each year, evaluations are decided only upon the confirmation of project data by the project/task managers. To that end, the Evaluation Office systematically reaches out to every project manager to verify its records.

80. The Board considers that, if the Evaluation Office of UNEP does not have access to a projects database of UNEP, the Evaluation Office misses the possibility of verifying the integrity of the information sent by the other areas of the organization, which provide the main input for their workplan. Consequently, the Evaluation Office

of UNEP could be developing an incomplete workplan, as UNEP was not able to consider all the eligible projects to be evaluated.

81. Since the list of projects is prepared manually, it is prone to risks of error or fraud. Moreover, there is a risk of not detecting data anomalies in a timely manner, as there is no verification of the data.

82. **The Board recommends that the Evaluation Office of UNEP establish a mechanism that allows it to verify the integrity of the project information received from other UNEP sections, to guarantee the completeness and integrity of databases for the elaboration of the workplan of the Evaluation Office of UNEP.**

83. UNEP accepted the recommendation and reported that initiatives were being carried out to implement it.

Management of ongoing projects at the Regional Office for Latin America and the Caribbean and the Regional Office for Africa

84. The UNEP programme manual provides basic information, guides and instructions on substantive and administrative processes that are common to the functioning of UNEP headquarters and field offices. With regard to the project cycle, it is indicated in the section of the manual on implementation, monitoring and assessment that, during implementation, activities are performed as planned in the project document and adaptive management is required to take corrective action where needed, with a clear focus on the desired results. Three stages of project implementation are highlighted: project inception, project implementation and monitoring, and project assessment. The observations of the Board focus on the first two stages.

85. Regarding project inception, the manual indicates that the project manager starts project implementation by carrying out preliminary tasks in cooperation with the project team. An inception meeting is a common way to bring together project team members and external partners.

86. Regarding project implementation and monitoring, the manual indicates that, under the responsibility of the project manager, implementation of planned activities is monitored. As a key requirement for knowledge management, progress reporting is carried out twice a year, requiring an assessment of the approach taken, its efficiency and effectiveness and an analysis of the business case. Corrective actions, if required, are proposed and approval obtained by the relevant authority.

87. The Board reviewed a sample of 8 ongoing projects (out of 38 projects that were part of the subprogramme on climate change) corresponding to the Regional Office for Latin America and the Caribbean and 2 (out of 3) projects corresponding to the Regional Office for Africa.

88. Regarding the onset of project implementation, the Board identified delays in all projects included in the sample, which amounted to total of $12,617,048 for the Regional Office for Latin America and the Caribbean and $7,546,690 for the Regional Office for Africa.

89. In this regard, in the case of the Regional Office for Latin America and the Caribbean, two projects of the Green Climate Fund were delayed by 10 months and one project was delayed by 7 months. The two projects corresponding to the Global Environment Facility were delayed by five and six months, respectively, while another two projects were delayed by an average of five months.

90. Finally, the start of a project entitled "Leapfrogging to e-buses in Costa Rica" was delayed by four months. However, the Regional Office considered it necessary

to extend the duration of this project with the objective of adjusting its times of implementation. The duration of the agreement and the project will therefore be extended for a period of 12 months.

91. As indicated in the projects' progress reports, the causes of these delays were the result of external and internal factors. External factors included: changes in the government of the country where the project was implemented; delay in the procurement processes sustained by institutions external to UNEP involved in the project implementation; and delay in the delivery of information needed to conduct evaluations.

92. Internal factors included: delays in the recruitment of a national project coordinator; delays in the recruitment and hiring of personnel to support the project coordinator; and delays in the organization of the inception workshops.

93. In the case of the Regional Office for Africa, the two projects reviewed were delayed by 16 and 13 months, respectively. In relation to the external factors of delay, a change in the government of the country where the project was implemented was an issue for the Regional Office for Africa as well. As for internal factors, the Regional Office for Africa indicated that phase II of the SWITCH Africa Green project was running behind schedule as activities for phase I of the project were delayed. In addition, the setback in phase I occurred because UNEP was to provide a 10 per cent amount in advance to the implementing partner, in accordance with the agreement. However, the delay in providing the 10 per cent amount affected the implementation of phase I and subsequently the start of phase II of the project.

94. The Board considers that UNEP, in relation to the Regional Office for Africa and the Regional Office for Latin America and the Caribbean, needs to improve its internal controls on projects with regard to the key external and internal factors that may have an impact on their management.

95. Regarding external factors, the Board is of the view that UNEP could improve its liaison and communication with external institutions to improve project implementation, evaluate the progress of the projects and promptly request information for review.

96. Regarding internal factors, the Board notes that project staff are one of the most important factors in project management. The recruitment process of project coordinators and personnel to support projects in a timely manner is an important aspect to improve so as to start projects in accordance with their initial planning. In addition, the Board considers the inception workshop to be an essential process for the analysis and updating of the logical framework of the project, the implementation schedule and the annual workplan.

97. Finally, the delay in budgetary procedures affects the execution of the workplan. Hence, the Board considers that it is important that UNEP perform budget allocations in a timely manner in order to avoid delays in project implementation.

98. **The Board recommends that UNEP coordinate with the Regional Office for Latin America and the Caribbean and the Regional Office for Africa in order to take liaison measures with the external institutions involved in project implementation, aiming to improve the efficiency of the project implementation process.**

99. **The Board recommends that UNEP expedite the recruitment process of project coordinators as a principal priority and, subsequently, the recruitment of personnel to support project implementation, taking into consideration the committed starting date.**

100. **The Board recommends that UNEP liaise with the Regional Office for Latin America and the Caribbean to coordinate and organize in a timely manner the inception workshops to start with the project review and, subsequently, begin its implementation.**

101. **The Board recommends that UNEP coordinate its budget allocations in a timely manner in order to comply with the execution schedule of project workplans.**

102. UNEP accepted the recommendations.

Segregation of information for multi-country projects in Umoja

103. UNEP uses Umoja, which is an enterprise resource planning system used by the United Nations as a tool for administrative reform for the Secretariat that includes a thorough streamlining of United Nations business processes.

104. According to the Umoja website, the system seeks to provide a simplified and real-time approach to the management of the finances of the entities it supports, as well as their resources and assets, and represents a once-in-a-generation opportunity for the United Nations to: upgrade its technology, tools and practices to those appropriate for the twenty-first century; comply or exceed international industry standards such as IPSAS; streamline fragmented administrative processes to allow managers and staff to focus on important work rather than red tape; and unify multiple information technology and computer systems and platforms to avoid delays, waste and frustration.

105. When the Board reviewed the implementation and monitoring of a sample of eight ongoing projects at the Regional Office for Latin America and the Caribbean and a sample of two ongoing projects at the Regional Office for Africa, the Board found that there were two projects at the Regional Office for Latin America and the Caribbean and two projects at the Regional Office for Africa that develop activities in more than one country. However, as project registration in Umoja does not allow the segregation of information by country, several control activities to be done by the Board were hindered:

(a) First, an analysis of the execution of project activities and monitoring by country could not be performed;

(b) Second, information about the budget allocation by country could not be collected, as the projects were grouped according to grant(s) in the system.

106. In order to manage its information, the Regional Office for Latin America and the Caribbean has a manually updated Excel worksheet that sets out its activities and projects by country. However, the Excel sheet does not include a column that identifies the respective grant. Therefore, it was not possible to associate the projects with details of the activities and country.

107. In the case of the Regional Office for Africa, the Office did not report a control mechanism for systematically monitoring the activities implemented in multiple countries.

108. The Board is of the opinion that such situations cause difficulties in maintaining control of the projects in the countries where they are being executed. Information segregated by country would make it possible to control these types of projects systematically, including matters related to budgeting and resource allocation by country.

109. **The Board recommends that UNEP coordinate with the Umoja team to improve the structure of the registration of information in the Umoja system**

with regard to regional projects that develop activities in several countries of the region, allowing for segregation by country in the system.

110. UNEP accepted the recommendation, indicating that it should be done within the limits of UNEP ability to work with the Umoja team at United Nations Headquarters to request the technical changes required in Umoja to accommodate the inclusion of country information.

Project reporting at the Regional Office for Latin America and the Caribbean

111. With regard to project implementation and monitoring, the programme manual indicates that, as a key requirement for knowledge management, progress reporting is carried out twice a year, requiring an assessment of the approach taken, its efficiency and effectiveness and an analysis of the business case. Corrective actions, if required, are proposed and approval obtained by the relevant authority.

112. The manual adds that project implementation includes regular assessments of performance and achievements to ensure that the execution of planned activities will achieve the required outcomes and outputs. Timely and quality reporting enables the project team to show the quality of the management and supervision of the project. Regular quality documentation of management and supervision activities is necessary for institutional learning and the provision of supporting evidence for audit and evaluation. The documentation is also essential for accountability and transparency purposes. Supporting documentation should be provided to justify delays in the achievement of accomplishments or in cases where they are not achieved at all.

113. The Board reviewed a sample of 8 ongoing projects (of the 38 that correspond to the subprogramme on climate change at the Regional Office for Latin America and the Caribbean) to analyse their implementation and monitoring processes. The agreements of the projects established different reporting requirements for the respective progress reports. In total, 12 agreements were analysed.

114. The Board found an absence of supporting information for project progress reports and an absence of correspondence between implementation reports and Umoja records.

115. In relation to the absence of supporting information for progress reports, one of the projects related to the European Union, whose agreement requires the issuing of reports twice a year aimed at presenting the results of the activities and actions of the project. The results are shown through by marking the respective activity as ongoing or complete, or by providing a narrative description. The analysis for this project included two progress reports.

116. Two of the projects included in the sample were funded by GEF and two reports were analysed in regard to these projects. GEF requires progress reports every six months, based on the inputs provided by the manager in charge of implementing the project. In addition, the task manager (in charge of project supervision) will make an overall assessment and provide ratings regarding two main matters: the progress towards achieving the project's result(s) and the progress of implementation.

117. Two other projects had agreements stipulating that the beneficiary would submit both a technical report and an economic report. The submission would be done every 12 months from the beginning of the execution period until the completion of the subsidized programme or project, as well as at any time required, with the results of the activities done so far.

118. Of the five projects discussed above (62.5 per cent of the sample), although the Board noted that the activities to be done were described in the reports, the performance of the activities was not supported by a budget and expenditure report

indicating how they were developed during the period of execution in relation to the proposed planning budget. None of the reports reviewed included an analysis of how the results were obtained nor any documentation that supported the qualifications included in the reports on the status of project implementation.

119. Regarding the absence of correspondence between implementation reports and Umoja records, in the case of the Green Climate Fund there is a document, known as a "readiness and preparatory support proposal", that contains all of the details of the conception of a project needed for its approval. In addition, project reporting is done through a readiness support interim progress report. Section 4 of the progress report, entitled "Budget and expenditure reporting", details the progress of the project's activities for the period.

120. In relation to the Green Climate Fund, UNEP provided the Board with the most recent report available, for the period from 1 July to 31 October 2019, on the project entitled "Building subnational capacities for the implementation of the National Adaptation Plan in Costa Rica". The Board compared the information in the progress report with that provided in the readiness and preparatory support proposal and the financial information from the Umoja system.

121. When comparing the information, the Board noted that several activities disclosed in the proposal were not included in the progress report. The Board found a difference in costs of $779,142 between the proposal ($2,861,917) and the progress report ($2,082,775).

122. In addition, an analysis of the section on budget and expenditure reporting of the progress report indicated a total expenditure as at 31 October 2019 of $315,194. However, in Umoja, the total expenditure as at that date amounted to $156,614: a difference of $158,580.

123. The Regional Office for Latin America and the Caribbean indicated that the absence of correspondence between the implementation reports and Umoja records was the result of requirements by the donor to consider committed amounts even if they were not yet reflected in Umoja. Nevertheless, for these cases, the Board is of the opinion that progress reports should include information on whether the type of expenditure is actual, committed or of any other status, in order to improve the transparency of the deliverables of each report.

124. The Board is of the view that the Regional Office for Latin America and the Caribbean needs to enhance the transparency of progress reports, ensuring that they provide a comprehensive description of the sources of evidence on which the evaluation finding is based, as the information included in the progress reports could be enhanced owing to the fact that it is difficult to use for evaluation or other management purposes.

125. The Board is also of the view that, taking into consideration the rules set out in the programme manual, the Regional Office for Latin America and the Caribbean needs to improve and strengthen its internal controls related to project management and supervision in order to administrate, plan, coordinate, monitor and control all the activities and resources allocated for the implementation of the project and the information stated in Umoja, to ensure complete and up-to-date information in that system.

126. **The Board recommends that the UNEP Regional Office for Latin America and the Caribbean improve the preparation of progress reports by adequately informing the development of activities together with measurable results, in order to enhance transparency and accountability of the outcomes that are obtained from the use of the resources allocated.**

127. **The Board recommends that the UNEP Regional Office for Latin America and the Caribbean take the necessary measures to maintain updated information in Umoja regarding ongoing projects in order to use that information for reporting.**

128. UNEP accepted the recommendations.

Selection process for implementing partners

129. It is stated in the UNEP programme manual that partnerships are undertaken through a transparent and well-documented process. In these collaborative relationships, all participants agree to work together to achieve a common purpose or undertake a specific task and to share risks, responsibilities, resources and benefits.

130. It is also indicated in the manual that, if the donor for a UNEP project has specific requirements concerning the selection of implementing partners (as is the case with projects funded by the European Commission), those requirements are added to the internal screening process, with the aim of ensuring that the partner selection process complies with the requirements of both the donor and UNEP.

131. UNEP has a policy on partnerships and procedures, dating from 2011, the main objective of which is to provide a strategic and organization-wide approach to the identification of partners and establish a due diligence process for partner selection.

132. The UNEP partnership policy and procedures dictate that, when considering partners to whom funding will be provided by UNEP, "the selection of not-for-profit executing partners should be prefaced by a comparative review process involving at least three candidate organizations. When comparison may not produce relevant results, a written justification should be provided in the file for the consideration of the Division or Regional Director (and the Partnership Committee) together with the recommendation".

133. As a result of the audit analysis, the Board noted the following:

(a) Concerning the rule referring to the comparison of three candidate organizations: from a sample of six not-for-profit implementing partners, the Board noted that in five cases the required comparison was not performed or it was not sufficiently established that the comparison of candidates had occurred;

(b) On the need to establish measurable criteria in the evaluation of candidates: the Board determined that the evaluation processes to select the implementing partners were not supported by measurable criteria or scoring factors that allowed the decision to be based on quantitative terms. While it was recognized that the regional offices explained and justified their decisions, these explanations were too broad, leaving room for improvement in that area. Missing elements included the registration of compliance with the requirements and the measurement of the factors evaluated. The Board is of the view that, by including measurable criteria, UNEP would avoid relying on its own discretion when preferring one candidate over another;

(c) With regard to ensuring that the partner selection complies with the requirements of both UNEP and the donor: the Board found that in at least three cases of the sample, all corresponding to the Regional Office for Africa, the donor's position regarding general requirements was used to evaluate the implementing partner. However, the details of the partner selection process did not clearly identify whether the candidate met the requirements for both the donor and UNEP. In this respect, the only information available regarding the process of selecting implementing partners came from the project document, coordination emails between the Regional Office for Africa and the implementing partners, and the responses to the Board's queries on the matter. That documentation did not contain sufficient information to identify the donor's requirements.

134. The Board sees room for improvement in the process of selecting implementing partners. First, complying with the requirement established in the partnership policy and procedures to compare at least three candidates allows UNEP to take all the necessary safeguards to obtain the most suitable implementing partner, as one of the main risks is that the implementing partner does not meet the proposed objective and, correspondingly, wastes time and money.

135. Second, the Board recognizes that the regional offices explained and justified their implementing partner selection decisions; however, the absence of records on compliance with the requirements and the measurement of the evaluated factors has a negative impact with regard to ensuring greater transparency in the selection process, which must be accompanied by the corresponding documentary record.

136. Finally, the Board is of the view that UNEP should register and document the requirements that were considered in the selection of an implementing partner, identifying those requirements coming from the donor. In this way, UNEP could ensure an integral, fair and transparent process for both candidates and the donor that aims to generate a climate of confidence between the parties.

137. **The Board recommends that UNEP establish a control mechanism that ensures compliance with the provisions of the partnership policy and procedures with regard to the requirement to compare at least three candidate organizations. This mechanism should include the correct documentary record of the performance of the comparison.**

138. **The Board recommends that UNEP include, in the evaluation process of candidates, records of their compliance with the requirements to be an implementing partner of UNEP and, in addition, implement a weighting or scoring system of the factors evaluated to ensure greater transparency in the selection process.**

139. **The Board recommends that UNEP identify, within the requirements that UNEP considers when evaluating a candidate, those that are requested by the donor, so that the process is more transparent and creates a climate of trust between the different stakeholders towards the processes of implementing partnership selection carried out by UNEP.**

140. UNEP agreed with the recommendations.

Implementing partner agreements

141. It is indicated in the UNEP programme manual that a key consideration for the effective management of legal agreements is the level of financial advances paid to the implementing partner. In general, lower levels of advances are preferred, as this allows the organization to minimize financial loss by withholding subsequent instalments in cases of non-performance. Instalments should correspond with the resources required to achieve the agreement's major milestones; however, higher initial instalments may be warranted by factors such as the partner's satisfactory prior performance, the low overall cost of the agreement, the nature of activities, and so on. Apart from the initial instalment, requests for subsequent advances should be accompanied by substantive and financial reports, and the financial reports should provide detailed information on expenditures incurred against each budget line.

142. The Board reviewed a randomly selected sample of 30 agreements with implementing partners out of 3,631 agreements as at September 2019, noting that, in 7 cases, the agreements did not consider amounts and/or percentages for instalment

payments; in 3 cases, the agreements were not found in Umoja; and in 20 agreements, instalments for the payment delivery were established.

143. Focusing on the 20 agreements that included cash advances for payment delivery, the Board observed that the first instalments of the agreements varied from 3 to 100 per cent of the agreed total with the implementing partner. In 8 of the 20 cases, the initial instalment exceeded 50 per cent of the total agreed amount.

144. The documentation provided in Umoja and that sent by UNEP did not show justifications for the high initial instalments, such as those that exceeded 50 per cent of the total amount agreed and a case in which 100 per cent of the total payment was advanced.

145. In addition, the Board observed that, of the 20 cases considered, 1 agreement established one instalment, 8 established more than one, and in 11 cases, the number of instalments in which the payment would be delivered was not established. It was also noted that, in those 11 cases, the first and last instalments were established in the agreements.

146. With regard to the final payments, the agreements stipulated that they would be 2 per cent, 5 per cent or 10 per cent of the budget.

147. Finally, as observed in the agreements, intermediate payments would depend on requests for cash and reporting.

148. Although the Board acknowledges that UNEP ruled on legal agreements in relation to financial advances in the programme manual, the Board sees room for improvement on this matter, especially considering that, as at 31 August 2019, UNEP maintained more than 2,700 ongoing agreements with implementing partners.

149. The Board is of the opinion that standardizing the number of minimum instalments to the implementing partner – three payments, for example – and the percentages for each of them, and ensuring low levels of first advance instalments, would reduce the margin of the organization’s discretion on those matters at the time of signing the agreements, thus mitigating any possible risk of non-performance and ensuring that outputs are delivered as agreed.

150. In addition, the Board holds that controls regarding high instalments would be valuable in order to identify the type of situations considered to be exceptions, and to determine whether those instalments actually meet the criteria identified in the programme manual for their granting, such as the partner’s satisfactory prior performance, the low overall cost of the agreement, the nature of activities, and so on.

151. **The Board recommends that UNEP develop guidelines for the determination of instalments to be paid to implementing partners, regulating the quantity of payments to be disbursed, assigning to each of those payments a range or percentage of the total amount of the agreement and evaluating the establishment of a minimum number of instalments to be disbursed to implementing partners. For this purpose, the entity could consider the indications in the UNEP programme manual.**

152. **The Board recommends that UNEP establish the factors and/or situations that will be considered as exceptions to the instalment payment rule, keeping records of the authorizations and decisions made.**

153. UNEP agreed with the recommendations.

5. Secretariat management

5.1 Management of the secretariat of the Convention on Biological Diversity

154. In section 18, on conventions and other secretariats, of his bulletin ST/SGB/2006/13 on the organization of the secretariat of the United Nations Environment Programme, the Secretary-General states: "UNEP has been designated by the conference of the parties of a number of international environmental conventions to provide secretariat functions to those conventions. This host relationship established with UNEP by Governments has included provision by UNEP of cost-effective administrative and financial support for each secretariat to carry out its responsibilities fully."

155. At the first meeting of the Conference of the Parties to the Convention on Biological Diversity in 1994, the Conference of the Parties, in its decision I/4, designated UNEP to carry out the functions of the secretariat of the Convention on Biological Diversity "while ensuring its autonomy to discharge the functions referred to in Article 24". The secretariat also performs these functions in relation to the Protocols to the Convention.

156. In addition, during the third meeting of the Conference of the Parties, in 1996, the Conference of the Parties, in its decision III/23, noted with concern the difficulties encountered by the permanent secretariat, in particular the difficulties associated with the establishment of efficient and timely services and the recruitment of staff, and invited the Executive Director of UNEP and the Executive Secretary of the Convention on Biological Diversity "to develop procedures, making an effort to conclude by 27 January 1997, with respect to the functioning of the Permanent Secretariat of the Convention on Biological Diversity, to clarify and make more effective their respective roles and responsibilities" and stressed that "these procedures must provide for the managerial autonomy and efficiency of the Permanent Secretariat and its responsiveness to the needs of the Convention, and must ensure the administrative accountability of the Executive Secretary to the Conference of the Parties".

157. As a result of decision III/23, UNEP and the secretariat of the Convention on Biological Diversity agreed, in October 2010, on the "Revised Administrative Arrangements", which were endorsed by the Conference of the Parties to the Convention in its decision X/45. These Arrangements cover several aspects regarding the administration of the secretariat, such as personnel arrangements, financial arrangements, conference and other services, delegation of authority and reimbursement for services provided to the secretariat.

158. The Board performed an analysis of the UNEP function as the secretariat of the Convention on Biological Diversity, with the aim of assessing its programme management capacity with regard to this role.

Regulatory framework of the secretariat of the Convention on Biological Diversity

159. The proposed programme of work and budget for the biennium 2018–2019 (UNEP/EA.2/16) includes in its subprogramme 4, on environmental governance, expected accomplishment (a), which states: "The international community increasingly converges on common and integrated approaches to achieve environmental objectives and implement the 2030 Agenda for Sustainable Development." Moreover, for that expected accomplishment, the UNEP programme of work includes as an indicator of achievement, "(ii) Increase in the uptake of approaches for the coherent implementation of multiple multilateral environmental agreements or other multilateral institutional mechanisms as a result of UNEP support".

160. Furthermore, in the programme manual, UNEP adopted the guidelines for the use of UNEP standard legal instruments. In the manual, UNEP recognizes the memorandum of understanding as a framework of commitments through which UNEP and its partners confirm that they share a common understanding and endeavour, define strategic alliances and agree/define areas of common interest, spheres of cooperation and mutual operational engagements.

161. The Board analysed the regulatory framework that rules the activities of UNEP as the secretariat of the Convention on Biological Diversity. In this context, when the Board asked about the functions of the secretariat, UNEP responded that the functions were set out in article 24 of the Convention but have evolved in the light of paragraph 1 (e): “To perform such other functions as may be determined by the Conference of Parties.” UNEP added that a functional review was carried out pursuant to a request from the eleventh meeting of the Conference of the Parties to the Convention on Biological Diversity, held in 2012, resulting in the document entitled “Medium-term operational results framework”, which sets out the functions of the secretariat. UNEP also referred to the Revised Administrative Arrangements of 2010, mentioned above, as a framework for duties and responsibilities.

162. The following observations can be made:

(a) The medium-term operational results framework includes six operational goals that are aimed to be achieved from 2015 to 2020, each of which contains functional objectives and indicative activities. The framework thus constitutes only a temporary instrument made for planning purposes. The Board is of the view that planning should be constructed on the basis of a regulatory framework that has already been enacted and cannot be transformed into the secretariat’s regulatory framework. Therefore, the medium-term operational results framework cannot constitute the regulatory framework of the secretariat, especially considering that its validity ends in 2020;

(b) In addition, the Revised Administrative Arrangements signed in October 2010, as approved by decision III/23 of the Conference of the Parties to the Convention on Biological Diversity, did not specify the programmatic aspects and the procedures and responsibilities of both entities on the matter;

(c) Moreover, the Revised Administrative Arrangements indicate that all trust funds established for the Convention and its Protocols are subject to programme support costs on actual expenditures of 13 percent. Furthermore, in accordance with the standard management procedure on programme support costs and budget adopted by UNEP in 2017, the share of the programme support cost that should be distributed between UNEP headquarters and the secretariats of the multilateral environmental agreements corresponds in general to 33 per cent of the programme support cost income to headquarters and 67 per cent to the respective secretariat. Nevertheless, the Conference of the Parties is not aware of administrative services provided by UNEP headquarters covered against UNEP headquarters’ part of the programme support cost.

163. The Board is of the view that the progression of the functions that the secretariat of the Convention on Biological Diversity has experienced since it was first established by the Conference of the Parties in 1994 has made it difficult to understand the duties and responsibilities to be fulfilled by UNEP in its role as secretariat of the Convention.

164. In this regard, the Board considers that the Revised Administrative Arrangements between the secretariat of the Convention on Biological Diversity and UNEP have been superseded by the reality, as the non-administrative functions acquired by the secretariat – such as the programmatic functions – are not covered by

the Arrangements. Hence, there is no certainty regarding the role that the programmatic aspects of the Convention on Biological Diversity could play in the programme of work of UNEP in the following years, which is relevant in view of the expected accomplishments and performance indicators of the programme of work, as described in paragraph 159 above.

165. In consequence, at the moment the Revised Administrative Arrangements agreed by UNEP and the secretariat of the Convention on Biological Diversity in 2010 do not fully comply with the Conference of the Parties' request stated in paragraph 1 of its decision III/23. The Arrangements do not clarify the procedures and responsibilities that the secretariat and UNEP should fulfil, specifically with regard to issues related to non-administrative matters. In addition, the Arrangements do not specify the functions of UNEP and the secretariat with regard to their share of the funds received as programme support costs.

166. The secretariat of the Convention noted that the Revised Administrative Arrangements did not allow a role for UNEP with regard to the programmatic functions of the secretariat. Programmatic cooperation with UNEP, as with other agencies, was guided by relevant decisions of the Conference of the Parties.

167. In respect of the paragraph immediately above, the Board specifies that the observation refers to the need to regulate the procedures and responsibilities of UNEP regarding the programmatic functions of the secretariat. This is because that topic is not covered by the Revised Administrative Arrangements, which neither allow nor exclude the programmatic functions of UNEP. The determination of those procedures and responsibilities, therefore, should be a matter covered by negotiation, especially if the decisions of the Conference of the Parties should require it and considering the aims that the UNEP programme of work sets out on the matter.

168. The Board is of the opinion that the uncertainties it has pointed out undermine the proper functions of the secretariat of the Convention on Biological Diversity, as those functions, as currently set out, do not allow for the full understanding of the responsibilities to be assumed by UNEP and the secretariat of the Convention on Biological Diversity and their sources of funding. This situation may result in uncertainty about responsibilities in relation to the delivery of secretariat services, and may also hamper the transparency and accountability of UNEP to the Member States of the Convention and its Protocols. This is important, as transparency and accountability are also recognized as central elements of results-based management as well as by the UNEP programme manual.

169. The Board takes into account the purposes set out in the programme manual regarding the uses of a memorandum of understanding. The Board notes that a memorandum of understanding should be used to clearly define the roles and responsibilities of UNEP and the secretariat of the Convention on Biological Diversity in order to ensure transparency and accountability for the secretariat services provided by UNEP.

170. **The Board recommends that UNEP establish the proper liaison between its headquarters and the Executive Secretary of the Convention on Biological Diversity and its Protocols in order to agree on the procedures and responsibilities that each entity shall assume with regard to the provision of secretariat services to the Conference of the Parties to the Convention on Biological Diversity, including the aspects related to non-administrative functions.**

171. **The Board recommends that UNEP liaise with the Executive Secretary of the Convention on Biological Diversity to propose to the Conferences of Parties to the Convention on Biological Diversity and its Protocols the adoption of a**

memorandum of understanding. If agreed, this instrument shall include the arrangements for the provision of secretariat functions by UNEP, aiming to establish a regulatory framework that sets out clear responsibilities, transparency, guidance and accountability among the Parties and Member States.

172. UNEP accepted the recommendations.

Work planning at the secretariat of the Convention on Biological Diversity

173. Paragraph 1 (c) of article 24 of the Convention on Biological Diversity indicates that one of the functions of the secretariat is: "To prepare reports on the execution of its functions under this Convention and present them to the Conference of the Parties."

174. The Board asked the secretariat of the Convention on Biological Diversity about the existence of a monitoring tool for their scheduled activities. In summary, the secretariat responded that a "decision tracking tool" was still being developed and fully operationalized for the purposes of cataloguing the decisions of the Conference of the Parties.

175. In addition, the secretariat of the Convention on Biological Diversity mentioned that, as a results-based planning tool, biennial workplans are prepared by the units and divisions of the secretariat that set out their respective activities during the period between sessions of Conference of the Parties, and which relate to ongoing/recurring functions and to tasks assigned to the secretariat by decisions of the Conference of the Parties.

176. The Board reviewed information provided by the secretariat on the tools and noted the following:

(a) There is no consolidated workplan for the secretariat that guides the activities of the entire institution;

(b) Although the organizational chart of the secretariat of the Convention on Biological Diversity shows the existence of three divisions, the secretariat submitted workplans for only two of them. The same situation occurred with regard to the units: workplans were submitted for only 4 of the 8 units not part of a division, and for only 1 of the 10 units that are part a division;

(c) There was no homogeneity between the workplans. Each of the divisional workplans submitted were based on different categories that were unrelated. In addition, although they were made using a similar template, the fields of the unit workplans were not populated using a common pattern/methodology;

(d) Moreover, as observed from the examples studied in subparagraph (c) above, indicators for the different workplans were not stated in a consistent manner so as to represent an observable and measurable characteristic that could be used to show the changes or progress towards the achievement of a result. Instead, indicators were generally expressed as a specific output to be achieved or as an activity;

(e) There is no clear differentiation between results and outputs, on one hand, and between indicators and means of verification, on the other, as those pairs of concepts are stated under the same category in the workplans. As a result, the workplan does not allow for precision with regard to which outputs lead to a specific result or how to verify the fulfilment of a specific indicator.

177. The Board considers that the absence of a consolidated workplan for the secretariat generates gaps between the existing and expected results, which triggers a loss of control in the final execution. In addition, it hinders the ability to assess the

performances of the different organizational levels towards the fulfilment of a common objective.

178. In addition, the Board is of the opinion that, by standardizing the use of a workplan, a better understanding of where to focus the work could be achieved in order to fulfil the proposed objectives and facilitate the follow-up process to be carried out by the workplan.

179. Finally, the Board is of the view that clearly stated expected outputs and results, and indicators of achievements with their respective means of verification, are basic elements necessary to measuring the levels of accomplishments of the aims of the secretariat. This aspect is key to achieving results-based management, in accordance with the programme manual, as referred to in section 3.2 of the present report. These elements are also of the utmost importance to nurturing the reporting obligations towards the Conference of the Parties to the Convention on Biological Diversity, providing a clear measurement of the advances reached by the secretariat and enhancing transparency and accountability.

180. **The Board recommends that UNEP coordinate with the secretariat of the Convention on Biological Diversity to introduce a framework that guides the planning process at the different levels of the secretariat, incorporating a clear definition of the main concepts to be used in that process, such as results, outputs, indicators of achievement and/or means of verification.**

181. **The Board recommends that UNEP coordinate with the secretariat of the Convention on Biological Diversity the establishment of a comprehensive workplan on the secretariat's activities, which is aligned with the secretariat's strategic objectives and with the decisions of the Conference of the Parties to the Convention on Biological Diversity and incorporates measurable indicators of accomplishment and means of verification.**

182. UNEP accepted the recommendations.

Reporting of the secretariat of the Convention on Biological Diversity to the Conference of the Parties

183. The secretariat of the Convention on Biological Diversity indicated that, every two years, they issue a report on the administration of the Convention on Biological Diversity, which describes the activities of the secretariat. The Board analysed the report and noted the following:

(a) The report on the administration of the Convention on Biological Diversity describes the activities performed in relation to the programme of work. However, it does not describe the progress made in terms of the budget and the actual expenditures incurred as at the date of the report;

(b) In addition, the report did not include the assessment of the activities as they related to performance indicators and achieved outputs for each activity outlined. It is therefore not possible to measure the level of implementation of work planned for the secretariat.

