



United Nations

**Fund of the United Nations
Environment Programme**

**Financial report and audited
financial statements**

for the year ended 31 December 2021

and

Report of the Board of Auditors

**General Assembly
Official Records
Seventy-seventh Session
Supplement No. 5G**



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Report of the Board of Auditors



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Note

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

Contents

<i>Chapter</i>	<i>Page</i>
Letters of transmittal	5
I. Report of the Board of Auditors on the financial statements: audit opinion	7
II. Long-form report of the Board of Auditors	10
Summary	10
A. Mandate, scope and methodology	13
B. Findings and recommendations	14
1. Follow-up of previous years' recommendations	14
2. Financial overview	15
3. Strategy management	16
4. Budget management	20
5. Financial management	21
6. Programme and project management	23
7. Information and communications technology	30
8. Human resources management	32
9. Procurement management	34
C. Disclosures by management	36
1. Write-off of cash, receivables and property	36
2. Ex gratia payments	36
3. Cases of fraud and presumptive fraud	36
D. Acknowledgement	36
Annex	
Status of implementation of recommendations up to the financial year ended 31 December 2020	37
III. Certification of the financial statements	65
IV. Administration's financial overview for the year ended 31 December 2021	66
A. Introduction	66
B. Operational aspects	66
C. International Public Sector Accounting Standards sustainability plan	68
D. Overview of the financial statements of the year ended 31 December 2021	69
E. End-of-service and post-retirement accrued liabilities	73

F. Impact of the coronavirus disease pandemic	73
V. Financial statements and related explanatory notes for the year ended 31 December 2021 . . .	75
I. Statement of financial position as at 31 December 2021	75
II. Statement of financial performance for the year ended 31 December 2021	76
III. Statement of changes in net assets for the year ended 31 December 2021	77
IV. Statement of cash flows for the year ended 31 December 2021	78
V. Statement of comparison of budget and actual amounts for the year ended 31 December 2021	79
Notes to the 2021 financial statements	80
 Annexes	
I. Environment Fund segment	137
II. Other support to the programme of work segment of the United Nations Environment Programme	138
III. Conventions and protocols segment	143
IV. Multilateral Fund segment	147
V. Programme support segment	148
VI. End-of-service and post-retirement benefits segment	149

Letters of transmittal

Letter dated 31 March 2022 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 2021, which I hereby approve on the basis of the attestations of the Chief Finance Officer, the United Nations Office at Nairobi and the Chief, Financial Management Services, United Nations Environment Programme.

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

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

**Letter dated 21 July 2022 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, together with the financial report and the audited financial statements of the United Nations Environment Programme for the year ended 31 December 2021.

(Signed) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
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 2021 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UNEP as at 31 December 2021 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

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

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

The Executive Director of UNEP is responsible for the other information, which comprises the financial report for the year ended 31 December 2021, contained in chapter IV below, but does not include the financial statements and our auditor’s report thereon.

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- (a) 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;
- (b) 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;
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- (d) 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;
- (e) 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) **Jorge Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors

(Signed) **Hou Kai**
Auditor General of the People's Republic of China
(Lead Auditor)

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

21 July 2022

Chapter II

Long-form report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Environment Programme (UNEP) for the year ended 31 December 2021, in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as with the International Standards on Auditing. Owing to the impact of the coronavirus disease (COVID-19) pandemic, the interim audit for UNEP headquarters was conducted remotely from 11 October to 7 November 2021 in Beijing, and for the Regional Office for North America and the secretariat of the Convention on Biological Diversity from 11 October to 20 November 2021, in New York. The final audit was conducted from 30 March to 5 May 2022 at UNEP headquarters in Nairobi.

Audit opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UNEP as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

The Board also performed an annual audit of the six trust funds of Global Environment Facility (GEF) and issued an unqualified opinion on their financial statements for the year ended 31 December 2021. The management issues of UNEP-GEF are also consolidated in the present report.

Overall conclusion

The Board did not identify significant errors, omissions or misstatements from the review of financial records of UNEP for the year ended 31 December 2021. However, the Board identified scope for improvement, especially in the areas of strategy management, budget management, financial management, programme and project management, information and communications technology, human resources management and procurement management.

Key findings

Target-setting without baseline for programme of work and budget indicators

UNEP developed a results framework in its programme of work and budget for the biennium 2022–2023 for all seven subprogrammes, with 25 quantitative indicators, of which 24 (96 per cent) are presented under the line item “Baselines and targets” with “to be confirmed” as a baseline for December 2021 and figures and numbers as targets appearing next to either “Progress expected by December 2022” or “Progress expected by December 2023”.

Ageing advance transfers not expensed

A total of 110 advance transfers to 63 implementing partners amounting to \$5.72 million were not recorded as expenses for more than one year. A total of 73 of those transfers, recorded from 2005 to 2018 and amounting to \$1.72 million, had not been expensed over a long period of time.

Insufficient review process for implementing partners

From 2019 to 2021, there were 57 implementing partners with 143 agreements valued at \$40.22 million at UNEP. Each of those 57 implementing partners had signed two or more agreements for the same project within a calendar year and 14 of them had signed two agreements for the same project even on the same day. Of the 57 implementing partners, 10 had signed 23 agreements, with a total value of \$2.83 million, with UNEP, and it was noted the situation that two or more agreements had been awarded to the same implementing partner with each agreement in an amount not exceeding the threshold of \$200,000, but the aggregate amount exceeded \$200,000, which would expose UNEP to the risk of weak internal controls and of a non-transparent selection process for implementing partners.

Fragmented and inconsistent project data across multiple information systems

Financial information for a project is provided through the ECC module in Umoja, other information (e.g., project start and end dates) is provided through the integrated planning, management and reporting module in Umoja and general information (e.g., reporting, application documents and revision documents) is provided through the Programme Information and Management System. Given that an entire project cycle is managed by three information systems simultaneously in UNEP, this resulted in the fragmentation of and inconsistencies in project data.

Low implementation rate of Global Environment Facility projects

As at 31 December 2021, the budget implementation rates of 71 GEF projects with a total planned budget of \$205 million were less than 70 per cent. The budget implementation rates of 36 GEF projects were below 40 per cent.

Information security vulnerability

Through the ethical hacking programme conducted by the Office of Information and Communications Technology, systems credentials to the UNEP server for software development had been identified. On 4 January 2021, the Office informed UNEP that a security vulnerability had been found on one of its servers. Two data sets had not been deleted until the discovery of the security incident. The data contained information on current and former staff members and some non-staff personnel of UNEP and the United Nations Secretariat, including historical official business travel information from 2015 to 2018 and historical staff individual information as at the end of 2018.

High vacancy rate

There were 1,496 posts created as at 31 December 2021. Among them, 209 posts (14 per cent) were vacant, including 134 Professional and higher posts. A total of 43 of those posts had been vacant for one year or more. The vacancy rate of the Regional Office for West Asia even reached 55 per cent (33 posts, with only 15 encumbered). With regard to the regular budget, the Environment Fund and the overhead trust account (excluding multilateral environmental agreements), the number of vacant posts were 19, 66 and 14, respectively, or 99 posts (15 per cent of 646 approved posts in total).

High proportion of low-value acquisitions and repeated purchase of similar goods or services

A total of 572 purchase orders were placed by way of low-value acquisition, with a total value of \$1.82 million, accounting for 48 per cent of the 1,185 purchase orders made from 1 January to 31 December 2021. Among the 572 purchase orders, 484 (85 per cent), with a value of \$1.52 million, had occurred where at least two orders were made for similar goods or services.

Main recommendations

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

Target-setting without baseline for programme of work and budget indicators

(a) **Develop corporate guidance in its monitoring policy on when and how to collect relevant data to establish baselines for programme of work indicators;**

Ageing advance transfers not expensed

(b) **Review ageing and not expensed advance transfers to implementing partners on a case-by-case basis and clear those pending advances in coordination with the United Nations Office at Nairobi;**

Insufficient review process for implementing partners

(c) **Review 143 agreements with 57 implementing partners on a case-by-case basis, in compliance with the \$200,000 threshold;**

Fragmented and inconsistent project data across multiples information systems

(d) **Review the information gap between the Programme Information and Management System and Umoja and develop a plan for integrated planning, monitoring and reporting;**

Low implementation rate of Global Environment Facility projects

(e) **Establish an internal mechanism to flag, review and report on the slow implementation of GEF projects;**

Information security vulnerability

(f) **Follow the information system's monitoring technical procedure and perform periodic testing and reviews of the system's monitoring operations and capabilities;**

High vacancy rate

(g) **Strengthen the monitoring of approved and funded vacant posts and advise hiring managers of the need to fill posts, where applicable, taking into account the availability of funding and hiring freezes;**

High proportion of low-value acquisitions and repeated purchase of similar goods or services

(h) **Monitor the low-value acquisition procurement process to ensure adherence to regulations and rules.**

Follow-up of previous recommendations

As at 31 December 2021, of the 85 outstanding recommendations up to the financial year ended 31 December 2020, 58 (68 per cent) had been implemented, 25 (30 per cent) were under implementation and 2 (2 per cent) had not been implemented.

Key facts

\$2,833.78 million	Total assets
\$555.39 million	Total liabilities
\$2,278.39 million	Net assets
\$750.11 million	Revenue
\$592.37 million	Expenses
\$157.74 million	Surplus
\$125.88 million	Original Environment Fund and regular budget
\$97.88 million	Final Environment Fund and regular budget
1,287	Staff members

A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements of the Fund of the United Nations Environment Programme (UNEP) and reviewed its operations for the financial period ended 31 December 2021 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. The 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 UNEP as at 31 December 2021 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 regulation 7.5 of the Financial Regulations and Rules, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of UNEP operations.

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

United Nations Environment Programme: background

5. UNEP is the designated authority of the United Nations system with respect to environmental issues at the global and regional levels. Its mandate is to coordinate the development of environmental policy consensus by keeping the global

environment under review and bringing emerging issues to the attention of Governments and the international community for action. The mandate and objectives of UNEP emanate from General Assembly resolution 2997 (XXVII) of 15 December 1972 and subsequent amendments adopted at the United Nations Conference on Environment and Development in 1992, the Nairobi Declaration on the Role and Mandate of UNEP, adopted at the nineteenth session of the UNEP Governing Council, and the Malmö Ministerial Declaration of 31 May 2000. It was founded as a result of the United Nations Conference on the Human Environment held in June 1972 and has its headquarters in Nairobi.

6. UNEP is the leading global environmental authority that 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. UNEP works through its divisions, regional, liaison and out-posted offices, plus a growing network of collaborating centres of excellence. UNEP also hosts several secretariats of environmental conventions, and inter-agency coordinating bodies.

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

Global Environment Facility

8. UNEP is an implementing agency of the Global Environment Facility (GEF), which funds projects in developing countries on biodiversity, climate change, international waters, land degradation, ozone layer depletion and persistent organic pollutants. GEF receives contributions from 40 donor countries. The adoption and evaluation of the programmes of GEF are the responsibility of its Council.

9. UNEP manages the funds allocated to it from GEF through six trust funds, which are subject to annual audits by the Board. For the financial year ended 31 December 2021, the trust funds collected total revenue of \$150.50 million and incurred total expenses of \$117.25 million. The Board also provides an annual audit opinion on these trust funds at the request of UNEP and the World Bank, which is the GEF Trustee.

Multilateral environmental agreements

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

B. Findings and recommendations

1. Follow-up of previous years' recommendations

11. There were 85 outstanding recommendations up to the financial year ended 31 December 2020, of which 58 (68 per cent) had been implemented, 25 (30 per cent) were under implementation and 2 (2 per cent) had not been implemented. Details are provided in the annex to chapter II of the present report.

12. The Board carried out an analysis regarding the 27 recommendations that were under implementation or not implemented and noted that 12 (44 per cent) were related to programme and project management; 10 (37 per cent) referred to secretariat management; 2 (7 per cent) related to grants management; 1 (4 per cent) concerned human resources management; 1 (4 per cent) fell under ICT; and 1 (4 per cent) was related to property, plant and equipment.

13. With regard to the age of those recommendations, it was observed nine (33 per cent) had been made one year ago; 13 (48 per cent) were two years old; four (15 per cent) had remained open for three years; and one (4 per cent) had been pending for more than three years.

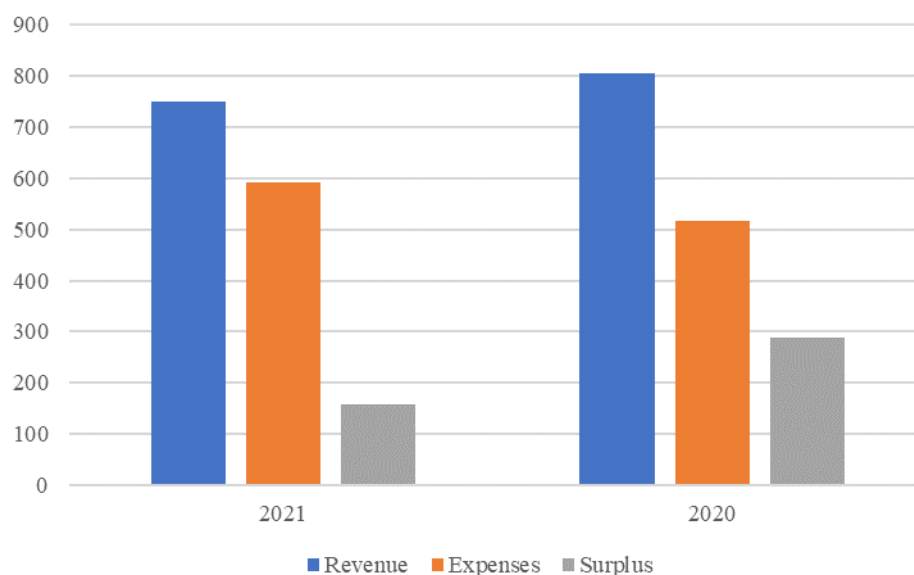
2. Financial overview

14. In 2021, UNEP reported total revenue of \$750.11 million (2020: \$805.54 million) and total expenses of \$592.37 million (2020: \$516.61 million), resulting in a surplus of \$157.74 million (2020: \$288.93 million). Total assets as at 31 December 2021 amounted to \$2,833.78 million (2020: \$2,679.89 million), comprising current assets of \$1,936.96 million (2020: \$1,692.10 million) and non-current assets of \$896.82 million (2020: \$987.79 million). Total liabilities amounted to \$555.39 million (2020: \$551.94 million), resulting in net assets of \$2,278.39 million (2020: \$2,127.95 million).

15. A comparison of revenue and expenses for the financial years 2021 and 2020 is illustrated in the figure below.

Financial performance pattern, 2020 and 2021

(Millions of United States dollars)



Source: UNEP financial statements for 2021 and 2020.

Revenue analysis

16. During 2021, UNEP received total contributions of \$569.70 million (2020: \$555.59 million), of which \$330.74 million (2020: \$313.97 million), equivalent to 58 per cent, represents voluntary contributions from various donors. In 2021, voluntary contributions increased by \$16.77 million (5 per cent). The remaining \$238.96 million

(2020: \$241.62 million), equivalent to 42 per cent, represents assessed contributions from the member States.

Expense analysis

17. Grants and other transfers for the period amounted to \$279.84 million (2020: \$253.54 million), which accounted for 47 per cent of the total expenses of \$592.37 million (2020: \$516.61 million). The reported amount of grants and transfers includes outright grants and transfers to implementing agencies, partners and other entities, as well as quick-impact projects.

Ratio analysis

18. The table below contains key financial ratios for UNEP.

Ratio analysis

<i>Description of ratio</i>	<i>31 December 2021</i>	<i>31 December 2020</i>
Cash ratio^a		
Cash plus investments: current liabilities	4.66	3.60
Quick ratio^b		
Cash plus investments plus accounts receivable: current liabilities	5.99	5.02
Current ratio^c		
Current assets: current liabilities	6.88	5.96
Solvency ratio^d		
Total assets: total liabilities	5.10	4.86

Source: UNEP 2021 financial statements.

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

^b 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.

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

^d A high ratio is a good indicator of solvency.

19. The ratios above indicate a healthy financial position for UNEP as at 31 December 2021. UNEP has a strong liquidity position, as indicated by current, quick and cash ratios. In addition, the solvency of UNEP remains strong, as measured by the ratio of total assets to total liabilities. During the year under review, revenue decreased by \$55.43 million, or 6.88 per cent, while expenses recorded an increase of \$75.77 million, or 14.67 per cent, resulting in a surplus of \$157.74 million. Total assets and total liabilities increased by \$153.89 million and \$3.45 million, respectively. A combination of all those fluctuations improved the levels of liquidity and solvency ratios for UNEP in 2021.

3. Strategy management

Target-setting without a baseline for proposed programme of work and budget indicators

20. The report of the Executive Director of UNEP on the proposed programme of work and budget for the biennium 2022–2023 (UNEP/EA.5/3/Add.1) approved by the United Nations Environment Assembly in February 2021 sets out the UNEP results

framework in terms of a set of integrated interventions, focusing on all seven subprogrammes (including three thematic subprogrammes and two foundational and two enabling subprogrammes), in line with the medium-term strategy for 2022–2025, supported by relevant indicators for measuring the results achieved.

21. It is stated in the programme of work for 2022–2023 that the results for which UNEP is directly accountable will be captured by quantitative indicators and that “[i]ndicators must meaningfully capture key changes. Each indicator has one or more targets (progress expected) depending on the units of measure. The targets present the expected progress after one and two years, respectively, so as to cover the two-year period under this programme of work and the first two years under the medium-term strategy”. Specifically, tables 6 to 13 of [UNEP/EA.5/3/Add.1](#) present the UNEP indicators according to subprogramme, showing the outcomes with which the indicators are associated, as well as baselines and targets, units of measure, sources of data and relevant Sustainable Development Goal indicators.

22. It is indicated in the programme of work for 2022–2023 how the executive leadership of UNEP, coherent policy-setting and efficient programme management and support will drive the organization forward from the inside towards a greater focus on and effectiveness in achieving results on the outside. Similarly, tables 14 to 16 of [UNEP/EA.5/3/Add.1](#) list various expected outcomes for the biennium with the corresponding performance indicators for executive direction and management, policymaking organs, and programme management and support that will be used to measure UNEP performance, as well as baselines and targets, units of measure and data sources.

23. The Board noted that, in the UNEP results framework for all of seven subprogrammes, with a total of 25 quantitative indicators, 24 indicators (96 per cent) were presented under the item “Baselines and targets” with “to be confirmed” as a baseline for December 2021, while numbers and percentages appear as targets next to either “Progress expected by December 2022” or “Progress expected by 2023”. The only exception is for indicator iv, on science-policy and environmental governance, titled “Number of United Nations country teams using data and statistics on environmental trends and assessments identified through UNEP to catalyse policy recommendations”, in which both the baseline and the targets are set with numbers (see [UNEP/EA.5/3/Add.1](#), table 10).

24. UNEP explained that the programme of work for 2022–2023 had been approved by the United Nations Environment Assembly in February 2021, which fell within the final year of the previous programme of work, for 2020–2021, and was at the tail end of the previous medium-term strategy, for the 2018–2021 period. For that reason, the implementation of projects under the previous medium-term strategy was ongoing and, therefore, programme progress that was tracked against programme of work indicators were still being computed in terms of cumulative data (from 2019 to 2021 and, in some instances, from 2017 to 2021). It therefore means that the data needed to set the baselines for the programme of work for 2022–2023 indicators are available only when projects from the medium-term strategy for 2018–2021 are closed and the final reports are developed (normally done approximate six months after closure, i.e., mid-2022).

25. The Board is concerned that, for the results framework in which the performance of subprogrammes will be measured, baselines and targets should be aligned to ensure close correlation. Otherwise, it will be impossible to measure actual progress using targets without clear baselines.

26. The Board also noted that similar practice was applied for executive leadership, coherent policy-setting and efficient programme management and support, as shown in, respectively, tables 14 to 16 [UNEP/EA.5/3/Add.1](#). With regard to the 21 indicators

developed to measure the expected outcomes for the period 2022–2023, 17 (81 per cent) have “to be confirmed” as a baseline for December 2021, while numbers or percentages are used for targets shown as “Progress expected by December 2023”. One indicator for outcome 2, under executive direction and management, and 3 for outcome 2, under the programme management and support, are listed with figures for baselines and explicit numbers or percentages for targets shown as “Progress expected by 2023”, as shown in tables 14 and 16, respectively.

27. The Board is of the view that the practice of target-setting without clear baselines is against the principle of the development of the UNEP results framework and hinders progress on monitoring in terms of the established outcomes and on performance reporting at the subprogramme level, as well as on sustainable development. It would undermine the role of the results framework as an accountability and management tool and impair the implementation of the current programme of work and others for the years under the medium-term strategy for 2022–2025.

28. The Board recommends that UNEP develop corporate guidance in its monitoring policy on when and how to collect relevant data to establish baselines for programme of work indicators.

29. UNEP accepted the recommendation.

Lack of monitoring of the development of workplans

30. The entire process of strategic planning and programming in UNEP covers several strategic and planning documents, including a medium-term strategy, project portfolios, programmes of work and budgets, strategic frameworks, workplans, programme performance reports and quarterly reports, all of which are interrelated. It is stipulated in section 1.1.2 (Strategic planning and programming cycle) of the UNEP programme and project management manual that, “every year the Divisions, Offices and Regional Offices in UNEP develop workplans that set out how the objectives in the Medium-Term Strategies, Programmes of Work and United Nations Environmental Assembly (UNEA) resolutions will be achieved”.

31. The Board was informed that, every year, in coordination with the Policy and Programme Division of UNEP, the Executive Office would notify all the divisions, offices and regional offices that have a template for an annual workplan and ask them to submit completed workplans by 30 April. They would develop those workplans and submit them to the Executive Office by the deadline.

32. The Board noted that, as at 26 April 2022, there were 13 workplans from 13 divisions and offices for 2021. Among those workplans, one had been drafted in the form of “dashboard metrics” instead of following the template and another was marked with the date of 11 June 2021 instead of 30 April. A brief overview of workplans for 2019–2021 is shown in the table below.

Overview of workplans submitted by United Nations Environment Programme divisions and offices, 2019–2021

Year	Number of workplans submitted			Total number of divisions/offices	Percentage
	Total	Division	Office		
2021	13	6	7	18	72.22
2020	10	4	6	18	55.56
2019	15	7	8	18	83.33

Source: Based on data extracted from <https://wecollaborate.unep.org/> and documents provided by UNEP.

33. UNEP explained that the divisions and offices developed their own workplans to ensure a structured approach to delivering the corporate targets outlined in the annual senior management team's workplan and the Executive Director's compact and that the uploading of those documents rested with the divisions and offices.

34. The Board is of the view that workplans are an important strategic and planning document that intrinsically complete the entire cycle of strategic planning and programming, from the programme of work to project implementation, to ensure operational delivery of the organization's strategic objectives.

35. The Board recommends that UNEP strengthen the monitoring of the development of workplans and formulate a guideline on the development of workplans with specific requirements regarding format, content and timelines, among others.

36. UNEP accepted the recommendation.

Insufficient use of the decision-tracking tool and 942 paragraphs in decisions taken at the past 14 Conferences of the Parties to the Convention on Biological Diversity not implemented

37. At the twelfth meeting of the Conference of the Parties to the Convention on Biological Diversity, in 2014, the Conference of the Parties, in its decision XII/28, requested the Executive Secretary to develop (by building on existing tools, as appropriate) and maintain an online decision-tracking tool in the clearing-house mechanism with a view to supporting the review of existing decisions and improving the development and adoption of new decisions.

38. Through paragraph 5 of its decision XIII/25, adopted at the thirteenth meeting, the Conference of the Parties requested the Executive Secretary to further develop the decision-tracking tool, taking into account any views or comments provided by parties and other Governments, and to continue to review the decisions of the Conference of the Parties taken from the first to the seventh meetings, as well as the decisions of the tenth and eleventh meetings, and to provide the Subsidiary Body on Implementation with an update at its second meeting.

39. The Board reviewed the status of paragraphs in the various decisions and observed that 942 of 2,235 paragraphs (42 per cent) directed at the Executive Secretary remained "active" as at 30 September 2021 and that the average rate for those "active" paragraphs during the period from 2010 to 2020 (i.e., from the tenth to fourteenth meetings of the Conference of the Parties) was higher than 56 per cent.

40. The Board noted that, because the decision-tracking tool and the manual were not yet finalized, staff of the secretariat could not be sufficiently directed to use the tool to facilitate the implementation of the decisions.

41. The secretariat of the Convention on Biological Diversity explained that the process had been affected by the COVID-19 pandemic. The most important requirement to complete the development of the decision-tracking tool and come up with an efficient search engine and digital tool was through information technology support. A manual would be developed once the development of the tool was complete and fully operational.

42. The Board was informed that, as part of a possible improvement exercise, staff of secretariat of the Convention on Biological Diversity would be requested to use the current version of the decision-tracking tool and provide their feedback. The secretariat has not provided an account of the most recent situation with regard to whether the decision-tracking tool had been finalized in order to improve the implementation of decisions.

43. The Board is of the view that the purpose of the decision-tracking tool is to facilitate the implementation of outstanding decisions. It is essential to have up-to-date information on the status of implementation of decisions of the Conference of the Parties and, consequently, to enhance the efficiency of managing the Convention and its Protocols. Insufficient use of the decision-tracking tool and the lack of a manual to guide staff on data review, updating, approvals and usage will hamper the effective performance and accountability of the secretariat of the Convention on Biological Diversity, especially considering the low implementation rate of decisions in the past 10 years.

44. The Board recommends that the secretariat of the Convention on Biological Diversity accelerate the finalization of the development of the decision-tracking tool and the manual for users of the tool and establish a mechanism to make good use of the information and keep it up to date.

