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United Nations Population Fund

Financial report and audited financial statements

for the year ended 31 December 2016

and

Report of the Board of Auditors

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Note

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

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Letters of transmittal

Letter dated 28 April 2017 from the Executive Director of the United Nations Population Fund addressed to the Chair of the Board of Auditors

Pursuant to financial rule 116.3 (b) of the United Nations Population Fund, I have the honour to submit the financial statements of the Fund for the year ended 31 December 2016, which I hereby approve.

(*Signed*) Babatunde **Osotimehin**
Executive Director

Letter dated 30 June 2017 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 Population Fund for the year ended 31 December 2016.

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India
Chair of the Board of Auditors

Chapter I

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

Opinion

We have audited the financial statements of the United Nations Population Fund (UNFPA), which comprise the statement of financial position (statement I) as at 31 December 2016 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flow (statement IV) and the statement of comparison of budget with 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 UNFPA as at 31 December 2016 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 UNFPA, in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Executive Director is responsible for the other information, which comprises the financial report for the year ended 31 December 2016, 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 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 UNFPA 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 UNFPA 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 UNFPA.

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 UNFPA.

- 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 UNFPA 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 UNFPA 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 UNFPA 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 UNFPA 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 UNFPA.

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India
Chair of the Board of Auditors

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

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

30 June 2017

Chapter II
Long-form report of the Board of Auditors

Summary

The United Nations Population Fund (UNFPA) assumes a leading role in the United Nations system in promoting population programmes. The Fund is mandated to build the knowledge and capacity to respond to needs in population and family planning; to promote awareness of population problems in both developed and developing countries; and to provide possible strategies to deal with population problems in the forms and means best suited to the needs of individual countries.

UNFPA works with more than 2,600 staff serving 155 countries, and in partnership with other United Nations agencies, governments, civil society and the private sector to support gender-sensitive policies and programmes. It is funded primarily from voluntary contributions that are categorized as earmarked or unearmarked. Revenues amounting to $850.45 million were recognized in 2016, comprising net unearmarked contributions of $346.96 million, net earmarked contributions of $446.77 million and other revenues of $56.72 million. Total expenses amounted to $922.52 million, comprising $673.05 million utilized directly by UNFPA and $249.47 million incurred by partner organizations on behalf of UNFPA.

Scope of the report

The report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly, and has been discussed with UNFPA 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, in all material respects, the financial position of UNFPA as at 31 December 2016 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 UNFPA operations under United Nations 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 operations. The Board examined UNFPA operations in the areas of internal controls, risk management, a harmonized approach to cash transfers, programme management, procurement and contract management, inventory management, human resources management and information and communications technology (ICT). The report also includes a brief commentary on the status of implementation of previous recommendations.

Audit opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of UNFPA as at 31 December 2016 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Overall conclusion

The Board did not identify any material misstatements that might affect its opinion on the UNFPA financial statements. The Board noted that UNFPA is in good financial health and that management has undertaken some initiatives to enhance its operations by introducing new systems, such as the global programming system for managing workplans and the strategic information system, which facilitate the documentation of risks and the monitoring of results. However, the Board noted scope for improvement both at headquarters and in field offices, in the areas of risk management processes, a harmonized approach to cash transfers, programme management (in particular the global programming system for workplan management), procurement and contract management and human resources management.

While UNFPA has taken a number of initiatives in response to the identified deficiencies, the Board considers that UNFPA needs to strengthen and widen the scope of its initiatives. These will have to include measures to improve the risk assessment process and the quality of spot checks at field offices and follow up on the training provided for personnel at the field offices to enhance operational performance. UNFPA also needs to correct deficiencies noted during the audit by fully implementing the Board's recommendations so that UNFPA delivers its mandate effectively and efficiently.

Key findings

The Board has identified a number of issues which need consideration by management to enhance the effectiveness of UNFPA operations as highlighted below.

(a) Risk management process of field offices

UNFPA, as part of a strategic information system, has established the "myRisks" application, in which a risk assessment module allows business units to assess the risk rating of corporate risk factors on the basis of the estimated impact and the likelihood of risk occurrence, and identifies one or more predefined causes triggering these risks. The Board reviewed the 2016-2017 risk assessment process at the field offices and noted that the risk ratings (critical, high, medium, low or not applicable) assessed at the field offices lacked a realistic identification of their causes and justifications. In addition, the country offices ranked and assessed the risks without indicating clear risk score matrices or documenting how the criteria were set with regard to probabilities and impact in order to support the ranking process. Furthermore, three country offices did not perform risk ratings, input potential causes, provide justifications or allocate focal points for the additional risks they identified. The Board is of the opinion that documenting the causes and justifications will help country offices to adequately identify and mitigate possible risks surrounding the organization when implementing its mandates. The Board is of the view that, in the absence of well-defined criteria or score matrices, it is difficult to establish whether the risk ranking process was adequately performed by the country offices.

(b) Harmonized approach to cash transfers

From a review of 38 implementing partners at six field offices, the Board noted that assessments of 15 implementing partners conducted by contracted service providers were concluded without documenting the work done to support the conclusions reached. In addition, microassessments were not performed on seven implementing partners, whose signed workplans amounted to $1.46 million, to determine the overall risk ratings related to cash transfer modalities and the appropriate type and frequency of assurance activities. Furthermore, the Board noted that the Madagascar country office had no documented plans for following up on the recommendations raised during the microassessments, as required by the UNFPA assurance guide for implementing partners with regard to the harmonized approach to cash transfers. The Board is of the view that the lack of adequate documentation, and the lack of a basis for the conclusions drawn by third-party service providers, might deny UNFPA adequate assurance with regard to the transactions carried out by implementing partners. In addition, the absence of plans to address microassessment recommendations might also prevent the implementing partners and UNFPA from using the opportunity to improve the implementing partners' working environments and working with agencies to address the weaknesses noted during microassessments.

(c) Use of the global programming system for workplan management

The Board reviewed 48 of 100 workplans from the field offices visited, and noted that the offices had signed 18 workplans with implementing partners prior to the approval of the workplans in the global programming system, which is contrary to the global programming system user guide. The user guide requires that workplans be prepared, submitted and approved in the global programming system and then signed with the partners concerned before they can be considered actual workplans. In addition, the Board found that the hard copies of 26 workplans contained amounts that differed from the electronic versions posted in the global programming system, such that the total amounts agreed to in the hard-copy versions of the workplans were higher than those in the global programming system by $1.9 million. The Board is of the view that inadequate revisions (updates and adjustments) of the workplans in the global programming system could have an effect on the budget and expenditures records, if not corrected by UNFPA management.

Recommendations

With regard to the above findings, the Board recommends that UNFPA:

(a) **Ensure country offices perform risk assessment effectively by documenting realistic justifications and causes for risk ratings and tailoring them to the specific field office environment, as required by the guidance notes on conducting risk assessment in the enterprise risk management system;**

(b) **(i) Strengthen control over microassessment reports from the service providers to ensure that reports are supported by details of the work done and provide a clear basis for their conclusions; and (ii) ensure that implementing partners are given microassessments and plans are established to follow up on the findings and recommendations of the microassessment with UNFPA implementing partners or implementing partners shared with other agencies;**

(c) **(i) Ensure that workplans are prepared and approved in the global programming system prior to being signed by implementing partners and before programme activities commence in order to avoid discrepancies between signed workplans and records in the global programming system; and (ii) perform periodic checks and reconciliations between the budgets of the workplans and global programming system records in order to correct and update information in the global programming system.**

Key facts

$407.45 million	UNFPA budget for development and management activities
$850.45 million	Revenue reported (including $255.1 million due for payment in future years)
$922.52 million	Total expenses
155	Number of countries served by UNFPA
1,394	Number of implementing partners working with UNFPA
1,934	UNFPA local staff
704	UNFPA international staff
$249.47 million	Total amount spent by implementing partners in 2016 for delivery of programme activities on behalf of UNFPA
$673.05 million	Expenses spent directly by UNFPA in 2016

A. Mandate, scope and methodology

1. The United Nations Population Fund (UNFPA) is an international development agency that assumes a leading role in the United Nations system in promoting population programmes. The Fund is mandated to build the knowledge and capacity to respond to needs in population and family planning; to promote awareness of population problems in both developed and developing countries; and to provide possible strategies to deal with population problems in the forms and means best suited to the needs of individual countries.

2. UNFPA works with more than 2,600 staff serving 155 countries and in partnership with other United Nations agencies, governments, civil society and the private sector to support gender-sensitive policies and programmes.

3. The Board of Auditors has audited the financial statements of UNFPA and has reviewed its operations for the financial year ended 31 December 2016, in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. The latter 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.

4. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNFPA as at 31 December 2016 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). That included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing body and whether revenue and expenses had been properly classified and recorded in accordance with the UNFPA Financial Regulations and Rules. The audit included a general review of the 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.

5. The audit was carried out through field visits to country offices in Burkina Faso, Egypt, Madagascar, Papua New Guinea, Uganda and the regional office in West and Central Africa, as well as through a review of financial transactions and operations at headquarters in New York.

6. In addition to the audit of the financial statements, the Board carried out reviews of UNFPA operations in accordance with regulation 7.5 of the Financial Regulations and Rules of the United Nations. Specific areas covered during the audit included internal controls on risk management, the harmonized approach to cash transfers, programme management, procurement and contract management, inventory management, human resources management and information and communications technology (ICT).

B. Findings and recommendations

1. Follow-up on previous recommendations

7. Of the 30 outstanding recommendations up to the period ended 31 December 2016, 15 recommendations (50 per cent) have been implemented and 15 recommendations (50 per cent) are still under implementation. The Board is of the view that UNFPA needs to accelerate its pace of implementation of the outstanding recommendations. Details of the status of implementation of recommendations from prior years are set out in annex I.

2. Financial overview

Financial position

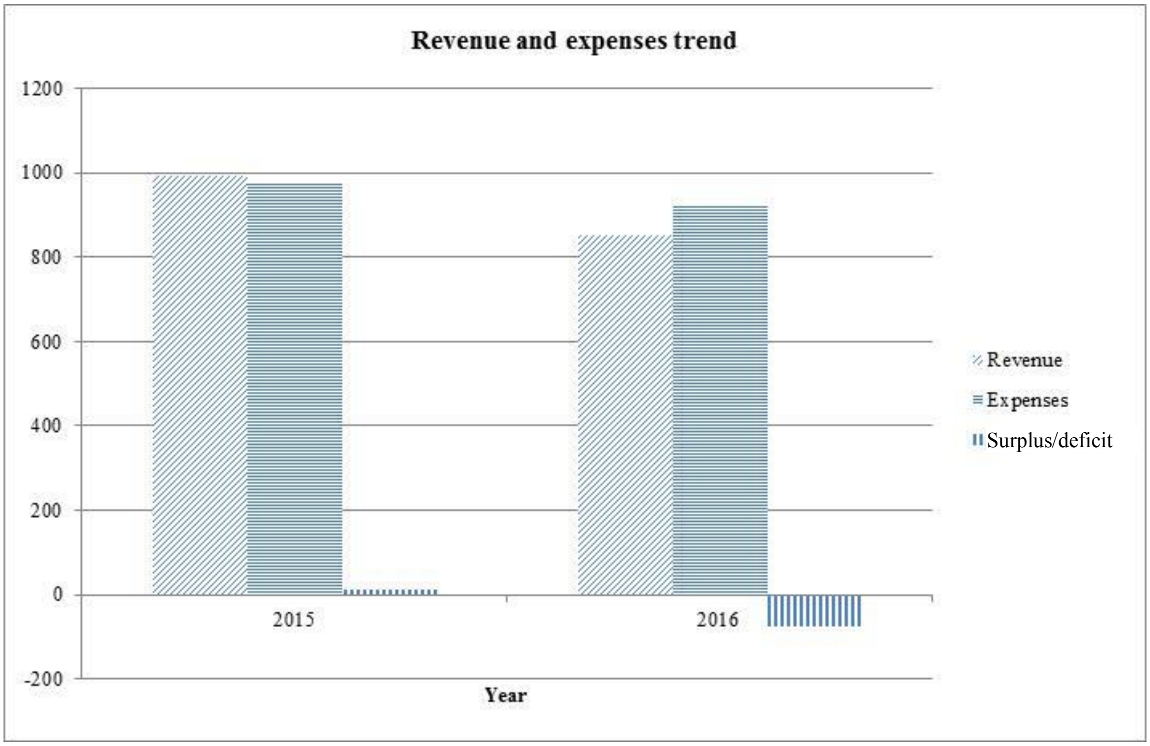
8. The total assets of UNFPA decreased by 70.30 million (6 per cent), from $1,216.6 million in 2015 to $1,146.3 million as at 31 December 2016. UNFPA also reported a slight increase of $12.69 million (3 per cent) of total liabilities, from $422.23 million in 2015 to $434.92 million in 2016. The decrease in assets is mainly attributed to a decrease in investments, inventory, contributions receivable and prepayments. The increase of liabilities was primarily due to changes in major assumptions with regard to the actuarial valuation of post-employment defined benefits obligations, including the decrease in the discount rate for after-service health insurance from 4.38 per cent in 2015 to 4.17 per cent in 2016, and the recognition of qualifying service and interest costs.

Operating results

9. For 2016, UNFPA reported total revenues of $850.45 million (2015: $992.8 million) and total expenses of $922.52 million (2015: $977.38 million), representing a deficit of $72.07 million (2015: surplus of $15.42 million), as shown in figure II.I. The deficit is a consequence of the timing of the recognition of revenue and expenses relating to multi-year contributions as well as a reduction in contribution revenue during the year.

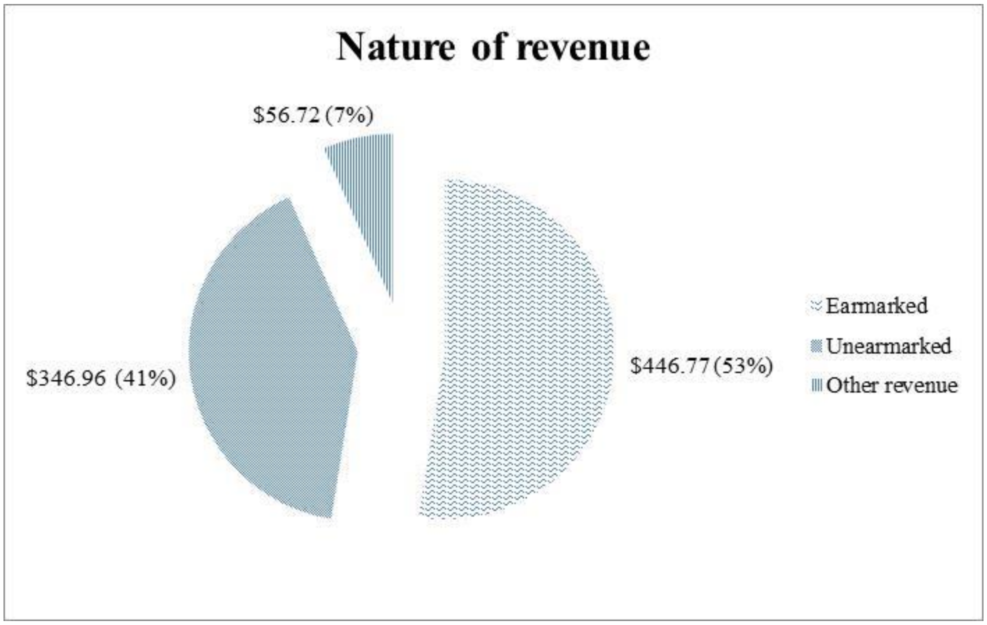
10. Of the total revenues, $446.77 million (2015: $543.27 million) related to earmarked contributions, $346.96 million (2015: $392.25 million) related to unearmarked contributions and $56.72 million (2015: $57.28 million) related to other sources of revenue, as shown in figure II.II. Total revenue decreased by 14 per cent, or $142.35 million, owing to a reduction in core contributions, the change in value of key currencies such as the pound sterling and the euro and an overall reduction in donor contributions. UNFPA continues to pursue the broadening of its donor base by engaging middle-income and emerging-economy countries as well as donors from the private sector.

Figure II.I
Revenue, expenses and surplus/deficit of the United Nations Population Fund for 2015 and 2016
(Millions of United States dollars)



Source: UNFPA financial statements for 2016.

Figure II.II
Revenue of the United Nations Population Fund, 2016
(Millions of United States dollars)



Source: UNFPA financial statements for 2016.

Ratio analysis

11. The analysis of the main financial ratios (see table II.1) confirms that UNFPA has sufficient current assets to meet its short-term obligations with its liquid assets. Furthermore, the increase in the current ratio from 4.5 to 5.7 is due to an increase in cash, cash equivalents and short-term investments of $151.9 million, primarily due to a shift in the composition of the UNFPA investment portfolio from long-term to short-term instruments (in preparation for contributions in 2017 to the after-service health insurance investment portfolio).

Table II.1
Ratio analysis

Description of ratio	*31 December 2016*	*31 December 2015*
Current ratio[a]		
Current assets: current liabilities	5.7	4.5
Total assets: total liabilities[b]	2.6	2.9
Cash ratio[c]		
Cash plus investments: current liabilities	4.0	2.6
Quick ratio[d]		
Cash plus investments plus accounts receivable: current liabilities	5.2	3.8

Source: Board analysis of UNFPA financial statements for the period ended 31 December 2016.

[a] A high ratio indicates the ability of an entity 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 the liquidity of an entity by measuring the amount of cash, cash equivalents or invested funds there are in current assets to cover current liabilities.

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

3. Internal control system

Evaluation of risk assessment process

12. In the process of risk management, UNFPA has established as part of its strategic information system the “myRisks” application, which includes a risk assessment module that allows business units to estimate the impact and likelihood of risk occurrence, identify the causes for such risks, communicate controls and policies, assign focal points empowered to respond to risks and provide additional information based on a predefined risk universe that is comparable and applicable across the organization.

13. While substantial progress has been made in modifying the application by adding features such as justifications text boxes, the mandatory inputting of action plans for high and critical risks and the inclusion of a “not applicable” feature, the Board has identified the following issues that require attention from management, as outlined in the following paragraphs.

Need to improve risk assessment at field offices

14. From the review of the risk assessment process undertaken by the field offices visited with regard to the myRisks online application, the Board noted that the field offices had not put enough realistic justifications for the ratings of assessed risks, as some of the risks had been assessed as critical, high, medium, low or not applicable without sufficient realistic justifications. In addition, the field offices performed risk

assessments by using risk factors from a list of 34 standard corporate risk factors to identify 11 strategic risks and 1 fraud area, but did not tailor that list of risk factors to their specific environments. For instance, the country offices in Madagascar and Uganda selected causes of risk from a list of corporate risk factors as justifications for the assessed risks instead of disclosing the bases of their assertions and including realistic probability and impact ratings.

15. Furthermore, the Board observed that, in the assessments performed, the country offices ranked the inherent risk of fraud as low without any evidence to substantiate their conclusions, even though the inherent risk of fraud might be higher. For example, the fraud risk assessment at the country office in Burkina Faso concluded that the probability of fraud occurring in financial and procurement management was low without providing any documentation to support such a conclusion.

16. In addition, the country offices in Burkina Faso, Papua New Guinea and Uganda did not perform risk ratings, input potential causes, provide justifications or allocate focal points for additional risks identified.

17. UNFPA stated that, during the next assessment cycle (2017-2018), the myRisks application would include the mandatory entry of probability (likelihood) and potential impact and an automatic calculation of risk ratings, as well as require the documentation of possible causes, risk ratings, justifications and assignments of focal points for the additional risks identified by departments and country offices.

18. **The Board recommends that UNFPA: (a) ensure country offices perform risk assessments effectively by documenting realistic justifications and causes and tailoring them to the specific field office environment, as required by the guidance notes on conducing risk assessment in the enterprise risk management system; and (b) document possible causes, risk ratings and justifications and allocate focal points for the additional risks identified by country offices.**

Use of risk matrices in assessing the risks

19. At the six field offices visited, the Board found that the assessed risks were assessed as critical, high, medium, low or not applicable without indicating the risk score matrices or documenting how the criteria were set with regard to probabilities and impact in order to support the assessment process. The determination of probabilities and impacts of events was apparently not systematically performed at country offices, contrary to the requirement of the UNFPA guidance note on conducting risk assessment in the enterprise risk management system. In addition, the assessment of the impact of financial, operational and reputational risks in percentages, so as to be able to rate the identified risks, was not performed using the risk matrices. Management attributed this deficiency to the lack of sufficient training of staff in country offices and agreed to provide further training to staff in country offices that focused on this aspect of the assessment.

20. Moreover, UNFPA informed the Board that the myRisks application would be upgraded with the inclusion of separate ratings on probability and potential impact, and a requirement for the justification of the risk rating. UNFPA also informed the Board that the need for more training on the enterprise risk management tools and concepts was duly recognized and that more webinars would be conducted during the risk-response phase.

21. The Board is of the view that the non-assessment of risks, including the likelihood of their occurrence, resulted in a possibly unrealistic assessment on the part of the country offices with regard to risk. In addition, in the absence of well-

defined criteria it will be difficult to establish whether the risk ranking process was adequately performed.

22. **The Board recommends that UNFPA: (a) ensure that country offices develop the risk score matrices for the identified and assessed risks to support the risk ranking process; and (b) continue training the personnel of country offices on enterprise risk management tools and concepts so as to ensure that the risk assessment process, specifically with regard to the application of risk matrices in risk ranking, is performed adequately.**

Supervisory role on risk assessment

23. UNFPA regional offices play an advisory and monitoring role to UNFPA country offices. One of the roles is to conduct reviews on risk assessments for country offices under their area of jurisdiction. The Board visited the regional office in West and Central Africa and found that the office had not reviewed the country office risk assessment process for 23 country offices under its area of jurisdiction. As a result, the Board could not determine and assess how the key risk conclusions were reached.

24. In addition, the Board observed that none of the 23 country offices submitted any documents to the regional office in West and Central Africa as evidence supporting their conclusions arrived during their respective risk assessment processes, and the Board could not confirm if headquarters reviewed the regional office's risk assessment documents and process or gave review notes to the office to assist them in making future improvements in the process of risk assessments.

25. UNFPA informed the Board that the enterprise risk management guidance notes would emphasize that the country offices were responsible for providing supporting documentation to the regional offices for validation and that this important step, coupled with the modification of the application to add impact and probability ratings, would improve the risk assessment review process at the regional offices.

26. However, the Board is of the view that the lack of proper review and monitoring mechanisms of the risk assessment processes at country offices could increase the risk that the entire process might not achieve the expected enterprise risk management corporate objective of identifying potential events that could affect the organization.

27. **The Board recommends that UNFPA: (a) ensure that country offices prepare supporting documents of the risk assessment process for review and easy reference by the regional office; and (b) enhance the regional office's risk assessment review and monitoring mechanisms to facilitate the achievement of the enterprise risk management corporate objective.**

4. Harmonized approach to cash transfers

Assessment of implementing partners

28. The United Nations Development Group launched a revised harmonized approach to cash transfers framework in April 2014. According to the revised framework, the microassessment of implementing partners must be undertaken by a qualified third-party service provider to ensure independence and the application of technical expertise. In addition, the third-party service provider has to be guided by questionnaires from the framework. The instructions on using the microassessment questionnaire require that sufficient detail be provided in the questionnaire so that the United Nations agency is able to understand the details of each response therein.

29. However, the Board noted the following deficiencies from the review of the microassessments of 38 of 100 implementing partners at six field offices:

(a) At the country offices in Papua New Guinea and Uganda, microassessments of 15 implementing partners conducted by the service providers in 2015 and 2016 were concluded without documenting the work done to support the conclusions;

(b) At country offices in Burkina Faso and Egypt, microassessments were not performed on 7 of 29 implementing partners. In all, the seven implementing partners had workplans amounting to $1.46 million;

(c) The country office in Madagascar had no documented plans for following up on the recommendations raised during microassessments conducted in 2015. According to the UNFPA assurance guide for implementing partners with regard to the harmonized approach to cash transfers, UNFPA offices need to follow up on the findings and recommendations in the microassessment reports with UNFPA implementing partners or with implementing partners shared with other agencies.

30. UNFPA informed the Board that reviews would be conducted by the business units concerned and with other agencies as part of the post-evaluation of the rendered services before paying the third-party service provider, and that the Division for Management Services would continually monitor the timely submission and completeness of microassessment data in its new "Implementing Partner Assurance System" tool. In addition, UNFPA explained that the Division for Management Services would develop more specific and actionable guidance for the follow-up on microassessment findings in close collaboration with other United Nations agencies and development partners.

31. The Board is of the view that the lack of adequate documentation, and the lack of a basis for the conclusions drawn by third-party service providers, might limit UNFPA assurance with regard to transactions carried out by implementing partners. Furthermore, the absence of plans for following up on microassessment recommendations means that UNFPA would not have a proper basis for addressing weaknesses that might arise when working with implementing partners.

32. **The Board recommends that UNFPA: (a) strengthen control over microassessment reports from the service providers to ensure that the reports are supported by details of the work done and provide a clear basis for their conclusions; and (b) ensure that implementing partners are given microassessments and plans are established to follow up on the findings and recommendations of the microassessment with UNFPA implementing partners or implementing partners shared with other agencies.**

Spot-check process

33. According to the harmonized approach to cash transfers framework, the assurance activities,[1] which aim to improve the effectiveness of the monitoring of implementing partners, include microassessments, spot checks and auditing.

34. However, the Board's review of the spot-check plans, processes and reports of 20 implementing partners in the new Implementing Partner Assurance System tool revealed the following weaknesses, which need attention from management:

(a) Spot checkers have not been following up on the implementation of the microassessment recommendations as required under part III.1 of the UNFPA

[1] The assurance activities are risk-based and dependent on each other.

guidance on spot checks. The Board is of the view that, in the absence of follow-ups of microassessment recommendations, UNFPA would not be in a position to know whether or not the implementing partner is implementing the recommendations;

(b) There was no documentation on how samples of transactions were determined for 15 of the 20 implementing partners reviewed, contrary to part II of the UNFPA guidance on spot checks, which insists on the importance of documenting the source for the sample selection and sampling procedures. The Board is of the view that, in the absence of complete documentation with regard to sample selection, it would be difficult to establish whether the transactions tested by spot checkers were selected in line with the requirements of the guidance;

(c) The funding authorization and certificate of expenditure forms for 17 implementing partners were not reconciled to the implementing partners' system report on expenditures. This is contrary to part II.2 of the guidance on spot checks, which requires spot checkers to reconcile those forms to the implementing partners' system report on expenditures prior to the sampling of expenditures for the spot check. The Board considers that, in the absence of reconciliation of those forms to the system report, there exists the possibility that some implementing partners' expenditures might go undetected and ultimately fall outside the sampled scope;

(d) The spot checkers did not draw conclusions on whether the tested controls were enacted by 11 implementing partners, as required under part III.3 of the guidance on spot checks. The Board is of the view that the spot checkers' conclusions on whether the implementing partners enacted tested controls applicable to the selected transactions needed to be indicated in order to justify whether the controls were enacted by the implementing partners or not;

(e) Verification of the usage of assets in accordance with their purposes was not performed by the spot checkers for all 20 selected implementing partners, contrary to part III.3 of the UNFPA guidance on spot checks. The Board is of the opinion that UNFPA lacks assurance as to whether spot checkers verified the usage of implementing partners' assets to ensure that they were used for the intended purposes.

35. Management assured the Board that UNFPA would conduct quality reviews of the content of spot checks during the third quarter of 2017, and lessons and results of the findings, together with the internal quality review, would be disseminated to staff through webinars.

36. **The Board recommends that UNFPA: (a) consider providing adequate training to spot checkers on how to conduct spot checks so as to improve the quality of spot checks; (b) ensure that the implementation of microassessment recommendations are followed up during spot checking and that evidence to that effect be maintained by the spot checkers so as to provide supported assurance to UNFPA; and (c) ensure that the spot check activities are conducted effectively and efficiently, in accordance with established guidance.**

5. Programme management

Use of the global programming system for workplan management

37. UNFPA launched an electronic programme management system known as the global programming system in November 2014. The system is an Atlas Module used for the creation, management and storage of workplans, as well as for the management of budgets for programme activities. The global programming system brings programmatic elements of workplans into the Atlas environment and links them with the budget elements. The user guide requires that workplans be prepared in the global programming system and, after being prepared, a workplan snapshot

must be submitted, approved and signed with the partners concerned before it can be considered an actual workplan.

38. The Board reviewed 48 of 100 workplans at the six field offices visited, and noted that the country offices in Burkina Faso, Madagascar and Uganda and the regional office in West and Central Africa had signed a total of 18 workplans with implementing partners prior to their approval in the global programming system, which is contrary to the requirements set out in the user guide. In addition, the Board found that 26 signed hard-copy workplans, amounting to $8.8 million, had been incorrectly reported in the global programming system as $6.9 million, resulting in underreporting by $1.9 million.

39. UNFPA informed the Board that the introduction of phase II of the global programming system would improve the workflow process and require all workplans to undergo an additional quality assurance review, and ensure that there were no discrepancies between the signed workplans and global programming system records. The Board is of the view that not updating and adjusting workplans revisions in the global programming system could affect the budget and expenditures records.