184. The Board is of the opinion that the secretariat of the Convention on Biological Diversity is in need of strategic guidance regarding the issuance of reports, owing to the absence of standardization in the information presented by every division, as described in paragraphs 173 through 182. This situation hampers efficiency in the issuance of reports and affects the clarity of reporting to the Conference of the Parties with regard to the achievement of activities, which is central to the results-based management approach, as stipulated in the programme manual.

185. **The Board recommends to UNEP that the secretariat of the Convention on Biological Diversity issue the report on the administration of the Convention on Biological Diversity in line with the activities disclosed in its programme of work, presenting those activities in accordance with its budget and its execution.**

186. **The Board recommends that UNEP assist and coordinate with the secretariat of the Convention on Biological Diversity in order to standardize the secretariat's reporting processes, with the aim of including indicators, means of verification, outcomes and assessment for each activity presented in the programme of work.**

187. UNEP accepted the recommendations.

Management of trust funds at the secretariat of the Convention on Biological Diversity

188. The Revised Administrative Arrangements signed between the secretariat of the Convention on Biological Diversity and UNEP in 2010 state that UNEP delivers financial services, such as the establishment of trust funds decided by the Conference of the Parties. The Arrangements are also subject to the United Nations and UNEP Financial Rules and Regulations, as well as the financial rules for the administration of the trust fund for the secretariat of the Convention on Biological Diversity.

189. In addition, in its decision XIII/32 of December 2016, the Conference of the Parties decided to promote the integrated approach to implementation within the Secretariat by merging the trust funds BE, BH and BX (also known as BEL, BHL and BXL), which are referred to as additional voluntary contributions in support of approved activities of the Convention and its Protocols. The purpose of the decision was to ensure that resources may be used for projects targeted at more than one instrument and, in this regard, it was decided that new voluntary contributions for activities should be placed in the BE trust fund, which was extended for the period 2017–2020.

190. The Secretary-General's bulletin ST/SGB/188 on the establishment and management of trust funds indicates, in paragraph 44 of section IV, that: "A trust fund may be closed only by the authority which established it or as required in its terms of reference."

191. According to the Secretary-General's bulletin, trust funds established under the authority of the Secretary-General may be terminated under the terms of the trust fund agreement or for such reasons and at such times as the Assistant Secretary-General for Financial Services or his or her delegate may consider appropriate after consulting with the donor or donors.

192. Also according to the bulletin, in respect of a trust fund which, by its terms of reference or by the terms of a special agreement, provides for the disposition of any remaining balance, the Assistant Secretary-General for Financial Services or his or her authorized delegate will ensure that such provisions are carried out at the time the fund is closed. Any other balances remaining at the time a trust fund is closed will be disposed of in a manner consistent with the purposes of the trust fund and with the Financial Regulations and Rules of the United Nations.

193. Finally, regulation 4.1 of the Financial Regulations and Rules of the United Nations points out: "There shall be established a general fund for the purpose of accounting for the programme budget undertakings of the Organization. The contributions paid by Member States under regulation 3.1, the revenue categories under regulation 3.3 and any advances made from the Working Capital Fund shall be available to fund expenditure of the General Fund."

194. Eight trust funds for the management of the activities of the secretariat of the Convention on Biological Diversity and for the Cartagena and Nagoya Protocols were recorded in Umoja. The purposes of the trust funds are set out in table II.2.

Table II.2
Purpose of trust funds established for the management of the activities of the Secretariat of the Convention on Biological Diversity

Fund	*Purpose of the trust fund*
BYL	Convention on Biological Diversity core programme budget
BGL	Cartagena Protocol core programme budget
BBL	Nagoya Protocol core programme budget
BEL	Voluntary funds for approved activities for the Convention and the two Protocols
BZL	Voluntary funds for the participation of delegates from developing countries in the open-ended working group meetings for the Convention and the two Protocols
VBL	Voluntary funds for the participation of indigenous and local communities in the open-ended working group meetings for the Convention and the two Protocols
BHL	Voluntary funds for approved activities for the Cartagena Protocol
BXL	Voluntary funds for approved activities for the Nagoya Protocol

Source: Board of Auditors; details extracted from Umoja.

195. With regard to the administration of the trust funds BEL, BHL and BXL for additional voluntary contributions, the following issues were identified:

(a) According to the report of the Conference of the Parties at its thirteenth session, held in 2016, the Parties decided to merge the trust funds BHL and BXL into BEL; in the report on the administration of the Convention on Biological Diversity issued in April 2019, the performance of trust funds BHL and BXL were not included;

(b) In a review of the items recorded in balance accounts, the Board identified cash and cash equivalent items, and assets for voluntary contributions receivables for future activities. The latter had a related allowance for doubtful accounts of 100 per cent, amounting to $1 million, owing to the fact that the time of its posting was more than three years ago.

196. Considering that in Umoja funds can be closed at the end of their life cycle, the Board is of the opinion that managing trust funds that do not have contributions may not be administratively efficient and reflect negative balances.

197. In addition, the Board considers that UNEP needs to maintain balance accounts that are reliable, accurate and accrual-based, in order to reflect the reality of the conditional and unconditional grants. Therefore, an allowance for doubtful accounts should be posted when the carrying amounts are, in fact, overdue. The assessment of the grants and the adjustment of the payment schedules should be done at the closure of the financial statements.

198. The secretariat also added that the Conference of the Parties approved the extension of the BHL and BXL trust funds until 31 December 2021 to allow for the

completion of ongoing activities and the administrative closing of the trust funds, according to paragraph 7 of its decision CBD/CP/MOP/DEC/VIII/7 and paragraph 8 of its decision CBD/NP/MOP/DEC/2/13.

199. **The Board recommends that UNEP assess and correct the grants posted in its BHL and BXL trust funds.**

200. **The Board recommends that UNEP coordinate with the secretariat of the Convention on Biological Diversity in order to include in the report on the administration of the secretariat information on the performance of BHL and BXL trust funds.**

201. UNEP and the secretariat accepted the recommendations and indicated that capacity-building activities for the Cartagena Protocol are being charged to the BHL trust fund. These activities are funded by the Republic of Korea under a five-year agreement with the Convention on Biological Diversity. With regard to the BXL trust fund, all activities under this trust fund have been completed and the Convention on Biological Diversity is currently closing the grants. Transactions were wrongly recorded in 2019 and will be reversed.

Formulation of the long-term strategic framework for capacity-building beyond 2020 at the secretariat of the Convention on Biological Diversity

202. In its decision 14/24 of November 2018, the Conference of the Parties requested the Executive Director to commission a study to provide an information base for the preparation of the long-term strategic framework for capacity-building beyond 2020 in accordance with the terms of reference contained in the appendix to the annex of the decision. The annex indicated a schedule of 14 activities to be developed, including their respective time frames and those responsible for carrying them out. In addition, the appendix to the annex stated that the study would encompass, among other things, the following tasks: “identify the Parties’ main capacity development and technological needs and gaps, including at the regional level”; and “make recommendations on the general direction for the long-term framework for capacity-building beyond 2020 and the priority capacity-building actions to be taken to achieve the goals and targets of the follow-up to the Strategic Plan for Biodiversity 2011–2020”.

203. Finally, the decision also included the scope of the process for preparing the strategic framework, indicating that the preparation of draft elements must include the needs and circumstances of developing countries, in particular the least developed countries and small island developing States, and countries with economies in transition. In addition, the draft elements should include, inter alia, an overall vision and a theory of change defining bold long-term capacity development benchmarks and outcomes to support the transformational change.

204. With the aim of analysing the main activities developed for the preparation of the long-term strategic framework for capacity-building beyond 2020, the Board reviewed the progress and found the following situations:

(a) Of a total of 14 activities, 8 were delayed at the start and had not yet been finished at the time of the audit. The details of the status of the activities were not maintained in a single report, nor were the time frames subject to control. The development of the draft strategic framework has been delayed since October 2019. Upon request, the secretariat indicated that it planned to advertise a vacancy for consultants in order to revise and elaborate the draft elements of the strategic framework;

(b) Of the 14 activities, 3 had not yet been undertaken. One was related to the African regional consultation on the draft strategic framework, which was not undertaken owing to the lack of funding. The other two were related to the preparation and notification of the final draft of the strategic framework. The secretariat reported that these last two would be completed by the time of the fifteenth session of the Conference of the Parties.

205. The secretariat indicated that most of the core activities for the preparation of the draft long-term framework for capacity-building were also subject to the availability of resources. Activities that did not require funding, such as issuance of notifications, were undertaken on time unless they were dependent on actions or outputs that required funding.

206. UNEP also stated that in January 2020, the European Union confirmed funding for the hiring of a consultant to prepare the draft long-term strategic framework and to partly support the global consultation on the draft elements of the framework. The global consultation on the draft elements of the strategic framework was to take place on 1 and 2 March 2020 in Rome, back-to-back with the second meeting of the open-ended working group on the post-2020 global biodiversity framework. Nevertheless, no funding has been secured for the independent evaluation of the outcomes and effectiveness of the short-term action plan (2017–2020) and for the African regional consultation on the draft strategic framework.

207. The Board is of the view that the delay in the activities to be developed disrupts the preparation of the strategic framework and may hinder its outcomes and execution. Moreover, the Board also considers that delays, as well as the absence of funding, undermine the complete and timely identification of the priority capacity-building actions to be implemented beyond 2020 and to be approved by the Conference of the Parties. Furthermore, considerations regarding funding limitations stated in paragraph 217 below are also applicable to the findings.

208. In this sense, these issues have affected the consultation considered for the preparation of the strategic framework, a situation that hampers activities which aimed to include the needs and circumstances of developing countries, least developed countries, small island developing States and countries with economies in transition. Furthermore, the consultation is especially critical considering that absence of funds has impeded the development of the African regional consultation of the draft strategic framework, which is one of the activities aimed at addressing the identification of needs.

209. **The Board recommends that UNEP coordinate with the secretariat of the Convention on Biological Diversity to take the measures needed to comply with the preparation of a complete long-term strategic framework for capacity-building beyond 2020, in order for it to be presented in conformity with the requirements of the Conference of the Parties.**

210. UNEP accepted the recommendation and indicated that it will take any measures needed to ensure conformity with the decisions of the Conference of the Parties.

Development of activities at the secretariat of the Convention on Biological Diversity

211. Article 23 of the Convention on Biological Diversity indicates the establishment of the Conference of the Parties, which are meetings that shall be held every two years, and shall keep under review the implementation of the convention.

212. The Conference of the Parties held its fourteenth meeting in November 2018 and adopted 38 decisions on the work of the biennium 2019–2020, including, among other topics, the Aichi Biodiversity Targets, the process for the preparation for the post-2020 global biodiversity framework, capacity-building, resource mobilization and reporting and review mechanisms.

213. The decisions are outlined in the report of the Conference of the Parties, which is a biennial report that summarizes, among other topics, the decisions of the Conference of the Parties, the budget submission and the scales of assessment of the regular budget.

214. In addition, decision 14/22 of the Conference of the Parties indicated that Parties were urged to report on their further contribution to the collective efforts to achieve the various targets settled by the Parties, and also incorporate the resource mobilization mechanisms to be adopted by the secretariat.

215. Under these circumstances, with the aim of reviewing the main activities performed to address and develop the decisions of the most recent Conference of the Parties, the secretariat prepared a report that summarized the current status of activities aimed at accomplishing the decisions, and also reported on the availability of resources and additional funding requirements.

216. The Board reviewed the level of progress on each activity, and noted that of a total of 82 activities, 47 had insufficient resources available to execute all the requests indicated in the above-mentioned decisions, representing 57 per cent of the activities stemming from those decisions. The Board noted that the secretariat of the Convention on Biological Diversity required $6,539,000 in additional resources for the development of the activities. These resources would allow for the financing of consultancy and expert services, workshops, meetings and new recruitments. However, the review revealed that the resource mobilization activities in place were not effective.

217. The Board is of the view that the costs of the activities deployed as a result of the decisions should be estimated prior to the presentation of the report of the Conference of the Parties, in order to analyse the financial feasibility of the development of the activities and to plan a more realistic programme of work. This conclusion also holds when considering the situation described in paragraphs 202 to 210 of the present report, on the formulation of the long-term strategic framework for capacity-building beyond 2020 at the secretariat of the Convention on Biological Diversity.

218. In addition, the Board considers that the secretariat needs to add the additional resources received as voluntary contributions to the biennial budget submission, in order to comply with the level of resources required for the development of the decisions adopted by the Conference of the Parties. A more accurate inclusion of voluntary contributions would allow for the formalization of pledges and the implementation of more effective resource mobilization activities, enabling improvement with regard to the low collection rates of additional resources.

219. **The Board recommends that UNEP assist and liaise with the secretariat of the Convention on Biological Diversity to coordinate with the Conference of the Parties to the Convention to adjust the programme of work and budget submission, with the aim of evaluating and implementing a more realistic workplan for the secretariat in accordance with available resources.**

220. **The Board recommends that UNEP assist and liaise with the secretariat of the Convention on Biological Diversity to coordinate with the Conference of the Parties to include the voluntary contributions in the budget submission in a way that reflects the necessary resources to implement the Conference of the Parties' decisions.**

221. **The Board recommends that UNEP assist and liaise with the secretariat of the Convention on Biological Diversity to coordinate with the Conference of the Parties to the Convention in order to agree on the implementation of a more effective resource mobilization mechanism for the secretariat.**

222. UNEP accepted the recommendations.

Competitive hiring process of consultants and individual contractors

223. Section 4, paragraph 4.3, of the administrative instruction on consultants and individual contractors (ST/AI/2013/4) specifies that the selection process for a consultant or individual contractor will be through a competitive selection procedure and that every effort shall be made to shortlist for consideration a minimum of three candidates from the widest possible geographical basis.

224. The selection process of the consultants and individual contractors at UNEP consists of an initial evaluation called a comparative analysis report, in which a technical evaluation is carried out considering five criteria: experience, language, competency, skills and academic qualifications. The report also indicates if the applicant is selected, recommended or not recommended, according to the technical evaluation.

225. In the next stage of the process, a document called "Supplementary data for a contract for the services of consultant/individual contractor" indicates the justification of the fees payable and the proposed candidate. Section 9 of that document must list the candidates considered in order of preference and state their nationality, level of education, skills, prior and current engagements, type of work performed, fees and evaluation of past work.

226. In section 10 of the supplementary data document, the reasons for the selection are stipulated, and the document must be signed by the head of the substantive office, who was the person who approved the selected candidate.

227. In order to verify compliance with the administrative instruction on consultants and individual contractors, the Board looked at a sample of 16 candidates hired during the audited period (8 consultants and 8 individual contractors), and analysed the hiring processes related to each of them (nine processes for consultants and nine for individual contractors).

228. The Board identified inconsistencies between the lists of applicants who were recommended in the comparative analysis report and the applicants listed in the supplementary data document.

229. During its review of the selection process for consultants, the Board found that four of the nine processes considered the selected and recommended applicants in the supplementary document. However, for the other five selection processes, applicants who were not recommended were considered as candidates anyway.

230. The Board detected the same issue in its review of the selection process for individual contractors. The Board found five selection processes in which applicants who were not recommended during the previous step of the selection process were considered as candidates.

231. In respect of section 4.3 of the administrative instruction and considering only those applicants who had been recommended because of their technical skills, the Board found that, in general terms, there was no compliance with the rule that requires the consideration of three candidates in the selection process. In fact, only one consultant selection process and only two individual contractor selection processes fully complied with the recommendation of three candidates.

232. Furthermore, the Board found that, in all the individual contractor hiring processes reviewed, the secretariat of the Convention on Biological Diversity requested that applicants should be Canadian residents or citizens or have permission to work in Canada. However, the technical evaluation was carried out before it was determined whether the applicant had permission to work in Canada. Then, during the

next step, that is, when the supplementary data document was reviewed, it was assumed that the applicant, if she or he was of a nationality other than Canadian, had permission to work in Canada, despite the fact there was no analysis of the matter during the previous stage.

233. Finally, it was noted that in several cases the document on supplementary data for a contract for the services of consultant/individual contractor was neither signed nor dated, nor did it have the name and title of the person who approved the selected candidate. For consultants, only two of nine supplementary data documents were correctly filled out, and for individual contractors, only three of the nine supplementary data documents fully stated the key information needed.

234. The Board is of the view that there must be a transparent and competitive selection process for consultants and individual contractors, which considers at least three candidates.

235. In addition, the Board is of the opinion that the secretariat must ensure that there are sufficient controls to guarantee that the selection process is efficient and that there is no loss of staff hours when performing work related to the selection of consultants and individual contractors who have not been properly reviewed in the first filter. Situations such as these, in which applicants for whom there was no evidence of permission to work in a country, as the terms of reference required, were considered, could have been avoided.

236. Finally, the Board is of the view that UNEP must fill out each of the fields required in the documents involved in the selection process of consultants and individual contractors, as in the case of the supplementary data documents, in order to maintain adequate levels of transparency and accountability.

237. **The Board recommends that UNEP reinforce its control mechanisms at the secretariat of the Convention on Biological Diversity to ensure that the selection processes of consultants and individual contractors are competitive and transparent and consider at least three recommended applicants.**

238. **The Board recommends that UNEP establish and correctly document an initial control mechanism at the secretariat of the Convention on Biological Diversity to verify whether the applicants for consultants and individual contractors have permission to work in the country, when that is required by the terms of reference, as a first filter before starting to make any evaluation of the candidate.**

239. **The Board recommends that UNEP liaise with the secretariat of the Convention on Biological Diversity with the aim of ensuring that the secretariat completes each field of the application process documents to ensure that all participants have complete information.**

240. UNEP accepted the recommendations and subsequently reported valuable information and measures learned in their implementation.

Terms of reference for consultants and individual contractors

241. Section 3, paragraph 3.2, of the administrative instruction on consultants and individual contractors indicates that the terms of reference are mandatory and are part of the individual contract. It should be noted that the terms of reference include the outputs to be delivered and the functions to be performed. In addition, paragraph 3.2 sets out the contents that the terms of reference should include.

242. In order to verify compliance with the administrative instruction on consultants and individual contractors, the Board reviewed 16 candidates hired during the audited

period (8 consultants and 8 individual contractors), and analysed the hiring processes related to each of them (nine for consultants and nine for individual contractors).

243. In the analysis of the terms of reference submitted, the Board noted that, with regard to consultants, in three cases there was no evidence that UNEP had prepared any terms of reference.

244. The Board also found that the terms of reference of the contracts for consultants and individual contractors indicated the objectives and activities of the work assigned; however, there were cases in which the delivery date or the method of delivery was not specified, as required by the administrative instruction. This situation occurred in six cases of consultants and in all of the cases of individual contractors reviewed. In addition, three cases of consultants and eight cases of individual contractors were identified in which no indicators were specified for the evaluation of outputs. Finally, none of the cases of consultants indicated the name of the supervisor, as also required by the administrative instruction; the same situation was also identified in seven of the nine cases of individual contractors.

245. The Board considers that a contracting process for consultants and individual contractors without terms of reference weakens transparency and leaves room for discretion, while a regulated process with clear conditions for all parties involved builds confidence in the system.

246. Furthermore, if the terms of reference are incomplete from the perspective of the administrative instruction on consultants and individual contractors, and are missing information such as dates, the manner of delivery of the outputs and indicators, the Board considers that this situation involves the risk that the work performed under that contract may not meet the need of the contracting agency.

247. **The Board recommends that UNEP establish a control and supervision mechanism that periodically and in a documented manner ensures that the contracting processes of consultants and individual contractors include terms of reference for each of them, and that these terms of reference contain all information established in the administrative instruction ST/AI/2013/4.**

248. UNEP accepted the recommendation and subsequently reported that measures had been taken regarding the consultants and individual contractors contracting processes.

Contracts of consultants and individual contractors

249. The Board selected a sample of eight consultants and eight individual contractors hired during 2019 at the secretariat of the Convention on Biological Diversity and analysed the hiring processes related to each of them (nine for consultants and nine for individual contractors) to assess compliance with the administrative instruction regarding, among other things, contract requirements. This involved the analysis of 22 contracts for consultants and 16 contracts for individual contractors.

250. The Board noted the following:

(a) In three cases of the sample of consultants, the secretariat extended the contracting period for longer than the time period established in the terms of reference. However, paragraph 5.7 of the administrative instruction (ST/AI/2013/4) indicates that the duration of the contract shall be directly linked to the terms of reference as set out in the consultant's or individual contractor's contract;

(b) Furthermore, from the review of the contracts, the Board detected 13 cases of consultants and 13 of individual contractors that did not include information on the department where the contracted functions were carried out, and in one contract, an unrelated United Nations department was registered;

(c) In addition, none of the consultants' and individual contractors' cases contained evidence that the secretariat kept records of how the fee level was determined, as required by section 5.14 of the administrative instruction.

251. With regard to paragraph 250 (b) above, the secretariat of the Convention on Biological Diversity mentioned that it should be noted that, at present, Umoja does not allow the secretariat to enter any information pertaining to the organizational department where the individual concerned will work. In relation to this, the Board is of the view that the proper coordination regarding Umoja roles should be established between UNEP headquarters and the secretariat of the Convention on Biological Diversity in order to ensure that information is managed in accordance with the requirements of the administrative instruction.

252. As the terms of reference contain the contracting conditions, the Board is of the opinion that if the secretariat extends contracts for longer than the duration established in the terms of reference, it discourages consultants and individual contractors from complying with the conditions determined at the initial stage. In addition, deadline extensions could be indicative that the planning of the hiring of the consultant did not take into consideration the time needed for the development of the work, or that delays could occur owing to a breach of the terms by consultants and individual contractors paired with insufficient supervision by the responsible personnel.

253. The Board is of the view that the documents that govern the hiring process, such as contracts for the services of a consultant and individual contractors, should contain all the information necessary to identify the contracting agency and the contracted person, and as a result clearly identify the organization that entered into the contract.

254. Finally, the Board concludes, from the administrative instruction, that an agency must keep records of how it determines the fee level. Therefore, the absence of these records involves the risk of establishing rates that are not the minimum amount necessary to obtain the services required by the organization.

255. **The Board recommends that UNEP establish a control mechanism that guarantees compliance with the terms of reference of the hiring processes of consultants and individual contractors at the secretariat of the Convention on Biological Diversity, in particular with regard to the deadline for the development of contracted tasks, so that contracts do not exceed the duration specified in the terms of reference.**

256. **The Board recommends that UNEP ensure that the contracts contain all the information necessary to identify the department that signs the contract and the consultants and individual contractors hired at the secretariat of the Convention on Biological Diversity.**

257. **The Board recommends that UNEP keep records of how the fee level was determined for each contract with consultants and individual contractors at the secretariat of the Convention on Biological Diversity.**

258. UNEP accepted the recommendations and subsequently reported that measures had been taken regarding the contracting processes for consultants and individual contractors.

Control mechanisms for compliance with regulations for consultants and individual contractors

259. As established in section 6, paragraph 6.1, of administrative instruction ST/AI/2013/4, heads of departments, offices or missions where the services of consultants and individual contractors assistance are required are responsible for ensuring that the services needed meet the conditions for hiring a consultant and individual contractor. In addition, they are also responsible for ensuring that decisions on selection and any other substantive issues relating to the consultants and individual contractors are taken in accordance with the administrative instruction.

260. In this regard, among others, paragraph 3.7 of the administrative instruction indicates several rules and requirements to be followed in the event that a former or retired United Nations staff member is engaged on an individual contract.

261. In addition, paragraphs 5.8 and 5.9 of the administrative instruction indicate that, in order to limit the repeated use of the same consultant, either to perform different tasks within the workplan or a series of tasks within the same project, no consultant shall provide services for more than 24 months in a 36-month period, whether continuous or not, and irrespective of the cumulative months of actual work. The services of an individual contractor shall be limited to 6 or, in special circumstances, 9 work-months in any period of 12 consecutive months, irrespective of the cumulative months of actual work, save for individual contractors engaged to perform language functions on a unit-cost basis.

262. During its review of the contracting processes of the consultants and individual contractors at the secretariat of the Convention on Biological Diversity, the Board identified the control mechanisms that the secretariat uses to comply with the administrative instruction.

263. The secretariat of the Convention on Biological Diversity maintains Excel spreadsheets on the hired consultants and individual contractors. In these Excel spreadsheets, personal data, the identification code (business partner number) and the start and end dates of the contract are recorded, among other things. However, the Board noted that this form only included information for 2019, and did not contain information for 2017 and 2018.

264. It should also be noted that the Umoja system does not have the necessary parameters to alert personnel to situations of risk, such as those related to the hiring of former United Nations staff, or the maximum hiring time for consultants and individual contractors.

265. The Board is of the opinion that there is room for improvement with regard to establishing controls and supervision in the hiring process for consultants and individual contractors.

266. Having only a one-year perspective in the tracking tool used for consultants and individual contractors hinders the ability to analyse compliance with the time limits established for consultants and individual contractors in the administrative instruction. Moreover, the Board holds that the manual controls that UNEP personnel are currently carrying out should have an automated component that can warn of risk situations and allow measures to be taken to mitigate possible breaches of regulations.

267. **The Board recommends that UNEP establish a control mechanism that allows for the alerting of personnel in charge of hiring consultants and individual contractors about possible risk situations, such as hiring former and retired staff members or surpassing the maximum hiring periods in accordance with the administrative instruction.**

268. UNEP accepted the recommendation and reported progress in its implementation.

Evaluation reports of consultants and individual contractors

269. In the section on output evaluation in the administrative instruction on consultants and individual contractors, paragraph 5.29 states: "A formal output evaluation shall be conducted at the time of completion of assignment on a designated form and recorded in the rosters maintained by the respective department, office or mission for consideration for future contracts." In addition, pursuant to annex VI of the administrative instruction, there are two types of evaluations. One of them is an interim evaluation, which is mandatory after six months of service, and the other one is a final evaluation, which is mandatory upon completion of assignment regardless of duration.

270. In order to verify the compliance with the administrative instruction on consultants and individual contractors, the Board looked at a sample of the 16 personnel hired during the audited period by the secretariat of the Convention on Biological Diversity (8 consultants and 8 individual contractors) and analysed the compliance with regard to the performance evaluation of the contracts related to each of them (22 contracts for consultants and 16 contracts for individual contractors).

271. Of the 22 contracts for consultants, the Board found that there was no interim evaluation or final evaluation for consultants related to 2 contracts, although they should have had both evaluations; 11 contracts that were shorter than six months did not have a final evaluation; 4 contracts had not yet finished; and only 5 contracts had the final evaluation in accordance with the stipulations of the administrative instruction.

272. Of the 16 contracts for individual contractors, the Board found that 2 contracts did not have an interim evaluation or a final evaluation, although they should have had both; 8 contracts had the interim evaluation and the final evaluation, but neither as required by the administrative instruction; and 4 contracts had not yet finished, so the evaluation did not apply.

273. The Board considers that the absence of the evaluation of consultants and individual contractors prevents the hiring entity from having records of their performance. This situation hinders the control that the secretariat of the Convention on Biological Diversity may have to assess consultants and individual contractors for future contracts.

274. **The Board recommends that UNEP reinforce its control mechanism and ensure that each interim evaluation and each final evaluation are carried out in a timely manner in accordance with the provisions of the administrative instruction.**

275. UNEP accepted the recommendation and reported progress in its implementation.

5.2 Management at the secretariat of the Bamako Convention on the Ban of the Import into Africa and the Control of Transboundary Movement and Management of Hazardous Wastes within Africa

Work planning at the secretariat of the Bamako Convention

276. In its decision 1/6, the Conference of the Parties to the Bamako Convention agreed that UNEP would carry out the functions of a secretariat. Article 16 of the Bamako Convention indicates that one of the functions of the secretariat is to "prepare

reports on its activities carried out in the implementation of its functions under this Convention and present them to the Conference of the Parties".

277. Decision 1/1 of the conference of the parties approved the rules of procedure for itself and for any subsidiary body it may establish. In this regard, rule 25 of the rules of procedures indicate that the duties of the secretariat will be, among others: "(a) to assist the President of the Conference and its permanent Bureau in the implementation of the decisions adopted by the Conference; (b) under the direction of the President and the Rapporteur, undertake the material organization of work between sessions and provide secretariat services to the Conference during the sessions."

278. Moreover, according to the programme manual, results-based management incorporates monitoring progress towards results and resources consumed through the use of appropriate indicators where data is available for UNEP managers to improve performance where needed.

279. The secretariat of the Bamako Convention developed a workplan and budget for the biennium 2018–2019 with the activities to be performed between each meeting of the Conference of the Parties to implement the decisions of the Conference of the Parties. The expected results of the workplan include: (a) development of adequate national legislation on the ban of the movement of the hazardous wastes; and (b) information effectively managed, disseminated and exchanged.

280. The Board reviewed the workplan and noted the following:

(a) Although the workplan was structured with regard to outputs, activities, outcomes and performance measurement, the instrument lacked a schedule of milestones that allowed for an assessment of the timelines for the development of the plan;

(b) Despite having a section dedicated to performance measurement, the workplan mainly announced the units to be considered at the measuring process and did not include indicators of achievement or means of verification that allowed for a deeper analysis with regard to the level of accomplishment of the workplan.

281. The Board considers that the absence of elements for measuring the implementation of the workplan, such as a schedule of milestones and indicators of achievement, generates gaps between existing and expected results, which triggers a loss of control in the final execution of the plan and therefore in the implementation of the Convention and the compliance with the decisions of the Conference of the Parties.

282. In addition, milestones and indicators of achievements with their respective means of verification are basic elements needed to measure the levels of accomplishments of the aims of the secretariat, facilitating the follow-up process to be carried out in the planning instrument and the reporting to be performed in accordance with article 16 (c) of the Bamako Convention. These elements also allow for a better understanding of where to focus the work to be achieved in order to fulfil the expected results of the workplan.

283. The Board is of the opinion that the aspects mentioned above are a key approach to results-based management, in accordance with the programme manual, as explained in section 3.2 of the present report. Results-based management is also of capital importance to nurture the reporting obligations of secretariat towards the Conference of the Parties, providing a clear measurement of the advances reached by the secretariat and enhancing transparency and accountability.

284. **The Board recommends that UNEP coordinate with the secretariat of the Bamako Convention in order to establish a comprehensive workplan on the secretariat's activities. The workplan should be aligned with the secretariat's**

strategic objectives and with the decisions of the Conference of the Parties to the Bamako Convention, incorporating also a schedule of milestones and measurable indicators of accomplishment and means of verification.

285. UNEP accepted the recommendation.

Management of trust funds at the Bamako secretariat

286. As mentioned above, in its decision 1/6, the Conference of the Parties to the Bamako Convention decided that the secretariat functions would be carried out by UNEP, provided that the United Nations Environment Assembly of UNEP authorized the Executive Director to perform such functions. In its resolution 1/16, the United Nations Environment Assembly established the management of trust funds and earmarked contributions. Paragraph 6 of section I of the resolution, on trust funds in support of the programme of work of UNEP, noted and approved the establishment of several trust funds and their general structure, among them BML, the general trust fund for the programme budget of the Bamako Convention; and BWL, the special trust fund for activities funded by voluntary contributions to the Bamako Convention. Through a memorandum dated 23 November 2017, the UNEP Deputy Executive Director approved the creation of those trust funds to support the activities of the Bamako Convention.

287. The terms of reference for the BML trust fund indicate that it is established for meeting the objectives of the Convention, namely, providing financial support for the implementation of the programme of work of the Convention and the functioning of the secretariat as outlined in the relevant decision of the Conference of the Parties to the Bamako Convention.

288. In addition, the terms of reference for BWL indicate that this trust fund is established for meeting the objectives of the Bamako Convention that are funded through voluntary contributions, which are: activities of the Bamako secretariat in accordance with article 14 of the Convention; facilitating the participation of representatives of developing countries, in particular least developed countries and small island developing States among them, and of countries with economies in transition, in the meetings of the Conference of the Parties and its subsidiary bodies; and other appropriate purposes consistent with the objectives of the Convention.