45. UNEP accepted the recommendation.

4. Budget management

Partial achievement of indicators under the result-based budget

46. It is requested in the programme of work for 2020–2021 that the Executive Director continue to report to the member States through the quarterly reports of the Executive Director to the Permanent Representatives Committee in a streamlined manner through the merging of progress reporting on administrative and budgetary matters with programme performance reporting.

47. UNEP implemented the programme of work for 2020–2021 on the basis of results-based management. One group of indicators for delivery was on policymaking organs, executive direction and management and programme management and support, while the other group of indicators fell under seven subprogrammes. UNEP issued the performance review from January 2020 to December 2021 according to the indicators listed in the programme of work for 2020–2021.

48. The Board reviewed the performance review from January 2020 to December 2021 and noted that there were 70 indicators, of which 6 (9 per cent) had been attained, measured by rates of completion from 37 to 87 per cent and 62 (89 per cent) had a rate of implementation of more than 90 per cent. Two indicators for executive direction and management were not finalized owing to a lack of data.

49. UNEP stated that the indicators had been adversely affected by COVID-19 pandemic-related implementation challenges.

50. The Board recommends that UNEP create a plan to enhance the monitoring of non-subprogramme indicators and to improve its target achievement rate at the end of the biennium.

51. UNEP accepted the recommendation.

Overexpenditure of programme support costs for more than four years at the secretariat of the Convention on Biological Diversity

52. The General Assembly, in paragraph 24 of its resolution [67/226](#), stressed the need for adequate quantity and quality of funding for operational activities and the need to make funding more predictable, effective and efficient.

53. Programme support costs are used to ensure proper funding of corporate services in operational management.

54. According to the detailed budget dashboard report for the secretariat of the Convention on Biological Diversity, the Board noted that programme support costs

had been overspent since 2018. The average implementation rate of programme support costs in the most recent four financial years was 121 per cent, with total overexpenditure of \$1.30 million. In 2021, the allotment for the programme support costs in the secretariat was \$1.50 million, while actual expenditure was \$1.86 million as at 31 December 2021, with an implementation rate of 124 per cent.

55. The secretariat of the Convention on Biological Diversity explained that programme support costs were charged on actual expenditure incurred on both extrabudgetary resources and core resources that the secretariat collected, and that the standard programme support cost rate was 13 per cent.

56. The Board also compared programme support costs budget income with actual allotments and noted that the average collection rate in the most recent four financial years was 72 per cent. In 2021, the collection rate was 76 per cent. There were funding gaps between budget income and the actual allotment.

57. The Board noted that there were 17 posts funded through programme support costs in the Administration Division of the secretariat of the Convention on Biological Diversity, accounting for 82 per cent of the total posts in the Division, some of which were key posts such as Finance and Budget Officer and Administrative Officer. The Board was informed that, owing to insufficient programme support cost income, the recruitment of three vacant posts funded through programme support costs was temporarily frozen.

58. The Board is of the view that the funding gap reflects inadequate funding for operational activities provided by the Administration Division, which may have an impact on the continuity and efficiency of work provided by the Division, especially taking into consideration that more than 80 per cent of posts were funded through programme support costs and the recruitment was frozen as at 31 December 2021.

59. The Board recommends that the secretariat of the Convention on Biological Diversity make efforts to mobilize voluntary contributions to improve the level of adequate, predictable, effective and efficient programme support cost funding for its administrative activities.

60. UNEP accepted the recommendation.

5. Financial management

Ageing advance transfers not expensed

61. It is stated in standard operating procedure 115 (project payments and expenditure) of the United Nations Office at Nairobi that payments to implementing partners are issued as advances and that advances can be issued for multi-year budget periods; however, for the purpose of financial statements, the implementing partner is obliged to provide financial reports for the expenditure for each budget period. Expenses are recognized on the basis of expense reports provided by the implementing partner. Detailed financial reporting to the United Nations by the implementing partner, compared with the budget of the agreement, is mandatory. In addition, it is stated in standard operating procedure 114 (financial closure of projects) that “all advances to implementing partners have been collected or expensed”.

62. The Board noted that, in Umoja, there were 63 implementing partners with 110 advances amounting to \$5.72 million as at 31 December 2021, which had not been recognized as expenses for more than one year. The Board also noted that 73 of the 110 advances had been recorded from 2005 to 2018, amounting to \$1.72 million, which had not been expensed for a long period of time.

63. UNEP explained that, since 2021, checks had been performed by the United Nations Office at Nairobi to ensure that additional advances were not being paid to implementing partners with outstanding advances.

64. The Board emphasizes that clearing the ageing pending advances to implementing partner is critical to ensuring the accuracy of financial information. Without further clear improvement measures or follow-up monitoring for these advance transfers to implementing partners, UNEP could be exposed to risks of financial loss.

65. The Board recommends that UNEP review ageing and not expensed advance transfers to implementing partners on a case-by-case basis and clear those pending advances in coordination with the United Nations Office at Nairobi.

66. UNEP accepted the recommendation.

Payment exception items not cleared

67. It is indicated in the instructions on the preparation of IPSAS-compliant financial statements that “Each account payable should be reviewed on a continuous basis and amounts held past their payment date should be analysed. Open items highlighted in the dashboards produced by [the] Assurance and Monitoring Unit in UNHQ should be reviewed. Please also review items with payment block”.

68. The Board noted that, in Umoja, there were 220 payment items with an “exception” status amounting to \$1.07 million as at 31 December 2021. The main reasons for the blocking of payments blocked were “pending confirmation to disburse from client” and “pending bank details”. The Board also noted that 147 payment items amounting to \$1.50 million, posted from 2017 to 2020, had been blocked for a long period of time.

69. UNEP explained that it had reviewed said blocked payments and documented the issues that led to the blocking of all the items. Some of the items were blocked for valid reasons because individual offices were waiting for the outstanding documents and reports.

70. The Board is of the view that undisbursed payments affect not only the accuracy of financial information, but also the operational efficiency and effectiveness of UNEP.

71. The Board recommends that UNEP, in coordination with the United Nations Office at Nairobi, investigate the 147 payment exception items and resolve blocked payments in a timely manner.

72. UNEP accepted the recommendation.

Delay in clearing up the outstanding balance of closed grants at the secretariat of the Convention on Biological Diversity

73. Under rule 104.12 of the Financial Regulations and Rules of the United Nations, it reads in part that funds are invested in to place primary “emphasis on minimizing the risk to principal funds while ensuring the liquidity necessary to meet the Organization’s cash-flow requirements”.

74. In line with United Nations Office at Nairobi standard operating procedure 114, the Financial Reporting Unit reviews the grant to confirm that the final donor report was issued and that there are no balances. It is assumed that, at this point, all refunds have been made to the donor. Once it is confirmed that all balances have been duly cleared, the Unit changes the status of the grant to “closed”.

75. The Board reviewed the grant list of the secretariat of the Convention on Biological Diversity with regard to voluntary funds for activities as at 30 September 2021 and noted that 18 of 62 financially closed grants had positive cash balances, amounting to \$257,938. Furthermore, 12 of those 18 grants had been operationally closed for more than three years (with an agreement end date prior to 30 September 2018).

76. UNEP responded that the grants would be closed by the United Nations Office at Nairobi after instructions from UNEP and the secretariat of the Convention on Biological Diversity was responsible for communicating with the donors on how to use the remaining funds, and that it had instructed the United Nations Office at Nairobi to close grants and to decide whether to refund the grants or use them to support other activities. In order to prevent the remaining funds from being utilized before refunding or reallocation, the status of the grants was changed to “closed”.

77. The Board is of the view that positive cash balances for closed grants could have been used to support other activities. Moreover, outstanding balances for closed grants is not compliant with United Nations policies.

78. The Board recommends that the secretariat of the Convention on Biological Diversity actively communicate with donors in a timely manner and expedite the process of clearing up the outstanding balances of closed grants.

79. UNEP accepted the recommendation.

6. Programme and project management

(a) Engaging partners and partnership management

Insufficient review process for implementing partners

80. According to section 3.1 of the UNEP partnership policy and procedures (Policy outline No. 1/2011), “[f]or partnerships involving less than or equal to \$200,000, the partnership review process should be carried out at the divisional level with operational responsibility taken by the relevant responsible officer”, and in line with section 3.2 “[f]or partnerships involving a transfer of more than \$200,000, the partnership review process involves the Partnership Committee, supported by the concerned Division”. It is also stated in the guidelines on the use of standard legal instruments that, “[w]hen the total cumulative amount of funds provided to a particular partner in a given biennia exceeds \$200,000, it entails the submission of the due diligence cleared at the Divisional level to the Partnerships Committee”.

81. The Board noted, pursuant to the United Nations Secretariat statement on internal control, the monitoring, evaluation and oversight of implementing partners was identified as one of the six internal control issues that had arisen during 2020. In his tenth progress report on strengthening accountability in the United Nations Secretariat ([A/75/686](#)), the Secretary General also identified implementing partners as 1 of the 16 critical areas of strategic and operational risks that had emerged from the exercise.

82. The Board noted that, in UNEP, there were 57 implementing partners with 143 agreements valued at \$40.22 million from 2019 to 2021. Each of those implementing partners had signed two or more agreements for the same project within one calendar year and 14 of the 57 implementing partners had signed two agreements for the same project even on the same day.

83. The Board also noted that, of those 57 implementing partners, 10 had signed 23 agreements with a total value of \$2.83 million with UNEP, and that two or more agreements had been awarded to the same implementing partner with each agreement in an amount not exceeding the threshold of \$200,000, while the aggregate amount exceeded \$200,000.

84. UNEP explained that, of those 143 agreements, 76 had been created through the implementation of the implementing partner module up to 28 August 2020, given that the Umoja grantor management module did not allow users to amend existing agreements to add new funding or coding blocks, which therefore resulted in amendments having to be created as separate agreements. The remaining 67 agreements had been created separately for various reasons, for example, cases in which an agreement was funded through two or more coding blocks with different expiration dates.

85. The Board is concerned that separately signing agreements for the same project with the amount for each one not exceeding the threshold of \$200,000 would expose UNEP to the risk of weakened internal controls and of a non-transparent selection process for implementing partners.

86. The Board recommends that UNEP review 143 agreements with 57 implementing partners on a case-by-case basis, in compliance with the \$200,000 threshold.

87. UNEP accepted the recommendation

Inadequate comparative analysis and due diligence procedures for implementing the selection process for partners

88. In the section on partnership determination and approval of the programme and project management manual, it is stated that the “selection of implementing partners starts with a comparative review process that involves at least three candidate organizations. When comparison does not produce relevant results, a written justification should be provided in the file for the consideration of the Division Director or Regional Director and the Partnership Committee, together with the recommendation of the most suitable partner”. It is also stated in section 2 of the UNEP partnership policy and procedures that the “following must be noted when considering partners to whom funding will be provided by UNEP: The selection of not-for-profit executing partners should be prefaced by a comparative review process involving at least three candidate organizations”. In section 4, it is written that “due diligence procedures, as key components of the partnership review process, also serve as a risk and opportunity management tool. They also address potential audit concerns related to the credentials of the organization involved, essential financial and administrative information; and potential conflicts of interest”.

89. The Board reviewed 40 implementing partner agreements, including 10 from the Regional Office for North America and 30 from the secretariat of the Convention on Biological Diversity, and noted that a comparative analysis with at least three competitors had not been conducted for 21 agreements (10 from the Regional Office for North America and 11 from the secretariat of the Convention on Biological Diversity). The total value for those 21 implementing partner agreements was \$1.94 million.

90. The Regional Office for North America responded that a note to the file had been provided in each case containing an explanation for why the partner had been chosen, even though a comparative analysis was absent. It also mentioned that, in many cases, there was no other suitable partner. Similar responses were also provided from the secretariat of the Convention on Biological Diversity, which indicated that a certain organization was deemed to be the only implementing partner.

91. The Board compared the UNEP due diligence template with related proposals evaluated by the secretariat of the Convention on Biological Diversity and found no evidence to prove that some key elements of the due diligence procedures, such as potential conflict of interest, had been followed for 19 implementing partner agreements (not including government and United Nations-related agencies).

92. The Board was informed that UNEP had been initiating an implementing partnership portal for the purpose of regulating the implementing partner selection and approval process. Offices are supposed to undertake due diligence of partners and include a comparative review of at least two additional partners.

93. The Board is of the view that a comparative analysis and due diligence screening are key elements of the internal control system, as well as part of the anti-fraud and anti-corruption framework of the United Nations. Without a proper review and assessment of implementing partners, the Regional Office for North America and the secretariat of the Convention on Biological Diversity may face the risk of financial loss and additional management costs and even fraud and corruption.

94. **The Board recommends that UNEP ensure that the prescribed comparative analysis be properly conducted in conformity with UNEP policy.**

95. UNEP accepted the recommendation.

(b) Project information management

Fragmented and inconsistent project data across multiple projects' information systems

96. It is indicated in section 1.4.4.2 of the programme and project management manual that “the Programme Information Management System (PIMS) is a programme and project management tool ... created to support the functional needs of the entire Programme of Work cycle ... PIMS forms the basis for project monitoring and a tool for independent project reviews, implementation progress, and project quality supervision”. In addition, it is indicated in the project cycle management section of the manual that the project manager uploads information into Umoja and the Programme Information and Management System or any relevant monitoring system.

97. The Board noted that UNEP was transferring project information from the Programme Information and Management System to the integrated planning, management and reporting module of Umoja, while the old, closed projects were recorded in the System and parts of new approved projects were recorded in the integrated planning, management and reporting module. At the same time, some projects in the two systems overlapped. As at 7 April 2022, there were 710 projects in the Programme Information and Management System, not including GEF, Green Climate Fund and Ozon Action projects. There were 1,078 projects, including 312 GEF, Green Climate Fund and Ozon Action projects in the integrated planning, management and reporting module.

98. The Board sampled and reviewed 17 projects from the Programme Information and Management System, among which 5 (29 per cent) were not recorded in the integrated planning, management and reporting module.

99. The Board also noted that financial information of a project was provided through the ECC module of Umoja and that general information (e.g., reporting, application documents and revision documents) was provided through the Programme Information and Management System.

100. The Board is of the view that managing an entire project cycle in three different systems could result in the fragmentation of and inconsistencies in project data.

101. **The Board recommends that UNEP review the information gap between the Programme Information and Management System and Umoja and develop a plan for integrated planning, monitoring and reporting.**

102. UNEP accepted the recommendation.

(c) Project implementation, monitoring and assessment*Ageing projects*

103. It is indicated in section 1.4.4.2 of the programme and project management manual that “Ageing Projects: Projects are [those] ongoing more than 6 months past approved project completion date”. It is also stated in the section of project cycle management of the programme and project management manual that project status includes whether it is closed, completed or ongoing. In practice, “ageing” is used as a middle stage between completed and ongoing in the Programme Information and Management System. An ageing project could become either “completed” or “ongoing”, depending on the project situation.

104. The Board noted that there were 31 ageing UNEP projects with an approved budget of \$203.96 million and that the estimated end date ranged from 30 June 2015 to 31 March 2022. The average number of inactive days for all ageing projects was 566 and reached 1,837. Neither the project managers tracked the progress of projects regularly nor did the Quality Assurance Section confirm project status with project managers, as required.

105. The Board also noted that, during April 2022, 11 projects (36 per cent of ageing projects) with an approved budget of \$74.00 million had had their status changed from “ageing” to “completed” following an email exchange between the Programme Coherence and Assurance Unit and project managers. Among the 11 projects, 6 were supposed to be completed before 1 January 2021.

106. UNEP explained that having the Programme Coherence and Assurance Unit change a project from “ageing” to “completed” required a written notification from the project manager to the Unit confirming that the activities of the project had been completed as scheduled. In addition, an advance notice of two to three months regarding the project due date was sent by the Unit to the project managers, and this provided an opportunity for the project manager to provide feedback on the project plan.

107. The Board is of the view that the “ageing” status is a buffer between “completed” and “ongoing”. Given that UNEP is migrating projects from the Programme Information and Management System to the integrated planning, management and reporting module, eliminating vague processes and ensuring accountability in the System is a lesson that should be learned in integrated planning, management and reporting project cycle management.

108. The Board recommends that UNEP modify the programme and project management manual to provide corporate guidance on how to determine the project status in line with the new categories in the integrated planning, management and reporting module and to clarify accountability in terms of the various steps in the project cycle.

109. UNEP accepted the recommendation.

Inadequate monitoring of the financial performance of projects

110. It is stated in section 1.1.1.1 of the programme and project management manual that the “Results-Based Management approach is a fundamental principle of UNEP’s operations. It is the cornerstone of UNEP’s efforts to demonstrate results in tangible terms ... [A] Results-based management approach incorporates ... monitoring progress toward results and resources consumed through the use of appropriate indicators; identification and management of risk while bearing in mind the expected results and necessary resources”.

111. The Board reviewed 16 evaluation reports of Programme Information and Management System projects issued by the Evaluation Office of UNEP since 2018, among which 6 (38 per cent) were rated “moderately satisfactory” and 1 (6 per cent) “moderately unsatisfactory”. The Board noted unsatisfactory financial performance for seven projects, which included elements such as incomplete financial information, persistent shortfalls in agreed funding, and delays in processing payments and extensions.

112. The Board is of the view that project performance is a crucial means of evaluating project results and impact and that financial performance is a key factor of project performance.

113. The Board recommends that UNEP create a plan to monitor financial information as a means of alerting project managers when potential financial risks may occur.

114. UNEP accepted the recommendation.

(d) Global Environment Facility

No use of project information system to trace, review and evaluate the project implementation process

115. In his report on the implementation of the recommendations of the Board of Auditors contained in the reports for the year ended 31 December 2018 on the United Nations funds and programmes ([A/74/323/Add.1](#)), the Secretary-General stated that UNEP was relying on the implementation of the planned modules of Umoja Extension 2, which incorporated programme and project management, budgeting, implementation partners and resource mobilization, and would facilitate the consolidation and improved management of financial information. As a part of Umoja Extension 2, the integrated planning, management and reporting solution had been designed to support a collaborative process in the design, implementation and reporting phases of substantive and financial project and programme development. However, UNEP reported that the integrated planning, management and reporting function had not yet been released by the Umoja team in New York and that it was estimated to be ready in the second quarter of 2022.

116. The Board was informed that information on all projects financed through GEF was consolidated in a single spreadsheet, the “GEF master data registry”, and was maintained by the GEF Coordination Office. These data are complemented by a dedicated GEF focal area-specific portfolio and the Power BI module in Microsoft Teams. The Office 365 software has in large part replaced the old management software, namely, Addis and Anubis on the UNEP servers, although the latter will remain operational until the transfer of GEF project data to the integrated planning, management and reporting module is fully completed. The data in both the spreadsheet and Power BI are maintained manually and can be changed without the need for double-checking.

117. The Board noted that UNEP had an open data platform for projects but that it had not included the most recent GEF projects and lacked related project reports. In addition, the integrated planning, management and reporting module was under enhancement, with incomplete information on 338 projects, and it excluded 112 approved or active projects. Given that the start and end dates of projects in the integrated planning, management and reporting module were to be the same as the estimated start and end dates of all projects, such information in the module is not accurate for all projects. There is no other UNEP-wide system being used to store and track GEF projects.

118. UNEP explained that the integrated planning, management and reporting module was operational but not ready and, therefore, not fully accurate, but the data in the Umoja Extension 2 grantor management module were correct. Each agreement (i.e., project) has a start and end date, which is usually amended upon the amendment of legal instruments. The bulk of data in the integrated planning, management and reporting module was migrated from the ECC module, not the grantor management module, so the dates there correspond with the dates given to the work breakdown structure element that are always estimated. All ongoing and new projects are expected to be in the integrated planning, management and reporting module, with relevant reports on project internalization, implementation and completion.

119. The Board holds that each focal area builds up and maintains a separate and independent project management record in the Office 365 software, while noting that there is a lack of a composite dashboard to observe all GEF projects. Furthermore, both the GEF focal area-specific portfolio and project management systems in that software and the GEF master data registry spreadsheet are maintained manually, which increases the likelihood of errors and arbitrary modifications.

120. The Board recommends that UNEP update active projects with supporting implementation files in the integrated planning, management and reporting module, and review and standardize project cycle management tools as a complement to the module.

121. UNEP accepted the recommendation.

Low implementation rate of Global Environment Facility projects

122. In section 1.4.4 of the programme and project management manual, it is stated that, “under the responsibility of the Project Manager, project implementation includes delivery of activities, proactive responses to the challenges and changes, and regular assessments of performance and achievements ... Monitoring progress towards results is one of the key processes during project implementation: the logical framework, delivery plan, and budget in the Project Document are the reference against which a project’s actual progress is tracked and measured”. In section 1.6.2, it is stated that “UNEP projects funded under the Global Environment Facility financing mechanism follow UNEP Project Cycle Management regulations and procedures”.

123. The Board noted that, as at 31 December 2021, 91 GEF projects were under implementation with a planned budget of \$281.23 million, whose scheduled completion dates ranged from 1 January to 31 December 2022. The Board analysed those projects and noted that, as at 31 December 2021, the budget implementation rate of 71 GEF projects (78 per cent of 91 projects), with a total planned budget of \$205 million, was less than 70 per cent. Specifically, the budget implementation rate of 36 projects (40 per cent of 91 projects) ranged from 0 to 40 per cent.

124. The Board further noted that, as at 31 December 2021, 15 projects (16 per cent of 91 projects) had their duration extended, because a budget and workplan revision to support the extension request was being prepared or because they were under discussion to have the duration extended.

125. UNEP explained that the main reasons for the variances between project expenditure and the approved budget included a delayed start in the implementation of projects, national partnerships in a milieu of political instability, specific policy requirements and administrative issues within projects, the impact of the COVID-19 pandemic, frequent communication with the executing agencies and poor proactiveness in giving feedback by the executing agencies. In many of the

circumstances mentioned above, a request for a no-cost extension was the most common outcome.

126. The Board is of the view that slow project progress is not conducive to improving the efficiency of the use of budget funds and that delayed implementation may affect the achievement of the overall objectives of UNEP.

127. The Board recommends that UNEP establish an internal mechanism to flag, review and report on the slow implementation of GEF projects.

128. UNEP accepted the recommendation.

(e) Green Climate Fund

Lag between approval date and start date of Green Climate Fund projects

129. It is stated in the section titled “Implementation, monitoring and assessment” of the programme and project management manual that “the official start date of project implementation is the date the project is approved by the Division Director/Regional Director that is to manage a project”.

130. The Board reviewed the active UNEP-Green Climate Fund projects and noted that there was significant lags between the approval date and the start date for many of them. For example, for the funding proposal projects and simplified approval process projects with a total budget of \$160.25 million, the lag varied from 169 to 404 days, with an average of 289 days.

131. UNEP explained that the approval date of Green Climate Fund-funded activities was the date of approval by the Fund’s Board and that the approval date of Green Climate Fund readiness and preparatory support projects was the date of notification of approval by the Fund’s secretariat. For funded activities, UNEP signed the project-specific funded activity agreement, but that agreement was not effective unless a number of conditions had been met. Once the secretariat acknowledged that the agreed conditions had been met, the Fund would provide the notification of effectiveness of the funded activity agreement, the date of which would be recorded as the start date of the relevant funded activity. In addition, UNEP worked to meet the conditions of the first disbursement to minimize delays between the start date of the project and the receipt of the first disbursement. The delay accounted for pre-inception activities, including negotiation of the project cooperation agreements with executing entities, and therefore were in large part beyond the control of UNEP.

132. The Board is of the view that it is necessary to put forward a clear and practical time limit on projects and to promote project implementation.

133. The Board recommends that UNEP take effective action to accelerate the pre-inception activities of UNEP-Green Climate Fund projects and promote the approved projects’ implementation.

134. UNEP accepted the recommendation.

Delay in implementation of United Nations Environment Programme-Green Climate Fund projects due for completion in a year

135. It is stated in the section titled “Project cycle management” of the programme and project management manual that “Monitoring progress towards results is one of the key processes during project implementation: the logical framework, delivery plan, and budget in the Project Document are the reference against which a project’s actual progress is tracked and measured. If necessary, adaptive management is required in order to better direct or adapt the implementation of the project towards desired results”.

136. The Board reviewed active UNEP-Green Climate Fund projects and noted that there were 30 Green Climate Fund readiness and preparatory support projects with expected completion dates before 31 December 2022 and with start dates ranging from 15 May 2017 to 20 September 2020. The budget implementation rates of those projects ranked from 0 to 67 per cent, with the total budget amounting to \$38.26 million. Furthermore, 7 of the 30 projects, with a total budget of \$2.37 million, did not have any expenditure as at 31 December 2021.

137. UNEP explained that there were challenges both for project implementation and financial delivery owing to external and internal factors such as the COVID-19 pandemic, domino effects and cascading impacts of extreme disaster events, and operational, political and administrative challenges. UNEP had undertaken several action measures, including revising the workplan and budgets, identifying achievable activities, updating the project implementation plan, refocusing activities in some countries and requesting no-cost extensions for those projects whose end date was within six months and amendments to the project implementation timeline.

138. The Board is of the view that delays in project implementation and financial delivery will lead to delays or even failure in achieving the goals and expected outcomes.

139. The Board recommends that UNEP use project monitoring tools to flag underperforming UNEP-Green Climate Fund projects and provide guidance to bring them back on track.

140. UNEP accepted the recommendation.

7. Information and communications technology

Information security vulnerability

141. In section 4.10, on software development, in the United Nations Secretariat information technology and communication technical procedure (APP.02.PROC), it is stated that “Information security must be considered and maintained for data stored, handled, and/or processed by the software throughout their entire life cycle”. In section 4.11, it is indicated that “Implemented information security controls must be periodically assessed, monitored, reviewed and updated to ensure that they operate effectively and as intended”.

