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Fund of the United Nations Environment Programme

Financial report and audited financial statements

for the year ended 31 December 2016

and

Report of the Board of Auditors

United Nations • New York, 2017

Note

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

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Contents

Letters of transmittal

Letter dated 31 March 2017 from the Executive Director of the United Nations Environment Programme addressed to the Chair of the Board of Auditors

In accordance with regulation 6.2 and rule 106.1 of the Financial Regulations and Rules of the United Nations, I have the honour to transmit the financial report and accounts of the United Nations Environment Programme, including associated trust funds and other related accounts, for the year ended 31 December 2016, which I hereby approve on the basis of the attestations of the Chief Finance Officer, United Nations Office at Nairobi, and the Chief, Resources Management, United Nations Environment Programme.

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

(*Signed*) Erik **Solheim**
Executive Director
United Nations Environment Programme

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 Environment Programme for the year ended 31 December 2016.

(*Signed*) Shashi Kant **Sharma**
Controller 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 Fund of the United Nations Environment Programme (UNEP), which comprise the statement of financial position (statement I) as at 31 December 2016, the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget to actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UNEP as at 31 December 2016 and financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of UNEP that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

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

(*Signed*) 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

Chapter II
Long-form report of the Board of Auditors

Summary

The United Nations Environment Programme (UNEP) is mandated to assist and support Member States to protect the environment by inspiring, informing and giving them the means to improve the living standards of their populations without compromising those of future generations. UNEP headquarters is in Nairobi, but it has a global presence of six regional offices, eight liaison offices, plus a growing network of collaborating centres of excellence. It has 1,156 staff members, of whom 466 are based in Nairobi.

The audit was conducted primarily to enable the Board of Auditors to form an opinion as to whether the financial statements present fairly the financial position of UNEP 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 UNEP operations in accordance with financial regulation 7.5 of the United Nations, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations. The report also includes a brief commentary on the status of implementation of the Board's recommendations from previous years.

Audit opinion

The Board issued an unqualified audit opinion on the financial statements of UNEP for the year ended 31 December 2016. The Board's opinion is reflected in chapter I of the present report.

Overall conclusion

The Board found no major deficiencies in the financial management and operations of UNEP. However, the Board identified scope for improvements in a number of areas, including project monitoring and reporting, submission and approval of travel requests, and submission of travel expenses reports to account for travel expenses incurred by applicable staff members. Furthermore, while UNEP significantly attained its programme of work for the year 2016, the Board noted a substantial number of projects that are operationally closed but have not been financially closed to account for the use of advances. The Board also noted that UNEP lacks an anti-fraud policy to guide management in addressing risks of fraud at all levels of its operations.

Key findings

The Board has identified a number of issues that need to be considered by management in order to enhance the effectiveness of UNEP operations. In particular, the Board highlights the key findings set out below.

Completed projects not audited

From the review of 14 completed projects with total expenditure of $23.6 million, the Board noted that three projects under five implementing partners with total expenditure of $11.8 million had not been audited as at December 2016. The failure to audit the projects contravenes section 7 (f) of the UNEP programme manual, which requires implementing partners to submit a project audit report within 180 days of the completion of work.

Delayed financial closure of operationally closed projects

The Board found that 219 (73 per cent) of 299 projects were operationally closed for the past two to 15 years but had not been financially closed by November 2016. Delayed closure of projects is contrary to section 11 (c) of the UNEP programme manual (May 2013), which requires projects to be financially closed within two years from the date of operational closure. It also affects clearance of obligations and increases the risk of unspent balances being misused. UNEP attributed the delay to factors such as non-submission of reports by implementing partners, pending settlement of the final amount receivable or payable to the implementing partner, and delay in receipt of final audit reports.

Lack of an anti-fraud policy

UNEP does not have an anti-fraud policy to guide management in addressing risks of fraud at all levels of operations. The Board considers that since most of the operations of UNEP are undertaken by implementing partners, usually in risky and remote areas, an organization-wide anti-fraud policy is crucial to guide management and define responsibilities on fraud in order to have a consistent approach to fraud detection, measurement and reporting in place across all implementing partners.

Lack of a standard time for review and approval of projects

During review of the project development process for 96 projects, the Board noted that the time taken at each stage from the date the project document was submitted to the Quality Assurance Section to the time it was sent to the Project Review Committee and finally to the Deputy Executive Director for approval, varied substantially from case to case. For example, the time from submission of the project document to the date of the Project Review Committee meeting ranged from two to 112 days, and the time from the Project Review Committee meeting to the date the Deputy Executive Director approved the project ranged from 16 to 421 days.

Recommendations

The main recommendations are that UNEP:

(a) **Institute control measures, such as regular reminders and follow-up with implementing partners, so that they comply with the UNEP reporting requirements set out in the project document and submit the consolidated final audited financial statements on completed projects to provide assurance over the expenditure incurred in the implementation of the projects;**

(b) **Enhance its follow-up efforts with implementing partners to submit the required reports on time to expedite financial closure of operationally closed projects;**

(c) **Develop a fraud policy to ensure that a consistent approach to fraud detection, measurement and reporting is in place across all implementing partners;**

(d) **Introduce and properly follow a standard time for each stage of project development to avoid delays in submission of projects for review and approval so that implementation of the programme of work is not affected.**

Key facts

$153.10 million	Original Environment Fund and regular budget
$91.10 million	Final Environment Fund and regular budget
$744.78 million	Revenue
$561.34 million	Expenses
1,156	Staff members

A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements of the Fund of UNEP and reviewed its operations for the financial period ended 31 December 2016 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of the Fund of UNEP as at 31 December 2016 and its financial performance and cash flows for the financial period then ended, and that they have been properly prepared in accordance with IPSAS. The audit included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies, and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules. It also included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

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

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

United Nations Environment Programme: background

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

Governing Council, and the Malmö Ministerial Declaration of 31 May 2000. It was founded as a result of the United Nations Conference on the Human Environment in June 1972 and has its headquarters in Nairobi.

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

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

Global Environment Facility

8. UNEP is an implementing agency of the Global Environment Facility (GEF), which funds projects in developing countries on biological diversity, climate change, international waters, land degradation and chemicals. GEF receives voluntary contributions from 15 Member States. The adoption and evaluation of the programmes of GEF are the responsibility of its Council.

9. UNEP manages the funds and projects allocated to it from GEF through five trust funds, which are subject to annual audits by the Board. For the financial year ended 31 December 2016, the trust funds collected total revenue of $232.2 million and incurred total expenses of $79.99 million. The Board also provides an annual audit opinion on these trust funds at the request of UNEP and the GEF trustee (World Bank).

Multilateral environmental agreements

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

B. Findings and recommendations

1. Follow-up of previous recommendations

11. Of the 23 recommendations outstanding as at 31 December 2015, 14 (61 per cent) were fully implemented, seven (31 per cent) were under implementation, one (4 per cent) has not been implemented and one (4 per cent) has been overtaken by events. Details of the status of implementation of these recommendations are set out in the annex to the present report.

12. The unimplemented recommendation requires UNEP to review the useful lives of all assets and residual values to ensure that the asset register is updated to reflect the restated figures. UNEP is dependent on United Nations Headquarters to initiate the process, which has not yet taken place. The recommendation that was overtaken

by events required a revised project to be approved by the Project Review Committee, but the project has now been closed and the new delegation of authority policy and framework approved in May 2016 delegates the approval of project extension to division and regional directors instead of the Project Review Committee.

2. Financial overview

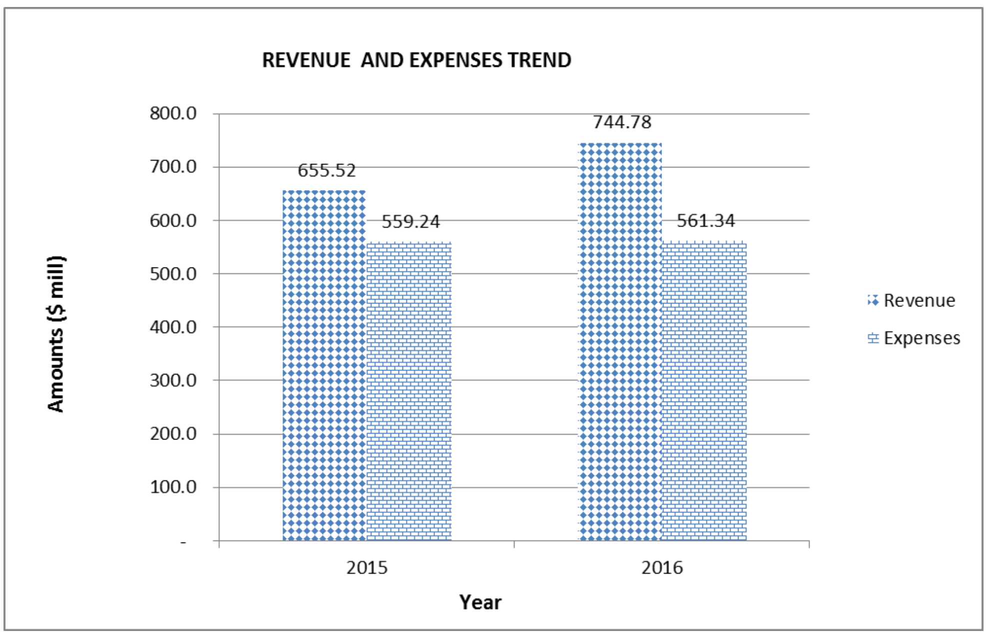
Financial performance and position

13. In 2016, UNEP reported total revenue of $744.78 million (2015: $655.52 million) and total expenses of $561.34 million (2015: $559.24 million), resulting in a surplus of $183.44 million (2015: $96.28 million). Total assets as at 31 December 2016 amounted to $1,750.52 million (2015: $1,593.44 million), comprising current assets of $1,035.28 million (2015: $977.54 million) and non-current assets of $715.24 million (2015: $615.90 million). Total liabilities amounted to $336.29 million (2015: $332.11 million), resulting in net assets of $1,414.23 million (2015: $1,261.33 million).

14. A comparison of revenue and expenses for the financial years 2015 and 2016 is illustrated in the figure below.

Financial performance pattern

(Millions of United States dollars)



Source: UNEP 2016 financial statements.

Revenue analysis

15. Voluntary contributions form a major part of the revenues of UNEP. During 2016, UNEP received total contributions of $712.58 million (2015: $625.00 million), of which $498.89 million (70 per cent) represents voluntary contributions from various donors, as compared with $401.88 million (64 per cent) in 2015. The remaining $213.69 million (2015: $223.12 million), equivalent to 30 per cent, represents assessed contributions from Member States. In the current year, voluntary contributions increased by $97.01 million (19 per cent) compared with a decline of $79.8 million (16 per cent) in 2015. The increase in voluntary contributions is

attributed mainly to the increase in funding from GEF, whereby GEF project approvals in 2016 were $74.5 million higher than in 2015. GEF funding relates primarily to multi-year projects for which, in accordance with the United Nations IPSAS policy framework, revenue is recognized in full following project approval by GEF and receipt of a letter of commitment from the GEF trustee. GEF project expenditure, however, is recognized in the year to which it relates. Other revenue increased to $1.53 million in 2016 from $223,000 in 2015, largely owing to refunds from various funds that received disbursements from UNEP in previous periods.

Expense analysis

16. Total expenses increased slightly, by $2.10 million (0.4 per cent), from $559.24 million in 2015 to $561.34 million in 2016. The increase is attributed mainly to the increase in grants and other transfers to counterparts for implementation of various projects.

17. Grants and other transfers for the period amounted to $262.02 million (2015: $246.84 million), which accounts for 47 per cent of the total expenses of $561.34 million. The reported amount of grants and transfers include outright grants and transfers to implementing partners and other entities as well as quick-impact projects.

Ratio analysis

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

Table II.1
Ratio analysis

Description of ratio	*31 December 2016*	*31 December 2015*
Current ratio[a]		
Current assets: current liabilities	5.17	4.74
Total assets: total liabilities[b]	5.21	4.80
Cash ratio[c]		
Cash plus investments: current liabilities	2.35	2.13
Quick ratio[d]		
Cash plus investments plus accounts receivable: current liabilities	3.69	3.46

Source: UNEP 2016 financial statements.

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

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

[c] The cash ratio is an indicator of an entity's liquidity by measuring the amount of cash, cash equivalents and 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.

19. The analysis of ratios above indicates the healthy financial position of UNEP as at 31 December 2016. UNEP has a strong liquidity position as indicated by current, quick and cash ratios. In addition, the solvency of UNEP is strong as measured by the ratio of total assets to total liabilities. During the year under review, the revenue of UNEP increased by $89.25 million with only a slight increase in expenses of $2.10 million, resulting in a surplus of $183.43 million. Likewise,

total assets increased by $157.08 million or 9.8 per cent, while total liabilities recorded only a marginal increase of $4.2 million, or 1.3 per cent. A combination of all these factors accounted for improved liquidity and solvency ratios for UNEP.

3. Programme and project management

Delayed financial closure of operationally closed projects

20. Section 11 (c) of the UNEP programme manual (May 2013) requires financial closure of projects within 24 months of the operational closure of the project and once the project is financially closed, no additional financial transactions can be effected in the system.

21. In its previous reports (A/70/5/Add.7 and A/71/5/Add.7), the Board raised concerns over delays in financial closure of projects. During the year under review, the Board continued to note a similar deficiency, whereby out of 299 operationally closed projects with total actual expenditure of $586.6 million, 219 projects (73 per cent) had not been financially closed although they had been operationally closed for between two and 15 years. These projects had a total expenditure of $504.86 million and an unspent fund balance of $110,000. UNEP attributed the delays in financial closure of projects to delays in receipt of substantive reports on project completion, final expenditure reports and final audit reports, as well as delays in the settlement of final amounts receivable or payable to the implementing partner and in approvals to transfer property, plant and equipment. Table II.2 shows an age analysis of the projects that have not been financially closed.

Table II.2
Age analysis of operationally closed projects

Age group (years)	*Number of projects*
2 years, less than 5 years	92
5 years, less than 8 years	76
8 years, less than 11 years	42
11 years, less than 14 years	6
14 years, less than 17 years	3

Source: UNEP project data.

22. UNEP informed the Board that it had issued new guidelines and procedures to all fund management officers on the clearance of receivables outstanding for more than five years, with an expectation that these will be closed towards the third quarter of 2017. Once that portion of the projects is cleared, efforts will be focused on advances that remain outstanding for more than two years. UNEP also stated that it will continue to follow up with divisional managers and managements of the multilateral environmental agreements to obtain the documents needed to ensure timely closure of the projects. According to UNEP, the process to close projects cannot commence until the outstanding advances have been cleared.

23. While recognizing management's efforts to develop new guidelines and procedures, the Board is concerned that the delay has continued despite its recommendations in its previous reports. This highlights that measures being taken have not been fully addressing the underlying causes of the delays and the follow-up efforts are not adequate. Protracted delays in financial closure of operationally closed projects inhibit clearance of obligations and increase the risk of unspent balances being misused.

24. **The Board recommends that UNEP enhance its follow-up efforts with implementing partners to submit the required reports on time so as to expedite financial closure of operationally closed projects.**

Lack of standard time frame for review and approval of projects

25. Sections 3 and 4 of the UNEP programme manual, which cover the project development cycle, defines the various stages of project development and approval, such as project design, submission of project documents to the divisional director for review and signature, submission through the Quality Assurance Section to the Project Review Committee for review and comments, and finally submission for approval to the Deputy Executive Director or other person to whom authority has been delegated. However, the manual does not provide a time frame for the review and approval of projects at each stage of the process.

26. The Board noted that it takes a long time for a project document to be approved by the Deputy Executive Director. For instance, 96 projects reviewed by the Board showed that it took between two and 112 days from the submission of a project document to the date of a Project Review Committee meeting, and between 16 and 421 days from the Committee meeting to the date the project is approved by the Deputy Executive Director. Most of the time is spent at the division level in reworking the project document and integrating the comments of the Committee into the document before it is resubmitted for final review and approval. For instance, documents for six projects had to be resubmitted for review and approval, but in the process they were delayed for periods ranging from six months to more than two and a half years.

27. The Board considers that the variation in the time taken is mainly because of a lack of provision in the programme manual concerning the time frame for each stage in the project development process. The lack of standard time frames impedes management in its evaluation of the efficiency of the project review and approval process. It also increases the risk that the delayed projects may go beyond the current programme cycle, and therefore affect timely implementation of the programme of work.

28. Management explained that, in 2016, UNEP started a process to integrate and harmonize its various processes for project cycle management into a single and improved process to address the noted deficiencies. New standards have been adopted whereby Project Review Committee meetings will take place within three days of receiving the project submission; the Committee will have one week to review and assess the project documentation; and the Quality Assurance Section will deliver feedback from the Committee meeting to the project proponents within three days after the meeting. The Board notes the initiatives taken by management, but considers that UNEP needs to demonstrate how the newly adopted business standards work to eradicate the noted deficiencies.

29. **The Board recommends that UNEP introduce and properly follow a standard time frame for each stage of project development to avoid delays in submission of projects for review and approval so that implementation of programme of activities is not affected.**

Completed projects not audited

30. According to section 7 (f) of the UNEP programme manual, projects under agreements between UNEP and implementing partners that exceed a value of $200,000 are to be audited at the end of their implementation and an audit report is to be submitted within 180 days of the completion of work. The objective of an audit is to provide UNEP with an assurance that its resources are being well

managed, in particular to ensure that expenditures have been incurred in accordance with the objectives outlined in the project document.

31. The Board reviewed 14 out of 30 completed projects with a cumulative total expenditure of $23.6 million and noted that three projects (with a cumulative total expenditure of $11.8 million) under five implementing partners that were completed between June and July 2016 had not been audited by 30 April 2017. The Board was informed that the projects had not been audited because the financial reports were not submitted when requested and the follow-up with the implementing partners to obtain the reports was not successful. Non-submission of an audit report is contrary to section 7 (f) of the UNEP programme manual.

32. The Board found that as at the time of its final audit in April 2017, audit reports had not been submitted for any of the three projects. The Board is of the view that the noted deficiencies highlight the lack of stringent controls, such as regular reminders and follow-up with implementing partners by UNEP management. Without audits of the projects, it will be difficult for management and other stakeholders to have adequate assurance over the project expenditures.

33. **The Board recommends that UNEP conduct a regular follow-up with implementing partners to ensure that they comply with the UNEP programme manual by submitting consolidated audited financial statements on completed projects to provide assurance over the expenditure incurred during the implementation of the projects.**

Lack of an anti-fraud policy

34. In response to General Assembly resolutions 69/249 A and 70/255, the Secretary-General developed the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat, which was issued in September 2016 (information circular ST/IC/2016/25, annex). The objective of the Framework is to assist the Secretariat in promoting a culture of integrity and honesty by providing guidance to staff members and other personnel on how the Secretariat should act to prevent, detect, deter, respond to and report on fraud and corruption issues.

35. The Board found that UNEP lacks an anti-fraud policy document that guides management in addressing risks of fraud at all levels of the organization's operations. The Board believes that an anti-fraud policy is a vital document for UNEP to provide specific guidelines and responsibilities regarding appropriate actions to be followed in the investigation of fraud and other corrupt practices.

36. Since most UNEP operations are undertaken by implementing partners, usually in remote and risky areas, the Board considers that an organization-wide anti-fraud policy is crucial for UNEP to clearly outline the principles and procedures to detect and mitigate fraud, report suspected fraud or corruption, and set out the channels that should be used to report any concerns.

37. Management stated that the High-level Committee on Management task force on common definitions related to fraud, of which UNEP is a member, is in the process of developing an information-sharing platform for tracking and managing implementing partners and an assessment of tools that may be used by the United Nations organizations.

38. The Board notes UNEP involvement in the initiative under the High-level Committee on Management, but considers that such a process supplements rather than replaces the need to develop a fraud policy. The policy is vital to UNEP as it will provide a more coherent and consistent approach to dealing with fraud, including having common tools to detect and report fraud cases as well as fraud response plans.

39. **UNEP agreed with the Board's recommendation to develop an anti-fraud policy to ensure that a consistent approach to fraud detection, measurement and reporting is in place across all implementing partners.**

4. Human resources management

Low certification rate of time statements and inaccurate annual leave balances

40. According to the Staff Regulations of the United Nations and Staff Rules, employees accrue annual leave days of 2.5 and 1.5 days per month for fixed-term and temporary appointments respectively. The Umoja system performs automatic accrual of staff leave according to contract type. Staff members are required to ensure that their leave requests for the previous month have been submitted to management using the employee self-service module in Umoja and to certify their monthly time statements at the end of each month, and to certify their annual time statement issued on 29 April of each year.

41. The Board noted deficiencies in relation to the leave balances of some staff as at September 2016 as follows:

- 73 per cent (841 staff) of the 1,156 total UNEP staff had not certified their annual time statements for the 2015/16 leave cycle issued in April 2016
- 75 per cent (867 staff) of the 1,156 total UNEP staff had not certified their September 2016 time statement
- Five staff members had negative leave balances ranging between minus 17.5 and minus 0.5 days. The Board found that the negative balances for three of the staff members were because of an error whereby leave days were recorded although the staff members had not requested advance leave. Further review revealed that none of the staff members with negative leave balances had certified their annual statements for the year 2015/16 and only one staff member had certified his September time statement as required by the Staff Rules.

42. Although management was unable to provide reasons for the low certification rate by staff members, the Board considers that the deficiency is the result of inadequate monitoring of leave balances by time managers. Failure to certify monthly time statements and the annual time statement by staff members may affect leave balances and the annual leave liability reported in the financial statements.

43. **The Board recommends that UNEP: (a) strengthen monitoring mechanisms to ensure that staff members record and certify their leave balances in Umoja in a timely manner; and (b) review and verify all leave records to ensure the accuracy of the balances of all staff members.**

Delays in submission and approval of travel requests

44. Section 3.3 of the administrative instruction on travel (ST/AI/2013/3 and Amend.2) states that in accordance with staff rule 7.8, all travel arrangements for individuals travelling on behalf of the United Nations should be finalized 16 calendar days in advance of commencement of official travel, and that programme managers will be required to provide justification on all official travel arrangements that could not be finalized 16 calendar days in advance of the commencement of the travel.