289. Elaborating on article 14 mentioned above, with regard to financial aspects the following was noted in paragraphs 3 and 4 of article 14 of the Convention:

> 3. The Parties shall also consider the establishment of a revolving fund to assist on an interim basis in case of emergency situations to minimize damage from disasters or accidents arising from transboundary movements of hazardous wastes or during the disposal of such wastes.
>
> 4. The Parties agree that, according to the specific needs of different regions and subregions, regional or subregional centres for training and technology transfers regarding the management of hazardous wastes and the minimization of their generation should be established, as well as appropriate funding mechanisms of a voluntary nature.

290. The United Nations Policy Framework for International Public Sector Accounting Standards (IPSAS) indicates, in paragraph 8.4.14, with regard to assessed contributions, that “appropriations are financed by contributions from Member States which are assessed according to the scale of assessments”.

291. In addition, regarding voluntary contributions, in paragraph 8.4.16, the Policy Framework indicates that “voluntary contributions and other transfers, which are

supported by legally enforceable agreements, are recognized as revenue at the time when the agreement become binding”.

292. Finally, the Abidjan Declaration on the Bamako Convention (UNEP/BC/COP.2/9) notes with concern “the content of the note by the secretariat on its report on the status of implementation of the Bamako Convention as well as past decisions adopted by the Conference of the Parties indicating that no resources have been made available by parties for the implementation of the approved costed programme of work, thereby leading to poor implementation of the Bamako Convention”.

293. The Board reviewed the Bamako trust funds approved by the United Nations Environment Assembly and compared them with the information recorded in Umoja. The following situations were identified:

(a) Of the two approved general trust funds for the Bamako Convention, one had not yet been created in Umoja. The trust fund still pending was established as the BWL special trust fund for voluntary contributions in support of the Bamako Convention;

(b) The accounting transactions for the conformation of the revolving fund were posted in the BML trust fund as voluntary contributions, as they were assessed contributions in accordance with the United Nations Policy Framework for IPSAS;

(c) The BML trust fund recorded contributions receivable of $299,440, and no expenditure item of the programme of work was financed with those resources. The BML trust fund has therefore not been used to comply with the objectives of the Convention, owing to the absence of financial support for the implementation of the programme of work and the functioning of the secretariat;

(d) Finally, the 2019 budget included voluntary contributions of $2,348,820, with the purpose of supporting the meetings of the Conference of the Parties and financing the activities included in the workplan. However, there were no effective resource mobilization activities in place to collect the pledges.

294. The Board is of the opinion that UNEP should review the creation of the Bamako trust funds, considering that the purposes of financial support and functioning of the secretariat are not yet in line with the objectives of the Convention.

295. In addition, the revolving fund needs to be posted as an assessed contribution account, instead of a voluntary contribution account, in order to meet the definition of assessed contributions in accordance with the United Nations Policy Framework for IPSAS.

296. The Board is of the view that the absence of effective resource mobilization activities hampers the development of the mandate of the secretariat, owing to the low collection rates compared with the budgeted amount.

297. **The Board recommends that UNEP assess the creation of trust funds in Umoja for the Bamako Convention secretariat in order to comply with the structure settled by the United Nations Environment Assembly.**

298. **The Board recommends that UNEP reallocate the Bamako Convention revolving fund into an assessed contribution category, creating a specific account for this purpose in the BML trust fund.**

299. **The Board recommends that UNEP liaise with the Bamako Convention secretariat to coordinate with the Conference of the Parties to the Bamako Convention to adjust the programme of work and budget submission, with the aim of evaluating and implementing a more realistic workplan for the secretariat in accordance with the available resources.**

300. UNEP accepted the recommendations.

6. Accounting management

Non-exchange transactions

301. IPSAS 1: Presentation of financial statements, adopts the accrual principle for accounting, while IPSAS 23: Revenue from non-exchange transactions (taxes and transfers), says in paragraph 50: "A present obligation arising from a non-exchange transaction that meets the definition of a liability shall be recognized as a liability when, and only when: (a) it is probable that an outflow of resources embodying future economic benefits or service potential will be required to settle the obligation; and (b) a reliable estimate can be made of the amount of obligation."

302. In addition, paragraph 2 of the notes to the financial statements on IPSAS 23 indicates that "assets and revenue arising from transfer transactions are recognized in the period in which the transfer arrangement becomes binding, except for some services in-kind".

303. The United Nations Policy Framework on IPSAS also indicates in paragraph 8.4.16 that voluntary contributions and other transfers, which are supported by legally enforceable agreements, are recognized as revenue at the time when the agreement becomes binding.

304. Finally, the Policy Framework, in the section on recognition and measurement of a liability indicates:

(a) In paragraph 8.2.8: "Revenue from non-exchange transactions is recognized to the extent that the transaction creates an asset without a corresponding liability. If the transaction has stipulations attached that amount to conditions, then a liability for those conditions will be recognized";

(b) In paragraph 8.2.9: "Stipulations imposed by donors on the use of contributions are classified as either conditions or restrictions. For a stipulation to be a condition, it must include both a performance obligation to use the donation in a specified manner and an enforceable return obligation, by legal or administrative means, to return the donation if it is not used in the specified manner";

(c) In paragraph 8.2.10: "In assessing whether a stipulation is a condition or a restriction, precedence must be given to the substance of the terms of the stipulation over its form. Thus, a mere specification in an agreement that a donation be used in a certain way or returned to the donor is not in itself sufficient to warrant a stipulation being assessed as a condition".

305. With regard to the Policy Framework, for non-exchange transactions, UNEP was recognizing revenue in full at the time the agreement was signed, except for those agreements that had performance conditions that were beyond its control. In those cases, a liability was recognized. In accordance with the Framework, conditions are considered to be found in European Commission agreements.

306. However, when analysing agreements with UNEP donors, the Board noted instances of contribution agreements that were not made with the European Commission, but still contained conditions. Moreover, the Board realized that UNEP did not identify whether agreements were subject to restrictions or conditions in order to recognize the respective liability, taking into account the "substance over form" criterion. In fact, when the Board consulted UNEP about the problems with non-exchange transactions, the organization responded that one of the risks involved was the identification of the performance obligations, between restrictions or conditions, for the conditional agreements.

307. In addition, the Board also reviewed the management of the agreements signed between the donors and UNEP, through a sample of 30 records of the voluntary contributions report taken from Umoja. In this regard, the Board noticed that in some cases there were stipulations establishing the creation of a steering committee that would meet at least twice a year to oversee the implementation of the agreement.

308. When the Board enquired on the matter, UNEP replied that the steering committee had not yet met and progress could not be monitored, the results could not be evaluated and adjustments could not be made to the workplan. UNEP also reported that it did not have a mechanism to detect which contracts had incorporated the creation of a steering committee and that there were no cross-cutting controls to oversee the progress of the agreements.

309. The Board considers that the interpretation of the recognition of non-exchange transactions, under the United Nations Policy Framework for IPSAS, should be reviewed to further enhance the assessment of contributions agreements, in accordance with IPSAS 23, in particular with regard to the substance over form criterion, to determine whether a stipulation is a condition or a restriction. This assessment is vital in order to align the revenue to the actual implementation of the activities in cases of delay in the start-up of the projects.

310. In addition, there is room for improvement with regard to revenue recognition in terms of assessing the nature of the requirements included in the agreements and their reflection as either enforceable activities or eligible expenditures. Such assessments would allow for a more effective recording of revenue when the cash inflow is generated, diminishing liability and making the adjustments needed in accordance with the level of accomplishment of the agreement.

311. In fact, there is no systematic mechanism or manual control to oversee the accomplishment of the restrictions stipulated in the agreements. Such a mechanism could allow UNEP to monitor the progress of the agreements, evaluate the results to adjust the programme of work and budget and effect cancellation of resources on the basis of the review, if required.

312. **The Board recommends that UNEP coordinate with the United Nations Secretariat and the United Nations Office at Nairobi to assess and elaborate a new accounting policy in order to establish an enhanced basis for decision-making on the recognition of non-exchange transactions, in line with IPSAS 23.**

313. **The Board also recommends that UNEP implement the appropriate control mechanisms to measure the level of accomplishment of contribution agreements and to make the necessary budgetary and programme of work adjustments before the year's closure.**

314. **The Board recommends that UNEP implement a mechanism to ensure proper support documentation for the contribution agreements uploaded in Umoja.**

315. Regarding the first recommendation, UNEP states that its acceptance would be subject to agreement by the United Nations Secretariat to issue a new accounting policy on the recognition of non-exchange transactions.

316. The Board is of the view that the absence of an agreement with the United Nations Secretariat is not an obstacle for UNEP to take coordination measures with the aim of reaching an arrangement. Therefore, although the results of those coordination measures will not be ensured, the Board sees that it is within the capability of UNEP to, at least, strive for that arrangement.

317. UNEP accepted the second and third recommendations.

Segment reporting in the presentation of the financial statements of the United Nations Environment Programme

318. IPSAS 18: Segment reporting, indicates in paragraph 9 that a segment is a distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information for the purpose of evaluating the entity´s past performance in achieving its objectives and for making decisions about the future allocation of resources.

319. The United Nations Policy Framework on IPSAS indicates in section 23, paragraph 23.1, that IPSAS 18 "prescribes principles for the reporting of financial information by segment in order to better understand past performance of the United Nations and to identify the resources allocated to support its major activities and enhance the transparency of financial reporting".

320. Paragraph 23.2.1 of the Policy Framework adds, "when the activities in question are broad and encompass a wide range of geographical regions with different socioeconomic characteristics, it is necessary to report disaggregated financial and non-financial information about particular segments to provide relevant information for accountability and decision-making purposes".

321. Finally, paragraph 23.2.2 states:

> The types of segments reported on are referred to as "service segments" or "geographical segments". These terms have the following meanings:
>
> (a) A service segment is a distinguishable component of an entity engaged in providing related services or achieving particular operating objectives consistent with its overall mission;
>
> (b) A geographical segment is a distinguishable component of an entity engaged in providing related services or achieving particular operating objectives within a particular geographical area.

322. The Board reviewed note 4, Segment reporting, of the notes to the financial statements of the present report, and identified the following:

(a) UNEP explained that the segment reporting was structured in seven segments. However, the organization did not provide or disclose information on the details of the composition of the segments in order to better understand the classification of the activities. For instance, the segment entitled "Other support to the UNEP programme of work" is mainly composed of the Global Environment Facility, the Green Climate Fund, the trust fund for Junior Professional Officers and other funds, in which each classification has a specific goal, purpose and structure that were not mentioned in the note;

(b) In the annexes to the notes, UNEP only disclosed the details of two of the seven segments, leaving 12 trust funds undisclosed;

(c) UNEP has a regional presence in Africa, Asia and the Pacific, Europe, Latin America and the Caribbean, North America and West Asia. However, unlike other United Nations agencies, UNEP did not provide information on geographical areas. For instance, the disaggregated information of expenses by regional offices or location was not shown in the report.

323. Regarding paragraph 322 (c) above, management indicated that most UNEP activities are global and normative in nature, which makes it difficult to disaggregate expenses by geographical dimensions. In addition, such disaggregation is not supported by the features of the information management systems used for this data. UNEP also indicated that most of the income is pooled and it is working with

implementing partners whose activities are spread in several countries, hindering an accurate tracing of the expenses. Although Umoja Extension 2 allows for the substantive reporting of activities by geographical dimensions, these activities would not facilitate a systematic process of tracking and reporting by geographical segments.

324. While the Board acknowledges management's explanation, the Board considers that reporting its activities by geographical segment would allow UNEP, as the leading global environmental authority, to refer to regional achievements and regional needs, and both highlight its resources allocated throughout the world and identify where such resources are lacking. The Board is of the view, therefore, that UNEP should at least assess the possibilities of disclosing information segregated by geographical area, especially in consideration of the new features that Umoja Extension 2 provides. Finally, it is important for UNEP to coordinate with the United Nations Office at Nairobi and United Nations Headquarters to assess the implementation of geographical segment reporting, as other United Nations entities have achieved.

325. The Board is of the view that UNEP could further enhance the note on segment reporting by adding descriptions of the structure of the segments. Furthermore, owing to its vast regional presence, it is important that UNEP disclose at least the expenses by region, to have a better comprehension of the allocation of resources to support the major activities and to better understand the past performance of UNEP.

326. **The Board recommends that UNEP improve its note on segment reporting in the notes to the financial statements by adding the description of the structure and activities developed by each segment.**

327. **The Board recommends that UNEP disclose in the annexes to the notes to the financial statements the details, at the fund level, of the five pending segments, in order to enhance transparency of financial reporting.**

328. **The Board recommends that UNEP evaluate, in coordination with the United Nations Office at Nairobi and United Nations Headquarters, the disclosure of expenses in the notes to financial statements disaggregated by geographical segments. This evaluation should also be extended to revenue, assets and liabilities.**

329. **The Board recommends that UNEP enact a reasoned decision on the feasibility of reporting by geographical segment that includes an implementation schedule in case this disclosure is determined to be practicable.**

330. UNEP accepted the first and second recommendations.

331. The third and fourth recommendations were not accepted by UNEP. In the entity's opinion, the third recommendation was not consistent with its mandate. The disclosure of expenses, revenue, assets and liabilities by geographical region would not present meaningful information, as the mandate of UNEP is global in nature (e.g., climate change, healthy and productive ecosystems, environmental governance). Referring to the fourth recommendation, UNEP mentioned that, based on its reply to the third recommendation, an implementation schedule for reporting by geographical segment was impractical and not technically supportable.

332. The Board is of the view that geographical segment disclosure does not contradict a global mandate, as this type of disclosure does not aim to exclude any area of the world where UNEP is deployed. The idea is that the geographical areas involved could be better depicted, with the aim of enhancing the understanding of the organization's world achievements, activities and financial situation, as implemented

by other agencies such as the United Nations Office for Project Services, the United Nations Children's Fund and the United Nations Office on Drugs and Crime.

333. In addition, regarding the fourth recommendation, the Board is of the view that the conclusions espoused by UNEP about the practicality of and technical support needed for segment reporting have not been properly examined, as those kinds of conclusions should be derived from an evaluation. Therefore, as an evaluation has not yet been performed, UNEP does not have enough information to reasonably act on the matter in order to decide whether or not geographical segment reporting should be implemented, and how.

7. Human resources management

Overtime management

334. Through its information circular UNON/IC/2015/07, the United Nations Office at Nairobi provides details on, among other things, the official hours of work and the conditions governing overtime and compensatory time off for the Nairobi duty station, which includes UNEP.

335. In this regard, the information circular specifies in paragraph 4 that time worked in excess of the scheduled workday or in excess of the scheduled work week, or time worked on official holidays, means overtime, which must be authorized by the competent authority; that the scheduled workday means the duration of the working hours in effect at the time on any day of the scheduled work week, less the authorized lunch break; that compensation should take the form of an equal amount of compensatory time off for overtime in excess of the scheduled workday up to a total of eight hours of work on the same day; and that compensation should take the form of an additional payment for overtime in excess of a total of eight hours of work of any day of the scheduled work week, or when it takes place on the sixth or seventh day of the scheduled work week, or when it takes place on an official holiday.

336. In addition, paragraph 4 (x) of the information circular states that supervisors should not require a staff member to work more than 40 hours of overtime during any one month, in the interests of the health of the staff and the efficiency of the service, except where unusual exigencies of the service so require. In such situations, exceptional approval by the authorized official is necessary prior to the commencement of overtime scheduled for Sundays and official holidays.

337. The Board carried out an analysis of the overtime of 30 staff members of UNEP, from 1 January to 31 August 2019, excluding public holidays.

338. For calculations of overtime, in accordance with the information circular, from Monday to Thursday, the official work hours from 8 a.m. to 4.30 p.m. and from 8.30 a.m. to 5 p.m., with a break of 45 minutes for lunch, meant that the scheduled workday was seven hours and 45 minutes. For Friday, since the official working hours were from 8.00 a.m. to 2 p.m. and from 8.30 a.m. to 2.30 p.m., excluding a lunch break, the scheduled workday on Fridays was six hours.

339. The first observation of the Board relates to compensatory time off. Such time off corresponds to cases of overtime in excess of the scheduled workday up to a total of eight hours on the same day. As a result, from Mondays to Thursdays, the maximum compensatory time off allowed should be 15 minutes. However, the Board found 60 instances, related to six staff members, of compensatory time off of more than one hour; some instances even exceeded four hours per day.

340. Using the same calculation, the maximum compensatory time off allowed for Fridays should be two hours. However, the Board found 16 instances, related to six staff members, of compensatory time off surpassing that time frame.

341. The second observation of the Board relates to monetary compensation for overtime counted before completing the workday of eight hours. In accordance with the terms of the information circular, the overtime payment rate is 1.5 times the staff member's base salary for work in excess of eight hours on any working day and for work on the sixth day of the scheduled work week. If the overtime takes place on a Sunday or on the seventh day of the scheduled work week, the rate of the additional payment is twice the aggregate.

342. In this regard, the Board was of the opinion that, for the calculation of overtime to be rewarded by monetary compensation, the overtime performed as of the completion of eight hours on any working day should be excluded, as that time should be rewarded by compensatory time off.

343. In relation to Fridays, the Board found that in several cases the payment made was for the total of overtime performed on that day, but the time that should have been rewarded with compensatory time off was not properly discounted. Some 152 cases, related to 25 staff members, referred to overtime payments for work without considering prior overtime as compensatory time off. In addition, in 44 cases, related to three staff members, though there was previous compensatory time off, the time off was for less than the two hours that corresponded to the Friday working schedule.

344. The third observation of the Board relates to the lunch break on Fridays. On Fridays, depending on the start of the scheduled working day, the day could end at 2 p.m. or 2.30 p.m., excluding a lunch break.

345. In this regard, the Board found that on 29 occasions, related to two staff members, overtime started at 2 p.m. or 2.30 p.m. and extended until afternoon or even night. In these cases, overtime was counted as if there was no lunch break for the respective staff member.

346. Moreover, the Board also detected three cases, related to two staff members, of gaps in overtime work that could be considered a break for lunch, but the breaks were not taken at the standard lunch time.

347. Although the information circular expressly indicates that the regular working hours for Fridays exclude a lunch break, there is no regulation regarding the entitlement to lunch in the case of overtime, that is, when the working hours on that day go beyond six hours.

348. The fourth observation of the Board relates to the rate of overtime payment. The Board found 37 cases, related to seven staff members, in which the personnel did not work on Sunday or on the seventh day of the scheduled work week, but received payments at twice the rate, instead of 1.5 times the rate.

349. In addition, the Board also noted 14 cases, related to seven staff members, in which the personnel should have been paid at twice the rate for working overtime during Sundays or holidays, but were paid at 1.5 times the rate instead.

350. Finally, the fifth observation of the Board relates to overtime of more than 40 hours per month. It was verified that all the staff members analysed as part of the sample worked more than 40 hours of overtime in a month at least once, even during consecutive months. Moreover, in some cases they worked more than double and sometimes almost triple the amount of allowed overtime, reaching up to 111 hours.

351. Owing to these circumstances, the Board requested that UNEP submit the respective special authorizations for staff to work more than 40 hours of overtime in a month. While considering the 66 monthly overtime records that fall into this category, the Board noted the following:

(a) Of the 66 cases, only 16 (24 per cent) were properly approved by UNEP;

(b) In 19 cases, the documents submitted by UNEP stated that the respective staff members were authorized for overtime, but not for working more than 40 extra hours per month;

(c) In five cases, UNEP submitted overtime reports that showed that the respective staff members worked overtime for more than 40 hours in one month; however, there were no prior authorizations for such work to be performed, as required by the policy;

(d) In another five cases, a general authorization was provided stating that, “exceptionally, authorization is granted for overtime hours worked in excess of the required 40 hours”. However, there was no specification of the personnel authorized to exceed this limit, nor was the period of time of the validity of the authorization stated;

(e) Finally, in another 21 cases, UNEP did not attach any documents containing authorizations to exceed the 40-hour limit of overtime per month. This includes two cases in which, although a memorandum was submitted, that memorandum did not refer to an authorization to work overtime for more than 40 hours in a month.

352. Overall, the Board is of the view that UNEP has not correctly calculated overtime that should be rewarded through compensatory time off, which also affects the calculations of monetary compensation for overtime. A consequence of this is the existence of authorized payments and time off that do not comply with the information circular UNON/IC/2015/07.

353. The Board is of the opinion that UNEP incorrectly considered as rewardable through compensatory time off the overtime that exceeded the total of eight hours of work during the day, which should have taken the form of an additional monetary payment instead.

354. The Board also considers that UNEP overpaid in two ways: when it paid overtime hours in money, when those hours should have been rewarded through compensatory time off, and when it paid twice the aggregate instead of using the 1.5 rate of overtime.

355. Moreover, a repeat performance of more than 40 hours in monthly overtime could end in a result that is contrary to the interests of the health of the staff and the efficiency of the service, especially in cases where exceptional approval does not exist.

356. In addition, the Board is of the view that a general authorization such as the one described in paragraph 351 (d) contradicts the purpose of the overtime policy. The policy specifies that the authorization should be exceptional and granted under special circumstances. However, the conditions in which the authorization was made turns a situation that should be exceptional into a generally applicable rule, as it does not include any limits in terms of the personnel or the period of time for which that authorization is valid.

357. The Board is also of the view that most of the above weaknesses are attributed to a lack of monitoring by time managers and to an inadequate review of compensatory time off and payments for overtime.

358. **The Board recommends that UNEP ensure that overtime rewards as compensatory time off and as additional payment be calculated in accordance with the information circular UNON/IC/2015/07 and the proper instructions, in compliance with the schedule established by the Nairobi duty station.**

359. **The Board recommends that UNEP review and correct the cases identified, as accumulated entitlement of compensatory time off on inappropriate schedules; overtime payments on incorrect schedules; and payments that exceed the established rates.**

360. **The Board recommends that UNEP regulate the lunch-break time on Fridays under the overtime hypothesis, indicating its duration, opportunity and counting the overtime rewards from this interruption thereafter.**

361. **The Board recommends that UNEP review the quantity of overtime per month, with special emphasis on those who exceed the allowed limit of 40 hours, taking the necessary measures to avoid surpassing this ceiling and requiring prior exceptional approval every time this boundary cannot be complied with.**

362. UNEP accepted the recommendations.

8. Information and communications technology

Information and communications technology governance

363. In accordance with the Secretary-General's bulletin on the Information and Communications Technology Board (ST/SGB/2003/17), there are different levels of governance for information and communications technology (ICT). Paragraph 4.4 of section 4 of the bulletin indicates that all departments and offices away from Headquarters shall establish internal or local ICT groups or committees following the pattern of the Information and Communications Technology Board. The bulletin adds that ICT groups or committees shall establish departmental strategies aligned with the overall objectives of the Secretariat, maintain and update information on departmental systems, resources and assets, review existing systems to confirm their cost-effectiveness, and ensure that standard methodologies are consistently used for ICT projects.

364. In addition, the terms of reference of the UNEP Information and Communications Technology Committee, established in May 2015, define the purpose, functions, membership and frequency of meetings. Regarding the last point, the terms of reference indicate that the Committee should meet at least twice a year.

365. UNEP reported that the internal or local ICT group or committee has not gathered lately, in accordance with paragraph 4.4 of section 4 of the Secretary-General's bulletin at the duty station level and the terms of reference of the UNEP Information and Communications Technology Committee. In fact, UNEP stated that Committee meetings have not been held since 2017.

366. UNEP also pointed out that there is an internal UNEP group (ICT focal points) that is complementary to the Committee, who work together on coordination. This group consists of information technology staff who support the work of the divisions, offices and multilateral environmental agreements. There has been regular and ongoing communication with ICT focal points, remotely with the focal points at offices away from headquarters and in person with the focal points based in Nairobi.

367. As mentioned above, local ICT committees play a substantial role in the proper coordination, maintenance and governance of UNEP ICT, in accordance with the Secretary-General's bulletin. However, the UNEP Information and Communications Technology Committee has not operated for more than two years.

368. The Board considers that UNEP should have complied with the Secretary-General's bulletin and the Information and Communications Technology Committee's terms of reference with regard to having active local or internal ICT groups or committees and holding meetings as indicated in the bulletin.

369. **The Board recommends that UNEP reactivate the ICT group or ICT local committee by holding meetings twice a year, as indicated in its ICT terms of reference established in May 2015, and complying with the provisions of the Secretary-General's bulletin on the Information and Communications Technology Board.**

370. UNEP accepted the recommendation.

Delegation of authority online portal and roles in Umoja

371. In accordance with the Secretary-General's bulletin on delegation of authority in the administration of the Staff Regulations and Rules and the Financial Regulations and Rules (ST/SGB/2019/2), the delegation of authority should be issued and managed through a delegation of authority online portal, which can be accessed through Unite Self Service. Apart from that, all staff members receive Umoja roles through Umoja user-access provisioning in accordance with the delegation of authority issued.

372. During the audit, the Board reviewed the roles of UNEP staff users. During this procedure, it was verified that:

(a) One staff member had Umoja roles assigned related to a delegated authority, although the corresponding delegation of authority status was "revoked" in the delegation of authority online portal;

(b) One staff member had Umoja roles assigned in relation to a delegated authority, although the status of the delegation of authority was "declined" in the online portal;

(c) Some staff members had Umoja roles assigned related to certain delegated authorities, although the statuses of the delegations of authority were "expired" in the delegation of authority online portal;

(d) There were 62 staff members who did not have Umoja roles related to delegated authority, although the status of the delegation of authority issued was "accepted" in the online portal.

373. The Board is of the opinion that discrepancies between the delegation of authority online portal and Umoja roles for UNEP staff may result in the incorrect use of Umoja and potential risks of fraud.

374. **The Board recommends that UNEP issue its delegations of authority through the delegation of authority online portal and clear up any discordances between the delegation of authority online portal and Umoja roles in accordance with the delegation of authority in the administration of the Staff Regulations and Rules and the Financial Regulations and Rules.**

375. UNEP accepted the recommendation and reported progress in its implementation.

C. Disclosures by management

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

376. UNEP reported that there were write-offs of accounts receivable and advances amounting to $0.225 million in 2019, and no write-offs in cash assets.

2. Ex gratia payments

377. UNEP reported to the Board that there were no ex gratia payments in 2019.

3. Cases of fraud and presumptive fraud

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

379. During the audit, the Board made enquiries of management regarding their oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks of fraud that management has identified or that have been brought to their attention.

380. The Board also enquired whether management had knowledge of any actual, suspected or alleged fraud. In 2019, UNEP reported two cases of fraud and five cases of presumptive fraud that were under investigation. The estimated amount related to the referred cases is $134,626.

D. Acknowledgement

381. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director and staff members of the United Nations Environment Programme.

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

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
(Lead Auditor)

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India

21 July 2020

Annex

Status of implementation of recommendations up to the year ended 31 December 2018

					Status after verification			
No.	*Report reference and financial period in which first made*	*Summary of recommendation*	*UNEP response*	*Board's assessment*	*Implemented*	*Under implementation*	*Overtaken by events*	*Not implemented*
1.	2014 A/70/5/Add.7, chap. II, para. 45	UNEP agreed with the Board's recommendation that it look at ways of ensuring that the Evaluation Office is provided with adequate resources to initiate and manage independent project-level evaluations to the required level, and that project closure time frames are adhered to.	UNEP indicated that it has provided evidence to the Board with regard to the approval of the deployment of a position at the Professional level (P-4) to the Evaluation Office with the aim of strengthening the capacity of the Office. In addition, a staff member (P-3) assumed her duties on 30 September 2019. In addition, UNEP noted that the staff complement of the Evaluation Office also included individual contractors in 2019, who are paid from Global Environment Facility (GEF) fee resources to match the demand for GEF project evaluations, which are mandatory.	UNEP provided a memorandum dated 16 January 2019 by the Acting Executive Director indicating the redeployment of the position of P-4 Programme Manager to the Evaluation Unit, aiming to strengthen the evaluation capacity of UNEP, as well as a human resources action request to transfer the respective staff member. In addition, UNEP provided evidence of the assumption of the duties of the P-3 position, which had been vacant. Finally, considering the allocations from GEF fee resources for the hiring of individual contractors, the Board is of the view that UNEP has fulfilled its possibilities of resources allocation. Therefore, this recommendation is considered implemented.	X			
2.	2015 A/71/5/Add.7, chap. II, para. 52	The Board recommends that UNEP ensure sufficient controls over the preparation and submission of required project reports by implementing agencies in compliance with the project cooperation agreements.	UNEP reported that currently there is no system to identify which reports have been received and which are overdue. UNEP added that the Board's recommendations on project management, information updates and implementing partners' compliance with the requirements of the project cooperation agreement have been conveyed to the Umoja Extension 2 development team.	The Board acknowledges that UNEP is in the process of developing Umoja Extension 2. As verified by the Board, thus far, the modules implemented are aligned with the initial stage of project development, which is mainly related to project formulation and the application and selection of implementing partners. However, the features related to the implementation of this measure are still not operative.		X		

No.	Report reference and financial period in which first made	Summary of recommendation	UNEP response	Board's assessment	Status after verification			
					Implemented	Under implementation	Overtaken by events	Not implemented
			The system is expected to have the following characteristics: report due dates, submitted dates and accepted dates; the ability to allow implementing partners to report directly against the logical framework assigned to the implementing partner and attach certified financial reports; and the monitoring of payments and reports.	Hence, this recommendation, as of the time of writing, is considered to be under implementation.				
3.	2015 A/71/5/Add.7, chap. II, para. 56	The Board recommends that UNEP-GEF: (a) make more effort and follow-ups to ensure that expenditure reports are submitted within the agreed time frames under the signed agreements; and (b) consider the write-off of receivables with respect to which expenditure reports cannot be retrieved and the recoverability of advances has proved to be uncertain.	(a) During the audit, UNEP mentioned that the Board's recommendations on project management, information updates and implementing partners' compliance with the requirements of the project cooperation agreement have been conveyed to the Umoja Extension 2 development team. The discussions on system features have not been completed but the system is expected to have the following characteristics: report due dates, submitted dates and accepted dates; the ability to allow implementing partners to report directly against the logical framework assigned to the implementing partner and attach certified financial reports; and the monitoring of payments and reports. (b) UNEP, during the audit visit, attached a report of the converted balances of implementing partners and the status of the clearance process. The balance	(a) the Board acknowledges that UNEP is in the process of developing Umoja Extension 2. As verified by the Board, thus far, the modules implemented are aligned with the initial stage of project development, which is mainly related to project formulation and the application and selection of implementing partners. However, the features related to the implementation of this measure are still not operative. (b) The Board reviewed the submitted report on converted balances and noted that, out of 150 transactions, 60 contain expenses reported, whereas 22 cases have been cleared with no reported expenses. The rest of the cases have been reported as pending. The Board views with concern the fact that UNEP has not finished the analysis of the recoverability of amounts recorded as receivables from implementing agencies which are outstanding up until 2015, especially in consideration to the potential or expected flow to the		X		

No.	Report reference and financial period in which first made	Summary of recommendation	UNEP response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
			that cannot be retrieved has been processed for write-off; however, this is not significant as the process to justify a write-off case takes time. The clean-up process is ongoing and has led to a reduction in the converted balances. In addition, the United Nations Office at Nairobi is no longer approving new advances for implementing partners that have defaulted in reporting. UNEP added that it is unable to confirm whether expense reports not yet received from implementing partners are recoverable or irrecoverable.	entity that IPSAS 1 requires for recognizing an asset. Therefore, this recommendation is considered to be under implementation.				
4.	2015 A/71/5/Add.7, chap. II, para. 67	UNEP agreed with the Board's recommendation that it review the residual value and the useful lives of all assets and ensure that the asset register is updated to reflect the restated figures after Headquarters has completed the analysis of property, plant and equipment.	The inter-agency Task Force on Accounting Standards survey of the analysis of useful economic life of fixed assets across the United Nations Secretariat and all United Nations agencies will be on all physical assets, and the collecting of data of the actual useful lives of assets is in progress. It is expected that the data collected from all United Nations offices and agencies across all classes of assets will serve as the basis for the revision of a system-wide policy on useful lives. In this regard, the United Nations Secretariat will await the survey outcome and decisions before taking a final decision on the treatment of fully depreciated assets still in use. The Administration also plans to introduce enhancements to equipment master records that	UNEP provided the report on the review of useful lives of fully depreciated assets still in use. However, the Board will wait for the completion of the analysis of the treatment of the fully depreciated assets. Hence, this recommendation is considered to be under implementation.		X		