40. **The Board recommends that UNFPA: (a) ensure that the workplans are prepared and approved in the global programming system prior to being signed by implementing partners and before the programme activities commence in order to avoid discrepancies between signed workplans and records in the global programming system; and (b) perform periodic checks and reconciliations between the budgets of the workplans and global programming system records in order to correct and update information in the global programming system.**

6. Procurement and contract management

Need to improve evaluation of long-term agreements

41. Section 13.2.2 of the UNFPA procurement procedures states that, for long-term agreements, in addition to purchase order-based evaluations, it is important to conduct annual supplier performance appraisals to understand the overall performance of the supplier holding the agreement, to resolve any performance issues on a timely basis and to decide whether further negotiation is required, depending on business volume, in order to achieve value for money. In the event that UNFPA is piggybacking on another United Nations agency's long-term agreement, information on annual supplier performance, business volume and savings achieved should be provided to the lead agency.

42. The Board reviewed the use of long-term agreements at the field offices visited, and noted that the country offices in Egypt and Madagascar used 12 long-term agreements and paid a total of $200,023 to obtain various services, including office supplies, travel services, freight services and catering services. All the agreements were created by other United Nations agencies. However, the country offices did not provide information to the long-term agreement holders' lead agencies for the evaluation of supplier performance, business volume and savings achieved, as required by the policy. The information, together with the business volume and any savings achieved, were required to be uploaded to the "Feedback on long-term agreement use" tab in the United Nations Global Marketplace long-term agreement module.

43. UNFPA stated that country offices would be encouraged to include this suggestion in local operations management team discussions and that the team, while preparing their annual workplan, should discuss and find agreement on the

specific types of long-term agreements that should be considered. UNFPA also explained that this arrangement would require the agreement of other United Nations organizations at the local country level.

44. The Board is of the view that the non-provision of information to the long-term agreements holders' lead agencies inhibits the ability of those agencies to make extensive reviews of long-term agreement usage and report on efficiency and savings achieved through collaborative procurement activities. In addition, the information from evaluating the performance of vendors is important, as it allows UNFPA to identify performance gaps, communicate these gaps to vendors, put in place supplier development programmes and be more strategic with regard to choosing suppliers on the basis of performance. Furthermore, such communication allows for more collaborative relationships with vendors and could contribute to the improvement of services provided.

45. **The Board recommends that UNFPA ensure that country offices provide information on annual supplier performance, business volume and savings achieved to the lead United Nations agencies for all long-term agreement holders that are piggybacked with other agencies so that evaluations can be conducted.**

Non-preparation of procurement plans and unplanned procurements

46. Section 4.3.1 of the UNFPA procurement procedures emphasizes that procurement planning is a mandatory requirement for all UNFPA procuring business units. For field offices, in the first quarter of every year, when developing workplans, the responsible procurement focal point should collect and consolidate information on all products and services foreseen to be procured by the field office during the year. Based on this information, a local procurement plan should be developed no later than 31 March each year.

47. At the six field offices visited, the Board reviewed procurement transactions amounting to $2.9 million, out of a total of $5.1 million in procurement transactions for the period under review. The Board noted that the country offices in Burkina Faso, Egypt and Uganda procured goods and services amounting to $410,000 (14 per cent of the selected sample), which were not included in the procurement plan. In addition, the regional office in West and Central Africa did not prepare an annual procurement plan, as required by the UNFPA procurement policy.

48. UNFPA explained that the preparation and maintenance of the country offices' procurement plans were monitored on a regular basis. However, the procurement plans were completed on the basis of available funding information, and unforeseen circumstances might require the flexibility to deviate from the procurement plans.

49. While acknowledging the management response, the Board is of the view that unplanned procurements deny UNFPA the opportunity of getting best value for money from procurements, because the magnitude of the unplanned procurements (14 per cent of the selected sample) indicate that the procurement plans prepared might be unrealistic.

50. **The Board recommends that UNFPA field offices adhere to local procurement plans when making procurements and ensure that all the procured items are included in the local procurement plans to facilitate the monitoring of procurement activities and efficiency in the use of resources.**

Improve documentation during receipt and inspection of goods and services procured

51. According to section 12.5 of the UNFPA procurement procedures, when a consignment is delivered, the consignee should perform a physical inspection of the

packages against all shipping documents and, if the goods are in good order, give an endorsement.

52. At the six field offices visited, the Board reviewed procurement reports, including receiving and inspection reports, and noted that the country offices in Egypt, Madagascar and Uganda had no official documentation for the receipt and inspection of goods and services received other than the signing supplier's delivery notes. Further review revealed that the current template available for use in procurement procedures for receiving and inspection was designed only for goods and services not received in good order or missing.

53. According to UNFPA, the current practice was mainly due to the fact that there was no standard requirement or template for field offices to use for the receipt and inspection of goods when they were received in good order. The Procurement Services Branch was working to align the applicable policies and procedures to current needs to produce a comprehensive template for a receipt and inspection report.

54. However, the Board is of the view that formal documentation on receipt and inspection is required so as to provide assurance that goods were inspected by competent personnel before physical receipt, and that subsequent receipt in the Atlas system is confirmed.

55. **The Board recommends that UNFPA improve its procurement procedures for documentation during the receiving and inspection of goods and services procured by keeping evidence of receipt even if goods/services are in good order.**

7. Inventory management

Inventory procurement planning

56. Section 4.3.1 of the UNFPA procurement procedures requires that country offices prepare a plan for the procurement of reproductive health commodities and medical devices. In view of this, before the plan is prepared, field offices are required to perform needs assessments for those reproductive health commodities, the outcome of which is used by the country office as a basis for determining the UNFPA commodities annual planning process, the products and quantities to be supplied in the country and the facilitation of UNFPA response to inventory emergencies.

57. From the review of inventory reports at the field offices visited, the Board noted that the country offices in Egypt and Papua New Guinea had developed an inventory procurement plan intended for use by the Procurement Services Branch by consolidating the forecasted needs of implementing partners. However, the country offices had no evidence to confirm that a commodity needs assessment was conducted before inventory planning, or whether the forecasts were evaluated before being incorporated into the procurement plan. In addition, the last time the commodity needs assessment and forecasting for these country offices were conducted was in 2014, and that assessment and forecasting was also based on information provided by the implementing partners. With regard to 2015 and 2016, the inventory planning of the country offices relied on the previous assessment reports and data given by the implementing partners without assessing the actual priorities and needs of the offices.

58. UNFPA stated that it recognized the importance of the involvement of its country offices in the country coordination mechanisms, which are responsible for monitoring reproductive health supplies and forecasting future requirements. UNFPA also explained that a coordinated supply planning mechanism was in place

at least in UNFPA Supplies countries to ensure collaboration with key stakeholders in those countries. Furthermore, UNFPA had strengthened the policy and operational guidance for needs assessments and forecasting analyses, which would be issued in 2017.

59. In addition, UNFPA informed the Board that it would continue to build staff capacity with regard to reproductive health commodity planning at the country level, and that this would include training staff on the process of commodity planning as well as on needs assessments, and would be conducted through active coordination committees at the country level with data from all partners for proper planning and forecasting for suppliers.

60. However, the Board is of the view that, in the absence of current and up-to-date inventory forecasts and needs assessment reports, inventory planning might not take into account the timing of needs and also might not be exhaustive or include the actual needs from beneficiaries.

61. **The Board recommends that UNFPA country offices: (a) collaborate with the appropriate stakeholders to enhance needs assessments on regular commodities in the country for proper planning; and (b) increase country office involvement in the forecasting analysis of reproductive health commodities before they are incorporated into inventory procurement plans.**

8. Human resources management

Annual leave management

62. Section (xii) of note 2 to the financial statements for the year ended 31 December 2016 (in line with UNFPA IPSAS policy and IPSAS 25: Employee benefits,) states that the annual leave is an accumulating compensated absence. Employees are entitled to monetary settlement of the accrued annual leave balance upon separation from service, up to a maximum of 60 days. The organization therefore recognizes liability for the value of the total accumulated leave days of all staff members as at the reporting date.

63. From the verification of the annual leave points balances shown in the electronic leave reports, which were used for computing the leave liability as at 31 December 2016 for 104 of 2,600 UNFPA staff, the Board noted that 40 staff (38 per cent) had annual leave points that were higher by 310 days than the actual balances of leave points captured in the absence record cards as at the end of the reporting period. The differences resulted in the overstatement of the annual leave liability by $85,895.68. In addition, of the 40 who had differences between actual leave balances and absence leave record cards, the Board noted delays of between 12 and 71 days in approving the annual leave applications of 12 staff members. UNFPA attributed these differences primarily to the leave days taken and/or approved after the payroll finalization date for December 2016.

64. The Board is of the view that the electronic leave reports used to determine the reported annual leave liability did not include the leave days taken after the payroll finalization date for December 2016, and therefore did not reflect the realistic annual leave position as at the year end. In addition, delays in approving annual leave applications might lead to further misstatement of the annual leave liability due to inaccurate capturing of leave days in the electronic leave report.

65. **UNFPA agreed with the Board's recommendation to: (a) establish a mechanism that would enable the organization to capture the leave points balances as at the reporting date and not as at the payroll finalization date in order to report accurate leave days and liability; and (b) strengthen its internal controls over the leave approval process by introducing a time limit on the**

approval of leave requests to ensure the timely and realistic capturing of leave points as at the reporting date.

9. Consultants and temporary assistance

Non-assessment of individual consultants in the roster

66. Paragraph 30 of the UNFPA policy on individual consultants requires the hiring office to create a consultant profile in the UNFPA consultant roster before the entity hires an individual consultant. In addition, paragraph 37 requires that the consultants be evaluated at the end of the assignment in the post-evaluation section of the consultant roster and that the final payment of the fee only be released after the individual consultant's services have been evaluated.

67. However, the Board found inconsistencies with respect to the assessment of individual consultants in the roster as follows:

- Of 73 individual consultants hired at country offices in Burkina Faso, Madagascar, Papua New Guinea and Uganda, 12 (16 per cent) were contracted without the creation of a profile in the consultant roster, as required by the policy on individual consultants.
- The contract period stated in the signed individual consultant contracts for 15 individual consultants whose profiles were in the consultant roster was different from the contract period indicated in the roster.
- The country offices in Egypt and Madagascar made payments to 20 individual consultants before they evaluated their services.
- The country offices in Papua New Guinea and Uganda performed manual evaluations of four consultants rather than the online performance assessment using the evaluation module in the consultant roster, and one individual consultant was not assessed at the end of the assignment.

68. Management stated that UNFPA had a global database in place for service contracts, which was updated on a regular basis, and that it had started utilizing an application to supplement the consultant roster's function globally.

69. However, the Board is of the view that the non-creation of the individual consultants' profiles in the established roster (global database) could limit their online performance assessment. In addition, manual evaluation of individual consultants could undermine the purpose behind establishing an individual consultants evaluation module in the consultant roster.

70. **The Board recommends that UNFPA: (a) ensure that a profile in the roster is created before individual consultants are hired in order to facilitate online performance evaluation and references in the future; (b) update the contract periods of individual consultants in the roster and ensure that the contract periods recorded in the roster match those that are signed in order to enable the effective assessment of individual consultant performance; and (c) conduct an individual consultant performance assessment in the consultant roster immediately after the completion of an assignment and ensure that final payment of the fee is released only after the individual consultant's performance assessment has been completed.**

Use of service contracts in core activities

71. Of the 19 service contract holders that were reviewed by the Board at the country offices in Egypt, Madagascar and Uganda, 16 (84 per cent) were recruited to perform functions of a continuing nature such as Office Assistant,

Finance/Administrative Specialist, Programme Coordinator, Monitoring and Evaluation Officer and Finance Associate. This is contrary to the United Nations Development Programme (UNDP) policy on service contracts, which is used by UNFPA. The policy requires that service contract holders be recruited to perform non-core support services that would normally be outsourced to a company. In addition, the Board noted that, at the country office in Madagascar, a service contract holder who had been recruited in 2012 as a Programme Analyst (Midwifery), and at the time of recruitment had been given a one-year contract renewable until 2015, was now on a contract for three months. This is contrary to the policy on service contracts, which requires the hiring of service contract holders for a minimum of six months.

72. UNFPA explained that, subject to funding availability, the entity would continue to phase out the use of service contracts and establish fixed-term posts for core functions, where appropriate. UNFPA also assured the Board of its commitment to complying with its own policies and procedures on the use of service contracts in the implementation of country office programmes and operations.

73. The Board is of the view that assigning functions of a continuing nature to service contract staff is contrary to the service contract policies and that the practice might eventually undermine the capacity-building processes of UNFPA.

74. **The Board recommends that UNFPA: (a) expedite the recruitment process and conversion of service contracts to fixed-term appointments to support core operations that are held by staff with service contracts; and (b) comply with UNFPA policies and procedures on the use of service contract modalities in the implementation of country office programmes and operations with regard to the recruitment of service contract staff for not more than five years.**

10. Review of financial statements

Lack of policy for the humanitarian response reserve

75. The humanitarian response reserve was established in 2015 following Executive Board decision No. 2015/3 to establish a humanitarian response reserve of $10 million as a one-time allocation from regular resources. The reserve was meant to finance humanitarian activities to enable UNFPA offices to initiate or sustain activities and commitments against a signed co-financing agreement in advance of the receipt of the committed funds.

76. However, the Board observed the following issues that need management attention with regard to the operation of humanitarian response reserve:

- UNFPA had no approved policy or guidelines in place that explained the objectives of the reserve; no mechanisms on how to raise the funds so as to maintain the reserve at the required level; and no relevant guidance and general controls on how to utilize the reserve.
- UNFPA had no basis for the approved reserve amount set at $10 million.
- As at 31 December 2016, the reserve had a nil balance, despite the fact that the reserve is supposed to be maintained at the initially approved amount, in this case $10 million.

77. UNFPA informed the Board that the entity was in the process of preparing and finalizing a humanitarian response reserve policy and guidelines and would compile a more detailed quantification of humanitarian financing needs so as to better support the determination of the allocations to the reserve and, ultimately, of its approved maximum amount.

78. While acknowledging the management response, the Board is of the view that, in the absence of a policy detailing the mechanisms of raising and utilizing the reserve's funds, there is a risk that the reserve might be utilized without considering the general purpose of its establishment.

79. **The Board recommends that UNFPA: (a) formalize the policy and guidelines for the usage of the reserve; (b) review and justify the approved reserve amount of $10 million, taking into account the financial projections of UNFPA; and (c) maintain the reserve at the approved amount.**

Non-recovery of staff advances from separated staff

80. The UNDP salary advance policy, which is also used by UNFPA, requires UNFPA to collect any outstanding salary advance balances in full against the final emoluments from any staff members who are about to separate from the organization. Any balance in excess of the final emoluments due must be paid immediately and in full prior to separation.

81. In its report on UNFPA for the year ended 31 December 2014 (A/70/5/Add.8), the Board recommended that UNFPA: (a) speed up the investigation on unusual credit balances in the individual salary advance accounts; and (b) consider instituting an automated system to control staff advances at field and head offices. The Board acknowledges improvements recorded by UNFPA in reducing the credit balance by $314,731, or 94.6 per cent, through write-offs and recoveries and the establishment of an automated system to control staff advances.

82. However, the Board continues to note deficiencies in this area, owing to the fact that advances to staff still were not recovered at the time of their separation from UNFPA:

- UNFPA financial statements for the period ended 31 December 2016 reported an outstanding balance of $461,891 in advances issued to 178 staff, which included advances amounting to $162,323 (35 per cent) related to 69 separated staff.
- Of the 69 separated staff, 33 staff had separated from UNFPA before 2014.
- Of salary advances amounting to $299,568 related to 109 current staff, $86,814 had been outstanding for more than one year, contrary to the requirement of the policy on salary advances.

83. Management stated that the salary advances were under review with a target for conclusion in 2017. Some of the reported figures were the result of salary overpayments and accounting errors in their respective years. Some of the staff had been seconded to other United Nations agencies and had therefore left without repaying the outstanding salary advance to UNFPA. In addition, UNFPA explained that it had created an allowance for doubtful accounts receivable in the amount of $149,184, assessed on the basis of evidence available to management, for outstanding balances that were unlikely to be recovered.

84. While the Board acknowledges the management response, it is of the view that having prolonged outstanding staff advances balances, especially for separated staff, might put UNFPA at risk of loss of money.

85. **The Board recommends that UNFPA: (a) ensure compliance with the salary advance policy and strengthen conditions for the recovery of advances from staff, especially in situations where the staff member with outstanding advances separates from UNFPA; and (b) continue the review of the outstanding advances to establish the respective causes and recovery**

mechanisms to ensure that the advance are recovered and cleared from active and separated staff.

Non-authorization of project cash advances

86. UNFPA policies and procedures on project cash advances allow the head of an office to authorize project cash advances of up to $5,000 each to a staff member on a permanent or fixed-term contract, and $20,000 to any office at any one time. UNFPA accounting closure instructions require all advances to be accounted for within seven days of completion of the activity for which advances were issued, and that the account balance for project advances at the year end should reflect total advances for activities that were either still ongoing as at year end or were completed within the last seven days of the year.

87. However, the Board noted that the country offices in Chad and Papua New Guinea had outstanding balances of $20,942.51 and $116,648.66, respectively, more than the authorized threshold of $20,000. In addition, the country offices in Papua New Guinea and South Sudan issued project advances amounting to $126,617 more than the authorized threshold ($5,000 per staff) to six staff without approval from UNFPA headquarters, which is contrary to the policies and procedures on project cash advances.

88. In addition, the Board noted that the country office in Chad had outstanding balances of $20,942 carried forward from 2014 and 2015, which shows that the project advance balances in accounts receivable have been outstanding for more than 365 days without being liquidated.

89. UNFPA informed the Board that the entity would strengthen supervisory and monitoring controls in relation to policy compliance in the areas of the proper authorization and timely liquidation of project cash advances.

90. **The Board recommends that UNFPA: (a) ensure that the country offices obtain authorization from UNFPA headquarters for all project cash advances above the threshold as stated in the policy; (b) set a time limit for holding the project cash advance per activity per staff in the policies and procedures on project cash advances to minimize prolonged project cash advance balances; and (c) strengthen supervisory and monitoring controls at the level of country offices to ensure compliance with the established policies and procedures.**

11. Information technology

Inadequate assessment and monitoring of shadow information technology applications

91. Paragraph 4 of the UNFPA policy on shadow information technology (shadow IT) states that the Management Information Services Branch is responsible for assessing and monitoring shadow IT applications in order to determine associated risks, support services, stability, effectiveness and impact on internal system performance.

92. However, the Board noted that UNFPA does not conduct the assessment and monitoring of shadow IT applications and consequently the Management Information Services Branch neither maintains nor reviews the list of shadow IT applications available,[2] nor does it prepare a shadow IT assessment report.[3]

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[2] Some 49 shadow IT applications related to field offices were neither monitored nor reviewed.

[3] The list of shadow IT applications for country offices under the regional office for the Arab States was not provided.

93. UNFPA informed the Board that it was not aware that there were many applications that had been developed or acquired outside UNFPA headquarters. Management had requested regional offices to follow up with country offices in their respective regions to collect information on any applications that were acquired or developed locally in 2016.

94. The Board is concerned that the failure to determine the risks, support services, stability and impact on internal system performance associated with shadow IT applications could lead to potential business disruption and reputational damage to the organization in the event of shadow IT applications malfunctions.

95. **The Board recommends that UNFPA: (a) update the list of shadow IT applications to ensure it includes all regions; (b) conduct a review of shadow IT applications in accordance with policy; and (c) establish control mechanisms to determine risks associated with shadow IT applications.**

Inadequate enforcement of software policies

96. Paragraphs 6 and 7 of the UNFPA ICT policy on software require UNFPA to use global licenses for antivirus software.

97. From the review of the list of computer software acquired during the reporting period, the Board found that five country offices violated the policy by procuring different types of antivirus software in each country office.

98. UNFPA informed the Board that the Management Information Services Branch was in the process of developing a systems development life cycle policy in which an ICT asset registry would be established and consequently any purchased, internally developed or donated in kind ICT software assets (licenses, subscriptions or custom development), as well as any proposed software projects that met the applicability requirements, would be reported to the ICT Project Management Office and be recorded in the global ICT asset registry.

99. However, the Board is concerned that inadequate enforcement of the software policies could lead to potential business disruption and reputational damage to the organization in the event of the use of unauthorized software. In addition, there is a risk that costs and the number of tools that address the same basic needs within the organization might increase.

100. **The Board recommends that UNFPA put in place a mechanism for monitoring the adoption of software policies and procedures and ensure their compliance across the entity.**

C. Disclosures by management

101. UNFPA made the following disclosures relating to write-offs, ex gratia payments and cases of fraud and presumptive fraud, which in the view of the Board are not significant.

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

102. UNFPA informed the Board that it had formally written off losses of $312,277 (2015: $241,786). The write-offs included contributions receivable of $144,275, operating fund advances of $86,249, staff receivables of $24,579, value added tax of $24,116, inventory of $20,833, property, plant and equipment of $11,308, garnishment of $630 and petrol of $287 (see annex II).

2. Cases of fraud and presumptive fraud

103. In accordance with the International Standards on Auditing (ISA 240), the Board planned its audits of the financial statements so that it had 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.

104. 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 that management had identified or brought to their attention. The Board also inquired as to whether management had any knowledge of any actual, suspected or alleged fraud, including enquiries from the Office of Audit and Investigation Services. The additional terms of reference governing the external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in the report.

105. In 2016, the Board did not identify any cases of fraud, other than the 15 cases of fraud or presumptive fraud amounting to $43,898 that had been reported to the Board by UNFPA.[4]

D. Acknowledgement

106. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director of UNFPA and his staff.

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India
Chair of the Board of Auditors

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

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

30 June 2017

[4] The information on the fraud or presumptive fraud cases was provided by the Office of Audit and Investigative Services.

Annex I

Status of implementation of recommendations up to the year ended 31 December 2015

					Status of verification			
	Report reference	*Recommendation*	*Action reported by the management*	*Board assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1.	A/70/5/Add.8, paragraph 23	The Board recommends that UNFPA: (a) update the guidelines for decentralized offices to clearly define and outline the different arrangements for decentralized offices for establishing and managing operations; (b) continue to develop comprehensive business cases and seek retroactive approval for the remaining decentralized offices; and (c) incorporate the organization chart of decentralized offices and its reporting lines into the organization structure of country offices.	UNFPA undertook a comprehensive review of all its decentralized offices with regard to the availability of business cases and approvals from regional offices. UNFPA secured retroactive approvals where required. The existing guidelines for decentralized offices have been retired, as all aspects of managing such offices are already included in existing operational policies (e.g., petty cash, real estate and asset management) and programmatic policies (e.g., workplan and monitoring). As for defining and outlining different arrangements and the rules governing the establishment of such offices, these are included in the new organizational restructuring policy. A final draft has been reviewed by Director of the Division for Human Resources and will be presented to the Executive Committee at its next meeting, which is scheduled to take place in June 2017.	The approval by the Executive Board of the new organizational restructuring policy is awaited.		X		

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification			
					Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
2.	A/70/5/Add.8, paragraph 28	The Board recommends that UNFPA: (a) ensure that monitoring and assessment visits are undertaken for effective evaluation of the implementation of activities at decentralized offices; (b) define the role of the focal points for decentralized offices and provide clear guidance on what support and oversight the focal points should provide; and (c) establish performance targets and set systematic monitoring and assessment criteria for the focal points to ensure that they deliver according to the UNFPA mandate.	The Division for Human Resources is working on the changes to the existing decentralized office guidelines. A final draft has been reviewed by the Director of the Division and will be presented to the Executive Committee.	The approval by the Executive Board of the new organizational restructuring policy is awaited.		X		
3.	A/70/5/Add.8, paragraph 39	The Board recommends that UNFPA: (a) strengthen its monitoring procedures for implementing partners to ensure adequate performance of programme implementation activities; and (b) prepare monitoring plans that can be achieved within the time frame.	The development of phase II of the global programming system continues to be on track. Phase II functionality will be available in June 2017, and regions will be phased in. With regard to the monitoring of implementing partners, the template to plan and record the follow-up progress on monitoring findings has been added to the policy and procedures manual as part of the revision of the workplan policy. The guidance note on strengthening results monitoring and quality results reporting is at the finalization stage, and has been informed by the collected practices from	The Board acknowledges the efforts of management on the revision of the workplan policy for the monitoring of implementing partners. Finalization of the development of phase II of the global programming system is awaited.		X		

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification: Implemented	Under implementation	Not implemented	Overtaken by events
			country offices through a good practices competition.					
4.	A/70/5/Add.8, paragraph 55	The Board recommends that UNFPA continue to develop a global comprehensive database for maintaining, recording and periodically updating key information on consultants and service contracts to improve control, monitoring and reporting on special service agreements and service contracts at field offices.	The global launch of a consultants management tool has taken place and a webinar has been held to support the launch. Staff have been given access to the available online resources. The initial phase is being supported through the direct provision of individual advice and through the integrated service desk application. The Division for Human Resources will monitor compliance.	The Board acknowledges the efforts of management in establishing the database for service contracts and consultants. The recommendation is considered implemented.	X			
5.	A/70/5/Add.8, paragraph 60	The Board recommends that UNFPA: (a) establish a robust supply chain mechanism to ensure that there is effective delivery and distribution of procured inventories to the intended beneficiaries by field offices; and (b) develop tools that will enable country offices to monitor the timeliness and effectiveness of inventory distribution, including regular tracking of key metrics, such as percentage of execution of distribution plans and inventory levels held at service delivery points.	UNFPA has developed an inventory system called “Shipment Tracker”. In addition, senior management has agreed to review the policy that covers the entire reproductive health commodity provision process, including the monitoring of the supplies given to governmental and non-governmental organizations. A draft policy document is being reviewed. A supply chain management workstream will identify the proper ownership of the varying processes related to the provision of reproductive health supplies to various UNFPA branches and	The Board acknowledges the efforts of management in establishing the inventory tool. It awaits the completion of the inventory policy.		X		

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification: Implemented	Under implementation	Not implemented	Overtaken by events
			entities.					
6.	A/70/5/Add.8, paragraph 63	UNFPA agreed with the recommendation of the Board that it: (a) speed up the investigation on the unusual credit balances in the individual salary advance accounts; and (b) consider instituting an automated system to control staff advances at field and head offices.	UNFPA has already made good progress in clearing credit balances in the salary advance accounts. A detailed three-year action plan has been developed for the prioritization, review and clearance of the remaining outstanding balances. As at 31 December 2016, the amount of credit balances had been reduced to $17,000. Significant progress has also been achieved in clearing aged advances, which were reduced by approximately 60 per cent through a combination of write-offs and recoveries.	The Board acknowledges the efforts of management towards launching the automated system for staff advances and clearing the negative balances. The recommendation is considered implemented.	X			
7.	A/71/5/Add.8, paragraph 18	The Board recommends that UNFPA: (a) develop global risk mitigation strategies that cover all its operations; and (b) ensure that the country offices identify clearly the additional risks and response strategies that are specific to them and document them in the system.	(a) UNFPA has revised the risk factors for the 2016-2017 enterprise risk management cycles, which now include the element of potential causes. UNFPA will modify the myRisks module to include the option of creating and updating global risk mitigation strategies in the existing application.	The Board acknowledges the efforts of management on establishing risk strategies. The recommendation is considered implemented.	X			

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification: Implemented	Under implementation	Not implemented	Overtaken by events
			(b) A revised risk response module containing an element for the mitigation of high and critical risks will be launched in February 2017.					
8.	A/71/5/Add.8, paragraph 21	The Board recommends that UNFPA ensure that country offices: (a) document the risk-assessment process and establish a comprehensive risk-assessment plan for strategic and fraud risks to enable the establishment of long-term methodologies, criteria and risk matrices and a time frame for addressing the established risk; and (b) continue training staff on risk assessment, identification and mitigation to increase awareness and understanding of the risks affecting UNFPA.	A detailed guidance note was developed with regard to the criteria for documenting the risk assessment process, including documenting the modified comprehensive risk assessment. A separate risk matrix was developed for strategic and fraud risks. Six regional webinars and one headquarters webinar were conducted in the last week of October 2016, close to the deadline for the completion of the 2016-2017 enterprise risk management assessment phase.	The recommendation is considered implemented.	X			
9.	A/71/5/Add.8, paragraph 25	The Board recommends that UNFPA: (a) ensure that the country offices prepare risk matrices and define the criteria used for the ranking of identified risks; (b) review the definition of "low risk" for consistency in risk ranking, which will be used in all business units; and (c) modify the strategic information system to include a facility for ranking additional strategic risks identified by the country office and assigning focal points for them.	(a) A detailed guidance note was developed that included a clear risk matrix on the basis of probability and impact and criteria for assigning low, medium, high and critical risks. The action has been completed. (b) The revised myRisks application for the 2016-2017 enterprise risk management cycle also contains a separate category called "not applicable", and a clear definition is provided for the low-risk	The Board appreciates the efforts of management towards improving the risk management process. The recommendation is considered implemented.	X			

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification			
					Implemented	Under implementation	Not implemented	Overtaken by events
			rating in the guidance note. The action has been completed. (c) The updated application also includes an option for identifying additional risk in each of the risk areas. This option does not provide for focal point nominations during the assessment stage. The enterprise risk management team, after an analysis/review of all the additional risks identified, will include all relevant risks in the global list if they fit the criteria. Risks not meeting the global criteria will be monitored using local Excel tracking tables (including the assignment of focal points).					
10.	A/71/5/Add.8, paragraph 31	The Board recommends that UNFPA: (a) ensure that the correct budget information is updated in the global programming system and that reconciliation of budget information is made between the amounts to be sent to commitment control and the workplan amounts for such activities; and (b) consider introducing new features into the system to include non-financial information on the progress reports of implementing partners.	The implementation of this recommendation is directly linked to the finalization of phase II of the global programming system, which is progressing as planned. Space for the inclusion of non-financial information with regard to the progress reports of implementing partners has been developed for phase II and is undergoing testing as part of the testing plan.	The Board acknowledges the efforts of management; however, the finalization of the development of phase II of the global programming system is awaited.		X		