142. In section 4.1, on system monitoring and log management, of the United Nations Secretariat information technology and communication technical procedure (SEC.07.PROC), it is stated that “ICT resources should be continuously monitored to ensure normal and secure operation. System states and activities that should be monitored include: (a) Utilization of resources; (b) Remote access; (c) Security control mechanisms (e.g., firewalls, intrusion detection systems, etc.); (d) Capacity; (e) Overloads; (f) Inbound and outbound internet traffic as well as local network traffic for unusual or unauthorized activities including the presence of malicious software; (g) Periods of system unavailability/up-time”.

143. Through the ethical hacking programme of the Office of Information and Communications Technology, systems credentials for the UNEP server for software development were identified. On 4 January 2021, the Office informed UNEP that a security vulnerability had been found on one of its servers. The researcher logged into the server and gained access to the data files that were used to assist in the testing and development of the travel mission report module of the UNEP intranet, weCollaborate, in 2018. Two data sets had not been deleted until the discovery of the incident.

144. The data contained information on current and former staff members and some non-staff personnel of UNEP and the Secretariat, including historical official business travel information from 2015 to 2018 and historical staff individual information as of the year 2018. Owing to the time that had elapsed between the emergence of the vulnerability and its rectification (2018–2021), other access to those data could not be conclusively known.

145. UNEP adopted remedial action such as an immediate technical, communication and internal investigation and post-incident reporting. Passwords of exposed credentials were changed, the exposed files were deleted, and UNEP communicated with relevant departments and individuals.

146. The Board noted that the Umoja system and Umoja roles allowed for the mass extraction of data across entities and that the data “consumed” by weCollaborate had been extracted from Umoja containing the personnel travel information of the Secretariat staff.

147. The Board is of the view that data governance is a critical aspect of information security and that it is necessary to narrow the scope of the data as much as possible to avoid large-scale extractions from Umoja for each entity.

148. The Board recommends that UNEP follow the information system’s monitoring technical procedure and perform periodic testing and reviews of the system’s monitoring operations and capabilities.

149. UNEP accepted the recommendation.

Information silo led to poor alignment among systems and enterprise business processes, as well as cybersecurity risks.

150. In section 4.1, on applications, of the United Nations ICT technical procedure (APP:03.PROC), it is stated that “[a]ny application that is not being used to support a current business process should be retired and its data deleted, archived, or migrated to a new system. Business owners must be consulted and made aware of this procedure and their responsibilities in the decommissioning process. The justification for the decommissioning shall be approved by the business owner and properly documented”. In section 5.1, it is stated that the “ICT service provider (or its assigned project manager), in consultation with the application owners, should create the application decommissioning plan to define the phases, activities, responsibilities, required resources, and timelines of the decommissioning project following the UN project management methodology that applies”.

151. The Office of Information and Communications Technology implemented the application rationalization programme, which was designed to defragment the Secretariat application landscape, reduce the overall number of applications, mainly legacy ones, improve compliance across applications and reduce costs.

152. The Board noted that UNEP had various types of information systems in use, which included content management systems, applications, websites and software-as-a-service platforms put into production on the basis of enterprise/divisional/project/thematic level needs. Some systems had a link between one other, others were stand-alone, in particular the websites, content management systems and software-as-a-service platforms. The current situation may lead to poor alignment among systems and enterprise business processes, as well as cybersecurity risks. The Board reviewed the system list of UNEP and noted that there were 41 systems of various types registered in Unite apps in accordance with the guidelines and clearance from the Office of Information and Communications Technology. The system “weWork” was registered twice in the Unite apps.

153. UNEP stated that many of the functionalities of the legacy systems were being taken over by the integrated planning, management and reporting module, under the process of sunseting the legacy applications. The business focal points performed gap and impact analyses to determine what functionalities should still be running on the legacy systems, given that they were not available in the integrated planning, management and reporting module.

154. UNEP also explained that the process of integrating systems was ongoing, along with the design and development of data warehouse as part of the overall unified enterprise architecture.

155. The Board is of the view that, because the integrated planning, management and reporting module had been deployed by the end of 2020 and its functionalities defined, UNEP needs to accelerate the gap and impact analysis of the functionalities between legacy systems and the module.

156. The Board recommends that UNEP formulate the application decommissioning plan, accelerate the process of system integration and update the system information in Unite apps as changes occur.

157. UNEP accepted the recommendation.

8. Human resources management

High vacancy rates

158. The United Nations Environment Assembly, in its decision 4/1 on the programme of work and budget for the biennium 2020–2021, emphasized the need for comprehensive information and full justification regarding proposed expenditure and contributions from all sources of funding, including staffing information.

159. The Board noted that, in addition to 113 regular budget posts approved by the United Nations Environment Assembly for 2021, the Executive Director of UNEP had approved 439 posts funded through the Environment Fund and 94 posts funded through the overhead trust account (excluding multilateral environmental agreements), in line with core budget allocations. In the programme of work for the biennium 2020–2021 (UNEP/EA.4/4), 850 posts (excluding multilateral environmental agreements and the United Nations Scientific Committee on the Effects of Atomic Radiation) were projected in support of extrabudgetary activities. However, at the end of 2019, 2020 and 2021, the actual number of corresponding extrabudgetary posts were 1,014, 1,019 and 1,054, respectively, and among them 826, 859 and 883 posts, respectively, were encumbered.

160. UNEP claimed that the extrabudgetary posts were not subject to approval by the governing bodies and that the listed posts in the extrabudgetary staffing tables in the programme of work for 2020–2021 were only indicative on the basis of historical trends at the time that the programme of work was formulated. The actual number of posts during the programme of work implementation period is dependent on donor requirements and funding.

161. The Board noted that, as at 31 December 2021, of a total of 1,496 posts, 209 posts (14 per cent) were vacant, including 134 Professional posts. A total of 43 Professional posts had been vacant for one year or more. The vacancy rate of the Regional Office for West Asia even reached 55 per cent (only 15 of 33 posts encumbered). With regard to the regular budget, the Environment Fund and the overhead trust account (excluding multilateral environmental agreements), the number of vacant posts were 19, 66 and 14, respectively, or 99 in total (15 per cent of 646 approved posts).

162. The Board is of the view that high vacancy rate, especially vacancies of Professional posts, have a negative impact on the implementation of the programme of work and the UNEP mandate.

163. The Board recommends that UNEP strengthen the monitoring of approved and funded vacant posts and advise hiring managers of the need to fill posts, where applicable, taking into account the availability of funding and hiring freezes.

164. UNEP accepted the recommendation.

Non-compliance with the 120-day benchmark for filling a post

165. In its resolution [65/247](#), on human resources management, the General Assembly took note of paragraphs 11 and 12 of the report of the Advisory Committee on Administrative and Budgetary Questions ([A/65/537](#)) and requested the Secretary-General to conduct a comprehensive review of the entire recruitment process to improve the overall response time with a view to realizing the benchmark of 120 days for filling a post.

166. The Board noted that, during the financial year 2021, UNEP had made 254 job selections, of which 151 recruitments (59 per cent) exceeded 120 days (from the time of issuance of the job opening to selection). Among those cases, 36 posts had a recruitment cycle of more than 300 days, while one case reached 715 days.

167. UNEP explained that, in the past two years, owing to resource constraints and the slowdown in travel as a result of the COVID-19 pandemic, its monitoring programme was temporarily halted. UNEP continued to work towards achieving the key performance indicator of 120 days but had not met that indicator for several reasons, owing mainly to delays in reviews by hiring managers to close job openings due to competing priorities and timelines, the screening of candidates in cases of a large number of applicants, and COVID-19 pandemic-related mitigating factors.

168. The Board is of the view that delays in recruitment could affect the timely replenishment of posts to fulfil established responsibilities and could also lead to a high vacancy rate.

169. The Board recommends that UNEP take measures to improve recruitment efficiency, in line with the benchmark of 120 days for filling a post, from the time of issuance of the job opening to selection

170. UNEP accepted the recommendation.

Management and supervision of consultants and individual contractors to be strengthened

171. It is stated in the administrative instruction on consultants and individual contractors ([ST/AI/2013/4](#)) that, irrespective of the cumulative months of actual work, the services of an individual contractor shall be limited to 6 or, in special circumstances, 9 months of work in any period of 12 consecutive months, and no consultant shall provide services for more than 24 months in a 36-month period.

172. The Board reviewed the data of consultants and individual contractors and noted that, among those recruited by UNEP or the United Nations Office at Nairobi in 2021, there were four individual contractors and one consultant with a service term exceeding 9 months and 24 months, respectively.

173. UNEP acknowledged non-compliance in the case of the consultant and explained that the cases of the four individual contractors were due to an overlap of closed and reissued contracts, the erroneous identification of the consultant as an

individual contractor in Umoja and curtailed (i.e., shortened) and replaced contracts so that they did not go beyond the restrictions on the limits of services.

174. The Board also noted that UNEP relied on the United Nations Office for Project Services (UNOPS) to provide the data on consultants and individual contractors hired through UNOPS and did not have adequate overall control. Among those with active contracts as at 31 December 2021, there were 59 consultants with contract periods of more than 24 months. The contracts of 10 consultants exceeded 48 months, and 2 of them had even worked for 107 and 101 months, respectively.

175. The Board further noted that 36 consultants and individual contractors had been contracted through two channels, that is, through UNEP or the United Nations Office at Nairobi, and UNOPS. The contract periods of six individual contractors were more than nine months. One consultant's contract period totalled 44 months.

176. UNEP claimed that the consultants and individual contractors (i.e., individual contractor agreement holders recruited through UNOPS) were not governed in line with administrative instruction [ST/AI/2013/4](#) and that there was no limitation on the length of contracts.

177. The Board is of the view that data of consultants and individual contractors should be well documented and tracked for improved management and supervision.

178. The Board recommends that UNEP strengthen the management and supervision of consultants and individual contractors by reinforcing the use of the verification process.

179. UNEP accepted the recommendation.

9. Procurement management

High proportion of low-value acquisitions and repeated purchase of similar goods or services

180. It is stated in the United Nations Procurement Manual that low-value acquisitions are awarded subject to the certain conditions. Low-value acquisitions should not be used to buy goods or services that are recurring requirements. If an entity identifies that low-value acquisitions are being used repeatedly within the same year to buy similar requirements, efforts should be made to aggregate the requirements and conduct a bidding exercise to replace the use of low-value acquisitions.

181. The Board noted that 572 purchase orders had been placed through low-value acquisitions, with a total value of \$1.82 million, accounting for 48 per cent of the 1,185 purchase orders made from 1 January to 31 December 2021. Among those 572 purchase orders, 484 (85 per cent), with a value of \$1.52 million, occurred where at least 2 orders were for the similar product or services.

182. The Board was informed that all low-value acquisitions were approved by the financial management officers. The procurement process for low-value acquisitions was initiated by the clients and translated into procurement requirements by the requisitioners. UNEP explained that its procurement model was that, if there was an agreement, then valid purchase orders could be made quickly by using different coding blocks and budgets that were identified at the moment of the requirement by the numerous clients within the entity. However, there were numerous coding blocks, and this made it difficult to raise one purchase order per requirement per year.

183. The Board is of the view that the practice of procurement not through formal methods of solicitation and the high percentage of low-value acquisition purchase orders do not comply with the principle of best value for money and bypass effective competition.

184. **The Board recommends that UNEP monitor the low-value acquisition procurement process to ensure adherence to relevant regulations and rules.**

185. UNEP accepted the recommendation and said that it had initiated the relevant measures.

Lack of annual acquisition plan

186. It is stated in section 4.1 of the United Nations Procurement Manual that “Acquisition planning is an essential phase in the overall acquisition process and a necessary prerequisite to the procurement process ... acquisition plans should be developed in advance of each budgetary cycle to allow the concerned procurement office the necessary lead time to develop its procurement strategies, including the consolidation of requirements to leverage economies of scale”.

187. The Board noted that no annual procurement plan had been developed during the period of 2019–2021 and that UNEP did not have a procurement section but rather a supply chain management team in the Corporate Services Division, which was responsible for procurement management, including acquisition planning.

188. The Board further noted that the Regional Office for North America had not prepared a demand plan for the financial year 2021. The procurement of laptops was indicated only in the budget proposal without the necessary information provided.

189. UNEP explained that an acquisition plan was not readily available because the organization always failed to provide the input necessary for a comprehensive procurement plan, adding that deployment of the United Nations supply chain planning tool remained under study until it could be used to resolve the issue of the lack of an acquisition plan.

190. The Board is of the view that the lack of an acquisition plan may affect the consolidation of requirements to leverage economies of scale and the efficient fulfilment of mandates.

191. **The Board recommends that UNEP clarify the responsibilities of the parties involved, formulate the acquisition plan in a timely manner and actively explore the opportunities under supply chain reform of the United Nations to improve its procurement management.**

192. UNEP accepted the recommendation.

Incorrect input of essential factors when creating purchase orders

193. It is stated in section 4.5 of the United Nations Procurement Manual that “Requisition/shopping cart must at a minimum include ... required delivery date or start-up/completion date”.

194. The Board noted that, according to the purchase order list as at 31 December 2021, 314 of the 1,185 purchase orders indicated a delivery date of “9999”.

195. UNEP explained that the main reason was that the personnel who created the purchase order did not input a correct delivery date.

196. The Board is of the view that not creating a correct delivery date for purchase orders is risky when the vendor has defaulted in the delivery of goods or services.

197. **The Board recommends that UNEP ensure the correct and complete input of essential factors when creating purchase orders.**

198. UNEP accepted the recommendation.

C. Disclosures by management

1. Write-off of cash, receivables and property

199. UNEP reported that there were write-offs of accounts receivable and advances amounting to \$255,342 in 2021, and no write-offs in cash assets.

2. Ex gratia payments

200. UNEP reported no ex gratia payments in 2021.

3. Cases of fraud and presumptive fraud

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

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

203. The Board also enquired whether management had knowledge of any actual, suspected or alleged fraud. In 2021, UNEP reported seven cases of fraud and presumptive fraud that were under investigation. The estimated amount related to the referred cases is \$ 303,241.

D. Acknowledgement

204. 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) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors

(Signed) Hou Kai
Auditor General of the People's Republic of China
(Lead Auditor)

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

21 July 2022

Annex

Status of implementation of recommendations up to the financial year ended 31 December 2020

Audit report No.	year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification	
						Under Implemented	Not Overtaken implemented by events
1.	2015	A/71/5/Add.7 , chap. II, para. 52	The Board recommends that UNEP ensure sufficient controls over the preparation and submission of required project reports by implementing agencies in compliance with the project cooperation agreements.	UNEP has established sufficient control mechanisms to ensure regular follow-up with implementing partners on various aspects, including the submission of the expenditure reports and audited financial statements. In addition, UNEP has now developed an implementing partner dashboard that provides transparent information regarding engagements with the implementing partner.	The Board noted that UNEP had developed an implementing partner dashboard and regular circulation of the review reports on the outstanding advances. Therefore, this recommendation is considered implemented.	X	
2.	2015	A/71/5/Add.7 , chap. II, para. 56	The Board recommends that UNEP-GEF: (a) make more effort and follow-ups to ensure that expenditure reports are submitted within the agreed time frames under the signed agreements; and (b) consider the write-off of receivables with respect to which expenditure reports cannot be retrieved and the recoverability of advances has proved to be uncertain.	UNEP has put in place strategies to enhance follow-up efforts with the implementing partners on various aspects, including the submission of the expenditure reports and audited financial statements. Some of these mechanisms include the regular review and preparation of reports for circulation among GEF and administrative officers and their assistants that provide information on areas requiring action.	The Board noted that UNEP had developed an implementing partner dashboard to monitor the submission of the expense reports. In addition, UNEP issued a standard operating procedure to provide guidance on the write-off, write-down and notional claims of the advances. Therefore, this recommendation is considered implemented.	X	
3.	2015	A/71/5/Add.7 , chap. II, para. 67	The Board recommends that UNEP review the residual value and the useful lives of all assets and ensure that the asset register is updated to reflect the restated figures after Headquarters has completed the analysis of property, plant and equipment.	The extraction of consolidated data is currently under review to determine new useful lives, which is expected to be completed in March 2022, with pending updates to United Nations corporate guidance and policies to follow. The new useful lives are expected to be implemented in Umoja as from 1 January 2023.	The Board noted that the new useful lives were expected to be implemented as from 1 January 2023. Therefore, this recommendation is considered to be under implementation.		X

Audit report No. year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification	
					Under Implemented	Not Overtaken implemented by events
4. 2016	A/72/5/Add.7 , chap. II, para. 24	The Board recommends that UNEP enhance its follow-up efforts with implementing partners to submit the required reports on time so as to expedite financial closure of operationally closed projects.	UNEP has developed multiple communication tools to encourage follow-up efforts with implementing partners by the fund/administrative officers and their assistants responsible. These efforts include: (a) the dissemination of quarterly advance review reports to promote the financial closure of expired agreements; and (b) the development of an internal implementing partner dashboard with easily digestible information on implementing partner advances.	The Board noted that UNEP had regularly reviewed the implementing partner outstanding expense reports and developed the implementing partner dashboard to monitor implementing partner advances. The situation of grants not financially closed for more than two years has been improved. Therefore, this recommendation is considered implemented.	X	
5. 2016	A/72/5/Add.7 , chap. II, para. 33	The Board recommends that UNEP conduct a regular follow-up with implementing partners to ensure that they comply with the UNEP programme manual by submitting consolidated audited financial statements on completed projects to provide assurance over the expenditure incurred during the implementation of the projects.	UNEP has established sufficient control mechanisms to ensure regular follow-up with implementing partners on various aspects, including the submission of the expenditure reports and audited financial statements. Some of these mechanisms include the regular review reports sent out to the fund and administrative officers and their assistants, which provide information on areas requiring action.	The Board noted that UNEP had established control mechanisms to ensure regular follow-up with implementing partners on various aspects, including the submission of the expenditure reports and the audited financial statements. UNEP also regularly followed up with individual offices to confirm receipt of the audited reports. Therefore, this recommendation is considered implemented.	X	
6. 2016	A/72/5/Add.7 , chap. II, para. 68	The Board recommends that UNEP expedite the implementation of enterprise risk management to ensure an effective and efficient risk management process.	Efforts towards the implementation of an UNEP enterprise risk management framework have been finalized. On 12 July 2021, the senior management team endorsed the enterprise risk management implementation guide and strategies. In addition, the senior management team established an enterprise risk management committee to strengthen oversight of senior management regarding the enterprise risk management cycle.	The Board noted that the preparations for the implementation of an UNEP enterprise risk management framework had been concluded and that the first enterprise risk management cycle had been launched. Therefore, this recommendation is considered implemented.	X	

Audit report No.	year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification	
						Implemented	Under implementation
7.	2017	A/73/5/Add.7 , chap. II, para. 30	The Board recommends that UNEP (a) introduce a mechanism to enforce prompt recording of all project financial information in Umoja and regularly update the project financial data in the system; (b) introduce a regular review of project information in Umoja to verify the correctness and completeness of project data; and (c) ensure that all transactions in Umoja are linked to a valid and approved project in support of the Programme of work.	Project expenditure takes place as soon as the project is approved and created in the integrated planning, management and reporting module. The quarterly business review is used to monitor this mechanism every three months. Through the project approval workflow in the integrated planning, management and reporting module, project completeness and correctness are confirmed by the relevant staff. All projects are linked to the programme of work in Umoja through the thematic assignment field. UNEP has also submitted a one-page document that further clarifies how standard work breakdown structure elements are created immediately when the project log frame is created, illustrating that expenditure begins as soon as the project is approved.	The Board noted that UNEP had provided the quarterly business review reports and some senior management team meeting notes that contained the quarterly business review as evidence of a monitoring mechanism. UNEP also provided a document clarifying how to interpret the programme delivery records. Therefore, this recommendation is considered implemented.	X	
8.	2018	A/74/5/Add.7 , chap. II, para. 29	The Board recommends that UNEP update the Programme Information and Management System with complete and up-to-date project information to ensure appropriate management and an integral future migration to Umoja, establishing control mechanisms that secure results-based management.	Testing was completed and the templates were deployed, with positive results. This resulted in 95.7 per cent of administrative accounts being closed. UNEP has confirmed that all the ageing projects had been transferred to the integrated planning, management and reporting module, except four that have had their status changed to "completed" in the Programme Information and Management System.	The Board checked the status of 31 ageing projects in the integrated planning, management and reporting module and the Programme Information and Management System and confirmed that the information had been updated. Therefore, this recommendation is considered implemented.	X	
9.	2018	A/74/5/Add.7 , chap. II, para. 41	The Board recommends that UNEP conduct a staffing assessment related to the positions of project manager and supervisor. This assessment could be related to work distribution, recruitment needs, employee redeployment and	The assessment of the relation between the supervisor and project manager in terms of work distribution will be included in the description in the programme and project management manual. The revision of the manual started in September 2021. To ensure alignment with the UNEP new delivery	The Board noted that revision of the UNEP programme and project management manual was in process. Therefore, this recommendation is considered to be under implementation.		X

Audit report No. year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification	
					Under Implemented	Not Overtaken implemented by events
		training, or any other evaluation suitable to determine the measures needed to ensure adequate performance monitoring and reporting.	model, details of which are still being discussed, it has been decided that the manual will be finalized in the third quarter of 2022, once the new delivery model is fully operational.			
10. 2018	A/74/5/Add.7 , chap. II, para. 43	In addition, the Board recommends to regulate the supervisor position, setting out its obligations and responsibilities in the UNEP programme manual, in accordance with what the agency has indicated.	The revision of the programme and project management manual started in September 2021. To ensure alignment with the UNEP new delivery model, details of which are still being discussed, it has been decided that the manual will be finalized in the third quarter of 2022, once the new delivery model is fully operational.	The Board noted that revision of the programme and project management manual was in process. Therefore, this recommendation is considered to be under implementation.		X
11. 2018	A/74/5/Add.7 , chap. II, para. 45	Despite actions that have already been taken, the Board recommends also that UNEP establish an appropriate training course for both positions as well as complete guidelines regulating the accountability process for their obligations set out in the UNEP programme manual.	UNEP has established the recommended training. Its Policy and Programme Division produced an online project management course for all UNEP project managers and supervisors, with the support of KPMG Advisory S.p.A (KPMG Italy). One of the modules of the course will be "Leadership and supervising project management in UNEP".	The Board noted that UNEP had established a training course, as recommended. Therefore, this recommendation is considered implemented.	X	
12. 2018	A/74/5/Add.7 , chap. II, para. 79	The Board recommends that UNEP carry out a review and consolidation of all current UNEP-GEF projects, with the necessary information to ensure adequate accountability and programme management.	The recommendation of a single automatic consolidated database that contains information on every GEF project is under implementation. The expectation is that, once all active projects are fully updated in the integrated planning, management and reporting module, relevant reports on project internalization, implementation and completion will be available.	The Board noted that the new the integrated planning, management and reporting system included features that enforce the prompt recording of all project financial information in Umoja and regularly update the project financial data. With the new implementing partner dashboard and the integrated planning, management and reporting system, it was expected that GEF projects, once uploaded and included, would be managed in a manner that would ensure accountability. Therefore, this recommendation is considered to be under implementation.		X

Audit report No.	year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification	
						Under Implemented	Not Overtaken implemented by events
13.	2018	A/74/5/Add.7 , chap. II, para. 80	The Board in addition recommends that UNEP take measures to integrate and to improve the management of information, in order to ensure compliance with the objectives of the Programme.	The new integrated planning, management and reporting system includes features that enforce the prompt recording of all project financial information in Umoja and regularly update the project financial data in the system. With the new implementing partner dashboard and the integrated planning, management and reporting system, it is expected that GEF projects, once uploaded and included, will be managed in a manner that will ensure more integration in the UNEP programme. The coordination office will also use the reports generated from those tools to continue to ensure that project information in UNEP systems is accurate and complete.	Some functionality in the integrated planning, management and reporting module remains in the development and testing process. Therefore, this recommendation is considered to be under implementation.	X	
14.	2018	A/74/5/Add.7 , chap. II, para. 88	The Board recommends that UNEP establish proper coordination with its Regional Office for Europe and the secretariat of the Basel, Rotterdam and Stockholm Conventions, in order to obtain that they systematically manage risks and facilitate effective implementation of their mandated activities under the United Nations enterprise risk management and internal control policy.	The Regional Office for Europe is part of UNEP and therefor falls under the wider, implemented enterprise risk management framework. The multilateral environmental agreement focal points within the various divisions, as assigned, are responsible for the coordination and implementation of the entities' risk assessments. The first enterprise risk management cycle has been commenced and all outposted offices and multilateral environmental agreement are represented in the constituted risk management committee in line with the terms of reference. The efforts towards the implementation of an UNEP enterprise risk management framework have been finalized.	The Board noted that UNEP had endorsed the enterprise risk management implementation guide and strategies and utilized an organizational top-down approach whereby the Corporate Services Division produced a zero draft risk register on the basis of various audits over recent years, which resulted in an internal control survey in 2020. Therefore, this recommendation is considered implemented.	X	