No.	Report reference and financial period in which first made	Summary of recommendation	UNEP response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
			will allow for a periodic review of useful lives across entities using Umoja.					
5.	2016 A/72/5/Add.7, chap. II, para. 24	The Board recommends that UNEP enhance its follow-up efforts with implementing partners to submit the required reports on time so as to expedite financial closure of operationally closed projects.	UNEP mentioned that the Board's recommendations on project management, information updates and implementing partners' compliance with the requirements of the project cooperation agreement have been conveyed to the Umoja Extension 2 development team. The discussions on system features have not been completed but the system is expected to have the following characteristics: report due dates, submitted dates and accepted dates; the ability to allow implementing partners to report directly against the logical framework assigned to the implementing partner and attach certified financial reports; and the monitoring of payments and reports.	The Board acknowledges that UNEP is in the process of developing Umoja Extension 2. As verified by the Board, thus far, the modules implemented are aligned with the initial stage of project development, which is mainly related to project formulation and the application and selection of implementing partners. However, the features related to the implementation of this measure are still not operative. Hence, this recommendation, as of the time of writing, is considered to be under implementation.		X		
6.	2016 A/72/5/Add.7, chap. II, para. 33	The Board recommends that UNEP conduct a regular follow-up with implementing partners to ensure that they comply with the UNEP programme manual by submitting consolidated audited financial statements on completed projects to provide assurance over the expenditure incurred during the implementation of the projects.	UNEP mentioned that the Board's recommendations on project management, information updates and implementing partners' compliance with the requirements of the project cooperation agreement have been conveyed to the Umoja Extension 2 development team. The discussions on system features have not been completed but the system is expected to have the following	The Board acknowledges that UNEP is in the process of developing Umoja Extension 2. As verified by the Board, thus far, the modules implemented are aligned with the initial stage of project development, which is mainly related to project formulation and the application and selection of implementing partners. However, the features related to the implementation of this measure are still not operative.		X		

No.	Report reference and financial period in which first made	Summary of recommendation	UNEP response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
			characteristics: report due dates, submitted dates and accepted dates; the ability to allow implementing partners to report directly against the logical framework assigned to the implementing partner and attach certified financial reports; and the monitoring of payments and reports.	Hence, this recommendation, as of the time of writing, is considered to be under implementation.				
7.	2016 A/72/5/Add.7, chap. II, para. 39	UNEP agreed with the Board's recommendation to develop an anti-fraud policy to ensure that a consistent approach to fraud detection, measurement and reporting is in place across all implementing partners.	As well as attaching the draft anti-fraud and anti-corruption guidelines, UNEP indicated that all the comments contained in the draft guidelines are interim and therefore they are being reviewed for clarification and to incorporate all information, such as the new Secretary-General's bulletin issued in September 2019 addressing discrimination, harassment, including sexual harassment, and abuse of authority (ST/SGB/2019/8, replacing ST/SGB/2008/5). Fraud and corruption fall under "prohibited conduct" covered by both the new bulletin and the previous one. The timeline for finalizing the guidelines is December 2020.	UNEP submitted its interim anti-fraud and anti-corruption guidelines, dated 3 May 2019. The guidelines were valid for a period of four months starting from that date, with the aim that the final guidelines would be issued thereafter. Nevertheless, the Board realized that no further work has been done regarding the analysis of this document, and a definitive policy has not yet been issued. Therefore, as the validity period of the above-mentioned guidelines has expired and UNEP remains without a definitive policy on anti-fraud and anti-corruption, this recommendation is considered to be under implementation.		X		
8.	2016 A/72/5/Add.7, chap. II, para. 68	The Board recommends that UNEP expedite the implementation of enterprise risk management to ensure an effective and efficient risk management process.	UNEP attached the enterprise risk management framework guidelines and implementation plan, indicating that it is a draft version that has not yet been signed or approved, but will be reviewed shortly. UNEP added that a small team has been assigned to take up the enterprise risk management	The Board noted that UNEP developed a draft version of the enterprise risk management framework guidelines, which, among other things, regulates the framework and the pathway for implementing risk management in the organization. The Board will wait for the endorsement and implementation		X		

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			responsibilities and it is now preparing the second phase of the implementation plan (identification and assessment of corporate-level risks), in accordance with the proposed timeline.	of the cited policy. Until then, this recommendation is considered to be under implementation.				
9.	2017 A/73/5/Add.7, chap. II, para. 30	The Board recommends that UNEP (a) introduce a mechanism to enforce prompt recording of all project financial information in Umoja and regularly update the project financial data in the system; (b) introduce a regular review of project information in Umoja to verify the correctness and completeness of project data; and (c) ensure that all transactions in Umoja are linked to a valid and approved project in support of the programme of work.	(a) UNEP mentioned that all project financial information is recorded upon expenditure in Umoja at the "work breakdown structure elements" level. A Umoja working group on implementing partners is in the process of discussions with UNEP on the development of features of the Umoja Extension 2 grantor management module, which will be allow implementing partners to directly upload their reports in the system and will trigger a workflow to record the expense. (b) UNEP indicated that at the moment, not all transactions in Umoja can be linked to approved projects, as some of the projects that are not approved by the Project Review Committee are not captured in the project system. This therefore creates a discrepancy between the project data in Umoja and the data in the Programme Information Management Systems (PIMS). However, UNEP is maintaining a linkage between the PIMS-approved projects and the Umoja data through a separate process. This issue will be	The Board acknowledges that UNEP is in the process of developing Umoja Extension 2, the progress of which has been reported and updated. As verified by the Board, thus far, the features related to project management, monitoring, reporting and closing are still not operative. In addition, UNEP also included a document entitled "Process map SMA-PPM-PS", which describes the idea that all project logical frameworks could be created in the new strategic management application module, enriched in the project and portfolio management and then built up further in the project system module, which is an existing module where work breakdown structures are created. In addition, the Board had access to "InfoNote 20/04/29", by the Corporate Services Division, which sets out methods to streamline a project that aims to link PIMS and Umoja, and includes a paragraph that indicates that the Law Division, which was currently leading the enhancement of PIMS to also capture non-programme of work projects (GEF, Green Climate Fund, Ozone		X		

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			resolved with the full implementation of the Umoja Extension 2 strategic management application and project and portfolio management module as the work breakdown structure elements in Umoja are expected to be generated through these applications. (c) UNEP noted that according to the process map, all project logical frameworks will in future be created in the new strategic management application module, enriched in the project and portfolio management module and then built up further in the project system module. The project system module is an existing module where work breakdown structures are created. UNEP is in discussions with United Nations Headquarters on the possibility of ensuring that no work breakdown structures can be created without a corresponding entry in the strategic management application module.	Action/Montreal Protocol, etc.) has a mapping table used to link these projects with Umoja work breakdown structure elements. Therefore, overall, this recommendation is considered to be under implementation.				
10.	2017 A/73/5/Add.7, chap. II, para. 35	The Board recommends that UNEP establish guidelines for field offices on how to assess and select implementing partners who are not-for-profit, public-sector organizations.	UNEP indicated that the proposed amendments to the Financial Regulations of the United Nations, including those on the granting of funds to partners and grantees, were presented to the General Assembly for review and approval (see A/73/717). However, the Assembly did not	The Board is aware of the report of the Secretary-General on proposed amendments to the Financial Regulations of the United Nations (A/73/717), which sought to introduce provisions aiming to clarify the framework for the management of implementing partners, including not-for-profit and public sector organizations.		X		

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			consider the report of the Secretary-General or the report of the Advisory Committee on Administrative and Budgetary Questions on the proposed amendments during the first part of the resumed seventy-third session. A new proposal will be prepared for the Assembly's consideration during a future session. In the meantime, the Office of Programme Planning, Finance and Budget continues to develop a Secretariat-wide policy/framework for the management of implementing partners and is due to publish updated guidelines on the engagement of partners by the second quarter of 2020.	Therefore, until the necessary changes are introduced for guidelines on how to assess and select implementing partners that are not-for-profit and public sector organizations, this recommendation is still considered to be under implementation.				
11.	2017 A/73/5/Add.7, chap. II, para. 40	The Board recommends that UNEP: (a) in collaboration with the United Nations Office at Nairobi, review on a regular basis all the roles that have been granted in Umoja and eliminate all conflicting roles granted to users; and (b) establish procedures to ensure that user roles are reviewed regularly by process owners to ensure that they are commensurate with job descriptions and are not conflicting.	UNEP responded that the conflicting roles in Umoja have been resolved, with the exception of a few cases in offices that do not have enough staff to undertake different roles and where exceptions have been granted by the process owners. In addition, UNEP has implemented a dashboard solution whereby a weekly review of the compatibility of the roles of the user accounts is carried out. UNEP will continue to seek a solution to the few remaining cases in those offices that do not have enough staff members to undertake different roles.	After the verification of roles and profiles of Umoja, the Board detected 20 that were still pending. Of these, seven correspond to conflicts between roles PA.05 and TM.01, which refer to roles assigned to consultants and the possibility of assigning overtime. However, since the regulations of the United Nations do not discuss the existence of overtime for consultants, this conflict would be justified. The rest of the conflicting roles refer to small offices, for which, as described by the entity, weekly (alternative) controls were established, which reduces the associated risks. Therefore, this recommendation is considered implemented.	X			

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12.	2017 A/73/5/Add.7, chap. II, para. 49	The Board recommends that UNEP ensure that (a) assets information in Umoja is updated in a timely manner and (b) unserviceable or obsolete assets are promptly identified, written off and disposed of.	UNEP mentioned that, in collaboration with the United Nations Office at Nairobi, it has updated the relevant records in Umoja on the items that were found to be operational and in use. The four items that were identified for disposal were approved for disposal by the Local Property Survey Board in July 2019 and removed from the records in Umoja. UNEP considers this recommendation to have been implemented and requests its closure by the Board.	A physical verification of 16 of the 18 information technology assets found in the Nairobi area was carried out. From this verification, it was possible to determine that the respective assets that had to be written off had been identified on time and their status updated in Umoja. In addition, the assets that were currently in use were in suitable condition for that purpose. Therefore, this recommendation is considered implemented.	X			
13.	2017 A/73/5/Add.7, chap. II, para. 53	UNEP agreed with the Board's recommendation to issue a policy document based on the Anti-Fraud and Anti-Corruption Framework.	As well as attaching the draft anti-fraud and anti-corruption guidelines, UNEP indicated that all the comments contained in the draft guidelines are interim and therefore they are being reviewed for clarification and to incorporate all information, such as the new Secretary-General's bulletin issued in September 2019 addressing discrimination, harassment, including sexual harassment, and abuse of authority (ST/SGB/2019/8, replacing ST/SGB/2008/5). Fraud and corruption fall under "prohibited conduct" covered by both the new bulletin and the previous one. The timeline for finalizing the guidelines is December 2020.	UNEP submitted its interim anti-fraud and anti-corruption guidelines, dated 3 May 2019. The guidelines were valid for a period of four months starting from that date, with the aim that the final guidelines would be issued thereafter. Nevertheless, the Board realized that no further work has been done regarding the analysis of this document, and a definitive policy has not yet been issued. Therefore, as the validity period of the above-mentioned guidelines has expired and UNEP remains without a definitive policy on anti-fraud and anti-corruption, this recommendation is considered to be under implementation.		X		

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14.	2018 A/74/5/Add.7, chap. II, para. 29	The Board recommends that UNEP update PIMS with complete and up-to-date project information to ensure appropriate management and an integral future migration to Umoja, establishing control mechanisms that secure results-based management.	During the interim audit visit, UNEP indicated that project information of ongoing projects in PIMS was updated where needed. A clean-up exercise of project status in PIMS was initiated, whereby the status of the 36 projects in the attached list was updated from “ongoing” to “completed”. Measures are under consideration to address the status of the inactive projects, which were mostly legacy accounts of the Integrated Management Information System. In addition, during the financial statements audit, UNEP reported that three projects had undergone financial closure and their status in PIMS was “closed”, and that UNEP continues its efforts to clean up and close projects when needed.	The Board noted improvement in the clean-up process of project status, especially regarding several that were still considered ongoing after their end date. Nevertheless, there are still actions to be taken regarding the status of inactive projects. Hence, this recommendation is considered to be under implementation.		X		
15.	2018 A/74/5/Add.7, chap. II, para. 41	The Board recommends that UNEP conduct a staffing assessment related to the positions of project manager and supervisor. This assessment could be related to work distribution, recruitment needs, employee redeployment and training, or any other evaluation suitable to determine the measures needed to ensure adequate performance monitoring and reporting.	UNEP commented that a new Chief of Human Resources had been recruited in February and that the planning of a staffing needs assessment for the Project Review Committee project will be discussed and timeliness agreed upon. Subsequently, on 15 May, UNEP reported that the new Chief of Human Resources had only recently arrived in February 2020 and that no action had been taken regarding this recommendation.	The Board notes that the measures reported by UNEP are to be implemented in the future, with no material progress reported yet. Regarding the meeting and the decisions made by the UNEP Head of Human Resources, the Board is of the view that UNEP is still in the status of an informal resolution, which has not yet been put into practice. The announced list is a measure still to be developed and the consultant described is still to be hired.				X

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			Recently, UNEP added that, after a meeting held on 19 May with the Head of UNEP Human Resources, it had decided that, to start the analysis, a list of programme management officers would be produced. This list is to include the level, funding and reporting lines of the officers. It was also agreed that owing to the lack of available resources, a consultant would need to be hired to carry out the assessment. The analysis and scoping work will begin in the third quarter of 2020.	Moreover, UNEP did not attach any supporting documentation of the measures informed. Therefore, this recommendation is considered not implemented.				
16.	2018 A/74/5/Add.7, chap. II, para. 43	In addition, the Board recommends to regulate the supervisor position, setting out its obligations and responsibilities in the UNEP programme manual, in accordance with what the agency has indicated.	An overall project for skills mapping and role mapping has been undertaken for the Corporate Services Division, which houses corporate functions such as finance, administration, human resources and budget. A proposal on the restructure of the Division has been presented. Skills mapping for the entire organization is not envisaged at the moment. However, UNEP management has launched a UNEP-wide transformation study, led by the Executive Director and senior management and representatives from staff. At the moment, a draft document on "supervisor responsibilities" has been circulated internally. Final roles would need to take into account the staffing assessment.	UNEP provided the document on the roles and responsibilities throughout the UNEP project cycle adapted from the programme and project management manual, which contains a draft of the responsibilities for project managers and supervisors, among others. The Board will wait for the transformation process of the organization to be finished, in order to ensure that these roles are properly defined and updated. Therefore, this recommendation is considered to be under implementation.		X		

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17.	2018 A/74/5/Add.7, chap. II, para. 45	Despite actions that have already been taken, the Board recommends also that UNEP establish an appropriate training course for both positions as well as complete guidelines regulating the accountability process for their obligations set out in the UNEP programme manual.	UNEP indicated that the consultancy and review process for the Project Review Committee has been initiated and during the next six months an assessment will be carried out which will highlight the roles and responsibilities of different actors involved in project design and implementation. The recommendation to provide training to project managers and supervisors will be taken into account when discussing the needs for training with regard to the entire project cycle. The organization will wait for this review to set up its training priorities – including for those positions under this recommendation. UNEP expects to have recommendations by October 2020, including on overall training needs.	The Board noted that, although the consultancy and review process for the Project Review Committee has started, this measure does not have a direct link to the recommendation described. Thus, there is still no planning of nor definitions for the training courses to be taken by project managers and supervisors. In addition, in the report of the Secretary-General on the implementation of the recommendations of the Board of Auditors contained in its reports for the year ended 31 December 2018 on the United Nations funds and programmes (A/74/323/Add.1), this recommendation was planned to be implemented during the second quarter of 2020. However, as no progress has been made on this matter and the deadline has almost lapsed, this recommendation is considered not implemented.				X
18.	2018 A/74/5/Add.7, chap. II, para. 60	The Board recommends that UNEP establish measures to guarantee that the digital folders contain all the files that support the implementation of the projects and the performance of the implementing partners.	During the interim audit visit, UNEP reported that substantial progress had been made in implementing this recommendation. A small-scale funding agreement monitoring sheet was made available in the shared drive of UNEP, entitled "Legal instrument monitoring file". A folder has been created for each small-scale funding agreement, all relevant files are saved electronically and officers are requested to submit an	The Board noted that the project and portfolio management module, which aims to deal with project management and implementation, has not yet been released. In addition, the Umoja grantor management module, which contains documents for the implementation of projects with implementing partners that began in 2019, does not include the projects completed or closed before that date.		X		

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			evaluation sheet upon the completion of funding agreements. The Regional Office for Europe continues to ensure that relevant supporting documents are attached/uploaded to the Umoja portal and are backed up in the shared drive. The documents related to the end-to-end process of engagement with implementing partners are stored in various folders as attachments to each of the workflow steps in the Umoja implementing partner module and in the partnership portal for those workflow steps carried out separately from the Umoja implementing partner module. The partnership portal also stores legal instruments other than small-scale funding agreements and programme cooperation agreements (i.e., donor agreements, memorandums of understanding and internal United Nations agreements, etc.). Planning and performance monitoring has not yet been implemented and therefore the recommendation is under implementation with regard to this aspect.	In any case, the Board noted that UNEP put in place measures related to small-scale funding agreements in order to implement this recommendation. Nevertheless, the measures do not cover the other types of agreements managed by UNEP. Hence, overall, this recommendation is considered to be under implementation.				
19.	2018 A/74/5/Add.7, chap. II, para. 61	In addition, the Board recommends that UNEP improve its project planning process, in order to avoid significant variations in terms of deadlines and allocated funds.	UNEP indicated that in the absence of a fully developed project and portfolio management module in Umoja, and in the light of similar problems encountered by other UNEP offices, the Corporate	The Board had access to the presentations of the training courses on legal instruments. Among the topics covered in the training courses was the idea that deviations, generally requested by the implementing partner, imply		X		

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			Services Division is planning to organize a training session in the coming months which covers workflows related to the handling of legal instruments, including planning, allocation of funds and deadlines. The Corporate Services Division and its Legal Unit will be organizing different types of sessions directed at different audiences in the coming months. A detailed plan is under preparation and the first session, scheduled for 27 April, was addressed to fund management officers. The sessions aim at improving efficiency in legal instruments management/ processing, from the planning stage to implementation, from the legal point of view, and will include information on the new delegation of authority policy and framework and on the progress of the revision of the 2011 partnership policy and procedures.	changes that may bind UNEP to unauthorized or unforeseen organizational commitments or expose UNEP to higher financial, reputational or other risks. Considering the above, the Board is of the view that the designing of the training courses can be considered as a first approach to addressing the recommendation. Hence, this recommendation is considered to be under implementation.				
20.	2018 A/74/5/Add.7, chap. II, para. 62	The Board recommends that UNEP establish a control system on unused funds, in order to periodically report and take collection action when appropriate.	During the audit visit, UNEP indicated that the status of grants/commitments has been regularly monitored using the "2019 UNEP biweekly grant-level financial statements" received from the United Nations Office at Nairobi. Regular finance meetings have been introduced and budgets/ expenditures/balances are carefully monitored by management. Programme	The Board noted the coordination measures between UNEP, the United Nations Office at Nairobi and the Regional Office for Europe in order to implement this recommendation and the biweekly reporting system that was established. In this regard, the Board reviewed the most recent biweekly packages submitted and noted that the information is analysed using several instruments such as: the	X			

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			officers have been made aware of the need to initiate necessary actions to return unused funds to donors without delay upon completion of projects. UNEP added that the biweekly package includes a file entitled "UNEP outstanding commitments report", which is used to determine the status of legal instruments for implementing partners, along with a file entitled "UNEP implementing partners advances reporting", which is provided for the annual closure of accounts exercise.	summary cash balance and count report by parent grant, UNEP grant-level financial statements, the UNEP grant metrics report, the UNEP outstanding commitments report and the UNEP implementing partner advances report. The entire set of biweekly reports, especially the report related to implementing partner advances, represents important information that needs to be managed in order to periodically report on, and use as a control system to manage, unused funds. Therefore, this recommendation is considered implemented.				
21.	2018 A/74/5/Add.7, chap. II, para. 63	Finally, the Board recommends that UNEP take the necessary steps to obtain the currently unused funds under its agreements.	UNEP indicated that, when analysing the reports received from the United Nations Office at Nairobi and their results, responsible programme officers are consulted to clarify whether the outstanding advances/ commitments are to be maintained or closed (i.e., whether the activities are still ongoing or completed). Where necessary, the programme officers contact the implementing partners for further clarification. In using the procedure, UNEP indicated that the only unused funds identified for collection were from the International Dialogue for Environmental Action and from CzechGlobe, adding that the respective agreements were to be closed.	UNEP submitted the related supporting documentation regarding the collection measures taken in relation to the International Dialogue for Environmental Action and CzechGlobe. In addition, the Board noted that the entire set of biweekly reports, especially the report related to implementing partner advances, represents important information that needs to be managed in order to periodically report on, and use as a control system to manage, unused funds. In consequence, the Board considers the recommendation implemented.	X			

					Status after verification			
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			Upon the recording of the final financial reports in Umoja submitted by the implementing partners, implementing partners were requested to refund the balance to UNEP.					
22.	2018 A/74/5/Add.7, chap. II, para. 79	The Board recommends that UNEP carry out a review and consolidation of all current UNEP-GEF projects, with the necessary information to ensure adequate accountability and programme management.	UNEP indicated that the transition to Umoja Extension 2 will help greatly with addressing this recommendation. In the meantime, UNEP/Executive Office has taken the decision to develop a "corporate dashboard" system, building on the PIMS database, that will help ensure sound project and portfolio management and accountability. The GEF team is currently in discussions with the teams on policy and programme monitoring and enterprise solutions about the indicators that should be regularly monitored and measures that are useful in the GEF and UNEP context. The development of the Umoja Extension 2 module for voluntary contributions, which includes GEF funding, is led by the Controller's Office at United Nations Headquarters. UNEP has been engaged in the process since 2016. It is anticipated that the initial version of this module may be released by the end of 2020, with full functionality at a later stage. The module is intended to support project planning and reporting, while linking to project budgeting and project implementing partners in other Umoja modules.	The Board acknowledges that UNEP is in the process of developing Umoja Extension 2, the progress of which has been reported and updated. As verified by the Board, thus far, the features related to project management, monitoring, reporting and closing are still not operative. The Board also had access to "InfoNote 20/04/29", by the Corporate Services Division, which sets out methods to streamline a project that aims to link PIMS and Umoja and includes non-programme of work projects (GEF, Green Climate Fund, Ozone Action/Montreal Protocol, etc.). In addition, UNEP uses the "Finance Master Sheet", which contains a list of GEF projects and certain information used to manage those projects, which can be considered as a first approach to implementing this recommendation. Hence, considering that the described measures are still to be finished, this recommendation is considered to be under implementation.		X		

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23.	2018 A/74/5/Add.7, chap. II, para. 80	The Board in addition recommends that UNEP take measures to integrate and to improve the management of information, in order to ensure compliance with the objectives of the Programme.	UNEP highlighted that Umoja Extension 2 will go far in addressing this recommendation. Nonetheless, the integration of GEF projects into PIMS and corporate dashboard monitoring which is currently under way will also go far in improving information and risk management in the GEF portfolio.	The Board acknowledges that UNEP is in the process of developing Umoja Extension 2, the progress of which has been reported and updated. As verified by the Board, thus far, the features related to project management, monitoring, reporting and closing are still not operative. The Board also had access to "InfoNote 20/04/29", by the Corporate Services Division, which sets out methods to streamline a project that aims to link PIMS and Umoja and includes non-programme of work projects (GEF, Green Climate Fund, Ozone Action/Montreal Protocol, etc.). In addition, UNEP uses the "Finance Master Shee", which contains a list of GEF projects and certain information used to manage those projects, which can be considered as a first approach to implementing this recommendation. Hence, considering that the described measures are still to be finished, this recommendation is considered to be under implementation.		X		
24.	2018 A/74/5/Add.7, chap. II, para. 88	The Board recommends that UNEP establish proper coordination with its Regional Office for Europe and the secretariat of the Basel, Rotterdam and Stockholm Conventions, in order to obtain that they systematically manage risks and facilitate effective implementation of their	UNEP indicated that the enterprise risk management framework guidelines and implementation plan is currently a draft version that has not yet been signed or approved, but will be reviewed shortly. The secretariat of the Basel, Rotterdam and Stockholm	The Board analysed the draft enterprise risk management framework guidelines and noted that they include a pathway for deploying risk management at an organizational level, and includes in its structure the Executive Director and regional directors, among others.		X		

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		mandated activities under the United Nations enterprise risk management and internal control policy.	Conventions and the UNEP Regional Office for Europe are tasked with mandated activities under the United Nations enterprise risk management and internal control policy. The two entities have coordinated with UNEP to develop a risk assessment framework that will be applied across the organization, including the secretariats of the multilateral environmental agreements. UNEP added that a small team has been assigned to take up the enterprise resource management responsibilities and are now preparing the second phase of the implementation plan (identification and assessment of corporate level risks), in accordance with the proposed timeline.	The Board will wait for the framework to be endorsed and applied at the level of both the regional offices and the secretariats of the multilateral environmental agreements. In the meantime, this recommendation is considered to be under implementation.				
25.	2018 A/74/5/Add.7, chap. II, para. 89	In addition, the Board recommends that the UNEP Regional Office for Europe and the secretariat of the Basel, Rotterdam and Stockholm Conventions maintain an updated risk log, in accordance with the UNEP programme manual.	The secretariat of the Basel, Rotterdam and Stockholm Conventions indicated that it has developed a risk assessment log that will be applied as a corporate risk management tool. The secretariat added that the risk log is a living document and will be updated at regular intervals. In addition, the UNEP Regional Office for Europe attached the risk log developed for its own entity, indicating also that, in response to the coronavirus disease (COVID-19) outbreak, a "project issues" table has been developed in order to identify	The secretariat of the Basel, Rotterdam and Stockholm conventions submitted the risk log it had developed, which describes the risks identified; the date of identification; the category, impact and likelihood of the risk; the risk score; the risk management strategy and safeguards; risk monitoring; the identification of the areas that submitted and updated the risk; the date of the last update and the status of the risk; and the timeliness for managing the risk. In addition, the Regional Office for Europe prepared a risk log following the template provided in		X		

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			and monitor foreseen risks in project implementation in 2020 and beyond. The risks at the Regional Office for Europe were identified during the regular programme meetings, administrative meetings and staff meetings. The Regional Office is following the guidance found in the risk management section of the UNEP programme manual and adopting the risk log to meet the Office's needs while waiting to be further guided by UNEP headquarters upon finalization of the enterprise risk management policy.	the UNEP programme manual. However, the Board noted that although the categories expressed in the risk log are those required by the manual, the different fields have not been populated in a manner such that the risk log can actually fulfil its purpose as a tool for risk management. Thus, risk identification has been made in a broad manner that does not allow for an understanding of how the risks affect the organization. Moreover, the mitigation plans related to those risks are merely stated, and do not contain actual measures to deal with the respective risks, preventing the reader from understanding how those plans will address the risks. In any case, this recommendation is considered to be under implementation				
26.	2018 A/74/5/Add.7, chap. II, para. 104	The Board recommends UNEP to establish the proper liaison between its headquarters and the secretariat of the Basel, Rotterdam and Stockholm Conventions in order to agree on the indirect costs that will be covered by their share of the programme support costs and the services to be provided to the Conferences of the Parties to the Conventions.	UNEP stated that it had come to an agreement with the secretariat of the Basel, Rotterdam and Stockholm Conventions on the indirect costs to be covered by the secretariat's share of programme support costs, through a signed memorandum of understanding.	UNEP submitted copies of the memorandums of understanding signed with the Conferences of the Parties to each of the Conventions involved. Each of the signed memorandums of understanding also included an annex that enumerates the part of the indirect costs that will be covered by the headquarters and by the secretariat of the Conventions. Therefore, this recommendation is considered implemented.	X			

No.	Report reference and financial period in which first made	Summary of recommendation	UNEP response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
27.	2018 A/74/5/Add.7, chap. II, para. 105	In addition, the Board recommends the secretariat of the Basel, Rotterdam and Stockholm Conventions to liaise with UNEP headquarters and the Conferences of the Parties to the Conventions in order to finalize and enact a memorandum of understanding. This instrument shall include the arrangements for the provision of secretariat functions by UNEP to each of the Conventions, aiming to establish a regulatory framework that sets out clear responsibilities, transparency, guidance and accountability between the parties and the member States.	UNEP stated that it had come to an agreement with the secretariat of the Basel, Rotterdam and Stockholm Conventions on the indirect costs to be covered by the secretariat's share of programme support costs, through a signed memorandum of understanding.	UNEP submitted copies of the memorandums of understanding signed with the Conferences of the Parties to each of the Conventions involved. Each of the signed memorandums of understanding also included an annex that enumerates the part of the indirect costs that will be covered by the headquarters and by the secretariat of the Conventions. Therefore, this recommendation is considered implemented.	X			
28.	2018 A/74/5/Add.7, chap. II, para. 114	The Board recommends that the UNEP Regional Office for Europe consider, in its next annual workplans, performance indicators for monitoring, reporting and measuring the impact of its activities in the region, so as to implement the UNEP operating principle of results-based management.	During the audit visit, UNEP stated that the UNEP Regional Office for Europe reviewed its workplan's indicators of achievement and the targets against those of the overall UNEP programme of work for 2018–2019. The indicator values for all the subprogrammes, except subprogramme 4, are the same as in the overall programme of work. The Regional Office's projects are part of the overall programme of work and contribute to the expected accomplishments and the related indicators of the subprogrammes. The workplan format was provided by the Executive Office, together with the programme of work's indicators.	The Board noted the efforts of the Regional Office for Europe to modify its workplan, realizing that it contained indicators of achievement for each subprogramme that had been approved by UNEP headquarters. Nevertheless, those indicators are the same as the global indicators stated in the programme of work for UNEP and do not reflect the reality of the specific work that is performed at the Regional Office. There are no units of measure expressing the specific achievements that should be met by the Office in order to understand whether the year's performance fulfils the expectation set when the programme of work was conceived. In addition, although there are more specific		X		

No.	Report reference and financial period in which first made	Summary of recommendation	UNEP response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
				indicators associated with each project, they are not established at the programme level and their timeliness does not correspond to the time frame stated in the programme of work. Hence, although there are improvements on the matter, this recommendation is considered to be under implementation.				
29.	2018 A/74/5/Add.7, chap. II, para. 123	The Board recommends that UNEP review and enhance its deposit records by standardizing the names and/or sponsor codes, record mandatory information that accounts for the purpose of the funds and ensure that the information in weekly reports is traceable enough to compare it with Umoja records.	UNEP reported that it has a new system for deposit management that uses Microsoft Teams. This software allows for the sharing of the same file, including FEBAN files, which are used for the deposit identification process.	The Board reviewed the documents submitted by UNEP. In FEBAN, each of the entities involved in the deposit identification process (the United Nations Office at Nairobi-UNEP) has a specific section to fill. The file also has standardized names and sponsor codes, which allows for adequate monitoring of the situation of each deposit entered, allowing an adequate comparison with the information entered in Umoja. Therefore, this recommendation is considered implemented.	X			
30.	2018 A/74/5/Add.7, chap. II, para. 135	The Board recommends that UNEP strengthen its controls to comply with the unidentified deposits identification process, in order to reduce amounts not allocated to programmes/ projects, guaranteeing compliance with the policy and procedures on unidentified deposits and the standard operating procedure on the matter.	UNEP revised the policy and procedure on unapplied and unidentified deposits. During that process, it incorporated changes especially with regard to the timelines for identifying deposits. The Contributions Unit (a subunit of Financial Management Services, Corporate Services Division) reviews all incoming payments (deposits) daily. For deposits with full reference information sufficient for application, the Unit identifies, prepares and submits cash	The Board reviewed the new policy and procedure on unapplied and unidentified deposits and noted that several changes have been applied to the deposit identification process compared with the previous process. The Board noted that the policy does not include specific research means for identifying deposits, as they are applied on an as-needed basis. Deadlines for applying those research measures are now more flexible, and are able to be performed throughout the year.	X			