45. Travel arrangements fall under a common shared services framework in which the Travel, Shipping and Visa Unit of the United Nations Office at Nairobi provides travel processing services to UNEP. UNEP staff members create travel requests in the Umoja employee self-service module, which need to be certified by UNEP

certifying officers before the requests are sent to the Unit for approval and tickets are issued by the travel agent.

46. Procedures for travel arrangements at the United Nations Office at Nairobi require five days for processing a travel request: two days for UNEP certification of the travel request and three days for approval by the Travel, Shipping and Visa Unit and processing of the ticket. Travellers are therefore required to submit travel requests 21 days before the date of travel for the process to be finalized within 16 days in accordance with the instructions.

47. The Board reviewed all travel requests for nine months from 1 January to 30 September 2016 and noted that 3,755 staff travel requests were approved for travel, out of which 2,185 requests (58 per cent) related to tickets issued less than 16 calendar days before travel. UNEP attributed the late booking of tickets to cases such as trips for staff members initiated in response to an invitation from entities outside UNEP or from entities that UNEP is serving. According to UNEP, notifications for such travel are often submitted without allowing sufficient time to process the bookings within 21 days. Nevertheless, the Board noted that the delayed bookings questioned by the Board were mainly because of delays both by staff members in submitting travel requests to the UNEP certifying officer and by the UNEP certifying officer in approving the request and submitting it to the United Nations Office at Nairobi approving officer. There were also cases of delays by the Travel, Shipping and Visa Unit in processing and approving travel requests to allow the travel agent to issue the ticket.

48. Furthermore, the Board noted 268 cases of travel requests that were approved after the travel date. Of the 268 post facto cases, 50 travel requests were submitted on time by the staff members, between 22 days and 66 days before the date of travel. However, no explanations were provided by management to justify delays in issuing tickets for these cases. Details are shown in table II.3.

Table II.3
Analysis of staff travel requests[a]

Step of travel request processing	*Number of travel requests delayed*	*Percentage of travel requests approved*	*Percentage of travel requests for which approval was delayed*
Submission by staff member to UNEP for certification	1 867	49.7	85
UNEP certification and submission to Travel, Shipping and Visa Unit of the United Nations Office at Nairobi	754	20	34.5
Approval and ticket issue by Travel, Shipping and Visa Unit	561	15	26
Post facto approval	268	7	12

Source: Umoja travel report, 30 September 2016.

[a] The percentages do not tally because one or more travel requests may have been delayed at one or more steps, i.e. travel request by staff, certification by UNEP and approval by the United Nations Office at Nairobi.

49. The Board is of the view that non-compliance with the administrative instruction on travel means that UNEP is not maximizing the use of its travel resources by benefiting from cheaper airfares which are likely to be available for early bookings.

50. **The Board recommends that UNEP arrange travel in accordance with travel plans and provide enough time for ticket processing to comply with the administrative instruction on travel.**

Non-submission of overdue travel expenses reports

51. According to section 13 of the administrative instruction on travel (ST/AI/2013/3 and Amend.2) staff members are required to submit a completed travel reimbursement claim on form F.10 to their executive or administrative office within two calendar weeks after completion of travel other than under the lump-sum option, or complete part C of form PT.165 and provide the certification and supporting evidence required in that form within the same period for travel under the lump-sum option.

52. Furthermore, paragraph 13.3 of the same administrative instruction requires recovery of travel advances through payroll deduction to be initiated if a staff member fails to submit a duly completed F.10 form, together with the supporting documentation, within the stated period after completion of travel. Paragraph 13.6 requires the entire amount of the lump sum to be recovered through payroll deduction if the staff member fails to comply with the terms and conditions of using the lump-sum option as authorized, including but not limited to the failure to submit a duly completed PT.165 form and the required documentation within two calendar weeks after completion of travel.

53. To complete the required documentation, a traveller has to create a travel expense report through the employee self-service portal by uploading the required documentation and submitting the expense report for approval. Once approved by the travel and shipment approver, the system routes it to the processing officer for final approval as recognized travel expenses.

54. The Board reviewed the Umoja travel report for UNEP travel in 2015 and 2016 as at 31 December 2016 and noted that out of 20,313 trips made in 2015 and 2016, a total of 1,139 trips (2015: 302 trips, and 2016: 837 trips) did not have travel expenses reports 14 days after the date the staff member returned from travel.

55. The Board further found that, of the 1,139 trips with no travel expenses reports, 286 trips had open advances amounting to $420,023 up to December 2016 (2015: 21 trips, and 2016: 265 trips). The missing expenses reports were overdue two calendar weeks after the date of completion of travel and advances were not recovered from the monthly salaries of the staff member in accordance with the requirement of administrative instruction ST/AI/2013/3 and Amend.2. From analysis by the Board, the delays in submitting expenses reports ranged from 1 to 700 days, as shown in table II.4.

Table II.4
Analysis of travel with missing expenses reports

Number of days overdue	*Number of trips with missing expenses report*
0-100	15
101-200	358
201-300	197
301-400	200
401-500	144
501-600	173
601-700	52
Total	**1 139**

Source: Umoja, trips with missing expenses reports as at 31 December 2016.

56. The Board considers that the non-submission of travel expenses reports highlights weakness in internal controls over travel advances to ensure that travel expenses reports are submitted in a timely manner.

57. UNEP explained that a lot has been done by way of broadcasts and outreach efforts to remind staff of the requirement to submit travel expenses reports. Furthermore, the recovery process of unsettled advances has already been implemented in Umoja from April 2017 for United Nations-wide users. However, the Board is of the view that management has been lenient in not taking action as expenses reports have been overdue for up to more than 600 days.

58. **The Board recommends that UNEP strengthen its mechanism for the recovery of travel advances to ensure timely submission of travel expenses reports to allow complete recording of expenses and receivables.**

Non-attainment of the e-performance appraisal target

59. Paragraphs 2.2 and 2.3 of administrative instruction ST/AI/2010/5 and Corr.1 on the Performance Management and Development System states that the function of the System is to promote communication between staff members and supervisors on the goals and key results to be achieved and the success criteria by which individual performance will be assessed, and that the System will also promote continuous learning, recognize successful performance and address performance shortcomings. The System is supported by an electronic application (e-PAS or e-performance) that captures the main stages of the staff performance evaluation process such as the workplan, the midpoint review and the end-of-year performance appraisal. The purpose of the System is to improve the delivery of programmes by optimizing performance at all levels.

60. The Board reviewed electronic performance data extracted from the e-PAS system for the financial years 2014, 2015 and 2016 and noted a trend of steady improvement for the past three years. However, the Board found that 43 performance appraisals were either not completely done or were in progress in the e-PAS system for the years 2014, 2015 and 2016 as analysed in table II.5. The 43 performance appraisals include the performance appraisal for three staff members which were not completed for all three years consecutively.

Table II.5
Status of e-PAS for three years, 2014 to 2016

Status	*2014*	*2015*	*2016*
Total UNEP staff	**1 131**	**1 116**	**1 156**
Appraisal not done	8	3	4
e-performance in progress (not completed)	3	5	8
Midpoint review in progress (not completed)	–	–	4
Workplan in progress (not completed)	3	3	2
Total e-PAS not completed	**14**	**11**	**18**

Source: UNEP, Human Resources Section.

61. Management stated that UNEP is committed to 100 per cent compliance with the staff performance appraisal system. The limitation of the monitoring tool is that staff members who have left the organization through resignation, retirement, termination, death, medical leave or special leave without pay are not captured. The Board notes the management responses, but the 43 staff are continuing staff

members and not from categories mentioned by management. The Board considers that incomplete performance appraisals highlight non-compliance with the Staff Regulations of the United Nations and Staff Rules.

62. **The Board recommends that UNEP ensure that staff performance appraisals are completed for all staff in accordance with the Staff Regulations of the United Nations and Staff Rules.**

5. Risk management

Inadequate implementation of the enterprise risk management policy

63. Enterprise risk management is a systematic process through which risk that can affect the ability of an organization to achieve its objectives are identified, prioritized and managed.

64. In November 2011, the Secretariat of the United Nations issued its enterprise risk management policy. Through this document, the United Nations adopted an integrated enterprise risk management and internal control framework that provides a consistent and comprehensive risk management methodology across the entire Secretariat, including UNEP. Because of differences in the nature of operations, departments and offices were required to tailor their enterprise risk management policies to the enterprise risk management policy of the Secretariat as a whole.

65. UNEP has not yet prepared an enterprise risk management policy to suit its environment. In February 2015, UNEP started to prepare an enterprise risk management implementation plan, but it has not yet been finalized. The Board was informed that management had planned to review the draft implementation plan in the first quarter of 2017 before resubmitting it to the Secretariat for review and approval. However, as at the time of finalizing the audit in April 2017, the draft had not been completed.

66. Management explained that steps towards full implementation of the enterprise risk management policy coincided with the deployment of the Umoja enterprise resource planning system, and that, therefore, implementation of enterprise risk management had been delayed because of the overwhelming drain on resources brought about by the implementation of enterprise resource planning. The activity had therefore been deferred to 2017. The Board was not provided with evidence to support steps taken by management towards full implementation of the enterprise risk management policy.

67. The Board is concerned that UNEP was required to tailor the enterprise risk management policy to suit its environment and to implement the policy, but it had not attained even an approved implementation plan six years after the decision was made. This reflects inadequate management willingness to implement enterprise risk management. The Board is of the view that a delay in the implementation of enterprise risk management has an impact on an effective and efficient risk management process within the organization.

68. **The Board recommends that UNEP expedite the implementation of enterprise risk management to ensure an effective and efficient risk management process.**

C. Disclosures by management

69. UNEP made the following disclosures relating to write-offs, ex gratia payments and cases of fraud and presumptive fraud.

1. Write-off of cash, receivables and property

70. UNEP informed the Board that, in accordance with financial rule 106.8, losses of cash and receivables amounting to $0.017 million were written off in 2016. UNEP reported no losses with respect to property in 2016.

2. Ex gratia payments

71. Management confirmed that UNEP did not make any ex gratia payments in 2016.

3. Cases of fraud and presumptive fraud

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

73. During the audit, the Board makes 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 has identified or brought to their attention. We also inquire whether management has any knowledge of any actual, suspected or alleged fraud, including enquiries made to the Office of Internal Oversight Services. The additional terms of reference governing external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in the audit report.

74. In 2016 the Board did not identify any cases of fraud and UNEP reported no cases of fraud or presumptive fraud.

D. Acknowledgement

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

(*Signed*) 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

Annex

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

						Status after verification			
Number	*Financial period in which recommendation was first made and report reference*	*Para. no.*	*Summary of recommendation of the Board*	*UNEP response*	*Assessment of the Board*	*Implemented*	*Under implementation*	*Overtaken by events*	*Not implemented*
1	2015 A/71/5/Add.7, chap. II	23	The Board recommends that UNEP strengthen the review of the accounts during and after the production of the financial statements to enhance the timely detection of errors and omissions.	A thorough review of the 2016 financial statements was conducted by the UNEP Corporate Services Division commencing in October 2016, with two Professional staff and an assistant fully dedicated to the review throughout January to March 2017. The United Nations Office at Nairobi was advised of all errors and omissions detected, and these were corrected prior to the issuance of the 2016 financial statements.	The Board reviewed the year-end 2016 financial statements review process by management and noted significant improvements in timely detection of errors and omissions.	X			
2	2015 A/71/5/Add.7, chap. II	27	The Board recommends that UNEP prepare an IPSAS benefits realization plan to ensure effective monitoring and realization of the intended benefits.	UNEP has now developed an entity-specific IPSAS benefits realization plan for effective monitoring and realization of intended benefits.	The Board assessment noted that UNEP has developed an IPSAS benefits realization plan for effective monitoring and realization of the intended benefits.	X			
3	2015 A/71/5/Add.7, chap. II	29	The Board recommends that UNEP, in collaboration with the United Nations Office at Nairobi: (a) establish a service-level agreement with the support desk for Umoja support service and ensure that the performance of the support desk is reviewed regularly; (b) maintain liaison with Headquarters	For part (a), Umoja support is global and forms part of the United Nations Headquarters global service delivery model which has not yet been approved by the General Assembly. A revised report is currently under preparation for presentation to the Assembly. Once approved, any resulting requirement for a service-level agreement will follow. Please note, however, that an Umoja support desk is already in place.	The Board is awaiting the establishment of the service-level agreement.		X		

Number	Financial period in which recommendation was first made and report reference	Para. no.	Summary of recommendation of the Board	UNEP response	Assessment of the Board	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
			to ensure that the established task force thoroughly reviews and fixes the configurations and bugs related to the travel and human resources modules of Umoja and performs adequate test runs to confirm that the problems have been corrected; and (c) put controls in place to ensure that the ledger entry description field is mandatory and emphasize that users should enter full descriptions in the ledger.	For parts (b) and (c), the United Nations Office at Nairobi has been working with United Nations Headquarters and most of the problems identified have been corrected.					
4	2015 A/71/5/Add.7, chap. II	33	The Board recommends that UNEP enhance its follow-up on project closure, including the setting-up of controls over the timely submission of final expenditure reports to expedite their closure so that projects are financially closed within 24 months after being operationally closed.	The revised UNEP programme manual, which was launched towards the end of 2016, provides procedural guidance and timelines for financial closure of projects. The UNEP Quality Assurance Section monitors the closure of projects on a biannual basis and communicates the findings to senior management. All implementing partners have been requested to accelerate their 2016 expenditure reporting to mid-January 2017 to enable the expenditures to be recorded prior to the year-end closure.	The Board appreciates management's efforts; however, the delay in closure of completed projects has not shown significant improvement.		X		
5	2015 A/71/5/Add.7, chap. II	38	The Board recommends that UNEP ensure that a project extension is granted after the revised project document has been approved by the Project Review Committee of the Office of Operations.	The recommendation was based on the absence of a Project Review Committee approval for the extension of the Strategic Approach to International Chemicals Management project beyond November 2013, while	In light of management comments, the Board considers the recommendation to have been overtaken by events.			X	

Number	Financial period in which recommendation was first made and report reference	Para. no.	Summary of recommendation of the Board	UNEP response	Assessment of the Board	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
				expenditures continued to be incurred. As explained by UNEP to the Board, this was an oversight resulting from changes in the management of the project. However, as remedial action, a project preparation phase for the next Strategic Approach to International Chemicals Management project was approved in February 2016. The old project, with an end date of November 2013, is now operationally closed with actions under way for its financial closure. The new delegation of authority policy and framework approved in May 2016 grants approval of project extension to divisional regional directors, with the clearance role held in the UNEP Corporate Services Division.					
6	2015 A/71/5/Add.7, chap. II	42	The Board recommends that UNEP: (a) enhance training for project managers on the analysis of technical project information in order to improve the quality of project documents; and (b) enhance supervision during project formulation and revision with a view to accelerating the approval of project documents.	Newly instituted procedures (mainly capacity development and systematic follow-up) have reduced the time between project submission and approval from an average of 91 days in 2015 to 56 days in the entire year 2016.	The Board accepts management's comments.	X			

Number	Financial period in which recommendation was first made and report reference	Para. no.	Summary of recommendation of the Board	UNEP response	Assessment of the Board	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
7	2015 A/71/5/Add.7, chap. II	46	The Board recommends that UNEP: (a) strengthen the provision of technical and oversight knowledge to the implementing agencies on project development to facilitate the timely submission of project identification forms to the Chief Executive Officer of GEF; and (b) monitor the amount of time required for the preparation of projects and take immediate corrective measures in consultation with the implementing agencies.	The recommendation related to the UNEP Global Environment Facility (GEF) operations. UNEP noted that there is now regular and comprehensive follow-up on overdue project development by senior management, for which detailed tracking sheets are maintained. All overdue projects reviewed by the Board have subsequently been cleared through submission to the GEF secretariat or, in one case, by requesting consideration of force majeure provisions.	The Board's assessment noted implementation of the recommendation.	X			
8	2015 A/71/5/Add.7, chap. II	52	The Board recommends that UNEP ensure sufficient controls over the preparation and submission of required project reports by implementing agencies in compliance with the project cooperation agreements.	The recommendation related to UNEP GEF operations. Project managers and fund management officers continue to follow up regularly in order to ensure timely receipt of project reports. To support these efforts, a new tool to assist in tracking and follow-up of outstanding reports on GEF-funded projects is currently in operation with one of the focal areas on a test basis. While this has taken a little longer than anticipated, UNEP will shortly be reviewing the operation and viability of the tool with the aim of rolling it out across the focal areas.	The Board's assessment by year-end 2016 noted that the new tool to assist in tracking and follow-up has not yet been implemented.		X		

Number	Financial period in which recommendation was first made and report reference	Para. no.	Summary of recommendation of the Board	UNEP response	Assessment of the Board	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
9	2015 A/71/5/Add.7, chap. II	56	The Board recommends that UNEP-GEF: (a) make more effort and follow-ups to ensure that expenditure reports are submitted within the agreed time frames under the signed agreements; and (b) consider the write-off of receivables with respect to which expenditure reports cannot be retrieved and the recoverability of advances has proved to be uncertain.	(a) Please refer to the comments above relating to the recommendation in paragraph 52; (b) UNEP treats as a matter of priority to follow up on delayed expenditure reports. UNEP has reviewed long outstanding receivables and recommended expensing them where all means to receive expenditure reports have been exhausted, provided it can be shown that the outputs for which the advances were made have been fully realized. UNEP plans to continue cleaning up the old balances that were not cleared prior to Umoja conversion.	The Board is awaiting finalization of the cleaning up of the old balances that were not cleared prior to Umoja conversion.		X		
10	2015 A/71/5/Add.7, chap. II	61	The Board recommends that UNEP expedite the updating of the programme manual to include more details about developing and managing projects, establishing partnership agreements and securing funds, in order to provide operational guidance on putting results-based management into practice.	Results-based management is a guiding principle and business model in UNEP starting from strategic planning, through monitoring, performance assessment and evaluation. UNEP updated its programme manual to include much more detail and operational guidance on project design, review and approval, project cycle management, resource mobilization and partnerships. The new programme manual was completed towards the end of 2016 and results-based budgeting is covered in pages 70-73.	The Board accepts management’s responses and the recommendation is considered implemented following the inclusion of the results-based management concept in the new programme manual introduced in the last quarter of 2016.	X			

Number	Financial period in which recommendation was first made and report reference	Para. no.	Summary of recommendation of the Board	UNEP response	Assessment of the Board	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
11	2015 A/71/5/Add.7, chap. II	67	UNEP agreed with the Board's recommendation that it review the residual value and the useful lives of all assets, and ensure that the asset register is updated to reflect the restated figures after Headquarters has completed the analysis of property, plant and equipment.	UNEP is dependent upon United Nations Headquarters to initiate the process, which has not yet taken place.	The Board is awaiting the comprehensive analysis of property, plant and equipment and the updating of the fixed assets register.				X
12	2015 A/71/5/Add.7, chap. II	70	UNEP agreed with Board's recommendation that it: (a) expedite follow-up procedures to permit the early identification of donor contributions for timely revenue recognition; and (b) work closely with the Accounts Section of the United Nations Office at Nairobi to ensure collaboration in addressing early bottlenecks and technical challenges and regular reconciliation between the Section and the resource mobilization team.	Significant follow-up and early identification of unapplied deposits resulted in a reduction from $4.7 million in 2016 to $1.0 million in 2017.	The Board's assessment noted that significant follow-up and early identification of the unapplied deposits had taken place.	X			
13	2015 A/71/5/Add.7, chap. II	75	The Board recommends that UNEP again bring the matter to the attention of the Executive Committee of the Multilateral Fund for its consideration.	This is a recurring recommendation regarding long outstanding arrears that have not been settled by parties. While the Executive Committee of the Multilateral Fund agrees with the International Public Sector Accounting Standards (IPSAS) on allowance for doubtful accounts being provided for long	The Board acknowledges measures taken by UNEP on bringing the matter of writing off old outstanding contributions to the Executive Committee of the Multilateral Fund and accepts the	X			

Number	*Financial period in which recommendation was first made and report reference*	*Para. no.*	*Summary of recommendation of the Board*	*UNEP response*	*Assessment of the Board*	*Status after verification: Implemented*	*Under implementation*	*Overtaken by events*	*Not implemented*
				outstanding receivables, it does not approve writing off of any obligations due from parties irrespective of the prospects of collectability. Therefore, all receivables are required to be maintained in the accounts and collection is to be pursued through discussions and negotiations at meetings of the parties. Provisions have been made against the Fund's old outstanding contributions receivable in accordance with the IPSAS guidelines, including 100 per cent provision where deemed appropriate, and accordingly the write-offs recommended would have no impact on the Fund balance. UNEP in the role of Treasurer presented the recommendation of the Board of Auditors to the 77th meeting of the Executive Committee, in November 2016. This was noted by the Executive Committee, which requested the Chair to report the recommendation to the 29th Meeting of the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer for its consideration.	Executive Committee's decisions.				
14	2015 A/71/5/Add.7, chap. II	80	UNEP agreed with the Board's recommendation that it: (a) enhance follow-up with staff who have outstanding advances for clearance; and (b) ensure regular reconciliation between the department	UNEP noted that throughout 2016 UNEP and the United Nations Office at Nairobi had collaborated to clear a significant portion of outstanding advances.	The Board's assessment noted significant improvement in clearance of outstanding advances.	X			