Audit report No. year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification	
					Under Implemented	Not Overtaken implemented by events
15. 2018	A/74/5/Add.7 , chap. II, para. 89	In addition, the Board recommends that the UNEP Regional Office for Europe and the Secretariat of the Basel, Rotterdam and Stockholm Conventions maintain an updated risk log, in accordance with the UNEP programme manual.	The multilateral environmental agreement focal points within the various divisions, as assigned, are responsible for the coordination and implementation of the entities' risk assessments. The first enterprise risk management cycle has been commenced and all outposted offices and multilateral environmental agreement are represented in the constituted risk management committee in line with the terms of reference. The efforts towards the implementation of an UNEP enterprise risk management framework have been finalized.	The Board noted that UNEP had endorsed the enterprise risk management implementation guide and strategies and utilized an organizational top-down approach whereby the Corporate Services Division produced a zero draft risk register on the basis of various audits over recent years, which resulted in an internal control survey in 2020. Therefore, this recommendation is considered implemented.	X	
16. 2018	A/74/5/Add.7 , chap. II, para. 144	The Board recommends that UNEP perform a periodic and timely review of the leave system to identify absences and, if relevant, apply the charges to the monthly salary of the staff.	Leave is monitored in Umoja by the time administrators (leave monitors) in each division and the first reporting officer, with the support of the United Nations Office at Nairobi Human Resources Management Service. The UNEP business intelligence dashboard allows managers to view staff absences related to their divisions.	The Board noted that leave was monitored in Umoja by the time administrators and that the UNEP business intelligence dashboard allowed managers to view staff absences related to their divisions. Therefore, this recommendation is considered implemented.	X	
17. 2018	A/74/5/Add.7 , chap. II, para. 152	The Board recommends that UNEP ensure the accuracy of ICT data, preserve and protect ICT resources, related to the consolidation of the management information on projects in one system, considering also in this process the historical projects data, pursuant to bulletin ST/SGB/2004/15 .	The consolidation of management information on projects in a single system has been done through the implementation of a unified enterprise architecture solution, in particular the establishment of an integrated data warehouse in which various data sets, including historical project data from legacy systems and the new integrated planning, management and reporting system, are brought into the data warehouse platform to produce dashboards or reports.	The Board noted that UNEP had developed a unified enterprise architecture solution and established a data warehouse to link the legacy system and Umoja. Therefore, this recommendation is considered implemented.	X	

Audit report No.	year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification		
						Implemented	Under implementation	Overtaken implemented by events
18.	2019	A/75/5/Add.7 , chap. II, para. 28	The Board recommends that UNEP implement a results-based budgeting approach at regional and secretariat level.	In addition to ongoing integrated planning, management and reporting module tracking, the quarterly business reviews also track expenditure against the project budgets, achievements, outputs and/or milestones.	The Board noted that the integrated planning, management and reporting module had been deployed in 2021. Therefore, this recommendation is considered implemented.	X		
19.	2019	A/75/5/Add.7 , chap. II, para. 98	The Board recommends that UNEP coordinate with the Regional Office for Latin America and the Caribbean and the Regional Office for Africa in order to take liaison measures with the external institutions involved in project implementation, aiming to improve the efficiency of the project implementation process.	The updated UNEP partnerships policy and procedures (2020) was released in a pilot phase in October 2020. However, the work has been put on hold owing to the development, by the Office of the Controller in the United Nations Secretariat, of a United Nations policy on implementing partners and a United Nations partners portal. UNEP has therefore put the finalization of the policy on hold in order to ensure that there is no discrepancy between the rules developed by Headquarters and by UNEP.	The Board noted that the new partnership policy was yet to be approved and that the Regional Offices had continued the due diligence processes for implementing partners following the 2011 partnership policy and procedures, which remained valid. Therefore, this recommendation is considered to be under implementation.		X	
20.	2019	A/75/5/Add.7 , chap. II, para. 101	The Board recommends that UNEP coordinate its budget allocations in a timely manner in order to comply with the execution schedule of project workplans.	The evidence that was submitted highlights the budget allocation from the moment that a project is created in the integrated planning, management and reporting module. Therefore, each project is aligned with its budget allocation. This means that each project has an initial available amount of funding so that, once it is reviewed by the Project Review Committee and approved by the Director, it can start immediately.	The Board noted that the new integrated planning, management and reporting system included features that facilitated the monitoring and reporting of projects. The Board checked several projects informally, and as the projects progressed, the budget was released gradually. Therefore, this recommendation is considered implemented.	X		

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21.	2019	A/75/5/Add.7 , chap. II, para. 109	The Board recommends that UNEP coordinate with the Umoja team to improve the structure of the registration of information in the Umoja system with regard to regional projects that develop activities in several countries of the region, allowing for segregation by country in the system.	The integrated planning, management and reporting system has the functionality to segregate project information by country in accordance with the recommendation.	The Board noted that the integrated planning, management and reporting system had the functionality to link the project to the information of countries. However, specific information on project execution and budget allocation cannot be segregated by country in the integrated planning, management and reporting system or the open data platform. Therefore, it was not possible to associate the projects with details of the activities and country. Therefore, this recommendation is considered to be under implementation.		X
22.	2019	A/75/5/Add.7 , chap. II, para. 170	The Board recommends that UNEP establish the proper liaison between its headquarters and the Executive Secretary of the Convention on Biological Diversity and its Protocols in order to agree on the procedures and responsibilities that each entity shall assume with regard to the provision of secretariat services to the Conference of the Parties to the Convention on Biological Diversity, including the aspects related to non-administrative functions.	The secretariat of the Convention on Biological Diversity's work on the service-level agreement with the Corporate Services Division is expected to be initiated once part 2 of the fifteenth meeting of the Conference of the Parties has been completed in the third quarter of 2022.	The Board acknowledges that the secretariat is planning to develop the service-level agreement. Therefore, this recommendation is considered to be under implementation.		X
23.	2019	A/75/5/Add.7 , chap. II, para. 171	The Board recommends that UNEP liaise with the Executive Secretary of the Convention on Biological Diversity to propose to the Conferences of Parties to the Convention on Biological Diversity and its Protocols the adoption of a memorandum of understanding. If agreed, this	The Conference of the Parties and the meetings of the parties to the Protocols are the ultimate decision-making authorities in the governance structure of the Convention, and accordingly the request for establishing a regulatory framework that sets out responsibilities, transparency, guidance and	The Board noted that decision X/45 had been made in 2011, prior to auditing year 2019. Furthermore, the Conference of the Parties is in charge of the final approval of the memorandum, but UNEP and the secretariat of the Convention on Biological Diversity should		X

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		instrument shall include the arrangements for the provision of secretariat functions by UNEP, aiming to establish a regulatory framework that sets out clear responsibilities, transparency, guidance and accountability among the Parties and Member States.	accountability among the parties must emanate from them. The revised administrative arrangements endorsed in decision X/45 already establish the relevant roles of UNEP and the secretariat of the Convention on Biological Diversity.	coordinate with each other to propose a new memorandum. Therefore, this recommendation is considered not implemented.		
24. 2019	A/75/5/Add.7 , chap. II, para. 180	The Board recommends that UNEP coordinate with the secretariat of the Convention on Biological Diversity to introduce a framework that guides the planning process at the different levels of the secretariat, incorporating a clear definition of the main concepts to be used in that process, such as results, outputs, indicators of achievement and/or means of verification.	The secretariat of the Convention on Biological Diversity has developed a results-based budgeting framework, which is used for the preparation of the 2023–2024 budget document to be submitted at part 2 of the fifteenth meeting of the Conference of the Parties.	A results-based budgeting framework has been applied to each division of the secretariat of the Convention on Biological Diversity to guide daily work. Therefore, this recommendation is considered implemented.	X	
25. 2019	A/75/5/Add.7 , chap. II, para. 181	The Board recommends that UNEP coordinate with the secretariat of the Convention on Biological Diversity the establishment of a comprehensive workplan on the secretariat's activities, which is aligned with the secretariat's strategic objectives and with the decisions of the Conference of the Parties to the Convention on Biological Diversity and incorporates measurable indicators of accomplishment and means of verification.	The secretariat has incorporated measurable indicators of accomplishment and means of verification on the basis of the results-based budgeting framework, and the secretariat of the Convention on Biological Diversity workplan is aligned to the secretariat's strategic objectives and the decisions of the Conference of the Parties to the Convention on Biological Diversity.	The secretariat of the Convention on Biological Diversity has established a comprehensive workplan. Therefore, this recommendation is considered implemented.	X	

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26.	2019	A/75/5/Add.7 , chap. II, para. 185	The Board recommends to UNEP that the secretariat of the Convention on Biological Diversity issue the report on the administration of the Convention on Biological Diversity in line with the activities disclosed in its programme of work, presenting those activities in accordance with its budget and its execution.	The secretariat of the Convention on Biological Diversity has developed a results-based budgeting framework, which is used for the preparation of the 2023–2024 budget document to be submitted at part 2 of the fifteenth meeting of the Conference of the Parties.	The Board noted that the results-based budgeting framework had not been approved. Therefore, this recommendation is considered to be under implementation.		X	
27.	2019	A/75/5/Add.7 , chap. II, para. 186	The Board recommends that UNEP assist and coordinate with the secretariat of the Convention on Biological Diversity in order to standardize the secretariat's reporting processes, with the aim of including indicators, means of verification, outcomes and assessment for each activity presented in the programme of work.	The secretariat of the Convention on Biological Diversity results-based budgeting framework was prepared with a view to standardizing the secretariat's reporting processes and is expected to replace the biannual report. It includes performance indicators and outcomes, which will be monitored and evaluated in line with United Nations standards.	The Board noted that the results-based budgeting framework had not been approved. Therefore, this recommendation is considered to be under implementation.		X	
28.	2019	A/75/5/Add.7 , chap. II, para. 199	The Board recommends that UNEP assess and correct the grants posted in its BHL and BXL trust funds.	The secretariat of the Convention of Biological Diversity is in the process of reconciling and cleaning up the trust funds in line with the recommendation.	The Board noted that the secretariat was still in the process of reconciling and cleaning up the trust funds. Therefore, this recommendation is considered to be under implementation.		X	
29.	2019	A/75/5/Add.7 , chap. II, para. 209	The Board recommends that UNEP coordinate with the secretariat of the Convention on Biological Diversity to take the measures needed to comply with the preparation of a complete long-term strategic framework for capacity-building beyond 2020, in order for it to be presented in conformity with the requirements of the Conference of the Parties.	The secretariat of the Convention on Biological Diversity and the UNEP Law Division will take the measures necessary to ensure conformity with the decisions of the Conference of the Parties.	The Board noted that a complete long-term strategic framework for capacity-building beyond 2020 had not been done yet. Therefore, this recommendation is considered to be under implementation.		X	

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30. 2019	A/75/5/Add.7 , chap. II, para. 219	The Board recommends that UNEP assist and liaise with the secretariat of the Convention on Biological Diversity to coordinate with the Conference of the Parties to the Convention to adjust the programme of work and budget submission, with the aim of evaluating and implementing a more realistic workplan for the secretariat in accordance with available resources.	The secretariat of the Convention on Biological Diversity has prepared an information document on the alignment needed between resources and the programme of work for consideration at part 2 of the fifteenth meeting of the Conference of the Parties.	The draft document prepared by the secretariat of the Convention on Biological Diversity remains subject to the approval at part 2 of the fifteenth meeting of the Conference of the Parties. Therefore, this recommendation is considered to be under implementation.	X	
31. 2019	A/75/5/Add.7 , chap. II, para. 220	The Board recommends that UNEP assist and liaise with the secretariat of the Convention on Biological Diversity to coordinate with the Conference of the Parties to include the voluntary contributions in the budget submission in a way that reflects the necessary resources to implement the Conference of the Parties' decisions.	The secretariat of the Convention on Biological Diversity programme budget for the biennium 2023–2024, currently under preparation, uses the UNEP programme budget format for 2018–2019, as requested pursuant to Conference of the Parties decision 14/37. This format requires that voluntary contributions be included in the budget submission in a way that reflects the resources necessary to implement the decisions of the Conference of the Parties.	The Board noted that the results-based budgeting framework budget had not been approved. Therefore, this recommendation is considered to be under implementation.	X	
32. 2019	A/75/5/Add.7 , chap. II, para. 221	The Board recommends that UNEP assist and liaise with the secretariat of the Convention on Biological Diversity to coordinate with the Conference of the Parties to the Convention in order to agree on the implementation of a more effective resource mobilization mechanism for the secretariat.	UNEP has received clarification that it does not have a direct coordination role regarding the resource mobilization mechanism for the secretariat, and therefore this recommendation is not accepted.	UNEP did not accept this recommendation and did not provide evidence of the clarification. Therefore, this recommendation is considered not implemented.		X

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33. 2019	A/75/5/Add.7 , chap. II, para. 237	The Board recommends that UNEP reinforce its control mechanisms at the secretariat of the Convention on Biological Diversity to ensure that the selection processes of consultants and individual contractors are competitive and transparent and consider at least three recommended applicants.	The secretariat of the Convention on Biological Diversity now ensures that there is a minimum of three suitable candidates recommended for each position. UNEP considers this recommendation to have been implemented and requests its closure by the Board.	The Board acknowledges that there is a minimum of three suitable candidates recommended for each position. Therefore, this recommendation is considered implemented.	X		
34. 2019	A/75/5/Add.7 , chap. II, para. 238	The Board recommends that UNEP establish and correctly document an initial control mechanism at the secretariat of the Convention on Biological Diversity to verify whether the applicants for consultants and individual contractors have permission to work in the country, when that is required by the terms of reference, as a first filter before starting to make any evaluation of the candidate.	The secretariat of the Convention on Biological Diversity has added a screening question in Inspira for all individual contractor job openings that requires locally recruited individual contractors to verify that they have permission to work in Canada.	The Board acknowledges that the secretariat has added a screening question in Inspira for all individual contractor job openings that requires locally recruited individual contractors to verify that they have permission to work in Canada. Therefore, this recommendation is considered implemented.	X		
35. 2019	A/75/5/Add.7 , chap. II, para. 239	The Board recommends that UNEP liaise with the secretariat of the Convention on Biological Diversity with the aim of ensuring that the secretariat completes each field of the application process documents to ensure that all participants have complete information.	The Secretariat of the Convention on Biological Diversity ensures that every field of the application documents has been completed in full and that no contract is issued to consultants and individual contractors unless all fields and mandatory information and documentation have been completed.	The Board acknowledges that every field of the application documents has been completed in full. Therefore, this recommendation is considered implemented.	X		
36. 2019	A/75/5/Add.7 , chap. II, para. 247	The Board recommends that UNEP establish a control and supervision mechanism that periodically and in a documented manner ensures that the contracting processes of consultants and individual contractors include terms of reference for each of them, and	The secretariat of the Convention on Biological Diversity has strengthened its internal control and supervision mechanism to ensure that the terms of reference contain all the information established in ST/AI/2013/4 .	The Board noted that the secretariat had taken action to strengthen its internal control and supervision mechanism to ensure that the terms of reference contained all the information established in ST/AI/2013/4 . Therefore, this recommendation is considered implemented.	X		

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		that these terms of reference contain all information established in the administrative instruction ST/AI/2013/4 .				
37. 2019	A/75/5/Add.7 , chap. II, para. 255	The Board recommends that UNEP establish a control mechanism that guarantees compliance with the terms of reference of the hiring processes of consultants and individual contractors at the secretariat of the Convention on Biological Diversity, in particular with regard to the deadline for the development of contracted tasks, so that contracts do not exceed the duration specified in the terms of reference.	The secretariat improved the available Excel sheet to respond to the Board's recommendations. The Excel sheet facilitates the tracking of all consultancies, including the maximum duration of the contract, thereby ensuring that it does not exceed the maximum duration, in accordance with ST/AI/2013/4 . Moreover, for each consultant and individual contractor, a calculation sheet is prepared to calculate the contract time.	The Board noted that the secretariat was using an Excel sheet to track, monitor and control the duration of consultant and individual contractor contracts. Therefore, this recommendation is considered implemented.	X	
38. 2019	A/75/5/Add.7 , chap. II, para. 256	The Board recommends that UNEP ensure that the contracts contain all the information necessary to identify the department that signs the contract and the consultants and individual contractors hired at the secretariat of the Convention on Biological Diversity.	The secretariat of the Convention on Biological Diversity has worked with the Umoja team to ensure that the contracts contain all the information necessary to identify that the secretariat signs the contract for the consultants and individual contractors hired.	The Board noted that the issue remained. Therefore, this recommendation is considered to be under implementation.		X
39. 2019	A/75/5/Add.7 , chap. II, para. 257	The Board recommends that UNEP keep records of how the fee level was determined for each contract with consultants and individual contractors at the secretariat of the Convention on Biological Diversity.	The secretariat of the Convention on Biological Diversity guidelines for preparing terms of reference for individual contractor positions and for preparing terms of reference for locally and internationally recruited consultant positions are used. The secretariat is making sure that the fee level is included in the terms of references of all consultants and individual contractors.	The Board noted that the fee level was included in the terms of references of all consultants and individual contractors. Therefore, this recommendation is considered implemented.	X	

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40. 2019	A/75/5/Add.7 , chap. II, para. 267	The Board recommends that UNEP establish a control mechanism that allows for the alerting of personnel in charge of hiring consultants and individual contractors about possible risk situations, such as hiring former and retired staff members or surpassing the maximum hiring periods in accordance with the administrative instruction.	The secretariat improved the Excel sheet to respond to the Board's recommendations. The Excel sheet facilitates the tracking of all consultancies, including the maximum duration of the contract, thereby ensuring that it does not exceed the maximum duration, in accordance with ST/AI/2013/4 . Moreover, for each consultant and individual contractor, a sheet is prepared to calculate the length of time of the contract.	The Board noted the secretariat was using an Excel sheet to track, monitor and control the duration of consultant and individual contractor contracts. Therefore, this recommendation is considered implemented.	X	
41. 2019	A/75/5/Add.7 , chap. II, para. 274	The Board recommends that UNEP reinforce its control mechanism and ensure that each interim evaluation and each final evaluation are carried out in a timely manner in accordance with the provisions of the administrative instruction.	The secretariat of the Convention on Biological Diversity has reinforced its internal control mechanisms to make sure that interim and final evaluations are done in a timely manner. The Excel sheet facilitates the tracking of all consultancies, including the requirement of interim and final evaluation reports in accordance with administrative instructions.	The Board noted that the secretariat of the Convention on Biological Diversity had taken action on tracking to ensure that interim and final evaluations were carried out in a timely manner. Therefore, this recommendation is considered implemented.	X	
42. 2019	A/75/5/Add.7 , chap. II, para. 312	The Board recommends that UNEP coordinate with the United Nations Secretariat and the United Nations Office at Nairobi to assess and elaborate a new accounting policy in order to establish an enhanced basis for decision-making on the recognition of non-exchange transactions, in line with IPSAS 23.	UNEP, in collaboration with the United Nations Office at Nairobi, has continued to consider only agreements under the financial and administrative framework agreement of the European Commission as conditional arrangements/liability in accordance with IPSAS 23. Only European Commission grants are recognized with conditional liability.	The Board noted that UNEP recognized the agreements with the European Commission as conditional arrangements in accordance with IPSAS 23. Therefore, this recommendation is considered implemented.	X	

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43. 2019	A/75/5/Add.7, chap. II, para. 313	The Board recommends that UNEP implement the appropriate control mechanisms to measure the level of accomplishment of contribution agreements and to make the necessary budgetary and programme of work adjustments before the year's closure.	UNEP has now revamped its monthly budget performance reports in order to provide a holistic overview of the organizational budget allocations and implementation levels. That is, the revamped monthly budget performance report shows the allotments (budget allocations) for the Environment Fund, the programme support cost account, the regular budget, global vertical funds (GEF and Green Climate Fund) and extrabudgetary resources, as well as their implementation levels (expenditure and commitments) and their available balances.	The Board noted that UNEP had developed a monthly budget performance reports dashboard and a grant metrics report to monitor the accomplishment of contribution agreements. Therefore, this recommendation is considered implemented.	X	
44. 2019	A/75/5/Add.7, chap. II, para. 358	The Board recommends that UNEP ensure that overtime rewards as compensatory time off and as additional payment be calculated in accordance with the information circular UNON/IC/2015/07 and the proper instructions, in compliance with the schedule established by the Nairobi duty station.	An email containing a message to staff with regard to recording overtime in ESS was sent to all staff. Staff members working on a regular work schedule (not shifts) are kindly requested to follow the required procedure when submitting requests for overtime.	The Board noted that UNEP staff members working on a regular work schedule (not shifts) were requested to follow the procedures when submitting requests for overtime. Therefore, this recommendation is considered implemented.	X	
45. 2019	A/75/5/Add.7, chap. II, para. 359	The Board recommends that UNEP review and correct the cases identified, as accumulated entitlement of compensatory time off on inappropriate schedules; overtime payments on incorrect schedules; and payments that exceed the established rates.	All overtime cases were reviewed, and the cases identified were corrected and recoveries made.	The Board reviewed identified cases and recovery evidence. UNEP efforts in that regard were noted. Therefore, this recommendation is considered implemented.	X	

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46.	2019	A/75/5/Add.7 , chap. II, para. 360	The Board recommends that UNEP regulate the lunch-break time on Fridays under the overtime hypothesis, indicating its duration, opportunity and counting the overtime rewards from this interruption thereafter.	Overtime rewards and compensatory time off are calculated in accordance with information circular UNON/IC/2015/07 as follows for Fridays: Staff member's regular work hours: 8:00 a.m. to 2:00 p.m. Overtime hours worked: 2:30 to 7:00 p.m. (after deduction of half an hour for lunch) Compensatory time off entry: 2:30 to 4:30 p.m. Overtime entry: 4:30 to 7:00 p.m. This information includes specifications for lunchtime and has been communicated to all staff and managers approving overtime compensation.	The Board noted that UNEP had set specific calculations of overtime rewards and compensation time with deduction for a lunch break. Therefore, this recommendation is considered implemented.	X	
47.	2019	A/75/5/Add.7 , chap. II, para. 361	The Board recommends that UNEP review the quantity of overtime per month, with special emphasis on those who exceed the allowed limit of 40 hours, taking the necessary measures to avoid surpassing this ceiling and requiring prior exceptional approval every time this boundary cannot be complied with.	Overtime at UNEP is capped to 40 hours per month in accordance with the guidelines, with the exception of exigencies of service such as servicing governing bodies' meetings such as the United Nations Environment Assembly and the Conference of the Parties. Managers and staff have been informed of the 40-hour cap.	The Board noted that overtime monitoring capped at 40 hours had been presented through the dashboard, with exceptions approved. Therefore, this recommendation is considered implemented.	X	
48.	2019	A/75/5/Add.7 , chap. II, para. 369	The Board recommends that UNEP reactivate the ICT group or ICT local committee by holding meetings twice a year, as indicated in its ICT terms of reference established in May 2015, and complying with the provisions of the Secretary-General's bulletin on the Information and	The zero draft of the governance framework has been shared with the Digital Transformation Subprogramme Coordinator and feedback was received. UNEP is engaging with the United Nations International Computing Centre to assist UNEP in formulating the digital enterprise architecture and governance. This project is expected to conclude in September 2022. The	The Board noted that the ICT committee had been discontinued and would be replaced by a Board, which was being established, and that the new governance framework was still being drafted. Therefore, this recommendation is considered to be under implementation.		X

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		Communications Technology Board.	overall digital governance framework is expected to be endorsed by UNEP management by the end of 2022.			
49. 2020	A/76/5/Add.7, chap. II, para. 25	The Board recommends that UNEP develop sustainability plans with concrete and trackable measures for all its projects, pursuant to the UNEP programme and project management manual.	A project team developed its sustainability plan on the basis of the guidance set out in the project document template. In addition, the team's indicator tracking tool documents the UNEP approach to tracking the achievement of the results in line with the agreed indicators.	The project document template, which contains sustainability plans and the indicator tracking tool, are provided. Therefore, this recommendation is considered implemented.	X	
50. 2020	A/76/5/Add.7, chap. II, para. 31	The Board recommends that UNEP incorporate a sustainability plan into a final project report and make recommendations for mainstreaming it to project partners after completion of the project.	Work on the UNEP programme and project management manual started in September 2021. This includes the reflection in the project's final report on the sustainability plan and recommendations for mainstreaming these aspects to project partners after completion of the project.	The Board noted that sustainability was taken into account in final project reports as compulsory content. Therefore, this recommendation is considered implemented.	X	
51. 2020	A/76/5/Add.7, chap. II, para. 38	The Board recommends that UNEP track sustainability in its flagship projects and those that span over several programme of work periods.	UNEP evaluations are carried out using a consistent set of commonly applied evaluation criteria, including on sustainability across three subcategories of social, institutional and financial sustainability. The Evaluation Office uses a compliance procedure to track the implementation of recommendations that may relate to any evaluation criteria (e.g., sustainability). Under this process, the project manager is required to report changes in the status of recommendation implementation to the Office.	Pertinent supporting documents and examples of the tracking work of flagship projects or projects that span over several programme of work periods were submitted. Therefore, this recommendation is considered implemented.	X	

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52.	2020	A/76/5/Add.7 , chap. II, para. 45	The Board recommends that UNEP intensify efforts and provide resources to guide and support countries through capacity-building on collecting and reporting data on indicators of the Sustainable Development Goals in a timely manner that meets the data needs of the 2030 Agenda.	UNEP has undertaken several capacity-building activities on collecting and reporting data on Sustainable Development Goal indicators. UNEP also launched the e-learning on environmental Sustainable Development Goal indicators in collaboration with the United Nations Statistical Institute for Asia and the Pacific and the United Nations Institute for Training and Research, as well as different manuals and guidelines, among others.	The Board noted that UNEP had undertaken several capacity-building activities on collecting and reporting data on Sustainable Development Goal indicators. Therefore, this recommendation is considered implemented.	X	
53.	2020	A/76/5/Add.7 , chap. II, para. 53	The Board recommends that the secretariat of the Basel, Rotterdam and Stockholm Conventions, subject to the decision of the relevant Conference of the Parties, continue to guide and support parties in submitting their national reports, pursuant to the Basel Convention and Stockholm Convention.	With regard to the national reporting pursuant to article 15 of the Stockholm Convention, the secretariat has been implementing various activities to provide guidance and support for parties in submitting their national reports. With regard to reporting pursuant to article 13 of the Basel Convention, the secretariat has been providing assistance and guidance on completing and submitting the national report.	The Board noted that the secretariat had provided assistance and guidance to parties in submitting their national reports. Therefore, this recommendation is considered implemented.	X	
54.	2020	A/76/5/Add.7 , chap. II, para. 61	The Board recommends that UNEP adjust its funding strategy, on the basis of the review of the past funding situation, delete unrealistic clauses and make it attainable.	The UNEP resource mobilization strategy was updated in the spring of 2021 and approved by the UNEP senior management team on 17 May 2021 and became operational on 1 July 2021. A new section in the strategy relates to a systematic approach to understanding and working with philanthropic donors.	The Board noted that the updated resource mobilization strategy had been made operational in July 2021. Therefore, this recommendation is considered implemented.	X	