No.	Report reference and financial period in which first made	Summary of recommendation	UNEP response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
			application requests through Microsoft Teams for United Nations Office at Nairobi application. For deposits with no or partial information, the Unit undertakes research to establish the purpose of the deposit. At the end of the week the Unit distributes the weekly report, which includes all deposits received and their status (applied, identified and unidentified). In the weekly report memorandum, UNEP finance staff are reminded to review all the unidentified deposits and provide details to enable cash application.	Moreover, after confirmation that no additional information can be obtained, unidentified deposits that are two years or older are available for programming at the discretion of the Deputy Executive Director, which reduces the amount not allocated to programmes and projects. In addition, UNEP has enhanced its deposit-tracking mechanisms, such as weekly reports, and included supporting documentation on the investigation measures taken in application of the new policy. Therefore, this recommendation is considered implemented.				
31.	2018 A/74/5/Add.7, chap. II, para. 143	The Board recommends that UNEP improve its monitoring of staff annual leave to ensure that all leave is requested and approved through supervisors in a timely manner in accordance with the Staff Regulations and Rules of the United Nations.	During the audit visit, UNEP reported that the following measures had been taken in order to implement this recommendation: (a) UNEP time managers attended a time management training hosted by the United Nations Office at Nairobi, and a second briefing on time management was held during the UNEP Corporate Services Division retreat. The training emphasized the importance of recording and monitoring leave; (b) A circular from the United Nations Office at Nairobi to all staff on the recording and management of leave was sent on 12 September 2019; (c) In addition to the training sessions and briefings, Corporate Services Division/	UNEP submitted information about the training courses developed for time managers and time administrators which include contents on the timely submission of leave requests. UNEP also provided a broadcast by the United Nations Office at Nairobi which includes some instructions on the recording and reviewing of absence requests. Nevertheless, although the reported measures may constitute a first approach to implementing this recommendation, they still rely on the current operating system that generated the observations and the recommendation. No new tool has been developed to support the mission of time managers and time administrators in overcoming the		X		

No.	*Report reference and financial period in which first made*	*Summary of recommendation*	*UNEP response*	*Board's assessment*	*Status after verification: Implemented*	*Under implementation*	*Overtaken by events*	*Not implemented*
			Human Resources will continue to emphasize the importance of monitoring leave and time management and recording it in a timely manner; (d) An operational meeting held between UNEP and the United Nations Office at Nairobi on 7 May 2020 discussed the need to tightly monitor leave and overtime requests and agreed that a current list of time managers and administrators would be shared by the United Nations Office at Nairobi for validation by UNEP to identify where there is a need to designate additional staff to this role.	annual leave situations pointed out by the Board. Therefore, overall, this recommendation, as of the time of writing, is considered to be under implementation.				
32.	2018 A/74/5/Add.7, chap. II, para. 144	Moreover, the Board recommends UNEP to perform a periodic and timely review of the leave system to identify absences and, if relevant, apply the charges to the monthly salary of the staff.	During the audit visit, UNEP described the existence of a dashboard related to annual leave management. However, later on, it was explained that this dashboard only manages general information and trends related to annual leave, and not the information related to every request. It was added later that there were plans to enhance and update this dashboard, but no specific decision was taken on the matter. In addition, UNEP indicated that, at the time, it was working with the United Nations Office at Nairobi on verifying the reported overpayments of overtime that were recorded by the Board, and that once verification was ascertained deductions would be effected.	The Board noted that plans for enhancing the dashboard on annual leave have still not been initiated. In addition, UNEP did not report current specific measures taken to implement this recommendation, especially considering that the actions in the recommendation referred to identification of absences and application of monthly charges, which are to be effected in the future. Moreover, no supporting documentation has been submitted with regard to the actions reported. Hence, this recommendation is considered not implemented.				X

No.	Report reference and financial period in which first made	Summary of recommendation	UNEP response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
			UNEP also indicated that efforts were being made to adequately resource the roles of time managers and administrators through briefings and training. In addition, UNEP reported that it was reviewing the distribution of time managers and administrators with a view to identifying gaps and providing support with additional time managers and administrators. Division and office heads will be engaged in the process, especially with regard to ensuring that leave requests from their offices/divisions are well monitored and any contraventions lend themselves to deductions from payroll.					
33.	2018 A/74/5/Add.7, chap. II, para. 152	The Board recommends that UNEP ensure the accuracy of ICT data, preserve and protect ICT resources, related to the consolidation of the management information on projects in one system, considering also in this process the historical projects data, pursuant to bulletin ST/SGB/2004/15.	The reporting features of Umoja Extension 2 are being discussed among all entities in the United Nations Secretariat. The main argument has been that all fields which are requested by the working group on project, planning and design will be available in a tabular format and accessible to UNEP. This will allow UNEP to complete any further analysis that might be required in the future that goes beyond the original dashboard requirements. Enhancements to PIMS to consolidate projects from GEF, the Green Climate Fund, and the Multilateral Fund into one progress dashboard are still ongoing. An initial pilot of the enhancements is expected to be	The Board acknowledges that UNEP is in the process of developing Umoja Extension 2, the progress of which has been reported and updated. As verified by the Board, thus far, the features related to project management, monitoring, reporting and closing are still not operative. The Board also had access to "InfoNote 20/04/29", by the Corporate Services Division, which sets out methods to streamline a project that aims to link PIMS and Umoja. Hence, considering that the described measures are still to be finished, this recommendation, as of the time of writing, is considered to be under implementation.		X		

No.	Report reference and financial period in which first made	Summary of recommendation	UNEP response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
			released to selected users by June 2020. The enhancements include risk management features to allow UNEP senior management, among others, to be alerted regarding the health of projects, such as those that are progressing very slowly or are running low on funds.					
34.	2018 A/74/5/Add.7, chap. II, para. 159	The Board recommends that UNEP strengthen its controls in order to comply with the deadline of 21 days in advance for submission of travel requests, providing the proper justification in the cases when the mentioned rule has not been complied with.	According to UNEP, a review of the data in Umoja shows an overall compliance rate of 62 per cent for more than 1,649 official missions undertaken as at October in 2019, compared with the compliance rates of 50 per cent in 2018 and 47 per cent in 2017. In addition, UNEP is monitoring average days for travel certification and approval against service targets. UNEP considers this recommendation to have been implemented and requests its closure by the Board.	The Board noted that the total travel requests made as at the date of the review corresponds to 15,351. Of these, 5,522 requests were not made at least 21 days in advance of the date of travel. The Board verified whether these trips included the justifications for not complying with the deadline required by the policy. The Board verified that a drop-down menu was enabled in Umoja from which the pertinent justifications are entered when there is non-compliance with the deadline. It was concluded that only 55 did not have the justification due, which is equivalent to 1 per cent of the total cases that should be justified and 0.4 per cent of the total number of travel requests. In the light of these figures, this recommendation is considered implemented.	X			
35.	2018 A/74/5/Add.7, chap. II, para. 165	The Board recommends that UNEP management devise a suitable mechanism to ensure better coordination between the entity and the Office of Internal Oversight Services for a complete and comprehensive reporting of cases of fraud and presumptive fraud.	During the audit visit, UNEP reported the following: (a) UNEP agreed with the Office of Internal Oversight Services (OIOS) that OIOS would inform the UNEP Executive Director about cases being handled by OIOS that involve UNEP staff members so that OIOS and	The Board reviewed the supporting documentation of the coordination measures that UNEP has established with OIOS in order to implement this recommendation. In this regard, the Board noted that during the course of the year OIOS has been informing UNEP about	X			

No.	Report reference and financial period in which first made	Summary of recommendation	UNEP response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
			UNEP have the same understanding of cases. Following this meeting, OIOS has been informing the Executive Director through memorandums; (b) UNEP is in touch with OIOS on a regular basis to obtain information as well as updates on cases involving UNEP staff members; (c) The UNEP Executive Director has appointed a conduct and discipline focal point who also liaises with OIOS with regard to reports of possible unsatisfactory conduct that involve cases of fraud and presumptive fraud that are handled by OIOS involving UNEP staff members. In addition, this focal point has access to the Misconduct Tracking System, which allows UNEP to record reports of unsatisfactory conduct, including fraud cases, and to follow up on those reports and provide updates on actions taken regarding such reports.	the cases of fraud and presumptive fraud that involve UNEP staff. In addition, this coordination has also been noted in the reports on cases of fraud and presumptive fraud prepared by both UNEP and OIOS, as now the cases reported contain an identification number that allows for tracking by both UNEP and OIOS. Moreover, the role of the conduct and discipline focal point was shown to be essential in this matter, among others, owing to focal point's roles in and ability to access the Misconduct Tracking System. This system is a global, restricted-access database and confidential tracking system for all allegations of misconduct, which includes cases of fraud and presumptive fraud. Thus UNEP showed supporting documentation for the cases of fraud and presumptive fraud reported in the System, which is also accessible to OIOS, and is striving to create a consolidated database on the matter. In the light of the measures reported, this recommendation is considered implemented.				
	Total				**11**	**21**	**–**	**3**
	Percentage				**31**	**60**	**–**	**9**

Chapter III
Certification of the financial statements

Letter dated 31 March 2020 from the Chief Finance Officer of the United Nations Office at Nairobi addressed to the Chair of the Board of Auditors

The financial statements of UNEP for the year ended 31 December 2019 have been prepared in accordance with rule 106.1 of the Financial Regulations and Rules of the United Nations (ST/SGB/2013/4) and rule 207.3 of the supplement to the Financial Regulations and Rules of the United Nations (ST/SGB/2015/4).

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. These notes, and the accompanying schedules, provide additional information and clarification of the financial activities undertaken by UNEP during the period covered by these statements.

The certification function defined in financial rules 105.5 and 105.7 to 105.9 of the Financial Regulations and Rules of the United Nations is assigned to UNEP. Responsibility for the accounts and the performance of the approving function, as defined in article VI and financial rule 105.6 of the Financial Regulations and Rules of the United Nations, is assigned to the United Nations Office at Nairobi.

In accordance with the authority assigned to me, I hereby certify that the appended financial statements of the Fund of UNEP for the year ended 31 December 2019 are correct.

(*Signed*) Felista **Ondari**
Chief Finance Officer
United Nations Office at Nairobi

Chapter IV
Administration's financial overview for the year ended 31 December 2019

A. Introduction

1. The Executive Director has the honour to submit herewith the financial report, together with the accounts, of UNEP, including the Environment Fund, associated trust funds and the related accounts, for the year ended 31 December 2019. The financial statements consist of five statements and notes to the financial statements. In accordance with financial rule 106.1, these financial statements were to be transmitted to the Board of Auditors on 31 March 2020.

2. The United Nations Secretariat's business intelligence (BI) tool has been used to produce various financial reports. BI also facilitates the set of strategies, process applications, data, technologies and technical architectures which are used to support the collection, analysis and presentations. In addition, Systems Applications and Products in Data Processing (SAP)/Business Planning and Consolidation (BPC) was introduced to support the preparation of financial statements and notes. SAP/BPC helps to automate and streamline business forecast, planning and consolidation activities.

3. Regular budget revenue and expense, insofar as they relate to UNEP, are included in Volume I, a related party, but for completeness have also been included in these financial statements.

4. The financial statements and schedules, as well as the notes thereto, are an integral part of the financial report.

B. International Public Sector Accounting Standards sustainability plan

5. This is the sixth year for which the financial statements of UNEP have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). To support continued IPSAS compliance, the organization has deployed an IPSAS sustainability plan with ongoing work under five major components that have been identified as the core pillars for IPSAS sustainability, namely:

(a) Management of the benefits of IPSAS: this entails tracking and compiling IPSAS benefits and examining ways of using IPSAS-triggered information to better manage the organization;

(b) Strengthening of internal controls: this includes the deployment and ongoing management of the framework that will support a statement of internal control;

(c) Management of the IPSAS regulatory framework: this includes active participation in the work of the IPSAS Board to formulate new IPSAS or change existing standards, and the related update of the IPSAS Policy Framework and financial rules and guidance, as well as the related changes to systems and processes;

(d) Maintenance of the integrity of Umoja as the backbone for IPSAS-compliant accounting and reporting: this includes ensuring IPSAS compliant processes for new programmes and activities, and automating the production of financial statements via Umoja;

(e) Continued IPSAS training and the deployment of a skills strategy that will support a strengthened finance function.

C. Overview of the financial statements of the year ended 31 December 2019

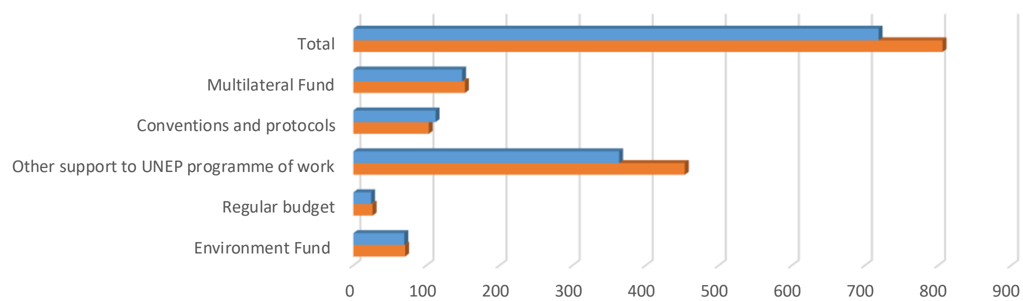
All funds

6. Statements I to IV show the consolidated figures for all UNEP activities, comprising the Environment Fund, the regular budget, trust funds supporting the UNEP programme of work, trust funds supporting UNEP convention and protocols, the Multilateral Fund, the programme support account, and end-of-service and retirement benefits for the year ended 31 December 2019. Statement V reports on the Environment Fund and the regular budget.

7. Comparison between the year ended 31 December 2018 and the current reporting date is provided.

8. The revenue of UNEP for the year ended 31 December 2019, by source of funding, is shown in figures IV.I and IV.II.

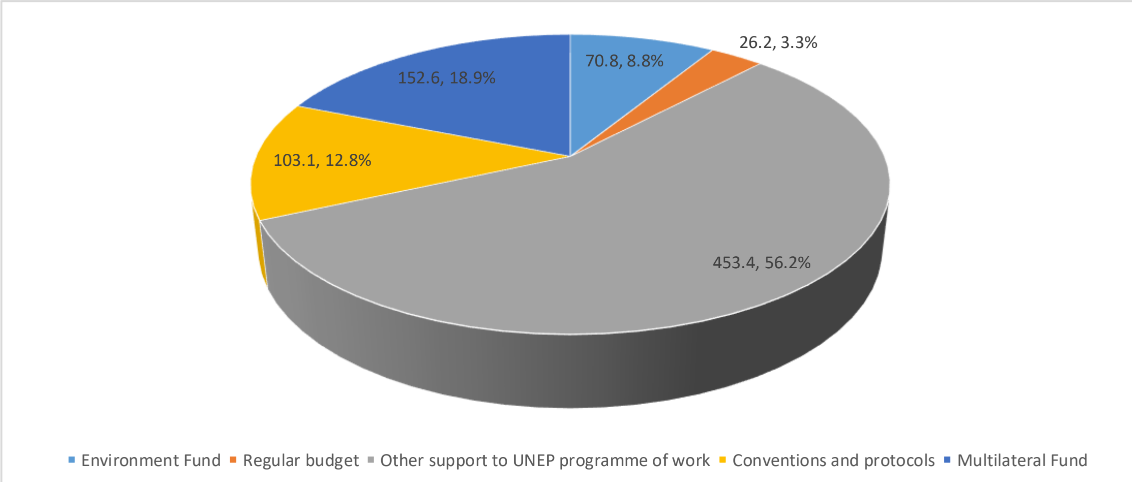
Figure IV.I
2019 contributions, by source of funding
(Millions of United States dollars)



	Environment Fund	Regular budget	Other support to UNEP programme of work	Conventions and protocols	Multilateral Fund	Total
2018	69.6	24.3	363.6	112.4	148.7	718.6
2019	70.8	26.2	453.4	103.1	152.6	806.1

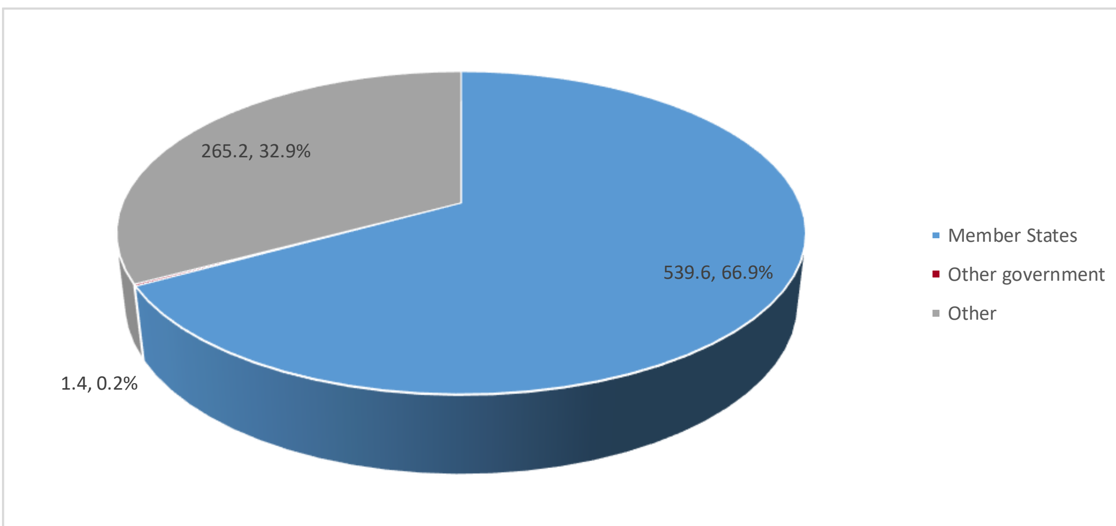
Note: Multilateral Fund revenue is presented less elimination for UNEP internal implementation of $11.6 million for 2019 and $19.6 million for 2018.

Figure IV.II
2019 contributions, by source of funding (proportions)
(Millions of United States dollars)



9. The distribution of contributions, by type of contributing entity, is shown in figure IV.III.

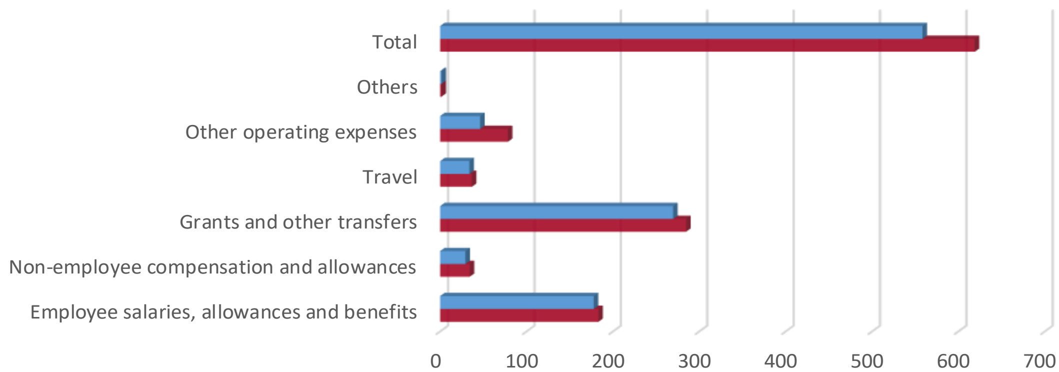
Figure IV.III
Distribution of contributions, by type of entity
(Millions of United States dollars)



10. The contributions are based on IPSAS accounting, which includes recognizing donor project funding in full on the signing of a funding agreement by both the donor and UNEP. This includes project funding from the Global Environment Facility (GEF) where revenue is recognized in full for multi-year projects following project approval by GEF and receipt of a letter of commitment from the GEF trustee, the International Bank for Reconstruction and Development.

11. Expenditure in 2019 relative to 2018, by type of expense, is shown in figure IV.IV.

Figure IV.IV
Expenditure in 2019 relative to 2018, by type of expense
(Millions of United States dollars)



	Employee salaries, allowances and benefits	Non-employee compensation and allowances	Grants and other transfers	Travel	Other operating expenses	Others	Total
2018	177.8	29.2	269.7	33.9	46.3	1.5	558.5
2019	183.2	34.3	284.8	36.7	78.4	1.6	619.0

12. Total expense for 2019 is $619.0 million.

Key indicators from statement I

13. Total assets increased by $329.7 million (15.8 per cent) to $2,415.1 million as at 31 December 2019, from $2,085.4 million as at 31 December 2018.

14. Total liabilities increased by $135.6 million (31.7 per cent) to $562.9 million as at 31 December 2019, from $427.3 million as at 31 December 2018.

15. Net assets increased by $194.1 million (11.7 per cent) to $1,852.1 million as at 31 December 2019, from $1,658.0 million as at 31 December 2018.

16. Table IV.1 summarizes other key indicators for the year ended 31 December 2019 compared with the year ended 31 December 2018.

Table IV.1
Other key indicators
(Millions of United States dollars)

	2019	*2018*	*Increase/ decrease*	*Change (percentage)*
Assessed contributions revenue	249.8	247.0	2.8	1.1
Voluntary contributions revenue	413.4	296.2	117.2	39.6
Other transfers and allocations	143.0	175.4	(32.4)	(18.5)
Total contributions revenue	**806.2**	**718.6**	**87.6**	**12.2**
Cash and cash equivalents	271.8	81.6	190.2	233.1
Short-term investments	567.0	699.8	(132.8)	(19.0)
Long-term investments	176.6	54.2	122.4	225.8
Total cash and investments	**1 015.4**	**835.6**	**179.8**	**21.5**

	2019	*2018*	*Increase/ decrease*	*Change (percentage)*
Assessed contributions receivable	42.8	28.2	14.6	51.7
Voluntary contributions receivable	942.7	790.1	152.6	19.3
Total receivables	**985.5**	**818.3**	**167.2**	**20.4**
Advance transfers	392.4	414.2	(21.8)	(5.3)
Other assets	19.2	14.2	5.0	35.2
Accounts payable and accrued payables	67.9	41.8	26.1	62.4
Employee benefits liabilities	250.5	194.5	56	28.8
Other liabilities	159.9	122.0	37.9	31.1

17. The increase of $152.6 million in voluntary contributions receivable is mainly attributed to the increase in multi-year donor agreements whose payments are due in future years only.

D. End-of-service and post-retirement accrued liabilities

18. The UNEP financial statements reflect end-of-service and post-retirement benefits, comprising after-service health insurance liabilities, annual leave and repatriation benefits. UNEP makes monthly provisions for repatriation benefits at 8 per cent of net salary. In addition, since January 2017, UNEP started to make monthly provisions for after-service health insurance at 3 per cent of net salary. The monthly rate for those provisions was increased to 6 per cent effective 1 January 2019.

19. The 31 December 2019 accrued balances have been adjusted to reflect the estimated liabilities as at 31 December 2019 as reflected in the 2019 actuarial study calculations by a consulting firm engaged by the United Nations Secretariat on behalf of UNEP. As a result of fully charging these liabilities in the financial statements as at 31 December 2019, an amount of $186.0 million of cumulative unfunded expenditure is shown in note 4, “Segment report”, under the end-of-service and post-retirement benefits segment.

Chapter V

Financial statements and related explanatory notes for the year ended 31 December 2019

United Nations Environment Programme

I. Statement of financial position as at 31 December 2019

(Thousands of United States dollars)

	Notes	*31 December 2019*	*31 December 2018*[a]
Assets			
Current assets			
Cash and cash equivalents	6	271 786	81 626
Investments	7	566 987	699 753
Assessed contributions receivable	8	42 779	28 200
Voluntary contributions receivable	9	368 596	349 789
Other receivables	10	926	1 309
Advance transfers	11	273 613	290 781
Other assets	12	19 178	14 221
Total current assets		**1 543 865**	**1 465 679**
Non-current assets			
Investments	7	176 609	54 200
Assessed contributions receivable	8	–	–
Voluntary contributions receivable	9	574 101	440 293
Advance transfers	11	118 814	123 425
Property, plant and equipment	14	1 539	1 524
Intangible assets	15	168	234
Total non-current assets		**871 231**	**619 676**
Total assets		**2 415 096**	**2 085 355**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	16	67 883	41 855
Advance receipts	17	84 654	68 915
Employee benefits liabilities	18, 19	9 058	8 613
Provisions	20	–	50
Other liabilities	21	159 914	121 970
Total current liabilities		**321 509**	**241 403**
Non-current liabilities			
Employee benefits liabilities	18, 19	241 439	185 907
Total non-current liabilities		**241 439**	**185 907**
Total liabilities		**562 948**	**427 310**
Total net of total assets and total liabilities		**1 852 148**	**1 658 045**
Net assets			
Accumulated surpluses/(deficits) – unrestricted	22	1 816 144	1 621 841
Reserves	22	36 004	36 204
Total net assets		**1 852 148**	**1 658 045**

[a] Comparatives have been restated to conform to the current presentation.

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

United Nations Environment Programme

II. Statement of financial performance for the year ended 31 December 2019

(Thousands of United States dollars)

	Notes	*31 December 2019*	*31 December 2018*
Revenue			
Assessed contributions	23	249 777	246 961
Voluntary contributions	23	413 364	296 246
Other transfers and allocations	23	142 978	175 361
Investment revenue	26	24 920	15 015
Other revenue	24	6 711	8 166
Total revenue		**837 750**	**741 749**
Expense			
Employee salaries, allowances and benefits	25	183 164	177 816
Non-employee compensation and allowances	25	34 331	29 222
Grants and other transfers	25, 31	284 787	269 735
Supplies and consumables	25	479	316
Depreciation	14	193	183
Amortization	15	66	66
Travel	25	36 655	33 880
Other operating expenses	25	78 426	46 357
Exchange losses from the fixed exchange rate mechanism of the Multilateral Fund	25	(508)	(1 907)
Other expenses	25	1 425	2 864
Total expenses		**619 018**	**558 532**
Surplus/(deficit) for the year		**218 732**	**183 217**

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

United Nations Environment Programme

III. Statement of changes in net assets for the year ended 31 December 2019[a]

(Thousands of United States dollars)

	Accumulated surpluses/ (deficits) – unrestricted	*Elimination*	*Accumulated surpluses/ (deficits) – unrestricted after elimination*	*Reserves*	*Total*
Net assets at the beginning of the period	**1 678 776**	**(56 935)**	**1 621 841**	**36 204**	**1 658 045**
UNEP internal implementation elimination					
Changes in net assets	(11)	19 574	19 563	–	19 563
Transfers to reserves	200	–	200	(200)	–
Actuarial gains (losses)	(44 192)	–	(44 192)	–	(44 192)
Total items recognized directly in net assets	**(44 003)**	**19 574**	**(24 429)**	**(200)**	**(24 629)**
Surplus/(deficit) for period	218 732	–	218 732	–	218 732
Net movement in net assets	**174 729**	**19 574**	**194 303**	**(200)**	**194 103**
Net assets, end of period	**1 853 505**	**(37 361)**	**1 816 144**	**36 004**	**1 852 148**

[a] See note 22.

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

United Nations Environment Programme

IV. Statement of cash flows for the year ended 31 December 2019

(Thousands of United States dollars)

	Notes	*31 December 2019*	*31 December 2018*
Cash flow from operating activities			
Surplus/(deficit) for the year		218 732	183 217
Non-cash movements			
Depreciation and amortization	14, 15	259	250
Actuarial gain/loss on employee benefits liabilities	19	(44 192)	23 857
Transfers and donated property, plant and equipment and intangibles	14, 15	–	–
Loss on disposal of property, plant and equipment and intangibles		5	–
Changes in assets			
(Increase)/decrease in assessed contributions receivable	8	(14 579)	2 569
(Increase)/decrease in voluntary contributions receivable	9	(152 615)	(71 179)
(Increase)/decrease in other receivables	10	383	1 573
(Increase)/decrease in advance transfers	11	21 779	(19 178)
(Increase)/decrease in other assets	12	(4 957)	2 094
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities	16	26 028	15 871
Increase/(decrease) in advance receipts	17	15 739	(6 157)
Increase/(decrease) in employee benefits payable	18	55 977	(11 528)
Increase/(decrease) in provisions	20	(50)	(5)
Increase/(decrease) in other liabilities	21	37 944	26 336
Investment revenue presented as investing activities	26	(24 920)	(15 015)
Net cash flows from/(used in) operating activities		**135 533**	**132 705**
Cash flow from investing activities			
Pro rata share of net increases in the cash pool	26	10 357	(111 499)
Investment revenue presented as investing activities	26	24 920	15 015
Acquisitions of property, plant and equipment	14	(213)	(98)
Acquisition of intangibles	15	–	–
Net cash flows from/(used in) investing activities		**35 064**	**(96 582)**
Cash flow from financing activities			
Adjustments to net assets	22	19 563	(9 413)
Net cash flows from/(used in) financing activities		**19 563**	**(9 413)**
Net increase/(decrease) in cash and cash equivalents	**5**	**190 160**	**26 710**
Cash and cash equivalents – beginning of year		81 626	54 916
Cash and cash equivalents – end of year	**6**	**271 786**	**81 626**

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

United Nations Environment Programme

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2019[a]

(Thousands of United States dollars)

	Publicly available budget				
	Original biennial	*Original annual*	*Final annual*	*Actual expenditure (budget basis)*	*Difference (percentage)*[b]
Executive direction and management	9 500	4 750	5 292	4 480	(15)
Programme of work, comprising:					
Climate change	42 000	21 000	8 134	9 377	15
Disasters and conflicts	20 500	10 250	5 229	5 780	11
Ecosystem management	40 000	20 000	10 458	9 539	(9)
Environmental governance	25 000	12 500	8 758	9 436	8
Chemicals and waste	36 000	18 000	8 138	8 206	1
Resource efficiency	49 000	24 500	9 869	10 201	3
Environment under review	19 000	9 500	7 549	7 421	(2)
Total programme of work	**241 000**	**120 500**	**63 427**	**64 440**	**2**
Fund programme reserve	14 000	7 000	1 078	769	(29)
Programme support	16 000	8 000	5 495	4 682	(15)
Total Environment Fund	**271 000**	**135 500**	**70 000**	**69 891**	**0**
United Nations regular budget allocation[c]	35 331	20 482	24 947	24 187	(3)
Total	**306 331**	**155 982**	**94 947**	**94 078**	**(1)**

[a] See note 5.
[b] Actual expenditure (budget basis) less final budget.
[c] The United Nations regular budget allocation is from assessed contributions as reported in Volume I.

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

United Nations Environment Programme
Notes to the 2019 financial statements

Note 1
Reporting entity

The United Nations Environment Programme and its activities

1. The United Nations Environment Programme (UNEP) was established by the General Assembly by its resolution 2997 (XXVII) of 15 December 1972 as an autonomous body and a separate reporting entity within the United Nations, with the Governing Council of UNEP as its policymaking organ and a secretariat to serve as a focal point for environmental action and coordination within the United Nations system. As from June 2014, UNEP adopted universal membership and the United Nations Environment Assembly became its governing body. UNEP is headed by an Executive Director. UNEP is supported by the Environment Fund, a United Nations regular budget allocation, assessed contributions and voluntary contributions from Governments, intergovernmental organizations, foundations, the private sector and other non-governmental sources. UNEP headquarters is off UN Avenue, Nairobi, Kenya, at the United Nations Office at Nairobi complex.

2. The mandate of UNEP, as the leading global environmental authority that sets the global agenda and promotes the coherent implementation of sustainable development within the United Nations system, has been confirmed through various legislative measures, both by the General Assembly and the governing body of UNEP. UNEP also provides the secretariats to several global and regional environmental conventions that have been established in areas related to the UNEP programme mandate.

3. The activities for which UNEP is responsible for fall within programme 11, Environment, of the United Nations biennial programme plan and priorities for the period 2018–2019. The overall objective of programme 11 is to provide leadership and encourage partnership in caring for the environment by inspiring, informing and enabling nations and peoples to improve their quality of life without compromising that of future generations. The main elements of the strategy for achieving the overall objective include: (a) filling the information and knowledge gap on critical environmental issues through more comprehensive assessments; (b) identifying and further developing the use of appropriate integrated policy measures in tackling the root causes of major environmental concerns; and (c) mobilizing action for better integration of international action to improve the environment, particularly in relation to regional and multilateral agreements, as well as United Nations system-wide collaborative arrangements.

The United Nations Environment Programme

4. UNEP is a separate financial reporting entity of the United Nations and includes the Environment Fund, the UNEP United Nations regular budget allocation, trust funds that support the UNEP programme of work, trust funds that support the UNEP multilateral environment agreements and the Multilateral Fund for the Implementation of the Montreal Protocol, related programme support costs for the UNEP programme of work and the multilateral environment agencies and the Multilateral Fund.