Number	Financial period in which recommendation was first made and report reference	Para. no.	Summary of recommendation of the Board	UNEP response	Assessment of the Board	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
			receiving goods and the accounts function to enhance the accuracy of reported advances.						
15	2014 A/70/5/Add.7, chap. II	26	UNEP agreed with the Board's recommendation that it: (a) formulate appropriate rules or guidelines to require fund management officers to create sub-account information in its Programme Information Management System (PIMS) whenever initiating projects; and (b) review and monitor the accuracy of PIMS data in the future.	Rules and guidelines have now been issued by the UNEP Corporate Services Division for initiating projects in Umoja and these have been disseminated to fund management officers in the divisions. Project structures in Umoja are being aligned by fund management officers in accordance with the issued guidelines. UNEP business requirements for programmatic and financial reports are under implementation by the Umoja business intelligence teams for report generation through a SAP HANA data platform. Sub-accounts in PIMS are no longer relevant following the replacement of IMIS by Umoja in May 2015. The current structure of projects in Umoja satisfies this requirement through the work breakdown structures.	The Board acknowledges management action and the recommendation is closed.	X			
16	2014 A/70/5/Add.7, chap. II	30	UNEP agreed with the Board's recommendation that it include in the proposed new version of PIMS all key project processes and ensure that consolidated reports are provided and there is improvement in the capacity for the inclusion of all key project processes.	Project processes, including the planning and evaluation modules, are currently under development and will be released by the end of 2017.	The Board is awaiting the finalization of guidelines.		X		

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17	2014 A/70/5/Add.7, chap. II	36	UNEP agreed with the Board's recommendation that it revise its programme manual by including clear procedures and authority for project cancellations.	The procedure and authority for project cancellation is established in the new programme manual.	The Board acknowledges management action and the recommendation is closed.	X			
18	2014 A/70/5/Add.7, chap. II	40	UNEP agreed with the Board's recommendation that it revise its programme manual to include procedures for handling emergency approvals.	There is already a special process for emergency situations in place, whereby project approvals are fast-tracked to prevent the loss of donor funding. The procedures are reflected and reinforced in the new programme manual that was launched towards the end of 2016.	The Board acknowledges management action and the recommendation is closed.	X			
19	2014 A/70/5/Add.7, chap. II	45	UNEP agreed with the Board's recommendation that it look at ways of ensuring that the Evaluation Office is provided with adequate resources to initiate and manage independent project-level evaluations to the required level, and that project closure time frames are adhered to.	Resources for the evaluation of each project are now budgeted adequately at the time of project approval and are reinforced by standard operating procedures in the new programme manual. However, the numbers of projects reaching completion each year has continued to increase, with 90 evaluation requests in 2017, and the availability of staff in the Evaluation Office to plan, commission, oversee and quality assure these evaluations is still limited to four Professional staff and a Junior Professional Officer. While the Evaluation Office gained one Professional staff position in 2014, it still requires additional staff resources to be allocated to facilitate timely completion of project evaluations and subsequent project closures.	The Board will continue to assess the improvement in resources allocated to the Evaluation Office to enhance independent evaluation of projects.		X		

Number	Financial period in which recommendation was first made and report reference	Para. no.	Summary of recommendation of the Board	UNEP response	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
20	2014 A/70/5/Add.7, chap. II	49	UNEP agreed with the Board's recommendation that it: (a) enhance the assessment of the implementing partners to ensure that they have the ability to deliver projects; and (b) plan and monitor the implementation of projects more closely.	(a) Under the UNEP partnership policy adopted in October 2011, the ability of implementing partners to carry out the required interventions together with their financial standing is assessed. Screening under the due diligence procedures is also applied to for-profit government agencies to avoid any incompatibility with the organization's principles of integrity, impartiality and independence; (b) Guidance for planning and monitoring of the implementation of projects is reflected and reinforced in the new programme manual launched in late 2016.	The Board acknowledges management's efforts and the recommendation is closed.	X			
21	2014 A/70/5/Add.7, chap. II	54	UNEP agreed with the Board's recommendation that it ensure that expenditure reports are obtained from all implementing partners to offset advances and that inter-office vouchers are reconciled immediately with United Nations agencies.	Concerted efforts by UNEP to expedite the receipt of expenditure reports from project implementing partners are an ongoing process. The planning and monitoring of the implementation of projects is being strengthened and clear guidelines are provided in the new programme manual of 2016. As was the case for 2016, all implementing partners were requested to accelerate their 2016 expenditure reporting to mid-January 2017 to enable the expenditures to be recorded prior to the year-end Umoja closure.	The Board takes note of management's initiatives on follow-up of expenditure reports. The Board acknowledges actions taken to introduce guidelines in the programme manual in 2016 and send reminder letters to implementing partners to submit the reports on time. The Board's recommendations in paragraph 58 of its 2014 report (A/70/5/Add.7, chap. II) and paragraph 33 of its	X			

Number	Financial period in which recommendation was first made and report reference	Para. no.	Summary of recommendation of the Board	UNEP response	Assessment of the Board	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
					2015 report (A/71/5/Add.7, chap. II) address similar issues. Therefore, based on actions taken, this recommendation is closed and additional follow-up actions required by the Board are detailed under the recommendation in paragraph 33 of its 2015 report (A/71/5/Add.7, chap. II).				
22	2014 A/70/5/Add.7, chap. II	58	The Board recommends that UNEP-GEF strengthen procedures for the follow-up of expenditure reports from implementing partners, including the sending of regular reminders on timely submission of expenditure reports to facilitate the timely financial closure of projects.	UNEP noted that this is an ongoing process. The planning and monitoring of the implementation of projects is being strengthened and clear guidelines are now incorporated in the new programme manual. In support of the efforts of the project managers and fund management officers, letters were sent to implementing partners from the UNEP Corporate Services Division requesting them to accelerate their 2016 expenditure reporting to mid-January 2017 to ensure capture in the UNEP 2016 financial statements.	The Board acknowledges management's initiatives, including introduction of guidelines in the programme manual in 2016 and sending of reminder letters to implementing partners. The Board's recommendations in paragraph 54 of its 2014 report (A/70/5/Add.7, chap. II) and paragraph 33 of its 2015 report (A/71/5/Add.7, chap. II) address similar issues. Therefore, based on actions taken, this	X			

Number	Financial period in which recommendation was first made and report reference	Para. no.	Summary of recommendation of the Board	UNEP response	Assessment of the Board	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
					recommendation is closed and additional follow-up actions required by the Board are detailed under paragraph 33 of its 2015 report (A/71/5/Add.7, chap. II).				
23	2010-2012 A/67/5/Add.6 and Corr.1, chap. II	69	The Board reiterates its previous recommendation that UNEP set up specific arrangements to fund its liabilities for end-of-service and post-retirement benefits, for consideration and approval by its Governing Council and the General Assembly. The Board recognizes that UNEP would need to seek guidance from United Nations Headquarters on this matter.	UNEP is now fully compliant with the new United Nations phased policy to finance the after-service health insurance liability. In accordance with the instructions received from the United Nations Controller on 29 November 2016, effective 1 January 2017 a monthly accrual of 3 per cent of gross salary plus post adjustment has been charged as part of the monthly payroll.	The Board will assess the implementation during its 2017 audit.		X		
Total						**14**	**7**	**1**	**1**
Percentage						**61**	**31**	**4**	**4**

Chapter III
Certification of the financial statements

Letter dated 31 March 2017 from the Chief Finance Officer of the United Nations Office at Nairobi addressed to the Chair of the Board of Auditors

The financial statements of the United Nations Environment Programme for the year ended 31 December 2016 have been prepared in accordance with rule 106.1 of the Financial Regulations and Rules of the United Nations (ST/SGB/2013/4) and rule 207.3 of the supplement to the Financial Regulations and Rules of the United Nations (ST/SGB/2015/4).

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

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

In accordance with the authority assigned to me, I hereby certify that the appended financial statements of the Fund of the United Nations Environment Programme for the year ended 31 December 2016 are correct.

(*Signed*) Keval **Vora**
Chief Finance Officer
United Nations Office at Nairobi

Chapter IV
Administration's financial overview for the year ended 31 December 2016

A. Introduction

1. The Executive Director has the honour to submit herewith the financial report, together with the accounts, of the United Nations Environment Programme (UNEP), including the Environment Fund, associated trust funds and the related accounts, for the year ended 31 December 2016. The financial statements consist of five statements and notes to the financial statements. In accordance with financial rule 106.1, these financial statements were to be transmitted to the Board of Auditors on 31 March 2017.

2. The financial year 2016 was the first year of full utilization of the new United Nations Secretariat enterprise resources planning system, based on Systems Applications and Products in Data Processing (SAP), which was implemented in UNEP in June 2015 for transactions in preparation of the financial statements. A new United Nations Secretariat business intelligence tool has also been used during much of 2016 for the production of various financial reports. Business intelligence facilitates the set of strategies, process applications, data, technologies and technical architectures used to support the collection, analysis and presentation of information. In addition, SAP business planning and consolidation was introduced towards the end of 2016 to support all operational and financial activities, which helped in automating and streamlining business forecast, planning and consolidation activities.

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

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

B. International Public Sector Accounting Standards sustainability plan

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

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

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

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

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

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

C. Overview

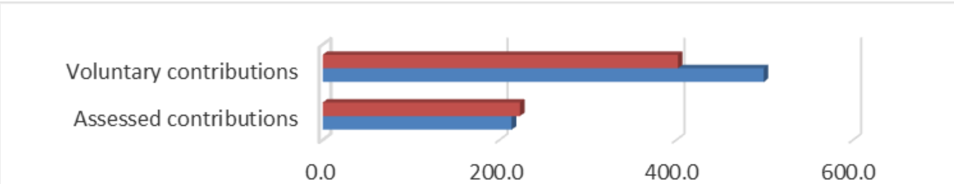
All funds

6. Statements I to IV show the consolidated figures for all UNEP activities, comprising the Environment Fund, the regular budget, other trust funds supporting the UNEP programme of work, trust funds supporting the UNEP multilateral environmental agreements and the Multilateral Fund, programme support costs that support the UNEP programme of work and the multilateral environment agreements, and end-of-service and retirement benefits for the year ended 31 December 2016. Statement V reports on the Environment Fund and the regular budget.

7. Comparison between the year ended 31 December 2015 and the current reporting date is provided.

8. Figure IV.I shows the revenue of UNEP by major funding source category for the year ended 31 December 2016 compared with the year ended 31 December 2015.

Figure IV.I
Contributions by funding category
(Millions of United States dollars)



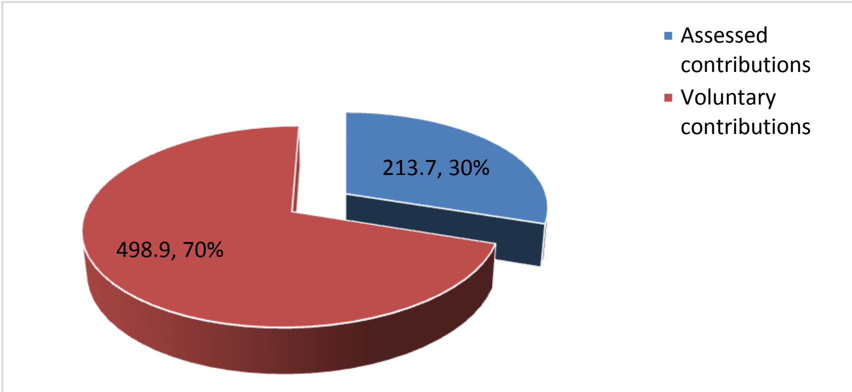
	Assessed contributions	Voluntary contributions
2015[a]	223.1	401.9
2016	213.7	498.9

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

9. The contributions are reported based on IPSAS accounting, which includes recognizing donor project funding in full on receipt of a funding agreement from the donor. This includes project funding from the Global Environment Facility (GEF) where revenue is recognized in full for multi-year projects following project approval by GEF and receipt of a letter of commitment from the GEF trustee, the World Bank (International Bank for Reconstruction and Development (IBRD)). GEF project approvals in 2016 were $74.5 million higher than in 2015, which is the primary reason for the increase of $87.6 million in 2016 contributions as compared with 2015. GEF-related trust funds are included in the UNEP programme of work segment report in note 5 to the financial statements.

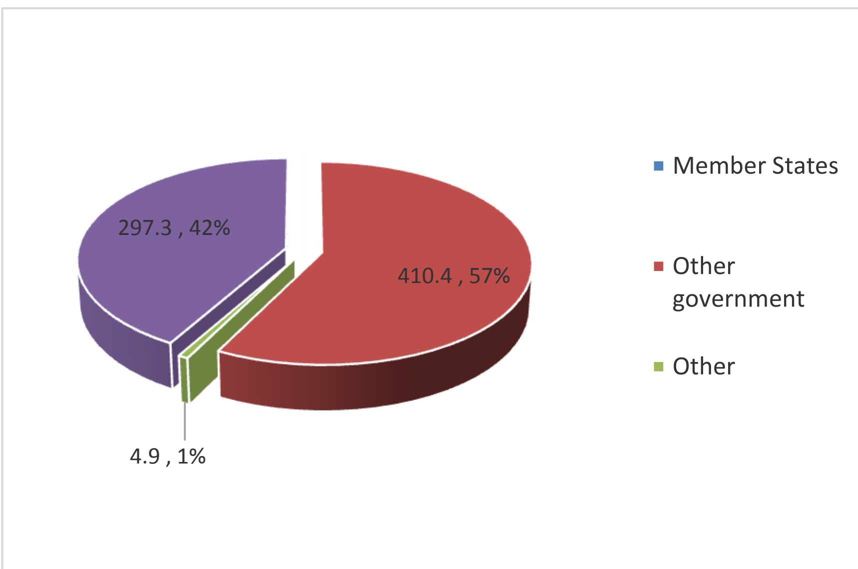
10. Figure IV.II shows the revenue of UNEP for the year ended 31 December 2016 by funding source category.

Figure IV.II
Contributions shown as proportion by funding category, 2016
(Millions of United States dollars)



11. Figure IV.III shows the distribution of contributions by type of contributing entity for the year ended 31 December 2016.

Figure IV.III
Distribution of contributions by type of entity, 2016
(Millions of United States dollars)



12. Figure IV.IV shows the proportion of expenditure by nature.

Figure IV.IV
Expenditure by nature of expense
(Millions of United States dollars)

	Employee salaries, allowances and benefits	Non-employee compensation and allowances	Grants and other transfers	Travel	Other operating expenses	Others
2016	172.0	23.1	262.0	25.9	58.3	20.1
2015[a]	170.4	32.5	246.8	29.4	56.6	23.6

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

13. Total expenditure increased by $2.1 million (0.4 per cent), to $561.3 million from $559.2 million.

Key indicators from statement I

14. Total assets increased by 157.1 million (9.9 per cent), to $1,750.5 million from $1,593.4 million as at 31 December 2015.

15. Total liabilities increased by $4.2 million (1.3 per cent), to $336.3 million from $332.1 million as at 31 December 2015.

16. Net assets increased by $152.9 million (12.1 per cent), to $1,414.2 million from $1,261.3 million as at 31 December 2015.

Other key indicators

17. Table IV.1 summarizes other key indicators for UNEP for the year ended 31 December 2016 compared with the year ended 31 December 2015.

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

	2016	*2015*[a]	*Increase/ decrease*	*Change (percentage)*
Assessed contributions revenue	213.7	223.1	(9.4)	(4.2)
Voluntary contributions revenue	498.9	401.9	97.0	24.1
Total contributions revenue	**712.6**	**625.0**	**87.6**	**14.0**
Cash and cash equivalents	169.7	109.7	60.1	54.8
Short-term investments	300.5	329.3	(28.8)	(8.8)
Long-term investments	144.7	220.2	(75.5)	(34.3)
Total cash and investments	**614.8**	**659.1**	**(44.2)**	**(6.7)**
Assessed contributions receivable	23.7	31.9	(8.2)	(25.9)
Voluntary contributions receivable	666.3	521.0	145.3	27.9
Total contributions receivable	**690.0**	**552.9**	**137.1**	**24.8**
Advance transfers	424.9	369.4	55.5	15.0
Other assets	16.6	8.0	8.6	107.5
Accounts payable and accrued liabilities	44.4	63.7	(19.3)	(30.2)
Employee benefits liabilities	146.1	137.7	8.4	6.1
Other liabilities	81.6	96.1	(14.5)	(15.1)

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

18. The increase in voluntary contributions receivable is mainly attributed to the growth in receivables from the GEF trustee which increased during 2016 by $134.2 million from $376.7 million to $510.9 million due to the high project approval rate in 2016 (see para. 9 above).

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

19. The UNEP financial statements reflect end-of-service and post-retirement benefits, comprising after-service health insurance liabilities, annual leave and repatriation benefits. UNEP makes monthly provisions for repatriation benefits at 8 per cent of net salary.

20. The accrued balances as at 31 December 2016 have been adjusted to reflect the estimated liabilities as that date, as reflected in the 2016 actuarial study calculations by a consulting firm engaged by the Secretariat on behalf of UNEP. As a result of fully charging these liabilities in the financial statements as at 31 December 2016, an amount of $105.6 million of cumulative unfunded expenditure is shown in the segment report (note 5) statement of financial position under the end-of-service and post-retirement benefits segment.

Chapter V

Financial statements and related explanatory notes for the year ended 31 December 2016

United Nations Environment Programme
I. Statement of financial position as at 31 December 2016

(Thousands of United States dollars)

	Reference	*31 December 2016*	*31 December 2015*[a]
Assets			
Current assets			
Cash and cash equivalents	Note 7	169 714	109 653
Investments	Note 8	300 456	329 312
Assessed contributions receivable	Note 9	21 469	30 514
Voluntary contributions receivable	Note 10	248 434	244 496
Other receivables	Note 11	2 423	2 222
Advance transfers	Note 12	276 191	253 312
Other assets	Note 13	16 591	8 029
Total current assets		**1 035 278**	**977 538**
Non-current assets			
Investments	Note 8	144 677	220 159
Assessed contributions receivable	Note 9	2 203	1 433
Voluntary contributions receivable	Note 10	417 864	276 460
Advance transfers	Note 12	148 732	116 141
Property, plant and equipment	Note 15	1 740	1 677
Intangible assets	Note 16	25	32
Total non-current assets		**715 241**	**615 902**
Total assets		**1 750 519**	**1 593 440**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	Note 17	44 433	63 692
Advance receipts	Note 18	64 201	34 455
Employee benefits liabilities	Note 19	10 075	11 953
Provisions	Note 21	–	192
Other liabilities	Note 22	81 583	96 058
Total current liabilities		**200 292**	**206 350**
Non-current liabilities			
Employee benefits liabilities	Note 19	136 002	125 762
Total non-current liabilities		**136 002**	**125 762**
Total liabilities		**336 294**	**332 112**
Net of total assets and total liabilities		**1 414 225**	**1 261 328**
Accumulated surpluses/(deficits) — unrestricted	Note 23	1 379 476	1 226 864
Reserves	Note 23	34 749	34 464
Total net assets		**1 414 225**	**1 261 328**

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

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

United Nations Environment Programme
II. Statement of financial performance for the year ended 31 December 2016

(Thousands of United States dollars)

	Reference	*31 December 2016*	*31 December 2015*[a]
Revenue			
Assessed contributions	Note 24	213 689	223 119
Voluntary contributions	Note 24	498 892	401 884
Other transfers and allocations	Note 24	25 854	26 113
Investment revenue	Note 27	4 804	4 185
Other revenue	Note 25	1 537	223
Total revenue		**744 776**	**655 524**
Expenses			
Employee salaries, allowances and benefits	Note 26	171 991	170 370
Non-employee compensation and allowances	Note 26	23 109	32 526
Grants and other transfers	Notes 26 and 32	262 022	246 836
Supplies and consumables	Note 26	339	480
Depreciation	Note 15	180	182
Amortization	Note 16	7	5
Travel	Note 26	25 882	29 360
Other operating expenses	Note 26	58 286	56 569
Exchange losses from the fixed exchange rate mechanism of the Multilateral Fund	Note 26	17 428	20 718
Other expenses	Note 26	2 098	2 196
Total expenses		**561 342**	**559 242**
Surplus/(deficit) for the year		**183 434**	**96 282**

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

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

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

(Thousands of United States dollars)

	Accumulated surpluses/(deficits) — unrestricted	*Elimination*	*Accumulated surpluses/(deficits) — unrestricted after elimination*	*Reserves*	*Total*
Net assets at the beginning of the period[b]	**1 271 479**	**(44 615)**	**1 226 864**	**34 464**	**1 261 328**
Changes in net assets					
Transfers to reserves	(285)	–	(285)	285	–
Other adjustments to net assets[c]	(19 660)	–	(19 660)	–	(19 660)
Actuarial gains (losses)	(2 101)	–	(2 101)	–	(2 101)
Total items recognized directly in net assets	**(22 046)**	**–**	**(22 046)**	**285**	**(21 761)**
Surplus/(deficit) for period	183 434	(8 776)	174 658	–	174 658
Net movement in net assets	**161 388**	**(8 776)**	**152 612**	**285**	**152 897**
Net assets, end of period	**1 432 867**	**(53 391)**	**1 379 476**	**34 749**	**1 414 225**

[a] See note 23.
[b] See note 4.
[c] Transfer to deferred revenue of $26.3 million, comprising the GEF implementing agency fee to be recognized as revenue in the year management oversight is provided, offset by a $3.3 million adjustment to the Multilateral Fund for prior year implementing partner expense reports received in 2016 and $3.4 million in prior period repatriation fund contributions recorded in 2016.