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55.	2020	A/76/5/Add.7, chap. II, para. 62	The Board recommends that UNEP improve the mechanism to ensure the implementation of the fundraising strategy, including necessary resource input and regular monitoring.	As part of the new resource mobilization strategy, a new structure was established to coordinate and enforce the work with different funding streams and partners. To that effect, the Corporate Services Division's Partnerships and Resource Mobilization Branch was established, consisting of six units and supervised by one senior staff member.	The updated resource mobilization strategy implementation plan was made effective as from July 2021. Therefore, this recommendation is considered implemented.	X			
56.	2020	A/76/5/Add.7, chap. II, para. 67	The Board recommends that UNEP tailor a standard operating procedure that clearly defines the responsibility of the divisions/regional offices in aligning the actual expenses with the allocated budget in total and within subprogrammes.	UNEP already established a standard operating procedure that defines the responsibilities.	UNEP formulated a standard operating procedure on budget management of the core budget and corporate grants. Therefore, this recommendation is considered implemented.	X			
57.	2020	A/76/5/Add.7, chap. II, para. 68	In addition, the Board recommends that UNEP enhance reporting to the Budget Steering Committee with regard to the budget performance of divisions and regional offices to take necessary action in case of an overrun of expenses with regard to the entire budget and/or at a subprogramme level.	In 2021, in addition to the budget dashboard reports communicated to the senior management team, the budget performance was communicated to the Budget Steering Committee through a memorandum. In addition, in July 2021, the Corporate Services Division made a presentation to senior management. The Division has further collaborated with the Programme and Policy Division to improve the quality of data reported in the quarterly business review reports to ensure that multiple media are used to disseminate the message on improved budget implementation.	UNEP reported the implementation status of the biennium 2020–2021 core resources as of June 2021 to the Budget Steering Committee through a memorandum. Therefore, this recommendation is considered implemented.	X			

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58. 2020	A/76/5/Add.7 , chap. II, para. 75	The Board recommends that UNEP expedite the budget authorization process for corporate agreements with loosely earmarked funds or begin it prior to receiving the cash payments from the donors.	In 2021 the approval of the allocations was concluded in May 2021, earlier than in previous years. Budgets were allocated to divisions and regional offices prior to receiving full funds from the Swedish International Development Cooperation Agency.	UNEP had allocated the budget to divisions and regional offices through the memorandum approved by the Executive Director, and the timelines were clearly provided in the memo. Therefore, this recommendation is considered implemented.	X	
59. 2020	A/76/5/Add.7 , chap. II, para. 76	In addition, the Board recommends that UNEP clarify the permitted time limit of budget allotments through an official memorandum from the Executive Director, who authorizes the budget allotments.	In 2021, through a memorandum from the Executive Director, the timelines were clearly provided.	UNEP allocated the budget to divisions and regional offices through the memorandum of the Executive Director, and the timelines were clearly provided in the memo. Therefore, this recommendation is considered implemented.	X	
60. 2020	A/76/5/Add.7 , chap. II, para. 77	The Board recommends that UNEP strengthen the accountability of divisions/regional offices with long-standing unallotted or unused budgets.	In continued efforts to enhance the accountability of unallotted and unused balances, the Corporate Services Division issued a memo to divisions and regional offices. In addition, 2019 Norway and Swedish International Development Cooperation Agency grants were closed, and the unused balances were reprogrammed accordingly. Further follow-up on commitments that have not been utilized is being closely monitored.	The Board noted that UNEP had approved a memo to divisions and regional offices on the accountability of unallocated and unused balances. Therefore, this recommendation is considered implemented.	X	
61. 2020	A/76/5/Add.7 , chap. II, para. 83	The Board recommends that UNEP cooperate with the United Nations Office at Nairobi to improve grants management by issuing final financial reports to the donors in a timely manner to ensure the financial closure of the operationally closed grants.	UNEP notes that the grants closure processes are continuous. The Financial Management Section is working closely with the financial management officer and United Nations Office at Nairobi accounts section to resolve this issue by the end of May 2022.	The Board noted that only one financial report had been issued for a closed grant. Therefore, this recommendation is considered to be under implementation.		X

Audit report No. year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification	
					Under Implemented	Overtaken implemented by events
62. 2020	A/76/5/Add.7, chap. II, para. 88	The Board recommends that UNEP review future agreements whenever an exception to the standard programme support cost rate is requested by the donor and forward the agreements, with appropriate justification and conditions, to the Controller for approval in order to ensure transparency.	UNEP has now issued a corporate guidance note on the exceptions to the established programme support cost rates. In addition to this, UNEP has sent a number of such requests to the Controller for approval.	The Board noted that UNEP had issued a corporate guidance note on the exceptions to the established programme support cost rates. Therefore, this recommendation is considered implemented.	X	
63. 2020	A/76/5/Add.7, chap. II, para. 94	The Board recommends that the secretariat of the Basel, Rotterdam and Stockholm Conventions further consolidate and harmonize its reports and review the posting frequency of reports on its website to ensure that parties are adequately informed of progress made in the use of resources and the implementation of its programme, taking into account cost and benefit.	Owing to resource constraints within the branch assigned to handle this recommendation, implementation of this recommendation has not yet started. Vacancies in the Branch are at an advanced stage of being filled and work on this recommendation is expected to start soon.	The Board noted that the standard operation procedure remained to be updated and that the recommendation had been assigned to a branch of the secretariat of the Basel, Rotterdam and Stockholm Conventions. There is still action to be taken. Therefore, this recommendation is considered to be under implementation.		X
64. 2020	A/76/5/Add.7, chap. II, para. 102	The Board recommends that UNEP establish an internal mechanism to flag, report on and communicate where long-outstanding advance balances exist to ensure transparency before a new agreement with the same implementing partner is signed.	A real-time list of implementing partners with outstanding advances for expired agreements has been developed and added to the existing UNEP implementing partner dashboard, which is available for internal use. UNEP leveraged that tool to build a separate list for grantees with outstanding advances for expired agreements, to use as an internal tool to communicate with and flag implementing partners with overdue outstanding advances.	The Board noted that UNEP had developed the implementing partner dashboard and the regular circulation of the review reports on the outstanding advances. Therefore, this recommendation is considered implemented.	X	

Audit report No.	year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
65.	2020	A/76/5/Add.7 , chap. II, para. 109	The Board recommends that UNEP prepare detailed guidelines to manage the selection of and engagement with private sector entities, especially in order to monitor the implementation of and update information on risk mitigation plans for partners identified as moderate risk or high risk.	The Private Sector Unit of UNEP has recently integrated monitoring and reporting mechanisms with the technical support of the Enterprise Solutions Section. The mechanisms have been digitally programmed and are now fully functional and operational through the partners portal, the online repository and processing hub for UNEP partnerships.	The Board noted that UNEP had disseminated the official memo of monitoring and reporting mechanisms, which would be functional and operational through the partners portal, the online repository and processing hub for UNEP partnerships. Therefore, this recommendation is considered implemented.	X			
66.	2020	A/76/5/Add.7 , chap. II, para. 117	The Board recommends that the secretariat of the Basel, Rotterdam and Stockholm Conventions adopt written and measurable criteria to achieve greater transparency in the selection process among regional centres, making use of Umoja Extension 2 processes, where appropriate.	The secretariat has developed and adopted written and measurable criteria to achieve greater transparency in selecting, among regional centres, those chosen to implement specific activities of the programme of work.	The Board noted that UNEP had developed and adopted written and measurable criteria. Therefore, this recommendation is considered implemented.	X			
67.	2020	A/76/5/Add.7 , chap. II, para. 124	The Board recommends that the liaison office to the African Union Commission, ECA and Ethiopia, when engaging in a partnership, ensure a clearer understanding of the expectations of parties and enumerate the items in accurate wording so that the roles and responsibilities of the relevant parties are made clear.	The Asian-African Legal Consultative Organization entered into a partnership agreement referred to as a letter of agreement between the office and the secretariat of the Convention to Combat Desertification, by which the roles and responsibilities of each entity and the collective roles of both parties were clearly enumerated.	The Board noted that the Asian-African Legal Consultative Organization had entered into a partnership agreement by which the roles and responsibilities of each entity were clearly enumerated. Therefore, this recommendation is considered implemented.	X			
68.	2020	A/76/5/Add.7 , chap. II, para. 132	The Board recommends that UNEP actively explore flexible and diverse alternative measures to promote timely and high-quality project progress reporting and records, considering various internal and external uncertainties, especially the COVID-19 pandemic.	As illustrated through UNEP reporting in the programme performance report.	The Board noted that UNEP had increased quality assurance in project progress reporting such as sending notices, updating projects status and providing new features about COVID-19 in the Programme Information and Management System. Therefore, this recommendation is considered implemented.	X			

Audit report No.	year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification	
						Implemented	Under implementation
69.	2020	A/76/5/Add.7 , chap. II, para. 139	The Board recommends that UNEP strengthen the training of project managers and set up a regular review mechanism by promptly reminding the project managers to attend to the project status and upload relevant information into PIMS in a timely manner.	Training was provided to staff members on the new integrated planning, management and reporting system that replaces the Programme Information and Management system. The quarterly business reports, in addition to strengthening accountability in following up on project implementation, provide an updated status on UNEP project activities. All these measures strengthened the review mechanism on a regular basis.	The Board noted that UNEP had provided special training to staff on the integrated planning, management and reporting system and used quarterly business reviews and reports as a mechanism to track and remind the project managers of the project status. Therefore, this recommendation is considered implemented.	X	
70.	2020	A/76/5/Add.7 , chap. II, para. 146	The Board recommends that UNEP formulate specific and clear plans or guidelines to guide the project-managing divisions and the project managers to deal with unexpected events that may have an impact on project implementation at field sites and events with significant, lasting adverse effects.	The Programme and Policy Division uploaded to weCollaborate a detailed description of the safeguards management procedures within the UNEP project cycle, as well as guidance on the tools, resources and responsibilities for each stage in the safeguards process. In addition, guidelines were also distributed for specific projects such as through the United Nations Development Account, as evidenced by Development Account joint short-term project document guidelines regarding COVID-19.	The Board noted that UNEP had submitted its Development Account joint short term project document guidelines regarding COVID-19 dated 27 May 2020, which contained the areas of attention in the context of the pandemic. UNEP also uploaded to weCollaborate a detailed description of the safeguard's management procedures within the UNEP project cycle. Therefore, this recommendation is considered implemented.	X	
71.	2020	A/76/5/Add.7 , chap. II, para. 152	The Board recommends that the Regional Office for Asia and the Pacific follow up with implementing partners to ensure the timely submission of expenditure/financial reports.	The Regional Office for Asia and the Pacific has increased efforts in following up with its implementing partners to improve the timely submission of progress and financial reports. As a result, of 72 agreements that the Regional Office has signed this year, there are only 7 in which interim reports are delayed and 4 in which final reports are delayed.	The Board noted that the Regional Office for Asia and the Pacific had made efforts to ensure the timely submission of expenditure/financial reports, with a few cases affected by factors such as the COVID-19 epidemic. Therefore, this recommendation is considered implemented.	X	

Audit report No. year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification	
					Under Implemented	Not Overtaken implemented by events
72. 2020	A/76/5/Add.7 , chap. II, para. 160	The Board recommends that UNEP actively explore feasible alternative measures and strengthen communication with external units in order to realize the attainment of milestones as planned.	The new integrated planning, management and reporting system includes features that facilitate the monitoring and reporting of project status. In addition, UNEP strengthened its “corporate dashboard” system, building on the Programme Information and Management System database, and installed quarterly business reviews that hold project managers accountable for project implementation through their directors. Each report is an aggregation of the achievement of projects’ milestones.	On the basis of the review of quarterly business review reports, programme delivery reports and the corporate dashboard reports, the Board noted that UNEP had taken measures to monitor and report on project status and attain planned milestones. Therefore, this recommendation is considered implemented.	X	
73. 2020	A/76/5/Add.7 , chap. II, para. 161	The Board recommends that UNEP complete necessary revisions as soon as possible in order to ensure that the project is carried out smoothly in the face of various internal and external uncertainties, especially under the circumstances of the COVID-19 pandemic.	UNEP submitted a programme performance report for the period from January 2020 to June 2021 and undertook an in-depth analysis of projects in the Asia-Pacific region and their experience in adapting to the COVID-19 reality.	UNEP provided examples of project revisions and the COVID-19 impact project review report, as well as the programme performance review, which indicate how UNEP responded to COVID-19 and how the projects had been adapted. Therefore, this recommendation is considered implemented.	X	
74. 2020	A/76/5/Add.7 , chap. II, para. 168	The Board recommends that UNEP accelerate the clean-up of legacy matters and complete the closure procedures for delayed projects as soon as possible.	Project information in the Programme Information and Management System is updated and inactive projects are closed. UNEP data platforms have been improved through the migration from the Programme Information and Management System to the new integrated planning, management and reporting system.	There are 31 ageing projects unclosed in the Programme Information and Management System, among which 11 were noted as completed during the audit period. Therefore, this recommendation is considered to be under implementation.		X

Audit report No. year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification	
					Under Implemented	Not Overtaken implemented by events
75. 2020	A/76/5/Add.7 , chap. II, para. 174	The Board recommends that UNEP take various measures to increase the coverage of project evaluations and project reviews upon project completion and consider the balance of different types of projects when using available resources for project evaluation.	In 2021, 18 evaluations were completed with more even coverage: the proportion of GEF to Non-GEF projects was 55 to 45 per cent. The evaluation policy and the new UNEP programme and project management manual also require that all projects reaching completion that are not selected for independent evaluation undergo a comprehensive management-led review. These reviews must follow detailed and comprehensive UNEP guidelines, and their findings may be subject to independent validation by the Evaluation Office.	The Board noted that the coverage of project evaluations and project reviews upon project completion had not increased from 2018 to 2020. The evaluation rate of GEF projects is much higher. Therefore, this recommendation is considered to be under implementation.	X	
76. 2020	A/76/5/Add.7 , chap. II, para. 179	The Board recommends that the Regional Office for Africa review all the resources provided by UNEP to the liaison office to the African Union Commission, ECA and Ethiopia on a cost-neutral basis to determine whether it can enhance its role in Ethiopia and take advantage of its geographical closeness and partner acquaintances.	For example, the Asian-African Legal Consultative Organization has received support from the Regional Office for Africa in terms of the execution of resource mobilization legal instruments for various projects to be implemented by the Consultative Organization in Ethiopia. The examples in 2021 were as follows: (a) letter of assist with the secretariat of the Convention to Combat Desertification; and (b) individual contractor agreements with the UNEP Terrestrial Ecosystems Unit and Ecosystems Division, among others.	The Board noted that the Asian-African Legal Consultative Organization had received support from the Regional Office for Africa in terms of the execution of resource mobilization legal instruments for various projects to be implemented by the Consultative Organization in Ethiopia, and provided four examples in 2021. Therefore, this recommendation is considered implemented.	X	
77. 2020	A/76/5/Add.7 , chap. II, para. 192	The Board recommends that the secretariat of the Basel, Rotterdam and Stockholm Conventions review the financial rules and present updates to the Conference of Parties for its review and revision.	Any recommendation to amend the financial rules can be considered only at the 2023 meeting of the Conference of the Parties, and the secretariat will propose a review for possible amendments to the financial rules at the 2023 meeting.	The Board noted that the amendments to the financial rules were yet to be approved. Therefore, this recommendation is considered to be under implementation.	X	

Audit report No. year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification	
					Under Implemented	Not Overtaken implemented by events
78. 2020	A/76/5/Add.7 , chap. II, para. 198	The Board recommends that UNEP actively explore feasible measures to monitor the timeliness of GEF project implementation and the extension of projects, if required.	Tracking and monitoring is done through the various dashboards available in the various divisions and focal areas of GEF. The new integrated planning, management and reporting system includes features that facilitate the monitoring and reporting of project status. The GEF projects are being included in the integrated planning, management and reporting module, and once this exercise is complete it is expected that the projects included will be able to track implementation rates and extensions.	The Board noted that various divisions and focal areas tracked and monitored GEF projects through various dashboards. The Board also noted that GEF projects were included in the integrated planning, management and reporting module. Once this exercise is done, it will be possible to track implementation rates and extensions. Therefore, this recommendation is considered to be under implementation.	X	
79. 2020	A/76/5/Add.7 , chap. II, para. 204	The Board recommends that UNEP complete the delayed closure procedures for operationally completed Global Environment Facility projects as soon as possible.	Within the GEF portfolio, there are completed projects that are either part of an umbrella project or part of composite grants or migrated grants, and these are being analysed as part of the second stage of the closure process.	The Board noted that there were completed GEF projects that were part of an umbrella project or part of composite grants or migrated grants as part of the second stage of the closure process. Therefore, this recommendation is considered to be under implementation.	X	
80. 2020	A/76/5/Add.7 , chap. II, para. 210	The Board recommends that UNEP review and update its programme and project management manual in relation to GEF and to the replacement of the advanced DGEF database information system with integrated planning, management and reporting, as well as ensure that the content of the manual is consistent with current circumstances.	The UNEP programme and project management manual is being revised and the information for GEF is being updated in that version. Any reference to Addis has been removed in the new drafts that are under consideration.	The Board noted that UNEP was planning to carry out a complete review of the GEF portions in the programme and project management manual in 2022 with the intention of updating the information. Therefore, this recommendation is considered to be under implementation.	X	

Audit report No.	year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification	
						Under Implemented	Not Overtaken implemented by events
81.	2020	A/76/5/Add.7 , chap. II, para. 216	The Board recommends that UNEP develop a strategic workforce plan and an operational workforce plan and review the posts vacant for 24 months or longer in Umoja to decide on their retention or abolishment, with due justification.	UNEP is yet to institute a strategic workforce plan but continues to monitor its workforce and recruitment activities, while individual divisions are managing their vacancy and operational plans. Preparatory work has already been completed. Upcoming retirements are shared with the relevant divisions. A corporate strategic workforce plan is to be developed.	The Board noted that UNEP was yet to institute a strategic workforce plan at the entity level, with the vacancy and operational plans managed at the division and office level. Therefore, this recommendation is considered to be under implementation.		X
82.	2020	A/76/5/Add.7 , chap. II, para. 221	The Board recommends that UNEP follow the instructions of administrative instruction ST/AI/2010/4/Rev.1 to ensure appropriate procedures for the selection of candidates for temporary appointments.	UNEP has prepared standard operating procedures on temporary recruitments to guide staff on following the instructions of ST/AI/2010/4/Rev.1 in the selection of temporary appointments.	The Board noted that UNEP had prepared standard operating procedures on temporary recruitments to guide staff on following the instructions contained in ST/AI/2010/4/Rev.1 in the selection of temporary appointments. Therefore, this recommendation is considered implemented.	X	
83.	2020	A/76/5/Add.7 , chap. II, para. 225	The Board recommends that UNEP follow administrative instruction ST/AI/1999/17 to ensure the correct effective date for granting a special post allowance.	UNEP organized a briefing for human resources focal points by the United Nations Office at Nairobi Talent Management Centre on the correct effective dates for granting special post allowance, to ensure that administrative instruction ST/AI/1999/17 was followed.	The Board noted that UNEP had organized a briefing on the correct effective dates for granting special post allowance to ensure that administrative instruction ST/AI/1999/17 was followed. Therefore, this recommendation is considered implemented.	X	
84.	2020	A/76/5/Add.7 , chap. II, para. 231	The Board recommends that the secretariat of the Basel, Rotterdam and Stockholm Conventions record the reasons in the travel plan why each planned travel cannot be substituted by other options.	The management of secretariat of the Basel, Rotterdam and Stockholm Conventions has ensured that each planned travel include a reason why it cannot be substituted by other options. This is reflected in the travel plans for the fourth quarter of 2020 and for the first to fourth quarters of 2021 in which each planned travel contains a reason in the column titled	The Board noted that the secretariat of the Basel, Rotterdam and Stockholm Conventions has travel plans for the last four quarters that contain the reason in the relevant column. Therefore, this recommendation is considered implemented.	X	

Audit report No. year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification						
					Implemented	Under implementation	Not implemented	Overtaken by events			
85.	2020	A/76/5/Add.7 , chap. II, para. 238	The Board recommends that the Regional Office for Asia and the Pacific, in consultation with UNEP headquarters, improve supervision of and reporting on the contractual period of the services provided by consultants and individual contractors and, in cases in which there is repeated use of the same consultant, provide justification for the arrangement.	“Justification why other video/ teleconference/online meeting options are not possible”.	The Regional Office for Asia and the Pacific has revised its terms of reference template, which is used to request and approve the hiring of consultants and individual contractors in the office, in which there is a dedicated section to clearly indicate whether the request is for an extension of previous contract and, if so, the total duration of previous contracts in the past 36 months. The Regional Office also fully implemented the most recent standard operating procedure issued in October 2020 by UNEP headquarters on the recruitment process for consultants and individual contractors.	The Board noted that the Regional Office for Asia and the Pacific had improved its supervision of the contractual period of services provided by consultants and individual contractors. The extension cases were in compliance with ST/AI/2013/4 . Therefore, this recommendation is considered implemented.	X				
Total number of recommendations							85	58	25	2	0
Percentage of the total number of recommendations							100	68	30	2	0

Chapter III

Certification of the financial statements

Letter dated 31 March 2022 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 (UNEP) for the year ended 31 December 2021 have been prepared in accordance with rule 106.1 of the Financial Regulations and Rules of the United Nations (ST/SGB/2013/4) and rule 207.3 of the supplement to the Financial Regulations and Rules of the United Nations (ST/SGB/2015/4).

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

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

In accordance with the authority assigned to me, I hereby certify that the appended financial statements of the Fund of UNEP for the year ended 31 December 2021 are correct in all material respects.

(Signed) Vanda **Andromeda**
Chief Finance Officer
United Nations Office at Nairobi

Chapter IV

Administration's financial overview for the year ended 31 December 2021

A. Introduction

1. The Executive Director has the honour to submit herewith the financial report, together with the accounts, of UNEP, including the Environment Fund, associated trust funds and the related accounts, for the year ended 31 December 2021. 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 2022.

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

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

B. Operational aspects

Mission and vision

4. UNEP is the leading global environmental authority that sets the global environmental agenda, promotes the coherent implementation of the environmental dimension of sustainable development within the United Nations system and serves as an authoritative advocate for the global environment.

5. The mission of UNEP 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.

6. UNEP supports Member States in ensuring that environmental sustainability is reflected in development and investment planning and provides countries with the necessary tools and technologies to protect and restore the environment.

Governance

7. UNEP works closely with the 193 Member States and with representatives from civil society, businesses and other major groups and stakeholders to address environmental challenges through the United Nations Environment Assembly of the United Nations Environment Programme, the world's highest-level decision-making body on the environment. It addresses the critical environmental challenges facing the world today. Understanding these challenges and preserving and rehabilitating the environment are at the heart of the 2030 Agenda for Sustainable Development.

8. The United Nations Environment Assembly meets biennially to set priorities for global environmental policies and develop international environmental law. Through its resolutions and calls to action, the Assembly provides leadership and catalyses intergovernmental action on the environment. Decision-making requires broad

participation, and the Assembly provides an opportunity for all peoples to help design solutions for maintaining the health of the planet.

9. Headquartered in Nairobi, UNEP is led by a senior management team chaired by the Executive Director. The organization hosts the secretariats of many critical multilateral environmental agreements and research bodies.

10. UNEP categorizes its work into seven broad thematic areas: climate change; resilience to disasters and conflicts; healthy and productive ecosystems; environmental governance; chemicals, waste and air quality; resource efficiency; and environment under review.

11. Programme management and support are implemented through services provided by the Corporate Services and Policy and Programme Divisions of UNEP. The objective is to ensure the efficient and effective development and delivery of the programmatic priorities of the medium-term strategy, underpinned by sound management and leadership practices with a reinforced accountability framework that clarifies roles and responsibilities. Programme management and support serve to provide guidance on programme and project design, delivery and closure; the governance of resources; corporate policy development and oversight; programme monitoring and reporting; the building of staff knowledge and capacity; and the development of programme and resource management tools that support decision-making.

12. UNEP continues to strengthen planning and delivery processes through the progressive use of results-based management and strategic partnerships.

Objective and strategy

13. In its decision 4/1, the United Nations Environment Assembly requested the Executive Director of UNEP to submit, for the consideration and approval of the Assembly at its fifth session, in consultation with the Permanent Representatives Committee and building on lessons learned from previous bienniums, a results-oriented and streamlined medium-term strategy and programme of work in line with General Assembly resolution [72/266](#).

14. The medium-term strategy of UNEP for the period 2022–2025 and the programme and work and budget for the biennium 2022–2023 are focused on responding to three planetary crises: climate change, biodiversity and nature loss, and pollution and waste.