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification: Implemented	Under implementation	Not implemented	Overtaken by events
11.	A/71/5/Add.8, paragraph 35	The Board recommends that UNFPA: (a) continue with its initiatives to improve the capacity of implementing partners such that workplan progress reports reflect the achievement of results at a particular period of time and clearly assess the progress made towards planned targets; and (b) conduct quality assurance upon receipt of the progress reports and address any weaknesses noted.	The finalization of phase II of the global programming system will ensure that all quarterly progress reports are synchronized with workplans, accepted by UNFPA personnel and fully transparent. This will enable quality assurance by the Programme Division (and regional offices). During training on phase II functionality, implementing partners will also receive global programming system-related training offered jointly by the Programme Division and the Division for Management Services. The template to plan and record the progress of the follow-up on monitoring findings has been incorporated into the policy and procedures manual as part of the workplan policy revision. The guidance note on strengthening results monitoring and quality results reporting is at the finalization stage. Webinars to introduce the guidance note and present collected tools began in May 2017 and will continue through the end of the year.	Finalization of the development of phase II of the global programming system is awaited.		X		

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification: Implemented	Under implementation	Not implemented	Overtaken by events
12.	A/71/5/Add.8, paragraph 40	The Board recommends that UNFPA introduce a requirement in the guidance note for country offices to document the whole process of determining support cost rates with implementing partners, including the criteria or basis applied when negotiating support cost rates.	The guidance note has been revised and updated.	The Board agrees with the management response on the revision of the guidance note to include the criteria for determining support costs. The recommendation is considered implemented.	X			
13.	A/71/5/Add.8, paragraph 45	The Board recommends that UNFPA: (a) use the Atlas-generated purchase order as the primary contracting tool for the purchase of goods and for encumbering funds before delivery of goods and services, to minimize the risk of misstating commitments and to ensure compliance with the procurement procedures and internal control framework; and (b) ensure that the Procurement Services Branch monitors the country offices to ensure that they comply with the procurement rules and regulations.	A spot-check tool for the monitoring of this guidance has been launched and the result generated from this tool, revealing that a very large number of country offices did not use purchase orders as the primary contracting tool for the purchase of goods, has been shared with all country offices for reflection. The Procurement Services Branch will continue to run spot checks and inform country offices on the progress made.	The Board acknowledges the effort of management on the monitoring of procurement activities at the country office level. The country offices are advised to use purchase orders as a primary contracting tool.		X		
14.	A/71/5/Add.8, paragraph 51	The Board recommends that UNFPA: (a) consider improving the quality of indicators to express the qualitative targets to be achieved and clearly define the outputs based on results to be achieved for smooth quarterly monitoring and reporting; and (b) develop quality assurance guidance and mechanisms to ensure that milestones can be clearly measured during the monitoring and reporting phase and that they are designed to track the achievement of	The guidelines for planning, monitoring and reporting in myResults have been revised to include quality assurance guidance for each process (planning, monitoring and reporting). These guidelines were distributed during the announcement of the opening of annual reporting for 2016.	The Board agrees with the responses of management. The recommendation is considered implemented.	X			

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification: Implemented	Under implementation	Not implemented	Overtaken by events
		indicator targets.						
15.	A/71/5/Add.8, paragraph 56	The Board recommends that UNFPA: (a) take corrective action on the apparent instances of the wrong data entry in order to improve the accuracy and reliability of reports on annual leave produced by the system; and (b) continue cleaning up the data in the system so that the reports produced do not contain the leave balances of separated staff.	The noted instances of leave balances of separated staff have been corrected. The Division for Human Resources has worked with the United Nations Development Programme (UNDP) to develop a script to fix these issues in the system. Going forward, the Division will take a proactive role in checking and ensuring that separated staff leave balances are reset, to minimize the effects of human error.	The Board has verified the developed script and agrees with management. The recommendation is considered implemented.	X			
16.	A/71/5/Add.8, paragraph 59	The Board recommends that UNFPA: (a) carry out a human resources needs assessment and review the existing service contracts so as to reduce their use for UNFPA core functions; and (b) monitor the recruitment process of service contract holders to ensure that they are recruited for non-core functions that are mandated by the UNDP service contract handbook adopted by UNFPA.	Human resources needs assessments and the review of service contract holders are an integral part of any office realignment. Some 48 realignments occurred between 2014 and 2016 and have been fully implemented or are under implementation, 29 are under way or awaiting finalization for implementation between the time of reporting and the middle of 2017, and 15 are planned. In addition, there is a new requirement for 2017 as part of the presentation of new country programme documents. The Programme Review Committee now requires a human resources plan as part of the submission,	The process of finalizing the human resources needs assessments in various country offices is awaited.		X		

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification: Implemented	Under implementation	Not implemented	Overtaken by events
			which may lead to a country office realignment in which human resources needs and changes are carefully documented. As a result of the approved realignments, at least 107 service contract positions were converted into fixed-term posts. This process is now standard for the review and assessment of human resources needs at the level of country offices. The Division for Human Resources will implement a review process at the regional level to review the terms of reference for all new requests for service contracts in countries that have already gone through the realignment process to ensure that new service contracts are used for non-core functions.					
17.	A/71/5/Add.8, paragraph 64	The Board recommends that UNFPA: (a) speed up the updating of the inventory policy and procedures manual for consistency and uniformity of contents and directives in the new inventory system; and (b) ensure that in future, for any changes to the system, policy has to be updated in line with the adoption of the new system.	UNFPA has created an interdivisional working group on inventory management, with participation from the Commodity Security Branch, the Finance Branch, the Humanitarian and Fragile Contexts Branch, the Legal Unit, the Management Information Services Branch, the Programme Division, the Procurement Services Branch and all regional offices. The working group	The Board acknowledges the efforts of management. The updating of the inventory policy is awaited.		X		

	Report reference	Recommendation	Action reported by the management	Board assessment	Implemented	Under implementation	Not implemented	Overtaken by events
					Status of verification			
			is tasked with updating the inventory policy. The interdivisional working group and Change Advisory Board will collectively ensure that policies are aligned with any new systems. In consultation with various units, the policy drafting work is on track.					
18.	A/71/5/Add.8, paragraph 68	The Board recommends that UNFPA: (a) clearly include in the manual the roles, responsibilities and scope of the oversight bodies and other personnel involved in the inventory management process; and (b) design a standard job description for the role of inventory focal point, including the competence requirements.	The interdivisional working group on inventory management is defining roles, responsibilities and accountabilities for all stakeholders involved in the entire inventory management process, including the development of a job description for the role of inventory focal point.	The Board awaits the updating of the inventory policy.		X		
19.	A/71/5/Add.8, paragraph 74	The Board recommends that UNFPA: (a) align the inventory valuation policies and guidelines so as to maintain consistency in determining the cost of inventory; (b) perform a comparison between cost and net replacement cost for all inventories; and (c) establish a mechanism that captures current replacement costs of all inventories to improve inventory valuation during stocktaking and the closure of accounts.	The valuation of inventory will be clarified in the new version of the inventory management policy, which is currently under revision, as is the inventory management module. UNFPA performed comparisons between cost and current replacement cost for all inventories older than six months as part of the accounts closure procedures for 2016. Accounts closure instructions required all field offices to solicit quotes for all locally procured	The Board acknowledges the efforts of management on the determination of inventory cost. The updating of the inventory policy is still awaited.		X		

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification: Implemented	Under implementation	Not implemented	Overtaken by events
			goods procured prior to 1 July 2016 that remained undistributed as at the year end. The Procurement Services Branch was requested to provide market costs for all undistributed internationally procured goods older than six months as at the year end. The same procedure will be applied at each year end going forward.					
20.	A/71/5/Add.8, paragraph 78	The Board recommends that UNFPA: (a) incorporate the cost projections on the use of the reserve for field accommodation fund into its integrated budget for the period 2018-2021; and (b) review the threshold amount of the reserve for field accommodation with regard to the changing environment.	UNFPA accepts the recommendation to incorporate the cost projections of the funding requirements for the requests for application into the integrated budget for 2018-2021. In line with this, UNFPA is continuing its collaboration with United Nations Development Group partners to develop a consistent basis for projecting the future development of United Nations common premises, which is the main cost driver. Implementation of parts (a) and (b) of the recommendation will take place when the integrated budget for 2018-2021 is approved in September 2017.	The Board awaits the implementation of management strategies.		X		
21.	A/71/5/Add.8, paragraph 83	The Board recommends that UNFPA: (a) disclose the aggregate amount of research	This recommendation has been partly implemented. The aggregated amount of	The implementation of efforts by management with regard to the disclosure of research and	X			

				Status of verification			
Report reference	*Recommendation*	*Action reported by the management*	*Board assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
	and development for the items of an intangible asset nature, which were recognized as an expense during the reporting period; (b) set up an additional asset profile for software developed internally; (c) create separate account codes to record costs, accumulated amortization and amortization expenses for externally acquired software and software developed internally; and (d) develop a tool or mechanism to track the cost of internally generated software.	research and development costs expensed in 2017 has been disclosed in note 9 to the financial statements. The amount disclosed was identified through inquiries made of the Management Information Services Branch and business owners for the different projects identified, such as the Division for Human Resources and the Programme Division. Separate asset profile identities were used and separate account codes created to record costs and amortization for externally acquired and internally developed software. Item (d) cannot yet be considered implemented. The amounts capitalized and disclosed in 2016 were calculated on the basis of estimates developed by the Management Information Services Branch and business owners. A more structured process, hopefully a tool, will need to be developed to help fully address this part of the recommendation. In addition, the new process/tool will need to take into account the recommendations from the information and communications technology (ICT) processes review	development costs and the creation of asset profiles is acknowledged. The recommendation is considered implemented.				

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification: Implemented	Under implementation	Not implemented	Overtaken by events
			being carried out by the ICT consultant at the time of reporting.					
22.	A/71/5/Add.8, paragraph 88	The Board recommends that UNFPA: (a) conduct an information security risk assessment and review its ICT policies annually; (b) develop and implement an information classification policy; and (c) adopt internationally accepted standards in managing information security for controls that will have a significant impact on the organization.	An information security risk assessment has been conducted as part of the overall ICT risk assessment. ICT policies and procedures have been reviewed and updated. This part of the recommendation has been implemented. An information classification policy is part of the ongoing document management policy currently under development. The policy has been drafted and reviewed, and is currently undergoing quality assurance before its endorsement. Reviews of security services, such as next-generation firewalls, sandboxing, secure socket layer (SSL) inspection, antivirus measures and vulnerability management across web, mobile and the Internet of Things (IoT) environments, have been completed. The implementation is progressing as planned.	The efforts of management to review and update the ICT policies are appreciated. The Board is waiting for the review and approval of the information classification policy. However, the Board requested a review of strategic risks, not of security services.		X		

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification			
					Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
23.	A/71/5/Add.8, paragraph 94	The Board recommends that UNFPA: (a) develop and implement a project management guideline which defines the basis for adopting the Projects in Controlled Environment (PRINCE2) or Agile methodology for the ICT project management process; (b) develop and implement ICT project prioritization criteria to be used by the ICT Board in decision-making; and (c) establish a mechanism to capture the costs of internally developed software.	Project management guidelines and project costing guidelines have been developed. ICT project prioritization criteria was developed and approved and implemented by the ICT Board at its meeting in September 2016.	The Board awaits the documentation and minutes of the ICT Board meeting that approved the project documents and the establishment of a mechanism to capture the costs of internally developed software.		X		
24.	A/71/5/Add.8, paragraph 98	The Board recommends that UNFPA: (a) develop, document, test and implement a comprehensive ICT disaster recovery plan that takes into consideration all critical business systems and their dependencies; and (b) review and test the disaster recovery plan regularly and document the reviews and tests conducted.	An ICT disaster recovery plan has been drafted and is currently being reviewed by stakeholders before finalization and testing.	The development and approval of an ICT disaster recovery plan is awaited.		X		
25.	A/71/5/Add.8, paragraph 103	The Board recommends that UNFPA: (a) strengthen access roles in the global programming system by establishing and implementing global programming system roles in Atlas, which grant access to users based on their functions and duties; and (b) review the list of users with access rights in the global programming system and modify the global programming system application to accommodate the segregation	Bundle 6 of the global programming system was officially released on 16 December 2016. The entire workflow for the management of workplan snapshots was revised to clarify and streamline the approval functions in the system. In the new workflow, the approval of workplans takes place outside of the global programming system and is	The Board verified the global programming system access roles and agreed with management. The recommendation is considered implemented.	X			

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification: Implemented	Under implementation	Not implemented	Overtaken by events
		of duties, especially with regard to the creation of workplans and sending budgets to commitment control, to ensure they are performed by different persons.	restricted to heads of units, who exercise their authority by signing the system-generated documents. In addition, the roles matrix has been overhauled, and the global programming system now enforces the segregation of duties by requiring at least two users with specific Atlas roles to take part in the preparation of the snapshots and the "send to KK [commitment control]" functionality.					
26.	A/71/5/Add.8, paragraph 108	The Board recommends that UNFPA: (a) establish a Change Advisory Board with clear responsibilities and members drawn from both the technical and business perspectives; and (b) develop and implement a change management guideline which defines the basis for the adoption of the Information Technology Infrastructure Library change management processes in the information technology environment.	The terms of reference and change management guidelines for the Change Advisory Board have been developed and published on the Management Information Services Branch microsite. Sample meeting minutes for the Change Advisory Board and the Executive Change Advisory Board are also provided. These documents will guide the Change Advisory Board when endorsing changes to the production environment.	The Change Advisory Board has been established and the Board agrees with management. The recommendation is considered implemented.	X			
27.	A/71/5/Add.8, paragraph 114	The Board recommends that UNFPA establish and implement guidelines for the software development life cycle and include all necessary controls at each stage of the process to ensure that applications are developed in accordance with design specifications,	A systems development life cycle guideline has been developed and published on the Management Information Services Branch microsite. The guideline is now implemented as the standard in the Management	The Board verified and agreed with management responses. The recommendation is considered implemented.	X			

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification: Implemented	Under implementation	Not implemented	Overtaken by events
		development and documentation standards, quality assurance requirements and approval standards.	Information Services Branch.					
28.	A/71/5/Add.8, paragraph 119	The Board recommends that UNFPA: (a) align the risks identified with their respective ICT strategic objectives to provide assurance that risks for all objectives have been well assessed; (b) establish a mechanism to track and report on the implementation of mitigating controls for ICT-related risks; (c) conduct specific ICT risk assessments and document them as additional risks in the risk assessment module; and (d) describe the methodologies used by the management information system branch to identify, analyse and assess the ICT risks documented in the ICT strategic plan risk assessment for the period 2014-2017.	Identified risks in the ICT strategy for 2014-2017 were aligned with their respective ICT strategic objectives using the Risk Tool. Screenshots of the Tool that show the linkage of the risks to the strategic objectives were also provided. Relevant information for each risk is identified in each of the sheets in the Risk Tool. Tracking and reporting on the mitigating controls for each risk are also incorporated into the Risk Tool. Sample screenshots were provided that showed mitigating controls and responsible persons. Dashboards from the Risk Tool were also shown. Risk assessments conducted in myRisks now result in reports. Specific ICT risks mentioned in the assessments, as recorded in myRisks, were included in the Management Information Services Branch Risk Tool. ICT risks documented in the ICT strategy for 2014-2017 followed the methodology introduced by the former	The Board verified and agreed with management responses. The recommendation is considered implemented.	X			

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification: Implemented	Under implementation	Not implemented	Overtaken by events
			UNFPA Enterprise Risk Management Adviser. A copy of the risk workbook used was attached to the request for closure. The ICT outsourcing policy was revised to reflect a requirement for an attestation report, which will give reasonable assurance to UNFPA with regard to the controls and operating effectiveness of the outsourced service organizations. A copy of the ICT outsourcing policy was attached to the request for closure.					
29.	A/71/5/Add.8, paragraph 123	The Board recommends that UNFPA include in all its contractual arrangements the need and frequency of the International Standard on Assurance Engagements (ISAE) reviews, which will give reasonable assurance to UNFPA on the controls and operating effectiveness of the external service organizations.	In collaboration with the Procurement Services Branch, the template for the request for proposals for long-term agreements was revised to reflect a requirement for an attestation report, which will give reasonable assurance to UNFPA with regard to the controls and operating effectiveness of the outsourced service organizations. A copy of the revised request for proposals template from the Procurement Services Branch was attached to the request for closure.	The Board verified and agreed with management responses. The recommendation is considered implemented.	**X**			

	Report reference	Recommendation	Action reported by the management	Board assessment	Status of verification: Implemented	Under implementation	Not implemented	Overtaken by events
30.	A/71/5/Add.8, paragraph 127	The Board recommends that UNFPA clearly define the roles matrix and ensure that segregation of duties is adhered to in granting access to the application.	The user management function in myResults has been updated to: (a) ensure that regional approvers are granted the role of approvers within their regions; (b) prevent system administrators from accessing approver roles within specific units; and (c) prevent system administrators from accessing approver roles within regional groups.	The Board verified the access roles in the strategic information system and agreed with management response. The recommendation is considered implemented.	X			
	Total		**30**		**15**	**15**		**0**
	Total percentage		**100**		**50**	**50**	**–**	

Annex II

Summary of assets written off

(United States dollars)

Category (assets, inventory and cash)	*Current year*	*Previous year*	*Increase/(decrease)*
Contributions receivable	144 275	138 767	5 508
Inventory	20 833	19 567	1 266
Operating fund advances	86 249	13 165	73 084
Property, plant and equipment	11 308	5 468	5 840
Garnishment	630	0	630
Staff receivables	24 579	6 673	17 906
Value added tax	24 116	0	24 116
Petrol	287		287
Travel	–	605	(605)
Other receivables		57 541	(57 541)
Total	**312 277**	**241 786**	**70 491**

Chapter III
Certification of the financial statements

Letter dated 28 April 2017 from the Director of the Division for Management Services of the United Nations Population Fund addressed to the Chair of the Board of Auditors

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

I acknowledge that:

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

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

Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that, overall, policies and procedures are implemented with an appropriate segregation of duties. The Internal Auditor continually reviews the accounting and control systems;

The management provided the Internal Auditor with full and free access to all accounting and financial records;

The recommendations of the United Nations Board of Auditors and Internal Auditor are reviewed by the management. Internal control procedures have been revised or are in the process of revision, as appropriate, in response to those recommendations.

I am in receipt of a letter of certification from the Deputy Assistant Administrator, Deputy Director and Chief Finance Officer, Bureau of Management, United Nations Development Programme (UNDP), which provides the same assurances with respect to UNDP accounting procedures and related systems of control to the extent that services are provided by UNDP to the United Nations Population Fund (UNFPA), as per the management agreement currently in force and its subsequent amendments, and in conformity with UNFPA financial rule 116.3 (a).

(*Signed*) Andrew **Saberton**
Director
Division for Management Services

Chapter IV
Financial report for the year ended 31 December 2016

Introduction

1. The present report summarizes the information provided in the UNFPA financial statements for the year ended 31 December 2016 and highlights significant matters and trends related to the Fund's financial position and performance.

Financial performance

Trends in contribution revenue

2. UNFPA is primarily funded from voluntary contributions that are either unrestricted as to use, referred to as "unearmarked", "core" or "regular" resources, and contributions that are earmarked by the donors for a specific purpose, programme or activity, referred to as "earmarked", "non-core" or "other" resources.

3. UNFPA normally recognizes contribution revenue upon the earlier of the receipt of cash or signing of a binding agreement. This means that contribution revenue is often recognized ahead of implementation of the corresponding programme activities and occurrence of qualifying expenses.

4. Net unearmarked contribution revenue decreased by $45.3 million, or 11.5 per cent, from $392.3 million in 2015 to $347.0 million in 2016 owing to the overall reduction in donor contributions (net impact of $27.6 million), and a stronger United States dollar relative to the currencies of contributions (net impact of $17.7 million).

5. Net earmarked contributions also declined by $96.5 million, or 17.8 per cent, from 543.3 million in 2015 to 446.8 million in 2016. Net earmarked contributions accounted for 56.3 per cent of total net contribution revenue for 2016, down from 58.1 per cent in 2015.

6. Consistent with previous years, the majority of contributions to UNFPA were received from a small number of donors. In 2016, the top 10 donors accounted for 87.4 per cent of gross unearmarked contribution revenue (2015: 87.3 per cent) and 81.5 per cent of gross earmarked contribution revenue (2015: 86.8 per cent). UNFPA continues to pursue the broadening of its donor base by engaging middle-income and emerging economy countries, as well as private sector donors.

7. Refunds to donors amounted to $4.3 million in 2016, which is consistent with the pattern of donor refunds from prior years (2015: $4.5 million; 2014: $3.7 million). This amount represents 0.9 per cent of gross earmarked contribution revenue for the year (2015: 0.8 per cent).

Other revenue

8. Other revenue was consistent year-to-year, declining by $0.6 million, or 1.0 per cent, from $57.3 million in 2015 to $56.7 million in 2016, mostly owing to a $1.9 million decrease in net currency revaluation adjustments and gains on cash, cash equivalents and investments, partly offset by a $1.3 million increase in the amount of indirect costs charged to earmarked resources.

9. Investment revenue increased $1.0 million, or 14.5 per cent, from $6.8 million in 2015 to $7.8 million in 2016, owing to the higher average yield generated by the main investment portfolio (1.0 per cent in 2016 compared with 0.8 per cent in

2015), and the higher return earned on funds allocated to a separate higher yield investment portfolio for funding the after-service health insurance liabilities.

Future revenue flows and continuity of operations

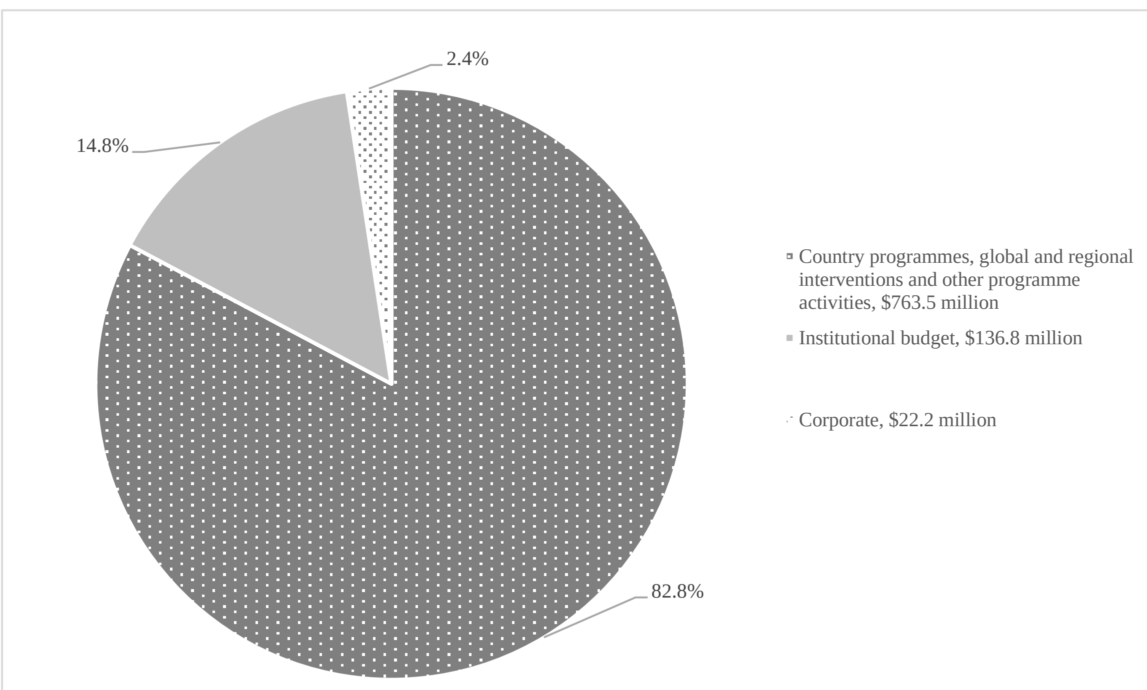
10. As at 31 December 2016, UNFPA had agreements signed for $257.7 million in future contribution revenue (2015: $366.7 million), of which $238.8 million related to earmarked resources (2015: $349.5 million). This future revenue is of great importance as it enables continuity of UNFPA operations.

Expenses: overview

11. Total expenses declined by $54.9 million, or 5.6 per cent, from $977.4 million in 2015 to $922.5 million in 2016. The decrease is primarily attributable to lower expenses from unearmarked resources, which declined by $75.1 million, or 15.6 per cent, as a result of prudent financial management, including austerity measures across all programmes and operations, to ensure that UNFPA commitments stayed within its available resources. Earmarked resources expenses increased by $20.2 million, or 4.1 per cent, mainly owing to the implementation of programme activities for which revenue was recognized in prior years.

12. Total expenses incurred in connection to country programmes, global and regional interventions and other programme activities directly attributable to the achievement of outcomes and outputs of the UNFPA strategic plan for 2014-2017 amounted to $763.5 million, a decline of $35.1 million, or 4.4 per cent, compared with 2015. Institutional budget expenses, funded from unearmarked resources, amounted to $136.8 million, 2.5 per cent lower than in 2015. Corporate activities expenses, which include costs incurred in furtherance of UNFPA mandates that cannot be unequivocally assigned to a specific outcome from the strategic plan, declined by 42.3 per cent to $22.2 million in 2016, primarily owing to lower foreign exchange losses and after-service health insurance interest and service costs.

Figure IV.I
Composition of expenses, by type of activity
(Percent)

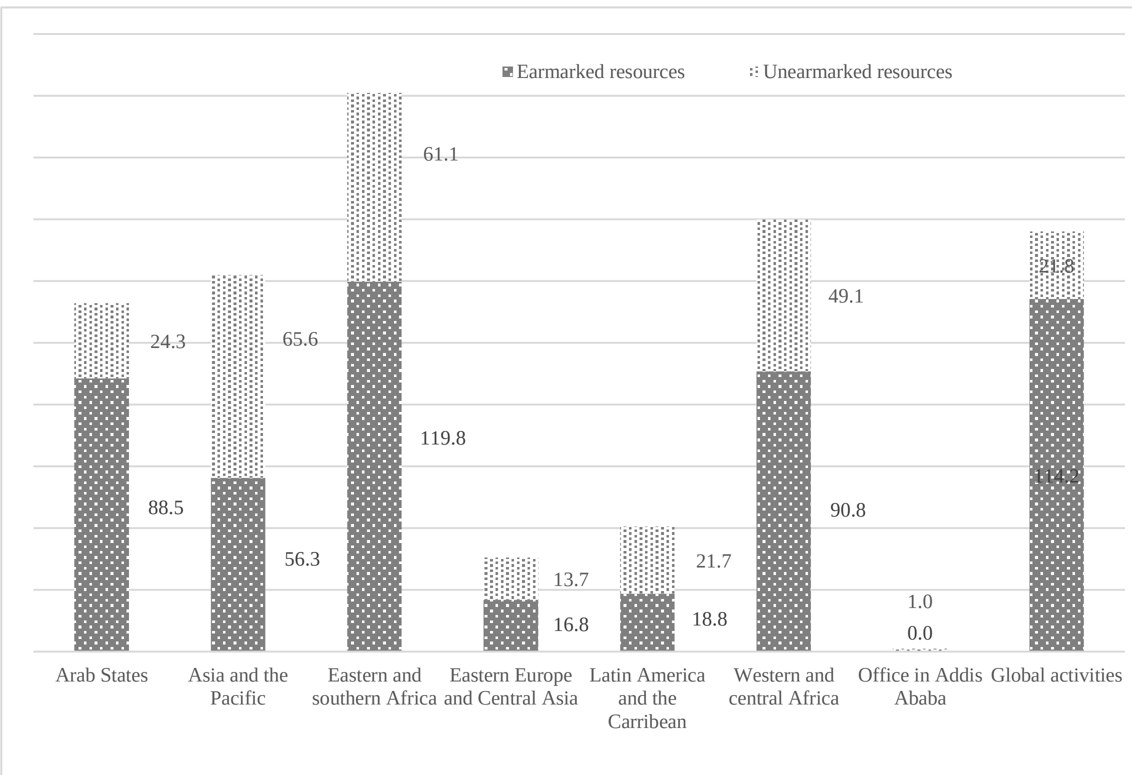


Expenses: breakdown by geographical location, nature, implementation modality and purpose

13. UNFPA is a field-based organization. In 2016, $627.5 million, or 82.2 per cent of total expenses on country programmes, global and regional interventions and other programme activities, was spent by UNFPA in the field (2015: $631.1 million, or 79.0 per cent). The regions with the highest programme expenses were Eastern and southern Africa ($180.9 million, or 23.7 per cent), followed by Western and central Africa ($139.9 million, or 18.3 per cent) and Asia and the Pacific ($121.9 million, or 16.0 per cent). This is consistent with 2015, when the same regions had the highest programme expenses at 23.0 per cent, 18.1 per cent and 16.1 per cent of the total, respectively.