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

United Nations Environment Programme
IV. Statement of cash flows for the year ended 31 December 2016

(Thousands of United States dollars)

	Reference	*31 December 2016*	*31 December 2015*[a]
Cash flow from operating activities			
Surplus/(deficit) for the year		**183 434**	**96 282**
Non-cash movements			
Depreciation and amortization	Notes 15 and 16	187	187
Actuarial gain/loss on employee benefits liabilities	Note 19	(2 101)	11 418
Transfers and donated property, plant and equipment and intangibles		–	(25)
Net gain/loss on disposal of property, plant and equipment		–	4
Changes in assets			
(Increase)/decrease in assessed contributions receivable	Note 9	8 275	32 067
(Increase)/decrease in voluntary contributions receivable	Note 10	(145 342)	(50 261)
(Increase)/decrease in other receivables	Note 11	(201)	–
(Increase)/decrease in advance transfers	Note 12	(55 470)	(83 405)
(Increase)/decrease in other assets	Note 13	(8 562)	42 757
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities	Note 17	(19 259)	12 173
Increase/(decrease) in advance receipts	Note 18	29 746	–
Increase/(decrease) in employee benefits payable	Note 19	8 362	2 255
Increase/(decrease) in provisions	Note 21	(192)	192
Increase/(decrease) in other liabilities	Note 22	(14 475)	(58 415)
Investment revenue presented as investing activities	Note 27	(4 804)	(4 185)
Net cash flows from/(used in) operating activities		**(20 402)**	**1 044**
Cash flow from investing activities			
Pro rata share of net increases in the cash pool	Note 27	104 338	(68 289)
Investment revenue presented as investing activities	Note 27	4 804	4 185
Acquisitions of property, plant and equipment	Note 15	(243)	(1 077)
Acquisitions of intangibles	Note 16	–	(37)
Net cash flows from/(used in) investing activities		**108 899**	**(65 218)**
Cash flow from financing activities			
Adjustments to net assets		(28 436)	30 843
Net cash flows from/(used in) financing activities		**(28 436)**	**30 843**
Net increase/(decrease) in cash and cash equivalents		60 061	(33 331)
Cash and cash equivalents — beginning of year		109 653	142 984
Cash and cash equivalents — end of year	Note 7	**169 714**	**109 653**

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

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

United Nations Environment Programme
V. Statement of comparison of budget and actual amounts for the year ended 31 December 2016

(Thousands of United States dollars)

	Publicly available budget				
	Original biennial	*Original annual*	*Final annual*	*Actual expenditure (budget basis)*	*Difference (percentage)*[a]
Executive direction and management	9 500	4 750	5 447	5 438	0.2
Programme of work					
Climate change	42 000	21 000	8 208	8 171	0.5
Disasters and conflicts	20 500	10 250	4 420	4 408	0.3
Ecosystem management	40 000	20 000	10 651	10 601	0.5
Environmental governance	25 000	12 500	10 644	10 015	5.9
Chemicals and waste	36 000	18 000	7 970	7 872	1.2
Resource efficiency	49 000	24 500	9 878	9 727	1.5
Environment under review	19 000	9 500	4 605	4 519	1.9
Total programme of work	**231 500**	**115 750**	**56 376**	**55 312**	**1.9**
Fund programme reserve	14 000	7 000	2 226	2 216	0.4
Programme support	16 000	8 000	2 951	2 936	0.5
Total Environment Fund	**271 000**	**135 500**	**67 000**	**65 903**	**1.6**
United Nations regular budget allocation[b]	35 331	17 594	24 058	21 916	8.9
Total	**306 331**	**153 094**	**91 058**	**87 819**	**3.6**

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

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

United Nations Environment Programme

Notes to the 2016 financial statements

Note 1
Reporting entity

United Nations Environment Programme and its activities

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

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

3. The activities for which UNEP is responsible for fall within programme 11, Environment, of the United Nations biennial programme plan and priorities for the period 2016-2017. The overall objective of programme 11 is to provide leadership and encourage partnership in caring for the environment by inspiring, informing and enabling nations and peoples to improve their quality of life without compromising that of future generations. The main elements of the strategy for achieving the overall objective include: (a) filling the information and knowledge gap on critical environmental issues through more comprehensive assessments; (b) identifying and further developing the use of appropriate integrated policy measures in tackling the root causes of major environmental concerns; and (c) mobilizing action for better integration of international action to improve the environment, particularly in relation to regional and multilateral agreements, as well as United Nations system-wide collaborative arrangements.

United Nations Environment Programme

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

Note 2
Basis of preparation and authorization for issue

Basis of preparation

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

(a) Statement I: statement of financial position;

(b) Statement II: statement of financial performance;

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

(d) Statement IV: statement of cash flows;

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

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

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

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

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

Authorization for issue

8. These financial statements are certified by the Chief Finance Officer of the United Nations Office at Nairobi and approved by the Executive Director of UNEP. In accordance with the Financial Regulations and Rules of the United Nations, these financial statements as at 31 December 2016 are to be transmitted to the Board of Auditors by 31 March 2017.

Measurement basis

9. The financial statements are prepared using the historic cost convention except for real estate assets that are recorded at depreciated replacement cost, financial assets recorded at fair value through surplus or deficit, and certain assets as stated in the notes to the financial statements.

Functional and presentation currency

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

11. Foreign currency transactions are translated into United States dollars at the United Nations operational rates of exchange (UNORE) at the date of the

transaction. The UNORE approximates the spot rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies, those other than the functional currency, are translated at the UNORE year-end rate. Non-monetary foreign currency items measured at fair value are translated at the UNORE exchange rate prevailing at the date of the transaction or when the fair value was determined. Non-monetary items measured at historical cost in a foreign currency are not translated at year end.

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

Materiality and use of judgment and estimates

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

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

15. Accounting estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: actuarial measurement of employee benefits; selection of useful lives and the depreciation/amortization method for property, plant and equipment/intangible assets; impairment of assets; classification of financial instruments; valuation of inventory; inflation and discount rates used in the calculation of the present value of provisions; and classification of contingent assets/liabilities.

International Public Sector Accounting Standards transitional provisions

16. IPSAS 17: Property, plant and equipment, allows a transitional period of up to five years for the full recognition of capitalized property, plant and equipment. The organization invoked the transitional provision and has not recognized assets where reliable data is in the process of being collected.

Future accounting pronouncements

17. The progress and impact of the following significant future International Public Sector Accounting Standards Board (IPSAS Board) accounting pronouncements on the organization's financial statements continues to be monitored:

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

(b) Heritage assets: this project's objective is to develop accounting requirements for heritage assets;

(c) Non-exchange expenses: the aim of this project is to develop a standard or standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits;

(d) Revenue: the scope of this project is to develop new standards-level requirements and guidance on revenue to amend or supersede those currently located in IPSAS 9: Revenue from exchange transactions; IPSAS 11: Construction contracts; and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers);

(e) Consequential amendments arising from chapters 1-4 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: this project's objective is to make revisions to IPSAS standards that reflect concepts from these chapters, in particular the objectives of financial reporting and the qualitative characteristics and constraints on information;

(f) Leases: the objective of the project is to develop revised requirements for lease accounting covering both lessees and lessors in order to maintain alignment with the underlying International Financial Reporting Standard. The project will result in a new IPSAS that will replace IPSAS 13. Approval of a new IPSAS on leases is projected for June 2018 with publication in July 2018.

Future requirements of the International Public Sector Accounting Standards Board

18. On 30 January 2015, the IPSAS Board published six new standards: IPSAS 33, First-time adoption of accrual basis IPSASs, IPSAS 34: Separate financial statements; IPSAS 35: Consolidated financial statements; IPSAS 36: Investments in associates and joint ventures; IPSAS 37: Joint arrangements; and IPSAS 38: Disclosure of interests in other entities. Initial application of these standards is required for periods beginning on or after 1 January 2017. IPSAS 33 has no impact on the organization, which adopted IPSAS with effect from 1 January 2014 for non-peacekeeping operations before the issue of the standard.

19. In July 2016 the IPSAS Board issued IPSAS 39, repealing IPSAS 25: Employee benefits, to align it with the underlying International Accounting Standard, IAS 19: Employee benefits; and on 31 January 2017, the IPSAS Board published IPSAS 40: Public sector combinations, which prescribes the accounting treatment for public sector combinations and sets out the classification and measurement of public sector combinations, i.e. transactions or other events that bring two or more separate operations into a single public sector entity.

20. The impact of new standards on the organization's financial statements for the year ending 31 December 2017 and the comparative period therein has been evaluated to be as follows.

IPSAS	*Anticipated impact in the year of adoption*
IPSAS 34	The requirements for separate financial statements in IPSAS 34 are very similar to the current requirements in IPSAS 6: Consolidated and separate financial statements. However, given that the Financial Regulations and Rules of the United Nations do not require separate financial statements, the introduction of IPSAS 34 is not expected to have an impact on the financial statements of the organization.
IPSAS 35	IPSAS 35 still requires that control be assessed having regard to benefits and power, but the definition of control has changed and the standard now provides considerably more guidance on assessing control. The other key change introduced by IPSAS 35 is the elimination of the IPSAS 6 exemption from consolidation of temporarily controlled entities; the preparation of financial statements for periods beginning on or after 1 January 2017 will include the assessment of temporarily controlled entities.
IPSAS 36	A key change introduced by IPSAS 36 is the elimination of the IPSAS 7 exemption from application of the equity method where joint control or significant influence is temporary; the preparation of financial statements for periods beginning on or after 1 January 2017 will include the assessment of such arrangements. Furthermore, the scope of IPSAS 36 is limited to entities that are investors with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest. The applicability of IPSAS 36 to the financial statements of the organization is therefore limited, as interests generally do not involve a quantifiable ownership interest.
IPSAS 37	IPSAS 37 introduces new definitions and has a significant impact on the way in which joint arrangements are classified and accounted for. These financial statements include joint venture arrangements accounted for using the equity method. Where these are formed under a binding agreement and assessed as being subject to joint control, they meet the IPSAS 37 definition of a joint arrangement. Where assessed as being a joint venture, that is, the United Nations volume I interest gives rise to rights over net assets, IPSAS 37 requires the equity method to be used, and this will not represent a change in accounting policy. If there are rights to assets and obligations for liabilities, the interest is classified as a joint operation and the financial statements of the organization will account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IPSAS applicable to the particular assets, liabilities, revenues and expenses.
IPSAS 38	This standard increases the extent of disclosures required for interest in other entities.
IPSAS 39	Currently, IPSAS 39 will have no impact on the organization since the “corridor method” on actuarial gains or losses, which is being eliminated, has never been applied since the inception of IPSAS adoption in 2014. The organization does not have any plan assets; therefore there is no impact from application of the net interest approach prescribed by the standard. Further analysis will be carried out in the future should the organization procure plan assets.
IPSAS 40	There is currently no impact on the organization from the application of IPSAS 40 as to date there are no public sector combinations. Any such impact of IPSAS 40 on the organization’s financial statements will be evaluated for application by the organization by 1 January 2018, the effective date of the standard, should such combinations occur.

Note 3
Significant accounting policies

Financial assets classification

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

Classification	*Financial assets*
Fair value through surplus or deficit	Investments in cash pools
Loans and receivables	Cash and cash equivalents and receivables

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

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

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

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

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

27. Financial assets are de-recognized when the rights to receive cash flows have expired or have been transferred and the organization has transferred substantially all risks and rewards of the financial asset.

28. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Financial assets: investment in cash pools

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

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

Financial assets: cash and cash equivalents

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

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

32. Contributions receivable represent uncollected revenue from assessed and voluntary contributions committed to the organization by Member States, non-member States and other donors on the basis of enforceable agreements. These non-exchange receivables are stated at nominal value, less impairment for estimated irrecoverable amounts, the allowance for doubtful receivables.

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

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

35. Outstanding receivables that require specific allowances are first identified and then the general allowance based on ageing is applied.

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

Financial assets: receivable from exchange transactions — other receivables

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

Financial assets: notes receivable

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

Investments accounted for using the equity method

39. The equity method initially records an interest in a jointly controlled entity at cost, and adjusted thereafter for the post-acquisition change in the organization's share of net assets. The organization's share of the surplus or deficit of the investee is recognized in the statement of financial performance. The interest is recorded under non-current assets unless there is a net liability position, in which case it is recorded under non-current liabilities. The organization has also entered into arrangements for jointly financed activities where the interests in such activities are accounted for using the equity method.

Other assets

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

Advance transfers

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

Inventories

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

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

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

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

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

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

Heritage assets

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

Property, plant and equipment

48. Classification. Property, plant and equipment are classified into different groupings of similar nature, functions, useful life and valuation methodologies, such as: vehicles; prefabricated buildings; communications and information technology equipment; machinery and equipment; furniture and fixtures; and real estate assets (land, buildings, leasehold improvements, infrastructure and asset under construction).

49. Recognition of property, plant and equipment:

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

(b) Owing to the absence of historical cost information, real estate assets are initially recognized using a depreciated replacement cost methodology. Baseline costs per baseline quantity have been calculated by collecting construction cost data, utilizing in-house cost data (where it existed), or using external cost estimators for each catalogue of real estate assets. The baseline costs per baseline quantity adjusted for price escalation factor, size factor and location factor are applied to value the real estate asset and determine the replacement cost. Depreciation allowance deductions from the gross replacement cost to account for physical, functional and economic use of the assets have been made to determine the depreciated replacement cost of the assets;

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

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

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

Estimated useful lives of property, plant and equipment classes

Class	*Subclass*	*Estimated useful life*
Communications and information technology equipment	Information technology equipment	4 years
	Communications and audiovisual equipment	7 years
Vehicles	Light-wheeled vehicles	6 years
	Heavy-wheeled and engineering support vehicles	12 years
	Specialized vehicles, trailers and attachments	6-12 years
	Marine vessels	10 years
Machinery and equipment	Light engineering and construction equipment	5 years
	Medical equipment	5 years
	Security and safety equipment	5 years
	Mine detection and clearing equipment	5 years
	Accommodation and refrigeration equipment	6 years
	Water treatment and fuel distribution equipment	7 years
	Transportation equipment	7 years
	Heavy engineering and construction equipment	12 years
	Printing and publishing equipment	20 years
Furniture and fixtures	Library reference material	3 years
	Office equipment	4 years
	Fixtures and fittings	7 years
	Furniture	10 years
Buildings	Temporary and mobile buildings	7 years
	Fixed buildings, depending on type	25, 40 or 50 years

Class	Subclass	Estimated useful life
	Major exterior, roofing, interior and services/utilities components, where component approach is utilized	20-50 years
	Finance lease or donated right-to-use buildings	Shorter of term of arrangement or life of building
Infrastructure assets	Telecommunications, energy, protection, transport, waste and water management, recreation, landscaping	Up to 50 years
Leasehold improvements	Fixtures, fittings and minor construction work	Shorter of lease term or 5 years

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

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

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

54. Land, buildings and infrastructure assets with a year-end net book value greater than $100,000 are reviewed for impairment at each reporting date. The equivalent threshold for other property, plant and equipment items (excluding assets under construction and leasehold improvements) is $25,000. Impairment assessments are conducted when events or changes in circumstance indicate that carrying amounts may not be recoverable.

Intangible assets

55. Intangible assets are carried at cost, less accumulated amortization and accumulated impairment loss. For intangible assets acquired at nil or nominal cost, including donated assets, the fair value at the date of acquisition is deemed to be the cost to acquire. The threshold for recognition is $100,000 for internally generated intangible assets and $5,000 per unit for externally acquired intangible assets.

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

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

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

Estimated useful life of major classes of intangible assets

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

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

Financial liabilities: classification

60. Financial liabilities are classified as "other financial liabilities". They include accounts payable, transfer payables, unspent funds held for future refunds, and other liabilities such as inter-fund balance payables. Financial liabilities classified as other financial liabilities are initially recognized at fair value and are subsequently measured at amortized cost. Financial liabilities with duration of less than 12 months are recognized at their nominal value. The organization re-evaluates the classification of financial liabilities at each reporting date and de-recognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

Financial liabilities: accounts payable and accrued liabilities

61. Accounts payable and accrued liabilities arise from the purchase of goods and services that have been received but not paid for as at the reporting date. Payables are recognized and subsequently measured at their nominal value, as they are generally due within 12 months. Transfers payable within this category relate to amounts owed to executing entities/implementing agencies and partners and residual balances due to be returned to donors.

Advance receipts and other liabilities

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

Leases: the organization as lessee

63. Leases of property, plant and equipment where the organization has substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the start of the lease at the lower of fair value or the present value of the minimum lease payments. The rental obligation, net of finance charges, is reported as a liability in the statement of financial

position. Assets acquired under finance leases are depreciated in accordance with the organization's policy on property, plant and equipment. The interest element of the lease payment is charged to the statement of financial performance as an expense over the lease term on the basis of the effective interest rate method.

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

Leases: the organization as lessor

65. Assets subject to operating leases are reported within property, plant and equipment. Lease revenue from operating leases is recognized in the statement of financial performance over the lease term on a straight-line basis.

Donated rights to use

66. The organization occupies land and buildings and uses infrastructure assets, machinery and equipment through donated right-to-use agreements granted primarily by host Governments at nil or nominal cost. Based on the term of the agreement, and the clauses on transfer of control and termination contained in the agreement, the donated right-to-use arrangement is accounted for as an operating lease or finance lease.

67. In the case of an operating lease, an expense and corresponding revenue equal to the annual market rent of similar property is recognized in the financial statements. In the case of a finance lease (principally with a lease term over 35 years for premises), the fair market value of the property is capitalized and depreciated over the shorter of the useful life of the property and the term of the arrangement. If property is transferred with specific conditions, deferred revenue for the amount is recognized equal to the entire fair market value of the property (or share of the property) occupied by the organization, which is progressively recognized as revenue and offsets the corresponding depreciation charge. If property is transferred without any specific condition, revenue for the same amount is recognized immediately upon assuming control of the property. Donated right-to-use land arrangements are accounted for as operating leases where the organization does not have exclusive control over the land and/or title to the land is transferred under restricted deeds.

68. Long-term donated right-to-use building and land arrangements are accounted for as an operating lease where the organization does not have exclusive control over the building and title to the land is not granted.

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

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

Employee benefits

71. Employees comprise staff members, as described under 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.

72. The Organization recognizes the following categories of employee benefits:

(a) Short-term employee benefits due to be settled within twelve months after the end of the accounting period in which employees render the related service;

(b) Post-employment benefits;

(c) Other long-term employee benefits;

(d) Termination benefits.

Short-term employee benefits

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

Post-employment benefits

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

Defined-benefit plans

75. The following benefits are accounted for as defined-benefit plans: after-service health insurance, repatriation benefits (post-employment benefits) and accumulated annual leave that is commuted to cash upon separation from the organization (other long-term benefits). Defined-benefit plans are those where the organization's obligation is to provide agreed benefits and therefore the organization bears the actuarial risks. The liability for defined-benefit plans is measured at the present value of the defined-benefit obligation. Changes in the liability for defined-benefit plans, including actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The organization has elected to recognize changes in the liability for defined-benefit plans from actuarial gains and losses directly through the statement of changes in net assets. At the end of the reporting year, the organization did not hold any plan assets as defined by IPSAS 25: Employee benefits.

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

77. **After-service health insurance**. Worldwide coverage for necessary medical expenses of eligible former staff members and their dependants is provided through after-service health insurance. Upon end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were

recruited after 1 July 2007, and 5 years for those who were recruited prior to that date. The after-service health insurance liability represents the present value of the share of the organization's medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff. A factor in the after-service health insurance valuation is to consider contributions by all plan participants in determining the organization's residual liability. Contributions from retirees are deducted from the gross liability, and a portion of the contributions from active staff is also deducted to arrive at the organization's residual liability in accordance with cost-sharing ratios authorized by the General Assembly.

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

79. **Annual leave**. The liabilities for annual leave represent unused accumulated leave days that are projected to be settled via a monetary payment to employees upon their separation from the organization. The United Nations recognizes as a liability the actuarial value of the total accumulated unused leave days of all staff members, up to a maximum of 60 days (18 days for temporary staff) as at the date of the statement of financial position. The methodology applies a last-in-first-out assumption in the determination of the annual leave liabilities, whereby staff members access current period leave entitlements before they access accumulated annual leave balances relating to prior periods. Effectively, the accumulated annual leave benefit is accessed more than 12 months after the end of the reporting period in which the benefit arose and, overall, there is an increase in the level of accumulated annual leave days, pointing to the commutation of accumulated annual leave to a cash settlement at end of service as the true liability of the Organization. The accumulated annual leave benefit reflecting the outflow of economic resources from the Organization at end of service is therefore classified under the category of other long-term benefits, while noting that the portion of the accumulated annual leave benefit that is expected to be settled via monetary payment within 12 months after the reporting date is classified as a current liability. In line with IPSAS 25, other long-term benefits must be valued similarly to post-employment benefits; therefore, the United Nations values its accumulated annual leave benefit liability as a defined, post-employment benefit that is actuarially valued.

Pension plan: United Nations Joint Staff Pension Fund

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

81. Participation in the Pension Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to participating organizations. The Fund and UNEP, like the other participating organizations, are not in a position to identify the organization's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with

sufficient reliability for accounting purposes. Therefore, the organization has treated this plan as if it were a defined-contribution plan in line with the requirements of IPSAS 25. The organization's contributions to the Fund during the financial year are recognized as employee benefit expenses in the statement of financial performance.

Termination benefits

82. Termination benefits are recognized as an expense only when the Organization is demonstrably committed, without a realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted if the impact of discounting is material.

Other long-term employee benefits

83. Other long-term employee benefit obligations are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in which employees provide the related service.

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

Provisions

85. Provisions are liabilities recognized for future expenditure of uncertain amount or timing. A provision is recognized if, as a result of a past event, the organization has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is measured as the best estimate of the amount required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the provision is the present value of the amount expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

Contingent liabilities

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

Contingent assets

87. 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 the organization.

Commitments

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

Non-exchange revenue: assessed contributions

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

Non-exchange revenue: voluntary contributions

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

91. Voluntary pledges and other promised donations are recognized as revenue when the arrangement becomes binding. These, as well as agreements not yet formalized by acceptance, are disclosed as contingent assets. For unconditional multi-year agreements, the full amount is recognized as revenue when the agreement becomes binding.

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

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

94. In-kind contributions of goods above the recognition threshold of $5,000 are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to the organization and the fair value of those assets can be measured reliably. Contributions in kind are initially measured at their fair value at the date of receipt determined by reference to observable market values or by independent appraisals. The organization has elected not to recognize in-kind

contributions of services but to disclose in-kind contributions of services above the threshold of $5,000 in the notes to the financial statements.