15. The medium-term strategy is the vision of UNEP for reversing that trajectory. In the strategy, UNEP articulates its role in delivering on the promises of the 2030 Agenda as well as of the United Nations Conference on Sustainable Development and its outcome document, “The future we want”. UNEP also outlines the way in which it will strengthen the environmental dimension of the 2030 Agenda during the period 2022–2025, supporting countries in delivering on their environmental commitments under international agreements.

16. The four-year strategy provides a plan of action for the first half of the decade of action and delivery for sustainable development that will enable UNEP to strengthen the collective United Nations response to the crises of climate change, biodiversity loss and pollution. The United Nations development system reform presents a tremendous opportunity for empowering the United Nations to address global environmental and socioeconomic crises. UNEP will leverage this opportunity to enhance its guiding role, raise ambition and accelerate and scale up progress towards the Sustainable Development Goals, in the spirit of the Secretary-General’s decade of action and delivery.

Funding arrangements

17. There are three main sources of funding for UNEP:
- **United Nations regular budget.** The only regular source of funding, it supports the functions of the UNEP secretariat, including the governing bodies; coordination in the United Nations system; and cooperation with global scientific communities. This source constitutes about 5 per cent of the Programme's annual funding requirement.
 - **Environment Fund.** This is the core UNEP fund that supports the essential capacity needed for the balanced and efficient delivery of the programme of work of UNEP, which is approved by the Member States. This constitutes about 15 per cent of the annual funding requirement.
 - **Earmarked contributions.** These are funds earmarked for specific projects, themes or countries that enable the expansion and replication of the programme of work of UNEP and its results in more countries and with more partners. This constitutes about 80 per cent of the annual funding requirement and consists of earmarked funds and global funds.
18. As UNEP relies on voluntary contributions for approximately 95 per cent of its funding (from the Environment Fund and earmarked contributions), its work is made possible by partners that fund and champion its mission.
19. The Environment Fund is the core source of flexible funds for UNEP, providing the bedrock for its work worldwide.
20. The main providers of earmarked funds include the Global Environment Facility, the Green Climate Fund, the Multilateral Fund for the Implementation of the Montreal Protocol and the European Commission.
21. Around the world, UNEP works in partnership with governments, the scientific community, the private sector, civil society and other United Nations entities and international organizations. It brings together partners to agree on solutions to common environmental challenges, for example through the United Nations Environment Assembly. By means of its campaigns, in particular World Environment Day, UNEP raises awareness and advocates effective environmental action.

C. International Public Sector Accounting Standards sustainability plan

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

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

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

(c) Management of the IPSAS regulatory framework: this includes active participation in the work of the IPSAS Board to formulate new IPSAS or change

existing standards, and the related update of the IPSAS policy framework and financial rules and guidance, as well as the related changes to systems and processes;

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

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

D. Overview of the financial statements of the year ended 31 December 2021

All funds

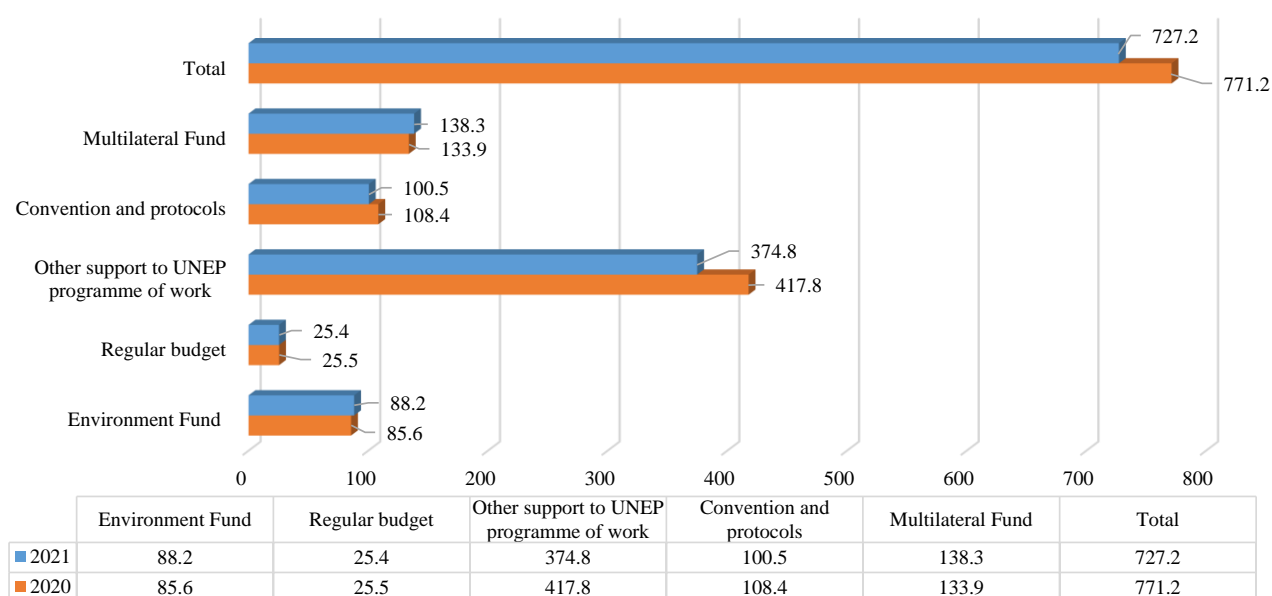
23. Statements I to IV show the consolidated figures for all UNEP activities, comprising the Environment Fund, the regular budget, trust funds supporting the UNEP programme of work, trust funds supporting UNEP conventions and protocols, the Multilateral Fund, the programme support account, and end-of-service and retirement benefits for the year ended 31 December 2021. Statement V reports on the Environment Fund and the regular budget.

24. Comparison between the year ended 31 December 2020 and the current reporting date is provided.

25. The revenue of UNEP for the year ended 31 December 2021, by source of funding, is shown in figures IV.I and IV.II.

Figure IV.I
2021 contributions, by source of funding

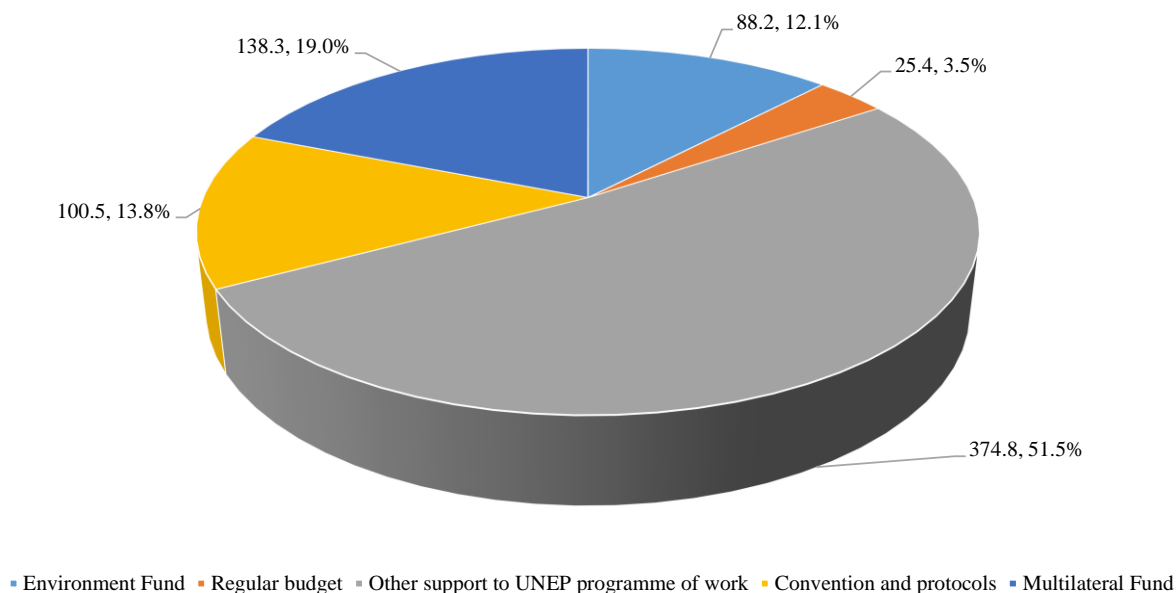
(Millions of United States dollars)



Note: Multilateral Fund revenue is presented less elimination for UNEP internal implementation of \$16.97 million (2020: \$23.2 million). Other support to UNEP programme of work revenue is presented less elimination adjustments for carbon offsets cost recovery of \$0.09 million (2020: \$0.2 million).

Figure IV.II
2021 contributions, by source of funding (proportions)

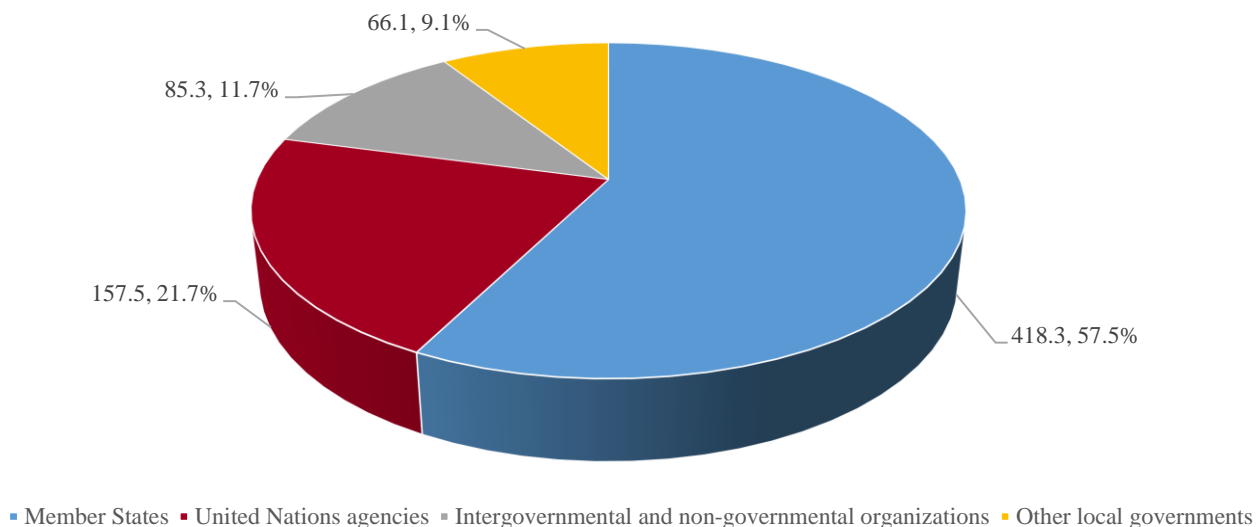
(Millions of United States dollars)



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

Figure IV.III
Distribution of contributions, by type of entity

(Millions of United States dollars)



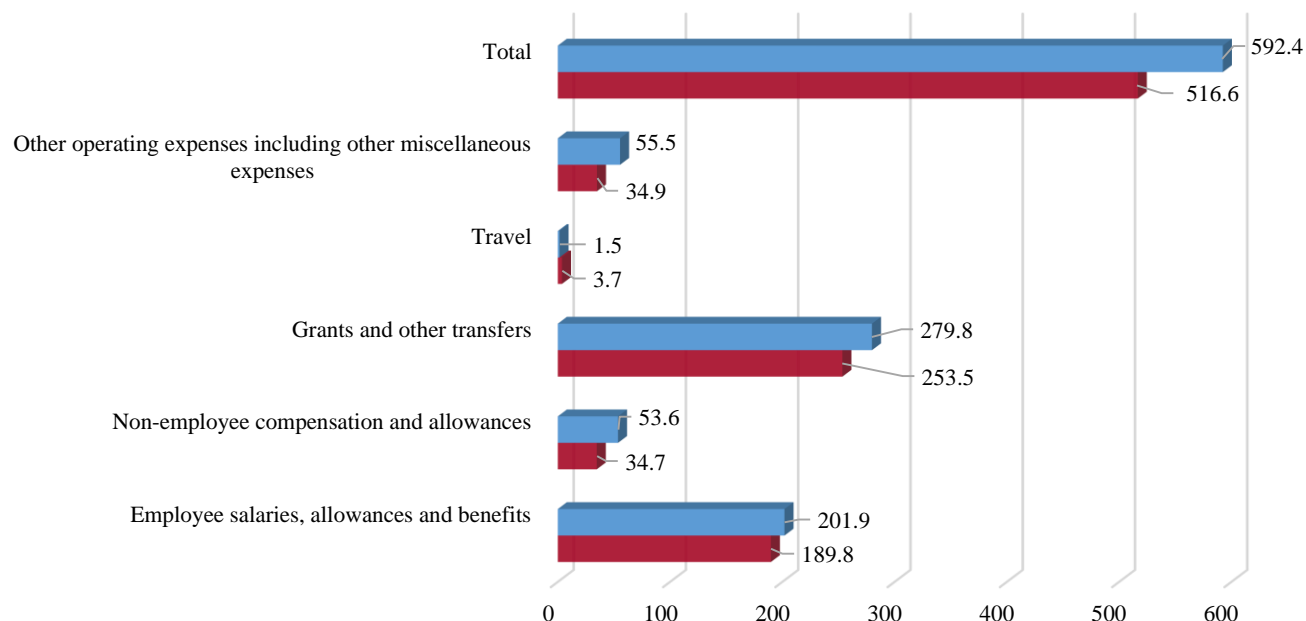
27. The contributions are based on IPSAS accounting, which includes recognizing donor project funding in full on the signing of a donor agreement by both the donor and UNEP. This includes project funding from the Global Environment Facility where revenue is recognized in full for multi-year projects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

28. Expenditure in 2021 relative to 2020, by type of expense, is shown in figure IV.

Figure IV.IV

Expenditure in 2021 relative to 2020, by type of expense

(Millions of United States dollars)



	Employee salaries, allowances and benefits	Non-employee compensation and allowances	Grants and other transfers	Travel	Other operating expenses including other miscellaneous expenses	Total
■ 2021	201.9	53.6	279.8	1.5	55.5	592.4
■ 2020	189.8	34.7	253.5	3.7	34.9	516.6

29. Total expenditure for 2021 is \$592.4 million. Other operating expenses, including other miscellaneous expenses, are as shown in note 25.

Key indicators from statement I

30. Total assets increased by \$153.9 million (6.0 per cent) to \$2,833.8 million as at 31 December 2021, from \$2,679.9 million as at 31 December 2020.

31. Total liabilities increased by \$3.5 million (0.6 per cent) to \$555.4 million as at 31 December 2021, from \$551.9 million as at 31 December 2020.

32. Net assets increased by \$150.5 million (7.1 per cent) to \$2,278.4 million as at 31 December 2021, from \$2,127.9 million as at 31 December 2020.

33. Table IV.1 contains a summary of other key indicators for the year ended 31 December 2021 compared with the year ended 31 December 2020.

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

	2021	2020	Increase/ decrease	Change (percentage)
Assessed contributions revenue	239.0	241.6	(2.6)	(1.1)
Voluntary contributions revenue	330.7	314.0	16.7	5.3
Other transfers and allocations	157.5	215.6	(58.1)	(26.9)
Total contributions revenue	727.2	771.2	(44)	(5.7)
Cash and cash equivalents	167.4	143.3	24.1	16.8
Short-term investments	1 143.9	878.7	265.2	30.2
Long-term investments	213.8	289.2	(75.4)	(26.1)
Total cash and investments	1 525.1	1 311.2	213.9	16.3
Assessed contributions receivable	41.9	22.7	19.2	84.6
Voluntary contributions receivable	936.2	974.3	(38.1)	(3.9)
Total receivables	978.1	997.0	(18.9)	(1.9)
Advance transfers	309.0	352.2	(43.2)	(12.3)
Other assets	18.3	16.3	2.0	12.3
Accounts payable and accrued payables	29.3	21.0	8.3	39.5
Employee benefits liabilities	285.2	278.9	6.3	2.3
Liabilities for conditional arrangements/other liabilities	163.4	180.5	(17.1)	(9.5)

34. Additional information on the movements as shown in the table above is provided in the notes to the financial statements.

35. A liquidity analysis at the segment level is presented in table IV.2 below. The cash balances of the trust funds are earmarked for specific activities of each fund and are not available to other fund groups. The balances include payments received in advance for the implementation of activities in future years. A liquidity analysis of the regular budget and related funds has not been provided, as UNEP does not control those funds.

Table IV.2
Liquidity analysis at the segment level
(Thousands of United States dollars)

Segment	31 December 2021				31 December 2020		
	Cash assets ^a	Total current assets	Total current liabilities ^b	Cash assets to current liabilities ^b	Current ratio	Cash assets to current liabilities	Current ratio
	A	B	C	A/C	B/C		
Environment Fund	47 286	62 144	2 563	18.4	24.2	17.4	24.0
Other support to UNEP programme of work	589 924	1 033 838	172 540	3.4	6.0	2.6	5.2
Conventions and protocols	177 892	249 911	52 598	3.4	4.8	2.3	3.9
Multilateral Fund	403 179	496 732	46 311	8.7	10.7	8.5	10.9

Segment	31 December 2021				31 December 2020		
	Cash assets ^a	Total current assets	Total current liabilities ^b	Cash assets to current liabilities ^b	Current ratio	Cash assets to current liabilities	Current ratio
	A	B	C	A/C	B/C		
Programme support	20 059	21 401	746	26.9	28.7	15.2	16.1
End-of-service and post-retirement benefits	72 932	72 932	6 796	10.7	10.7	11.9	11.9
Segment total	1 311 272	1 936 958	281 554	4.66	6.88	3.60	6.0

^a Cash assets consist of cash, cash equivalents and short-term investments.

^b Consolidated figures are net of the intersegment eliminations.

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

36. The UNEP financial statements reflect end-of-service and post-retirement benefits, comprising after-service health insurance liabilities, annual leave and repatriation benefits. UNEP makes monthly provisions for repatriation benefits at 8 per cent of net salary. In addition, since January 2017, UNEP started to make monthly provisions for after-service health insurance at 3 per cent of net salary. The monthly rate for those provisions was increased to 6 per cent effective 1 January 2019. UNEP, in collaboration with the United Nations Office at Nairobi and United Nations Headquarters in New York, has started discussions on the long-term financing strategies of the liability.

37. The 31 December 2021 accrued balances have been adjusted to reflect the estimated liabilities as at 31 December 2021 as reflected in the 2021 actuarial study calculations by a consulting firm engaged by the United Nations Secretariat on behalf of UNEP. As a result of fully charging these liabilities in the financial statements as at 31 December 2021, an amount of \$195.8 million of cumulative unfunded expenditure is shown in note 4, “Segment report”, under the end-of-service and post-retirement benefits segment.

F. Impact of the coronavirus disease pandemic

38. 2021 demonstrated that, even as the battle against the coronavirus disease (COVID-19) pandemic continues, environmental crises will remain an integral part of the journey in the years ahead and tackling them is more important than ever. In dealing with the tragic consequences of COVID-19, the focus of UNEP, based on its longstanding approach of ensuring that science and data drive effective policy, will remain on four broad areas: delivering transformational change for nature and people; investing in a sustainable and just post-COVID-19 recovery; helping nations to manage COVID-19-related waste; and modernizing global environmental governance.

39. During 2021, the COVID-19 pandemic had an impact on the planned deliverables and activities of UNEP, as it had to move towards alternative forms of consultations, decision-making processes and capacity-building initiatives using a range of innovative approaches. This included the organization of virtual meetings, accompanied by pre-recorded presentations and/or preparatory online sessions. Many of the scheduled meetings and conferences were held successfully; however, owing to logistical implications, many intergovernmental meetings and meetings of conferences of the parties had to be postponed until in-person meetings could be held.

40. Projects under implementation were affected both financially and in terms of the expected completion date by physical access restrictions, in particular where the respective countries implemented a shutdown of all activities. The impact of the pandemic on these activities cannot be quantified in the scope of financial costs as these projects are generally multi-year, and it is too early to assess the overall impact.

41. At the same time, however, some planned deliverables and activities were adjusted during 2021, within the overall scope of the objectives of the subprogrammes, in order to support Member States on issues related to the COVID-19 pandemic. As a result of travel restrictions and an increasing need for capacity-building workshops and hands-on training and guidance, UNEP had to change its approach regarding on-the-ground support. New activities included the provision of support to Member States, staff members and other end users by covering COVID-19 aspects in advice, publications, outreach, advocacy and other products or services. UNEP also implemented a COVID-19 response building-block strategy and involved stakeholders in the development of a road map for recovery.

Chapter V

Financial statements and related explanatory notes for the year ended 31 December 2021

United Nations Environment Programme

I. Statement of financial position as at 31 December 2021

(Thousands of United States dollars)

	<i>Notes</i>	<i>31 December 2021</i>	<i>31 December 2020^a</i>
Assets			
Current assets			
Cash and cash equivalents	6	167 354	143 261
Investments	7	1 143 918	878 703
Assessed contributions receivable	8	41 860	22 745
Voluntary contributions receivable ^a	9	332 105	378 231
Other receivables	10	1 497	1 472
Advance transfers	11	231 889	251 340
Other assets	12	18 335	16 344
Total current assets		1 936 958	1 692 096
Non-current assets			
Investments	7	213 832	289 242
Assessed contributions receivable	8	–	–
Voluntary contributions receivable	9	604 065	596 032
Advance transfers	11	77 154	100 889
Property, plant and equipment	14	1 730	1 530
Intangible assets	15	41	101
Total non-current assets		896 822	987 794
Total assets		2 833 780	2 679 890
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	16	29 301	20 967
Funds received in advance and deferred revenue	17	77 454	71 605
Employee benefits liabilities	18, 19	11 391	10 629
Provisions	20	–	–
Liabilities for conditional arrangements	21	163 408	180 473
Other liabilities	21	–	–
Total current liabilities		281 554	283 674
Non-current liabilities			
Employee benefits liabilities	18, 19	273 839	268 270
Total non-current liabilities		273 839	268 270
Total liabilities		555 393	551 944
Total net of total assets and total liabilities		2 278 387	2 127 946
Net assets			
Accumulated surpluses/(deficits) – unrestricted ^a	22	2 241 530	2 091 669
Reserves	22	36 857	36 277
Total net assets		2 278 387	2 127 946

^a The voluntary contributions receivable and accumulated surpluses/(deficits) for 2020 have been restated upward by \$9,707,000, which is the portion of the multi-year contributions from the Environment Fund that had not been included for that year.

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 2021

(Thousands of United States dollars)

	<i>Notes</i>	<i>2021</i>	<i>2020^a</i>
Revenue			
Assessed contributions	23	238 960	241 624
Voluntary contributions ^a	23	330 735	313 968
Other transfers and allocations	23	157 472	215 585
Investment revenue	26	2 313	23 905
Other revenue	24	20 630	10 454
Total revenue		750 110	805 536
Expense			
Employee salaries, allowances and benefits	25	201 926	189 798
Non-employee compensation and allowances	25	53 635	34 653
Grants and other transfers	25, 31	279 838	253 537
Supplies and consumables	25	231	374
Depreciation	14	168	192
Amortization	15	59	67
Travel	25	1 519	3 729
Other operating expenses	25	54 985	36 017
Exchange (gains)/losses from the fixed exchange rate mechanism of the Multilateral Fund	25	–	(1 974)
Other expenses	25	12	216
Total expenses		592 373	516 609
Surplus/(deficit) for the year		157 737	288 927

^a The revenue from voluntary contributions for 2020 has been restated upward by \$9,707,000, which is the portion of the multi-year contributions from the Environment Fund that had not been included for that year.

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 2021^a

(Thousands of United States dollars)

	<i>Accumulated surpluses/ (deficits) – unrestricted</i>	<i>Elimination</i>	<i>Accumulated surpluses/ (deficits) – unrestricted after elimination</i>	<i>Reserves</i>	<i>Total</i>
Net assets at the beginning of the period^b	2 128 963	(37 294)	2 091 669	36 277	2 127 946
UNEP internal implementation elimination	–	(14 104)	(14 104)	–	(14 104)
Changes in net assets	9	–	9	–	9
Transfers to reserves	(580)	–	(580)	580	–
Actuarial gains/(losses)	6 799	–	6 799	–	6 799
Total items recognized directly in net assets	6 228	(14 104)	(7 876)	580	(7 296)
Surplus/(deficit) for period	157 737	–	157 737	–	157 737
Net movement in net assets	163 965	(14 104)	149 861	580	150 441
Net assets, end of period	2 292 928	(51 398)	2 241 530	36 857	2 278 387

^a See note 22.

^b Net assets at the beginning of 2021 have been restated upward by \$9,707,000, which is the portion of the multi-year contributions from the Environment Fund that had not been included for 2020.

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 2021

(Thousands of United States dollars)

	<i>Notes</i>	<i>31 December 2021</i>	<i>31 December 2020^a</i>
Cash flow from operating activities			
Surplus/(deficit) for the year		157 737	288 927
<i>Non-cash movements</i>			
Depreciation and amortization	14, 15	676	259
Actuarial gain/loss on employee benefits liabilities	19	6 800	(13 196)
Transfers and donated property, plant and equipment and intangibles	14, 15	–	–
Loss on disposal of property, plant and equipment and intangibles	14, 15	–	13
<i>Changes in assets</i>			
(Increase)/decrease in assessed contributions receivable	8	(19 115)	20 034
(Increase)/decrease in voluntary contributions receivable a	9	38 093	(31 566)
(Increase)/decrease in other receivables	10	(24)	(546)
(Increase)/decrease in advance transfers	11	43 186	40 198
(Increase)/decrease in other assets	12	(1 991)	2 834
<i>Changes in liabilities</i>			
Increase/(decrease) in accounts payable and accrued liabilities	16	8 334	(46 916)
Increase/(decrease) in funds received in advance and deferred revenue	17	5 849	(13 049)
Increase/(decrease) in employee benefits payable	18	6 331	28 402
Increase/(decrease) in provisions	20	–	–
Increase/(decrease) in liabilities for conditional arrangements	21	(17 065)	20 559
Increase/(decrease) in other liabilities	21	–	–
Investment revenue presented as investing activities	26	2 313	(23 905)
Net cash flows from/(used in) operating activities		231 124	272 048
Cash flow from investing activities			
Pro rata share of net increases in the cash pool	26	(189 805)	(424 349)
Investment revenue presented as investing activities	26	(2 313)	23 905
Acquisitions of property, plant and equipment	14	(817)	(196)
Proceeds from disposal of property, plant and equipment		–	–
Net cash flows from/(used in) investing activities		(192 935)	(400 640)
Cash flow from financing activities			
Adjustments to net assets	22	(14 096)	67
Net cash flows from/(used in) financing activities		(14 096)	67
Net increase/(decrease) in cash and cash equivalents	5	24 093	(128 525)
Cash and cash equivalents – beginning of year		143 261	271 786
Cash and cash equivalents – end of year	6	167 354	143 261

^a The change in voluntary contributions receivable for 2020 has been restated upward by \$9,707,000, which is the portion of the multi-year contributions from the Environment Fund that had not been included for that year.