14. Total expenses for global activities amounted to $136.0 million, or 17.8 per cent of total programme expenses (2015: $167.5 million, or 21.0 per cent). Of this amount, $95.1 million, or 69.9 per cent (2015: $122.4 million, or 73.1 per cent), corresponded to UNFPA Supplies, a flagship thematic programme dedicated to expanding access to family planning in countries with the greatest needs, helping them to strengthen their supply chains so that women and adolescent girls can access a choice of contraceptives no matter where they live.

Figure IV.II
Geographical breakdown of expenses on country programmes, global and regional interventions and other programme activities
(Millions of United States dollars)

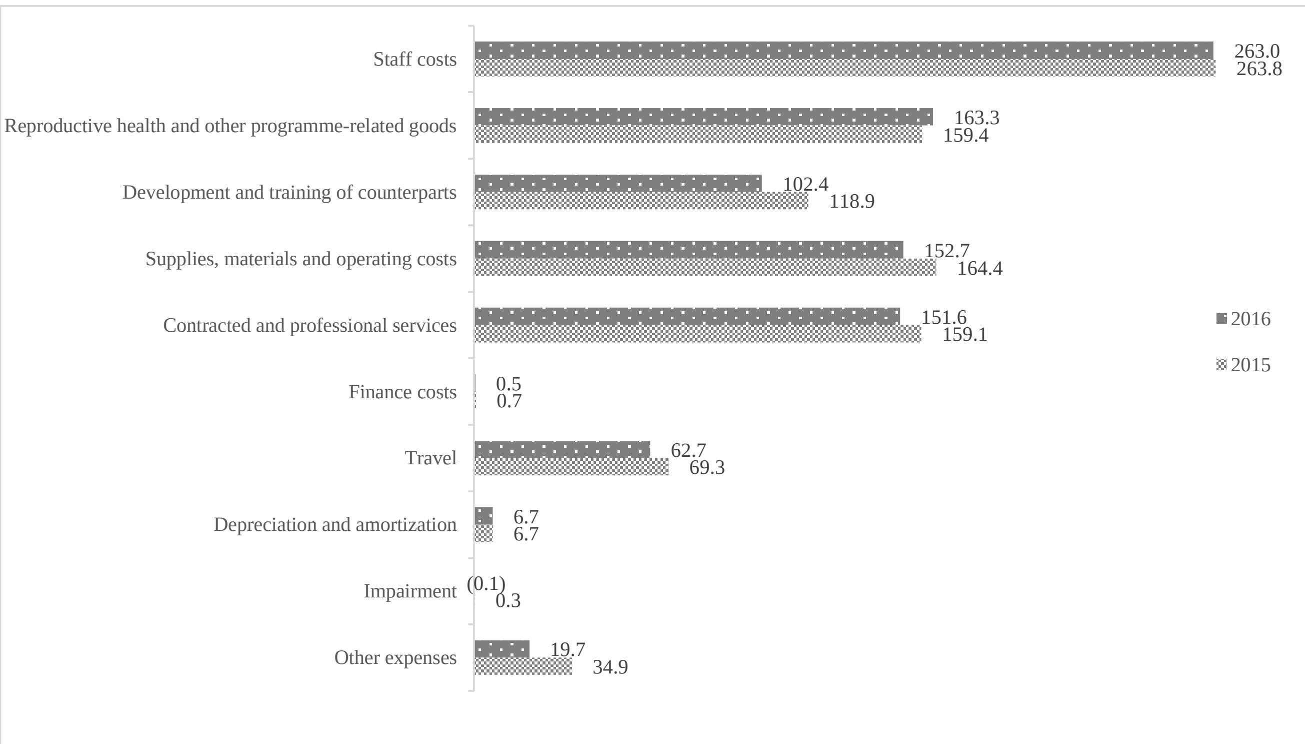


15. The success of UNFPA in delivering its mandate is dependent on its skilled and competent national and international staff. In 2016, UNFPA spent

$263.0 million on staff costs,[5] which represents 28.5 per cent of total expenses for the year (2015: $263.8 million, or 27.0 per cent). At the end of 2016, 83.3 per cent (2015: 82.5 per cent) of UNFPA staff were based in field offices.

16. In absolute terms, expenses for the development and training of counterparts, other expenses, and supplies, materials and operating costs showed the most significant year-on-year variances in 2016 compared with 2015, declining by $16.5 million (13.8 per cent), $15.2 million (43.6 per cent) and $11.7 million (7.1 per cent), respectively, as a result of a combination of austerity measures and favourable movements in foreign exchange rates minimizing foreign exchange losses. Travel expenses declined by $6.6 million (9.5 per cent), continuing to reflect the favourable trend resulting from management focus and initiatives to curtail travel costs. Contracted and professional services costs declined by $7.5 million (4.7 per cent), mainly under regular resources, as a result of austerity measures.

Figure IV.III
Composition of expenses, by nature
(Millions of United States dollars)

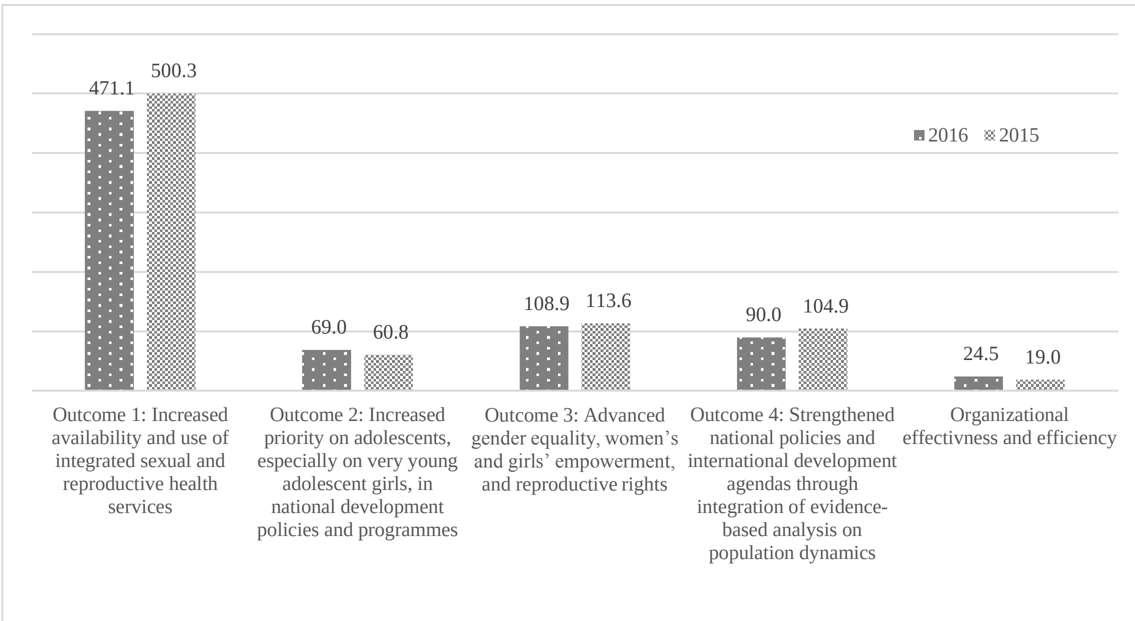


17. A significant percentage of UNFPA programme activities are implemented by governments and non-governmental organizations, which in 2016 accounted for $247.6 million, or 32.4 per cent, of total expenses on country programmes, global and regional interventions and other programme activities (2015: $259.5 million, or 32.5 per cent).

[5] The term “staff” includes all staff members who are appointed by or on behalf of the Executive Director of UNFPA pursuant to the United Nations Staff Regulations under appointment authority delegated to the Executive Director by the Secretary-General (ST/SGB/2004/10, effective 1 June 2004, and General Assembly decision 58/555 on personnel matters relating to UNFPA). It includes all staff members holding continuing, fixed-term and temporary contracts.

18. Outcome 1, Increased availability and use of integrated sexual and reproductive health services, of the UNFPA strategic plan 2014-2017 integrated results framework accounted for $471.1 million, or 61.6 per cent, of total expenses on country programmes, global and regional interventions and other programme activities, a decrease of 5.8 per cent, in absolute terms, compared with 2015, when expenses for outcome 1 amounted to $500.3 million, or 62.6 per cent of programme expenses. The decrease is attributable to lower unearmarked resources available for programming and to an increased investment regarding the prioritization of adolescents and young people (outcome 2 of the strategic plan) to harness the demographic dividend.

Figure IV.IV
Country programmes, global and regional interventions and other programme activities expenses, by contributions to integrated results framework outcomes
(Millions of United States dollars)



19. UNFPA continues to focus its activities on women and girls. In 2016, $488.1 million, or 64.0 per cent, of programme expenses were for activities that either had gender equality/women's empowerment as a primary objective or made a significant contribution to gender equality (2015: $524.8 million, or 65.7 per cent).

Net results for the year

20. Expenses exceeded revenue by $72.1 million in 2016, compared with a surplus of $15.4 million in 2015. Of the total 2016 deficit, $(63.5) million corresponded to earmarked resources, reflecting the difference in the timing of recognition of revenue and expenses referred to in paragraph 3, as well as the reduction in contribution revenue during the year.

21. In 2016, UNFPA implemented 96.5 per cent of the final budget for unearmarked resources (2015: 94.9 per cent). The implementation rate was higher for development activities, at 97.7 per cent, than for management activities, at 93.5 per cent. Statement V provides more details regarding budgetary performance for the year and cumulatives for three years of the current strategic plan. Note 23 shows the reconciliation between statement V prepared on a comparable budget basis with cash flow, revenue and expenses on a full accrual basis.

Financial position

Assets and liabilities

22. As at 31 December 2016, total assets amounted to $1,146.3 million (2015: $1,216.6 million), with total liabilities of $434.9 million (2015: $422.2 million).

23. At the end of the year, total current assets amounted to $776.3 million (2015: $667.4 million), while total current liabilities were equal to $135.7 million (2015: $149.4 million). The current ratio, measuring the ability of UNFPA to meet its current obligations, was 5.7 as at 31 December 2016, compared with 4.5 at 31 December 2015. The enhanced ratio, reflecting the solid financial position of UNFPA, was due to the combined effect of an increase of $151.9 million in cash and cash equivalents and short-term investments, with a corresponding reduction of $175.9 million in investments maturing after one year, and a decrease of $21.6 million in accounts payable and accruals, which are discussed below.

Cash and cash equivalents and investments

24. Cash and cash equivalents and investments held by UNFPA decreased from $780.4 million in 2015 to $756.5 million in 2016, primarily as a result of a $28.5 million reduction in the amount of funds held by UNFPA on behalf of other United Nations agencies in its capacity as administrative agent for joint programmes.

25. As at 31 December 2016, UNFPA held $23.3 million in cash for operating needs, a slight increase compared with $21.7 million held at the end of 2015.

26. UNFPA maintains its investments in two separate portfolios. The main portfolio, designed to meet the working capital needs of UNFPA and managed by UNDP under a service level agreement, is limited to investment-grade, highly marketable fixed-income securities, with maturities aligned to UNFPA liquidity requirements. A separate portfolio, established in 2016 jointly with UNDP and managed by two independent investment managers, is used to invest resources allocated for the funding of after-service health insurance liabilities in diversified, higher-yielding financial instruments, which include cash, cash equivalents, fixed-income securities and equities. In 2016, UNFPA transferred $90.0 million to this new portfolio, with additional transfers of $75.0 million scheduled for the first half of 2017.

27. Cash and cash equivalents held in both portfolios as at 31 December 2016 amounted to $190.3 million, a $134.6 million increase compared with $55.7 million at the end of 2015. Short-term investments with a maturity of more than three months also increased, albeit by a smaller amount, from $309.2 million at the end of 2015 to $324.9 million at the end of 2016, an increase of $15.7 million. Long-term investments decreased by $175.9 million, from $393.9 million at the end of 2015 to $218.0 million at the end of 2016. This shift towards shorter-term instruments was a result of the decision to wait for favourable movements in interest rates prior to reinvesting in long-term instruments and the decision not to reinvest proceeds from matured securities in the main portfolio pending additional transfers to the after-service health insurance portfolio in 2017.

28. Detailed information about UNFPA investments is disclosed in notes 4 and 25 to the financial statements.

Inventories

29. The total value of undistributed UNFPA inventory, consisting of reproductive health commodities and other programme-related goods procured for distribution to

beneficiaries or sale to third parties, decreased by $12.7 million, from $59.0 million at the end of 2015 to $46.3 million at the end of 2016, of which $31.4 million (67.8 per cent) corresponded to inventory in transit to its destination. The decrease was primarily due to a more effective and timely clearance and distribution of in-transit inventory to programme countries.

30. The average age of reproductive health and other programme-related goods in transit was 1.9 months, down from 2.1 months at the end of 2015. The average age of field office inventory held in stock also decreased, from 7.5 months at the end of 2015 to 6.2 months at the end of 2016.

31. Strengthening its supply chain and inventory management capacity and processes, as well as that of its implementing partners involved in the storage and distribution of commodities, remains one of the organization's priorities going forward.

Operating fund advances

32. Operating fund advances decreased, for the third year in a row, by $3.5 million (32.4 per cent), amounting to $7.3 million at the end of 2016 (2015: $10.8 million). This decrease is a result of close oversight and control over operating fund advances issued to implementing partners.

Property, plant and equipment and intangible assets

33. As at 31 December 2016, UNFPA held property, plant and equipment in the amount of $34.8 million (2015: $34.0 million). Consistent with 2015, the largest classes within property, plant and equipment were vehicles, with a net book value of $12.2 million, or 34.9 per cent of all fixed assets (2015: $11.3 million, or 33.3 per cent), followed by buildings, with a net book value of $10.7 million, or 30.6 per cent of the total (2015: $10.9 million, or 32.0 per cent). Owing to the austerity measures, UNFPA deferred the replacement of certain, institutional budget-funded fixed assets, such as vehicles and generators, which were due for replacement.

34. Intangibles as at the 31 December 2016 totalled $0.6 million (2015: $0.7 million), comprising primarily externally acquired and internally developed software.

Accounts receivable and payable

35. Contributions receivable decreased by $18.8 million, or 6.2 per cent, from $300.9 million at the end of 2015 to $282.1 million at the end of 2016. Consistent with prior years, earmarked contributions receivable represented the majority (93.1 per cent) of total contributions receivable.

36. Contributions receivable collection rates remained extremely high; at the end of 2016, only $0.6 million of contributions receivable remained unpaid for more than 12 months (2015: $1.0 million). Contributions receivable write-offs in 2016 amounted to only $0.1 million, the same amount as in 2015.

37. Prepayments and other assets declined by $12.1 million, from $30.8 million at the end of 2015 to $18.7 million at the end of 2016. The decrease was primarily due to a $11.4 million reduction in amounts prepaid to UNDP for future payments to be made on behalf of UNFPA.

38. Accounts payable decreased by $21.6 million, from $112.2 million at the end of 2015 to $90.6 million at the end of 2016, mainly due to a $28.5 million reduction in funds held by UNFPA on behalf of other United Nations agencies in its capacity as administrative agent.

Employee benefits

39. Employee benefits liabilities increased by $26.5 million, from $302.7 million at the end of 2015 to $329.2 million in 2016, mainly owing to the increase in after-service health insurance liability resulting from the recognition of qualifying service and interest costs for the year, and a decrease in the discount rate used to measure the liability, from 4.38 per cent in 2015 to 4.17 per cent in 2016.

40. The unfunded portion of the employee benefits liabilities grew by only $15.7 million, from $114.8 million at the end of 2015 to $130.5 million at the end of 2016, as the overall increase in liabilities was partly offset by funding of $10.8 million set aside during the year. In spite of this increase in the unfunded portion, employee benefits liabilities in UNFPA remain among the best funded across the entire United Nations system.

Fund balances and reserves

41. As at the end of 2016, the undesignated fund balance under unearmarked resources amounted to $(68.8) million (2015: $(57.0) million). Of this amount, $(130.5) million represents the unfunded employee benefits liabilities, as discussed in paragraph 40 (2015: $(114.8) million), and $61.7 million represents the programmable fund balance on an IPSAS basis (2015: $57.8 million).

42. Of the programmable fund balance, $30.0 million is available for programming in 2017 (2016: $24.8 million) after computing certain applicable adjustments. Note 14 shows the reconciliation between the programmable fund balance on an IPSAS basis and the amount available for programming.

43. As at the end of 2016, the designated fund balance was $38.5 million (2015: $38.3 million), comprising $3.1 million set aside for procurement services resource planning and $35.4 million held in a private endowment fund.

44. The operational reserve, set at 20 per cent of net unearmarked contributions revenue for the year, was reduced by $7.9 million, from $78.4 million to $70.5 million, owing to a decrease in unearmarked contribution revenue generated in 2016 compared with 2015. The earmarked resources fund balance decreased by $63.3 million, from $729.6 million at the end of 2015 to $666.3 million at the end of 2016, owing to the reduction in earmarked contributions revenue and an increase in programme expenses incurred in 2016.

Conclusion

45. In a challenging financial environment, UNFPA closed 2016 in sound financial health by ensuring that its outstanding commitments remained within the available financial resources. UNFPA responded to the new financial environment through prudent financial management, including the implementation of austerity measures across all programmes and operations.

Chapter V

Financial statements for the year ended 31 December 2016

United Nations Population Fund

I. Statement of financial position as at 31 December 2016[a]

(Thousands of United States dollars)

	Reference	*As at 31 December 2016*	*As at 31 December 2015*
Assets			
Current assets			
Cash and cash equivalents	Note 3	213 582	77 359
Investments maturing within one year	Note 4	324 880	309 171
Inventories	Note 5	46 308	58 959
Contributions receivable (exchange transactions)	Note 6	293	40
Contributions receivable (non-exchange transactions)	Note 6	165 291	180 253
Prepayments and other current assets	Note 6	18 676	30 836
Operating fund advances	Note 7	7 318	10 830
Total		**776 348**	**667 448**
Non-current assets			
Investments maturing after one year	Note 4	218 047	393 902
Contributions receivable (non-exchange transactions)	Note 6	116 514	120 589
Other non-current assets	Note 6	10	11
Property, plant and equipment	Note 8	34 823	33 980
Intangible assets	Note 9	605	672
Total		**369 999**	**549 154**
Total assets		**1 146 347**	**1 216 602**
Liabilities			
Current liabilities			
Accounts payable and accruals	Note 10	90 645	112 227
Employee benefits	Note 12	34 595	34 787
Other current liabilities and deferred revenue	Note 13	10 492	2 352
Total		**135 732**	**149 366**
Non-current liabilities			
Employee benefits	Note 12	294 645	267 876
Other non-current liabilities and deferred revenue	Note 13	4 540	4 988
Total		**299 185**	**272 864**
Total liabilities		**434 917**	**422 230**
Net assets		**711 430**	**794 372**

United Nations Population Fund

I. Statement of financial position as at 31 December 2016[a] (continued)

(Thousands of United States dollars)

	Reference	*As at 31 December 2016*	*As at 31 December 2015*
Reserves and fund balances			
Reserves			
Operational reserve	Note 14	70 505	78 394
Reserve for field accommodation	Note 14	5 000	5 000
Total reserves		**75 505**	**83 394**
Fund balances			
Designated unearmarked fund balances	Note 14	38 460	38 299
Undesignated unearmarked and earmarked fund balances			
Unearmarked resources	Note 14	(68 818)	(56 961)
Earmarked resources	Schedule B	666 283	729 640
Total fund balances		**635 925**	**710 978**
Total reserves and fund balances		**711 430**	**794 372**

[a] The accompanying notes are an integral part of the financial statements.

United Nations Population Fund

II. Statement of financial performance for the year ended 31 December 2016[a]

(Thousands of United States dollars)

	Reference	*2016*	*2015*
Contribution revenue			
Unearmarked contributions	Schedule A	352 808	398 197
Less: transfers to other revenue for reimbursement of tax charges	Note 15	(5 851)	(5 947)
Subtotal	Note 15	**346 957**	**392 250**
Earmarked contributions	Note 15	451 110	547 756
Less: refunds to donors	Note 15	(4 336)	(4 489)
Subtotal		**446 774**	**543 267**
Total contribution revenue	Note 15	**793 731**	**935 517**
Other revenue	Note 16	56 722	57 280
Total revenue		**850 453**	**992 797**
Expenses			
Staff costs	Note 18	263 033	263 832
Reproductive health and other programme-related goods	Note 18	163 268	159 363
Development and training of counterparts	Note 18	102 446	118 876
Supplies, materials and operating costs	Note 18	152 696	164 403
Contracted and professional services	Note 18	151 553	159 088
Finance costs	Note 18	546	710
Travel	Note 18	62 675	69 251
Depreciation and amortization	Notes 8, 9, 18	6 682	6 674
Impairment	Note 18	(76)	263
Other expenses	Note 18	19 695	34 916
Total expenses		**922 518**	**977 376**
(Deficit)/surplus for the year	Statements III and IV	**(72 065)**	**15 421**

[a] The accompanying notes are an integral part of the financial statements.

United Nations Population Fund

III. Statement of changes in net assets for the year ended 31 December 2016[a]

(Thousands of United States dollars)

	Reference	*Fund balances*	*Reserves*	*Total net assets*
Balance as at 1 January 2015		**627 302**	**100 128**	**727 430**
Movements in fund balances and reserves in 2015				
Transfers to/from operational reserve		16 734	(16 734)	–
Actuarial gain/(loss) on employee benefits liabilities		51 521	–	51 521
Transfers within UNFPA resources				
Reserve for field accommodation		(380)	380	–
Surplus/(deficit) for the year	Statement II	15 801	(380)	15 421
Total movements during the year		**83 676**	**(16 734)**	**66 942**
Balance as at 31 December 2015	Statement I	**710 978**	**83 394**	**794 372**
Movements in fund balances and reserves in 2016				
Transfers to/from operational reserve	Note 14	7 889	(7 889)	–
Transfers to/from humanitarian response reserve	Note 14	–	–	–
Actuarial (loss)/gain on employee benefits liabilities	Note 14	(11 288)	–	(11 288)
Gain/(loss) in fair value of investments recognized in net assets	Notes 4, 14	411	–	411
Transfers within UNFPA resources				
Reserve for field accommodation	Note 14	(696)	696	–
(Deficit)/surplus for the year	Note 14, statement II	(71 369)	(696)	(72 065)
Total movements during the year		**(75 053)**	**(7 889)**	**(82 942)**
Balance as at 31 December 2016	Statement I	**635 925**	**75 505**	**711 430**

[a] The accompanying notes are an integral part of the financial statements.

United Nations Population Fund

IV. Cash flow statement for the year ended 31 December 2016[a]

(Thousands of United States dollars)

	Reference	*2016*	*2015*
Cash flows from operating activities			
(Deficit)/surplus for the year	Statement II	(72 065)	15 421
Foreign-exchange holding loss/(gain) on cash and cash equivalents		130	146
Loss/(gain) in fair value of investments recognized in surplus/(deficit)	Note 4	440	–
Depreciation and amortization	Notes 8, 9, 18	6 682	6 674
Impairment and write-off of property, plant and equipment		9	268
Loss/(gain) on disposal of property, plant and equipment and intangible assets	Note 18	395	704
Investment revenue/gain	Note 16	(7 788)	(6 801)
(Decrease)/increase in provisions/allowances for doubtful accounts	Notes 5, 6, 7	(143)	449
Decrease/(increase) in inventories	Note 5	12 653	(4 769)
Decrease/(increase) in contributions receivable	Note 6	18 813	(71 786)
Decrease/(increase) in prepayments and other assets	Note 6	10 770	(3 434)
Decrease/(increase) in operating fund advances	Note 7	3 610	3 040
(Decrease)/increase in accounts payable and accruals	Note 10	(21 582)	(100 207)
Increase/(decrease) in employee benefits liabilities	Note 12	26 577	(29 421)
Increase/(decrease) in other liabilities and deferred revenue	Note 11, 13	7 729	(15 861)
Actuarial (loss)/gain on employee benefits liabilities	Statement III	(11 288)	51 521
Net cash flows from operating activities		**(25 058)**	**(154 056)**
Cash flows from investing activities			
Purchase of/adjustments to property, plant and equipment and intangible assets	Notes 8, 9	(8 239)	(7 897)
Proceeds from sale of property, plant and equipment		384	374
Purchase of investments	Note 4	(249 534)	(523 743)
Maturities of investments	Note 4	388 922	690 032
Sales of investments	Note 4	16 919	–
Interest received	Notes 4, 6, 16	12 394	13 459
Dividends received	Notes 6, 16	372	–
Other investment revenue received	Note 16	230	–
Net cash flows from investing activities		**161 448**	**172 225**
Cash flows from financing activities			
Payment of finance lease liabilities	Note 11	(37)	(49)
Net cash flows from financing activities		**(37)**	**(49)**
Net increase/(decrease) in cash and cash equivalents		**136 353**	**18 120**
Cash and cash equivalents at the beginning of the year	Note 3	77 359	59 385
Foreign-exchange holding (loss)/gain on cash and cash equivalents		(130)	(146)
Cash and cash equivalents at the end of the year	Note 3	**213 582**	**77 359**

[a] The accompanying notes are an integral part of the financial statements.

The cash flow statement is presented using the “indirect method”.

United Nations Population Fund

V (a). Statement of comparison of budget with actual amounts for the year ended 31 December 2016[a]

(Thousands of United States dollars)

	2016			
Budget line	*Original budget*	*Final budget*	*Budget utilization*	*Variance/balance of resources*
Development activities				
Development effectiveness	31 174	31 477	30 734	743
Programmes	252 670	261 340	255 232	6 108
Management activities				
Recurring costs	108 897	109 639	103 095	6 544
Non-recurring costs	2 780	2 763	1 845	918
United Nations development coordination	2 228	2 228	2 228	–
Total	**397 749**	**407 447**	**393 134**	**14 313**

[a] The accompanying notes are an integral part of the financial statements.

V (b). Statement of comparison of budget with actual amounts for the triennium 2014-2016 of the strategic plan cycle for 2014-2017[a]

(Thousands of United States dollars)

	2014-2016			
Budget line	*Original budget*	*Final budget*	*Budget utilization*	*Variance/balance of resources*
Development activities				
Development effectiveness	102 605	96 772	92 293	4 479
Programmes	950 080	940 330	902 467	37 863
Management activities				
Recurring costs	343 831	339 170	314 449	24 721
Non-recurring costs	11 365	10 888	6 263	4 625
United Nations development coordination	6 378	6 285	6 285	–
Total	**1 414 259**	**1 393 445**	**1 321 757**	**71 688**

[a] The accompanying notes are an integral part of the financial statements.

The scope of the budget for the purpose of statement V includes the institutional budget and programme activities funded from unearmarked resources. Further details are provided in note 2 (xxv) to the financial statements.

United Nations Population Fund
Notes to the financial statements

Note 1
Mission statement, organizational objectives and reporting entity

Mission statement

The United Nations Population Fund (UNFPA) is the lead United Nations agency that supports the integration of population issues into the global development agenda in order to ensure inclusive policies for individual well-being and resilience, sustained inclusive economic growth and sustainable development. UNFPA supports countries to promote and protect the human rights of all persons, including through ensuring universal access to sexual and reproductive health, especially for women and young people; to build capacity for the collection, analysis and use of population data for policies and programmes to eliminate poverty and redress inequality as well as effectively monitor progress; and to ensure that every pregnancy is wanted, every childbirth is safe and every young person's potential is fulfilled, while protecting the environment for current and future generations.

Organizational objectives

The Fund works to advance the right to sexual and reproductive health by accelerating progress towards achieving the goals of the International Conference on Population and Development beyond 2014 and the 2030 Agenda for Sustainable Development, including the unfinished Millennium Development Goal to improve maternal health, with priority on reducing maternal deaths and achieving universal access to sexual and reproductive health services, including voluntary family planning. Through that focus, the Fund aims to improve the lives of underserved populations, especially women, adolescents and youth, in more than 150 countries. Its work is guided by its expertise in population dynamics, human rights and gender equality, and driven by country needs. The Fund is a catalyst for action and advocacy, partnering with governments, other United Nations organizations, civil society and the private sector to make a positive difference in the lives of billions of people, especially those most in need. In addition, the Fund helps countries use population data to anticipate tomorrow's challenges through providing empowering technical guidance, policy advice, training and support, and it advocates for the mobilization of the resources and political will necessary to accomplish its work.

UNFPA is guided by, and promotes, the goals and principles of the Programme of Action of the International Conference on Population and Development (1994), the key actions for the further implementation of the Programme of Action and the Framework of Action for the follow-up to the Programme of Action of the International Conference on Population and Development beyond 2014. In particular, UNFPA is committed to advancing sexual and reproductive health and reproductive rights, gender equality and male responsibility, and to the autonomy and empowerment of women and girls everywhere. All couples and individuals have the right to decide freely and responsibly the number and spacing of their children, as well as the right to the information and means to do so. UNFPA believes that safeguarding and promoting those rights and promoting the well-being of adolescents and youth, especially girls, are development goals in themselves, in addition to being critical to achieving inclusive and transformational sustainable development.

UNFPA firmly believes that meeting those goals will contribute to improving the quality of life and to the universally accepted aim of achieving sustainable development for current and future generations. The goals are an integral part of all efforts to achieve sustained and sustainable social and economic development that meets human needs, ensures well-being and protects the natural resources on which all life depends. UNFPA recognizes that all human rights are universal, indivisible, interdependent and interrelated — they apply to all people in all cases.

UNFPA supports efforts to ensure a coherent, coordinated United Nations that is responsive to the transformational 2030 Agenda for Sustainable Development, including a field presence, under the leadership of a strengthened resident coordinator in a collegial and participatory resident coordinator system. UNFPA plays an active and leading role in the inter-agency processes to facilitate progress towards the achievement of United Nations reform goals for greater development impact.