Exchange revenue

95. Exchange transactions are those in which the organization sells goods or services. Revenue comprises the fair value of consideration received or receivable for the sale of goods and services. Revenue is recognized when it can be reliably measured, when the inflow of future economic benefits is probable and when specific criteria have been met, as follows:

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

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

(c) Revenue from jointly financed activities represents amounts charged to other United Nations organizations for their share of joint costs paid for by the United Nations;

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

Investment revenue

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

Expenses

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

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

99. Other operating expenses include acquisition of goods and intangible assets under capitalization thresholds, foreign exchange losses, maintenance, utilities,

contracted services, training, security services, shared services, rent, insurance and allowance for doubtful accounts. Other expenses relate to contributions in kind, hospitality and official functions, and donations or transfers of assets.

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

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

Multi-partner trust funds

102. Multi-partner trust fund activities are pooled resources from multiple financial partners that are allocated to multiple implementing entities to support specific national, regional or global development priorities. They are assessed to determine the existence of control and whether the organization is considered to be the principal of the programme or activity. Where control exists and the organization is exposed to the risks and rewards associated with the multi-partner trust fund activities, such programmes or activities are considered to be the organization's operations and are therefore reported in full in the financial statements.

Note 4
Prior-period reclassifications and adjustments

Prior period reclassification

103. With the implementation of the Business Planning and Consolidation tool for the production of financial statements across the Secretariat, financial statement classifications have been harmonized and the effect on the organization's balances as reported as at 31 December 2015 and the impact of reclassification changes are summarized in the present note.

104. The effect of the reclassification is contained within the statement of financial position and performance and does not affect the final balances reported as at the end of 31 December 2015 for assets, liabilities, net assets and period surplus/deficit.

Prior period adjustment — elimination

105. In order to fairly present the effect of transactions between the Multilateral Fund (fund identification code MFL) and the trust fund for UNEP implementation of Multilateral Fund activities (fund identification code IML), a financial statement elimination of $44.6 million has been effected in the statement of financial position.

106. Individual notes provide detailed breakdowns of the reclassifications.

	Reported 31 December 2015	*Reclassification*	*Prior period adjustment — elimination*	*Restated 31 December 2015*
Extract from statement of financial position				
Assets				
Current assets				
Cash and cash equivalents	109 653	–	–	109 653
Investments	329 312	–	–	329 312
Assessed contributions receivable	30 514	–	–	30 514
Voluntary contributions receivable	244 496	–	–	244 496
Other receivables	–	2 222	–	2 222
Advance transfers	265 961	369	(13 018)	253 312
Other assets	10 620	(2 591)	–	8 029
Total current assets	**990 556**	**–**	**(13 018)**	**977 538**
Non-current assets				
Investments	220 159	–	–	220 159
Assessed contributions receivable	1 433	–	–	1 433
Voluntary contributions receivable	276 460	–	–	276 460
Advance transfers	147 738	–	(31 597)	116 141
Property, plant and equipment	1 677	–	–	1 677
Intangibles	32	–	–	32
Total non-current assets	**647 499**	**–**	**–**	**615 902**
Total assets	**1 638 055**	**–**	**(44 615)**	**1 593 440**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	56 299	7 393	–	63 692
Employee benefits liabilities	11 538	415	–	11 953
Advance receipts	–	34 455	–	34 455
Provisions	192	–	–	192
Other liabilities	138 321	(42 263)	–	96 058
Total current liabilities	**206 350**	**–**	**–**	**206 350**

	Reported 31 December 2015	*Reclassification*	*Prior period adjustment — elimination*	*Restated 31 December 2015*
Non-current liabilities				
Employee benefits liabilities	125 762	–	–	125 762
Total non-current liabilities	**125 762**	**–**	**–**	**125 762**
Total liabilities	**332 112**	**–**	**–**	**332 112**
Net of total assets and total liabilities	**1 305 943**	**–**	**(44 615)**	**1 261 328**
Net assets				
Accumulated surpluses/(deficits), unrestricted	1 271 479	–	(44 615)	1 226 864
Reserves	34 464	–	–	34 464
Total net assets	**1 305 943**	**–**	**–**	**1 261 328**
Extract from statement of financial performance				
Total revenue	655 985	461	–	655 524
Total expense	(559 703)	(461)	–	(559 242)
Surplus/(deficit) for the period	**96 282**	**–**	**–**	**96 282**

Note 5
Segment reporting

107. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and for making decisions about the future allocation of resources.

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

(a) Environment Fund;

(b) Regular budget;

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

(d) Conventions and protocols;

(e) Multilateral Fund;

(f) Programme support;

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

109. The statement of financial position and the statement of financial performance are as shown below.

All funds: statement of financial position for the period ended 31 December 2016, by segment

(Thousands of United States dollars)

	Environment Fund	*Regular budget*	*Other support to UNEP programme of work*	*Conventions and protocols*	*Multilateral Fund*	*Programme support*	*End-of-service and post-retirement benefits*	*Intersegment eliminations*	*2016 Total*	*2015 Total*[a]
Assets										
Current assets										
Cash and cash equivalents	7 570	–	108 959	27 703	11 307	4 079	10 096	–	169 714	109 653
Investments	13 389	–	192 916	49 034	20 020	7 222	17 875	–	300 456	329 312
Assessed contributions receivable	–	–	–	9 934	11 535	–	–	–	21 469	30 514
Voluntary contributions receivable	2 355	–	216 396	29 556	127	–	–	–	248 434	244 496
Other receivables	585	–	22 491	1 017	1 394	534	–	(23 598)	2 423	2 222
Advance transfers	1 070	–	160 425	9 326	120 931	278	–	(15 839)	276 191	253 312
Other assets	2 771	–	10 169	2 642	163	846	–	–	16 591	8 029
Total current assets	**27 740**	**–**	**711 356**	**129 212**	**165 477**	**12 959**	**27 971**	**(39 437)**	**1 035 278**	**977 538**
Non-current assets										
Investments	6 447	–	92 893	23 611	9 640	3 478	8 607	–	144 677	220 159
Assessed contributions receivable	–	–	–	–	2 203	–	–	–	2 203	1 433
Voluntary contributions receivable	–	–	409 488	8 376	–	–	–	–	417 864	276 460
Advance transfers	–	–	–	–	186 284	–	–	(37 552)	148 732	116 141
Property, plant and equipment	1 377	–	265	66	32	–	–	–	1 740	1 677
Intangible assets	–	–	25	–	–	–	–-	–	25	32
Total non-current assets	**7 824**	**–**	**502 671**	**32 053**	**198 159**	**3 478**	**8 607**	**(31 597)**	**715 241**	**615 902**
Total assets	**35 564**	**–**	**1 214 027**	**161 265**	**363 636**	**16 437**	**36 578**	**(76 989)**	**1 750 519**	**1 593 440**
Liabilities										
Current liabilities										
Accounts payable and accrued liabilities	2 383	–	21 507	5 388	14 819	336	–	–	44 433	63 692
Advance receipts	302	–	34 092	5 149	24 658	–	–	–	64 201	34 455
Employee benefits liabilities	1 262	–	1 399	892	109	274	6 139	–	10 075	11 953

	Environment Fund	*Regular budget*	*Other support to UNEP programme of work*	*Conventions and protocols*	*Multilateral Fund*	*Programme support*	*End-of-service and post-retirement benefits*	*Intersegment eliminations*	*2016 Total*	*2015 Total*[a]
Provisions	–	–	–	–	–	–	–	–	–	192
Other liabilities	–	–	84 081	21 100	–	–	–	(23 598)	81 583	96 058
Total current liabilities	**3 947**	**–**	**141 079**	**32 529**	**39 586**	**610**	**6 139**	**(23 598)**	**200 292**	**206 350**
Non-current liabilities										
Employee benefits liabilities	–	–	–	–	–	–	136 002	–	136 002	125 762
Total non-current liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**136 002**	**–**	**136 002**	**125 762**
Total liabilities	**3 947**	**–**	**141 079**	**32 529**	**39 586**	**610**	**142 141**	**(23 598)**	**336 294**	**332 112**
Total net of total assets and total liabilities	**31 617**	**–**	**1 072 948**	**128 736**	**324 050**	**15 827**	**(105 563)**	**(53 391)**	**1 414 225**	**1 261 328**
Net assets										
Accumulated surpluses/(deficits) — unrestricted	11 617	–	1 072 024	119 411	324 050	11 327	(105 562)	(53 391)	1 379 476	1 226 864
Reserves	20 000	–	925	9 324	–	4 500	–	–	34 749	34 464
Total net assets[b]	**31 617**	**–**	**1 072 949**	**128 735**	**324 050**	**15 827**	**(105 562)**	**(53 391)**	**1 414 225**	**1 261 328**

[a] Comparatives have been restated to conform to the current presentation.
[b] See note 23.

All funds: statement of financial performance for the period ended 31 December 2016, by segment

(Thousands of United States dollars)

	Environment Fund	*Regular budget*	*Other support to UNEP programme of work*[a]	*Conventions and protocols*[b]	*Multilateral Fund*	*Programme support*	*End-of-service and post-retirement benefits*	*Intersegment eliminations*	*Total 2016*	*Total 2015*[c]
Revenue										
Assessed contributions	–	23 970	–	53 601	136 118	–	–	–	213 689	223 119
Voluntary contributions	66 735	–	388 514	42 756	887	–	–	–	498 892	401 884
Other transfers and allocations	14	–	35 570	3 990	–	–-	–	(13 720)	25 854	26 113
Investment revenue	112	–	2 745	786	820	96	245	–	4 804	4 185
Other revenue	1 364	–	81	76	23	26 270	3 321	(29 598)	1 537	223
Total revenue	**68 225**	**23 970**	**426 910**	**101 209**	**137 848**	**26 366**	**3 566**	**(43 318)**	**744 776**	**655 524**
Expenses										
Employee salaries, allowances and benefits	48 213	22 063	43 760	32 424	3 430	16 602	8 820	(3 321)	171 991	170 370
Non-employee compensation and allowances	1 934	611	16 981	3 039	279	265	–	–	23 109	32 526
Grants and other transfers	2 970	(89)	139 807	5 269	127 653	–	–	(13 588)	262 022	246 836
Supplies and consumables	121	7	136	63	4	8	–	–	339	480
Depreciation	160	–	5	13	2	–	–	–	180	182
Amortization	–	–	7	–	–-	–	–	–	7	5
Travel	3 684	495	13 693	7 208	370	432	–	–	25 882	29 360
Other operating expenses	10 129	882	37 197	23 390	5 660	7 416	21	(26 409)	58 286	56 569
Exchange losses from the fixed exchange rate mechanism	–	–	–	–	17 428	–	–	–	17 428	20 718
Other expenses	1 506	1	34	557	–	–	–	–	2 098	2 196
Total expenses	**68 717**	**23 970**	**251 620**	**71 963**	**154 826**	**24 723**	**8 841**	**(43 318)**	**561 342**	**559 242**
Surplus/(deficit) for the year	**(492)**	**–**	**175 290**	**29 246**	**(16 978)**	**1 643**	**(5 275)**	**–-**	**183 434**	**96 282**

[a] See also annex I.

[b] See also annex II.

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

Note 6
Comparison to budget

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

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

112. The original budget amounts are the 2016 proportion of the appropriation for the biennium 2016-2017 approved by the United Nations Environment Assembly on 27 June 2014. The final appropriation for the Environment Fund for 2016 was less than the original budget approved by the United Nations Environment Assembly. The original budget was approved on the basis of the projected voluntary contributions to the Environment Fund, whereas the final appropriation was based on the funds that were made available on the basis of the Environment Fund balance brought forward at the start of the period and contributions received during the year.

113. Material differences between the final budget appropriation and actual expenditure on a modified cash basis are deemed to be those greater than 10 per cent. For the current reporting period, no material variances have occurred.

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

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

Reconciliation for the year ended 31 December 2016

(Thousands of United States dollars)

Reconciliation	*Operating*	*Investing*	*Financing*	*Total 2016*
Actual amounts on comparable basis (statement V)	(87 819)	–	–	(87 819)
Basis differences	3 194	4 561		7 755
Entity differences	(27 972)	–	–	(27 972)
Timing differences	–	–	–	–
Presentation differences	92 195	104 338	(28 436)	168 097
Actual amount in statement of cash flows (statement IV)	**(20 402)**	**108 899**	**(28 436)**	**60 061**

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

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

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

118. **Presentation differences** are differences in the format and classification schemes in the statement of cash flows and the statement of comparison of budget and actual amounts, which are related primarily to the non-recording of income in statement V and the net changes in cash pool balances.

Note 7
Cash and cash equivalents

(Thousands of United States dollars)

	Environment Fund	*Multilateral Fund*	*Others*	*31 December 2016*	*31 December 2015*
Cash at bank and on hand	8	–	9	17	9
Cash Pool cash and term deposits (notes 27 and 28)	7 562	11 307	150 828	169 697	109 644
Total cash and cash equivalents	**7 570**	**11 307**	**150 837**	**169 714**	**109 653**

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

Note 8
Investments

(Thousands of United States dollars)

	Environment Fund	*Multilateral Fund*	*Others*	*31 December 2016*	*31 December 2015*
Current cash pools (notes 27 and 28)	13 389	20 020	267 047	300 456	329 312
Non-current cash pools (notes 27 and 28)	6 447	9 640	128 590	144 677	220 159
Total	**19 836**	**29 660**	**395 637**	**445 133**	**549 471**

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

Note 9
Receivables from non-exchange transactions: assessed contributions

(Thousands of United States dollars)

	Current			*Non-current*		
	Multilateral Fund	*Others*	*Total*	*Multilateral Fund*	*Total 31 December 2016*	*Total 31 December 2015*
Contributions receivable — Member States	189 278	20 618	209 896	–	209 896	207 157
Notes receivables	3 573	–	3 573	2 203	5 776	10 220
Contributions receivable — non-member States	–	–	–	–	–	232
Allowance for doubtful receivables — Member States	(181 316)	(10 684)	(192 000)	–	(192 000)	(185 604)
Allowance for doubtful receivables — non-member States	–	–	–	–	–	(58)
Total assessed contributions receivable	**11 535**	**9 934**	**21 469**	**2 203**	**23 672**	**31 947**

Note 10
Receivables from non-exchange transactions: voluntary contributions

(Thousands of United States dollars)

	Current			*Non-current*		
	Environment Fund	*Others*	*Total*	*Others*	*Total 31 December 2016*	*Total 31 December 2015*[a]
Member States	3 449	79 036	82 485	4 963	87 448	70 445
Other governmental organizations	6	2 976	2 982	–	2 982	1 753
United Nations organizations[b]	–	114 365	114 365	407 846	522 211	383 784
Private donors	–	59 548	59 548	5 055	64 603	69 606
Allowance for doubtful receivables	(1 100)	(9 846)	(10 946)	–	(10 946)	(4 632)
Total voluntary contributions receivable	**2 355**	**246 079**	**248 434**	**417 864**	**666 298**	**520 956**

[a] Comparatives have been restated to conform to the current presentation.
[b] Receivables from United Nations organizations relate mainly to contributions due from the World Bank (IBRD) for GEF.

Note 11
Other receivables

(Thousands of United States dollars)

	31 December 2016	31 December 2015[a]
Current other receivables		
Member States	917	446
Receivables from other United Nations entities	46	94
Other exchange revenue receivables	2 036	1 699
Subtotal	**2 999**	**2 239**
Allowance for doubtful receivables	(576)	(17)
Total other receivables (current)	**2 423**	**2 222**

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

Note 12
Advance transfers

(Thousands of United States dollars)

	31 December 2016	31 December 2015[a]
Advance transfers (current)	276 191	253 312
Advance transfers (non-current)	148 732	116 141
Total advance transfers	**424 923**	**369 453**

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

Note 13
Other assets

(Thousands of United States dollars)

	31 December 2016	31 December 2015[a]
Advances to UNDP and other United Nations agencies[b]	8 361	2 560
Advances to vendors	194	5
Advances to staff	4 735	3 568
Advances to other personnel	1 583	1 848
Deferred charges	395	21
Other	1 323	27
Other assets (current)	**16 591**	**8 029**
Other assets (non-current)	–	–
Total other assets	**16 591**	**8 029**

[a] Comparatives have been restated to conform to the current presentation.
[b] Includes UNDP service clearing account and advances to other entities to provide administrative services.

Note 14
Heritage assets

121. Certain assets are categorized as heritage assets because of their cultural, educational or historical significance. The organization's heritage assets were acquired over many years by various means, including purchase, donation and bequest. These heritage assets do not generate any future economic benefits or service potential; accordingly, the organization has elected not to recognize heritage assets in the statement of financial position.

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

Note 15
Property, plant and equipment

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

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

Property, plant and equipment

(Thousands of United States dollars)

	Buildings	*Assets under construction*	*Machinery and equipment*	*Vehicles*	*Communications and information technology equipment*	*Furniture and fixtures*	*Total*
Cost at 1 January 2016	**17**	**956**	**68**	**1 466**	**1 718**	**476**	**4 701**
Additions	–	–	–	142	128	8	278
Disposals	–	(1)	–	(328)	(47)	(11)	(387)
Assets under construction, capitalized	955	(955)	–	–	–	–	–
Cost at 31 December 2016	**972**	**–**	**68**	**1 280**	**1 799**	**473**	**4 592**
Accumulated depreciation at 1 January 2016	**(15)**	**–**	**(29)**	**(1 106)**	**(1 469)**	**(405)**	**(3 024)**
Depreciation	(32)	–	–	(79)	(64)	(5)	(180)
Disposals	–	–	–	294	47	11	352
Accumulated depreciation at 31 December 2016	**(47)**	**–**	**(29)**	**(891)**	**(1 486)**	**(399)**	**(2 852)**
Net carrying amount, 31 December 2016	**925**	**–**	**39**	**389**	**313**	**74**	**1 740**

Note 16
Intangible assets

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

(Thousands of United States dollars)

	Software internally developed	*Software acquired externally*	*Licences and rights*	*Assets under development*	*Total*
Cost as at 1 January 2016	–	37	–	–	37
Additions	–	–	–	–	-
Cost as at 31 December 2016	**–**	**37**	**–**	**–**	**37**
Accumulated amortization as at 1 January 2016	–	(5)	–	–	(5)
Amortization	–	(7)	–	–	(7)
Accumulated amortization as at 31 December 2015	**–**	**(12)**	**–**	**–**	**(12)**
Net carrying amount, 31 December 2016	**–**	**25**	**–**	**–**	**25**

Note 17
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*[a]
Vendor payables (accounts payable)	1 949	2 224
Transfers payable	1 990	2 466
Payables to Member States	2 350	1
Payables to other United Nations entities	11 123	4 689
Accruals for goods and services	5 325	45 387
Accounts payable — other	21 696	8 925
Total accounts payable and accrued liabilities	**44 433**	**63 692**

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

Note 18
Advance receipts

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*[a]
Current — advance receipts		
Deferred revenue	64 201	34 455
Total current advance receipts	**64 201**	**34 455**
Total non-current advance receipts	**–**	**–**
Total advance receipts	**64 201**	**34 455**

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

Note 19
Employee benefits liabilities

(Thousands of United States dollars)

	Current	*Non-current*	*Year ended 31 December 2016*	*Year ended 31 December 2015*[a]
After-service health insurance	930	101 445	102 375	92 329
Annual leave	1 418	14 488	15 906	16 142
Repatriation benefits	2 283	20 069	22 352	26 121
Subtotal defined benefits liabilities	**4 631**	**136 002**	**140 633**	**134 592**
Accrued salaries and allowances	5 444	–	5 444	3 123
Total employee benefits liabilities	**10 075**	**136 002**	**146 077**	**137 715**

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

126. The liabilities arising from end-of-service/post-employment benefits and the workers' compensation programme under Appendix D to the Staff Rules are determined by independent actuaries and are established in accordance with the Staff Regulations of the United Nations and Staff Rules. Actuarial valuation is usually undertaken every two years. The most recent full actuarial valuation was conducted as at 31 December 2015.

Actuarial valuation: assumptions

127. The organization reviews and selects assumptions and methods used by the actuaries in the year-end valuation to determine the expense and contribution requirements for the employee benefits. The principal actuarial assumptions used to determine the employee benefit obligations at 31 December 2016 and 31 December 2015 are as follows.

Actuarial assumptions

(Percentage)

Assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*	*Appendix D/ workers' compensation*[a]
Discount rates 31 December 2015	3.49	3.67	3.73	
Discount rates 31 December 2016	3.44	3.55	3.61	
Inflation 31 December 2015	4.00-6.4	2.25	–	2.25
Inflation 31 December 2016	4.00-6.0	2.25	–	2.25

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

128. Discount rates are based on a weighted blend of three discount rate assumptions based on the currency denomination of the different cash flows: United States dollars (Citigroup Pension Discount Curve), euros (the EY Eurozone corporate yield curve) and Swiss francs (Federation bonds yield curve, plus the spread observed between government rates and high grade corporate bonds rates). The slightly lower discount rates were assumed for the 31 December 2016 valuation owing to a slight variation in the inflation rates from 31 December 2015.

129. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption is revised to reflect the current short-term expectations of the after-service health insurance plan cost increases and economic environment. Medical cost trend assumptions used for the valuation as at 31 December 2016 were updated to include escalation rates for future years. As at 31 December 2016, these escalation rates were a flat health-care yearly escalation rate of 4.0 per cent (2015: 4.0 per cent) for non-United States medical plans, health-care escalation rates of 6.0 per cent (2015: 6.4 per cent) for all other medical plans, except 5.7 per cent (2015: 5.7 per cent) for the United States Medicare plan and 4.9 per cent (2015: 4.9 per cent) for the United States dental plan, grading down to 4.5 per cent (2015: 4.5 per cent) over 10 years.

130. With regard to the valuation of repatriation benefits as at 31 December 2016, inflation in travel costs was assumed to be 2.25 per cent (2015: 2.25 per cent), on the basis of the projected United States inflation rate over the next 10 years.

131. Annual leave balances were assumed to increase at the following annual rates during a staff member's projected years of service: 1-3 years, 10.9 days; 4-8 years, 1 day; and more than 8 years, 0.5 days, up to the maximum of 60 days. The assumption is consistent with the 2015 valuation. The attribution method continues to be used for annual leave actuarial valuation.