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 2021^a

(Thousands of United States dollars)

	Publicly available budget			Actual expenditure (budget basis)	Difference (percentage) ^b
	Original biennial	Original annual	Final annual		
Executive direction and management	11 200	5 600	5 228	5 319	2
Programme of work, comprising:					
Climate change	22 200	11 100	8 260	8 547	3
Resilience to disasters and conflicts	15 600	7 800	5 759	6 025	5
Healthy and productive ecosystems	28 000	14 000	10 117	10 000	(1)
Environmental governance	26 200	13 100	9 943	10 264	3
Chemicals, waste and air quality	23 400	11 700	8 660	8 791	2
Resource efficiency	28 400	14 200	10 183	10 235	1
Environment under review	23 000	11 500	8 350	8 049	(4)
Total programme of work	178 000	89 000	66 500	67 230	1
Fund programme reserve	10 000	5 000	525	741	41
Programme support	12 000	6 000	4 975	4 828	(3)
Total Environment Fund	200 000	100 000	72 000	72 799	–
United Nations regular budget allocation ^c	50 628	25 878	25 878	22 904	(11)
Total Environment Fund and United Nations regular budget allocation	250 628	125 878	97 878	95 703	(2)

^a See note 5.

^b Actual expenditure (budget basis) less final budget.

^c The United Nations regular budget allocation is from assessed contributions as reported in Volume I.

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

**United Nations Environment Programme
Notes to the 2021 financial statements****Note 1****Reporting entity***The United Nations Environment Programme and its activities*

1. The United Nations Environment Programme (UNEP) was established by the General Assembly by its resolution 2997 (XXVII) of 15 December 1972 as an autonomous body and a separate reporting entity within the United Nations, with the Governing Council of UNEP as its policymaking organ and a secretariat responsible for leading and coordinating action on environmental matters. 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. Headquartered in Nairobi, UNEP works through its divisions, regional offices, liaison and outposted offices and a growing network of collaborative centres of excellence. UNEP also hosts several environmental conventions, secretariats and inter-agency coordinating bodies that have been established in areas related to the UNEP programme of work.

2. UNEP is the leading global environmental authority, which sets the global agenda and promotes the coherent implementation of sustainable development within the United Nations system. UNEP is an implementing agency of the Global Environment Fund and the Multilateral Fund for the Implementation of the Montreal Protocol.

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 2021–2022. Within its mandate UNEP promotes environmental sustainability while contributing to a balanced integration of the economic, social and environmental dimensions of sustainable development. This balanced approach also acknowledges the integrated nature of the challenges that countries face (e.g., gender equality, unemployment, income inequality, social exclusion and lack of environmental safeguards) and defines a new paradigm for sustainable development in which the environment is no longer treated in a silo.

The United Nations Environment Programme

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

Note 2

Basis of preparation and authorization for issue

Basis of preparation

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

- (a) Statement I: statement of financial position;
- (b) Statement II: statement of financial performance;
- (c) Statement III: statement of changes in net assets;
- (d) Statement IV: statement of cash flows (using the indirect method);
- (e) Statement V: statement of comparison of budget and actual amounts;
- (f) Notes to the financial statements comprising a summary of significant accounting policies and other explanatory notes;
- (g) Comparative information in respect of all amounts presented in the financial statements indicated in (a) to (d) above and, where relevant, comparative information for narrative and descriptive information presented in the notes to these financial statements.

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

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

Going concern

8. The going-concern assertion is based on the approval by the General Assembly of the regular budget appropriations for 2022 in its resolution [76/247](#) A–C, the positive historical trend of collection of assessed and voluntary contributions over previous years and the fact that the Assembly has taken no decision to cease the operations of the United Nations.

Authorization for issue

9. These financial statements are certified by the Chief Financial Officer of the United Nations Office at Nairobi and approved by the Executive Director of UNEP. In accordance with the Financial Regulations and Rules of the United Nations, these financial statements as at 31 December 2021 are to be transmitted to the Board of Auditors by 31 March 2022. In accordance with financial regulation 7.12, the reports of the Board of Auditors are to be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements.

Measurement basis

10. These financial statements are prepared using the historical-cost convention, except for financial assets recorded at fair value through surplus or deficit.

Functional and presentation currency

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

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

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

Materiality and use of judgment and estimates

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

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

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

Future accounting pronouncements

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

(a) **Heritage assets.** The objective of the project is to develop accounting requirements for heritage assets;

(b) **Non-exchange expenses.** The aim of the project is to develop a standard or standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits. The IPSAS Board is expected to issue the standard or standards by June 2022. The new standard on transfer expenses may result in a prospective change in accounting policy for the recognition of some categories of non-exchange expenses of the United Nations, including transfers to implementing partners;

(c) **Revenue.** The scope of the project is to develop new standard-level requirements and guidance on revenue to amend or supersede that currently located in IPSAS 9: Revenue from exchange transactions, IPSAS 11: Construction contracts, and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers). The IPSAS Board is expected to issue the standard by September 2022;

(d) **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: Leases. The IPSAS Board is expected to issue the new standard in January 2022;

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

(f) **Infrastructure assets.** The objective of the project is to research and identify issues faced by preparers when applying IPSAS 17: Property, plant and equipment to infrastructure assets with a view to providing additional guidance on accounting for infrastructure assets.

Recent and future requirements of the International Public Sector Accounting Standards

18. The IPSAS Board issued the following standards: IPSAS 41: Financial instruments, issued in August 2018 and effective 1 January 2023; and IPSAS 42: Social benefits, issued in January 2019 and effective 1 January 2023. The impact of these standards on the organization's financial statements and the comparative period therein has been evaluated to be as follows:

<i>Standard</i>	<i>Anticipated impact in the year of adoption</i>
IPSAS 41	<p>IPSAS 41: Financial instruments, substantially improves the relevance of information for financial assets and financial liabilities. It will replace IPSAS 29: Financial instruments: recognition and measurement, and improves that standard's requirements by introducing:</p> <ul style="list-style-type: none"> (a) Simplified classification and measurement requirements for financial assets; (b) A forward-looking impairment model; (c) A flexible hedge accounting model.

<i>Standard</i>	<i>Anticipated impact in the year of adoption</i>
	<p>The effective date of IPSAS 41 was deferred to 1 January 2023 owing to the COVID-19 pandemic and the challenges that it has created.</p> <p>The impact of IPSAS 41 on the financial statements will be assessed prior to that date, and the organization will be ready for its implementation by the time it becomes effective.</p>
IPSAS 42	<p>IPSAS 42: Social benefits, provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include State retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment.</p> <p>The effective date of IPSAS 42 was deferred to 1 January 2023 owing to the COVID-19 pandemic and the challenges that it has created. Currently, there are no such social benefits applicable to the organization.</p>

Note 3

Significant accounting policies

Financial assets classification

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

<i>Classification</i>	<i>Financial assets</i>
Fair value through surplus or deficit	Investments in cash pools
Loans and receivables	Cash and cash equivalents and receivables

20. 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.

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

22. 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.

23. 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.

24. 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.

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

26. 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

27. 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.

28. 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

29. 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

30. Contributions receivable represent uncollected revenue from assessed and voluntary contributions committed to the organization by Member States, non-member States and other donors on the basis of enforceable agreements. These non-exchange receivables are stated at nominal value, except for voluntary contributions receivable that will mature in more than 12 months, less impairment for estimated irrecoverable amounts, that is, the allowance for doubtful receivables. If deemed material, these long-term voluntary contribution receivables are reported at a discounted value calculated using the effective interest method.

31. Voluntary contributions receivable and other receivables are subject to general allowance provisions in addition to provisioning based on specific identification and review of accounts receivable. The general allowance provisions are 25 per cent for receivables outstanding longer than 12 months, 60 per cent for receivables outstanding longer than 24 months and 100 per cent for receivables outstanding longer than 36 months.

32. For assessed contributions receivable, the allowance is calculated at a rate of 25 per cent for receivables outstanding longer than 12 months, 60 per cent for receivables outstanding longer than 24 months and 100 per cent for receivables outstanding longer than 36 months.

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

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

Financial assets: receivable from exchange transactions – other receivables

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

Financial assets: notes receivable

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

Other assets

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

Investments accounted for using the equity method

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

Advance transfers

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

Inventories

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

<i>Categories</i>	<i>Subcategories</i>
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

41. The cost of inventory in stock is determined using the average price cost basis. The cost of inventories includes the cost of purchase, plus other costs incurred in bringing the items to the destination and condition for use. A standard rate of 14 per cent of the cost of purchase is used in place of actual associated costs incurred. Inventories acquired through non-exchange transactions, that is, donated goods, are measured at fair value at the date of acquisition. Inventories held for sale are valued at the lower of cost and net realizable value. Inventories held for distribution at no or nominal charge or for consumption in the production of goods/services are valued at the lower of cost and current replacement cost.

42. 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.

43. 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.

44. 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

45. 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

46. Property, plant and equipment are classified into different groups, based on their nature, functions, useful lives and valuation methodologies, such as vehicles; communications and information technology equipment; machinery and equipment; furniture and fixtures; and real estate assets (land, buildings, leasehold improvements, infrastructure and assets under construction). Recognition of property, plant and equipment is as follows:

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

(b) All property, plant and equipment, other than real estate assets, are stated at historical cost, less accumulated depreciation and accumulated impairment losses. Historical cost comprises the purchase price, any costs directly attributable to bringing the asset to its location and condition and the initial estimate of dismantling and site restoration costs. A standard rate of 20 per cent of the cost of purchase is used in place of actual associated costs incurred;

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

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

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

Estimated useful lives of property, plant and equipment classes

<i>Class</i>	<i>Subclass</i>	<i>Estimated useful life</i>
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

<i>Class</i>	<i>Subclass</i>	<i>Estimated useful life</i>
	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
	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

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

49. 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.

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

51. 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.

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

Intangible assets

53. 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 of the asset. The threshold for recognition is \$100,000 for internally generated intangible assets and \$20,000 per unit for externally acquired intangible assets.

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

55. Intangible assets with finite useful lives 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.

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

Estimates of useful lives of major classes of intangible assets

<i>Class</i>	<i>Range of estimate useful life</i>
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

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

Financial liabilities: classification

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

Financial liabilities: accounts payable and accrued liabilities

59. 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.

Funds received in advance and deferred revenue, liabilities for conditional arrangements and other liabilities.

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

Leases: the organization as lessee

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

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

Leases: the organization as lessor

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

Donated rights to use

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

65. Where a donated right-to-use arrangement is treated as an operating lease, an expense and corresponding revenue equal to the annual rental value of the asset or similar property are recognized in the financial statements. Where a donated right-to-use arrangement is treated as a finance lease (principally with a lease term of over 35 years for premises), the fair market value of the property is capitalized and depreciated over the shorter of the useful life of the property or the term of the arrangement. In addition, a liability for the same amount is recognized, which is progressively recognized as revenue over the lease term. Donated right-to-use land arrangements are accounted for as operating leases where the organization does not have exclusive control over the land and/or title to the land is transferred under restricted deeds.

66. 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.

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

Employee benefits

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

Short-term employee benefits

69. 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

70. 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

71. The following benefits are accounted for as defined-benefit plans: after-service health insurance, repatriation benefits (post-employment benefits) and accumulated annual leave that is commuted to cash upon separation from the organization (other long-term benefits). Defined-benefit plans are those where the organization's obligation is to provide agreed benefits and therefore the organization bears the actuarial risks. The liability for defined-benefit plans is measured at the present value of the defined-benefit obligation. Changes in the liability for defined-benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The organization has elected to recognize changes in the liability for defined-benefit plans from actuarial gains and losses directly through the statement of changes in net assets. At the end of the reporting year, the organization did not hold any plan assets as defined by IPSAS 39: Employee benefits.

72. 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.

73. **After-service health insurance.** This provides worldwide coverage for necessary medical expenses of eligible former staff members and their dependants. Upon end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of the United Nations, provided 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.

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

75. **Annual leave.** The liabilities for annual leave represent unused accumulated leave days that are projected to be settled via a monetary payment to employees upon their separation from the organization. The United Nations recognizes as a liability the actuarial value of the total accumulated unused leave days of all staff members, up to a maximum of 60 days (18 days for temporary staff) as at the date of the statement of financial position. The methodology applies a last-in-first-out assumption in the determination of the annual leave liabilities, whereby staff members access current period leave entitlements before they access accumulated annual leave balances relating to prior periods. Effectively, the accumulated annual leave benefit is accessed more than 12 months after the end of the reporting period in which the benefit arose and, overall, there is an increase in the level of accumulated annual leave days, pointing to the commutation of accumulated annual leave to a cash settlement at end of service as the true liability of the organization. The accumulated annual

leave benefit reflecting the outflow of economic resources from the organization at end of service is therefore classified under the category of other long-term benefits, while noting that the portion of the accumulated annual leave benefit that is expected to be settled via monetary payment within 12 months after the reporting date is classified as a current liability. In line with IPSAS 39: Employee benefits, other long-term benefits must be valued similarly to post-employment benefits; therefore, the United Nations values its accumulated annual leave benefit liability as a defined, post-employment benefit that is actuarially valued.

Pension plan: United Nations Joint Staff Pension Fund

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

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

Termination benefits

78. 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

79. 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.

80. **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

81. Provisions are liabilities recognized for future expenditure of uncertain amount or timing. A provision is recognized if, as a result of a past event, the organization has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount of the provision is the best estimate of the expenditures expected to be required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the provision is the present value of the amount required to settle the obligation.

Contingent liabilities

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

83. 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.

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

Contingent assets

85. Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the effective control of the organization. Contingent assets are disclosed in the notes when it is more likely than not that economic benefits will flow to the organization.

Commitments

86. 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

87. Assessed contributions for the organization comprise the UNEP regular budget allocation and the assessed contributions of its multilateral environment conventions and the Multilateral Fund. Assessed contributions are assessed and approved for a budget period of one or more years. The one-year proportion of the assessed contributions is recognized as revenue at the beginning of the year. Assessed

contributions include the amounts assessed on Member States and non-member States to finance the activities of the organization in accordance with the agreed scale of assessments. Revenues from assessed contributions from Member States and from non-member States are presented in the statement of financial performance.

Non-exchange revenue: voluntary contributions

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

89. 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.

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

91. 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.

92. 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

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

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

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

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

(d) An indirect cost recovery or “programme support cost” is charged to trust funds as a percentage of direct costs, including commitments and other “extrabudgetary” activities, to ensure that the additional costs of supporting activities financed from extrabudgetary contributions are not borne by assessed funds and/or other core resources of the Secretariat. The programme support cost is eliminated for the purposes of financial statement preparation, as disclosed in note 4, “Segment reporting”. The funding for the programme support cost charge agreed upon with the donor is included as part of voluntary contributions.

Investment revenue

94. 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

95. 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.

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

97. 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.

98. 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.

99. Programme activities, distinct from commercial or other arrangements where the United Nations expects to receive equal value for funds transferred, are implemented by executing entities/implementing partners to service a target population that typically includes Governments, non-governmental organizations and United Nations agencies. Transfers to implementing partners are initially recorded as advances, and balances that are not expensed during the year remain outstanding at the end of the year and are reported in the statement of financial position. These executing entities/implementing partners provide the organization with certified expense reports documenting their use of resources, which are the basis for recording expenses in the statement of financial performance. In instances where the partner has not provided financial reports as expected, programme managers make an informed assessment as to whether an accrual or an

impairment should be recorded against the advance and submit the accounting adjustment. Where a transfer of funds is deemed to be an outright grant, an expense is recognized at the point that the organization has a binding obligation to pay, which is generally upon disbursement. Binding agreements to fund executing entities/implementing partners not paid out by the end of the reporting period are shown as commitments in the notes to the financial statements.

Multi-partner trust funds

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

Note 4 **Segment reporting**

101. 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. The segments for UNEP are established by the grouping of trust funds that finance activities that are of a similar nature or are aimed at achieving particular operating objectives consistent with its overall mission, or are under similar governance structure.

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

(a) **Environment Fund.** The segment comprises the core trust funds of the Environment Fund, namely the programme of work, the programme reserve and programme support;

(b) **Regular budget.** The segment relates to all activities funded by the United Nations regular budget allocations to UNEP;

(c) **Other support to the UNEP programme of work.** The segment comprises all other voluntary contributions trust funds managed by UNEP in support of the programme of work activities, including the Global Environment Fund, the Green Climate Fund, programme cooperation agreements and trust funds for Junior Professional Officers;

(d) **Conventions and protocols.** The segment relates to all assessed and voluntary contribution trust funds for multilateral environment agreements and protocols that are administered by UNEP;

(e) **Multilateral Fund.** The segment relates to the activities for the implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer by the implementing partners of the Multilateral Fund;

(f) **Programme support.** The segment comprises the trust funds for the programme support account and the cost recovery account;

(g) **End-of-service and post-retirement benefits.** The segment comprises the trusts for after-service health insurance, annual leave and repatriation benefits.

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

All funds: statement of financial position for the period ended 31 December 2021, by segment

(Thousands of United States dollars)

	<i>Environment Fund (Annex I)</i>	<i>Regular budget</i>	<i>Other support to UNEP programme of work (Annex II)</i>	<i>Conventions and protocols (Annex III)</i>	<i>Multilateral Fund (Annex IV)</i>	<i>Programme support (Annex V)</i>	<i>End-of-service and post- retirement benefits (Annex VI)</i>	<i>Intersegment eliminations</i>	<i>31 December 2021</i>	<i>31 December 2020^a</i>
Assets										
Current assets										
Cash and cash equivalents	6 043	–	75 288	22 705	51 451	2 560	9 307	–	167 354	143 261
Investments	41 243	–	514 636	155 187	351 728	17 499	63 625	–	1 143 918	878 703
Assessed contributions receivable	–	–	–	12 843	29 017	–	–	–	41 860	22 745
Voluntary contributions receivable ^a	9 218	–	285 358	37 513	–	16	–	–	332 105	378 231
Other receivables	98	–	1 154	317	768	–	–	(840)	1 497	1 472
Advance transfers	859	–	146 840	20 167	83 177	309	–	(19 463)	231 889	251 340
Other assets	4 683	–	11 402	1 179	54	1 017	–	–	18 335	16 344
Total current assets	62 144	–	1 034 678	249 911	516 195	21 401	72 932	(20 303)	1 936 958	1 692 096
Non-current assets										
Investments	7 710	–	96 201	29 009	65 748	3 271	11 893	–	213 832	289 242
Assessed contributions receivable	–	–	–	–	–	–	–	–	–	–
Voluntary contributions receivable	13 734	–	586 676	3 655	–	–	–	–	604 065	596 032
Advance transfers	–	–	–	–	109 089	–	–	(31 935)	77 154	100 889
Property, plant and equipment	979	–	477	228	29	17	–	–	1 730	1 530
Intangible assets	–	–	41	–	–	–	–	–	41	101
Total non-current assets	22 423	–	683 395	32 892	174 866	3 288	11 893	(31 935)	896 822	987 794
Total assets	84 567	–	1 718 073	282 803	691 061	24 689	84 825	(52 238)	2 833 780	2 679 890
Liabilities										
Current liabilities										
Accounts payable and accrued liabilities	1 184	–	22 341	3 193	2 134	449	–	–	29 301	20 967
Funds received in advance and deferred revenue	–	–	26 416	6 953	44 085	–	–	–	77 454	71 605
Employee benefits liabilities	1 379	–	1 815	1 012	92	297	6 796	–	11 391	10 629
Provisions	–	–	–	–	–	–	–	–	–	–

	<i>Environment Fund (Annex I)</i>	<i>Regular budget</i>	<i>Other support to UNEP programme of work (Annex II)</i>	<i>Conventions and protocols (Annex III)</i>	<i>Multilateral Fund (Annex IV)</i>	<i>Programme support (Annex V)</i>	<i>End-of-service and post- retirement benefits (Annex VI)</i>	<i>Intersegment eliminations</i>	<i>31 December 2021</i>	<i>31 December 2020^a</i>
Liabilities for conditional arrangements	–	–	121 968	41 440	–	–	–	–	163 408	180 473
Other liabilities	–	–	840	–	–	–	–	(840)	–	–
Total current liabilities	2 563	–	173 380	52 598	46 311	746	6 796	(840)	281 554	283 674
Non-current liabilities										
Employee benefits liabilities	–	–	–	–	–	–	273 839	–	273 839	268 270
Total non-current liabilities	–	–	–	–	–	–	273 839	–	273 839	268 270
Total liabilities	2 563	–	173 380	52 598	46 311	746	280 635	(840)	555 393	551 944
Total net of total assets and total liabilities	82 004	–	1 544 693	230 205	644 750	23 943	(195 810)	(51 398)	2 278 387	2 127 946
Net assets										
Accumulated surpluses/(deficits): unrestricted ^a	62 004	–	1 544 693	218 348	644 750	18 943	(195 810)	(51 398)	2 241 530	2 091 669
Reserves	20 000	–	–	11 857	–	5 000	–	–	36 857	36 277
Total net assets	82 004	–	1 544 693	230 205	644 750	23 943	(195 810)	(51 398)	2 278 387	2 127 946

^a The current voluntary contributions receivable and accumulated surpluses/(deficits) for 2020 have been restated upward by \$9,707,000, which is the portion of the multi-year contributions from the Environment Fund that had not been included for that year.

All funds: statement of financial performance for the period ended 31 December 2021, by segment

(Thousands of United States dollars)

	<i>Environment Fund (Annex I)</i>	<i>Regular budget</i>	<i>Other support to UNEP programme of work (Annex II)</i>	<i>Conventions and protocols (Annex III)</i>	<i>Multilateral Fund (Annex IV)</i>	<i>Programme support (Annex V)</i>	<i>End-of-service and post- retirement benefits (Annex VI)</i>	<i>Intersegment eliminations</i>	<i>31 December 2021</i>	<i>31 December 2020^a</i>
Segment revenue										
Assessed contributions	–	25 409	–	58 978	154 573	–	–	–	238 960	241 624
Voluntary contributions ^a	88 179	–	200 482	41 374	700	–	–	–	330 735	313 968
Other transfers and allocations	–	–	174 412	118	–	–	–	(17 058)	157 472	215 585
Investment revenue	1 179	–	14 519	3 753	2 462	30	98	(19 728)	2 313	23 905
Other revenue	3	–	580	7	36	32 587	12 274	(24 857)	20 630	10 454
Total revenue	89 361	25 409	389 993	104 230	157 771	32 617	12 372	(61 643)	750 110	805 536
Segment expense										
Employee salaries, allowances and benefits	57 134	21 978	56 300	44 000	3 573	16 187	15 028	(12 274)	201 926	189 798
Non-employee compensation and allowances	4 464	714	42 387	5 182	43	895	–	(50)	53 635	34 653
Grants and other transfers	3 469	1 730	186 081	22 317	83 002	209	–	(16 970)	279 838	253 537
Supplies and consumables	53	6	124	39	–	9	–	–	231	374
Depreciation	58	1	63	42	1	3	–	–	168	192
Amortization	–	–	59	–	–	–	–	–	59	67
Travel	132	68	1 015	316	1	75	–	(88)	1 519	3 729
Other operating expenses	9 266	912	42 717	24 624	(255)	9 919	63	(32 261)	54 985	36 017
Exchange losses from the fixed exchange rate mechanism	–	–	–	–	–	–	–	–	–	(1 974)
Other expenses	1	–	7	(1)	–	5	–	–	12	216
Total segment expenses	74 577	25 409	328 753	96 519	86 365	27 302	15 091	(61 643)	592 373	516 609
Surplus/(deficit) for the year	14 784	–	61 240	7 711	71 406	5 315	(2 719)	–	157 737	288 927

^a The revenue from voluntary contributions for 2020 has been restated upward by \$9,707,000, which is the portion of the multi-year contributions from the Environment Fund that had not been included for that year.

Note 5**Comparison to budget**

104. UNEP prepares its budget on a modified cash basis, whereas expenses are presented on accrual basis in the financial statements. The statement of comparison of budget and actual amounts (statement V) presents the difference between budget amounts and actual expenditure on a comparable basis.

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

106. The original annual budget is the 2021 proportion of the 2020–2021 biennium budget approved by the United Nations Environment Assembly, while the final budget is the revised annual budget approved by the Executive Director. In addition, the original budget is based on the projected contributions, while the final budget is the revised budget based on the fund balances from prior years in addition to expected collections for 2021.

107. Material differences between the final budget appropriation and actual expenditure on a modified cash basis are deemed to be those greater than 10 per cent. Overall, for the current reporting period, the variances are within the 10 per cent, with the explanations of the variances within the sub-programmes attributable to: (a) the cyclical nature of activities that occur in the second year of the biennium as opposed to the first year, with savings or overruns carried over within the same biennium, from 2020 to 2021, while expenses relate to 2021 only; (b) improved implementation of the organization's activities owing to the relaxation of COVID-19 restrictions; and (c) the lifting of the recruitment freeze applied internally in 2020.