UNFPA continues to assist in the mobilization of resources from both developed and developing countries, following the commitments made by all countries in the Programme of Action as well as in related United Nations major conferences and summits to ensure that the goals of the International Conference on Population and Development are met.

Reaching the goals of the Programme of Action is also essential for achieving the 2030 Agenda for Sustainable Development, whose goal of leaving no one behind is fully aligned with the Programme of Action, and have the overarching aim of ending extreme poverty, ensuring that all persons enjoy human rights and protect the environment for current and future generations. The focus of the two interlinked agendas on demographic dividends, women's empowerment and gender equality, resilience and data for development makes the special expertise of UNFPA in reproductive health and reproductive rights and population and development issues even more relevant to the worldwide collaborative effort of achieving the Sustainable Development Goals. UNFPA, working in multiple partnerships, supports gender-sensitive policies and programmes to achieve the Sustainable Development Goals. Those partnerships are customized to national and local circumstances.

Reporting entity

UNFPA is a subsidiary organ of the General Assembly. It receives overall policy guidance from the Assembly and the Economic and Social Council. On administrative, financial and programme matters, UNFPA reports to its governing body: the Executive Board of the United Nations Development Programme (UNDP), UNFPA and the United Nations Office for Project Services (UNOPS).

UNFPA has its headquarters in New York and operates through a network of more than 130 regional, subregional, country and liaison offices around the world.

Note 2
Accounting policies

Summary of significant accounting policies

The financial statements reflect the application of the following significant accounting policies.

(i) Accounting convention

The financial statements have been prepared on the accrual basis of accounting in accordance with the Financial Regulations and Rules of UNFPA and the International Public Sector Accounting Standards (IPSAS).

(ii) Financial period

The period covered by the financial statements is the year ended 31 December 2016.

(iii) Unit of account

The unit of account used in the financial statements is the United States dollar. Where transactions have been made in other currencies (henceforth referred to as "foreign currencies"), the equivalent in United States dollars is established using the appropriate United Nations operational rate of exchange.

Units of currency, assets giving right to units of currency and liabilities to be paid in units of currency are classified as monetary items. All other items are classified as non-monetary items.

The amounts in the statements and schedules are rounded to the nearest thousand dollars and in the notes to the nearest million or thousand dollars, as indicated. Totals may not add up as a result of rounding.

(iv) Cash and cash equivalents

Cash and cash equivalents include cash on hand, money market and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Financial instruments classified as cash equivalents include investments with a maturity of three months or less from the date of acquisition.

(v) Financial assets

Financial assets maturing within one year of the reporting date are classified as current assets. Financial assets with a maturity date of more than one year after the reporting date are classified as non-current assets.

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

IPSAS classification	*Financial asset*
Held to maturity	Investments other than after-service health insurance fund investments
Available for sale	After-service health insurance fund investments
Loans and receivables	Cash and cash equivalents, contributions receivable and other receivables
Fair value through surplus or deficit	Derivative assets

Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the entity has the positive intention and ability to hold to maturity. They are initially recognized at fair value plus transaction costs and are subsequently carried at amortized cost calculated using the effective interest method. In 2016, most of UNFPA investments were classified as held-to-maturity assets and were carried at amortized cost calculated using the effective interest method.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets either designated in this category or not classified in any of the other categories. They are initially recognized at fair value plus transaction costs and are subsequently reported at fair value, with any resultant gains or losses recognized directly in net assets/equity, apart from foreign exchange-related gains/losses on monetary items, which are recognized in surplus or deficit in the statement of financial performance. Fair values used for subsequent measurement are based on quoted market prices in an active market. When an available-for-sale financial asset is derecognized, the gain or deficit accumulated in net assets/equity is reclassified to surplus or deficit in the statement of financial performance. Interest on available-for-sale financial assets is calculated using the effective interest method.

Loans and receivables financial assets

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair value plus transaction costs and are subsequently measured at amortized cost using the effective interest method, less any impairment loss, if applicable. Their market value is also disclosed in the notes to these statements. Interest revenue is recognized on a time-proportion basis using the effective interest rate method.

Contributions receivable from exchange and non-exchange transactions are stated at nominal values less allowance for doubtful amounts.

Fair value through surplus or deficit financial assets

Fair value through surplus or deficit financial assets are financial assets either designated in this category on initial recognition or held for trading. The assets are initially recognized at fair value and any transaction costs are expensed. They are subsequently revalued at each reporting date, and any resultant fair value gains or losses are recognized through surplus or deficit in the statement of financial performance.

UNFPA classifies derivatives as financial assets at fair value through surplus or deficit. Derivatives are contracted with creditworthy institutions and are used to manage foreign exchange risk or to minimize deviations from benchmark allocations within investment portfolios. The fair value of derivatives is obtained from counterparties and is compared with internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Assets in this category are classified as current assets if they are expected to be realized within 12 months of the reporting date. UNFPA does not apply hedge accounting for derivatives.

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

(vi) Inventories

UNFPA inventory consists primarily of reproductive health commodities and other programme-related goods, controlled by UNFPA and held for distribution to beneficiaries or for sale to third parties. Inventory is valued at the lower of cost and current replacement cost and is expensed when control is transferred from UNFPA to external parties. As at the reporting date, UNFPA inventory goods are either located in identifiable premises or are in transit and not yet physically received at their destination.

Inventory procured with funding from the Global Contraceptive Commodity Programme revolving fund (set up to acquire stocks of reproductive health kits primarily for use in humanitarian response activities), and the AccessRH revolving fund (set up to build inventory of contraceptives in order to reduce supply lead times), is measured using the weighted average cost method. Inventory procured for direct delivery to field offices or for regional pre-positioning is measured at actual cost.

The cost of inventory includes purchasing costs, conversion costs (for example, kit assembly services) and other costs incurred in bringing the goods to their existing location and condition (for example, freight costs). For inventory under the control of field offices, other costs are determined based on standard costs. For inventory acquired through a non-exchange transaction (for example, contributions in kind), the fair value is deemed to be equal to cost.

Items of property, plant and equipment en route to implementing partners as at the reporting date and under UNFPA control are recorded as property, plant and equipment-like inventory in transit based on actual cost. Those items are expensed upon transfer.

(vii) Allowance for doubtful accounts

Contributions receivable. An analysis of outstanding unearmarked contributions receivable is carried out and, where collection is considered doubtful, an allowance is made. Any contributions receivable that are outstanding for more than three years are presumed to be doubtful. All contributions receivable are presented in statement I net of the value of these allowances.

An analysis of outstanding earmarked contributions receivable is carried out, with particular reference to receivables that remain unpaid beyond their due date and/or at the expiry date of the agreement. If mutual understanding is reached between parties to reduce a contribution prior to expiration of an agreement, the amount of the contribution and the related receivables is directly reduced. In cases where, at the expiry date of the agreement, UNFPA has received no communication from the donor or the donor has taken a unilateral decision to withdraw from the agreement, the outstanding contributions are considered doubtful and an allowance is made.

Operating fund advances. An analysis of outstanding operating fund advances is carried out and, when recovery is considered doubtful, an allowance is made. Operating fund advances are presented in statement I net of the value of these allowances.

Other assets. An analysis of items included in other assets (staff advances, accounts receivable and other) is carried out and, where there is evidence that the recovery is doubtful, an allowance is made. Other assets are presented in statement I net of the value of these allowances.

(viii) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost comprises the original purchase price plus any other costs directly attributable to bringing the asset to the location and condition intended by management for its use. Repairs, maintenance and insurance costs are not capitalized but expensed as incurred. Where an asset is acquired through donation or the nominal right to use, the fair market value as at the date of acquisition by UNFPA is deemed to be its cost.

The capitalization threshold for property, plant and equipment under UNFPA control is $1,000. For classes subject to depreciation, a full month's depreciation is charged in the month in which an item of property, plant or equipment becomes available for use. No depreciation is charged in the month of the item's disposal.

Leasehold improvements are recognized as property, plant and equipment valued at cost and depreciated over the lower of the remaining useful life of the improvement and the lease term. The capitalization threshold for leasehold improvements is $5,000.

Depreciation is provided for property, plant and equipment over their estimated useful lives using the straight line method. Land and heritage assets are not subject to depreciation. The estimated useful life ranges for the different classes of property, plant and equipment are set out below.

Property, plant and equipment class	*Estimated useful life*
Vehicles	7 years
Furniture and fixtures	6-10 years
Information and communication technology equipment	5-11 years
Leasehold improvements	5 years
Buildings	30 years

(ix) Impairment of property, plant and equipment

UNFPA property, plant and equipment are not held for the primary objective of generating a commercial return and are considered "non-cash-generating" for the purpose of assessing impairment.

Impairment reviews are undertaken for all property, plant and equipment at least annually and before each reporting date. If any indication of impairment exists, UNFPA estimates the recoverable service amount of the affected items and writes them down accordingly.

(x) Intangible assets

Intangible assets are capitalized if their cost meets the threshold of $5,000, except for internally developed software, for which the capitalization threshold is $100,000. UNFPA classifies all activities associated with generating internally developed intangible assets into a research phase and a development phase. Costs incurred during the research phase are expensed. Directly attributable costs incurred during the development phase, after intangible assets have met recognition criteria, are capitalized. Directly attributable costs include expenses for personnel, services, supplies and materials consumed in generating the assets. Development costs that do not meet the capitalization criteria are recognized as an expense as incurred.

Amortization is provided over the estimated useful life using the straight line method. The estimated useful life ranges for classes of intangible assets are set out below.

Intangible asset class	*Estimated useful life*
Software acquired separately	3-10 years
Software developed internally	3-10 years
Intangible assets under development	Not amortized
Licences and rights	The shorter of the agreement term and useful life in a range of 2-6 years

(xi) Financial liabilities

UNFPA classifies financial liabilities into the following categories: other financial liabilities and fair value through surplus or deficit.

IPSAS classification	*Financial liability*
Other financial liabilities	Accounts payable, accrued liabilities, operating fund payables, payables in respect of unspent balances on expired funds and other liabilities
Fair value through surplus or deficit	Derivative liabilities

Other financial liabilities

Other financial liabilities are mainly accounts payable in respect of goods and services that have been received by UNFPA but have not been paid for as at the reporting date, operating fund payables, payables in respect of unspent balances on expired funds and other miscellaneous items such as unapplied cash deposits. They are initially recognized at fair value and, when applicable, subsequently measured at amortized cost using the effective interest rate method. Other financial liabilities due for settlement within 12 months are recognized at their nominal value.

Fair value through surplus or deficit financial liabilities

Fair value through surplus or deficit financial liabilities are financial liabilities either designated in this category on initial recognition or held for trading. They are initially recognized at fair value and any transaction costs are expensed. They are subsequently revalued at each reporting date, and any resultant fair value gains or losses are recognized through surplus or deficit in the statement of financial performance.

UNFPA classifies derivatives as financial liabilities at fair value through surplus or deficit. Derivatives are contracted with creditworthy institutions and are used to manage foreign exchange risk or to minimize deviations from benchmark allocations within investment portfolios. They include derivatives embedded in time deposits that permit the instrument to be repaid by counterparties in an alternative currency in exchange for a higher yield. Their fair value is obtained from counterparties and is compared with internal valuations, which are based on valuation methods and techniques generally recognized as standard in the industry. Liabilities are classified as current if they are expected to be settled within 12 months of the reporting date. As at 31 December 2016, UNFPA had no open foreign exchange derivative instruments and did not have any embedded derivatives requiring separate accounting at fair value through surplus or deficit in the statement of financial performance. UNFPA does not apply hedge accounting for derivatives.

(xii) Employee benefit liabilities

Employees are defined as staff members, within the meaning of Article 97 of the Charter of the United Nations, whose employment and contractual relationship is defined by a letter of appointment, subject to regulations promulgated by the General Assembly pursuant to Article 101, paragraph 1, of the Charter. In practice, this means those persons with a temporary, fixed-term or continuing contract, including Junior Professional Officers.

Obligations for new employees are recognized from the date they report to their duty station.

UNFPA employee benefits are classified into short-term and post-employment benefits.

Short-term employee benefits

Short-term employee benefits are employee entitlements that are due to be settled within 12 months after the end of the reporting period in which the employee renders the related service. These benefits include annual and home leave.

Annual leave is an accumulating compensated absence. Employees are entitled to monetary settlement of the accrued annual leave balance upon separation from service, up to a maximum of 60 days. The organization therefore recognizes liability for the value of the total accumulated leave days of all staff members as of the reporting date.

Home leave travel is available to eligible staff and dependants serving in qualifying countries. The liability represents the expected travel cost of the next home leave entitlement for qualifying staff, as adjusted for the proportion of service yet to be performed until the benefit is vested.

Owing to the short-term nature of these entitlements, the liability is not discounted for the time value of money.

Post-employment employee benefits

Post-employment benefits provided by UNFPA are:

(a) After-service health insurance, which provides worldwide coverage for necessary medical expenses of eligible former staff members and their dependants. The after-service health insurance liability represents the present value of the share of UNFPA medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff;

(b) End-of-service entitlements, which comprise the repatriation grant, shipping costs and travel expenses. A liability is recognized from when the staff member joins UNFPA.

These benefits are categorized as defined benefit plans. Defined benefit plans are those where the obligation of UNFPA is to provide agreed benefits and therefore UNFPA bears the actuarial risk, that is, that the benefits will cost more or less than expected.

The liability for defined benefit plans is measured at the present value of the defined benefit obligation. Movements in the liability from actuarial gains and losses are recognized in net assets. All other changes in the liability are recognized in the statement of financial performance in the period in which they occur.

The discount rate used in determining the present value of the liability for post-employment benefits is based on high-quality corporate bond rates.

United Nations Joint Staff Pension Fund

UNFPA 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 its Regulations, membership in the Pension Fund shall be open to the specialized agencies and to any other international, intergovernmental organization that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The Pension Fund exposes participating organizations to actuarial risks associated with the current and former employees of other participating organizations, 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. UNFPA and the Pension Fund, in line with the other participating organizations, are not in a position to identify the UNFPA proportionate share of the defined benefit obligations, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Therefore, UNFPA has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. UNFPA contributions to the Pension Fund during the financial period are recognized as expenses in the statement of financial performance.

(xiii) Revenue

UNFPA is primarily funded from voluntary contributions that fall into two distinct categories:

(a) Unearmarked contributions (also referred to as “regular”, “core” or “unrestricted” contributions) represent resources that are unrestricted as to use;

(b) Earmarked contributions (also referred to as “other”, “non-core” or “restricted” contributions) represent resources that are earmarked by the donors as to their use. These include trust funds and special funds. Special funds include the Junior Professional Officers programme, procurement services and other funds.

For both types of contributions, revenue is recognized upon the earlier of the receipt of cash or signing of a binding agreement. Very exceptionally, where resources are provided subject to specific conditions or when contributions are explicitly given for a specific year, recognition may be deferred until those conditions have been satisfied.

UNFPA participates in joint funding arrangements with other United Nations organizations and acts as the administrative agent for some pooled funds. The

UNFPA share of those pooled contributions is recognized at the time of disbursement of the funds by the administrative agent.

Contributions of goods in kind are recognized as contributions on the face of the financial statements. Goods in kind are initially recorded at their fair value on the date of signing of an enforceable agreement determined by reference to observable market values or by independent appraisals. Contributions of services in kind are not recognized as revenue. A majority of services in kind relate to various consulting services received free of charge.

Revenue from the sale of goods is recognized upon transfer of the goods; revenue from performing procurement services is recognized when procurement services are rendered.

(xiv) Refunds to donors

Refunds arising on expiry or termination of agreements are recognized when instructions are received from donors requesting repayments. All refunds to donors are shown as a reduction in contributions revenue. Refunds to donors are disclosed in statement II, note 15 and schedule B.

(xv) Expenses

A significant percentage of programme activities is implemented by governments and non-governmental organizations. Although UNFPA cannot impose a specific basis of accounting on such organizations, these implementing partners are required to report expenses based on the completion of activities funded by UNFPA.

Where the programme activities are implemented by governments and non-governmental organizations, these implementing partners provide UNFPA with reports documenting their use of resources, which are the basis for recording programme expenses in the UNFPA accounts. Where UNFPA decides to advance funds to its implementing partners, the advances are made on the basis of approved workplans and are liquidated on the basis of the reports submitted by the implementing partners. Advances to implementing partners that remain outstanding at the end of the year are classified as “operating fund advances” in statement I.

Where the programme activities are implemented by United Nations organizations, those implementing partners also provide UNFPA with reports documenting their use of UNFPA resources. The reports define expenses according to the accounting policies of the United Nations agency reporting the expenses.

The indirect costs charged to activities funded by earmarked contributions to cover costs related to the management and administration of such activities are not shown as expenses except in note 24 (b) and schedule B. Indirect costs are recovered based on the following rates:

(Percentage)

Agreement type	*Rate*
Standard co-financing agreements signed after 1 January 2014	8
Thematic trust funds	7
Contributions from programme governments contributing to their own country programme	5

Agreement type	*Rate*
Umbrella agreements	Based on umbrella agreement
Co-financing agreements signed prior to 2014, with cost extension signed after 1 January 2014	8
Co-financing agreements signed prior to 2014, without cost extension signed after 1 January 2014	7

(xvi) Exchange gains and losses

All exchange gains and losses, including those arising from contributions receivable, accounts payable, cash and cash equivalents, investments, advances and other monetary balance sheet accounts, are reported within "other revenue" and "other expenses" in the statement of financial performance. All monetary assets and liabilities held in currencies other than the United States dollar are revalued using the United Nations operational rate of exchange in effect as at the reporting date or, in the case of foreign investments of after-service health insurance funding, a close approximation thereof.

(xvii) Leases

Leases are classified as either operating or finance leases.

Finance leases are leases that transfer substantially all the risks and rewards incidental to ownership of an item of property, plant and equipment to UNFPA, regardless of whether or not the legal title is eventually transferred to UNFPA. The lease term for a finance lease normally covers the majority of the estimated useful life of the leased item. Property, plant and equipment acquired under a finance lease is recorded in the asset registry and is subject to depreciation in the same way as purchased property, plant and equipment. The value capitalized equals the lower of the fair value of the leased item and the present value of the minimum lease payments, as calculated at the inception of the lease.

Operating leases are leases other than finance leases. Operating lease expenses are recognized on a straight line basis over the lease term. The value of future lease payments within the current lease term for non-cancellable agreements is disclosed in the notes to these financial statements.

(xviii) Donated rights to use

In a number of locations UNFPA occupies premises at no cost through donated rights to use agreements granted by the host governments. Based on the length of agreements (or "lease term") and termination clauses, the donated rights to use can be similar to nominal operating leases or nominal finance leases. In the latter case, UNFPA is given control over premises for as long as the organization operates in the country and uses the premises.

In the case of operating lease-similar agreements (principally short term), an expense and a corresponding revenue amount equal to the annual market rent of similar premises is recognized in the statement of financial performance. In the case of finance lease-similar agreements (principally long term), the fair market value of the property is capitalized and revenue is recognized immediately upon assuming control of the premises for the same amount, unless the property is transferred to UNFPA with specific conditions. In those situations, a deferred revenue amount is recognized equal to the entire fair market value of the property. This liability is progressively recognized as revenue over the shorter of the useful life of the property and the right-to-use term in the amount equal to the property's depreciation expense for the same period.

(xix) Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount. UNFPA recognizes provisions when all of the following three requirements are satisfied: (a) UNFPA has a present legal or constructive obligation as a result of past events; (b) it is probable that UNFPA will be required to settle the obligation; and (c) a reliable estimate can be made of the obligation amount.

Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of UNFPA; or present obligations that arise from past events but that are not recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations; or the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognized, but are disclosed if material.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of UNFPA. Contingent assets are not recognized, but are disclosed if an inflow of economic benefits or service potential is probable.

(xx) Related parties disclosures

Relevant transactions with third parties related to UNFPA are disclosed. Related parties to UNFPA are those with the ability to exercise significant influence over UNFPA financial and operating decisions. For UNFPA, these are key management personnel and close members of the family of key management personnel, identified as members of the UNFPA Executive Committee, the Director of the Office of Audit and Investigation Services, the Director of the Evaluation Office and the Chiefs of the Procurement and Management Information Services branches. Any other individual acting in one of these roles as officer-in-charge for three months or more in a calendar year is also included. UNFPA discloses the value of transactions with these parties, including salaries and any loans obtained at conditions not generally available.

The UNFPA Executive Board is also considered a related party of the organization as a whole; there are no transactions to be reported. Significant financial transactions occur with UNDP, but they are not separately disclosed, as UNDP does not have the power to influence the financial and operating policy decisions of UNFPA and given that all transactions for services provided to UNFPA occur under normal arm's length conditions.

(xxi) Commitments

Commitments are future expenses to be incurred by UNFPA on contracts entered into by the reporting date and that UNFPA 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 UNFPA in future periods, non-cancellable minimum lease payments and other non-cancellable commitments. The value of commitments as at 31 December is not recognized in the statement of financial position and is disclosed in the notes to financial statements. Commitments related to employment contracts are excluded from this disclosure.

(xxii) Procurement services

Following approval by the Governing Council at its fortieth session, in 1993, UNFPA receives funds for the procurement of supplies, equipment and services on behalf and at the request of governments, the United Nations and its funds, programmes and specialized agencies, other intergovernmental institutions and non-governmental organizations. UNFPA receives a handling fee from its external clients in respect of these procurement services at a standard rate established by the Executive Board, which was 5 per cent in 2016, recorded as part of other revenue.

These services have been reported under schedule B and schedule C. Note 16 provides further disclosure on the revenue for procurement services.

(xxiii) Use of estimates

These financial statements necessarily include amounts based on estimates and assumptions by management. Estimates include, but are not limited to, fair value of land and buildings, after-service health insurance and other post-employment benefit obligations, amounts for litigations, accrued charges, contingent assets and liabilities and useful lives and degree of impairment of fixed assets. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

Accounting estimates used by management for the preparation of these statements are consistent with the estimates used for the purpose of the 2015 financial statements.

(xxiv) Transitional provisions

UNFPA has used transitional provisions as follows:

(a) UNFPA applied the transitional provision in IPSAS 17: Property, plant and equipment, and did not recognize leasehold improvements that were put in service prior to 2012;

(b) IPSAS 31: Intangible assets, was applied prospectively; as a result, intangible assets that were acquired or internally developed before 1 January 2012 have not been capitalized.

(xxv) Comparison of budget with actual amounts

UNFPA prepares its budget on a modified cash basis.

Comparison between budget and actual amounts on a budget comparable basis is presented in statement V. The scope of the budget for the purpose of this statement encompasses the institutional budget plus programme activities funded from unearmarked resources. The organization’s institutional budget was prepared on a quadrennial basis for the period 2014-2017 and annualized by management for the purpose of determining internal resource allocation.

The original budget is based on the projected unutilized surpluses brought forward and the initial projections of contributions for the year. The final budget reflects the actual figures for both these elements at the time of the final allocation.

Expenses on a modified cash basis for budgeted activities are presented as budget utilization.

Comparisons between actual amounts on a budget comparable basis and actual amounts reported in the financial statements are shown in note 23.

Note 3
Cash and cash equivalents

Cash and cash equivalents comprise:

(Thousands of United States dollars)

	As at 31 December 2016	*As at 31 December 2015*
Cash on hand	–	1
Cash at banks	23 272	21 708
Cash held by investment managers	2 968	–
Money market funds[a]	52 060	25 650
Time deposits[a]	125 000	30 000
Bonds[a]	10 282	–
Total	**213 582**	**77 359**

[a] Financial instruments with a maturity of three months or less from the date of acquisition are classified as cash equivalents.

Cash required for immediate disbursements is maintained on hand and at banks, predominantly in United States dollars, with a limited amount held in local currencies, as shown in note 25.

Cash equivalents comprise highly liquid financial instruments, such as money market funds, time deposits and bonds that are held in the UNFPA main investment portfolio and are available for meeting UNFPA liquidity requirements upon maturity.

Cash held by investment managers represents cash held within the after-service health insurance investment portfolio, in overnight sweep accounts, pending reinvestment into long-term financial instruments or for rebalancing purposes. Note 4 provides more details on the purpose and composition of UNFPA investment portfolios.

UNFPA exposure to credit risk, market risk and currency risk and its risk management activities related to financial assets, including cash and cash equivalents, are discussed in note 25.

Note 4
Investments

UNFPA maintains two separate investment portfolios.

The main investment portfolio, managed by UNDP on behalf of UNFPA, following UNDP investment guidelines and its governance framework, is limited to high-quality, highly marketable fixed-income securities, with maturities aligned to UNFPA liquidity requirements. Investments are registered in the name of UNFPA and are held by a custodian appointed by UNDP. Throughout 2016, this portfolio was classified as held to maturity, carried at amortized cost, and measured using the effective interest method.

Financial instruments with maturity periods of three months or longer held in this portfolio as at 31 December were as follows:

(Thousands of United States dollars)

	As at 31 December 2016		*As at 31 December 2015*	
	Market value	*Amortized cost*	*Market value*	*Amortized cost*
Bonds	439 374	439 191	677 806	678 073
Time deposits	15 000	15 000	25 000	25 000
Total	**454 374**	**454 191**	**702 806**	**703 073**
Of which:				
Maturing within one year	324 833	324 880	309 127	309 171
Maturing after one year	129 541	129 311	393 679	393 902
Total	**454 374**	**454 191**	**702 806**	**703 073**

In addition, the main investment portfolio included $187.3 million in financial instruments with maturities of less than three months, reported under cash and cash equivalents (see note 3).

Bonds held in the main investment portfolio as at 31 December 2016 included the following:

(Thousands of United States dollars)

	As at 31 December 2016		*As at 31 December 2015*	
Bond types	*Market value*	*Amortized cost*	*Market value*	*Amortized cost*
Commercial banks	44 584	44 531	83 522	83 610
Non-United States sovereign obligations	97 391	97 477	139 402	139 533
Supranational organizations	152 305	152 333	284 848	284 928
United States government and agencies	135 069	134 810	144 939	144 906
Corporate	10 025	10 040	25 095	25 096
Total	**439 374**	**439 191**	**677 806**	**678 073**

In 2016, the average yield on the main investment portfolio was 1.0 per cent (0.8 per cent in 2015).

A separate portfolio was established in 2016, jointly with UNDP, to invest resources allocated to fund after-service health insurance liabilities. This portfolio is managed by two independent external investment managers, and is governed by after-service health insurance investment guidelines. Consistent with its purpose, this portfolio consists of diversified, higher-yielding financial instruments, which include cash and cash equivalents, fixed-income securities and equities. Investments are classified as available for sale and carried at fair market value.

Financial instruments with maturity periods of three months or longer held in this portfolio as at 31 December were as follows:

(Thousands of United States dollars)

	As at 31 December 2016		*As at 31 December 2015*	
	Market value	*Base cost*	*Market value*	*Base cost*
Fixed-income securities	34 186	35 311	–	–
Equities	54 550	53 454	–	–
Total	**88 736**	**88 765**	**–**	**–**
Of which:				
Fixed-income securities maturing within one year	–	–	–	–
Fixed-income securities maturing after one year and equities	88 736	88 765	–	–
Total	**88 736**	**88 765**	**–**	**–**

In addition, the after-service health insurance investment portfolio included $3.0 million in cash and financial instruments with maturities of less than three months, reported under cash and cash equivalents (see note 3).

UNFPA had no impaired investments during the year. The organization's exposure to credit, liquidity and market risks and the related risk management activities are discussed in note 25.

Of the total investments of $542.9 million held as at 31 December 2016, $324.2 million were restricted in use as follows:

	Reference	*Amount*
Funds held by UNFPA on behalf of other United Nations organizations in the capacity of administrative agent	Note 10	$16.2 million
Funding for employee benefits liabilities[a]	Note 12	$198.8 million
Operational reserve	Note 14	$70.5 million
Reserve for field accommodation	Note 14	$5.0 million
Principal amount of the private endowment trust	Note 14 (c)	$33.7 million

[a] Including the investments held in the after-service health insurance investment portfolio.