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

Note 20
Movement in employee benefits liabilities accounted for as defined-benefit plans

Reconciliation of opening to closing total defined-benefits liability

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total 2016*
Net benefits liability at 1 January 2016	92 329	22 749	16 142	131 220
Current service cost	5 844	1 604	957	8 405
Interest cost	3 238	766	556	4 560
Actual benefits paid	(771)	(2 968)	(1 914)	(5 653)
Total costs recognized in the statement of financial performance in 2016	**8 311**	**(598)**	**(401)**	**7 312**
Subtotal	**100 640**	**22 151**	**15 741**	**138 532**
Actuarial (gains)/loss[a]	1 735	201	165	2 101
Net defined-benefits liability as at 31 December 2016	**102 375**	**22 352**	**15 906**	**140 633**

[a] The cumulative amount of actuarial gains and losses recognized in the statement of changes in net assets is $2.1 million.

Discount rate sensitivity analysis

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

Discount rate sensitivity analysis: year-end employee benefits liabilities

(Thousands of United States dollars and percentage)

31 December 2016	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 1 per cent	(21 162)	(1 836)	(1 312)
As percentage of end-of-year liability	(21%)	(8%)	(8%)
Decrease of discount rate by 1 per cent	28 955	2 076	1 520
As percentage of end-of-year liability	28%	9%	10%

Medical cost sensitivity analysis

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

Medical costs sensitivity analysis: 1 per cent movement in the assumed medical cost trend rates

(Thousands of United States dollars and percentage)

2016	*Increase*		*Decrease*	
Effect on the defined-benefit obligation	28.78%	28 951	(21.01%)	(21 507)
Effect on aggregate of the current service cost and interest cost	3.34%	3 416	(2.40%)	(2 462)

(Thousands of United States dollars)

2015	*Increase*		*Decrease*	
Effect on the defined-benefit obligation	28.03%	25 882	(20.85%)	(19 254)
Effect on aggregate of the current service cost and interest cost	1.39%	3 006	(2.35%)	(2 170)

Other defined-benefit plan information

135. Benefits paid for 2016 are estimates of what would have been paid to separating staff and/or retirees during the year based on the pattern of rights acquisition under each scheme: after-service health insurance, repatriation and commutation of accrued annual leave. The estimated defined-benefits payments (net of participants' contributions in these schemes) are shown in the table below.

Estimated defined-benefits payments, net of participants' contributions

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
Estimated 2017 defined benefit payments net of participants' contributions	961	2 363	1 468	4 792
Estimated 2016 defined benefit payments net of participants' contributions	771	2 968	1 914	5 653

Historical information: total liability for after-service health insurance, repatriation benefits and annual leave as at 31 December 2016

(Thousands of United States dollars)

	2015	*2014*	*2013*	*2012*	*2011*
Present value of defined-benefits obligations	131 220	162 052	113 888	112 273	102 111

Accrued salaries and allowance

136. Accrued salaries and allowances comprise $2.7 million relating to home leave benefits and $2.5 million for accrued salaries payable. The remaining balance of $0.2 million relates to other benefits.

United Nations Joint Staff Pension Fund

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

138. The financial obligation of the United Nations to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently 7.90 per cent for participants and 15.80 per cent for member organizations), together with a share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are payable only if and when the Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. Each member organization is to contribute to the deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.

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

140. 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 91.20 per cent (86.20 per cent in the 2011 valuation) when the current system of pension adjustments was taken into account.

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

142. The contributions of UNEP to the Pension Fund have been fully settled in 2016.

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

Fund for compensation payments maintained under Volume I: Appendix D/ workers' compensation

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

Impact of General Assembly resolutions on staff benefits

145. On 23 December 2015, the General Assembly adopted resolution 70/244, by which it approved certain changes to conditions of service and entitlements for all staff serving in the organizations of the United Nations common system, as recommended by the International Civil Service Commission. Some of the changes that may affect the calculation of other long-term and end-of-service employee benefits liabilities are as follows.

Change	*Details*
Increase in mandatory age of separation	The mandatory age of retirement for staff who joined the United Nations on or after 1 January 2014 is 65; for those who joined before 1 January 2014, it is 60 or 62. The General Assembly decided to extend the mandatory age of separation for staff recruited before 1 January 2014 by organizations of the United Nations common system to 65 years, at the latest by 1 January 2018, taking into account the acquired rights of staff. Once implemented on 1 January 2018 for the United Nations Secretariat, this change is expected to affect future calculations of employee benefits liabilities.

Change	*Details*
Unified salary structure	The salary scales for internationally recruited staff (Professional and Field Service) as at 31 December 2016 were based on single or dependency rates. Those rates affected staff assessment and post adjustment amounts. The General Assembly approved a unified salary scale that resulted in the elimination of single and dependency rates as from 1 January 2017. The dependency rate was replaced by allowances for staff members who have recognized dependants in accordance with the Staff Regulations of the United Nations and Staff Rules. A revised staff assessment scale and pensionable remuneration scale was implemented along with the unified salary structure. The implementation of the unified salary scale was not designed to result in reduced payments for staff members. However, it is expected that the unified salary scale will have an impact on the calculation and valuation of the repatriation benefit and the commuted annual leave benefit. Currently, the repatriation benefit is calculated on the basis of gross salary and staff assessment at the date of separation, whereas commuted annual leave is calculated on the basis of gross salary, post adjustment and staff assessment at the date of separation.
Repatriation benefit	Staff members are eligible to receive a repatriation grant upon separation, provided they have been in service for at least one year at a duty station outside their country of nationality. The General Assembly has since revised eligibility for the repatriation grant from one year to five years for prospective employees, while current employees retain the one-year eligibility. This change is expected to affect future calculations of employee benefits liabilities.

146. The impact of the changes will be fully reflected in the actuarial valuation to be conducted in 2017.

Note 21
Provisions

147. As at the reporting date, the organization had no legal claims that required the recognition of provisions.

Movement in provisions

(Thousands of United States dollars)

	Litigation and claims
Provisions as at 1 January 2016	192
Additional provisions made	–
Amounts reversed	–
Amounts used	192
Provisions as at 31 December 2016	**–**

Note 22
Other liabilities

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*[a]
Liabilities for conditional arrangements	81 583	96 058
Total other liabilities	**81 583**	**96 058**

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

Note 23
Net assets

Accumulated surpluses/deficits

148. The unrestricted accumulated surplus includes the accumulated deficit for employee benefits liabilities, i.e. the net positions of after-service health insurance, repatriation benefit and annual leave liabilities.

149. The following table shows the status of the organization's net assets balances and movements by segment.

Net assets balances and movements[a]

(Thousands of United States dollars)

	31 December 2015	*2015 IML/MFL elimination*[b]	*31 December 2015, as restated*	*Surplus/(deficit)*	*2016 IML/MFL elimination*[b]	*Deferred revenue adjustment*[c]	*Other movements*[d]	*31 December 2016*
Unrestricted fund balance								
Environment Fund	12 109	–	12 109	(492)	–	–	–	11 617
Other support to UNEP programme of work	923 462	(44 615)	878 847	175 290	(8 776)	(26 372)	(356)	1 018 633
Conventions and protocols	89 974	–	89 974	29 246	–	–	191	119 411
Multilateral Fund	337 688	–	337 688	(16 978)	–	–	3 341	324 051
Programme support	9 805	–	9 805	1 643	–	–	(121)	11 327
End-of-service liabilities	(101 559)	–	(101 559)	(5 275)	–	–	1 271	(105 563)
Subtotal unrestricted fund balance	**1 271 479**	**(44 615)**	**1 226 864**	**183 434**	**(8 776)**	**(26 372)**	**4 326**	**1 379 476**
Reserves								
Environment Fund	20 000	–	20 000	–	–	–	–	20 000
Other support to UNEP programme of work	798	–	798	–	–	–	127	925
Conventions and protocols	9 166	–	9 166	–	–	–	158	9 324
Multilateral Fund		–		–	–	–	–	–
Programme support	4 500	–	4 500	–	–	–	–	4 500
End-of-service liabilities		–	–	–	–	–	–	–
Subtotal reserves	**34 464**	**–**	**34 464**	**–**	**–**	**–**	**285**	**34 749**

	31 December 2015	*2015 IML/MFL elimination*[b]	*31 December 2015, as restated*	*Surplus/(deficit)*	*2016 IML/MFL elimination*[b]	*Deferred revenue adjustment*[c]	*Other movements*[d]	*31 December 2016*
Total net assets								
Environment Fund	32 109	–	32 109	(492)	–	–	–	31 617
Other support to UNEP programme of work[e]	924 260	(44 615)	879 645	175 290	(8 776)	(26 372)	(229)	1 019 558
Conventions and protocols[f]	99 140	–	99 140	29 246	–	–	349	128 735
Multilateral Fund	337 688	–	337 688	(16 978)	–	–	3 341	324 051
Programme support	14 305	–	14 305	1 643	–	–	(121)	15 827
End-of-service liabilities	(101 559)	–	(101 559)	(5 275)	–	–	1 271	(105 563)
Total net assets	**1 305 943**	**(44 615)**	**1 261 328**	**183 434**	**(8 776)**	**(26 372)**	**4 611**	**1 414 225**

[a] Net assets movements, including fund balances, are IPSAS-based.

[b] In order to fairly present the effect of transactions between the Multilateral Fund (fund identification code MFL, Multilateral Fund segment) and the trust fund for UNEP implementation of Multilateral Fund activities (fund identification code IML, support to programme of work segment), a cumulative financial statement elimination of $44.6 million as at 31 December 2015 and $53.3 million as at 31 December 2016 have been effected in the statement of financial position in advance transfers and net assets. See note 4.

[c] First time apportionment of GEF implementing agency fee recognition (fund identification code FBL) according to the project implementation period for which management oversight is provided. Cumulative amount as at 1 January 2016 to be amortized over remaining project implementation period has been transferred to deferred revenue.

[d] Comprises a credit of $3.3 million adjustment to the Multilateral Fund for prior year implementing partner expense reports received in 2016, $3.4 million prior period repatriation fund contributions recorded in 2016 offset by actuarial losses of $2.1 million, and net transfer to reserves of $0.3 million, in addition to compensating transfers from one segment to another.

[e] See also annex I.

[f] See also annex II.

Note 24
Revenue from non-exchange transactions

Assessed contributions

150. Assessed contributions of $213.7 million (2015: $223.1 million) have been recorded in accordance with the Financial Regulations and Rules of the United Nations, the relevant resolutions of the various conferences of parties and the policies of the United Nations, on the basis of the agreed budget scale of assessment. An amount of $24.0 million (2015: $20.2 million) of this is an allocation from the United Nations Secretariat.

151. Each biennium, the organization receives an allocation from the United Nations regular budget, which is included in assessed contributions. These are reported under Volume I, a related entity, but are also included in these statements for completeness. In addition, internally within the organization, funds are allocated for implementation that is reflected as other transfers and allocations in the statement of financial performance.

Assessed contributions

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*[a]
Assessed contributions		
Assessed contribution	196 768	203 073
Bilateral transfers from the Multilateral Fund	(7 049)	(180)
Subtotal	**189 719**	**202 893**
Allocations from regular budget	23 970	20 226
Total assessed contributions	**213 689**	**223 119**

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

Voluntary contributions

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*[a]
Voluntary contributions		
Voluntary contributions — in cash	499 252	404 129
Voluntary contributions — land and premises	2 037	2 101
Total voluntary contributions	**501 289**	**406 230**
Refunds	(2 397)	(4 346)
Net voluntary contributions	**498 892**	**401 884**

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

Other transfers and allocations

152. Revenue from non-exchange transactions includes other transfers and allocations, mainly received from United Nations entities.

Other transfers and allocations

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*[a]
Other transfers and allocations	25 854	26 113

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

Services in kind

153. In-kind contributions of services received during the year are not recognized as revenue and, therefore, are not included in the above in-kind contributions revenue. Services in kind confirmed during the year are shown below.

Services in kind

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*[a]
Technical assistance/expert services	968	1 284
Administrative support	10 607	7 559
Participation in training	–	195
Total	**11 575**	**9 038**

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

Note 25
Other revenue

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*[a]
Refund of prior year expenses	816	–
Other/miscellaneous revenue	721	223
Total other exchange revenue	**1 537**	**223**

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

Note 26
Expenses

Employee salaries, allowances and benefits

154. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. Allowances and benefits include other staff entitlements, including pension and insurance, and staff assignment, repatriation, hardship and other allowances.

Employee salaries, allowances and benefits

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*[a]
Salaries, wages and other benefits	136 736	143 380
Pension and insurance benefits	35 255	26 990
Total employee salaries, allowances and benefits	**171 991**	**170 370**

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

Non-employee compensation and allowances

155. Non-employee compensation and allowances consist of United Nations Volunteers living allowances and post-employment benefits, consultant and contractor fees, ad hoc experts and non-military personnel compensation and allowances.

Non-employee compensation and allowances

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*[a]
Consultants, contractors and volunteers	23 109	32 526
Total non-employee compensation and allowances	**23 109**	**32 526**

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

Grants and other transfers

156. Grants and other transfers include outright grants to partners and other entities and implementing agencies expenses; see note 32 for more details.

Grants and other transfers

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Grants to end beneficiaries	3 891	16 363
Expenses of transfers to implementing partners	258 131	230 473
Total grants and other transfers	**262 022**	**246 836**

Supplies and consumables

157. Supplies and consumables include consumables, fuel and lubricants and spare parts, as set out below.

Supplies and consumables

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*[a]
Fuel and lubricants	10	2
Spare parts	41	7
Consumables	288	471
Total supplies and consumables	**339**	**480**

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

Travel

158. Travel includes travel of staff and representatives as shown below.

Travel expenses

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*[a]
Staff travel	13 082	16 850
Representative travel	12 800	12 510
Total travel	**25 882**	**29 360**

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

Other operating expenses

159. Other operating expenses include maintenance, utilities, contracted services, training, security services, shared services, rent, insurance, allowance for bad debt and write-off expenses.

Other operating expenses

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*[a]
Air transport	6	71
Ground transport	227	364
Communications and information technology	7 191	3 954
Other contracted services	18 997	16 627
Acquisitions of goods	1 146	1 203
Acquisitions of intangible assets	292	45
Rent — offices and premises	8 312	7 852
Rental — equipment	519	503
Maintenance and repair	796	2 403
Bad debt/doubtful debt expense	13 230	7 588
Net foreign exchange losses	7 215	15 563
Other/miscellaneous operating expenses	355	396
Total other operating expenses	**58 286**	**56 569**

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

Exchange losses from the fixed-rate mechanism

160. The Multilateral Fund operates a fixed exchange rate mechanism (as initially approved for implementation by the Meeting of the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer in its decision XI/6 of 17 December 1999 and extended for the 2015-2017 period in decision XXVI/11 of 10 December 2014) which, subject to fulfilling certain criteria, allows parties to opt to pay their contributions for the forthcoming triennium in advance, in their own currencies, at a predetermined exchange rate to the United States dollar fixed prior to the triennium. The exchange losses of $17.4 million (2015 $20.7 million) resulted from the difference between the actual United Sates dollar equivalent of the respective contributions received as compared with the United Sates dollar receivable that had been established in the UNEP books of account.

Exchange losses from the fixed exchange rate mechanism

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Exchange losses from the fixed exchange rate mechanism	17 428	20 718

Other expenses

161. Other expenses relate mainly to hospitality and official functions, and donation/transfer of assets.

(Thousands of United States dollars)

	31 December 2016	31 December 2015[a]
Contributions in kind	2 037	2 102
Other/miscellaneous expenses	61	170
Total other expenses	**2 098**	**2 196**

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

Note 27
Financial instruments and financial risk management

Summary of financial instruments

(Thousands of United States dollars)

	31 December 2016	31 December 2015[a]
Financial assets		
Fair value through the surplus or deficit		
Short-term investments — cash pools	300 456	329 312
Total short-term investments	**300 456**	**329 312**
Long-term investments — cash pools	144 677	220 159
Total long-term investments	**144 677**	**220 159**
Total fair value through surplus or deficit	**445 133**	**549 471**
Loans and receivables		
Cash and cash equivalents — cash pools	169 697	109 644
Cash and cash equivalents — other	17	9
Assessed contributions	23 672	31 947
Voluntary contributions	666 298	520 956
Other receivables	2 423	2 222
Total loans and receivables	**862 107**	**664 778**
Total carrying amount of financial assets	**1 307 240**	**1 214 249**
Of which relates to financial assets held in cash pool	**614 830**	**659 115**
Financial liabilities		
Accounts payable and accrued liabilities	44 433	63 692
Other liabilities (excludes conditional liabilities)	–	–
Total carrying amount of financial liabilities	**44 433**	**63 692**
Summary of net income from cash pools		
Investment revenue	6 373	4 101
Foreign exchange gains/(losses)	(1 755)	(1 197)
Net income from cash pools	**4 618**	**2 904**
Other investment revenue	186	1 281
Total net income from financial instruments	**4 804**	**4 185**

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

Financial risk management

Overview

162. The organization has exposure to the following financial risks:

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk.

163. The present note and note 28: Financial instruments: cash pools, present information on the organization's exposure to financial risks, the objectives, policies and processes for measuring and managing risk and the management of capital.

Risk management framework

164. The organization's risk management practices are in accordance with its Financial Regulations and Rules and Investment Management Guidelines. The organization defines the capital that it manages as the aggregate of its net assets, which comprises accumulated fund balances and reserves. Its objectives are to safeguard its ability to continue as a going concern, to fund its asset base and to accomplish its objectives. The organization manages its capital in the light of global economic conditions, the risk characteristics of the underlying assets and its current and future working capital requirements.

Financial risk management: credit risk

165. Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, investments and deposits with financial institutions, as well as credit exposures to outstanding receivables. The carrying value of financial assets less allowances for doubtful receivables is the maximum exposure to credit risk.

Credit risk management

166. The investment management function is centralized at United Nations Headquarters, and under normal circumstances other areas are not permitted to engage in investing. An area may receive exceptional approval when conditions warrant investing locally under specified parameters that comply with the Investment Management Guidelines.

Contributions receivable and other receivables

167. A large portion of the contributions receivable is due from sovereign Governments and supranational agencies, including other United Nations entities that do not have significant credit risk. As at the reporting date, the organization did not hold any collateral as security for receivables.

Allowance for doubtful receivables

168. The organization evaluates the allowance for doubtful receivables at each reporting date. An allowance is established when there is objective evidence that the organization will not collect the full amount due. Balances credited to the allowance for doubtful receivables account are utilized when management approves write-offs under the Financial Regulations and Rules, or are reversed when the previously impaired receivables are received. The movement in the allowances account during the year is as shown below.

Movement in allowance for doubtful receivables

(Thousands of United States dollars)

	2016	2015
As at 1 January	**190 311**	**182 759**
Additional allowance for doubtful receivables	13 211	7 552
Receivables written off during the period as uncollectible	–	–
Unused amounts reversed	–	–
As at 31 December	**203 522**	**190 311**

169. The ageing of contributions receivable and associated allowances is as shown below.

Ageing of assessed contributions receivable

(Thousands of United States dollars)

	Gross receivable	Allowance
Less than one year	12 015	–
One to two years	9 791	1 958
Two to three years	–	–
Three to four years	7 286	4 372
Over four years	4 549	3 639
Special allowance	182 031	182 031
Total	**215 672**	**192 000**

Ageing of voluntary contributions receivable

(Thousands of United States dollars)

	Gross receivable	Allowance
Less than one year	651 703	–
One to two years	–	–
Two to three years	15 014	3 753
Three to four years	8 337	5 002
Over four years	–	–
Special allowance	2 191	2 191
Total	**677 244**	**10 946**

Ageing of other receivables

(Thousands of United States dollars)

	Gross receivable	Allowance
Less than one year	2 057	–
One to two years	476	119
Two to three years	23	14
Special allowance	443	443
Total	**2 999**	**576**

Cash and cash equivalents

170. The organization had cash and cash equivalents of $169.7 million as at 31 December 2016 (2015: $109.6 million), which is the maximum credit exposure on these assets. Cash and cash equivalents are held with bank and financial institution counterparties rated at "A-" and above, based on the Fitch viability rating.

Financial risk management: liquidity risk

171. Liquidity risk is the risk that the organization might not have adequate funds to meet its obligations as they fall due. The organization's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the organization's reputation.

172. The Financial Regulations and Rules require that expenses be incurred after the receipt of funds from donors, thereby considerably reducing the liquidity risk with regard to contributions, which are a largely stable annual cash flow. Exceptions to incurring expenses prior to the receipt of funds are permitted only if specified risk management criteria are adhered to with regard to the amounts receivable.

173. The organization performs cash flow forecasting and monitors rolling forecasts of liquidity requirements to ensure that they have sufficient cash to meet operational needs. Investments are made with due consideration to the cash requirements for operating purposes based on cash flow forecasting. The organization maintains a large portion of its investments in cash equivalents and short-term investments sufficient to cover its commitments as and when they fall due.

Financial liabilities

174. The exposure to liquidity risk is based on the notion that the entity may encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely owing to the receivables, cash and investments available to the entity and internal policies and procedures put in place to ensure that there are appropriate resources to meet its financial obligations. At the reporting date, the organization had not pledged any collateral for any liabilities or contingent liabilities, and in the year no accounts payable or other liabilities were forgiven by third parties. Maturities for financial liabilities based on the earliest date at which the organization can be required to settle each financial liability are shown below.

Maturities for financial liabilities as at 31 December 2016

(Thousands of United States dollars)

	< 3 months	*3 to 12 months*	*>1 year*	*Total*
Maturities for financial liabilities as at 31 December 2016, undiscounted: accounts payable and accrued payables	39 108	5 325	–	44 433

Financial risk management: market risk

175. Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices of investment securities, will affect the organization's income or the value of its financial assets and liabilities. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the organization's fiscal position.

Interest rate risk

176. Interest rate risk is the risk of variability in financial instruments' fair values or future cash flows due to a change in interest rates. In general, as an interest rate rises, the price of a fixed-rate security falls, and vice versa. Interest rate risk is commonly measured by the fixed-rate security's duration, with duration being a number expressed in years. The longer the duration, the greater the interest rate risk. The main exposure to interest rate risks relates to the cash pools and is considered in note 27.