Note 2
Basis of preparation and authorization for issue

Basis of preparation

5. In accordance with the Financial Regulations and Rules of the United Nations, the financial statements are prepared on an accrual basis in accordance with International Public Sector Accounting Standards (IPSAS). They have been prepared on a going-concern basis and the accounting policies, as summarized in note 3, have been applied consistently in their preparation and presentation. In accordance with the requirements of IPSAS, these financial statements, which present fairly the assets, liabilities, revenue and expenses of UNEP, and the cash flows over the financial year, consist of the following:

(a) Statement I: statement of financial position;

(b) Statement II: statement of financial performance;

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

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

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

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

(g) Comparative information in respect of all amounts presented in the financial statements indicated in (a) to (e) above and, where relevant, comparative information for narrative and descriptive information presented in the notes to these financial statements.

6. This is the sixth set of financial statements prepared in compliance with IPSAS, which includes the application of certain transitional provisions, as identified below.

7. The financial statements are prepared for the 12-month period from 1 January to 31 December.

Going concern

8. The going-concern assertion is based on the approval by the General Assembly of the regular budget appropriations for the fiscal year 2020 and the positive historical trend of the collection of assessed and voluntary contributions over previous years and the fact that the Assembly has taken no decision to cease the operations of the United Nations.

Authorization for issue

9. These financial statements are certified by the Chief Financial Officer of the United Nations Office at Nairobi and approved by the Executive Director of UNEP. In accordance with the Financial Regulations and Rules of the United Nations, these financial statements as at 31 December 2019 are to be transmitted to the Board of Auditors by 31 March 2020. In accordance with financial regulation 7.12, the reports of the Board of Auditors are to be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements.

Measurement basis

10. The financial statements are prepared using the historic cost convention except for real estate assets that are recorded at depreciated replacement cost, financial assets

recorded at fair value through surplus or deficit and certain assets as stated in the notes to the financial statements.

Functional and presentation currency

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

12. Transactions in currencies other than the functional currency (foreign currencies) are translated into United States dollars at the United Nations operational rate of exchange (UNORE) at the date of the transaction. UNORE approximates the spot rates prevailing at the date of each transaction. At year-end, monetary assets and liabilities denominated in foreign currencies are translated at the UNORE rate. Non-monetary foreign currency denominated items that are measured at fair value are translated at the UNORE rate at the date on which the fair value was determined. Non-monetary items measured at historical cost in a foreign currency are not translated at year-end.

13. 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 judgment and estimates

14. 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 its aggregation would have an impact on the conclusions or decisions of the users of the financial statements.

15. Preparing financial statements in accordance with IPSAS requires the use of estimates, judgments and assumptions in the selection and application of accounting policies and in the reported amounts of certain assets, liabilities, revenues and expenses.

16. 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.

17. Significant estimates and assumptions that may result in material adjustments in future years include: actuarial measurement of employee benefits; selection of useful lives and the depreciation/amortization method for property, plant and equipment/intangible assets; impairment 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.

Future accounting pronouncements

18. The progress and impact of the following significant future IPSAS Board accounting pronouncements on the organization's financial statements continue to be monitored.

19. **Heritage assets**: The objective of the project is to develop accounting requirements for heritage assets.

20. **Non-exchange expenses**: The aim of the project is to develop a standard or standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits.

21. **Revenue**: The scope of the project is to develop new standard-level requirements and guidance on revenue to amend or supersede that currently located in IPSAS 9: Revenue from exchange transactions, IPSAS 11: Construction contracts, and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers).

22. **Leases**: The objective of the project is to develop revised requirements for lease accounting covering both lessees and lessors in order to maintain alignment with the underlying International Financial Reporting Standard. The project will result in a new IPSAS that will replace IPSAS 13. The development of a new IPSAS is continuing, with the date of its issuance yet to be determined by the IPSAS Board.

23. **Public sector measurement**: The objectives of this project include: (a) to issue amended IPSASs with revised requirements for measurement at initial recognition, subsequent measurement and measurement-related disclosure; (b) to provide more detailed guidance on the implementation of replacement cost and cost of fulfilment and the circumstances under which these measurement bases will be used; and (c) to address transaction costs, including the specific issue of the capitalizing or expensing of borrowing costs.

24. **Infrastructure assets**: The objective of the project is to research and identify issues faced by preparers in applying IPSAS 17 to infrastructure assets with a view to providing additional guidance on accounting for infrastructure assets.

Recent and future requirements of the International Public Sector Accounting Standards

25. The IPSAS Board issued the following standards: IPSAS 40 in 2017 effective 1 January 2019, IPSAS 41 issued August 2018 effective 1 January 2022 and IPSAS 42 issued January 2019 effective 1 January 2022. The impact of these standards on the organization's financial statements and the comparative period therein has been evaluated to be as follows.

Standard	*Anticipated impact in the year of adoption*
IPSAS 40	There is currently no impact on the organization from the application of IPSAS 40, as to date there are no public sector combinations that fall under Volume I. The organization will evaluate any such impact of IPSAS 40 on its financial statements for application by 1 January 2019, the effective date of the standard, should such combinations occur.
IPSAS 41	IPSAS 41 substantially improves the relevance of information regarding financial assets and financial liabilities. It will replace IPSAS 29: Financial instruments – recognition and measurement, and improves that standard's requirements by introducing: (a) Simplified classification and measurement requirements for financial assets; (b) A forward-looking impairment model; (c) A flexible hedge accounting model. IPSAS 41 will take effect on 1 January 2022. Its impact on the financial statements will be assessed prior to that date and the organization will be ready to implement the standard by the time it becomes effective.

Standard	*Anticipated impact in the year of adoption*
IPSAS 42	IPSAS 42: Social benefits, provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include State retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment. IPSAS 42 will take effect on 1 January 2022. Currently, there are no such social benefits paid by the organization.

Note 3
Significant accounting policies

Financial assets classification

26. 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 categories shown below 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
Loans and receivables	Cash and cash equivalents and receivables

27. 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.

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

29. Financial assets at fair value through surplus or deficit are those that either have been designated in this category at initial recognition or 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 period in which they arise.

30. 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 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.

31. 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 value of the asset. Impairment losses are recognized in the statement of financial performance in the year in which they arise.

32. 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.

33. Financial assets and liabilities are offset and the net amount 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.

Financial assets: investment in cash pools

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

35 The organization's investment 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.

Financial assets: cash and cash equivalents

36. 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.

Financial assets: receivables from non-exchange transactions – contributions receivable

37. 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, except for voluntary contributions receivable that will mature in more than 12 months, less impairment for estimated irrecoverable amounts, that is, the allowance for doubtful receivables. If deemed material, these long-term voluntary contribution receivables are reported at a discounted value calculated using the effective interest method.

38. Voluntary contributions receivable and other receivables are subject to an allowance for doubtful receivables that is calculated at a rate of 25 per cent for outstanding receivables between one and two years; 60 per cent for two to three years; and 100 per cent for those in excess of three years.

39. For assessed contributions receivable, the allowance is calculated at a rate of 20 per cent for those outstanding one to two years; 60 per cent for those between two and three years; 80 per cent for those between three and four years; and 100 per cent for those over four years.

40. Outstanding receivables that are identified as requiring specific allowances are first identified and then the general allowance based on ageing is applied.

41. Decisions for write-offs are considered at the executive body level of the organization, the conventions or the Multilateral Fund, as appropriate.

Financial assets: receivable from exchange transactions – other receivables

42. 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 are subject to specific review and an allowance for doubtful receivables is assessed based on recoverability and ageing following the general allowance provisions applied to voluntary contributions receivable.

Financial assets: notes receivable

43. Notes receivable consist of promissory notes pledged by Member States in support of the Multilateral Fund.

Other assets

44. Other assets include education grant advances and prepayments, including advances for the United Nations Development Programme (UNDP) Service Clearing Account, which are recorded as an asset until goods are delivered or services are rendered by the other party, at which point the expense is recognized.

Investments accounted for using the equity method

45. The equity method initially records an interest in a jointly controlled entity at cost, adjusted thereafter for the post-acquisition change 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 under non-current assets unless there is a net liability position, in which case it is recorded under non-current liabilities. The organization also has entered into arrangements for jointly financed activities where the interests in such activities are accounted for using the equity method.

Advance transfers

46. Advance transfers relate mainly to cash transferred to executing agencies/implementing partners as an advance in order for them to provide agreed goods or services. Advances issued are initially recognized as assets, and then expenses are recognized when goods are delivered or services are rendered by the executing agencies/implementing partners and confirmed by receipt of certified expense reports, as applicable. In some instances where the partner has not provided financial reports as expected, programme managers make an informed assessment as to whether an accrual is needed. Balances due for a refund are transferred to other receivables which, where necessary, are subject to an allowance for doubtful receivables.

Inventories

47. Inventory balances, if any, are recognized as current assets and include the following categories:

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

48. 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. A standard rate of 12 per cent of the cost of purchase is used in place of actual associated costs incurred. Inventories acquired through non-exchange transactions, that is, 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/services are valued at the lower of cost and current replacement cost.

49. 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.

50. Holdings of consumables and supplies for internal consumption are capitalized in the statement of financial position only when material. Such inventories are valued by the periodic weighted average or the moving average methods based on records available in the inventory management systems, such as Galileo and Umoja, 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.

51. 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

52. Heritage assets are not recognized in the financial statements, but significant heritage assets are disclosed in notes to the financial statements.

Property, plant and equipment

53. Property, plant and equipment are classified into different groups, based on their nature, functions, useful lives and valuation methodologies, such as vehicles; communications and information technology equipment; machinery and equipment; furniture and fixtures; and real estate assets (land, buildings, leasehold improvements,

infrastructure and assets under construction). Recognition of property, plant and equipment is as follows:

(a) Property, plant and equipment are capitalized when their cost is greater than or equal to the threshold of $5,000 or $100,000 for leasehold improvements and self-constructed assets;

(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. A standard rate of 2 per cent of the cost of purchase is used in place of actual associated costs incurred;

(c) Owing to the absence of historical cost information, buildings and infrastructure real estate assets were initially recognized at fair value using a depreciated replacement cost methodology for initial IPSAS implementation. The method involves calculating the cost per unit of measurement, for example the 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 respect 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.

54. 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, upgrade or replacement schedules, significant components of owned buildings are depreciated using the component 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.

Estimated useful lives of property, plant and equipment classes

Class	*Subclass*	*Estimated useful life*
Communications and information technology equipment	Information technology equipment	4 years
	Communications and audiovisual equipment	7 years
Vehicles	Light-wheeled vehicles	6 years
	Heavy-wheeled and engineering support vehicles	12 years
	Specialized vehicles, trailers and attachments	6–12 years
	Marine vessels	10 years
Machinery and equipment	Light engineering and construction equipment	5 years
	Medical equipment	5 years
	Security and safety equipment	5 years

Class	*Subclass*	*Estimated useful life*
	Mine detection and clearing equipment	5 years
	Accommodation and refrigeration equipment	6 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 type	25, 40 or 50 years
	Major exterior, roofing, interior and services/utilities components, where component approach is utilized	20–50 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

55. In exceptional cases, the recorded useful lives for some assets may be different from the useful lives prescribed at the asset subclass level as set out above (although it would remain within the range at asset class level), because when preparing the 2014 IPSAS opening balance a thorough review of the remaining economic useful lives for these assets was made and the result had been entered in the master record of the asset.

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

57. 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.

58. 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 within other revenue or other expenses.

59. 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 $100,000 per unit 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

60. 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 threshold for recognition is $100,000 for internally generated intangible assets and $5,000 per unit for externally acquired intangible assets.

61. Acquired computer software licenses are capitalized based on costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with the development of software for use by the organization are capitalized as an intangible asset. Directly associated costs include software development employee costs, consultant costs and other applicable overhead costs.

62. Intangible assets with a definite useful life are amortized on a straight-line method, over their estimated useful lives starting from the month of acquisition or when the intangible assets become operational.

63. The useful lives of major classes of intangible assets have been estimated as shown below.

Estimates of useful lives of major classes of intangible assets

Class	*Range of estimate 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

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

Financial liabilities: classification

65. Financial liabilities are classified as “other financial liabilities”. They include accounts payable, transfer payables, unspent funds held for future refunds, and other liabilities such as inter-fund balance payables. Financial liabilities classified as other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities with 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 de-recognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

Financial liabilities: accounts payable and accrued liabilities

66. Accounts payable and accrued liabilities 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, as they are generally due within 12 months. Transfers payable within this category relate to amounts owed to executing entities/implementing agencies and partners and residual balances due to be returned to donors.

Advance receipts and other liabilities

67. Advance receipts consist of advance receipts relating to contributions or payments received in advance, assessments or voluntary contributions received for future years and other deferred revenue. Advance receipts are recognized as revenue at the start of the relevant financial year or based on the organization's revenue recognition policies. Other liabilities include liabilities for conditional funding arrangements and other miscellaneous items.

Leases: the organization as lessee

68. 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.

69. Leases where all 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 the statement of financial performance as an expense on a straight-line basis over the term of the lease.

Leases: the organization as lessor

70. The organization often leases out assets under operating leases. Leased-out assets are reported under property, plant and equipment, and lease revenue is recognized in the statement of financial performance over the term of the lease on a straight-line basis.

Donated rights to use

71. Land, buildings, infrastructure assets, machinery and equipment are frequently granted to the organization, primarily by host Governments at nil or nominal cost, through donated right-to-use arrangements. These arrangements are accounted for as operating leases or finance leases, depending on whether an assessment of the agreement indicates that control over the underlying assets is transferred to the organization.

72. Where a donated right-to-use arrangement is treated as an operating lease, an expense and corresponding revenue equal to the annual rental value of the asset or similar property are recognized in the financial statements. Where a donated right-to-use arrangement is treated as a finance lease (principally with a 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 or 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. Donated right-to-use land arrangements are accounted for as operating leases where the organization does not have exclusive control over the land and/or title to the land is transferred under restricted deeds.

73. Where title to land is transferred to the organization without restrictions, the land is accounted for as donated property, plant and equipment and recognized at fair value at the acquisition date.

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

Employee benefits

75. 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

76. 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 are recognized as current liabilities within the statement of financial position.

Post-employment benefits

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

Defined-benefit plans

78. The following benefits are accounted for as defined-benefit plans: after-service health insurance, repatriation benefits (post-employment benefits) and accumulated annual leave that is commuted to cash upon separation from the organization (other long-term benefits). 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 elected to recognize changes in the liability for defined-benefit plans from actuarial gains and losses directly through the statement of changes in net assets. At the end of the reporting year, the organization did not hold any plan assets as defined by IPSAS 39: Employee benefits.

79. 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 interest rates of high-quality corporate bonds with maturity dates approximating those of the individual plans.

80. **After-service health insurance**: this provides worldwide coverage for necessary medical expenses of eligible former staff members and their dependents. Upon end of service, staff members and their dependents may elect to participate in a defined benefit health insurance plan of the United Nations, provided 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 who were recruited prior to 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 by 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 cost-sharing ratios authorized by the General Assembly.

81. **Repatriation benefits**: Upon end of service, staff members who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based on 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.

82. **Annual leave**: The liabilities for annual leave represent unused accumulated leave days that are projected to be settled via a monetary payment to employees upon their separation from the organization. The United Nations recognizes as a liability the actuarial value of the total accumulated unused leave days of all staff members, up to a maximum of 60 days (18 days for temporary staff) as at the date of the statement of financial position. The methodology applies a last-in-first-out assumption in the determination of the annual leave liabilities, whereby staff members access current period leave entitlements before they access accumulated annual leave balances relating to prior periods. Effectively, the accumulated annual leave benefit is accessed more than 12 months after the end of the reporting period in which the benefit arose and, overall, there is an increase in the level of accumulated annual leave days, pointing to the commutation of accumulated annual leave to a cash settlement at end of service as the true liability of the organization. The accumulated annual leave benefit reflecting the outflow of economic resources from the organization at end of service is therefore classified under the category of other long-term benefits, while noting that the portion of the accumulated annual leave benefit that is expected to be settled via monetary payment within 12 months after the reporting date is classified as a current liability. In line with IPSAS 39: Employee benefits, other long-term benefits must be valued similarly to post-employment benefits; therefore, the United Nations values its accumulated annual leave benefit liability as a defined, post-employment benefit that is actuarially valued.

Pension plan: United Nations Joint Staff Pension Fund

83. UNEP is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined-benefit plan. As specified in article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which

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

84. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. UNEP and UNJSPF, in line with the other organizations participating in the Fund, are not in a position to identify the proportional share of UNEP in the defined-benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, the UNEP has treated this plan as if it were a defined-contribution plan in line with the requirements of IPSAS 39: Employee benefits. The organization's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

Termination benefits

85. Termination benefits are recognized as an expense only when the organization is demonstrably committed, without a 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

86. 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.

87. **Appendix D benefits**. Appendix D to the Staff Rules of the United Nations 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

88. 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 amount of the provision is the best estimate of the expenditures expected to be 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.

Contingent liabilities

89. Any 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 are disclosed as contingent liabilities. Contingent liabilities are also disclosed where present obligations that arise from past events cannot be 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.

90. 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.

91. An indicative threshold of $10,000 applies in recognizing provisions and/or disclosing contingent liabilities in the notes to the financial statements.

Contingent assets

92. Contingent assets are 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. Contingent assets are disclosed in the notes when it is more likely than not that economic benefits will flow to the organization.

Commitments

93. Commitments are future expenses that are 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 periods, non-cancellable minimum lease payments and other non-cancellable commitments.

Non-exchange revenue: assessed contributions

94. Assessed contributions for the organization comprise the UNEP regular budget allocation and the assessed contributions of its multilateral environment conventions and the Multilateral Fund. Assessed contributions are assessed and approved for a budget period of one or more years. The one-year proportion of the assessed contributions is recognized as revenue at the beginning of the year. Assessed contributions include the amounts assessed on Member States and non-Member States to finance the activities of the organization in accordance with the agreed scale of assessments. Revenues from assessed contributions from Member States and from non-member States are presented in the statement of financial performance.

Non-exchange revenue: voluntary contributions

95. Voluntary contributions and other transfers that are supported by legally enforceable agreements are recognized as revenue at the time the agreement becomes binding, which is the point when the organization is deemed to acquire control of the asset. However, where cash is received subject to specific conditions or when contributions are explicitly given for a specific operation to commence in a future financial year, recognition is deferred until those conditions have been satisfied. Revenue will be recognized up front for all conditional arrangements up to the threshold of $50,000.

96. Voluntary pledges and other promised donations are recognized as revenue when the arrangement becomes binding. These, as well as agreements not yet formalized by

acceptance, are disclosed as contingent assets. For unconditional multi-year agreements the full amount is recognized as revenue when the agreement becomes binding.

97. Unused funds returned to the donor are netted against revenue.

98. 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.

99. In-kind contributions of goods above the recognition threshold of $5,000 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. 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 services above the threshold of $5,000 in the notes to the financial statements.

Exchange revenue

100. Exchange transactions are those in which the organization sells goods or services. 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 by the United Nations Gift Shop and Visitor 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, including the Global Environment Facility, is recognized when the service is performed;

(c) Exchange revenue also includes income from the rental of premises, net gains on the sale of used or surplus property, plant and equipment, income from services provided to visitors in relation to guided tours, and income from net gains resulting from currency exchange adjustments;

(d) An indirect cost recovery or “programme support cost” is charged to trust funds as a percentage of direct costs, including commitments 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 4, “Segment reporting”. The funding for the programme support cost charge agreed upon with the donor is included as part of voluntary contributions.

Investment revenue

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

Expenses

102. 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.

103. 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, staff assignment, repatriation, hardship and other allowances. Non-employee compensation and allowances consist 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.

104. Other operating expenses include acquisition of goods and intangible assets under capitalization thresholds, foreign exchange losses, maintenance, utilities, contracted services, training, security services, shared services, rent, insurance and allowance for doubtful accounts. Other expenses relate to contributions in kind, hospitality and official functions and donations or transfers of assets.

105. Grants and other transfers include outright grants and transfers to implementing agencies, partners and other entities as well as quick-impact projects. Supplies and consumables relate to the cost of inventory used and expenses for supplies. For outright grants, an expense is recognized at the point at which the organization has a binding obligation to pay.

106. Programme activities, distinct from commercial or other arrangements where the United Nations expects to receive equal value for funds transferred, are implemented by executing entities/implementing partners to service a target population that typically includes Governments, non-governmental organizations and United Nations agencies. Transfers to implementing partners are initially recorded as advances, and balances that are not expensed during the year remain outstanding at the end of the year and are reported in the statement of financial position. These executing entities/implementing partners provide the organization with certified expense reports documenting their use of resources, which are the basis for recording expenses in the statement of financial performance. In instances where the partner has not provided financial reports as expected, programme managers make an informed assessment as to whether an accrual or an impairment should be recorded against the advance and submit the accounting adjustment. Where a transfer of funds is deemed to be an outright grant, an expense is recognized at the point that the organization has a binding obligation to pay, which is generally upon disbursement. Binding agreements to fund executing entities/implementing partners not paid out by the end of the reporting period are shown as commitments in the notes to the financial statements.

Multi-partner trust funds

107. 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. 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.

Note 4
Segment reporting

108. 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 for making decisions about the future allocation of resources.

109. Segment reporting information is provided on the basis of seven segments:

(a) Environment Fund;

(b) Regular budget;

(c) Other support to the UNEP programme of work;

(d) Conventions and protocols;

(e) Multilateral Fund;

(f) Programme support;

(g) End-of-service and post-retirement benefits.

110. Both the statement of financial position and the statement of financial performance are as shown below.

All funds: statement of financial position for the period ended 31 December 2019, by segment

(Thousands of United States dollars)

	Environment Fund	*Regular budget*	*Other support to UNEP programme of work*	*Conventions and protocols*	*Multilateral Fund*	*Programme support*	*End-of-service and post-retirement benefits*	*Intersegment eliminations*	*31 December 2019*	*31 December 2018*[a]
Assets										
Current assets										
Cash and cash equivalents	11 739	–	124 998	38 262	75 463	4 995	16 329	–	271 786	81 626
Investments	24 474	–	260 759	79 830	157 439	10 422	34 063	–	566 987	699 753
Assessed contributions receivable	–	–	–	15 328	27 451		–	–	42 779	28 200
Voluntary contributions receivable	7 870	–	324 263	36 463	–	–	–	–	368 596	349 789
Other receivables	640	–	7 753	383	476	123	–	(8 449)	926	1 309
Advance transfers	968	–	174 221	18 435	97 328	87	–	(17 426)	273 613	290 781
Other assets	3 331	–	10 004	4 679	20	1 144	–	–	19 178	14 221
Total current assets	**49 022**	**–**	**901 998**	**193 380**	**358 177**	**16 771**	**50 392**	**(25 875)**	**1 543 865**	**1 465 679**
Non-current assets										
Investments	7 624	–	81 223	24 866	49 040	3 246	10 610	–	176 609	54 200
Assessed contributions receivable	–	–	–	–	–	–	–	–	–	–
Voluntary contributions receivable	25	–	552 093	21 983	–	–	–	–	574 101	440 293
Advance transfers	–	–	–	–	138 749	–	–	(19 935)	118 814	123 425
Property, plant and equipment	1 125	–	244	140	30	–	–	–	1 539	1 524
Intangible assets	–	–	168	–	–	–	–	–	168	234
Total non-current assets	**8 774**	**–**	**633 728**	**46 989**	**187 819**	**3 246**	**10 610**	**(19 935)**	**871 231**	**619 676**
Total assets	**57 796**	**–**	**1 535 726**	**240 369**	**545 996**	**20 017**	**61 002**	**(45 810)**	**2 415 096**	**2 085 355**
Liabilities										
Current liabilities										
Accounts payable and accrued liabilities	2 345	–	46 789	12 576	5 776	397	–	–	67 883	41 855
Advance receipts	6 287	–	31 815	6 933	39 619	–	–	–	84 654	68 915
Employee benefits liabilities	970	–	1 228	936	55	386	5 483	–	9 058	8 613
Provisions	–	–	–	–	–	–	–	–	–	50
Other liabilities	–	–	128 434	39 929	–	–	–	(8 449)	159 914	121 970
Total current liabilities	**9 602**	**–**	**208 266**	**60 374**	**45 450**	**783**	**5 483**	**(8 449)**	**321 509**	**241 403**

	Environment Fund	*Regular budget*	*Other support to UNEP programme of work*	*Conventions and protocols*	*Multilateral Fund*	*Programme support*	*End-of-service and post-retirement benefits*	*Intersegment eliminations*	*31 December 2019*	*31 December 2018*[a]
Non-current liabilities										
Employee benefits liabilities	–	–	–	–	–	–	241 439	–	241 439	185 907
Total non-current liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**241 439**	**–**	**241 439**	**185 907**
Total liabilities	**9 602**	**–**	**208 266**	**60 374**	**45 450**	**783**	**246 922**	**(8 449)**	**562 948**	**427 310**
Total net of total assets and total liabilities	**48 194**	**–**	**1 327 460**	**179 995**	**500 546**	**19 234**	**(185 920)**	**(37 361)**	**1 852 148**	**1 658 045**
Net assets										
Accumulated surpluses/(deficits): unrestricted	28 194	–	1 326 535	169 416	500 546	14 734	(185 920)	(37 361)	1 816 144	1 621 841
Reserves	20 000	–	925	10 579	–	4 500	–	–	36 004	36 204
Total net assets	**48 194**	**–**	**1 327 460**	**179 995**	**500 546**	**19 234**	**(185 920)**	**(37 361)**	**1 852 148**	**1 658 045**

[a] Comparatives have been restated to conform to the current presentation.

All funds: statement of financial performance for the period ended 31 December 2019, by segment

(Thousands of United States dollars)

	Environment Fund	*Regular budget*	*Other support to UNEP programme of work*[a]	*Conventions and protocols*[b]	*Multilateral Fund*	*Programme support*	*End-of-service and post-retirement benefits*	*Intersegment eliminations*	*31 December 2019*	*31 December 2018*
Segment revenue										
Assessed contributions	–	26 236	–	60 148	163 393	–	–	–	249 777	246 961
Voluntary contributions	70 766	–	313 077	39 356	937	–	–	(10 772)	413 364	296 246
Other transfers and allocations	–	–	140 359	3 623	–	–	–	(1 004)	142 978	175 361
Investment revenue	778	–	12 955	3 918	10 486	378	1 354	(4 949)	24 920	15 015
Other revenue	(23)	–	1 651	110	–	29 872	10 776	(35 675)	6 711	8 166
Total revenue	**71 521**	**26 236**	**468 042**	**107 155**	**174 816**	**30 250**	**12 130**	**(52 400)**	**837 750**	**741 749**
Segment expense										
Employee salaries, allowances and benefits	50 849	24 682	50 538	37 004	3 161	15 377	12 330	(10 777)	183 164	177 816
Non-employee compensation and allowances	3 503	225	25 054	4 875	238	436	–	–	34 331	29 222
Grants and other transfers	2 332	253	181 272	18 983	93 093	413	–	(11 559)	284 787	269 735
Supplies and consumables	153	12	192	82	4	36	–	–	479	316
Depreciation	141	–	31	21	–	–	–	–	193	183
Amortization	–		66						66	66
Travel	2 989	293	20 414	12 156	406	615	–	(218)	36 655	33 880
Other operating expenses	8 816	758	52 013	30 002	6 467	10 211	5	(29 846)	78 426	46 357
Exchange losses from the fixed exchange rate mechanism	–	–	–	–	(508)	–	–	–	(508)	(1 907)
Other expenses	94	13	435	883	–	–	–	–	1 425	2 864
Total segment expenses	**68 877**	**26 236**	**330 015**	**104 006**	**102 861**	**27 088**	**12 335**	**(52 400)**	**619 018**	**558 532**
Surplus/(deficit) for the year	**2 644**	**–**	**138 027**	**3 149**	**71 955**	**3 162**	**(205)**	**–**	**218 732**	**183 217**

[a] See also annex I.
[b] See also annex II.

Note 5
Comparison to budget

111. 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.

112. Approved budgets are those that permit expenses to be incurred and are approved by the United Nations Environment Assembly. For IPSAS reporting purposes, approved budgets are the appropriations authorized by United Nations Environment Assembly resolutions.

113. The original budget amounts are the 2019 proportion of the appropriation for the biennium 2018–2019 approved by the United Nations Environment Assembly on 27 May 2016. The final appropriation for the Environment Fund for 2019 was less than the original budget approved by the United Nations Environment Assembly. The original budget was approved on the basis of the projected voluntary contributions to the Environment Fund, whereas the final appropriation was based on the funds that were made available on the basis of the Environment Fund balance brought forward at the start of the period and contributions received during the year. Owing to the fact that the year 2019 marks the second year of the budget biennium, the expenditure posted in 2019 against the Environment Fund relates to both the 2019 final annual allocation as well as the 2018 remaining balances.

114. Material differences between the final budget appropriation and actual expenditure on a modified cash basis are deemed to be those greater than 10 per cent. Overall, for the current reporting period, the variances are within the 10 per cent margin; however, variances within the subprogrammes are attributable to:

(a) Increases in vacancy rates compared with the budget, and the cyclical nature of activities that occur in the second year of the biennium as opposed to the first year, in line with the budget for the approved programme of work, which is approved on a biennial basis. For example, savings under executive direction and management of 15 per cent are attributed mainly to the restructuring that took place in the Executive Office, which created a number of vacancies in comparison with the staffing complements for 2018;

(b) Overruns under subprogramme 1, Climate change, and subprogramme 2, Resilience to disasters and conflicts, owing mainly to events and activities that generally take place during the first year of the budget biennium due to their cyclical nature. Deviation under the Fund programme reserve resulted from a lower number of actual emerging programmatic activities, which used a lower budget than was anticipated during the planning stage.

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

115. 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 shown below.

Reconciliation for the year ended 31 December 2019

(Thousands of United States dollars)

Reconciliation	*Operating*	*Investing*	*Financing*	*Total 2019*
Actual amounts on comparable basis (statement V)	(94 078)	–	–	(94 078)
Basis differences	(84 239)	(213)	–	(84 452)
Entity differences	(523 900)	–	–	(523 900)

Reconciliation	*Operating*	*Investing*	*Financing*	*Total 2019*
Timing differences	–	–	–	–
Presentation differences	837 750	35 277	19 563	892 590
Actual amount in statement of cash flows (statement IV)	**135 533**	**35 064**	**19 563**	**190 160**

116. Basis differences capture the differences resulting from preparing the budget on a modified cash basis. In order to reconcile the budgetary results to the statement of cash flows, the non-cash elements such as unliquidated obligations, payments against prior-year obligations, property, plant and equipment and outstanding assessed contributions are included as basis differences.

117. Entity differences represent cash flows of fund groups other than the organization that are reported in statement V of the financial statements. The financial statements include results for all fund groups.

118. Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. For the purposes of comparison of budget and actual amounts, there are no timing differences for the organization.

119. 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 are related primarily to the non-recording income in statement V and the net changes in cash pool balances.

Note 6
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Cash at bank and on hand	9	25
Cash pool cash and term deposits	271 777	81 601
Total cash and cash equivalents	**271 786**	**81 626**

120. Cash and cash equivalents include trust fund monies which are for the specific purposes of the respective trust funds.

Note 7
Investments

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Current cash pool	566 987	699 753
Non-current cash pools	176 609	54 200
Total	**743 596**	**753 953**

121. Investments include amounts in relation to trust funds and funds held in trust.

Note 8
Receivables from non-exchange transactions: assessed contributions

(Thousands of United States dollars)

	Current	*Non-current*	*31 December 2019*	*31 December 2018*
Assessed contributions – member state	240 661	–	240 661	218 542
Notes receivable	6	–	6	3
Total	**240 667**	**–**	**240 667**	**218 545**
Allowance for doubtful receivables – member state	(197 888)[a]	–	(197 888)	(190 345)
Total assessed contributions receivable	**42 779**	**–**	**42 779**	**28 200**

[a] Allowance for doubtful debts comprises mainly receivables from member states amounting to $191 million that have been outstanding for over four years (see note 26), of which $180 million relates to outstanding assessed contributions under the Multilateral Fund. The organization is currently assessing these outstanding receivables for write-off.