Movements of investments within the main investment portfolio during 2016 were as follows:

(Thousands of United States dollars)

	Time deposits		*Commercial paper and discount notes*		*Bonds*		*Total*	
	2016	*2015*	*2016*	*2015*	*2016*	*2015*	*2016*	*2015*
Opening balance	25 000	150 000	–	–	678 073	725 368	703 073	875 368
Add: purchases	80 000	285 000	–	24 979	63 733	213 764	143 733	523 743
Less: maturities	(90 000)	(410 000)	–	(25 000)	(298 922)	(255 032)	(388 922)	(690 032)
Amortization	–	–	–	21	(3 693)	(6 027)	(3 693)	(6 006)
Closing balance	**15 000**	**25 000**	**–**	**–**	**439 191**	**678 073**	**454 191**	**703 073**

Movements of investments within the after-service health insurance investment portfolio during 2016 were as follows:

(Thousands of United States dollars)

	Fixed-income securities		*Equities*		*Total*	
	2016	*2015*	*2016*	*2015*	*2016*	*2015*
Opening balance	–	–	–	–	–	–
Add: purchases	39 691	–	66 110	–	105 801	–
Less: maturities	–	–	–	–	–	–
Less: sales	(4 263)		(12 656)		(16 919)	
Amortization	(117)	–	–	–	(117)	–
(Loss)/gain in fair value recognized in surplus/(deficit)	(440)	–	–	–	(440)	–
Gain/(loss) in fair value recognized in net assets	(685)	–	1 096	–	411	–
Closing balance	**34 186**	**–**	**54 550**	**–**	**88 736**	**–**

Note 5
Inventories

Inventories held by UNFPA as at the reporting date were as follows:

(Thousands of United States dollars)

	As at 31 December 2016	*As at 31 December 2015*
Reproductive health and other programme-related goods, of which:	43 822	56 672
In transit	28 841	38 377
In stock	14 981	18 295
Provision for inventory losses	(90)	(92)
Property, plant and equipment-like inventory in transit	2 576	2 379
Total inventory	**46 308**	**58 959**

The inventory movements during 2016 and 2015 are summarized as follows:

(Thousands of United States dollars)

	2016	*2015*
Inventory held as at 1 January	**58 959**	**54 282**
Additions	143 187	156 402
Issues	(155 559)	(151 614)
Movements in provision for inventory losses	2	(92)
Inventory losses/adjustments	(21)	(19)
Write-down of inventories	(260)	–
Inventory held as at 31 December	**46 308**	**58 959**

Note 6
Contributions receivable, prepayments and other assets

(a) Contributions receivable

Contributions receivable as at 31 December 2016 were as follows:

(Thousands of United States dollars)

	As at 31 December 2016	*As at 31 December 2015*
Non-exchange transactions		
Contributions receivable (current)	165 291	180 253
Unearmarked resources	19 558	18 614
Earmarked resources	145 733	161 639
Contributions receivable (non-current)	116 514	120 589
Earmarked resources	116 514	120 589
Exchange transactions		
Contributions receivable (current)	293	40
Total	**282 098**	**300 882**

Contributions receivable are presented net of allowance for doubtful accounts. Exchange transactions are defined as transactions for which UNFPA provides goods or services to third parties and receives from them an approximately equal value in exchange. Those transactions are similar to "commercial" exchanges. Based on the business model of UNFPA, procurement activities on behalf of third parties are currently the only exchange transactions. Non-exchange transactions are those transactions for which UNFPA does not receive approximately equal value for goods/services it provides. UNFPA unearmarked and earmarked contributions are classified as non-exchange transactions. The distinction between current and non-current receivables is based on the due date. Current contributions receivable are expected to be collected within 12 months of the reporting date and non-current receivables are expected to be collected after that date.

Contributions receivable from unearmarked resources represent amounts committed in current and prior years but not yet collected by the end of the reporting period. Contributions receivable from earmarked resources mainly relate to amounts that will become due and are to be collected in future years in relation to multi-year donor agreements.

Ageing analysis

Details of contributions receivable as at 31 December 2016 were as follows:

(Thousands of United States dollars)

	As at 31 December 2016		*As at 31 December 2015*	
	Unearmarked	*Earmarked*	*Unearmarked*	*Earmarked*
2012	–	–	144	–
2013	115	178	115	327
2014	129	–	149	262
2015	162	13	18 350	3 075

	As at 31 December 2016		As at 31 December 2015	
	Unearmarked	*Earmarked*	*Unearmarked*	*Earmarked*
2016	19 231	7 245	–	–
Contributions receivable	**19 637**	**7 436**	**18 758**	**3 664**
Allowance for doubtful account	(115)	–	(144)	–
Contributions receivable not yet due as at 31 December	36	255 104	–	278 604
Total	**19 558**	**262 540**	**18 614**	**282 268**

A breakdown of contributions receivable from unearmarked and earmarked resources by donor is detailed in schedules A and B, respectively (the schedules do not include allowances for doubtful accounts).

Allowance for doubtful contributions receivable

The movement in the allowance for doubtful contributions receivable in 2016 is summarized as follows:

(Thousands of United States dollars)

	2016	*2015*
Allowance at 1 January	**(144)**	**(171)**
Contributions receivable for which collection is now considered doubtful	(115)	(144)
Contributions receivable written off	144	118
Recoveries of contributions receivable for which collection was previously considered doubtful	–	53
Allowance at 31 December	**(115)**	**(144)**

(b) Prepayments and other current and non-current assets

Prepayments and other current and non-current assets comprised the following:

(Thousands of United States dollars)

	As at 31 December 2016	*As at 31 December 2015*
Prepayments and other current assets		
Advances to staff	3 633	4 048
Accrued interest	3 155	4 593
Accrued dividends	40	–
Prepayments	3 899	3 067
Miscellaneous accounts receivable	6 912	6 433
Due from other United Nations organizations	1 521	12 970
Receivables from procurement activities	201	424
Less: allowance for doubtful account receivable	(685)	(699)
Total	**18 676**	**30 836**

	As at 31 December 2016	*As at 31 December 2015*
Other non-current assets		
Long-term receivables	10	11
Total	**10**	**11**

Note 7
Operating fund advances

Operating fund advances by category of implementing partners were as follows:

(Thousands of United States dollars)

	As at 31 December 2016	*As at 31 December 2015*
Governments	3 467	7 281
Intergovernmental institutions and non-governmental organizations	2 414	2 304
United Nations organizations	1 439	1 345
Less: allowance for doubtful advances	(2)	(100)
Total	**7 318**	**10 830**

Note 8
Property, plant and equipment

Property, plant and equipment (or fixed assets) movements during 2016 and 2015 are summarized as follows:

(Thousands of United States dollars)

	Land		*Buildings*		*Furniture and fixtures*		*Information and communications technology equipment*		*Vehicles*		*Leasehold improvements*		*Assets under construction and not yet available for use*		*Total*	
	2016	*2015*	*2016*	*2015*	*2016*	*2015*	*2016*	*2015*	*2016*	*2015*	*2016*	*2015*	*2016*	*2015*	*2016*	*2015*
Cost																
As at 1 January	227	227	12 661	10 584	4 655	4 427	18 109	17 405	30 636	30 422	5 208	4 713	564	2 129	72 060	69 907
Additions	–	–	243	787	381	423	1 768	2 231	3 832	2 789	534	563	1 164	814	7 922	7 607
Disposals	–	–	(3)	(10)	(217)	(214)	(1 546)	(1 676)	(3 765)	(3 229)	(9)	(94)	–	–	(5 540)	(5 223)
(Impairment)/impairment reversal	–	–	–	–	–	–	–	–	2	(9)	–	(4)	–	(250)	2	(263)
Adjustments/reclassifications	–	–	(2)	1 300	72	19	230	149	351	663	(34)	30	(564)	(2 129)	53	32
As at 31 December	**227**	**227**	**12 899**	**12 661**	**4 891**	**4 655**	**18 561**	**18 109**	**31 056**	**30 636**	**5 699**	**5 208**	**1 164**	**564**	**74 497**	**72 060**
Accumulated depreciation																
As at 1 January	–	–	1 801	1 330	2 718	2 459	10 592	10 217	19 362	19 115	3 607	2 663	–	–	38 080	35 784
Depreciation charges	–	–	428	466	413	405	2 103	1 882	2 773	2 711	646	976	–	–	6 363	6 440
Disposals	–	–	(1)	(2)	(158)	(147)	(1 371)	(1 507)	(3 231)	(2 464)	(8)	(24)	–	–	(4 769)	(4 144)
Adjustments/reclassifications	–	–	(1)	7	2	1	–	–	–	–	(1)	(8)	–	–	–	–
As at 31 December	**–**	**–**	**2 227**	**1 801**	**2 975**	**2 718**	**11 324**	**10 592**	**18 904**	**19 362**	**4 244**	**3 607**	**–**	**–**	**39 674**	**38 080**
Net book value as at 1 January	**227**	**227**	**10 860**	**9 254**	**1 937**	**1 968**	**7 517**	**7 188**	**11 274**	**11 307**	**1 601**	**2 050**	**564**	**2 129**	**33 980**	**34 123**
Net book value as at 31 December	**227**	**227**	**10 672**	**10 860**	**1 916**	**1 937**	**7 237**	**7 517**	**12 152**	**11 274**	**1 455**	**1 601**	**1 164**	**564**	**34 823**	**33 980**

A physical count of fixed assets was performed and the results reconciled to values in the fixed asset register as at 31 December 2016. The physical count and the corresponding fixed asset values are certified by both headquarters and the field offices.

Assets under construction and not yet available for use pertain primarily to property, plant and equipment items in transit as at the reporting date. Fixed assets that were under construction and not yet available as at the end of 2015 were put in service in 2016 and are presented in their respective categories.

UNFPA occupies one office building under a commercial finance lease arrangement. Its net book value as at the end of 2016 was $0.6 million.

The value of outstanding commitments for capital purchases as at 31 December 2016 was $1.7 million ($1.3 million in 2015). As at 31 December 2016, the cost of fully depreciated property, plant and equipment items which were still in use amounted to $16.1 million ($13.9 million in 2015).

Note 9
Intangibles

Intangible assets movements during 2016 and 2015 are summarized as follows:

(Thousands of United States dollars)

	Software acquired separately		*Software developed internally*		*Intangible assets under development*		*Total*	
	2016	*2015*	*2016*	*2015*	*2016*	*2015*	*2016*	*2015*
Cost								
As at 1 January	785	711	350	–	–	166	1 135	877
Additions	20	74	–	184	93	–	113	258
Disposals	(31)	–	–	–	–	–	(31)	–
Adjustments/reclassifications	–	–	151	166	–	(166)	151	–
As at 31 December	**774**	**785**	**501**	**350**	**93**	**–**	**1 368**	**1 135**
Accumulated amortization								
As at 1 January	454	229	9	–	–	–	463	229
Amortization charges	232	225	87	9	–	–	319	234
Disposals	(19)	–	–	–	–	–	(19)	–
As at 31 December	**667**	**454**	**96**	**9**	**–**	**–**	**763**	**463**
Net book value as at 1 January	**331**	**482**	**341**	**–**	**–**	**166**	**672**	**648**
Net book value as at 31 December	**107**	**331**	**405**	**341**	**93**	**–**	**605**	**672**

In addition to recognized intangible assets, UNFPA uses other intangible items under its control that did not meet the recognition criteria of IPSAS 31: Intangible assets, and the Fund’s accounting policies. These items include: (a) the business intelligence and analytics platform for financial, programme and other management data analysis and reporting; (b) the messaging and collaboration platform providing access to various applications such as email, calendar, file storage and other functionalities; and (c) the document management system.

In 2016, UNFPA incurred research and development expenditures of $1.0 million that did not meet the recognition criteria for intangible assets and thus were expensed during the year. As at 31 December 2016, UNFPA did not have any commitments for purchases of intangible assets. The cost of fully amortized intangible assets which were still in use by the end of 2016 amounted to $0.55 million ($0 in 2015), corresponding primarily to the licence for a suite of office productivity applications procured at a cost of $0.5 million.

Note 10
Accounts payable and accruals

Accounts payable and accruals comprised the following:

(Thousands of United States dollars)

	As at 31 December 2016	*As at 31 December 2015*
Accounts payable	25 059	21 238
Accrual liability	24 618	28 036
Administrative agent payable	16 181	44 719
Advances from procurement activities	10 286	6 267
Due to United Nations organizations	14	176
Operating funds payable	11 119	9 464
Unspent balances on expired funds	3 368	2 327
Total	**90 645**	**112 227**

"Administrative agent payable" refers to amounts received and administered by UNFPA for programme activities to be implemented in conjunction with other United Nations system organizations and to be distributed based on an agreed programme of work.

Note 11
Finance lease liability

As at 31 December 2016, UNFPA had one finance lease agreement for an office building in one programme country. The remaining obligation under this arrangement is included in the other current liabilities disclosed in note 13. In 2016, UNFPA paid $0.04 million in leasing payments for the premises. The present value of the remaining minimum lease payments is $0.2 million, all of which falls due in not later than one year.

Note 12
Employee benefits

Employee benefit liabilities reflect liabilities for accumulated annual leave, home leave, repatriation benefits and after-service health insurance, as shown below.

(Thousands of United States dollars)

	As at 31 December 2016	*As at 31 December 2015*
Current employee benefits liabilities		
Short-term benefits		
Accumulated annual leave	22 878	22 951
Accumulated home leave	2 988	2 864
Post-employment benefits		
Repatriation benefits (inactive staff)[a]	649	710
Repatriation benefits (active staff)	3 242	4 143
After-service health insurance	4 838	4 119
Total current employee benefits liabilities	**34 595**	**34 787**
Non-current employee benefits liabilities		
Repatriation benefits (active staff)	24 776	25 029
After-service health insurance	269 869	242 847
Total non-current employee benefits liabilities	**294 645**	**267 876**
Total employee benefits liabilities	**329 240**	**302 663**

[a] Inactive staff are those who had already separated from UNFPA by the reporting date.

Accumulated annual leave

Staff members holding fixed-term, temporary and continuing appointments accrue annual leave on a monthly basis. Upon the end of service, accumulated unused annual leave up to a maximum of 60 working days is commutable to cash. UNFPA values this liability through the actual computation of accumulated days of annual leave unused as at the reporting date, based on the salary scale as at that date, without discounting.

Accumulated home leave

This liability represents the accumulated amount of anticipated travel costs for eligible staff and their dependants for their next home leave as at the reporting date. It is accrued as service is rendered, is not discounted and cannot be compensated upon end of service.

Post-employment benefits

Post-employment benefits rendered by UNFPA to its staff include after-service health insurance coverage and certain repatriation benefits. Both are categorized as defined benefit plans. Corresponding liabilities are determined by an independent, qualified actuarial firm by discounting the probable future payments for services rendered in the current and prior periods.

Liabilities as at 31 December 2016 were established on the basis of the roll-forward of 2015 data. The roll-forward included reviewing and updating financial assumptions, including discount rates, which were determined based on the Citigroup pension discount curve. Population and demographic assumptions remained unchanged from the valuation in 2015.

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 upon length of service, travel and removal expenses. Those benefits are collectively referred to as repatriation benefits.

The present value of the accrued liability for repatriation benefits of active staff was estimated by the actuary at $28.0 million as at 31 December 2016, based on the assumptions summarized in the table below.

(Percentage)

Major assumptions used for determining the repatriation benefits liability	*2016*	*2015*
Single equivalent discount rate	3.50	3.58
Annual salary increase	4.00 to 9.80[a]	4.00 to 9.80[a]
Travel cost increase	2.25	2.25

[a] Different rates were applied based on age and category of staff members.

A separate liability has been established towards accrued repatriation benefits not yet claimed by former staff members as at the reporting date, but for which the organization remains liable.

After-service health insurance

Upon end of service, staff members and their dependants may elect to participate in a defined benefit UNFPA health insurance plan, provided they have met certain eligibility requirements, including 10 years of participation in a UNFPA health plan for those who were recruited after 1 July 2007 and 5 years for those who were recruited prior to this date. That benefit is referred to as after-service health insurance.

The major assumptions used by the actuary to determine the liabilities for after-service health insurance as at 31 December 2016 are summarized in the table below.

(Percentage)

Major assumptions used for determining after-service health insurance liability	*2016*	*2015*
Single equivalent discount rate	4.17	4.38
Health-care cost trend rates:		
United States, non-Medicare plans	6.00, grading down to 4.50 after 7 years	6.40, grading down to 4.50 after 8 years
United States, Medicare plans	5.70, grading down to 4.50 after 6 years	5.90, grading down to 4.50 after 7 years
United States, dental plans	4.90, grading down to 4.50 after 7 years	4.90, grading down to 4.50 after 8 years
Non-United States medical plans	4.00 (flat)	4.00 (flat)

Retirement, withdrawal and mortality assumptions are consistent with those used by the United Nations Joint Staff Pension Fund in making its own actuarial valuation of pension benefits.

In determining the valuation of residual after-service health insurance liability, contributions from plan participants are considered. Thus, contributions from retirees and a portion of contributions from active staff are deducted from the gross liability to arrive at the residual liability of UNFPA in accordance with the cost-sharing ratios authorized by the General Assembly. Those ratios are summarized below.

(Percentage)

Plan	*By retiree*	*By organization*
United States plans	33.30	66.70
Non-United States plans	50.00	50.00
Medical Insurance Plan (MIP)	25.00	75.00

On the basis outlined above, the present value of the accrued liability for after-service health insurance as at 31 December 2016, net of contributions from plan participants, was as follows:

(Thousands of United States dollars)

	As at 31 December 2016	*As at 31 December 2015*
Gross liability	430 874	387 363
Contributions made by plan participants	(156 167)	(140 397)
Net liability	**274 707**	**246 966**

Movement in post-employment benefits liabilities

The change in the after-service health insurance and repatriation benefits liabilities during 2016 is due to the following effects:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits (active staff)*	*Total*
As at 31 December 2015	**246 966**	**29 172**	**276 138**
Expenses recognized in 2016			
Current service cost	10 238	1 963	12 201
Interest cost	10 721	969	11 690
Total expenses recognized in 2016	**20 959**	**2 932**	**23 891**
Benefits paid (net of participant contributions)	(4 300)	(4 292)	(8 592)
Actuarial loss/(gain)	11 082	206	11 288
As at 31 December 2016	**274 707**	**28 018**	**302 725**

The "current service cost" is the increase in liability resulting from benefits vested to employees through services in 2016. "Interest cost" is the increase resulting from future employee benefits being closer to settlement.

The amount of "benefits paid" is estimated by actuaries based on historic trends. Differences between those estimates and actual amounts paid are recognized as expenses in the statement of financial performance.

An "actuarial loss/(gain)" arises when the actuarial assessment differs from the long-term expectation of the obligations. It results from experience adjustments (differences between the previous actuarial assumptions and what has actually occurred), changes in financial assumptions and changes in demographic assumptions. The actuarial loss/(gain) is recognized as a change in net assets (statement III). Since the 2016 valuation was based on the roll-forward of 2015 data, the actuarial loss for the reporting period is solely attributable to changes in financial assumptions. A summary of actuarial losses/(gains) accrued by different post-employment benefits plans is presented below.

(Thousands of United States dollars)

Actuarial loss/(gain)	*After-service health insurance*	*Repatriation benefits (active staff)*	*Total*
As at 31 December 2015	56 221	10 860	67 081
Current year	11 082	206	11 288
As at 31 December 2016	**67 303**	**11 066**	**78 369**

The actuarial loss was a result of the decrease in the discount rates used to determine the post-employment benefits liabilities from 4.38 per cent in 2015 to 4.17 per cent in 2016 for the after-service health insurance liability, and from 3.58 per cent to 3.50 per cent for the repatriation benefits.

The table below summarizes the present value of the post-employment benefit liabilities and experience adjustments for the current and previous four reporting periods.

(Thousands of United States dollars)

	2016	*2015*	*2014*	*2013*	*2012*
After-service health insurance					
Liability as at 31 December	274 707	246 966	282 022	209 399	227 520
Experience adjustments included in the liability amounts	(1 596)	(1 228)	93	(607)	(169)
Repatriation benefits (active staff)					
Liability as at 31 December	28 018	29 172	23 994	24 406	21 850
Experience adjustments included in the liability amounts	(1 635)	6 649	(1 311)	(323)	(1 317)

Sensitivity analysis

The table below demonstrates the sensitivity of post-employment benefit liabilities and combined service and interest costs to a 1 per cent change in the single equivalent discount rate or health-care cost trend rate (all other assumptions remaining constant).

(Thousands of United States dollars)

	After-service health insurance		
	Year-end liability	*Sum of service and interest costs*	*Repatriation benefits liability (active staff)*
Single equivalent discount rate			
1 per cent increase	(46 767)		(2 252)
1 per cent decrease	60 307		2 537
Health-care cost trend rate			
1 per cent increase	61 697	6 519	
1 per cent decrease	(47 733)	(4 847)	

Funding for employee benefits liabilities

As at 31 December 2016, the unfunded portion of after-service health insurance and other employee benefits liabilities was as follows:

(Thousands of United States dollars)

	As at 31 December 2016		
Employee benefits liabilities	*Accrued liability*	*Funded liability*	*Unfunded liability*
After-service health insurance	274 707	173 431	101 276
Repatriation benefits	28 667	3 425	25 242
Annual leave	22 878	20 805	2 073
Home leave	2 988	1 100	1 888
Total	**329 240**	**198 761**	**130 479**

In 2016, employee benefits liabilities were funded through:

(a) Net investment income of $3.2 million generated by funds that have already been set aside for funding of the after-service health insurance liabilities. In 2016, UNFPA started investing these monies in a more diversified and higher-yielding portfolio similar to that of the United Nations Joint Staff Pension Fund. As at 31 December 2016, a total of $90.0 million was invested in financial instruments with a mark-to-market value of $91.7 million at the end of 2016. Notes 4 and 25 provide more details on these investments;

(b) Accruals for after-service health insurance (net of premium payments), repatriation benefits, annual leave and home leave from payroll charges made during 2016 of $7.7 million.

(Thousands of United States dollars)

	As at 31 December 2015	*Increase/ (decrease) in liability*	*Net increase/ (decrease) in funding*	*As at 31 December 2016*
	Unfunded liability			*Unfunded liability*
After-service health insurance	79 922	27 741	6 387	101 276
Repatriation benefits	26 768	(1 215)	311	25 242
Annual leave	5 972	(73)	3 826	2 073

	As at 31 December 2015	*Increase/ (decrease) in liability*	*Net increase/ (decrease) in funding*	*As at 31 December 2016*
	Unfunded liability			*Unfunded liability*
Home leave	2 101	124	337	1 888
Total	**114 763**	**26 577**	**10 861**	**130 479**

Changes to the conditions of service and staff entitlements

In December 2015, the General Assembly adopted resolution 70/244, in which it approved a series of changes to the conditions of service and future entitlements for all staff serving in the organizations of the United Nations common system, including UNFPA. Those changes included the following:

(a) The mandatory age of retirement for staff members recruited before 1 January 2014 was increased from the existing 60 or 62 to 65 years of age. Implementation of this decision in UNFPA is expected to begin by 1 January 2018;

(b) A unified salary scale with an effective date of 1 January 2017 is to replace the previous system of single and dependency rates for internationally recruited staff;

(c) Proposals for the revised compensation package will come into effect on 1 July 2017.

The impact of those changes on employee benefits liability amounts, if any, will be assessed when decisions on their implementation are fully operationalized.

Pension benefits

UNFPA 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. The Pension Fund is a funded, multi-employer defined benefit plan.

As there is no consistent and reliable basis for allocating the related liabilities/ assets and costs to individual organizations participating in the plan, UNFPA is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and therefore has treated the plan as if it were a defined contribution plan; thus the UNFPA share of the related net liability/asset position of the United Nations Joint Staff Pension Fund is not reflected in the financial statements.

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

The financial obligation of UNFPA to the United Nations Joint Staff Pension Fund consists of its mandated contribution at the rate established by the General Assembly, currently 7.9 per cent for the participants and 15.8 per cent for the organizations, of the applicable pensionable remuneration, together with their share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only 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 Pension Fund as at the valuation date. Each member organization shall contribute to the deficiency an amount proportionate to the total contributions which it paid during the three years preceding the valuation date.

The actuarial valuation as at 31 December 2013 revealed an actuarial deficit of 0.72 per cent (compared with a deficit of 1.87 per cent in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve a balance as at 31 December 2013 was 24.42 per cent of pensionable remuneration (25.57 per cent in the 2011 valuation), compared with the actual contribution rate of 23.70 per cent. The next actuarial valuation will be conducted as at 31 December 2017.

As at 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.5 per cent (130.0 per cent in the 2011 valuation). The funded ratio was 91.2 per cent (86.2 per cent in the 2011 valuation) when the current system of pension adjustments was taken into account.

After assessing the actuarial sufficiency of the United Nations Joint Staff Pension Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2013, for deficiency payments under article 26 of the Regulations of the Pension Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities. In addition, the market value of assets as at 31 December 2016 also exceeded the actuarial value of all accrued liabilities, according to the roll-forward of the actuarial valuation as at 31 December 2013. At the time of preparation of these financial statements, the General Assembly had not invoked the provision of article 26.

In December 2012 the General Assembly authorized and in April 2013 it endorsed an increase in the normal retirement age and the mandatory age of separation to 65 for new participants to the Pension Fund, with an effective date of no later than 1 January 2014. The related changes to the regulations of the Pension Fund were approved by the Assembly in December 2013. The increase in the normal retirement age was reflected in the actuarial valuation of the Pension Fund as at 31 December 2013.

During 2016, contributions paid to the United Nations Joint Staff Pension Fund by UNFPA amounted to $31.9 million ($31.3 million in 2015).

The Board of Auditors carries out an annual audit of the United Nations Joint Staff Pension Fund and reports to the Pension Board on the audit every year. The Fund publishes quarterly reports on its investments (available from www.unjspf.org).

Note 13
Other current and non-current liabilities and deferred revenue

Other current and non-current liabilities and deferred revenue comprise the following:

(Thousands of United States dollars)

	As at 31 December 2016	*As at 31 December 2015*
Current		
Other current liabilities	404	541
Deferred revenue	10 088	1 811
Total	**10 492**	**2 352**

	As at 31 December 2016	*As at 31 December 2015*
Non-current		
Deferred revenue	4 540	4 988
Total	**4 540**	**4 988**

Deferred revenue includes the unamortized portion of the donated right to use premises (finance lease-similar) ($4.5 million), contributions to regular and other resources received in advance ($9.6 million) and the value of the rent-free period given by the landlord of UNFPA headquarters in New York ($0.5 million).

Note 14
Unearmarked resources — movements in reserves and fund balances

(Thousands of United States dollars)

	Undesignated fund balance		*Designated fund balances*						*2016*	*2015*
	Programmable fund balance	*After-service health insurance and employee benefits fund*	*Procurement services*	*Private endowment trust*	*Total fund balance*	*Operational reserve*	*Humanitarian response reserve*	*Reserve for field accommodation*	*Total reserves and fund balances*	*Total reserves and fund balances*
	(Note 14 (d))	*(Note 12)*	*(Note 14 (a))*	*(Note 14 (b))*		*(Note 14 (c))*	*(Note 14 (d))*	*(Note 14 (e))*		
Balance as at 1 January	57 802	(114 763)	3 246	35 053	(18 662)	78 394	–	5 000	64 732	52 058
Net (shortfall)/excess of revenue over expenditure	(3 414)	(4 839)	–	348	(7 905)	–	–	(696)	(8 601)	(37 963)
Transfers within reserves										
To reserve for field accommodation	(696)	–	–	–	(696)	–	–	696	–	–
To operational reserve	7 889	–	–	–	7 889	(7 889)	–	–	–	–
To humanitarian response reserve	(1 000)	–	–	–	(1 000)	–	1 000	–	–	–
From humanitarian response reserve	1 000	–	–	–	1 000	–	(1 000)	–	–	–
Transfers within UNFPA resources	80	–	(187)	–	(107)	–	–	–	(107)	(884)
Other adjustments to resource balances										
Gain/(loss) in fair value of investments recognized in net assets	–	411	–	–	411	–	–	–	411	–
Actuarial loss on employee benefits liabilities	–	(11 288)	–	–	(11 288)	–	–	–	(11 288)	51 521
Balance as at 31 December	**61 661**	**(130 479)**	**3 059**	**35 401**	**(30 358)**	**70 505**	**–**	**5 000**	**45 147**	**64 732**
Net total		**(68 818)**		**38 460**				**75 505**		

Of the $61.7 million available in the programmable fund balance, only $30.0 million is available for programme activities in 2017 after the following adjustments are made to align the fund balance with the budgetary basis: undepreciated property, plant and equipment net of unamortized donated rights to use arrangement (finance lease-similar) and other liabilities ($27.8 million); inventory ($1.5 million); outstanding advances issued under a sector-wide approach modality ($1.3 million); and other internally restricted amounts ($1.1 million).

Distinction between designated and undesignated fund balances: “designated” refers to the portion of regular resource balance that is designated for a special purpose and is not available for programming; “undesignated” refers to the remaining portion of the resource balance.

(a) Procurement services

As at 1 January 2016, the cumulative excess of procurement handling fees over procurement expenses was equal to $3.3 million. Those monies were set aside in the designated fund for resource planning of procurement services. In 2016, $0.2 million from the fund was spent, reducing the balance to $3.1 million at year's end.

(b) Private endowment fund

This fund was created through an endowment from the estate of the late Forrest E. Mars. The balance of $35.4 million comprises the principal of $33.7 million plus subsequent cumulative interest earned of $6.5 million, less cumulated expenses for activities of $4.8 million. Under the terms of the trust agreement, UNFPA is bound to reimburse proportionately the trustee or his heirs for any potential liability in the event of a valid claim against the estate.

(c) Operational reserve

The purpose of the operational reserve is to provide for temporary fund deficits and to ensure the continuity of programme implementation in the event of downward fluctuations or shortfalls in resources, uneven cash flows, unplanned increases in actual costs or other contingencies. This level of operational reserve was incorporated within the UNFPA Financial Regulations and Rules endorsed by the Executive Board, and set at 20 per cent of unearmarked resources contribution revenue (excluding government contributions to local offices costs) for each year of UNFPA work.

As at 31 December 2016, given net contribution revenue of $352.5 million, the operational reserve was $70.5 million, as shown in the table above and in statement I.

(d) Humanitarian response

The Executive Board of UNDP, UNFPA and UNOPS established two distinct mechanisms for UNFPA offices to enhance the financing of humanitarian-related interventions: an emergency fund and a humanitarian response reserve.

The emergency fund enables UNFPA offices to rapidly respond to crises before other funding becomes available. The emergency fund is established through an allocation of regular resources; $5.0 million was allocated in 2016. Expenses funded from the emergency fund, included under "Net (shortfall)/excess of revenue over expenditure" in the table above, amounted to $4.6 million in 2016.