Currency risk

177. Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in foreign exchange rates. The organization has transactions, assets and liabilities in currencies other than its functional currency and is exposed to currency risk arising from fluctuations in exchange rates. Management policies and the Investment Management Guidelines require the organization to manage its currency risk exposure.

178. The organization's financial assets and liabilities are denominated primarily in United States dollars. Non-United States dollar financial assets relate primarily to investments in addition to cash and cash equivalents and receivables held to support local operating activities where transactions are made in local currencies. The organization maintains a minimum level of assets in local currencies and, whenever possible, maintains bank accounts in United States dollars. The organization mitigates currency risk exposure by structuring contributions from donors in foreign currency to correspond to foreign currency needs for operational purposes. The most significant exposure to currency risk relates to cash pool cash and cash equivalents. At the reporting date, the non-United States dollar denominated balances in these financial assets were primarily euros and Swiss francs, along with over 30 other currencies, as shown below.

Currency exposure of the cash pools as at 31 December 2016

(Thousands of United States dollars)

	United States dollars	*Euros*	*Swiss francs*	*Others*	***Total***
Currency exposure of the main cash pools as at 31 December 2016	614 830	–	–	–	**614 830**

Sensitivity analysis

179. A strengthening/weakening of the euro and Swiss franc UNORE exchange rates as at the reporting date would have affected the measurement of investments denominated in a foreign currency and increased or decreased net assets and surplus or deficit by the amounts shown below. This analysis is based on foreign currency exchange rate variances considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

Effect on net asset surplus or deficit

(Thousands of United States dollars)

	As at 31 December 2016		*As at 31 December 2015*	
	Strengthening	*Weakening*	*Strengthening*	*Weakening*
Euro (10 per cent movement)	1 297	(1 297)	1 532	(1 532)
Swiss franc (10 per cent movement)	8 445	(8 445)	10 677	(10 677)

Other market price risk

180. The organization is not exposed to significant other price risk, as it has limited exposure to price-related risk related to expected purchases of certain commodities used regularly in operations. A change in those prices may alter cash flows by an immaterial amount.

Accounting classifications and fair value

181. Owing to the short-term nature of cash and cash equivalents, including cash pool term deposits with original maturities of less than three months, receivables and payables, the carrying value is a fair approximation of fair value.

Fair value hierarchy

182. The table below analyses financial instruments carried at fair value, by the fair value hierarchy levels. The levels are defined as:

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

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

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

183. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian on the basis of the valuation of securities sourced from third parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s-length basis. The quoted market price used for financial assets held by the cash pools is the current bid price.

Fair value hierarchy of United Nations Environment Programme proportionate share in main pool

(Thousands of United States dollars)

	31 December 2016			*31 December 2015*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds — corporate	47 667	–	47 667	12 641	–	12 641
Bonds — non-United States agencies	130 052	–	130 052	185 030	–	185 030
Bonds — non-United States sovereigns	8 530	–	8 530	10 524	–	10 524
Bonds — supranational	14 568	–	14 568	11 809	–	11 809
Bonds — United States treasuries	40 086	–	40 086	92 233	–	92 233
Main pool — commercial papers	10 199	–	10 199	80 154	–	80 154
Main pool — term deposits	–	194 031	194 031	–	157 080	157 080
Total main pool	**251 101**	**194 031**	**445 133**	**392 391**	**157 080**	**549 471**

184. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Valuation techniques maximize the use of observable market data where it is available. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

185. There were no level 3 financial assets, nor any liabilities carried at fair value, nor any significant transfers of financial assets between fair value hierarchy classifications.

Note 28
Financial instruments: cash pools

186. In addition to directly held cash and cash equivalents and investments, UNEP participates in the United Nations Treasury main pool. The main pool comprises operational bank account balances in a number of currencies and investments in United States dollars.

187. Pooling the funds has a positive effect on overall investment performance and risk because of economies of scale and by the ability to spread yield curve exposures across a range of maturities. The allocation of cash pool assets (cash and cash equivalents, short-term investments and long-term investments) and revenue is based on each participating entity's principal balance.

188. As at 31 December 2016, the organization participated in the main pool that held total assets of $9,033.6 million (2015: $7,783.9 million), of which $614.8 million was due to the organization (2015: $659.4 million), and its share of revenue from the main pool was $4.9 million (2015: $1.4 million).

Summary of assets and liabilities of the main pool as at 31 December 2016

(Thousands of United States dollars)

	Main pool
Fair value through surplus or deficit	
Short-term investments	4 389 616
Long-term investments	2 125 718
Total fair value through surplus or deficit investments	**6 515 334**
Loans and receivables	
Cash and cash equivalents	2 493 332
Accrued investment revenue	24 961
Total loans and receivables	**2 518 293**
Total carrying amount of financial assets	**9 033 627**
Cash pool liabilities	
Payable to UNEP	614 830
Payable to other cash pool participants	8 418 797
Total liabilities	**9 033 627**
Net assets	**–**

Summary of revenue and expenses of the main pool for the year ended 31 December 2016

(Thousands of United States dollars)

	Main pool
Investment revenue	73 903
Unrealized gains/(losses)	(13 474)
Investment revenue from main pool	**60 429**
Foreign exchange gains/(losses)	(5 105)
Bank fees	(646)
Operating expenses of main pool	**(5 751)**
Revenue and expenses from main pool	**54 678**

Summary of assets and liabilities of the cash pools as at 31 December 2015

(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Fair value through surplus or deficit			
Short-term investments	3 888 712	10 941	3 899 653
Long-term investments	2 617 626	–	2 617 626
Total fair value through surplus or deficit investments	**6 506 338**	**10 941**	**6 517 279**

	Main pool	Euro pool	Total
Loans and receivables			
Cash and cash equivalents	1 265 068	32 637	1 297 705
Accrued investment revenue	12 462	3	12 465
Total loans and receivables	**1 277 530**	**32 640**	**1 310 170**
Total carrying amount of financial assets	**7 783 868**	**43 581**	**7 827 449**
Cash pool liabilities			
Payable to UNEP	654 673	4 773	659 446
Payable to other cash pool participants	7 129 195	38 808	7 168 003
Total liabilities	**7 783 868**	**43 581**	**7 827 449**
Net assets	–	–	–

Summary of revenue and expenses of the main pool for the year ended 31 December 2015

(Thousands of United States dollars)

	Main pool
Investment revenue	51 944
Unrealized gains/(losses)	(10 824)
Investment revenue from main pool	**41 120**
Foreign exchange gains/(losses)	(11 720)
Bank fees	(525)
Operating expenses from main pool	**(12 245)**
Revenue and expenses from main pool	**28 875**

Financial risk management

189. The United Nations Treasury is responsible for investment and risk management for the main pool, including conducting investment activities in accordance with the Investment Management Guidelines.

190. The objective of investment management is to preserve capital and ensure sufficient liquidity to meet operating cash while attaining a competitive market rate of return on each investment pool. Investment quality, safety and liquidity are emphasized over the market rate of return component of the objectives.

191. An investment committee periodically evaluates investment performance and assesses compliance with the Guidelines and makes recommendations for updates thereto.

Financial risk management: credit risk

192. The Investment Management Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible investments may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less.

The main pool does not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.

193. The Guidelines require that investments not be made in issuers whose credit ratings are below specifications, and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made.

194. The credit ratings used for the main pool are those determined by major credit-rating agencies; Standard & Poor's, Moody's and Fitch are used to rate bonds and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At year-end, the credit ratings were as shown below.

Investments of the cash pool by credit ratings as at 31 December

(Percentage)

Main pool	*Ratings as at 31 December 2016*				*Ratings as at 31 December 2015*			
Bonds (long-term ratings)								
	AAA	*AA+/AA/AA-*	*BBB*	*Not rated*		*AAA*	*AA+/AA/AA-*	*Not rated*
Standard & Poor's	33.6	55.1	5.6	5.7	Standard & Poor's	37.7	54.2	8.1
Fitch	62.4	28.3		9.3	Fitch	61.9	26.5	11.6
	Aaa	*Aa1/Aa2/Aa3*				*Aaa*	*Aa1/Aa2/Aa3*	
Moody's	50.3	49.7			Moody's	65.8	34.2	
Commercial papers (short-term ratings)								
	A-1					*A-1+/A-1*		
Standard & Poor's	100.0				Standard & Poor's	100.0		
	F1					*F1+*		
Fitch	100.0				Fitch	100.0		
	P-1					*P-1*		
Moody's	100.0				Moody's	100.0		
Reverse repurchase agreement (short-term ratings)								
	A-1+					*A-1+*		
Standard & Poor's	100.0				Standard & Poor's	100.0		
	F1+					*F1+*		
Fitch	100.0				Fitch	100.0		
	P-1					*P-1*		
Moody's	100.0				Moody's	100.0		
Term deposits (Fitch viability ratings)								
	Aaa	*aa/aa-*	*a+/a*			*Aaa*	*aa/aa-*	*a+/a*
Fitch	–	48.1	51.9		Fitch	–	53.6	46.4

195. The United Nations Treasury actively monitors credit ratings and, because the organization has invested only in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations, except for any impaired investments.

Financial risk management: liquidity risk

196. The main pool is exposed to liquidity risk associated with the requirement of participants to make withdrawals at short notice. They maintain sufficient cash and marketable securities to meet participants' commitments as and when they fall due. The major portion of cash and cash equivalents and investments are available within

a day's notice to support operational requirements. The main pool liquidity risk is therefore considered to be low.

Financial risk management: interest rate risk

197. The main pool comprises the organization's main exposure to interest rate risk, with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the main pool had invested primarily in securities with shorter terms to maturity, with the maximum being less than five years (2015: five years). The average duration of the main pool was 0.71 years (2015: 0.86 years), which is considered to be an indicator of low risk.

Main pool interest rate risk sensitivity analysis

198. The analysis shows how the fair value of the main pool as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. Given that the investments are accounted for at fair value through surplus or deficit, the change in fair value represents the increase or decrease in the surplus or deficit and net assets. The impact of a shift up or down of up to 200 basis points in the yield curve is shown below (100 basis points equals 1 per cent). The basis point shifts are illustrative.

Main pool interest rate risk sensitivity analysis as at 31 December 2016

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value (Millions of United States dollars)									
Total	**124.35**	**93.26**	**62.17**	**31.08**	**–**	**(31.08)**	**(62.14)**	**(93.21)**	**(124.27)**

Main pool interest rate risk sensitivity analysis as at 31 December 2015

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value (Millions of United States dollars)									
Total	**128.99**	**96.74**	**64.48**	**32.24**	**–**	**(32.23)**	**(64.46)**	**(96.69)**	**(128.91)**

Other market price risk

199. The main pool is not exposed to significant other price risks because it does not sell short, borrow securities, or purchase securities on margin, which limits the potential loss of capital.

Accounting classifications and fair value hierarchy

200. All investments are reported at fair value through surplus and deficit. Cash and cash equivalents carried at nominal value are deemed to be an approximation of fair value.

201. The levels are defined as:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liabilities that are not based on observable market data (that is, unobservable inputs.)

202. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian on the basis of the valuation of securities sourced from third parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by the cash pools is the current bid price.

203. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques which maximize the use of observable market data. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

204. The following fair value hierarchy presents the cash pool assets that are measured at fair value at the reporting date. There were no level 3 financial assets, nor any liabilities carried at fair value, nor any significant transfers of financial assets between fair value hierarchy classifications.

Fair value hierarchy for investments as at 31 December: main pool

(Thousands of United States dollars)

	31 December 2016			*31 December 2015*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds — corporate	697 676	–	697 676	149 682	–	149 682
Bonds — non-United States agencies	1 903 557	–	1 903 557	2 190 965	–	2 190 965
Bonds — non-United States sovereigns	124 854	–	124 854	124 612	–	124 612
Bonds — supranational	213 224	–	213 224	139 828	–	139 828
Bonds — United States treasuries	586 739	–	586 739	1 092 139	–	1 092 139
Main pool — commercial papers	149 285	–	149 284	949 112	–	949 112
Main pool — term deposits	–	2 840 000	2 840 000	–	1 860 000	1 860 000
Total	**3 675 334**	**2 840 000**	**6 515 334**	**4 646 338**	**1 860 000**	**6 506 338**

Note 29
Related parties

Key management personnel

205. Key management personnel are those with the ability to exercise significant influence over the financial and operating decisions of the organization. For UNEP, the key management personnel group is deemed to comprise the Executive Director of UNEP, the Deputy Executive Director of UNEP, the Head of the New York office of UNEP and the Executive Secretary of the Secretariat of the Convention on Biological Diversity.

206. The aggregate remuneration paid to key management personnel includes net salaries, post adjustment and other entitlements such as grants, subsidies and employer pension and health insurance contributions.

207. The organization's key management personnel were paid $1.28 million over the financial year; such payments are in accordance with the Staff Regulations of the United Nations and Staff Rules, the published salary scales of the United Nations and other publicly available documents.

Compensation of key management personnel

(Thousands of United States dollars)

	Key management personnel	*Close family members*	*Total*
Number of positions (full-time equivalent)	4	–	4
Aggregate remuneration			
Salary and post adjustment	1 277	–	1 277
Other compensation/entitlements	8	–	8
Total remuneration for the year ended 31 December 2016	**1 285**	**–**	**1 285**

208. Non-monetary and indirect benefits paid to key management personnel were not material.

209. No close family member of key management personnel was employed by the organization at the management level. Advances made to key management personnel are those made against entitlements in accordance with the Staff Rules and Staff Regulations; such advances against entitlements are widely available to all staff of the organization.

Related entity transactions

210. In the ordinary course of business, to achieve economies in executing transactions, financial transactions of the organization are often executed by one financial reporting entity on behalf of another. Before the introduction of the Umoja system, these had to be manually followed up and settled. In Umoja, settlement occurs when the service provider is paid.

Note 30
Leases and commitments

Finance leases

211. The organization does not normally enter into finance leases for the use of land or permanent and temporary buildings and equipment, and it had no finance leases during the period.

Operating leases

212. The organization enters into operating leases for the use of land, permanent and temporary buildings and equipment. The total operating lease payments recognized in expenditure for the year were $7.0 million. Future minimum lease payments under non-cancellable arrangements are shown below.

Future minimum operating lease obligations

(Thousands of United States dollars)

	Minimum lease payment as at 31 December 2016	*Minimum lease payment as at 31 December 2015*
Due in less than 1 year	6 879	7 325
Due in 1 to 5 years	4 424	5 879
Due later than 5 years	–	–
Total minimum operating lease obligations	**11 303**	**13 204**

213. These contractual leases are typically for a duration of between one and six years, with some leases allowing extensions and/or permitting early termination within 30, 60 or 90 days. The amounts present future obligations for the minimum contractual term, taking into consideration contract annual lease payment increases in accordance with lease agreements. No agreements contain purchase options.

Contractual commitments

214. At the reporting date, the commitments for property, plant and equipment; intangible assets; implementing partners; and goods and services contracted but not delivered were as shown below. These include contracts with partners for multi-year projects.

Contractual commitments by category

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*[a]
Goods and services	20 759	21 140
Implementing partners	450 965	281 796
Multilateral Fund implementing partners	324 866	237 731
Total contractual commitments	**796 590**	**540 667**

[a] Comparatives have been restated to conform to the current presentation where advances to partners are included.

Note 31
Contingent liabilities and contingent assets

Contingent liabilities

215. The organization is subject to a variety of claims that arise from time to time in the ordinary course of its operations. These claims are segregated into two main categories: commercial and administrative law claims. As at the reporting date, one administrative law case with an estimated value of $0.06 million is pending with the Office of Legal Affairs of the Secretariat.

216. Owing to the uncertainty of the outcome of these claims, no provision or expense has been recorded as the occurrence, amount and timing of the outflows are not certain. Consistent with IPSAS, contingent liabilities are disclosed for pending claims when the probability of outcome cannot be determined and the amount of loss cannot be reasonably estimated.

Contingent assets

217. In accordance with IPSAS 19, the organization discloses contingent assets when an event gives rise to a probable inflow of economic benefits or service potential to the organization and there is sufficient information to assess the probability of that inflow. As at 31 December 2016, there were no material contingent assets arising from the organization's legal actions or interests in joint ventures that were likely to result in a significant economic inflow.

Note 32
Grants and other transfers

218. The following are the categories in which the funds given to implementing partners have been spent.

Grants and other transfers: expenditure reporting by category

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Grants to end beneficiaries	3 891	16 363
Grants to implementing partners		
Staff and other personnel costs	43 211	46 622
Supplies, commodities and materials	2 223	2 104
Equipment, vehicles and furniture	2 461	1 835
Contractual services	28 618	21 891
Travel	12 810	12 614
Transfers and grants to counterparts	47 226	34 493
General operating and other direct costs	6 609	4 758
Indirect support costs (implementing partner)	908	116
Subtotal grants to implementing partners	**147 957**	**140 796**
Multilateral Fund expenditure	127 653	116 140
Less: eliminated expenses	(13 588)	(10 100)
Net Multilateral Fund expenditure	**114 065**	**106 040**
Total grants and other transfers	**262 022**	**246 836**

219. The amount under the Multilateral Fund is implemented by the four implementing partners set out below.

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
UNEP	16 047	9 009
UNIDO	29 040	23 189
World Bank	53 547	47 883
UNDP	29 019	36 059
Total	**127 653**	**116 140**

220. The amounts from UNDP, the United Nations Industrial Development Organization (UNIDO) and the World Bank are recorded based on unaudited expenditure, based on the approval of the Executive Committee of the Multilateral Fund in order to allow UNEP to comply with the requirement to issue the financial statements by 31 March of the following year. There is, however, an agreement that the implementing agencies will provide audited expenditures as soon as they become available, but not later than 30 September of the following year.

221. Authorized advance transfers from the Multilateral Fund to the implementing agencies are issued for the full, multi-year project implementation period. Amounts against which expense reports are expected to be received by the end of 2017, calculated on the basis of average levels of expenses reported in prior years, are classified as current assets in the statement of financial position and the balances are classified as non-current assets.

222. UNIDO submitted an expense report in 2016 reducing cumulative expenses reported by $3.34 million. This has been recorded in the statement of changes in net assets for the year ended 31 December 2016.

Note 33
Future year contributions

223. The organization has an amount of $51.0 million worth of signed contributions from voluntary contributions for implementation in future years.

Note 34
Events after the reporting date

224. There have been no material events, favourable or unfavourable, that occurred between the date of the financial statements and the date when the financial statements were authorized for issue that would have had a material impact on these statements.

Note 35
Statement of cash flows for the year ended 31 December 2016: Environment Fund

(Thousands of United States dollars)

	Reference	*31 December 2016*	*31 December 2015*[a]
Cash flow from operating activities			
Surplus/(deficit) for the year		(492)	494
Non-cash movements			
Depreciation and amortization		160	107
Transfers and donated property, plant and equipment and intangibles		(5)	–
Changes in assets			
(Increase)/decrease in voluntary contributions receivable		5 565	(4 625)
(Increase)/decrease in other receivables		2 122	–
(Increase)/decrease in advance transfers		1 373	(596)
(Increase)/decrease in other assets		1 061	1 352
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities		(3 280)	1 872
Increase/(decrease) in advance receipts		(41)	(423)
Increase/(decrease) in employee benefits payable		(4)	1 157
Increase/(decrease) in provisions		(192)	(1 418)
Increase/(decrease) in other liabilities		–	(415)
Investment revenue presented as investing activities		(112)	(144)
Net cash flows from/(used in) operating activities		**6 155**	**(2 639)**
Cash flow from investing activities			
Pro rata share of net increases in the cash pool		(2 137)	(877)
Investment revenue presented as investing activities		112	144
Acquisitions of property, plant and equipment		–	(1 387)
Net cash flows from/(used in) investing activities		**(2 025)**	**(2 120)**
Net cash flows from/(used in) financing activities		**–**	**–**
Net increase/(decrease) in cash and cash equivalents		4 130	(4 759)
Cash and cash equivalents — beginning of year		3 440	8 199
Cash and cash equivalents — end of year	Note 7	**7 570**	**3 440**

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

Note 36
Statement of cash flows for the year ended 31 December 2016: Multilateral Fund

(Thousands of United States dollars)

	Reference	*31 December 2016*	*31 December 2015*[a]
Cash flow from operating activities			
Surplus/(deficit) for the year		(16 978)	2 426
Non-cash movements			
Depreciation and amortization		2	43
Changes in assets			
(Increase)/decrease in assessed contributions receivable		(878)	33 529
(Increase)/decrease in voluntary contributions receivable		(127)	–
(Increase)/decrease in other receivables		8 641	–
(Increase)/decrease in advance transfers		(25 045)	(61 451)
(Increase)/decrease in other assets		(50)	(1 040)
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities		14 500	(12 631)
Increase/(decrease) in advance receipts		1 960	2 840
Increase/(decrease) in employee benefits payable		109	36
Increase/(decrease) in provisions		–	(57)
Increase/(decrease) in other liabilities		(48)	(113)
Investment revenue presented as investing activities		(820)	(1 694)
Net cash flows from/(used in) operating activities		**(18 734)**	**(38 112)**
Cash flow from investing activities			
Pro rata share of net increases in the cash pool		16 854	1 065
Investment revenue presented as investing activities		820	1 694
Acquisitions of property, plant and equipment		–	45
Net cash flows from/(used in) investing activities		**17 674**	**2 804**
Cash flow from financing activities			
Adjustments to net assets		3 340	30 843
Net cash flows from/(used in) financing activities		**3 340**	**30 843**
Net increase/(decrease) in cash and cash equivalents		2 280	(4 465)
Cash and cash equivalents — beginning of year		9 027	13 491
Cash and cash equivalents — end of year	**Note 7**	**11 307**	**9 027**

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

Annex I

Other support to the United Nations Environment Programme programme of work segment

Schedule of net assets, revenue and expense at fund level for the year ended 31 December 2016