Note 9
Receivables from non-exchange transactions: voluntary contributions

(Thousands of United States dollars)

	Current	*Non-current*	*31 December 2019*	*31 December 2018*
Member States	100 610	68 602	169 212	116 437
Other governmental organizations	14 531	1 850	16 381	16 619
United Nations organizations	167 442	417 840	585 282	566 199
Private donors[a]	115 427	85 809	201 236	99 261
Total voluntary contributions receivable before allowance	**398 010**	**574 101**	**972 111**	**798 516**
Allowance for doubtful receivables current	(29 414)	–	(29 414)	(8 434)
Total voluntary contributions receivable	**368 596**	**574 101**	**942 697**	**790 082**

[a] Major private donors consist of the European Union, the Adaptation Fund, the Natural Environment Research Council, the FIA (Fédération internationale de l'automobile) Foundation for the Automobile and Society, the ClimateWorks Foundation and the MAVA Foundation.

Note 10
Other receivables

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Current other receivables		
Value added tax recoverable	663	569
Other receivables from United Nations agencies, funds and programmes	680	723
Other exchange accounts receivable	603	445
Subtotal	**1 946**	**1 737**
Allowance for doubtful receivables	(1 020)	(428)
Total other receivables (current)	**926**	**1 309**

Note 11
Advance transfers

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*[a]
Advance transfers (current)	273 613	290 781
Advance transfers (non-current)	118 814	123 425
Total advance transfers	**392 427**	**414 206**

[a] Comparatives have been restated to conform to the current presentation.

Note 12
Other assets

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*[a]
Advances to UNDP and other United Nations agencies[b]	14 669	8 846
Advances to vendor	1	34
Advances to staff	3 514	3 770
Advances to other personnel	495	573
Deferred charges	495	786
Other assets; other	4	212
Total other assets	**19 178**	**14 221**

[a] Comparatives have been restated to conform to the current presentation.
[b] Includes the UNDP Service Clearing Account and advances to other entities to provide administrative services and operational support.

Note 13
Heritage assets

122. 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. These heritage assets do not generate any future economic benefits or service potential; accordingly, the organization elected not to recognize heritage assets in the statement of financial position.

123. The organization does not own any significant heritage assets.

Note 14
Property, plant and equipment

124. In accordance with IPSAS 17, opening balances are initially recognized at cost or fair value as at 1 January 2014 and measured at cost thereafter. The opening balance of buildings was obtained on 1 January 2014, on the basis of depreciated replacement cost, and was validated by external professionals. Machinery and equipment are valued using the cost method.

125. During the year, the organization did not write down property, plant and equipment on account of accidents, malfunctions and other losses. As at the reporting date, the organization did not identify any additional impairment.

Property, plant and equipment

(Thousands of United States dollars)

	Building	*Furniture and fixtures*	*Communication and IT Equipment*	*Vehicles*	*Machinery and equipment*	*Total*
Cost as at 1 January 2019	**842**	**485**	**1 390**	**1 264**	**45**	**4 026**
Additions	–	–	138	55	20	213
Disposals	–	(15)	(68)	(56)	(11)	(150)
Internal transfers of plant and equipment	–	–	(7)	–	–	(7)
Other changes	–	–	–	–	–	–
Cost as at 31 December 2019	**842**	**470**	**1 453**	**1 263**	**54**	**4 082**
Accumulated depreciation as at 1 January 2019	**(81)**	**(369)**	**(1 150)**	**(895)**	**(7)**	**(2 502)**
Depreciation	(20)	(15)	(83)	(71)	(4)	(193)
Disposal	–	15	63	56	11	145
Internal transfers of plant and equipment	–	–	7	–	–	7
Other changes	–	–	–	–	–	–
Accumulated depreciation as at 31 December 2019	**(101)**	**(369)**	**(1 163)**	**(910)**	**–**	**(2 543)**
Net carrying amount 31 December 2019	**741**	**101**	**290**	**353**	**54**	**1 539**

Note 15
Intangible assets

126. All intangible assets acquired before 1 January 2014, except for the capitalized costs associated with the Umoja project, are subject to the IPSAS transition exemption and are therefore not recognized.

(Thousands of United States dollars)

	Software acquired externally	*Licences and rights*	*Umoja*	*Other*	*Total*
Cost as at 1 January 2019	**349**	**24**	**–**	**–**	**373**
Additions	–	–	–	–	–
Other changes	–	(1)	–	–	(1)
Cost as at 31 December 2019	**349**	**23**	**–**	**–**	**372**
Accumulated amortization as at 1 January 2019	**(134)**	**(4)**	**–**	**–**	**(138)**
Amortization	(64)	(2)	–	–	(66)
Other changes	–	–	–	–	–
Accumulated amortization as at 31 December 2019	**(198)**	**(6)**	**–**	**–**	**(204)**
Net carrying amount 31 December	**151**	**17**	**–**	**–**	**168**

Note 16
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Vendor payables (accounts payable)	3 154	2 483
Transfers payable	586	1 020
Payables to Member States	84	207
Payables to other United Nations entities	5 378	4 821
Accruals for goods and services	35 161	11 763
Accounts payable – other	23 520	21 561
Total accounts payable and accrued liabilities	**67 883**	**41 855**

Note 17
Advance receipts

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Current advance receipts		
Deferred revenue	84 654	68 915
Total advance receipts	**84 654**	**68 915**

Note 18
Employee benefits liabilities

(Thousands of United States dollars)

	Current	*Non-current*	*31 December 2019*	*31 December 2018*
After-service health insurance	1 254	203 750	205 004	155 897
Annual leave	1 418	14 001	15 419	13 703
Repatriation benefits	2 811	23 688	26 499	21 264
Subtotal defined-benefit liabilities	**5 483**	**241 439**	**246 922**	**190 864**
Accrued salaries and allowances	3 549	–	3 549	3 572
Pension contributions liabilities	26	–	26	84
Total employee benefits liabilities	**9 058**	**241 439**	**250 497**	**194 520**

127. The liabilities arising from end-of-service/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 2019.

Actuarial valuation: assumptions

128. 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 2019 and 31 December 2018 are as follows.

Actuarial assumptions

(Percentage)

Assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates 31 December 2019	2.19	3.01	2.48
Discount rates 31 December 2018	3.89	4.16	4.21
Inflation 31 December 2019	2.85–5.44	2.20	–
Inflation 31 December 2018	3.05–5.57	2.20	–

129. The yield curves used in the calculation of the discount rates in respect of the United States dollar, the euro and the Swiss franc are those developed by Aon Hewitt, consistent with the recommendation of the United Nations Task Force on Accounting Standards to harmonize actuarial assumptions across the United Nations system (A/71/815, para. 26), which was endorsed by the General Assembly in section IV of its resolution 71/272 B. Other financial and demographic assumptions used for the valuation as at 31 December 2019 were maintained for the roll-forward. The salary increases for the Professional staff category were assumed to be 8.5 per cent for staff aged 23, grading down to 4.0 per cent for staff aged 70. The salaries of the General Service staff category were assumed to increase by 6.8 per cent for staff aged 19, grading down to 4.0 per cent for staff aged 65.

130. 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 the economic environment. Medical cost trend assumptions used for the valuation as at 31 December 2019 were updated to include escalation rates for future years. As at 31 December 2019, these escalation rates were at 3.83 per cent (2018: 3.91 per cent), 3.76 per cent (2018: 3.89 per cent) and 5.44 per cent (2018: 5.57 per cent) for eurozone, Swiss and all other medical plans respectively, except 5.26 per cent (2018: 5.38 per cent) for the United States Medicare plan and 4.66 per cent (2018: 4.73 per cent) for the United States dental plan, grading down to 3.65 per cent (2018: 3.65 per cent) and 2.85 per cent (2018: 3.05 per cent) over 3 to 8 years for eurozone and Swiss health-care cost and to 3.85 per cent (2018: 3.85 per cent) over 13 years for United States health-care cost.

131. With regard to the valuation of repatriation benefits as at 31 December 2019, inflation in travel costs was assumed to be 2.20 per cent (2018: 2.20 per cent), on the basis of the projected United States inflation rate over the next 20 years.

132. Annual leave balances were assumed to increase at the following annual rates during the staff member’s projected years of service: 1–3 years, 9.1 per cent; 4−8 years, 1 per cent; and more than 9 years, 0.1 per cent, up to the maximum of 60 days. The attribution method is used for annual leave actuarial valuation.

133. 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.

Note 19
Movement in employee benefits liabilities accounted for as defined-benefit plans

Reconciliation of opening to closing total defined-benefits liability

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total 2019*
Net benefit liability at 1 January 2019	**155 897**	**21 264**	**13 703**	**190 864**
Current service cost	7 150	1 480	943	9 573
Interest cost	6 023	844	553	7 420
Actual benefits paid	(2 088)	(1 897)	(1 142)	(5 127)
Total costs recognized in the statement of financial performance in 2019	**11 085**	**427**	**354**	**11 866**
Subtotal	**166 982**	**21 691**	**14 057**	**202 730**
Actuarial (gains)/loss[a]	38 022	4 808	1 362	44 192
Net defined liability as at 31 December 2019	**205 004**	**26 499**	**15 419**	**246 922**

[a] The cumulative amount of actuarial gains and losses recognized in the statement of changes in net assets is $44.2 million.

Discount rate sensitivity analysis

134. The changes in discount rates are driven by the discount curve, which is calculated on the basis of corporate bonds. The bonds markets vary over the reporting period, and the volatility has an impact on the discount rate assumption. Should the assumption vary by 0.5 per cent, its impact on the obligations would be as shown below.

Discount rate sensitivity analysis: year-end employee benefits liabilities

(Thousands of United States dollars)

31 December 2019	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 0.5 per cent	(21 922)	(947)	(624)
As percentage of end-of-year liability	(11%)	(4%)	(4%)
Decrease of discount rate by 0.5 per cent	26 029	1 015	671
As percentage of end-of-year liability	13%	4%	4%

Medical cost sensitivity analysis

135. 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 resulting from changes in the medical cost rates while holding other assumptions, such as the discount rate, constant. Should the medical cost trend assumption vary by 0.5 per cent (2018: 1.0 per cent), this would have an impact on the measurement of the defined-benefit obligations, as shown below.

Medical costs sensitivity analysis: 0.5 per cent (2018: 1.0 per cent) movement in the assumed medical cost trend rates

(Thousands of United States dollars)

2019	*Increase*		*Decrease*	
Effect on the defined-benefit obligation	13.9%	28 304	(11.9%)	(24 184)
Effect on aggregate of the current service cost and interest cost	1.15%	2 342	(0.96%)	(1 953)

(Thousands of United States dollars)

2018	*Increase*		*Decrease*	
Effect on the defined-benefit obligation	26.62%	41 503	(20%)	(31 178)
Effect on aggregate of the current service cost and interest cost	2.51%	3 913	(1.82%)	(2 841)

Other defined-benefit plan information

136. Benefits paid for 2019 are estimates of what would have been paid to separating staff and/or retirees during the year based on the pattern of rights acquisition under each scheme: after-service health insurance, repatriation and commutation of accrued annual leave. The estimated defined-benefits payments (net of participants' contributions in these schemes) are shown in the table below.

Estimated defined benefits payments, net of participants' contributions

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
Estimated 2019 defined benefit payments net of participants' contributions	2 088	1 897	1 142	5 127
Estimated 2018 defined benefit payments net of participants' contributions	1 760	2 167	1 299	5 226

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

(Thousands of United States dollars)

	2018	*2017*	*2016*	*2015*	*2014*
Present value of the defined benefits obligations	190 864	203 218	140 633	131 220	162 052

Other employee benefit liabilities

Accrued salaries and allowance

137. Accrued salaries and allowances comprise $2.8 million relating to home leave benefits and $0.4 million for accrued salaries payable. The remaining balance of $0.3 million relates to other benefits.

United Nations Joint Staff Pension Fund

138. UNEP is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement,

death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined-benefit plan. As specified in article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

139. The Pension Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the Fund. UNEP and the Fund, in line with the other organizations participating in the Fund, are not in a position to identify the proportionate share of UNEP in the defined-benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNEP has treated this plan as if it were a defined-contribution plan in line with the requirements of IPSAS 39: Employee benefits. The organization's contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

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

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

142. The latest actuarial valuation of the Fund was completed as at 31 December 2017, and the valuation as at 31 December 2019 is currently being performed. A roll-forward of the participation data as at 31 December 2017 to 31 December 2018 was used by the Fund for its 2018 financial statements. The actuarial valuation as at 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2 per cent. The funded ratio was 102.7 per cent when the current system of pension adjustments was taken into account.

143. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2017, for deficiency payments under article 26 of the Regulations of the Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of the present report, the General Assembly has not invoked article 26. Should article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based on the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2016, 2017 and 2018) amounted to $7,131.56 million.

144. During 2019, the organization's contributions paid to the Pension Fund were fully settled.

145. Membership of the Fund may be terminated by decision of the General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of those members of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed upon between the organization and the Fund. The amount is to be determined by the Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets in excess of the liabilities are included in the amount.

146. The Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the General Assembly on the audit every year. The Fund publishes quarterly reports on its investments. The reports are available at www.unjspf.org.

Note 20
Provisions

147. As at the reporting date, the organization had the following legal claims that required the recognition of provisions.

Movement in provisions

(Thousands of United States dollars)

	Litigation and claims
Provisions as at 1 January 2019	50
Additional provisions made	–
Amounts reversed	(50)
Amounts used	–
Provisions as at 31 December 2019	**–**

Note 21
Other liabilities

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Liabilities for conditional arrangements	159 914	121 970
Total other liabilities	**159 914**	**121 970**

Note 22
Net assets

Accumulated surpluses/deficits

148. The unrestricted accumulated surplus includes the accumulated deficit for employee benefits liabilities, the net positions of after-service health insurance, repatriation benefit and annual leave liabilities.

149. The following table shows the status of the organization's net assets balances and movements, by segment.

Net assets balances and movements[a]

(Thousands of United States dollars)

	1 January 2019	*Surplus/ (deficit)*	*UNEP internal implementation elimination*	*Other movements*	*31 December 2019*
Unrestricted fund balance					
Environment Fund	25 550	2 644	–	–	28 194
Other support to UNEP programme of work[b]	1 131 573	138 027	19 574	–	1 289 174
Conventions and protocols[c]	166 078	3 149	(11)	200	169 416
Multilateral Fund	428 591	71 955	–	–	500 546
Programme support	11 572	3 162	–	–	14 734
End-of-service liabilities	(141 523)	(205)	–	(44 192)	(185 920)
Subtotal unrestricted fund balance	**1 621 841**	**218 732**	**19 563**	**(43 992)**	**1 816 144**
Reserves					
Environment Fund	20 000	–	–	–	20 000
Other support to UNEP programme of work	925	–	–	–	925
Conventions and protocols	10 779	–	–	(200)	10 579
Multilateral Fund	–	–	–	–	–
Programme support	4 500	–	–	–	4 500
Subtotal reserves	**36 204**	**–**	**–**	**(200)**	**36 004**
Total net assets					
Environment Fund	45 550	2 644	–	–	48 194
Other support to UNEP programme of work	1 132 498	138 027	19 574	–	1 290 099
Conventions and protocols	176 857	3 149	(11)	–	179 995
Multilateral Fund	428 591	71 955	–	–	500 546
Programme support	16 072	3 162		–	19 234
End-of-service liabilities	(141 523)	(205)	–	(44 192)	(185 920)
Total net assets	**1 658 045**	**218 732**	**19 563**	**(44 192)**	**1 852 148**

[a] Net assets movements, including fund balances, are IPSAS-based.
[b] See also annex I.
[c] See also annex II.

Note 23
Revenue from non-exchange transactions

Assessed contributions

150. Assessed contributions of $249.8 million (2018: $246.9 million) have been recorded in accordance with the Financial Regulations and Rules of the United Nations, the relevant resolutions of the various conferences of parties and the policies of the United Nations, on the basis of the agreed budget scale of assessment. An amount of $26.2 million (2018: $24.3 million) of this is an allocation from the United Nations Secretariat.

151. Each biennium, the organization receives an allocation from the United Nations regular budget, which is included in assessed contributions. These are reported under Volume I, a related entity, but are also included in these statements for completeness. In addition, internally within the organization, funds are allocated for implementation

that is reflected as other transfers and allocations in the statement of financial performance.

Assessed contributions

(Thousands of United States dollars)

	2019	*2018*
Assessed contributions		
Assessed contributions by Member State Governments	227 348	227 668
Bilateral transfers from the Multilateral Fund	(3 807)	(4 959)
Allocations from regular budget	26 236	24 252
Amount reported in statement II, "Assessed contributions"	**249 777**	**246 961**

Voluntary contributions

152. All voluntary contributions under binding agreements signed during 2019 are recognized as revenue in 2019, including the future portion of multi-year agreements.

153. For the recognized contribution revenue, a breakdown of the amount intended to be contributed by donors per year is shown below.

Voluntary contributions

(Thousands of United States dollars)

	2019	*2018*
Voluntary contributions		
Voluntary contributions: in cash	418 240	294 947
Voluntary contributions: in kind	1 361	2 815
Total voluntary contributions received	**419 601**	**297 762**
Refunds	(6 237)	(1 516)
Net voluntary contributions received	**413 364**	**296 246**

(Thousands of United States dollars)

	Voluntary contributions
2019	225 141
2020	102 342
2021	39 829
2022	28 692
2023	12 195
Beyond 2023	5 165
Total voluntary contributions	**413 364**

Other transfers and allocations

154. Revenue from non-exchange transactions includes other transfers and allocations, mainly received from United Nations entities. This income mainly corresponds to transfers from the Global Environment Facility trust fund.

Other transfers and allocations

(Thousands of United States dollars)

	2019	2018
Other transfers and allocations		
Allocations received from United Nations internal funds	142 978	175 361
	142 978	**175 361**

Services in kind

155. In-kind contributions of services received during the year are not recognized as revenue and, therefore, are not included in the above in-kind contributions revenue. Services in kind confirmed during the year are shown below.

Services in kind

(Thousands of United States dollars)

	2019	2018
Technical assistance/expert services	850	771
Administrative support	1 010	2 030
Training participation	2 324	–
Total	**4 184**	**2 801**

Note 24
Other revenue

(Thousands of United States dollars)

	2019	2018
Other/miscellaneous revenue	1 401	1 406
Revenue-producing activities	5 310	6 760
Total other exchange revenue	**6 711**	**8 166**

Note 25
Expenses

Employee salaries, allowances and benefits

156. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. Allowances and benefits include other staff entitlements, including pension and insurance, staff assignment, repatriation, hardship and other allowances.

Employee salaries, allowances and benefits

(Thousands of United States dollars)

	2019	2018
Salary and wages	139 938	136 785
Pension and insurance benefits	41 048	39 275
Other benefits	2 178	1 756
Total employee salaries, allowances and benefits	**183 164**	**177 816**

Non-employee compensation and allowances

157. Non-employee compensation and allowances consist of United Nations Volunteers living allowances and post-employment benefits, consultant and contractor fees, ad hoc experts and non-military personnel compensation and allowances.

Non-employee compensation and allowances

(Thousands of United States dollars)

	2019	*2018*
United Nations Volunteers	2 194	1 373
Consultants and contractors	32 133	27 860
Other	4	(11)
Total non-employee compensation and allowances	**34 331**	**29 222**

Grants and other transfers

158. Grants and other transfers include outright grants to implementing agencies, partners and other entities; see note 31 for more details.

Grants and other transfers

(Thousands of United States dollars)

	2019	*2018*
Grants to end beneficiaries: direct	2 307	2 103
Transfers to implementing partners	282 480	267 632
Total grants and other transfers	**284 787**	**269 735**

Supplies and consumables

159. Supplies and consumables include consumables, fuel and lubricants and spare parts, as set out in the table below.

Supplies and consumables

(Thousands of United States dollars)

	2019	*2018*
Fuel and lubricants	9	17
Spare parts	78	60
Consumables	392	239
Total supplies and consumables	**479**	**316**

Travel

160. Travel includes staff and representative travel as shown below.

Travel expenses

(Thousands of United States dollars)

	2019	2018
Staff travel	15 130	14 654
Non-staff travel	21 525	19 226
Total travel	**36 655**	**33 880**

Other operating expenses

161. Other operating expenses include maintenance, utilities, contracted services, training, security services, shared services, rent, insurance, allowance for bad debt and write-off expenses.

Other operating expenses

(Thousands of United States dollars)

	2019	2018
Air transport	118	78
Ground transport	359	271
Communication and IT	7 806	7 627
Other contracted services	20 069	18 697
Acquisitions of goods	1 377	1 250
Acquisitions of intangible assets	313	216
Rent: offices and premises	8 338	7 868
Rental: equipment	193	438
Maintenance and repair	1 720	2 193
Bad debt expense	29 338	1 212
Net foreign exchange losses/(gains)	8 198	6 080
Other/miscellaneous operating expenses	597	427
Total other operating expenses	**78 426**	**46 357**

Exchange losses from the fixed-rate mechanism

162. The Multilateral Fund operates a fixed exchange-rate mechanism (initially approved for implementation by the Meeting of the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer in its decision XI/6 of 17 December 1999 and extended for the 2016–2017 period in its decision XXVI/11 of 10 December 2014) which, subject to fulfilling certain criteria, allows parties to opt in advance to pay their contributions for the forthcoming triennium, in their own currencies, at a predetermined exchange rate to the United States dollar fixed prior to the triennium. The exchange gain of $0.51 million (2018 gain of $1.9 million) resulted from the difference between the actual United Sates dollar equivalent of the respective contributions received as compared to the United Sates dollar receivable that had been established in the UNEP books of account.

Exchange losses from the fixed exchange-rate mechanism

(Thousands of United States dollars)

	2019	*2018*
Exchange (gain)/loss from the fixed exchange rate mechanism	(508)	(1 907)

Other expenses

163. Other expenses relate largely to hospitality and official functions, and the donation/transfer of assets.

(Thousands of United States dollars)

	2019	*2018*
Contributions in kind	1 361	2 815
Other/miscellaneous expenses	64	49
Total other expenses	**1 425**	**2 864**

Note 26
Financial instruments and financial risk management

Financial instruments

(Thousands of United States dollars)

	2019	*2018*
Financial assets		
Fair value through the surplus or deficit		
Short-term investments: main pool	566 987	699 753
Total short-term investments	**566 987**	**699 753**
Long-term investments: main pool	176 609	54 200
Total long-term investments	**176 609**	**54 200**
Total fair value through surplus or deficit	**743 596**	**753 953**
Cash, loans and receivables		
Cash and cash equivalents: main pool	271 777	81 601
Cash and cash equivalents – other	9	25
Cash and cash equivalents	**271 786**	**81 626**
Assessed contributions receivable	42 779	28 200
Voluntary contributions receivable	942 697	790 082
Other receivables	926	1 309
Other assets (excluding advances)	–	200
Total cash, loans and receivables	**1 258 188**	**901 417**
Total carrying amount of financial assets	**2 001 784**	**1 655 370**
Of which relates to financial assets held in main pool	1 015 382	835 534
Other investment revenue	24 920	15 015

	2019	*2018*
Financial liabilities at amortized cost		
Accounts payable and accrued payables (excluding deferred payables)	67 883	41 855
Total carrying amount of financial liabilities	**67 883**	**41 855**
Summary of net income from financial assets		
Other investment revenue	3 565	686
Investment revenue	19 732	14 563
Foreign exchange gains/(losses)	1 623	(234)
Total net income from financial assets	**24 920**	**15 015**

Financial risk management: overview

164. The organization has exposure to the following financial risks:

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk.

165. The present note and note 27, "Financial instruments: main pool", present information on the organization's exposure to the above-mentioned risks, the objectives, policies and processes for measuring and managing risk and the management of capital.

Risk management framework

166. 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

167. 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 exposures to outstanding receivables. The carrying value of financial assets less allowances for doubtful receivables is the maximum exposure to credit risk.

Credit risk management

168. The investment management function is centralized at United Nations Headquarters, and under normal circumstances other areas are not permitted to engage in investing. An area may receive exceptional approval when conditions warrant investing locally under specified parameters that comply with the Guidelines.

Contributions receivable and other receivables

169. 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. As at the reporting date, the organization did not hold any collateral as security for receivables.

Allowance for doubtful receivables

170. The organization evaluates the allowance of 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. Balances credited to the allowance for doubtful receivables account are utilized when management approves write-offs under the Financial Regulations and Rules or are reversed when the previously impaired receivables are received. The movement in the allowances account during the year is as shown below.

Movement in allowance for doubtful receivables

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Opening allowance for doubtful receivables	199 207	198 518
Doubtful receivables adjustment for current year	29 115	689
Closing allowance for doubtful receivables	228 322	199 207

171. The ageing of contributions receivables and associated allowance is as shown below.

Ageing of assessed contributions receivable

(Thousands of United States dollars)

	Gross receivable	*Allowance*
Less than one year	33 908	–
One to two years	8 358	1 672
Two to three years	3 344	2 007
Three to four years	4 232	3 384
Over four years	190 825	190 825
Total	**240 667**	**197 888**

Note: Outstanding assessed contributions over four years include an amount of $180 million in unpaid contributions under the Multilateral Fund. The organization is currently assessing these outstanding receivables for write-off.

Ageing of voluntary contributions receivable

(Thousands of United States dollars)

	Gross receivable	*Allowance*
Neither past due nor impaired	574 101	–
Less than one year	297 799	–
One to two years	79 194	14 502
Two to three years	12 626	6 521
Over three years	8 391	8 391
Total	**972 111**	**29 414**

Ageing of other receivables

(Thousands of United States dollars)

	Gross receivable	*Allowance*
Less than one year	749	–
One to two years	145	36
Two to three years	170	102
Over three years	882	882
Total	**1 946**	**1 020**

Cash and cash equivalents

172. The organization had cash and cash equivalents of $271.8 million as at 31 December 2019 (2018: $81.6 million), which is the maximum credit exposure on these assets. Cash and cash equivalents are held with bank and financial institution counterparties rated at “A-” and above, based on the Fitch viability rating.

Liquidity risk

173. 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.

174. The Financial Regulations and Rules 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 prior to the receipt of funds are permitted only if specified risk management criteria are adhered to with regard to the amounts receivable.

175. The organization performs cash flow forecasting and monitors rolling forecasts of liquidity requirements to ensure that they have 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.

Financial liabilities

176. 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 receivables, cash 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. At the reporting date, the organization had not pledged any collateral for any liabilities or contingent liabilities, and in 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 shown below.

Maturities for financial liabilities as at 31 December 2019

(Thousands of United States dollars)

	<3 months	*3 to 12 months*	*>1 year*	*Total*
Maturities for financial liabilities: as at 31 December 2019, undiscounted accounts payable and accrued payables	43 438	24 446	–	67 884

Market risk

177. 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

178. Interest rate risk is the risk of variability in financial instruments' fair values or future cash flows due to change in interest rates. In general, as the 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 longer 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 27.

Currency risk

179. 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 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.

180. The organization's financial assets and liabilities are denominated primarily in United States dollars. Non-United States dollar financial assets relate primarily to investments in addition to cash and cash equivalents and receivables held in order 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 foreign currency needs for operational purposes. The most significant exposure to currency risk relates to cash pool cash and cash equivalents. At the reporting date, the non-United States dollar denominated balances in these financial assets were primarily euros and Swiss francs, along with over 30 other currencies, as shown below.

Currency exposure of the cash pools as at 31 December 2019

(Thousands of United States dollars)

	United States dollars	*Euros*	*Swiss francs*	*Others*	*Total*
Main cash pool	999 612	8 594	1 828	5 348	1 015 382

Sensitivity analysis

181. A strengthening/weakening of the euro and Swiss franc UNORE exchange rates as at the reporting date would have affected the measurement of investments denominated in a foreign currency and increased or decreased 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.

Effect on net assets, surplus or deficit

(Thousands of United States dollars)

	As at 31 December 2019		*As at 31 December 2018*	
	Effect on net asset surplus or deficit		*Effect on net asset surplus or deficit*	
	Strengthening	*Weakening*	*Strengthening*	*Weakening*
Euro (10 per cent movement)	859	(859)	1 370	(1 370)
Swiss franc (10 per cent movement)	183	(183)	182	(182)

Other market price risk

182. The organization is not exposed to significant other price risk, as it has limited exposure to price-related risk related 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

183. Owing to the short-term nature of cash and cash equivalents, including cash pool term deposits with original maturities of less than three months, receivables and payables, the carrying value is a fair approximation of fair value.

Fair value hierarchy

184. 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 in 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 liabilities that are not based on observable market data (that is, unobservable inputs).

185. 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 on the basis of the 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.

Fair value hierarchy

(Thousands of United States dollars)

	31 December 2019			31 December 2018		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds: corporates	16 139	–	16 139	22 818	–	22 818
Bonds: non-United States agencies	82 071	–	82 071	97 903	–	97 903
Bonds: non-United States sovereigns	46 005	–	46 005	–	–	–
Bonds: supranational	54 114	–	54 114	19 380	–	19 380
Bonds: United States treasuries	–	37 762	37 762	67 793	–	67 793
Main pool: commercial papers	–	371 709	371 709	24 350	–	24 350
Main pool: term deposits	–	131 527	131 527	–	526 140	–
Main pool total	**198 330**	**540 998**	**739 328**	**232 244**	**526 140**	**758 384**

186. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Valuation techniques maximize the use of observable market data where it is available. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

187. There were no level 3 financial assets, nor any liabilities carried at fair value, nor any significant transfers of financial assets between fair value hierarchy classifications.

Note 27
Financial instruments: main pool

188. In addition to directly held cash and cash equivalents and investments, UNEP participates in the United Nations Treasury main pool. The main pool comprises operational bank account balances in a number of currencies and investments in United States dollars.

189. 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 revenue is based on each participating entity’s principal balance.

190. As at 31 December 2019, UNEP participated in the main pool, which held total assets of $9,339.4 million (2018: $7,504.8 million), of which $1,015.4 million was due to the organization (2018: $835.6 million), and its share of revenue from cash pools was $21.3 million (2018: $14.3 million).

Summary of assets and liabilities of the main pool as at 31 December 2019

(Thousands of United States dollars)

	Main pool
Fair value through the surplus or deficit	
Short-term investments	5 177 137
Long-term investments	1 624 405
Total fair value through the surplus or deficit investments	**6 801 542**

	Main pool
Loans and receivables	
Cash and cash equivalents	2 499 953
Accrued investment revenue	37 867
Total loans and receivables	**2 537 820**
Total carrying amount of financial assets	**9 339 362**
Cash pool liabilities	
Payable to UNEP	1 015 382
Payable to other cash pool participants	8 323 980
Total liabilities	**9 339 362**
Net assets	–

Summary of revenue and expenses of the main pool for the year ended 31 December 2019

(Thousands of United States dollars)

	Main pool
Investment revenue	198 552
Unrealized gains/(losses)	14 355
Investment revenue from main pool	**212 907**
Foreign exchange gains/(losses)	3 287
Bank fees	(808)
Operating expenses from main pool	**2 479**
Revenue and expenses from main pool	**215 386**

Summary of assets and liabilities of the main pool as at 31 December 2018

(Thousands of United States dollars)

	Main pool
Fair value through the surplus or deficit	
Short-term investments	6 255 379
Long-term investments	486 813
Total fair value through the surplus or deficit investments	**6 742 192**
Loans and receivables	
Cash and cash equivalents	732 926
Accrued investment revenue	29 696
Total loans and receivables	**762 622**
Total carrying amount of financial assets	**7 504 814**

	Main pool
Cash pool liabilities	
Payable to UNEP	835 554
Payable to other cash pool participants	6 669 260
Total liabilities	**7 505 814**
Net assets	–

Summary of revenue and expenses of the main pool for the year ended 31 December 2018

(Thousands of United States dollars)

	Main pool
Investment revenue	152 805
Unrealized gains/(losses)	3 852
Investment revenue from main pool	**156 657**
Foreign exchange gains/(losses)	854
Bank fees	(805)
Operating expenses from main pool	**49**
Revenue and expenses from main pool	**156 706**

Financial risk management

191. The United Nations Treasury is responsible for investment and risk management for the cash pools, including conducting investment activities in accordance with the Guidelines.

192. The objective of investment management is to preserve capital and ensure sufficient liquidity to meet operating cash requirements 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.

193. An investment committee periodically evaluates investment performance and assesses compliance with the Guidelines and makes recommendations for updates thereto.

Financial risk management: credit risk

194. 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.