The humanitarian response reserve is used to pre-finance humanitarian response activities, enabling UNFPA offices to promptly commence implementation of humanitarian interventions before funding committed based on signed donor agreements is received. The reserve is established through an allocation of regular resources, and replenished upon receipt of donor funding. In 2016, regular resources amounting to $1.0 million were allocated for humanitarian response reserve activities. As the funds were not utilized, they were reversed back to undesignated programmable resources during the year.

(e) Reserve for field accommodation

At its thirty-eighth session, in 1991, the Governing Council approved the establishment of a reserve for field accommodation at the level of $5.0 million for the biennium 1992-1993 and authorized the Executive Director to make drawdowns from it for the purpose of financing the UNFPA share of construction costs for common premises under the auspices of the Joint Consultative Group on Policy. Field accommodation expenses incurred in 2016 were $0.7 million. As at 31 December 2016, $0.7 million had been transferred from unexpended resources to replenish the reserve for field accommodation.

Note 15
Contribution revenue

Contribution revenue for 2016 is as follows:

(Thousands of United States dollars)

	2016	*2015*
Unearmarked (core) contributions	352 808	398 197
Less: transfers to other revenue for reimbursement of tax charges	(5 851)	(5 947)
Subtotal	**346 957**	**392 250**
Contributions earmarked for:		
Co-financing	446 300	542 554
Junior Professional Officers	3 773	5 283
Contributions in kind	1 037	(81)
Less: refunds to donors	(4 336)	(4 489)
Subtotal	**446 774**	**543 267**
Total	**793 731**	**935 517**

The breakdown of unearmarked and earmarked contributions by donor is detailed in schedules A and B, respectively. Earmarked contributions in this note are presented net of UNFPA indirect costs, which are shown in note 16, under fees for support services.

"Contributions in kind" represents the value of goods received by UNFPA and utilized for its programmatic activities.

Note 16
Other revenue

Other revenue comprises the following:

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Total*	
	2016	*2015*	*2016*	*2015*	*2016*	*2015*
Investment revenue	6 661	5 709	1 127	1 092	7 788	6 801
Fees for support services	34 443	33 287	1 497	2 093	35 940	35 380
Net currency revaluation adjustments and gains/(losses) on foreign exchange — others	215	2 301	239	–	454	2 301
Revenue earmarked for procurement activities	–	–	1 633	1 524	1 633	1 524
Premises occupied based on donated right to use — operating lease-similar	3 865	4 333	–	–	3 865	4 333
Premises occupied based on donated right to use — finance lease-similar	181	181	–	–	181	181

	Unearmarked resources		Earmarked resources		Total	
	2016	2015	2016	2015	2016	2015
Reimbursement of tax charges	5 851	5 947	–	–	5 851	5 947
Miscellaneous revenue	878	755	132	58	1 010	813
Total	**52 094**	**52 513**	**4 628**	**4 767**	**56 722**	**57 280**

Investment revenue can be further broken down as follows:

(Thousands of United States dollars)

	Unearmarked resources		Earmarked resources		Total	
	2016	2015	2016	2015	2016	2015
Interest revenue	6 019	5 709	1 127	1 092	7 146	6 801
Dividend revenue	412	–	–	–	412	–
Other investment revenue	230	–	–	–	230	–
Total	**6 661**	**5 709**	**1 127**	**1 092**	**7 788**	**6 801**

Fees for support services include indirect costs charged to other resources; fees earned by UNFPA for performing administrative agent functions; handling fees for performing procurement services and fees for administering the Junior Professional Officers programme.

Revenue and expense (see note 18) in the amount of $3.9 million was recognized for the donated right-to-use (operating lease-similar) premises occupied in 2016 by UNFPA under this type of agreement, based on the annual rental value of similar premises as calculated by an external independent consultant.

Revenue and a depreciation charge of $0.2 million were recognized with regard to the donated right-to-use (finance lease-similar) premises occupied by UNFPA in 2016, based on the asset valuation provided by an external independent consultant.

Note 17
Expenses by implementing agent

Total expenses, as presented in statement II, can be further broken down into funds utilized directly by UNFPA and funds utilized by implementing partners, such as governments, non-governmental organizations and other United Nations system organizations, as follows:

(Thousands of United States dollars)

	2016	2015
Governments	109 962	112 770
Non-governmental organizations	137 610	146 699
United Nations organizations	1 899	4 077
UNFPA	673 047	713 830
Total expenses	**922 518**	**977 376**

In 2016, 32.4 per cent of programme activities were implemented by governments and non-governmental organizations (32.5 per cent in 2015). Total expenses for programme activities are disclosed in schedule D.

Note 18
Expenses by nature

Total expenses, as presented in statement II, can be further broken down “by nature”, or type of resource utilized by the organization, as follows:

(Thousands of United States dollars)

	2016	*2015*
Staff costs		
Staff salaries	161 159	158 731
Pension contributions	31 894	31 261
Other employee benefit costs	69 980	73 840
Subtotal, staff costs	**263 033**	**263 832**
Reproductive health and other programme-related goods		
Reproductive health goods	147 236	143 182
Other programme-related goods	16 032	16 181
Subtotal, reproductive health and other programme-related goods	**163 268**	**159 363**
Development and training of counterparts	102 446	118 876
Subtotal, development and training of counterparts	**102 446**	**118 876**
Supplies, materials and operating costs		
Supplies and materials	18 391	19 970
Rent, repairs and maintenance	37 998	38 072
Printing, publications and media	29 189	32 983
Transportation and distribution	23 996	29 305
Other operating costs	43 122	44 073
Subtotal, supplies, materials and operating costs	**152 696**	**164 403**
Contracted and professional services		
Contracted and professional services with individuals	109 044	113 003
Contracted and professional services with companies	38 303	41 331
United Nations Volunteers expenses for contracted services	4 206	4 754
Subtotal, contracted and professional services	**151 553**	**159 088**
Finance costs (mainly bank charges)	546	710
Subtotal, finance costs	**546**	**710**
Travel	62 675	69 251
Subtotal, travel	**62 675**	**69 251**

	2016	2015
Depreciation and amortization		
Depreciation	6 363	6 440
Amortization	319	234
Subtotal, depreciation and amortization	**6 682**	**6 674**
Impairment and (reversals) of impairment losses		
Impairment of fixed assets	3	263
(Reversals) of impairment losses	(79)	–
Subtotal, impairment and (reversals) of impairment losses	**(76)**	**263**
Other expenses		
Premises occupied based on donated right to use	3 865	4 333
Transfers and losses/(gains) on disposal of property, plant and equipment and intangible assets	395	704
Net currency revaluation adjustments and losses on foreign exchange — contributions receivable	11 586	24 097
Net currency revaluation adjustments and losses on foreign exchange — others	3 656	5 027
Doubtful accounts expenses	183	718
Other	10	37
Subtotal, other expenses	**19 695**	**34 916**
Total expenses	**922 518**	**977 376**

Note 19
Unearmarked resources — programme activities by country/territory and region and institutional budget

(a) Total expenses for programme activities by country/territory and region

(Thousands of United States dollars)

	2016	2015
Western and central Africa		
Country/territory programmes		
Benin	1 642	1 833
Burkina Faso	2 471	3 240
Cameroon	2 906	3 065
Cabo Verde	508	1 020
Central African Republic	1 619	1 781
Chad	2 821	2 742
Congo	1 188	1 708
Côte d’Ivoire	2 912	3 749
Equatorial Guinea	545	972
Gabon	621	819
Gambia	809	853
Ghana	2 594	3 357

	2016	*2015*
Guinea	2 765	2 602
Guinea-Bissau	808	746
Liberia	1 447	1 752
Mali	2 931	2 721
Mauritania	1 008	1 124
Niger	3 216	3 637
Nigeria	5 971	7 400
Sao Tome and Principe	472	555
Senegal	2 053	2 110
Sierra Leone	1 830	2 359
Togo	1 401	1 447
Subtotal, country/territory programmes	**44 538**	**51 592**
Regional projects	4 580	4 961
Total	**49 118**	**56 553**
Eastern and southern Africa		
Country/territory programmes		
Angola	1 681	2 496
Botswana	630	600
Burundi	1 589	2 240
Comoros	786	923
Democratic Republic of the Congo	8 082	9 274
Eritrea	878	1 434
Ethiopia	5 492	6 338
Kenya	5 136	6 464
Lesotho	751	931
Madagascar	3 966	4 500
Malawi	2 233	3 099
Mauritius	80	122
Mozambique	3 875	4 648
Namibia	900	965
Rwanda	2 124	2 323
South Africa	1 366	1 704
South Sudan	3 873	3 593
Swaziland	731	895
Uganda	4 192	5 697
United Republic of Tanzania	4 127	4 529
Zambia	2 303	2 914
Zimbabwe	2 481	2 935
Subtotal, country/territory programmes	**57 276**	**68 624**
Regional projects	3 824	4 363
Total	**61 100**	**72 987**

	2016	*2015*
Arab States		
Country/territory programmes		
Algeria	262	382
Djibouti	729	1 033
Egypt	1 571	2 043
Iraq	1 496	1 704
Jordan	870	929
Lebanon	647	887
Libya	552	516
Morocco	931	1 303
Oman	294	100
Somalia	4 357	4 694
State of Palestine	1 181	1 361
Sudan	3 318	3 982
Syrian Arab Republic	1 000	1 825
Tunisia	388	459
Yemen	2 486	3 266
Subtotal, country/territory programmes	**20 082**	**24 484**
Regional projects	4 256	4 763
Total	**24 338**	**29 247**
Asia and the Pacific		
Country/territory programmes		
Afghanistan	5 068	6 241
Bangladesh	6 904	7 043
Bhutan	734	936
Cambodia	2 391	3 228
China	1 592	3 696
Democratic People’s Republic of Korea	723	1 265
India	7 329	10 053
Indonesia	3 158	4 214
Iran (Islamic Republic of)	997	1 618
Lao People’s Democratic Republic	1 729	2 286
Malaysia	452	403
Maldives	272	452
Mongolia	1 063	1 628
Myanmar	3 102	5 110
Nepal	3 506	4 376
Pacific multi-country programme[a]	3 027	4 473
Pakistan	5 765	6 717
Papua New Guinea	1 408	1 891
Philippines	3 778	3 849
Sri Lanka	838	1 258

	2016	*2015*
Thailand	989	1 515
Timor-Leste	1 482	1 743
Viet Nam	3 143	3 844
Subtotal, country/territory programmes	**59 450**	**77 839**
Regional projects	6 113	6 770
Total	**65 563**	**84 609**
Latin America and the Caribbean		
Country/territory programmes		
Argentina	198	527
Bolivia (Plurinational State of)	988	1 146
Brazil	1 186	1 501
Caribbean multi-country programme, English- and Dutch-speaking[b]	1 271	2 293
Chile	173	267
Colombia	933	1 061
Costa Rica	417	508
Cuba	484	710
Dominican Republic	527	880
Ecuador	765	710
El Salvador	761	989
Guatemala	1 243	1 531
Haiti	2 242	3 067
Honduras	1 079	1 284
Mexico	846	1 073
Nicaragua	951	1 270
Panama	382	534
Paraguay	862	791
Peru	736	1 368
Uruguay	599	658
Venezuela (Bolivarian Republic of)	477	570
Subtotal, country/territory programmes	**17 120**	**22 738**
Regional projects	4 629	5 520
Total	**21 749**	**28 258**
Eastern Europe and Central Asia		
Country/territory programmes		
Albania	490	460
Armenia	498	469
Azerbaijan	414	591
Belarus	316	271
Bosnia and Herzegovina	424	520
Georgia	565	597
Kazakhstan	411	598

	2016	2015
Kosovo	296	250
Kyrgyzstan	709	740
Republic of Moldova	463	420
Serbia	361	353
Tajikistan	747	720
The former Yugoslav Republic of Macedonia	294	415
Turkey	720	1 039
Turkmenistan	463	638
Ukraine	524	879
Uzbekistan	713	1 049
Subtotal, country/territory programmes	**8 408**	**10 009**
Regional projects	5 268	7 005
Total	**13 676**	**17 014**
Office in Addis Ababa	952	794
Global programme and other headquarter activities	21 791	23 912
Total programme expenses	**258 287**	**313 374**

[a] The Pacific multi-country programme implements programme activities in the following countries and territories: the Cook Islands, Fiji, Kiribati, the Marshall Islands, the Federated States of Micronesia, Nauru, Niue, Palau, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu and Vanuatu.

[b] The Caribbean multi-country programme, English- and Dutch-speaking, implements programme activities in the following countries and territories: Anguilla, Antigua and Barbuda, the Bahamas, Barbados, Belize, Bermuda, the British Virgin Islands, the Cayman Islands, Dominica, Grenada, Guyana, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, the Netherlands Antilles (Aruba, Curaçao and St. Maarten), Suriname, Trinidad and Tobago and the Turks and Caicos Islands.

Schedule D provides a breakdown by nature of total programme expenses funded with unearmarked resources referenced above.

(b) Institutional budget

(Thousands of United States dollars)

	2016	2015
Gross expenses	136 783	140 254
Credits to the institutional budget:		
Indirect costs charged to other resources	(34 675)	(33 287)
Local governments contributions to country offices' costs	(282)	(167)
Total	**101 826**	**106 800**

Note 20
Provisions, contingent assets and contingent liabilities

As at 31 December 2016, UNFPA did not have any material provisions.

Contingent assets for all donor agreements in force as at 31 December 2016 which did not meet the revenue recognition criteria were estimated at $257.7 million ($366.7 million in 2015), of which $238.8 million related to earmarked resources ($349.5 million in 2015). Those contributions will be recognized in future periods when revenue recognition criteria is met in accordance with UNFPA accounting policy.

As at 31 December 2016, UNFPA had a limited number of immaterial contingent liability cases that represented ongoing legal and administrative law claims. The total projected outflow for such cases as at 31 December 2016 was estimated at $1.4 million. Owing to the uncertainty of the outcomes of the cases, neither liability nor provision has been recorded, as the occurrence and timing of outflow is not certain. UNFPA does not expect the ultimate resolution of any of the proceedings to which it is party to have a significant adverse effect on its financial position, performance or cash flows.

Note 21
Related parties disclosures

Relevant transactions with key management personnel were as follows:

(Thousands of United States dollars)

	Key management personnel				
	Number of individuals	*Compensation and post adjustment*	*Other entitlements*	*Pension plan and health benefits*	*Total remuneration*
2016	26	5 354	1 616	1 073	8 043
2015	25	4 950	1 401	901	7 252

The aggregate remuneration paid to key management personnel includes net salaries, post adjustment, entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, shipment costs and employer pension and current health insurance contributions.

Key management personnel are also eligible for post-employment benefits at the same level as other employees and are ordinary members of the United Nations Joint Staff Pension Fund. The present value of the accrued liabilities for after-service health insurance and repatriation benefits for key management personnel as at 31 December 2016 was estimated at $8.2 million ($7.6 million in 2015).

There were no loans or advances granted to key management personnel and their close family members which were not available to other categories of staff in accordance with the United Nations Staff Rules.

Note 22
Events after the reporting date

The UNFPA reporting date is 31 December 2016. In accordance with the UNFPA Financial Regulations and Rules, these financial statements were signed and submitted to the Board of Auditors by the Executive Director on 28 April 2017.

On 3 April 2017, a major donor announced its decision to defund future financial support to UNFPA. Contributions from this donor in 2016 amounted to $30.7 million in regular resources and $32.6 million in other resources. UNFPA is assessing alternatives to minimize the impact of the donor's decision on the delivery of its programme interventions, including in humanitarian settings.

As at 31 December 2016, UNFPA had contributions receivable from this donor in the amount of $15.8 million, of which $14.2 million were collected in the period from 1 January to 28 April 2017. While payment of some of the contributions receivable as at 31 December 2016 continued subsequent to the date of the defunding decision, there is a risk that the remaining amount of $1.6 million may not be collected in full. No allowance has been reflected in the financial statements for any related losses that may be incurred.

As at the date of signature of the UNFPA financial statements and related notes for the year ended 31 December 2016, no other material events, favourable or unfavourable, occurred between the reporting date and the date on which the financial statements were authorized for issue that would have affected the statements.

Note 23
Presentation of budget information and comparison between actual amounts on a budget comparable basis and actual amounts reported in the financial statements

Statement V provides a comparison between the original budget, the final budget and the actual expenses incurred during 2016, presented on a budgetary comparable accounting basis. Differences between the original and the final budget are due to elements that become known to management in the course of the year, such as final projections of regular contributions to be received and prior-year distributable fund balances. Differences between the final budget and budget utilization amounts are due to underutilization of internally allocated resources.

Reconciliation between the amount of actual expenses for the year 2016 presented in statement V (comparison of budget with actual amounts for the year ended 31 December 2016), and in statement IV (cash flow statement for the year ended 31 December 2016) is shown below. Differences are due to "basis" differences and scope (or "entity") differences. Basis differences are differences between the budgetary and the financial reporting basis of accounting. Entity differences represent the increase/(decrease) in cash and cash equivalents for activities that are out of the scope of the approved budget.

(Thousands of United States dollars)

	Operating activities	*Investing activities*	*Financing activities*	*Total*
Total actual expenses on budget comparable basis (statement V)	(388 715)	(4 419)	–	(393 134)
Basis differences	(4 237)	220	–	(4 017)
Entity differences	367 894	165 647	(37)	533 504
Net increase/(decrease) in cash and cash equivalents (statement IV)	**(25 058)**	**161 448**	**(37)**	**136 353**

Reconciliation between the actual surplus or deficit on a budgetary comparable basis (modified cash) and on a financial reporting comparable basis (full accrual) is shown below. For revenue, the budget is based upon revenue projections, estimates of unutilized resources from the previous year and share of operating reserve released/set aside during the year, while financial statements show revenue on the full accrual basis. For expenses, the difference is mainly attributable to the treatment of capital items such as property, plant and equipment and inventory.

(Thousands of United States dollars)

Actual net surplus on a budget comparable basis (statement V)	**14 313**
Difference between revenue on accrual basis and final budgetary allocations	(18 307)
Difference between expenses on budgetary basis and an accrual basis	(1 936)
Actual net deficit on a financial reporting comparable basis for activities included in the scope of the budget	**(5 930)**

Note 24
Segment reporting

Segment information is based on the principal activities and sources of financing of UNFPA. As such, UNFPA reports separate financial information for two main segments: unearmarked resources and earmarked resources.

(a) Segment reporting of the statement of financial position as at 31 December 2016

UNFPA considers cash, cash equivalents and investments as "joint assets" between segments. It also considers selected accounts payable (e.g., inter-fund accounts) and employee benefits as "joint liabilities" between segments. Revenue and expenses related to these joint items are attributed to the segment in the normal course of operations. Therefore, in accordance with IPSAS, UNFPA attributes joint assets and liabilities to segments. Cash, cash equivalents and investments have been attributed based on the respective fund balances of the segments, while accounts payable and employee benefits have been attributed based on the number of personnel charged to each funding source.

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Total*	
	2016	*2015*	*2016*	*2015*	*2016*	*2015*
Assets						
Current assets						
Cash and cash equivalents	80 689	27 333	132 893	50 026	213 582	77 359
Investments maturing within one year	122 737	109 238	202 143	199 933	324 880	309 171
Inventories	1 360	3 548	44 948	55 411	46 308	58 959
Contributions receivable (exchange transactions)	–	–	293	40	293	40
Contributions receivable (non-exchange transactions)	19 558	18 614	145 733	161 639	165 291	180 253
Prepayments and other current assets	12 588	24 752	6 088	6 084	18 676	30 836
Operating fund advances	2 213	3 117	5 105	7 713	7 318	10 830
Total	**239 145**	**186 602**	**537 203**	**480 846**	**776 348**	**667 448**
Non-current assets						
Investments maturing after one year	82 376	139 175	135 671	254 727	218 047	393 902
Contributions receivable (non-exchange transactions)	–	–	116 514	120 589	116 514	120 589
Other non-current assets	10	11	–	–	10	11
Property, plant and equipment	31 927	31 286	2 896	2 694	34 823	33 980

	Unearmarked resources		*Earmarked resources*		*Total*	
	2016	*2015*	*2016*	*2015*	*2016*	*2015*
Intangible assets	605	672	–	–	605	672
Total	**114 918**	**171 144**	**255 081**	**378 010**	**369 999**	**549 154**
Total assets	**354 063**	**357 746**	**792 284**	**858 856**	**1 146 347**	**1 216 602**
Liabilities						
Current liabilities						
Accounts payable and accruals	14 844	21 694	75 801	90 533	90 645	112 227
Employee benefits	29 920	30 674	4 675	4 113	34 595	34 787
Other current liabilities and deferred revenue	4 694	(546)	5 798	2 898	10 492	2 352
Total	**49 458**	**51 822**	**86 274**	**97 544**	**135 732**	**149 366**
Non-current liabilities						
Employee benefits	254 918	236 204	39 727	31 672	294 645	267 876
Other non-current liabilities and deferred revenue	4 540	4 988	–	–	4 540	4 988
Total	**259 458**	**241 192**	**39 727**	**31 672**	**299 185**	**272 864**
Total liabilities	**308 916**	**293 014**	**126 001**	**129 216**	**434 917**	**422 230**
Net assets	**45 147**	**64 732**	**666 283**	**729 640**	**711 430**	**794 372**
Reserves and fund balances						
Reserves						
Operational reserve	70 505	78 394	–	–	70 505	78 394
Reserve for field accommodation	5 000	5 000	–	–	5 000	5 000
Total reserves	**75 505**	**83 394**	**–**	**–**	**75 505**	**83 394**
Fund balances						
Designated unearmarked fund balances	38 460	38 299	–	–	38 460	38 299
Undesignated unearmarked and earmarked fund balances						
Unearmarked resources	(68 818)	(56 961)	–	–	(68 818)	(56 961)
Earmarked resources	–	–	666 283	729 640	666 283	729 640
Total fund balances	**(30 358)**	**(18 662)**	**666 283**	**729 640**	**635 925**	**710 978**
Total reserves and fund balances	**45 147**	**64 732**	**666 283**	**729 640**	**711 430**	**794 372**

UNFPA costs for acquisition of fixed and intangible assets from both unearmarked and earmarked resources are summarized in the table below:

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Total*	
	2016	*2015*	*2016*	*2015*	*2016*	*2015*
Property, plant and equipment	6 335	5 720	1 587	1 887	7 922	7 607
Intangible assets	113	258	–	–	113	258
Total	**6 448**	**5 978**	**1 587**	**1 887**	**8 035**	**7 865**

(b) Segment reporting of the statement of financial performance for the year ended 31 December 2016

(Thousands of United States dollars)

	Unearmarked resources		*Earmarked resources*		*Elimination*[a]		*Total*	
	2016	*2015*	*2016*	*2015*	*2016*	*2015*	*2016*	*2015*
Contribution revenue								
Unearmarked contributions	352 808	398 197	–	–	–	–	352 808	398 197
Less: transfers to other revenue for reimbursement of tax charges	(5 851)	(5 947)	–	–	–	–	(5 851)	(5 947)
Subtotal	**346 957**	**392 250**	**–**	**–**	**–**	**–**	**346 957**	**392 250**
Earmarked contributions	–	–	485 820	581 259	(34 710)	(33 503)	451 110	547 756
Less: refunds to donors	–	–	(4 336)	(4 489)	–	–	(4 336)	(4 489)
Subtotal	**–**	**–**	**481 484**	**576 770**	**(34 710)**	**(33 503)**	**446 774**	**543 267**
Total contribution revenue	**346 957**	**392 250**	**481 484**	**576 770**	**(34 710)**	**(33 503)**	**793 731**	**935 517**
Other revenue	52 094	52 513	4 628	4 767	–	–	56 722	57 280
Total revenue	**399 051**	**444 763**	**486 112**	**581 537**	**(34 710)**	**(33 503)**	**850 453**	**992 797**
Expenses								
Staff costs	218 001	224 387	45 032	39 445	–	–	263 033	263 832
Reproductive health and other programme-related goods	7 559	13 801	155 709	145 562	–	–	163 268	159 363
Development and training of counterparts	27 873	42 217	74 608	76 875	(35)	(216)	102 446	118 876
Supplies, materials and operating costs	71 346	81 318	116 025	116 372	(34 675)	(33 287)	152 696	164 403
Contracted and professional services	52 199	66 522	99 354	92 566	–	–	151 553	159 088
Finance costs	177	179	369	531	–	–	546	710
Travel	25 895	35 481	36 780	33 770	–	–	62 675	69 251
Depreciation and amortization	6 249	6 208	433	466	–	–	6 682	6 674

	Unearmarked resources		*Earmarked resources*		*Elimination*[a]		*Total*	
	2016	*2015*	*2016*	*2015*	*2016*	*2015*	*2016*	*2015*
Impairment	(76)	263	–	–	–	–	(76)	263
Other expenses	(1 571)	12 350	21 266	22 566	–	–	19 695	34 916
Total expenses	**407 652**	**482 726**	**549 576**	**528 153**	**(34 710)**	**(33 503)**	**922 518**	**977 376**
(Deficit)/surplus for the year	**(8 601)**	**(37 963)**	**(63 464)**	**53 384**	–	–	**(72 065)**	**15 421**

[a] The presentation in the present table reflects the gross performance of each segment and the elimination column is therefore necessary to remove the effect of inter-segment activities. Amounts in the elimination column consist of $34.675 million in indirect costs and a $0.035 million contribution of UNFPA to joint programmes where the organization serves as a managing agent.

Note 25
Financial risk management

Valuation

Financial assets

The table below shows the value of UNFPA financial assets held as at 31 December 2016 based on the IPSAS classification adopted by UNFPA.

(Thousands of United States dollars)

	Held to maturity	*Available for sale*	*At fair value through surplus or deficit*	*Loans and receivables*	*Total*
Cash and cash equivalents	187 342	2 968	–	23 272	213 582
Investments	454 191	88 736	–	–	542 927
Contributions receivable[a]	–	–	–	280 892	280 892
Other receivables[b]	–	–	141	10 029	10 170
Total financial assets	**641 533**	**91 704**	**141**	**314 193**	**1 047 571**

[a] Excludes in-kind contributions receivable of $1.206 million.
[b] Excludes prepayments, education grant advances and amounts due from the United Nations organizations, totalling $8.516 million, as disclosed in note 6 (b).

Held-to-maturity financial assets are carried at amortized cost; as at 31 December 2016, the market value of these assets exceeded their book value (amortized cost) by $0.183 million.

Available-for-sale financial assets are carried at fair market value, determined on the basis of unadjusted quoted prices in active markets for identical assets. IPSAS 30: Financial instruments: disclosures, defines a three-tier fair value measurement hierarchy, based on the significance of the inputs used in the valuation, with level 1 using the most reliable inputs (unadjusted quoted prices in active markets for identical assets or liabilities), and level 3 using the least reliable (inputs not based on observable market data). Measurement for all UNFPA investments carried at fair value was determined at level 1 of the IPSAS hierarchy.

As at 31 December 2016, UNFPA had $0.141 million in financial assets recorded at fair value through surplus or deficit, arising from foreign currencies exchange contracts held as part of the after-service health insurance investment portfolio. Net exchange gains of $1.019 million, both realized and unrealized, generated by such contracts during the year were recognized through surplus or deficit in the statement of financial performance.

The carrying values of loans and receivables are a reasonable approximation of their fair value.

Financial liabilities

Financial liabilities totalled $91.050 million as at 31 December 2016 and were classified as other financial liabilities. Since all these liabilities are due for settlement within 12 months from the reporting date, they are carried at their nominal amounts.

Exposure to risks

UNFPA is exposed to a variety of financial risks, including:

(a) Credit risk: the risk that financial loss to UNFPA may arise from the failure of third parties to meet its financial/contractual obligations to UNFPA;

(b) Liquidity risk: the likelihood that UNFPA may not have adequate funds to meet its obligations when they fall due;

(c) Market risk: the possibility that UNFPA may incur significant financial losses owing to unfavourable movements in interest rates, foreign currency exchange rates and prices of investment securities.

Analysis of credit risk

Credit risk arises mostly from cash and cash equivalents, investments and contributions receivable. The carrying value of financial assets is the maximum exposure to credit risk.

Credit risk mitigation strategies for financial instruments are defined in the investment guidelines for both the main and after-service health insurance investment portfolios, and limit the amount of credit exposure to any single counterparty, include minimum credit quality requirements and establish limits by issue and financial instrument type. The investment guidelines require ongoing monitoring of issuer and counterparty credit ratings. The main investment portfolio (84 per cent of total investments) is limited to investment-grade fixed-income instruments of sovereign, supranational, governmental or federal agencies, and banks.

Ratings from the three leading credit rating agencies, Moody's, Standard & Poor's, and Fitch, are used to evaluate the credit risk of financial instruments. As at 31 December 2016, UNFPA portfolios comprised primarily investment-grade instruments, as shown in the following tables (presented using Standard & Poor's rating convention).

Concentration of fixed-income investments by credit rating, main investment portfolio

(Thousands of United States dollars)

2016	*AAA*	*AA+*	*AA*	*AA-*	*A+*	*A*	*Total*
Time deposits[a]	–	–	–	15 000	–	–	15 000
Bonds	262 664	64 268	20 174	70 066	22 019	–	439 191
Total	**262 664**	**64 268**	**20 174**	**85 066**	**22 019**	**–**	**454 191**

2015	*AAA*	*AA+*	*AA*	*AA-*	*A+*	*A*	*Total*
Time deposits[a]	–	–	–	–	–	25 000	25 000
Bonds	387 300	163 567	10 023	95 094	22 089	–	678 073
Total	**387 300**	**163 567**	**10 023**	**95 094**	**22 089**	**25 000**	**703 073**

[a] Excludes investments classified as cash and cash equivalents.