Fund identification code	*Fund description*	*Net asset accumulated surplus, unrestricted*	*Net asset reserve, unrestricted*	*Net assets, 1 January 2016*	*Revenue*	*Expense*	*Adjustments/ transfers*	*Net assets, 31 December 2016*
CCL	Technical cooperation trust fund for the management of the UNEP/GEF special climate change fund programme	8 943	–	8 943	11 154	1 416	–	18 681
FBL	Technical cooperation trust fund for the implementation of the Global Environment Facility fee-based system for funding project implementation	33 697	–	33 697	14 362	7 686	26 371	14 002
GFL	Technical cooperation trust fund for UNEP implementation of the activities funded by the Global Environment Facility	411 618	–	411 618	159 103	66 345	–	504 376
LDL	Technical cooperation for the management of the UNEP/GEF national adaptation programme of action for least developed countries	40 430	–	40 430	45 258	4 268	–	81 420
NPL	Trust fund for the Nagoya Protocol implementation fund	2 869	–	2 869	2 626	266	–	5 229
Subtotal Global Environment Fund		**497 557**	–	**497 557**	**232 503**	**79 981**	**26 371**	**623 708**
AEL	General trust fund for the purpose of post conflict environmental assessment	25 335	–	25 335	5 558	8 007	–	22 886
AFB	Technical cooperation trust fund for UNEP activities as multilateral implementing entity of the Adaptation Fund Board	11 726	–	11 726	139	2 079	–	9 786
AHL	Technical cooperation trust fund to assist the implementation of Agenda 21 in Europe and to strengthen pan-European environmental cooperation (financed by the Government of the Netherlands)	6	–	6	–	–	–	6
AML	General trust fund for the African Ministerial Conference on the Environment (AMCEN)	2 819	–	2 819	208	269	–	2 758
BKL	General trust fund for the clean-up of hotspots following the Kosovo conflicts and preparation of guidelines on assessment and remedial measures for post-conflict environmental damages	41	–	41	–	–	–	41

Fund identification code	*Fund description*	*Net asset accumulated surplus, unrestricted*	*Net asset reserve, unrestricted*	*Net assets, 1 January 2016*	*Revenue*	*Expense*	*Adjustments/ transfers*	*Net assets, 31 December 2016*
BLL	General trust fund in support of the UNEP/UN-Habitat Balkans task force on environment and human settlements	93	–	93	1	1	–	93
BPL	Technical cooperation trust fund for the implementation of the agreement with Belgium	236	–	236	2	5	–	233
CFL	Technical cooperation trust fund for the implementation of the framework agreement on strategic cooperation between the Ministry of Environmental Protection of China and UNEP	3 679	–	3 679	2 016	1 288	–	4 407
CIL	Technical cooperation trust fund to support the implementation of the strategic plan for remediation activities following the toxic waste incident in Abidjan, Côte d'Ivoire	64	–	64	–-	–-	–	64
CLL	Trust fund to support the activities of the Climate Technology Centre and Network	14 087	–	14 087	4 859	5 228	–	13 718
CML[a]	Trust fund to support the implementation of the special programme for the sound management of chemicals and waste	1 147	–	1 147	2 351	68	–	3 430
CNL	Technical cooperation trust fund for the UNEP climate neutral fund	864	–	864	138	219	–	783
CPL	Counterpart contributions in support of Environment Fund activities	117 029	–	117 029	49 482	50 059	–	116 452
CWL	General trust fund for the African Ministerial Council on Water (AMCOW)	1	–	1	(2)	(4)	–	3
DPL	Technical cooperation trust fund for the partnership agreement between the Government of the Netherlands and UNEP	45	–	45	–	20	–	25
DUL	General trust fund to support the activities of the Dams and Development Unit to coordinate follow-up to the World Commission on Dams	49	–	49	–	–	–	49
EBL	General trust fund for implementing national biodiversity strategies and action plans	259	–	259	2	–	–	261
ECL	Technical cooperation trust fund to support achievement of contribution agreement No. 21 (0401/2011/608174/SUB/E2)	1 856	–	1 856	8 093	5 741	–	4 208
EEL	General trust fund for environmental emergencies	23	–	23	–	–	–	23

Fund identification code	*Fund description*	*Net asset accumulated surplus, unrestricted*	*Net asset reserve, unrestricted*	*Net assets, 1 January 2016*	*Revenue*	*Expense*	*Adjustments/ transfers*	*Net assets, 31 December 2016*
EML	Technical cooperation trust fund for activities in developing countries on environmental awareness and machinery (financed by the Government of Germany)	242	–	242	2	–	–	244
ESS	Technical cooperation trust fund for UNEP implementation of ecosystem-based adaptation	5 796	–	5 796	30	2 142	–	3 684
ETL	Trust fund for the environmental training network in Latin America and the Caribbean	214	–	214	68	54	–	228
EUL	Technical cooperation trust fund to support achievement of contribution agreement No. DCI-ENV/2010/258-800	6 396	–	6 396	5 558	6 701	–	5 253
FIL	General trust fund to support the activities of the UNEP financial services initiative on the environment	6 917	–	6 917	2 843	2 827	–	6 933
FSL	Technical cooperation trust fund to support implementation of the Seed Capital Assistance Facility	13 866	–	13 866	72	5 956	–	7 982
FTL	Revolving fund activities	71	–	71	27	8	–	90
GIL	Technical cooperation trust fund to provide experts to UNEP/GRID (financed by the Government of the United States of America)	65	–	65	–	–	–	65
GPL	General trust fund in support of the implementation of the Global Programme of Action for the Protection of the Marine Environment from Land-based Activities (GPA), and related information exchange and technical assistance	1 321	–	1 321	675	433	–	1 563
GRL	Technical cooperation trust fund for the implementation of the greening economies in the Eastern neighbourhood and Central Asia (EaP-GREEN) programme	886	–	886	314	299	–	901
IAL	Technical cooperation trust fund for Ireland Aid multilateral environment fund for Africa	1 254	–	1 254	6	552	–	708
IEL	Technical cooperation trust fund to improve the environment in the Democratic People’s Republic of Korea	578	–	578	5	4	–	579
IML	Technical cooperation trust fund for UNEP implementation of the Multilateral Fund activities	46 209	–	46 209	22 085	13 587	–	54 707

Fund identification code	*Fund description*	*Net asset accumulated surplus, unrestricted*	*Net asset reserve, unrestricted*	*Net assets, 1 January 2016*	*Revenue*	*Expense*	*Adjustments/ transfers*	*Net assets, 31 December 2016*
IPL	Technical cooperation trust fund to assist the implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer in developing countries (financed by the Government of Sweden)	40	–	40	–	–	–	40
JCL	Technical cooperation trust fund for the establishment of the International Environmental Technology Centre in Japan	7 743	–	7 743	1 660	2 423	–	6 980
LAL a/	General trust fund in support of the Lusaka Agreement Task Force on Cooperative Enforcement Operations Directed at Illegal Trade in Wild Fauna and Flora	10	–	10	–	–	–	10
MCL	General trust fund in support of the preparation of a global assessment of mercury and its compounds	9 285	–	9 285	4 725	3 118	–	10 892
MDL	Technical cooperation trust fund for UNEP implementation of the Millennium Development Goals achievement fund	637	–	637	(452)	53	–	132
NFL	Technical cooperation trust fund for the implementation of the framework agreement between UNEP and Norway	23 227	–	23 227	39 945	14 292	–	48 880
PES	Trust fund for the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services	12 713	798	13 511	4 946	5 807	–	12 650
PGL	Technical cooperation trust fund for the implementation of the Partnership for Action on Green Economy (PAGE)	8 890	–	8 890	2 575	5 338	–	6 127
POL	General trust fund in support of the preparation for and negotiation of an internationally legally binding instrument for international action on persistent organic pollutants, and related information exchange	939	–	939	6	252	–	693
PPL	General trust fund in support of the preparation and negotiation of an international legally binding instrument for the application of the prior informed consent procedure for certain hazardous chemicals in international trade	259	–	259	2	–	–	261
QGL	Support of the Global Environment Facility (GEF)	3 250	–	3 250	348	1 052	–	2 546

Fund identification code	*Fund description*	*Net asset accumulated surplus, unrestricted*	*Net asset reserve, unrestricted*	*Net assets, 1 January 2016*	*Revenue*	*Expense*	*Adjustments/ transfers*	*Net assets, 31 December 2016*
RED	Technical cooperation trust fund to support the UNEP programme of work and responsibilities of the United Nations Collaborative Programme	14 701	–	14 701	9 363	7 516	–	16 548
REL	Technical cooperation trust fund for the promotion of renewable energy in the Mediterranean region	2 796	–	2 796	2 418	450	–-	4 764
RPL	General trust fund to support participation of developing countries in reporting on the state of the marine environment	9	–	9	–	–	–	9
SAL	Trust fund for the financing of the new international environment prize (Sasakawa Environment Prize)	1	–	1	1	–	–	2
SCP	Technical cooperation trust fund for the 10-Year Framework of Programmes on Sustainable Consumption and Production Patterns	4 548	–	4 548	5 859	673	–	9 734
SEL	Technical cooperation trust fund for the implementation of the agreement with Sweden	20 235	–	20 235	(566)	6 793	–	12 876
SFL	Technical cooperation trust fund for implementation of the framework agreement between Spain and UNEP	2 300	–	2 300	436	546	–	2 190
SLP	Trust fund to support the activities of the Climate and Clean Air Coalition to Reduce Short-lived Climate Pollutants	39 949	–	39 949	13 235	12 781	–	40 403
SML	General trust fund for the Strategic Approach to International Chemicals Management (SAICM) quick start programme	2 806	–	2 806	(54)	299	–	2 453
SRL	General trust fund for voluntary contributions in respect of the United Nations Scientific Committee on the Effects of Atomic Radiation (UNSCEAR)	906	–	906	28	376	–	558
UCL	Technical cooperation trust fund for enhancement of cooperation between UNEP and UNCC	2	–	2	–	–	–	2
UTL	Technical cooperation trust fund for the implementation of the UNEP-UNCTAD capacity-building Task Force on trade, environment and development	41	–	41	–	–	–	41

Fund identification code	*Fund description*	*Net asset accumulated surplus, unrestricted*	*Net asset reserve, unrestricted*	*Net assets, 1 January 2016*	*Revenue*	*Expense*	*Adjustments/ transfers*	*Net assets, 31 December 2016*
VML	Technical cooperation trust fund to assist developing countries to take action for the protection of the ozone layer under the Vienna Convention and Montreal Protocol (financed by the Government of Finland)	208	–	208	2	–	–	210
WPL	General trust fund to provide support to the Global Environment Monitoring System/Water Programme office	74	–	74	1	8	–	67
ZZL	Holding fund for cash transactions of all UNEP trust funds	(121)	–	(121)	–	–	(121)	-
	Subtotal other support to UNEP programme of work (non-GEF, non-Junior Professional Officer)	**418 622**	**798**	**419 420**	**189 010**	**167 320**	**(121)**	**441 231**
TBL	Technical cooperation trust fund for provision of Junior Professional Officers (financed by the Government of Belgium)	63	–	63	225	–	–	288
CEL	Technical cooperation trust fund for financing of Professional Officers (financed by the Government of Finland)	839	–	839	687	1 023	–	503
CSL	Technical cooperation trust fund for the provision of a Senior Professional Officer to UNEP (financed by the Government of Canada)	25	–	25	–	–	–	25
SNL	Special purpose trust fund for the provision of a Professional Officer to UNEP/SBC	55	–	55	351	20	–-	386
TCL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Nordic Governments through the Government of Sweden)	275	–	275	2	–	–	277
TDL	Special purpose trust fund for the Government of Denmark agreement with UNEP for the provision of Junior Professional Officers	697	–	697	5	72	–	630
TEL	Technical cooperation trust fund for the provision of Professional and Junior Professional Officers (financed by the Government of the United States)	22	–	22	–	–	–	22
TGL	Special purpose trust fund for the provision of Junior Professional Officers (financed by the Government of Germany)	863	–	863	1 101	952	–	1 012

Fund identification code	*Fund description*	*Net asset accumulated surplus, unrestricted*	*Net asset reserve, unrestricted*	*Net assets, 1 January 2016*	*Revenue*	*Expense*	*Adjustments/ transfers*	*Net assets, 31 December 2016*
THL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of the Netherlands)	105	–	105	208	258	–	55
TIL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of Italy)	111	–	111	278	180	–	209
TJL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of Japan)	1 572	–	1 572	826	467	–-	1 931
TKL	Technical cooperation trust fund for the provision of Professional Officers (financed by the Government of the Republic of Korea)	210	–	210	365	310	–	265
TNL	Special purpose trust fund for the Government of Norway agreement with UNEP for the provision of Junior Professional Officers	866	–	866	360	368	–	858
TPL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Spanish Agency for International Development Cooperation	390	–	390	170	22	–-	538
TRL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of France)	580	–	580	399	348	–-	631
TSL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of Sweden)	259	–	259	420	299	–	380
	Subtotal trust funds for Junior Professional Officers	**6 932**	**–**	**6 932**	**5 397**	**4 319**	**–**	**8 010**
	Total other support to UNEP programme of work	**923 111**	**798**	**923 909**	**426 910**	**251 620**	**26 250**	**1 072 949**

[a] Reported in the conventions and protocols segment in 2015.

Annex II

Conventions and protocols segment

Schedule of net assets, revenue and expense at fund level for the year ended 31 December 2016

Fund identification code	*Fund description*	*Net asset accumulated surplus, unrestricted*	*Net asset reserve, unrestricted*	*Net assets, 1 January 2016*	*Revenue*	*Expense*	*Adjustments/ transfers*	*Net assets, 31 December 2016*
BDL	Trust fund to assist developing countries and other countries in need of technical assistance in the implementation of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal	3 892	–	3 892	1 011	1 491	–	3 412
BCL	Trust fund for the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal.	2 692	662	3 354	4 805	4 400	–	3 759
ROL	General Trust Fund for the operational budget of the Rotterdam Convention	1 382	1 047	2 429	4 157	3 970	–	2 616
SCL	General trust fund for the Stockholm Convention on Persistent Organic Pollutants — its subsidiary bodies and the Convention	1 010	485	1 495	5 945	5 639	–	1 801
QRL	Support of the Basel Convention	10	–	10		–	–	10
RSL	Technical cooperation trust fund to support implementation of the Rotterdam and Stockholm Conventions in developing countries	256	–	256	2	–	–	258
RVL	General trust fund for the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade	638	–	638	629	197	–	1 070
SVL	Special trust fund for the Stockholm Convention on Persistent Organic Pollutants — its subsidiary bodies and the Convention	621	521	1 142	4 180	715	–	4 607
	Subtotal Basel, Rotterdam and Stockholm Conventions (BRS)	**10 501**	**2 715**	**13 216**	**20 729**	**16 412**	**–**	**17 533**
CRL	Regional trust fund for implementation of the Action Plan for the Caribbean Environment Programme	2 430	–	2 430	1 346	1 315	–	2 461
QCL	Support of the Action Plan for the Caribbean Environment Programme	2 175	–	2 175	1 581	578	–	3 178
	Subtotal Caribbean Environment Programme (CAR/RCU)	**4 605**	**–**	**4 605**	**2 927**	**1 893**	**–**	**5 639**
CAP	Trust fund for the core budget of the Framework Convention on the Protection and Sustainable Development of the Carpathians and related protocols	1 508	–	1 508	1 768	336	–	2 940

Fund identification code	Fund description	Net asset accumulated surplus, unrestricted	Net asset reserve, unrestricted	Net assets, 1 January 2016	Revenue	Expense	Adjustments/ transfers	Net assets, 31 December 2016
CAR	Trust fund for the core budget of the Carpathian Convention	–	–	–	215	1	–	214
Subtotal Carpathian Convention		**1 508**	**–**	**1 508**	**1 983**	**337**	**–**	**3 154**
CTL	Trust fund for the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)	1 532	851	2 383	6 414	4 701	–	4 096
EAP[a]	Multi-donor technical cooperation trust fund for the implementation of the African Elephant Action Plan	1 507	–	1 507	271	445	–	1 333
QTL	Support of CITES Activities	2 200	–	2 200	9 652	(1 164)	–	13 016
Subtotal Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)		**5 239**	**851**	**6 090**	**16 337**	**3 982**	**–**	**18 445**
AVL	General trust fund for voluntary contributions in respect of the Agreement on the Conservation of African-Eurasian Migratory Waterbirds (AEWA)	1 530	–	1 530	494	413	–	1 611
MRL	Technical cooperation trust fund on the Conservation and Management of Marine Turtles and their Habitats of the Indian Ocean and South-East Asia	150	–	150	196	66	–	280
MVL	General trust fund for voluntary contributions in support of the Convention on the Conservation of Migratory Species of Wild Animals (CMS)	2 131	–	2 131	7 743	1 634	–	8 240
QFL	Support of the EUROBATS secretariat	60	–	60	35	55	–	40
AWL	General trust fund for the African-Eurasian Waterbirds Agreement	481	206	687	1 061	1 053	–	695
BAL	General trust fund for the conservation of small cetaceans of the Baltics and North Seas (ASCOBANS)	113	88	201	232	152	–	281
BTL	General trust fund for the conservation of European bats (EUROBATS)	162	86	248	417	439	–	226
MSL	Trust fund for the Convention on the Conservation of Migratory Species of Wild Animals	464	500	964	3 278	3 124	–	1 118
QVL	Support of the ASCOBANS secretariat	106	–	106	31	26	–	111
QWL	Support of the Convention on the Conservation of Migratory Species of Wild Animals (CMS)	245	–	245	2	–	–	247
SMU	Trust fund to Support the activities of the secretariat of the memorandum of understanding on the conservation of migratory sharks	635	–	635	550	452	–	733
Subtotal Convention on the Conservation of Migratory Species of Wild Animals (CMS)		**6 077**	**880**	**6 957**	**14 039**	**7 414**	**–**	**13 582**

Fund identification code	*Fund description*	*Net asset accumulated surplus, unrestricted*	*Net asset reserve, unrestricted*	*Net assets, 1 January 2016*	*Revenue*	*Expense*	*Adjustments/ transfers*	*Net assets, 31 December 2016*
CAL	Support of the Mediterranean Action Plan	403	–	403	804	255	–	952
MEL	Trust fund for the protection of the Mediterranean Sea against pollution	4 682	1 100	5 782	6 534	5 071	–	7 245
QML	Support of the Mediterranean Action Plan	556	–	556	6 746	1 259	–	6 043
	Subtotal Mediterranean Action Plan (MAP)	**5 641**	**1 100**	**6 741**	**14 084**	**6 585**	**–**	**14 240**
QNL	Support of the NOWPAP action plan	1 723	–	1 723	1 226	872	–	2 077
PNL	General trust fund for the protection, management and development of the coastal and marine environment and the resources of the North West Pacific region	1 026	–	1 026	498	282	–	1 242
	Subtotal North West Pacific Action Plan (NOWPAP)	**2 749**	**–**	**2 749**	**1 724**	**1 154**	**–**	**3 319**
QOL	Support of the activities of the Ozone Secretariat	46	–	46	946	881	–	111
MPL	Trust fund for the Montreal Protocol on Substances that Deplete the Ozone Layer	3 943	955	4 898	4 295	5 019	–	4 174
VCL	Trust fund for the Vienna Convention for the Protection of the Ozone Layer	1 879	106	1 985	616	634	–	1 967
SOL	General trust fund for financing activities on research and observations on the Vienna Convention	123	–	123	17	34	–	106
	Subtotal ozone	**5 991**	**1 061**	**7 052**	**5 874**	**6 568**	**–**	**6 358**
QAC	Support for the Convention for Cooperation in the Protection and Development of the West, Central and Southern African Region	31	–	31	1 856	137	–	1 750
EAL	Regional seas trust fund for the Eastern African region	768	–	768	151	192	–	727
ESL	Regional trust fund for implementation of the Action Plan for the Protection and Development of the Marine Environment and Coastal Areas of the East Asian Seas	396	–	396	298	173	–	521
WAL	Trust fund for the Convention for Cooperation in the Protection and Development of the West, Central and Southern African Region	497	–	497	249	295	–	451
QAW	Support of the Action Plan for the Eastern African Region	247	–	247	1	128	–	120
QEL	Support of the Eastern Asian Seas Action Plan	125	–	125	(13)	10	–	102
	Subtotal regional seas	**2 064**	**–**	**2 064**	**2 542**	**935**	**–**	**3 671**

Fund identification code	*Fund description*	*Net asset accumulated surplus, unrestricted*	*Net asset reserve, unrestricted*	*Net assets, 1 January 2016*	*Revenue*	*Expense*	*Adjustments/ transfers*	*Net assets, 31 December 2016*
BEL	General trust fund for additional voluntary contributions in support of approved activities under the Convention on Biological Diversity	34 315	–	34 315	2 859	8 553	–	28 621
BHL	Special voluntary trust fund for additional voluntary contributions in support of approved activities	2 776	–	2 776	3	687	–	2 092
BIL	Special voluntary trust fund for facilitating participation of developing country parties and small island developing States and economies in transition	74	–	74		–	74	–
BBL	Trust fund for the core programme budget for the Nagoya Protocol	267	–	267	1 365	649	–	983
BGL	General trust fund for the core programme budget for the Biosafety Protocol	2 178	469	2 647	2 968	2 629	–	2 986
BYL	General trust fund for the Convention on Biological Diversity	4 922	2 090	7 012	13 089	12 519	–	7 582
BXL	Additional voluntary contributions in support of approved activities of the Nagoya Protocol	625	–	625	45	483	–	187
BZL	General trust fund for voluntary contributions to facilitate the participation of parties in the process of the Convention on Biological Diversity	578	–	578	569	968	(74)	253
VBL	General trust fund for voluntary contributions to facilitate the participation of indigenous and local communities in the work of the Convention on Biological Diversity	213	–	213	72	195	–	90
	Subtotal Convention on Biological Diversity (SCBD)	**45 948**	**2 559**	**48 507**	**20 970**	**26 683**	**–**	**42 794**
	Total conventions and protocols	**90 323**	**9 166**	**99 489**	**101 209**	**71 963**	**–**	**128 735**

[a] Reported in the other support to UNEP programme of work segment in 2015.

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