195. The Guidelines require that investments are not to 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.

196. The credit ratings used for the cash pools are those determined by major credit-rating agencies; Standard and 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 pool by credit ratings as at 31 December 2019

Main pool	*Ratings as at 31 December 2019*				*Main pool*	*Ratings as at 31 December 2018*			
Bonds (long-term ratings)					**Bonds (long-term ratings)**				
	AAA	*AA+/AA/AA-*	*A+*	*NR*		*AAA*	*AA+/AA/AA-*	*A+*	*NR*
S&P Global	35.8%	58.8%	–	5.4%	S&P Global	15.4%	79.0%	5.6%	–
Fitch	60.2%	23.8%	–	16.0%	Fitch	55.1%	39.3%	–	5.6%
	Aaa	*Aa1/Aa2/Aa3*	*A1*			*Aaa*	*Aa1/Aa2/Aa3*	*A1*	
Moody's	54.8%	45.2%			Moody's	49.7%	50.0%	0.3%	
Commercial papers/certificates of deposit (short-term ratings)					**Commercial papers (short-term ratings)**				
	A-1+/A-1					*A-1+/A-1*			
S&P Global	100%				S&P Global	100.0%			
	F1+/F1					*F1+*			
Fitch	100%				Fitch	100.0%			
	P-1					*P-1*			
Moody's	100%				Moody's	100.0%			
Reverse repurchase agreement (short-term ratings)					**Reverse repurchase agreement (short-term ratings)**				
	A-1+					*A-1+*			
S&P Global	–				S&P Global	100.0%			
	F1+					*F1+*			
Fitch	–				Fitch	100.0%			
	P-1					*P-1*			
Moody's	–				Moody's	100.0%			
Term deposits (Fitch viability ratings)					**Term deposits (Fitch viability ratings)**				
	aaa	*aa/aa-*	*a+/a*			*aaa*	*aa/aa-*	*a+/a/a-*	
Fitch	–	84.2%	15.8%		Fitch	–	53.5%	46.5%	

197. 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

198. 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

199. 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 (2018: three

years). The average duration of the main pool on 31 December 2019 was 0.74 years (2018: 0.33 years), which is considered to be an indicator of low risk.

Cash pools interest rate risk sensitivity analysis

200. 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 points in the yield curve is shown (100 basis points equals 1 per cent). The basis point shifts are illustrative.

Main pool interest rate risk sensitivity analysis as at 31 December 2019

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	134.47	100.84	67.22	33.61	–	(33.60)	(67.20)	(100.79)	(134.38)

Main pool interest rate risk sensitivity analysis as at 31 December 2018

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	48.46	36.34	24.23	12.11	–	(14.89)	(24.22)	(36.33)	(48.44)

Other market price risk

201. The cash pools are not exposed to significant other price risks because they do not sell short, borrow securities or purchase securities on margin, which limits the potential loss of capital.

Accounting classifications and fair value hierarchy

202. All investments are reported at fair value through surplus and deficit. Cash and cash equivalents carried at nominal value are deemed to be an approximation of fair value.

203. The levels are defined as:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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 (i.e., derived from prices).

Level 3: Inputs for the asset or liabilities that are not based on observable market data (that is, unobservable inputs).

204. 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 in the cash pools is the current bid price.

205. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques which 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.

206. The following fair value hierarchy presents the cash pool assets that are measured at fair value at the reporting date. There were no level 3 financial assets, no liabilities carried at fair value and no significant transfers of financial assets between fair value hierarchy classifications.

Fair value hierarchy for investments as at 31 December 2019: main pool

(Thousands of United States dollars)

	31 December 2019			*31 December 2018*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds: corporates	148 473	–	148 473	205 566	–	205 566
Bonds: non-United States agencies	755 027	–	755 027	791 922	–	791 922
Bonds: supranational	423 230	–	423 230	174 592	–	174 592
Bonds: United States treasuries	497 829	–	497 829	610 746	–	610 746
Main pool: commercial papers	–	347 398	347 398	219 366	–	219 366
Main pool: certificates of deposit	–	3 419 585	3 419 585	–	–	–
Main pool: term deposits	–	1 210 000	1 210 000	–	4 740 000	4 740 000
Main pool total	**1 824 559**	**4 976 983**	**6 801 542**	**2 002 192**	**4 740 000**	**6 742 192**

Note 28
Related parties

Key management personnel

207. Key management personnel are those with the ability to exercise significant influence over the financial and operating decisions of the organization. For UNEP, the key management personnel group is deemed to comprise the Executive Director of UNEP, the Deputy Executive Director of UNEP, the Head of the New York office of UNEP, divisional directors, regional directors, the Head of Multilateral Environmental Agreements and Regional Seas and Conventions and the Executive Secretary of the secretariat of the Convention on Biological Diversity.

208. The aggregate remuneration paid to key management personnel includes net salaries, post adjustment and other entitlements such as grants, subsidies, employer pension and health insurance contributions.

209. The organization’s key management personnel were paid $8.35 million over the financial year; such payments are in accordance with the Staff Regulations and Staff Rules of the United Nations, the published salary scales of the United Nations and other publicly available documents.

Compensation of key management personnel

(Thousands of United States dollars)

	Key management personnel	*Close family members*	*Total*
Number of positions (full-time equivalents)	33	–	33
Aggregate remuneration:			
Salary and post adjustment	6 310	–	6 310
Other compensation/entitlements	2 040	–	2 040
Total remuneration for the year ended 31 December 2019	**8 350**	**–**	**8 350**

210. Non-monetary and indirect benefits paid to key management personnel were not material.

211. No close family member of key management personnel was employed by the organization at the management level. Advances made to key management personnel are those made against entitlements in accordance with the staff rules and regulations, and such advances against entitlements are widely available to all staff of the organization.

Related entity transactions

212. In the ordinary course of business, to achieve economies in executing transactions, financial transactions of the organization are often executed by one financial reporting entity on behalf of another. Before the introduction of the Umoja system, these had to be manually followed up and settled. In Umoja, settlement occurs when the service provider is paid.

Note 29
Leases and commitments

Finance leases

213. The organization does not normally enter into finance leases for the use of land, permanent and temporary buildings and equipment, and had no finance leases during the period.

Operating leases

214. The organization enters into operating leases for the use of land, permanent and temporary buildings and equipment. The total operating lease payments recognized in expenditure for the year were $5.9 million. Future minimum lease payments under non-cancellable arrangements are shown below.

Future minimum operating lease obligations

(Thousands of United States dollars)

	Minimum lease payment as at 31 December 2019	*Minimum lease payment as at 31 December 2018*
Due in less than 1 year	6 994	6 545
Due in 1 to 5 years	4 320	2 912
Due later than 5 years	2 034	–
Total minimum operating lease obligations	**13 348**	**9 457**

215. These contractual leases typically run between one and six 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 contract annual lease payment increases in accordance with lease agreements. No agreements contain purchase options.

Contractual commitments

216. At the reporting date, the commitments for property, plant and equipment; intangible assets; implementing partners; and goods and services contracted but not delivered were as shown below. These include contracts with partners for multi-year projects.

Contractual commitments by category

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Goods and services	28 989	26 987
Implementing partners	544 407	620 054
Multilateral Fund implementing partners	241 214	274 737
Total contractual commitments	**814 610**	**921 778**

Note 30
Contingent liabilities and contingent assets

Contingent liabilities

217. The organization is subject to a variety of claims that arise from time to time in the ordinary course of its operations.

218. These claims are segregated into two main categories: commercial and administrative law claims. As at the reporting date, Geneva-based staff had filed claims before the United Nations Dispute Tribunal to challenge the implementation of the decision of the International Civil Service Commission to reduce the post adjustment in Geneva. If the complaint is successful, the Secretariat may have to pay the difference between the old and new post adjustment retroactively from the date of the implementation of the new post adjustment.

Contingent assets

219. In accordance with IPSAS 19, the organization 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 2019, there were no material contingent assets arising from the organization’s legal actions or interests in joint ventures that were likely to result in a significant economic inflow.

Note 31
Grants and other transfers

220. The following are the categories in which the funds given to implementing partners have been spent.

Grants and other transfers: expenditure reporting by category

(Thousands of United States dollars)

	2019	*2018*
Grants to end beneficiaries	2 307	2 103
Grants to implementing partners:		
Staff and other personnel costs	60 072	44 295
Supplies, commodities, materials	1 659	4 891
Equipment, vehicles and furniture	5 269	7 445
Contractual services	32 858	25 649
Travel	12 955	12 835
Transfers and grants to counterparts	88 062	86 195
General operating and other direct costs	6 616	6 202
Indirect support costs (implementing partner)	1 470	1 415
Subtotal grants to implementing partners	**211 268**	**191 030**
Multilateral Fund expenditure	93 093	98 331
Less: eliminated expenses	(19 574)	(19 626)
Net Multilateral Fund expenditure	**73 519**	**78 705**
Total grants and other transfers	**284 787**	**269 735**

221. The amount under the Multilateral Fund is implemented by the four implementing partners set out below.

(Thousands of United States dollars)

	Total 2019	*Total 2018*
United Nations Environment Fund	19 367	18 068
United Nations Industrial Development Organization	27 682	24 170
World Bank	13 151	11 194
United Nations Development Programme	32 893	44 899
Total	**93 093**	**98 331**

222. The amounts from UNDP, the United Nations Industrial Development Organization and the World Bank are recorded based on unaudited expenditure, based on the approval of the Executive Committee of the Multilateral Fund in order to allow UNEP to comply with the requirement to issue the financial statements by 31 March of the following year. There is, however, an agreement that the implementing agencies will provide audited expenditures as soon as they become available, but not later than 30 September of the following year.

223. Authorized advance transfers from the Multilateral Fund to the implementing agencies are issued for the full, multi-year project implementation period. Amounts against which expense reports are expected to be received by the end of 2020, calculated on the basis of the average levels of expenses reported in prior years, are classified as current assets in the statement of financial position and the balances are classified as non-current assets.

Note 32
Future year contributions

224. The organization has an amount of $972.1 million worth of signed contributions from voluntary contributions for implementation in current and future years.

Note 33
Events after the reporting date

225. There have been no material events, favourable or unfavourable, that occurred between the date of the financial statements and the date when the financial statements were authorized for issue that would have had a material impact on these statements.

Note 34
Statement of cash flows for the year ended 31 December 2019

Environment Fund

(Thousands of United States dollars)

	Note	*31 December 2019*	*31 December 2018*
Cash flow from operating activities			
Surplus/(deficit) for the year		2 644	6 588
Non-cash movements			
Depreciation and amortization		141	131
Actuarial gain/(loss) on employee benefits liabilities			
Transfers and donated property, plant and equipment and intangibles		–	–
Net gain/(loss) on disposal of property plant and equipment		–	–
Changes in assets			
(Increase)/decrease in voluntary contributions receivable		467	(7 381)
(Increase)/decrease in other receivables		(330)	47
(Increase)/decrease in advance transfers		490	(543)
(Increase)/decrease in other assets		850	(2 328)
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities		998	156
Increase/(decrease) in advance receipts		5 350	297
Increase/(decrease) in employee benefits payable		(74)	341
Increase/(decrease) in provisions		(50)	(5)
Investment revenue presented as investing activities		(778)	(676)
Net cash flows from/(used in) operating activities		**9 708**	**(3 373)**
Cash flow from investing activities			
Pro rata share of net increases in the cash pool		(1 946)	3 164
Investment revenue presented as investing activities		778	676
Acquisitions of property, plant and equipment		(78)	(40)
Net cash flows from/(used in) operating activities		**(1 246)**	**3 800**
Net cash flows from/(used in) financing activities		**–**	**–**

	Note	*31 December 2019*	*31 December 2018*
Net increase/(decrease) in cash and cash equivalents		8 462	427
Cash and cash equivalents: beginning of year		3 277	2 850
Cash and cash equivalents: end of year		**11 739**	**3 277**

Note 35
Statement of cash flows for the year ended 31 December 2019

Multilateral Fund

(Thousands of United States dollars)

	Note	*31 December 2019*	*31 December 2018*
Cash flow from operating activities			
Surplus/(deficit) for the year		71 955	72 027
Non-cash movements			
Depreciation and amortization		–	3
Changes in assets			
(Increase)/decrease in assessed contributions receivable		(16 890)	8 757
(Increase)/decrease in voluntary contributions receivable		399	(269)
(Increase)/decrease in other receivables		522	948
(Increase)/decrease in advance transfers		38 385	1 337
(Increase)/decrease in other assets		13	17
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities		5 534	(145)
Increase/(decrease) in advance receipts		10 765	1 220
Increase/(decrease) in employee benefits payable		(4)	(6)
Investment revenue presented as investing activities		(10 486)	(3 183)
Net cash flows from/(used in) operating activities		**100 193**	**80 706**
Cash flow from investing activities			
Pro rata share of net increases in the cash pool		(51 942)	(74 264)
Acquisitions of property plant and equipment		–	(1)
Investment revenue presented as investing activities		10 486	3 183
Net cash flows from/(used in) investing activities		**(41 456)**	**(71 082)**
Net cash flows from/(used in) financing activities		**–**	**–**
Net increase/(decrease) in cash and cash equivalents		58 737	9 624
Cash and cash equivalents: beginning of year		16 726	7 102
Cash and cash equivalents: end of year		**75 463**	**16 726**

Annex I

Other support to the programme of work segment of the United Nations Environment Programme

Schedule of net assets, revenue and expense at fund level for the year ended 31 December 2019

(Thousands of United States dollars)

Fund ID code	*Fund description*	*Net asset accumulated surplus unrestricted*	*Net asset reserve unrestricted*	*Net assets 1 January 2019*	*Revenue*	*Expense*	*Net assets 31 December 2019*
CBL	Trust fund for the capacity-building initiatives of the Global Environment Facility	3 985	–	3 985	8 106	530	11 561
CCL	Technical cooperation trust fund for the management of the United Nations Environment Programme (UNEP)/Global Environment Facility special climate change fund programme	13 139	–	13 139	1 626	2 742	12 023
FBL	Technical cooperation trust fund for the implementation of the Global Environment Facility fee based system for funding project implementation	20 487	–	20 487	13 031	11 571	21 947
GFL	Technical cooperation trust fund for UNEP implementation of the activities funded by the Global Environment Facility	537 067	–	537 067	74 517	89 487	522 097
LDL	Technical cooperation for the management of the UNEP/Global Environment Facility national adaptation programme of action for least developed countries	69 585	–	69 585	27 913	10 671	86 827
NPL	Trust fund for the Nagoya Protocol implementation fund	3 915	–	3 915	385	446	3 854
	Global Environment Facility trust fund: total	**648 178**	**–**	**648 178**	**125 578**	**115 447**	**658 309**
AEL	General trust fund for the purpose of post-conflict environmental assessment	9 291	–	9 291	1 783	4 112	6 962
AFB	Technical cooperation trust fund for UNEP activities as multilateral implementing entity of the Adaptation Fund Board	21 143	–	21 143	241	4 796	16 588
AML	General trust fund for the African Ministerial Conference on the Environment	4 877	–	4 877	544	2 609	2 812
BPL	Technical cooperation trust fund for the implementation of the agreement with Belgium	240	–	240	6	–	246
CFL	Technical cooperation trust fund for the implementation of the framework agreement on strategic cooperation between the Ministry of Environmental Protection of China and UNEP	6 861	–	6 861	173	413	6 621
CLL	Trust fund to support the activities of the Climate Technology Centre and Network	10 234	–	10 234	3 812	4 834	9 212
CML	Trust fund for the special programme to enhance implementation of the Basel, Rotterdam and Stockholm Conventions, the Minamata Convention and the Strategic Approach to International Chemicals Management	7 166	–	7 166	3 761	2 037	8 890

Fund ID code	Fund description	Net asset accumulated surplus unrestricted	Net asset reserve unrestricted	Net assets 1 January 2019	Revenue	Expense	Net assets 31 December 2019
CNL	Technical cooperation trust fund for the UNEP climate-neutral fund	669	–	669	802	282	1 189
CPL	Counterpart contributions in support of Environment Fund activities	184 232	–	184 232	91 718	70 387	205 563
DPL	Technical cooperation trust fund for the partnership agreement between the Government of the Netherlands and UNEP	25	–	25	–	–	25
EBL	General trust fund for implementing national biodiversity strategies and action plans	270	–	270	7	–	277
ECL	Technical cooperation trust fund to support achievement of contribution agreement No. 21 (0401/2011/608174/SUB/E2)	2 695	–	2 695	5 093	7 647	141
ESS	Technical cooperation trust fund for UNEP implementation of ecosystem-based adaptation	2 846	–	2 846	44 196	2 178	44 864
ETL	Trust fund for the environmental training network in Latin America and the Caribbean	314	–	314	57	58	313
EUL	Technical cooperation trust fund to support achievement of contribution agreement No. DCI-ENV/2010/258-800	814	–	814	857	1 136	535
FIL	General trust fund to support the activities of the UNEP financial services initiative on the environment	5 194	–	5 194	6 422	4 406	7 210
FSL	Technical cooperation trust fund to support implementation of the Seed Capital Assistance Facility	7 825	–	7 825	14 071	4 242	17 654
FTL	Revolving fund activities	90	–	90	29	28	91
GCF	Green Climate Fund	19 162	–	19 162	62 183	5 796	75 549
GCL	Green Climate Fund research and follow-up	27 371	–	27 371	16 575	6 603	37 343
GPL	General trust fund in support of the implementation of the Global Programme of Action for the Protection of the Marine Environment from Land-based Activities, and related information exchange and technical assistance	1 191	–	1 191	26	4	1 213
GPP	Trust fund to assist delegates from developing countries, least developed countries, landlocked developing countries and small island developing States in attending the sessions of the ad hoc open-ended working group	582	–	582	6	578	10
GPS	Trust fund for activities of the Secretariat and organization of meetings and consultations for the Global Pact for the Environment	641	–	641	22	622	41
GRL	Technical cooperation trust fund for the implementation of the greening economies in the Eastern neighbourhood and Central Asia programme	27	–	27	1	–	28
IAL	Technical cooperation trust fund for Irish Aid multilateral environment fund for Africa	289	–	289	6	73	222
IEL	Technical cooperation trust fund to improve the environment in the Democratic People's Republic of Korea	599	–	599	15	–	614

Fund ID code	Fund description	Net asset accumulated surplus unrestricted	Net asset reserve unrestricted	Net assets 1 January 2019	Revenue	Expense	Net assets 31 December 2019
IML	Technical cooperation trust fund for UNEP implementation of the Multilateral Fund activities	58 556	–	58 556	11 983	21 502	49 037
JCL	Technical cooperation trust fund for the establishment of the International Environmental Technology Centre in Japan	4 860	–	4 860	2 334	2 868	4 326
MCL	General trust fund in support of the preparation of a global assessment of mercury and its compounds	6 890	–	6 890	212	122	6 980
MDL	Technical cooperation trust fund for UNEP implementation of the Millennium Development Goals achievement fund	117	–	117	3	–	120
NFL	Technical cooperation trust fund for the implementation of the framework agreement between UNEP and Norway	31 209	–	31 209	44 070	22 655	52 624
PES	Trust fund for the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services	8 941	925	9 866	5 653	5 979	9 540
PGL	Technical cooperation trust fund for the implementation of the Partnership for Action on Green Economy	3 500	–	3 500	10 089	2 705	10 884
POL	General trust fund in support of the preparation for and negotiation of an internationally legally binding instrument for international action on persistent organic pollutants, and related information exchange	638	–	638	11	(17)	666
PPL	General trust fund in support of the preparation for and negotiation of an international legally binding instrument for the application of the prior informed consent procedure for certain hazardous chemicals in international trade	270	–	270	(266)	–	4
QGL	Support of the Global Environment Facility	4 178		4 178	1 279	979	4 478
RED	Technical cooperation trust fund to support the UNEP programme of work and responsibilities of the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries	10 948	–	10 948	3 651	6 710	7 889
REL	Technical cooperation trust fund for the promotion of renewable energy in the Mediterranean region	3 775	–	3 775	88	387	3 476
RPL	General trust fund to support participation of developing countries in reporting on the state of the marine environment	6	–	6	–	3	3
SCP	Technical cooperation trust fund for the 10-Year Framework of Programmes on Sustainable Consumption and Production Patterns	9 164	–	9 164	1 720	3 788	7 096
SEL	Technical cooperation trust fund for the implementation of the agreement with Sweden	35 729	–	35 729	(1 614)	4 256	29 859
SFL	Technical cooperation trust fund for implementation of the framework agreement between Spain and UNEP	1 843	–	1 843	871	838	1 876

Fund ID code	*Fund description*	*Net asset accumulated surplus unrestricted*	*Net asset reserve unrestricted*	*Net assets 1 January 2019*	*Revenue*	*Expense*	*Net assets 31 December 2019*
SLP	Trust fund to support the activities of the Climate and Clean Air Coalition to Reduce Short-lived Climate Pollutants	34 779	–	34 779	4 139	12 074	26 844
SML	General trust fund for the Strategic Approach to International Chemicals Management: quick-start programme	333	–	333	1 384	2 889	(1 172)
SRL	General trust fund for voluntary contributions in respect of the United Nations Scientific Committee on the Effects of Atomic Radiation	1 074	–	1 074	26	93	1 007
UTL	Technical cooperation trust fund for the implementation of the UNEP/United Nations Conference on Trade and Development capacity-building task force on trade, environment and development	42	–	42	1	0	43
WPL	General trust fund to provide support to the Global Environment Monitoring System/Water Programme office	390	–	390	7	86	311
	Other support to UNEP programme of work (non-Global Environment Facility trust fund, non-Junior Professional Officer): total	**531 890**	**925**	**532 815**	**338 047**	**210 758**	**660 104**
TBL	Technical cooperation trust fund for provision of Junior Professional Officers (financed by the Government of Belgium)	79	–	79	355	177	257
CEL	Technical cooperation trust fund for financing of Professional Officers (financed by the Government of Finland)	559	–	559	224	127	656
SNL	Special purpose trust fund for the provision of a Professional Officer to UNEP/secretariat of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal	262	–	262	71	121	212
TCL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Nordic Governments through the Government of Sweden)	283	–	283	7	–	290
TDL	Special purpose trust fund for the Government of Denmark agreement with UNEP for the provision of Junior Professional Officers	635	–	635	(32)	5	598
TGL	Special purpose trust fund for the provision of Junior Professional Officers (financed by the Government of Germany)	1 247	–	1 247	729	896	1 080
THL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of the Netherlands)	240	–	240	868	218	890
TIL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of Italy)	670	–	670	303	402	571
TJL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of Japan)	1 454	–	1 454	947	784	1 617

Fund ID code	Fund description	Net asset accumulated surplus unrestricted	Net asset reserve unrestricted	Net assets 1 January 2019	Revenue	Expense	Net assets 31 December 2019
TKL	Technical cooperation trust fund for the provision of Professional Officers (financed by the Government of the Republic of Korea)	740	–	740	139	327	552
TNL	Special purpose trust fund for the Government of Norway agreement with UNEP for the provision of Junior Professional Officers	609	–	609	16	95	530
TPL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Spanish Agency for International Development Cooperation	155	–	155	4	2	157
TRL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of France)	721	–	721	214	250	685
TSL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of Sweden)	786	–	786	572	406	952
	Trust funds for Junior Professional Officers: total	**8 440**	**–**	**8 440**	**4 417**	**3 810**	**9 047**
	Other support to UNEP programme of work: total	**1 188 508**	**925**	**1 189 433**	**468 042**	**330 015**	**1 327 460**
	Fund IML: financial statement elimination						**(37 361)**
	Net total						**1 290 099**

Annex II

Conventions and protocols segment

Schedule of net assets, revenue and expense at fund level for the year ended 31 December 2019

(Thousands of United States dollars)

Fund ID code	*Fund description*	*Net asset accumulated surplus unrestricted*	*Net asset reserve unrestricted*	*Net assets 1 January 2019*	*Revenue*	*Expense*	*Net assets 31 December 2019*
BDL	Trust fund to assist developing countries and other countries in need of technical assistance in the implementation of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal	5 427	–	5 427	8 817	1 217	13 027
BCL	Trust fund for the Basel Convention	4 479	723	5 202	4 972	5 029	5 145
ROL	General trust fund for the operational budget of the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade	4 255	910	5 165	3 405	4 567	4 003
SCL	General trust fund for the Stockholm Convention on Persistent Organic Pollutants: its subsidiary bodies and the Convention	2 762	869	3 631	5 955	6 041	3 545
QRL	Support for the Basel Convention	10	–	10	(10)	–	–
RSL	Technical cooperation trust fund to support implementation of the Rotterdam and Stockholm Conventions in developing countries	266	–	266	(263)	–	3
RVL	General trust fund for the Rotterdam Convention	1 704	–	1 704	395	680	1 419
SVL	Special trust fund for the Stockholm Convention: its subsidiary bodies and the Convention	7 418	354	7 772	1 804	3 474	6 102
	Basel, Rotterdam and Stockholm Conventions: total	**26 321**	**2 856**	**29 177**	**25 075**	**21 008**	**33 244**
QCL	Support of the Action Plan for the Caribbean Environment Programme	2 178	–	2 178	(65)	632	1 481
CRL	Regional trust fund for implementation of the Action Plan for the Caribbean Environment Programme	2 462	182	2 644	1 392	1 660	2 376
	Caribbean Environment Programme: total	**4 640**	**182**	**4 822**	**1 327**	**2 292**	**3 857**
CAP	Trust fund for the core budget of the Framework Convention on the Protection and Sustainable Development of the Carpathians and related protocols	3 007	–	3 007	261	1 041	2 227
CAR	Trust fund for the core budget of the Carpathian Convention	742	–	742	269	3	1 008
	Carpathian Convention: total	**3 749**	**–**	**3 749**	**530**	**1 044**	**3 235**
BEL	General trust fund for additional voluntary contributions in support of approved activities under the Convention on Biological Diversity	24 850	–	24 850	6 166	6 305	24 711

Fund ID code	Fund description	Net asset accumulated surplus unrestricted	Net asset reserve unrestricted	Net assets 1 January 2019	Revenue	Expense	Net assets 31 December 2019
BHL	Special voluntary trust fund for additional voluntary contributions in support of approved activities	1 373	–	1 373	36	(84)	1 493
BBL	Trust fund for the core programme budget for the Nagoya Protocol	1 274	222	1 496	1 971	1 779	1 688
BGL	General trust fund for the core programme budget for the Biosafety Protocol	3 400	489	3 889	2 670	2 693	3 866
BYL	General trust fund for the Convention on Biological Diversity	9 137	2 578	11 715	13 151	12 315	12 551
BXL	Additional voluntary contributions in support of approved activities of the Nagoya Protocol	58	–	58	118	122	54
BZL	General trust fund for voluntary contributions to facilitate the participation of parties in the process of the Convention on Biological Diversity	598	–	598	397	714	281
VBL	General trust fund for voluntary contributions to facilitate the participation of indigenous and local communities in the work of the Convention on Biological Diversity	164	–	164	306	136	334
	Convention on Biological Diversity: total	**40 854**	**3 289**	**44 143**	**24 815**	**23 980**	**44 978**
EAP	Multi-donor implementation: Africa	1 371	–	1 371	621	281	1 711
QTL	Support of activities related to the Convention on International Trade in Endangered Species of Wild Fauna and Flora	20 396	–	20 396	5 678	9 143	16 931
CTL	Trust fund for the Convention on International Trade in Endangered Species of Wild Fauna and Flora	4 511	900	5 411	6 262	6 211	5 462
	Convention on International Trade in Endangered Species of Wild Fauna and Flora: total	**26 278**	**900**	**27 178**	**12 561**	**15 635**	**24 104**
AVL	General trust fund for voluntary contributions in respect of the Agreement on the Conservation of African-Eurasian Migratory Waterbirds	1 608	(11)	1 597	228	475	1 350
MRL	Technical cooperation trust fund on the Conservation and Management of Marine Turtles and their Habitats of the Indian Ocean and South-East Asia	398	–	398	492	167	723
MVL	General trust fund for voluntary contributions in support of the Convention on the Conservation of Migratory Species of Wild Animals	10 013	–	10 013	6 538	2 830	13 721
QFL	Support of the secretariat of the Agreement on the Conservation of Populations of European Bats	47	–	47	50	44	53
AWL	General trust fund for the African-Eurasian Waterbirds Agreement	360	206	566	1 313	1 458	421
BAL	General trust fund for the African-Eurasian Waterbirds Agreement	235	41	276	251	296	231
BTL	General trust fund for the conservation of European bats	13	86	99	543	505	137
MSL	Trust fund for the Convention on the Conservation of Migratory Species of Wild Animals	1 720	500	2 220	3 400	3 000	2 620

Fund ID code	Fund description	Net asset accumulated surplus unrestricted	Net asset reserve unrestricted	Net assets 1 January 2019	Revenue	Expense	Net assets 31 December 2019
QVL	Support of the secretariat of the Agreement on the Conservation of Small Cetaceans of the Baltic, North-East Atlantic, Irish and North Seas	171	–	171	47	28	190
QWL	Support of the Convention on the Conservation of Migratory Species of Wild Animals	255	–	255	7	–	262
SMU	Trust fund to support the activities of the secretariat of the memorandum of understanding on the conservation of migratory sharks	593	100	693	427	266	854
	Convention on the Conservation of Migratory Species of Wild Animals: total	**15 413**	**922**	**16 335**	**13 296**	**9 069**	**20 562**
CAL	Support of the Mediterranean Action Plan	526	–	526	402	272	656
QML	Support of the Mediterranean Action Plan	3 429	–	3 429	1 294	3 866	857
MEL	Trust fund for the protection of the Mediterranean Sea against pollution	8 714	1 134	9 848	6 715	7 762	8 801
	Mediterranean Action Plan: total	**12 669**	**1 134**	**13 803**	**8 411**	**11 900**	**10 314**
QNL	Support of the North-West Pacific Action Plan	2 316	–	2 316	1 783	693	3 406
PNL	General trust fund for the protection, management and development of the coastal and marine environment and the resources of the north-west Pacific region	1 132	98	1 230	(102)	(264)	1 392
	North-West Pacific Action Plan: total	**3 448**	**98**	**3 546**	**1 681**	**429**	**4 798**
QOL	Support of the activities of the Ozone Secretariat	257	–	257	341	533	65
MPL	Trust fund for the Montreal Protocol on Substances that Deplete the Ozone Layer	8 095	832	8 927	5 513	6 686	7 754
VCL	Trust fund for the Vienna Convention for the Protection of the Ozone Layer	1 804	118	1 922	905	875	1 952
SOL	General trust fund for financing activities on research and observations on the Vienna Convention	222	–	222	41	27	236
	Ozone: total	**10 378**	**950**	**11 328**	**6 800**	**8 121**	**10 007**
QAC	Support for the Convention for Cooperation in the Protection, Management and Development of the Marine and Coastal Environment of the West, Central and Southern African Region	2 396	–	2 396	16	501	1 911
QAW	Support of the Action Plan for the Eastern African Region	8 212	–	8 212	3 341	961	10 592
QEL	Support of the Action Plan for the Protection and Development of the Marine Environment and Coastal Areas of the East Asian Seas	105	–	105	3	–	108
EAL	Regional seas trust fund for the Eastern African region	2 084	39	2 123	1 783	2 196	1 710
ESL	Regional trust fund for implementation of the Action Plan for the Protection and Development of the Marine Environment and Coastal Areas of the East Asian Seas	790	97	887	326	326	887

Fund ID code	Fund description	Net asset accumulated surplus unrestricted	Net asset reserve unrestricted	Net assets 1 January 2019	Revenue	Expense	Net assets 31 December 2019
WAL	Trust fund for the Convention for Cooperation in the Protection, Management and Development of the Marine and Coastal Environment of the West, Central and Southern African Region	2 524	301	2 824	687	817	2 694
	Regional seas: total	**16 111**	**437**	**16 547**	**6 156**	**4 802**	**17 901**
MCC	Trust fund for core activities under the Minamata Convention	1 602	–	1 602	3 913	3 500	2 015
MCP	Trust fund for activities relating to the Specific International Programme of the Minamata Convention on Mercury	3 417	–	3 417	1 148	191	4 374
MCV	Trust fund for voluntary activities relating to the Minamata Convention	986	–	986	1 323	1 992	317
	Minamata Convention: total	**6 005**	**–**	**6 005**	**6 384**	**5 683**	**6 706**
BML	Trust fund for the Bamako Convention core programme budget, United Nations Environment Programme	213	–	213	119	43	289
	Bamako Convention: total	**213**	**–**	**213**	**119**	**43**	**289**
	Conventions and protocols: total	**166 078**	**10 768**[a]	**176 846**	**107 155**	**104 006**	**179 995**

[a] Revised to reflect adjustment to net assets of $11,000 (see note 22).

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