Concentration of fixed-income investments by credit rating, after-service health insurance investment portfolio

(Thousands of United States dollars)

2016	*AA+*	*AA-*	*A+*	*A*	*BBB+*	*BBB*	*BB+*	*United States Treasury*	*Not rated*	*Total*
Fixed-income securities	451	431	1 138	686	2 623	769	109	4 435	23 544	34 186
Total	**451**	**431**	**1 138**	**686**	**2 623**	**769**	**109**	**4 435**	**23 544**	**34 186**

Of the $23.544 million of fixed-income securities not rated by Standard & Poor's, bonds valued at $2.923 million were rated by either Moody's or Fitch, with assigned grading ranging from AA- to AAA. The remaining fixed-income securities, valued at $20.621 million, represent investments in exchange-traded funds and mutual funds. These funds comprise multiple fixed-income instruments, which may be rated individually, but the overall funds are not rated.

A large portion of the contributions receivable is due from sovereign governments and supranational agencies, including other United Nations organizations, which have very low default risk. UNFPA credit exposure on outstanding contributions receivable is further mitigated by the fact that programme activities do not in general commence until cash is received. The UNFPA approach to assessing outstanding contributions receivable for recoverability is described in note 2. An analysis of the age of contributions receivable that are past due as at 31 December 2016 and movements in allowances for doubtful accounts is provided in note 6 (a).

Analysis of liquidity risk

UNFPA uses investments in the main portfolio to meet its regular cash flow needs. UNDP makes investment decisions with due consideration for UNFPA cash requirements by matching investment maturity with the timing of future cash outlays. Therefore, UNFPA maintains a significant part of its investments in cash equivalents and short-term instruments, sufficient to cover its commitments as and when they fall due, as shown in the following table.

(Thousands of United States dollars)

	31 December 2016	*Percentage*	*31 December 2015*	*Percentage*
Cash balances	–	–	21 709	3
Cash equivalents	187 342	29	55 650	7
Subtotal	**187 342**	**29**	**77 359**	**10**

	31 December 2016	*Percentage*	*31 December 2015*	*Percentage*
Current investments	324 880	51	309 171	40
Non-current investments	129 311	20	393 902	50
Subtotal	**454 191**	**71**	**703 073**	**90**
Total investments, cash and cash equivalents	**641 533**	**100**	**780 432**	**100**

Analysis of market risk

Market risk is the risk of financial losses due to unfavourable movements in the market prices of financial instruments, including movements in interest rates, foreign exchange rates and price risk.

(a) *Interest rate risk*

Interest rate risk arises from the effects of market interest rate fluctuations on the fair value of financial assets, liabilities and future cash flows of interest income. UNFPA is exposed to interest rate risk on its interest-bearing assets.

UNFPA investments in the main portfolio (84 per cent of the total investments), which is classified as held to maturity, are not marked to market and their carrying amounts are not affected by changes in interest rates.

UNFPA investments in the after-service health insurance portfolio (16 per cent of the total investments), which is classified as available for sale, are carried at fair value. As at 31 December 2016, this portfolio included interest-bearing instruments valued at $34.186 million (6 per cent of the total investments), thus creating exposure to interest rate risk. The table below demonstrates the interest rate sensitivity of these investments, based on their maturity period.

(Thousands of United States dollars)

	Impact on the financial statements	
Sensitivity variation	*Net assets*	*Surplus/deficit*[a]
100 basis point increase	(715)	–
50 basis point decrease	358	–

[a] Since the after-service health insurance investment portfolio is classified as available for sale, changes in the fair value are recognized in the net assets, and volatility in the interest rate has no impact on surplus/deficit for the year.

As at 31 December 2016, UNFPA maintained investments of $10.0 million in United States dollar-denominated floating rate fixed-income securities ($35.0 million in 2015). These securities have a variable coupon, which periodically resets to the prevailing market rate, thus exposing UNFPA to fluctuations in future cash flows of interest income.

(b) *Foreign exchange risk*

UNFPA is exposed to currency risk arising from financial assets that are denominated in foreign currencies, and financial liabilities that have to be settled in foreign currencies. The table below summarizes year-end positions of UNFPA financial assets and liabilities by major currency, including those with the largest foreign exchange risk exposure.

(Thousands of United States dollars)

	United States dollar	*Pound sterling*	*Canadian dollar*	*Euro*	*Other*	*At 31 December 2016*
Cash and cash equivalents	209 521	263	37	1 803	1 958	213 582
Investments	516 137	4 120	1 675	12 516	8 479	542 927
Contributions receivable	103 074	56 286	54 284	38 372	28 876	280 892
Accounts payable and accruals	(76 115)	(11)	(13)	(1 252)	(13 254)	(90 645)
Net exposure	**752 617**	**60 658**	**55 983**	**51 439**	**26 059**	**946 756**

UNFPA actively manages its net foreign exchange exposure. The UNDP Treasury hedges, on behalf of UNFPA, the currency risk to which UNFPA is exposed when donors pledge and pay contributions at different times and in currencies other than United States dollars. During 2016, contribution revenue in eight different currencies was hedged.

The table below provides a sensitivity analysis of UNFPA net assets and surplus/deficit for the year to movements of key currencies against the United States dollar. Strengthening of the United States dollar will result in a decrease of surplus/deficit and net assets for the year and vice versa.

(Thousands of United States dollars)

	Strengthening of United States dollar by 10 per cent		*Weakening of United States dollar by 10 per cent*	
	Surplus/deficit	*Net assets*	*Surplus/deficit*	*Net assets*
Pound sterling	(5 119)	(396)	6 256	483
Canadian dollar	(5 005)	(84)	6 118	103
Euro	(3 887)	(790)	4 750	965

The UNDP Treasury uses derivative instruments, such as foreign exchange forwards, options and structured options, to manage the foreign exchange exposure of UNFPA.

(c) *Equity price risk*

About 59 per cent of the UNFPA after-service health insurance investment portfolio is composed of equities. The table below presents a price sensitivity of these investments to a 5 per cent change in fair value. The sensitivity pertains to equities classified as available for sale, which are marked to market through net assets/equity. Therefore changes in prices do not have any impact on surplus/deficit for the year.

(Thousands of United States dollars)

Fair values of equities as at 31 December 2016		*Impact on financial statements*	
		Surplus/deficit	*Net assets*
54 550	5 per cent increase	–	2 728
54 550	5 per cent decrease	–	(2 728)

Note 26
Commitments

As at 31 December 2016, UNFPA commitments for the acquisition of various goods and services contracted but not received amounted to $30.5 million ($42.3 million in 2015).

UNFPA does not have non-cancellable lease agreements, since its standard agreements include cancellation clauses allowing for early termination with due notice.

Schedules

Schedule A
Unearmarked resources — status of contributions for the year ended 31 December 2016

(Thousands of United States dollars)

Donor	*Balance due to UNFPA as at 1 January*	*Adjustments for prior year*	*Commitments for current year (contribution income)*	*Contributions received in advance*	*Exchange gains/(losses)*	*Payments received and movements in contributions received in advance*	*Balance due to UNFPA as at 31 December*
Algeria	–	–	10	–	–	10	–
Andorra	–	–	11	–	–	11	–
Angola	–	–	20	–	–	20	–
Argentina	–	–	5	–	–	5	–
Armenia	–	–	3	–	–	3	–
Australia	–	–	7 037	6 901	–	13 938	–
Bahamas	–	–	1	–	–	1	–
Bangladesh	–	–	25	–	–	–	25
Belgium	–	–	7 892	–	(149)	7 743	–
Belize	–	–	3	–	–	3	–
Benin	2	–	–	–	–	–	2
Bhutan	6	–	6	–	–	12	–
Bolivia (Plurinational State of)	–	–	6	–	–	6	–
Botswana	–	–	5	10	–	15	–
Burkina Faso	–	–	13	53	–	66	–
Burundi	–	–	1	–	–	1	–
Cameroon	80	(20)	17	–	–	4	73
Canada	–	–	11 685	–	333	12 018	–
Chad	25	–	25	–	–	–	50
Chile	–	–	5	–	–	5	–
China	–	–	1 200	–	–	1 200	–
Congo	49	(49)	–	–	–	–	–
Cook Islands	1	–	–	–	–	1	–
Costa Rica	–	–	5	–	–	5	–
Côte d’Ivoire	–	–	29	85	–	114	–
Czechia	40	–	19	–	–	59	–
Democratic People’s Republic of Korea	23	(10)	7	–	–	–	20
Denmark	–	–	28 113	–	(173)	27 940	–
Djibouti	1	–	1	–	–	–	2
Dominican Republic	1	(1)	15	–	–	15	–
Equatorial Guinea	20	–	10	–	–	–	30
Eritrea	–	–	5	–	–	5	–
Estonia	–	–	63	64	–	127	–
Ethiopia	–	–	3	–	–	3	–
Fiji	–	–	2	–	–	2	–

Donor	Balance due to UNFPA as at 1 January	Adjustments for prior year	Commitments for current year (contribution income)	Contributions received in advance	Exchange gains/(losses)	Payments received and movements in contributions received in advance	Balance due to UNFPA as at 31 December
Finland	–	–	20 000	–	–	20 000	–
France	–	–	836	–	–	836	–
Gabon	–	–	17	–	–	17	–
Georgia	–	–	20	–	–	20	–
Germany	–	–	24 369	–	–	24 369	–
Ghana	72	(18)	18	–	–	–	72
Guatemala	5	–	2	–	–	7	–
Guinea Bissau	–	–	1	2	–	3	–
India	–	–	488	–	–	488	–
Indonesia	–	–	28	–	–	14	14
Iran (Islamic Republic of)	–	–	30	–	–	30	–
Ireland	–	–	3 171	–	–	3 171	–
Israel	–	–	55	–	–	55	–
Italy	–	–	2 041	–	(23)	2 018	–
Japan	18 089	–	19 024	–	–	18 089	19 024
Jordan	–	–	50	–	–	50	–
Kazakhstan	–	–	50	–	–	50	–
Kenya	–	–	10	–	–	–	10
Kiribati	–	–	15	–	–	15	–
Kuwait	–	–	10	–	–	10	–
Lao People’s Democratic Republic	–	–	3	–	–	–	3
Lesotho	2	–	2	–	–	–	4
Liberia	10	(10)	–	–	–	–	–
Liechtenstein	–	–	26	–	–	26	–
Luxembourg	–	–	2 899	–	7	2 906	–
Madagascar	15	(10)	–	–	–	–	5
Malawi	–	–	5	–	–	5	–
Malaysia	–	–	15	–	–	15	–
Maldives	5	–	–	–	–	5	–
Mali	–	–	8	7	–	15	–
Mauritania	–	–	3	–	–	–	3
Mauritius	–	–	3	–	–	–	3
Mexico	–	–	70	–	2	72	–
Micronesia (Federated States of)	–	–	3	–	–	3	–
Monaco	–	–	6	–	–	6	–
Mongolia	12	–	4	–	–	–	16
Morocco	–	–	12	–	–	12	–
Nepal	5	–	5	–	–	5	5
Netherlands	–	–	39 106	–	532	39 638	–
New Zealand	–	–	4 008	–	(44)	3 964	–
Nicaragua	–	–	5	–	–	5	–

Donor	Balance due to UNFPA as at 1 January	Adjustments for prior year	Commitments for current year (contribution income)	Contributions received in advance	Exchange gains/(losses)	Payments received and movements in contributions received in advance	Balance due to UNFPA as at 31 December
Niger	60	–	–	–	–	40	20
Norway	–	–	46 846	–	780	47 626	–
Oman	–	–	10	–	–	10	–
Pakistan	–	–	552	–	–	552	–
Panama	–	–	10	–	–	10	–
Papua New Guinea	18	(4)	3	–	–	–	17
Philippines	–	–	32	–	–	32	–
Poland	–	–	10	–	–	10	–
Qatar	–	–	60	–	–	60	–
Republic of Korea	–	–	99	–	–	99	–
Russian Federation	–	–	300	–	–	300	–
Samoa	–	–	3	–	–	–	3
Saudi Arabia	–	–	500	–	–	500	–
Seychelles	2	–	–	–	–	–	2
Sierra Leone	74	(7)	30	–	–	–	97
Singapore	–	–	5	–	–	5	–
Slovakia	–	–	6	–	–	6	–
South Africa	–	–	36	–	1	37	–
Sri Lanka	–	–	18	–	–	18	–
Swaziland	10	–	10	–	–	–	20
Sweden	–	–	59 044	–	3 355	62 399	–
Switzerland	–	–	16 145	–	(97)	16 048	–
Tajikistan	–	–	1	–	–	1	–
Thailand	–	–	150	147	–	297	–
Togo	–	–	5	–	–	5	–
Tokelau	2	–	–	–	–	–	2
Trinidad and Tobago	–	–	5	–	–	5	–
Tunisia	–	–	13	–	–	13	–
Turkey	–	–	150	–	–	150	–
Uganda	30	(11)	15	–	–	10	24
United Arab Emirates	–	–	10	–	–	10	–
United Kingdom of Great Britain and Northern Ireland	–	–	25 000	–	–	25 000	–
United Republic of Tanzania	3	–	–	–	–	3	–
United States of America	–	–	30 700	–	–	30 700	–
Uruguay	5	(5)	30	–	–	25	5
Vanuatu	–	–	1	2	–	3	–
Viet Nam	–	–	20	–	–	20	–
Zimbabwe	90	–	30	–	–	–	120
Private contributions	–	–	16	–	–	16	–

Donor	*Balance due to UNFPA as at 1 January*	*Adjustments for prior year*	*Commitments for current year (contribution income)*	*Contributions received in advance*	*Exchange gains/(losses)*	*Payments received and movements in contributions received in advance*	*Balance due to UNFPA as at 31 December*
Contributions equal or less than $500[a]	2	–	1	–	–	1	2
Subtotal	**18 758**	**(145)**	**352 526**	**7 271**	**4 524**	**363 261**	**19 673**
Government contribution to local office costs	–	–	282	–	–	282	–
Total	**18 758**	**(145)**	**352 808**	**7 271**[b]	**4 524**	**363 543**	**19 673**[c]

[a] Includes the Comoros, Guyana, Myanmar, Palau, Solomon Islands and Suriname.
[b] This amount is part of the deferred revenue presented in note 13.
[c] This amount is presented gross of allowance for doubtful accounts of $0.1 million.

Schedule B

Earmarked resources — revenue, expenses and fund balances for the year ended 31 December 2016

(Thousands of United States dollars)

	Fund balances as at 1 January	*Contributions*	*Other revenue and expenses*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Programme expenses*	*Fund balances at 31 December*	*Contributions receivable as at 31 December*
Trust funds									
Afghanistan	156	–	–	–	–	156	59	97	82
African Development Bank	1	–	–	–	–	1	–	1	–
Algeria	212	101	–	–	–	313	157	156	–
Andorra and Monaco	114	–	–	–	–	114	113	1	–
Angola	–	100	–	–	–	100	–	100	100
Australia	3 218	7 732	5	(31)	–	10 924	2 689	8 235	1 778
Austria	–	1 046	–	–	–	1 046	–	1 046	1 046
Belgium	620	10 707	–	–	–	11 327	1 010	10 317	5 847
Bill & Melinda Gates Foundation	5 068	–	–	(29)	–	5 039	4 526	513	–
Botswana	68	354	–	–	–	422	80	342	–
Boyner Holding and Group Companies	3	–	–	–	–	3	–	3	–
Brazil	827	707	–	–	–	1 534	175	1 359	297
Burkina Faso	4 490	–	–	–	–	4 490	–	4 490	3 619
Cameroon	34	–	–	–	–	34	(2)	36	–
Canada	58 840	42 134	15	–	–	100 989	15 226	85 763	54 284
Central African Republic	611	–	2	–	–	613	561	52	–
Chad	3 445	167	–	–	–	3 612	750	2 862	2 777
Children’s Investment Fund Foundation	155	–	–	–	–	155	142	13	–
Colombia	1 642	486	8	(77)	(1)	2 058	1 856	202	129
Congo	319	992	–	–	–	1 311	296	1 015	784
Costa Rica	47	–	–	–	–	47	47	–	–
Côte d’Ivoire	3 870	–	–	–	–	3 870	436	3 434	3 120
Democratic Republic of the Congo	–	2 500	–	–	–	2 500	–	2 500	1 500
Denmark	1 410	4 892	2	(86)	(4)	6 214	4 695	1 519	56
Dominican Republic	3	–	–	–	–	3	2	1	–

	Fund balances as at 1 January	*Contributions*	*Other revenue and expenses*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Programme expenses*	*Fund balances at 31 December*	*Contributions receivable as at 31 December*
El Salvador	–	7 994	–	–	–	7 994	352	7 642	7 484
Equatorial Guinea	1 693	356	1	–	–	2 050	1 288	762	–
European Community	7 666	20 383	20	(47)	5	28 027	15 107	12 920	298
Farmacity S.A.	16	13	–	–	–	29	14	15	–
Finland	7	1 460	–	–	–	1 467	21	1 446	1 439
Ford Foundation	8	225	–	–	–	233	202	31	–
France	7 291	3 311	8	–	–	10 610	6 341	4 269	–
Friends of UNFPA	506	294	–	–	(31)	769	263	506	50
Gabon	19	155	–	–	–	174	54	120	–
Gavi Alliance	45	221	–	(8)	–	258	38	220	–
Germany	547	209	–	14	–	770	65	705	–
Guatemala	1 850	2 643	–	–	–	4 493	3 642	851	–
H&M Hennes & Mauritz	8	–	–	–	(8)	–	–	–	–
Honduras	4 176	–	(4)	–	–	4 172	1 473	2 699	2 103
Indonesia	–	536	–	–	–	536	176	360	124
Ireland	2 750	912	14	–	–	3 676	2 026	1 650	–
Italy	3 626	2 705	1	–	–	6 332	1 616	4 716	2 511
Japan	9 948	17 282	(4)	(501)	–	26 725	17 735	8 990	1 300
Joint Programme-UNFPA: participating agent	50 099	23 623	11	–	–	73 733	58 050	15 683	–
Joint United Nations Programme on HIV/AIDS (UNAIDS)	8 140	4 478	(3)	(151)	–	12 464	7 609	4 855	2 625
KfW — Germany	5 011	–	–	–	–	5 011	4 747	264	–
Kuwait	17	–	–	–	–	17	–	17	–
Lebanon	108	211	–	–	–	319	73	246	200
Liberia	674	3 300	–	–	–	3 974	669	3 305	3 300
Luxembourg	2 182	6 192	4	–	–	8 378	2 360	6 018	4 330
MacArthur Foundation	600	432	–	–	–	1 032	280	752	512
Malaysia	44	400	2	–	–	446	237	209	–
Mali	5 160	–	–	–	–	5 160	499	4 661	4 160
Mama Malas	–	1	–	–	–	1	–	1	–

	Fund balances as at 1 January	*Contributions*	*Other revenue and expenses*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Programme expenses*	*Fund balances at 31 December*	*Contributions receivable as at 31 December*
Mauritania	1 934	–	–	–	–	1 934	285	1 649	1 560
MBC FZ LLC	129	–	–	–	–	129	129	–	–
Mexico	311	116	–	–	–	427	230	197	–
MTN Foundation	9	–	–	11	–	20	9	11	–
Multi-donor	17 872	15 544	8	–	–	33 424	12 476	20 948	3 188
Netherlands	17 520	(51)	4	(351)	(3)	17 119	7 926	9 193	1 732
New Zealand	3 367	–	(6)	–	–	3 361	719	2 642	1 340
Niger	6 901	–	–	–	–	6 901	643	6 258	5 564
Nigeria	3 446	1 302	4	(517)	–	4 235	3 476	759	14
Noble Energy	6 204	–	3	–	–	6 207	160	6 047	4 724
Norway	10 565	6 253	24	(36)	–	16 806	5 896	10 910	2 955
Office for the Coordination of Humanitarian Affairs	8 720	35 228	9	(736)	–	43 221	26 697	16 524	452
Oman	486	–	–	–	–	486	258	228	135
Oman, basic terms cooperation agreement	1 060	860	–	–	(16)	1 904	524	1 380	–
Oyu Tolgoi	169	–	–	–	–	169	36	133	78
Packard Foundation	713	–	–	(3)	–	710	260	450	–
Paraguay	–	154	–	–	–	154	–	154	154
PATH	114	(14)	–	(43)	–	57	57	–	–
Portugal	–	51	–	–	–	51	–	51	–
Private individuals	13	10	–	–	–	23	–	23	–
Productora de Pulpas Soledad	551	–	2	–	–	553	172	381	–
Qatar	70	–	–	–	–	70	5	65	–
Republic of Korea	6 396	9 299	17	–	–	15 712	7 498	8 214	1 615
Russian Federation	835	–	–	–	–	835	290	545	–
Sao Tome and Principe	175	29	–	–	–	204	170	34	–
Saudi Arabia	2 550	3 000	–	–	–	5 550	1 234	4 316	1 800
Sierra Leone	2 653	–	20	–	–	2 673	2 416	257	–
Small contributions	1 180	1 575	–	(21)	(55)	2 679	1 426	1 253	–
Sotici Foundation	3	–	–	–	(1)	2	1	1	–

	Fund balances as at 1 January	Contributions	Other revenue and expenses	Refunds	Transfers and adjustments	Total funds available	Programme expenses	Fund balances at 31 December	Contributions receivable as at 31 December
Spain	3 099	1 641	3	–	–	4 743	1 165	3 578	–
Swaziland	–	189	–	–	–	189	32	157	–
Sweden	28 881	17 706	6	(8)	–	46 585	13 069	33 516	16 264
Swedish United Nations Association	340	150	–	(1)	–	489	340	149	–
Switzerland	6 510	15 553	3	–	–	22 066	5 625	16 441	13 749
Syrian Arab Republic	45	–	69	–	–	114	114	–	–
Terre des hommes Albania	–	789	–	–	–	789	2	787	195
Thematic Trust Fund — multi-donor	201 686	79 623	944	–	40	282 293	148 719	133 574	22 433
Timor-Leste	82	(66)	–	–	–	16	13	3	–
Toms Shoes Inc.	34	178	–	–	–	212	49	163	–
Toros Agri	–	–	–	–	(1)	(1)	(1)	–	–
TOTAL-Congo	15	–	–	–	–	15	15	–	–
Turkmenistan	1 000	–	–	–	–	1 000	–	1 000	1 000
UNDP — Multi-Partner Trust Fund	14 747	21 911	17	(1 203)	–	35 472	23 583	11 889	–
United Kingdom of Great Britain and Northern Ireland	97 733	40 791	59	(252)	–	138 331	50 211	88 120	56 287
United Nations Children’s Fund (UNICEF)	6 389	9 249	10	(34)	–	15 614	12 520	3 094	59
United Nations Development Programme	2 740	10 600	12	(30)	–	13 322	8 635	4 687	516
United Nations Educational, Scientific and Cultural Organization	–	540	–	–	–	540	–	540	540
United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)	327	578	13	–	–	918	464	454	140
United Nations Fund for International Partnerships	174	885	2	(17)	–	1 044	473	571	120
Office of the United Nations High Commissioner for Refugees	–	330	–	–	–	330	330	–	–

	Fund balances as at 1 January	*Contributions*	*Other revenue and expenses*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Programme expenses*	*Fund balances at 31 December*	*Contributions receivable as at 31 December*
United Nations Integrated Mission in Timor-Leste	21	–	–	(21)	–	–	–	–	–
United Nations Office for Project Services	756	(120)	–	–	–	636	636	–	–
United Nations Trust Fund for Human Security	973	1 077	–	(10)	–	2 040	811	1 229	650
United States of America	34 425	32 562	123	(159)	–	66 951	40 903	26 048	15 757
Uruguay	376	474	–	–	–	850	631	219	83
Virgin Unite	4	–	–	–	(4)	–	–	–	–
World Bank	–	428	–	–	–	428	45	383	–
World Health Organization	8	7	–	–	–	15	14	1	–
World Vision Australia	89	–	1	–	–	90	39	51	–
Zonta International Foundation	335	2 000	(1)	11	–	2 345	484	1 861	1 500
Subtotal, trust funds	**692 084**	**479 685**	**1 428**	**(4 336)**	**(79)**	**1 168 782**	**539 669**	**629 113**	**260 459**
Special funds									
Contribution in kind — earmarked (goods)	2 275	1 037	–	–	–	3 312	1 510	1 802	1 206
Donor Reporting Resources	3 391	–	184	–	–	3 575	950	2 625	–
Electronic protocols software (UNICEF)	127	–	–	–	(6)	121	121	–	–
European Union finance specialist post	160	–	–	–	–	160	(1)	161	–
Global Contraceptive Commodity Programme	5 000	–	–	–	10	5 010	10	5 000	–
Inventory/items in transit — other resources	830	–	–	–	–	830	(1 131)	1 961	–
Junior Professional Officers programme	6 230	4 004	450	–	–	10 684	4 653	6 031	582
Pooled foreign exchange gains/losses for other resources	2 059	–	–	–	(5)	2 054	43	2 011	–
Population Award	1 747	–	16	–	–	1 763	23	1 740	–
Procurement services — non-third party services-related	13 695	–	2 540	–	187	16 422	2 711	13 711	293

	Fund balances as at 1 January	*Contributions*	*Other revenue and expenses*	*Refunds*	*Transfers and adjustments*	*Total funds available*	*Programme expenses*	*Fund balances at 31 December*	*Contributions receivable as at 31 December*
Rafael M. Salas Endowment Fund	1 095	–	10	–	–	1 105	63	1 042	–
United Nations Care Global Coordinator	948	1 094	–	–	–	2 042	955	1 087	–
Subtotal, special funds	**37 556**	**6 135**	**3 200**	**–**	**186**	**47 077**	**9 907**	**37 170**	**2 081**
Total	**729 640**	**485 820**	**4 628**	**(4 336)**	**107**	**1 215 859**	**549 576**	**666 283**	**262 540**

Note: Contributions and expenses as disclosed in this schedule include: "indirect cost" charges of $34.675 million and UNFPA contributions to joint programmes where UNFPA serves as a managing agent of $0.035 million. With the exception of this schedule and note 24 (b), expenses and earmarked contributions in other statements, notes and schedules are shown net of those amounts.

Schedule C
Third-party procurement services

Third-party procurement is procurement conducted by UNFPA, with no direct programme component, at the request and on behalf of third parties (governments, intergovernmental organizations, non-governmental organizations or United Nations entities, including the funds and programmes of the United Nations system and subsidiary organs of the United Nations). Such procurement is related to the UNFPA mandate and is consistent with its aims and policies. The terms of the procurement are specified in a procurement services contract. That contract includes a handling fee payable to UNFPA to defray its costs associated with conducting the procurement.

(Thousands of United States dollars)

	Fund balances as at 31 December 2015 reclassified as liabilities	*Receipts for procurement services*	*Adjustments and transfers*	*Total funds available*	*Cost of procurement services*	*Net advances as at 31 December 2016*
Institutions						
Governments and intergovernmental institutions	5 133	15 240	1 243	21 616	11 574	10 042
UNDP and other United Nations organizations	504	2 923	2	3 429	3 534	(105)
Non-governmental organizations	206	1 359	(56)	1 509	1 361	148
Total	**5 843**	**19 522**	**1 189**	**26 554**	**16 469**	**10 085**

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Schedule D
Unearmarked and earmarked expenses for the year ended 31 December 2016

(Thousands of United States dollars)

	Country programmes, global and regional interventions, and other programme activities				*Institutional budget*		*Corporate*				*Total*			
	Unearmarked		*Earmarked*		*Unearmarked*		*Unearmarked*		*Earmarked*		*Unearmarked*		*Earmarked*	
	2016	*2015*	*2016*	*2015*	*2016*	*2015*	*2016*	*2015*	*2016*	*2015*	*2016*	*2015*	*2016*	*2015*
Staff costs	94 018	94 598	36 018	31 768	110 663	111 239	13 320	18 550	9 014	7 677	218 001	224 387	45 032	39 445
Reproductive health and other programme-related goods	7 531	14 129	153 547	145 832	15	58	13	(386)	2 162	(270)	7 559	13 801	155 709	145 562
Development and training of counterparts	27 821	42 166	74 607	76 686	52	52	–	(1)	(34)	(27)	27 873	42 217	74 573	76 659
Supplies, materials and operating costs	52 501	63 489	83 383	81 675	18 564	19 218	281	(1 389)	(2 033)	1 410	71 346	81 318	81 350	83 085
Contracted and professional services	48 113	61 125	99 071	92 139	3 906	4 944	180	453	283	427	52 199	66 522	99 354	92 566
Finance costs	130	125	369	531	10	13	37	41	–	–	177	179	369	531
Travel	23 915	32 586	36 583	33 567	2 225	3 079	(245)	(184)	197	203	25 895	35 481	36 780	33 770
Depreciation and amortization	3 011	3 001	431	462	1 514	1 395	1 724	1 812	2	4	6 249	6 208	433	466
Impairment	3	8	–	–	(74)	250	(5)	5	–	–	(76)	263	–	–
Other expenses	1 244	2 147	21 223	22 562	(92)	6	(2 723)	10 197	43	4	(1 571)	12 350	21 266	22 566
Total expenses	**258 287**	**313 374**	**505 232**	**485 222**	**136 783**	**140 254**	**12 582**	**29 098**	**9 634**	**9 428**	**407 652**	**482 726**	**514 866**	**494 650**

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