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

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

Reconciliation for the year ended 31 December 2021

(Thousands of United States dollars)

<i>Reconciliation</i>	<i>Operating</i>	<i>Investing</i>	<i>Financing</i>	<i>Total 2021</i>
Actual amounts on comparable basis (statement V)	(95 704)	–	–	(95 704)
Basis differences	69 106	(817)		68 289
Entity differences	(492 388)			(492 388)
Timing differences	–	–	–	–
Presentation differences	750 110	(192 118)	(14 096)	543 896
Actual amount in statement of cash flows (statement IV)	231 124	(192 935)	(14 096)	24 093

109. 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.

110. 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.

111. 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.

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

Note 6

Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2021	31 December 2020
Cash at bank and on hand	23	25
Cash pool cash and term deposits	167 331	143 236
Total cash and cash equivalents	167 354	143 261

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

Note 7

Investments

(Thousands of United States dollars)

	31 December 2021	31 December 2020
Current cash pool	1 143 918	878 703
Non-current cash pools	213 832	289 242
Total	1 357 750	1 167 945

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

Note 8

Receivables from non-exchange transactions: assessed contributions

(Thousands of United States dollars)

	Current	Non-current	31 December 2021	31 December 2020
Assessed contributions – Member State	235 605	–	235 605	218 352
Notes receivable	7	–	7	6
Total	235 612	–	235 612	218 358
Allowance for doubtful receivables – Member State	(193 752)	–	(193 752)	(195 613)
Total assessed contributions receivable	41 860	–	41 860	22 745

The governing bodies of the Multilateral Fund are aware of the outstanding receivables. The Executive Committee of the Fund has not conducted face-to-face meetings since December 2019, so all policy matters were deferred. At the 91st meeting of the Executive Committee, in November 2022, UNEP shall propose that the Committee reconsider its policy of not writing off long-outstanding receivables.

Note 9
Receivables from non-exchange transactions: voluntary contributions

(Thousands of United States dollars)

	<i>Current</i>	<i>Non-current</i>	<i>31 December 2021</i>	<i>31 December 2020^a</i>
Member States	63 268	34 805	98 073	118 131
Other governmental organizations	15 236	12 182	27 418	209 713
United Nations organizations	144 280	502 169	646 449	635 466
Private donors	131 175	54 909	186 084	36 268
Total voluntary contributions receivable before allowance	353 959	604 065	958 024	999 578
Allowance for doubtful receivables current	(21 854)	–	(21 854)	(25 315)
Total voluntary contributions receivable	332 105	604 065	936 170	974 263

^a The voluntary contributions receivable for 2020 have been restated upward by \$9,707,000, which is the portion of the multi-year contributions from the Environment Fund that had not been included for that year.

Note 10
Other receivables

(Thousands of United States dollars)

	<i>31 December 2021</i>	<i>31 December 2020</i>
Current other receivables		
Value added tax recoverable	382	386
Other receivables from United Nations agencies, funds and programmes	1 461	933
Other exchange accounts receivable	259	466
Loans receivable	–	34
Subtotal	2 102	1 819
Allowance for doubtful receivables	(605)	(347)
Total other receivables (current)	1 497	1 472

Note 11
Advance transfers

(Thousands of United States dollars)

	<i>31 December 2021</i>	<i>31 December 2020</i>
Advance transfers (current)	231 889	251 340
Advance transfers (non-current)	77 154	100 889
Total advance transfers	309 043	352 229

Note 12
Other assets

(Thousands of United States dollars)

	<i>31 December 2021</i>	<i>31 December 2020</i>
Advances to UNDP and other United Nations agencies ^a	13 684	11 140
Advances to vendor	140	402
Advances to staff	709	2 123
Advances to other personnel	30	19
Deferred charges	3 755	2 649
Other assets; other	17	11
Total other assets	18 335	16 344

^a Includes the UNDP Service Clearing Account and advances to other entities to provide administrative services and operational support.

Note 13
Heritage assets

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

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

Note 14
Property, plant and equipment

117. 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.

118. 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)

	<i>Building</i>	<i>Furniture and fixtures</i>	<i>Communication and IT equipment</i>	<i>Vehicles</i>	<i>Machinery and equipment</i>	<i>Total</i>
Cost as at 1 January 2021	842	464	1 507	1 283	80	4 176
Additions	–	26	149	499	143	817
Disposals	–	(30)	(204)	(60)	(20)	(314)
Transfers	–	–	–	–	–	–
Cost as at 31 December 2021	842	460	1 452	1 722	203	4 679
Accumulated depreciation as at 1 January 2021	(122)	(369)	(1 217)	(926)	(12)	(2 646)
Depreciation	(21)	(33)	(64)	(369)	(130)	(617 ^a)
Disposal	–	30	204	60	20	314
Transfers	–	–	–	–	–	–
Other changes	(1)	(11)	30	16	(34)	–
Accumulated depreciation as at 31 December 2021	(144)	(383)	(1 047)	(1 219)	(156)	(2 949)
Net carrying amount as at 31 December 2020	720	95	290	357	68	1 530
Net carrying amount as at 31 December 2021	698	77	405	503	47	1 730

^a The total depreciation amount of \$617 consists of the 2021 depreciation amount of \$168 and the post-capitalization depreciation of \$449.

Note 15
Intangible assets

119. 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)

	<i>Software acquired externally</i>	<i>Licences and rights</i>	<i>Umoja</i>	<i>Other</i>	<i>Total</i>
Cost as at 1 January 2021	349	23	–	–	372
Additions	–	–	–	–	–
Other changes	–	–	–	–	–
Cost as at 31 December 2021	349	23	–	–	372
Accumulated amortization as at 1 January 2021	(260)	(11)	–	–	(271)
Amortization	(54)	(5)	–	–	(59)
Other changes	–	(1)	–	–	(1)
Accumulated amortization as at 31 December 2021	(314)	(17)	–	–	(331)
Net carrying amount 31 December 2020	89	12	–	–	101
Net carrying amount 31 December 2021	35	6	–	–	41

Note 16
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	<i>31 December 2021</i>	<i>31 December 2020</i>
Vendor payables (accounts payable)	2 083	869
Transfers payable	2 790	826
Payables to Member States	1 523	922
Payables to other United Nations entities	5 928	1 704
Accruals for goods and services	6 968	14 122
Accounts payable – other	10 009	2 524
Total accounts payable and accrued liabilities	29 301	20 967

Note 17
Funds received in advance and deferred revenue

(Thousands of United States dollars)

	<i>31 December 2021</i>	<i>31 December 2020</i>
Current advance receipts		
Funds received in advance and deferred revenue	77 454	71 605
Total funds received in advance and deferred revenue	77 454	71 605

Note 18
Employee benefits liabilities

(Thousands of United States dollars)

	<i>Current</i>	<i>Non-current</i>	<i>31 December 2021</i>	<i>31 December 2020</i>
After-service health insurance	1 778	232 250	234 028	228 438
Annual leave	2 199	17 931	20 130	16 158
Repatriation benefits	2 819	23 658	26 477	28 464
Subtotal defined-benefit liabilities	6 796	273 839	280 635	273 060
Accrued salaries and allowances	4 580	–	4 580	5 818
Pension contributions liabilities	15	–	15	21
Total employee benefits liabilities	11 391	273 839	285 230	278 899

120. The liabilities arising from end-of-service/post-employment benefits and the workers' compensation programme under appendix D to the Staff Rules are determined by independent actuaries and are established in accordance with the Staff Rules and Staff Regulations of the United Nations. Actuarial valuation is usually undertaken every two years. The most recent full actuarial valuation was conducted as at 31 December 2021.

Actuarial valuation: assumptions

121. 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 2021 and 31 December 2020 are as follows.

Actuarial assumptions

(Percentage)

<i>Assumptions</i>	<i>After-service health insurance</i>	<i>Repatriation benefits</i>	<i>Annual leave</i>
Discount rates as at 31 December 2021	2.12	2.60	2.71
Discount rates as at 31 December 2020	1.90	2.11	2.20
Inflation as at 31 December 2021	2.25–5.17	2.50	–
Inflation as at 31 December 2020	2.75–5.31	2.20	–

122. The yield curves used in the calculation of the discount rates in respect of the United States dollar, the euro and the Swiss franc are those developed by Aon Hewitt, consistent with the recommendation of the United Nations Task Force on Accounting Standards to harmonize actuarial assumptions across the United Nations system (A/71/815, para. 26), which was endorsed by the General Assembly in section IV of its resolution 71/272 B. The valuation of the other financial and demographic assumptions for 31 December 2021 is still being performed. The salary increase assumptions for the Professional staff category were 9.27 per cent for staff aged 19, grading down to 3.97 per cent for staff aged 65. The salaries of the General Service staff category were assumed to increase by 6.84 per cent for staff aged 19, grading down to 3.97 per cent for staff aged 65.

123. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption is revised to reflect the current short-term expectations of the after-service health insurance plan cost increases and the economic environment. Medical cost trend assumptions used for the valuation as at 31 December 2021 were updated to include escalation rates for future years. As at 31 December 2021, these escalation rates were at 3.75 per cent (2020: 3.73 per cent), 3.44 per cent (2020: 3.64 per cent) and 5.17 per cent (2020: 5.31 per cent) for eurozone, Swiss and all other medical plans respectively, except 5.03 per cent (2020: 5.15 per cent) for the United States Medicare plan and 4.53 per cent (2020: 4.59 per cent) for the United States dental plan, grading down to 3.75 per cent (2020: 3.25 per cent) and 2.25 per cent (2020: 2.75 per cent) over 3 to 8 years for eurozone and Swiss health-care costs and to 3.95 per cent (2020: 3.65 per cent) over 10 years for United States health-care costs.

124. With regard to the valuation of repatriation benefits as at 31 December 2021, inflation in travel costs was assumed to be 2.50 per cent (2020: 2.20 per cent), on the basis of the projected United States inflation rate over the next 20 years.

125. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: 0–3 years, 10.9 per cent; 4–8 years, 1.0 per cent; and more than 9 years, 0.5 per cent, up to the maximum of 60 days. The attribution method is used for annual leave actuarial valuation.

126. For defined-benefit plans, assumptions regarding future mortality are based on published statistics and mortality tables. Salary increases, retirement, withdrawal and mortality assumptions are consistent with those used by the United Nations Joint Staff Pension Fund in making its actuarial valuation.

Note 19

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

Reconciliation of opening to closing total defined-benefits liability

(Thousands of United States dollars)

	<i>After-service health insurance</i>	<i>Repatriation benefits</i>	<i>Annual leave</i>	<i>Total 2021</i>
Net benefit liability at 1 January 2021	228 438	28 464	16 158	273 060
Current service cost	10 372	2 157	1 513	14 042
Interest cost	4 328	578	342	5 248
Actual benefits paid	(1 522)	(2 224)	(1 169)	(4 915)
Total costs recognized in the statement of financial performance in 2021	13 178	511	686	14 375
Subtotal	241 616	28 975	16 844	287 435
Actuarial (gains)/loss ^a	(7 588)	(2 498)	3 286	(6 800)
Net defined liability as at 31 December 2021	234 028	26 477	20 130	280 635

^a The cumulative amount of actuarial gains and losses recognized in the statement of changes in net assets is \$6.8 million.

Discount rate sensitivity analysis

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

Discount rate sensitivity analysis: year-end employee benefits liabilities

(Thousands of United States dollars)

<i>31 December 2021</i>	<i>After-service health insurance</i>	<i>Repatriation benefits</i>	<i>Annual leave</i>
Increase of discount rate by 0.5 per cent	(27 860)	(898)	(760)
As percentage of end-of-year liability	(12%)	(3%)	(4%)
Decrease of discount rate by 0.5 per cent	33 027	960	819
As percentage of end-of-year liability	14%	4%	4%

Medical cost sensitivity analysis

128. The principal assumption in the valuation of the after-service health insurance is the rate at which medical costs are expected to increase in the future. The sensitivity analysis looks at the change in liability resulting from changes in the medical cost rates while holding other assumptions, such as the discount rate, constant. Should the medical cost trend assumption vary by 0.5 per cent, this would have an impact on the measurement of the defined-benefit obligations, as shown below.

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

(Thousands of United States dollars)

2021	Increase		Decrease	
Effect on the defined-benefit obligation	13.52%	31 642	(11.57%)	(27 071)
Effect on aggregate of the current service cost and interest cost	18.05%	2 653	(15.07%)	(2 215)

(Thousands of United States dollars)

2020	Increase		Decrease	
Effect on the defined-benefit obligation	12.16%	27 785	(10.39%)	(23 735)
Effect on aggregate of the current service cost and interest cost	16.62%	2 286	(13.58%)	(1 908)

Other defined-benefit plan information

129. Benefits paid for 2021 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)

	<i>After-service health insurance</i>	<i>Repatriation benefits</i>	<i>Annual leave</i>	<i>Total</i>
Estimated 2021 defined benefit payments net of participants' contributions	1 816	2 894	2 258	6 968
Estimated 2020 defined benefit payments net of participants' contributions	1 522	2 224	1 169	4 915

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

(Thousands of United States dollars)

	2020	2019	2018	2017	2016
Present value of the defined benefits obligations	273 060	246 922	190 864	203 218	140 633

*Other Employee Benefit Liabilities**Accrued salaries and allowance*

130. Accrued salaries and allowances comprise \$3.3 million relating to home leave benefits and \$0.8 million for accrued salaries payable. The remaining balance of \$0.5 million relates to other benefits.

United Nations Joint Staff Pension Fund

131. 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 Fund is a funded,

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

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

133. 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 Fund will be sufficient to meet its liabilities.

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

135. The latest actuarial valuation for the Fund was completed as at 31 December 2019. A roll-forward of the participation data as at 31 December 2019 to 31 December 2020 will be used by the Fund for its 2021 financial statements. The actuarial valuation as at 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.4 per cent. The funded ratio was 107.1 per cent when the current system of pension adjustments was taken into account.

136. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2019, for deficiency payments under article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of the present report, the General Assembly has not invoked the provision of article 26. Should article 26 be invoked owing to an actuarial deficiency, either during the ongoing operation or because of the termination of the Fund, deficiency payments required from each member organization would be based on the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2018, 2019 and 2020) amounted to \$7,993.15 million.

137. During 2021, the organization's contributions paid to the Pension Fund were fully settled.

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

139. The Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the General Assembly on the audit every year. The Fund publishes quarterly reports on its investments. The reports are available at www.unjspf.org.

Note 20 **Provisions**

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

Note 21 **Liabilities for conditional arrangements**

(Thousands of United States dollars)

	<i>31 December 2021</i>	<i>31 December 2020</i>
Liabilities for conditional arrangements	163 408	180 473
Total other liabilities	163 408	180 473

Note 22 **Net assets**

Accumulated surpluses/deficits

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

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

Net assets balances and movements^a

(Thousands of United States dollars)

	1 January 2021 ^b	Surplus/ (deficit)	UNEP internal elimination	Inter-segment transfers	Other movements	31 December 2021
Unrestricted fund balance						
Environment Fund ^b	47 220	14 784	–	–	–	62 004
Other support to UNEP programme of work	1 446 142	61 240	(14 104)	–	17	1 493 295
Conventions and protocols	210 727	7 711	–	–	(90)	218 348
Multilateral Fund	573 342	71 406	–	–	2	644 750
Programme support	14 128	5 315	–	–	(500)	18 943
End-of-service liabilities	(199 890)	(2 719)	–	–	6 799	(195 810)
Subtotal unrestricted fund balance	2 091 669	157 737	(14 104)	–	6 228	2 241 530
Reserves						
Environment Fund ^b	20 000	–	–	–	–	20 000
Other support to UNEP programme of work	–	–	–	–	–	–
Conventions and protocols	11 777	–	–	–	80	11 857
Multilateral Fund	–	–	–	–	–	–
Programme support	4 500	–	–	–	500	5 000
Subtotal reserves	36 277	–	–	–	580	36 857
Total net assets						
Environment Fund	67 220	14 784	–	–	–	82 004
Other support to UNEP programme of work	1 446 142	61 240	(14 104)	–	17	1 493 295
Conventions and protocols	222 504	7 711	–	–	(10)	230 205
Multilateral Fund	573 342	71 406	–	–	2	644 750
Programme support	18 628	5 315	–	–	–	23 943
End-of-service liabilities	(199 890)	(2 719)	–	–	6 799	(195 810)
Total net assets	2 127 946	157 737	(14 104)	–	6 808	2 278 387

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

^b The opening net asset balance for 2021 under the Environment Fund segment has been restated upward by \$9,707,000, which is the portion of the multi-year contributions from the Environment Fund that had not been included.

Detailed movements by fund are included in annexes I to VI.

Note 23

Revenue from non-exchange transactions

Assessed contributions

143. Assessed contributions of \$238.9 million (2020: \$241.6 million) have been recorded in accordance with the Financial Regulations and Rules of the United Nations, the relevant resolutions of the various conferences/meeting of parties and the policies of the United Nations, on the basis of the agreed budget scale of assessment. An amount of \$25.4 million (2020: \$25.5 million) of this is an allocation from the United Nations Secretariat.

144. Each year, 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)

	2021	2020
Assessed contributions		
Assessed contributions by Member State Governments	213 551	217 391
Bilateral transfers from the Multilateral Fund	–	(1 237)
Allocations from regular budget	25 409	25 470
Amount reported in statement II, “Assessed contributions”	238 960	241 624

Voluntary contributions

145. All voluntary contributions under binding agreements signed during 2021 are recognized as revenue in 2021, including the future portion of multi-year agreements.

Voluntary contributions

(Thousands of United States dollars)

	2021	2020 ^a
Voluntary contributions		
Voluntary contributions: in cash	339 425	316 875
Voluntary contributions: in kind	1 369	950
Total voluntary contributions received	340 794	317 825
Refunds	(10 059)	(3 857)
Net voluntary contributions received	330 735	313 968

^a The revenue from voluntary contributions for 2020 has been restated upward by \$9,707,000, which is the portion of the multi-year contributions from the Environment Fund that had not been included for that year.

146. For the recognized contribution revenue, a breakdown of the amount intended to be contributed by donors per year is shown below.

(Thousands of United States dollars)

	<i>Voluntary contributions</i>
2021	214 516
2022	48 980
2023	25 145
2024	19 309
2025	19 604
Beyond 2025	3 181
Total voluntary contributions	330 735

Other transfers and allocations

147. Revenue from non-exchange transactions includes other transfers and allocations, mainly received from United Nations entities. This income mainly corresponds to transfers from the Global Environment Facility trust funds.

	2021	2020
Other transfers and allocations		
Allocations received from United Nations internal funds	157 472	215 585
	157 472	215 585

Services in kind

148. 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)

	2021	2020
Technical assistance/expert services	1 905	2 289
Administrative support	20	1 701
Training participation	–	–
Total	1 925	3 990

Note 24

Other revenue

(Thousands of United States dollars)

	2021	2020
Other/miscellaneous revenue	824	94
Foreign exchange gains and revenue-producing activities	19 806	10 360
Total other exchange revenue	20 630	10 454

Note 25

Expenses

Employee salaries, allowances and benefits

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

Employee salaries, allowances and benefits

(Thousands of United States dollars)

	2021	2020
Salary and wages	151 996	143 891
Pension and insurance benefits	46 070	44 502
Other benefits	3 860	1 405
Total employee salaries, allowances and benefits	201 926	189 798

Non-employee compensation and allowances

150. 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)

	2021	2020
United Nations Volunteers	4 882	3 049
Consultants and contractors	48 716	31 570
Other	37	34
Total non-employee compensation and allowances	53 635	34 653

Grants and other transfers

151. Grants and other transfers include outright grants to implementing agencies, partners and other entities; see note 31 for more details.

Grants and other transfers

(Thousands of United States dollars)

	2021	2020 ^a
Grants to end beneficiaries.	2 753	2 644
Transfers to implementing partners	277 085	250 893
Total grants and other transfers	279 838	253 537

^a Grants and other transfers for 2020 have been restated for alignment with the 2021 presentation. Grants to end beneficiaries include both direct and indirect costs, and direct expenses of implementing partners have been consolidated with the general operating and other direct costs.

Supplies and consumables

152. Supplies and consumables include consumables, fuel and lubricants and spare parts, as set out in the table below.

Supplies and consumables

(Thousands of United States dollars)

	2021	2020
Fuel and lubricants	15	5
Spare parts	65	111
Consumables	151	258
Total supplies and consumables	231	374

Travel

153. Travel includes staff and representative travel as shown below.

Travel expenses

(Thousands of United States dollars)

	2021	2020
Staff travel	1 221	2 169
Non-staff travel	298	1 560
Total travel	1 519	3 729

Other operating expenses

154. 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)

	2021	2020
Air transport	31	7
Ground transport	75	213
Communication and IT	7 579	8 724
Other contracted services	18 206	13 281
Acquisitions of goods	1 090	1 483
Acquisitions of intangible assets	458	199
Contributions in kind	1 292	950
Rent: offices and premises	9 175	7 991
Rental: equipment	42	945
Maintenance and repair	2 013	2 161
Bad debt expense	(5 030)	(6 950)
Net foreign exchange losses/gains	19 559	6 736
Other/miscellaneous operating expenses	495	277
Total other operating expenses	54 985	36 017

Exchange losses from the fixed-rate mechanism

155. The Multilateral Fund operates a fixed exchange-rate mechanism (initially approved for implementation by the Meeting of the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer in its decision XI/6 of 17 December 1999 and extended for the 2018–2020 period in its decision XXIX/2 of 20 November 2017) which, subject to fulfilling certain criteria, allows parties to opt in advance to pay their contributions for the forthcoming triennium, in their own currencies, at a predetermined exchange rate to the United States dollar fixed prior to the triennium. The exchange gain of \$0 million (2020 \$1.97 million) resulted from the difference between the actual United States dollar equivalent of the respective contributions received as compared to the United States 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)

	2021	2020
Exchange (gain)/loss from the fixed exchange rate mechanism	–	(1 974)

Other expenses

156. Other expenses relate largely to hospitality and official functions, and donation/transfer of assets.

(Thousands of United States dollars)

	2021	2020
Other/miscellaneous expenses	12	216
Total other expenses	12	216

Note 26**Financial instruments and financial risk management***Financial instruments*

(Thousands of United States dollars)

	2021	2020 ^a
Financial assets		
Fair value through the surplus or deficit		
Short-term investments: main pool	1 143 918	878 703
Total short-term investments	1 143 918	878 703
Long-term investments: main pool	213 832	289 242
Total long-term investments	213 832	289 242
Total fair value through surplus or deficit	1 357 750	1 167 945
Cash, loans and receivables		
Cash and cash equivalents: main pool	167 331	143 236

	2021	2020 ^a
Cash and cash equivalents – other	23	25
Cash and cash equivalents	167 354	143 261
Assessed contributions receivable	41 860	22 745
Voluntary contributions receivable	936 170	974 263
Other receivables	1 497	1 472
Other assets (excluding advances)	–	–
Total cash, loans and receivables	1 146 881	1 141 741
Total carrying amount of financial assets	2 504 631	2 309 686
Of which relates to financial assets held in main pool ^b	1 525 081	1 311 181
Other investment revenue	2 313	23 905
Financial liabilities at amortized cost		
Accounts payable and accrued payables (excluding deferred payables)	29 301	20 967
Total carrying amount of financial liabilities	29 301	20 967
Summary of net income from financial assets		
Other investment revenue	1 924	3 688
Investment revenue	389	13 798
Foreign exchange gains/(losses)	–	6 419
Total net income from financial assets	2 313	23 905

^a Voluntary contributions receivable for 2020 have been restated upward by \$9,707,000, which is the portion of the multi-year contributions from the Environment Fund that had not been included for that year.

^b Financial assets held in the main pool for 2020 have been restated to eliminate petty cash and cash imprest balances, as they are not part of the cash pool resources in line with the current presentation.

Financial risk management: overview

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

- (a) Credit risk;
- (b) Liquidity risk;
- (c) Market risk.

158. The present note and note 27, “Financial instruments: cash pool”, present information on the organization’s exposure to the above-mentioned risks, the objectives, policies and processes for measuring and managing risk and the management of capital.

Risk management framework

159. The organization’s risk management practices are in accordance with its Financial Regulations and Rules and Investment Management Guidelines (Guidelines). The organization defines the capital that it manages as the aggregate of its net assets, which comprises accumulated fund balances and reserves. Its objectives are to safeguard its ability to continue as a going concern, to fund its asset base and to accomplish its objectives. The organization manages its capital in the light of global

economic conditions, the risk characteristics of the underlying assets and its current and future working capital requirements.

Credit risk

160. 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

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

Contributions receivable and other receivables

162. 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

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

Movement in allowance for doubtful receivables

(Thousands of United States dollars)

	<i>31 December 2021</i>	<i>31 December 2020</i>
Opening allowance for doubtful receivables	221 274	228 322
Doubtful receivables adjustment for current year	(5 063)	(7 048)
Closing allowance for doubtful receivables	216 211	221 274

164. The ageing of contributions receivables and associated allowance is as shown below.

Ageing of assessed contributions receivable

(Thousands of United States dollars)

	<i>Gross receivable</i>	<i>Allowance</i>
Neither past due nor impaired	4 714	–
Less than one year	32 118	1 771
One to two years	6 612	1 652
Two to three years	4 600	2 761
More than three years	187 568	187 568
Total	235 612	193 752

Assessed contributions outstanding for more than three years include an amount of \$174.9 million in unpaid contributions under the Multilateral Fund. The Fund's governing bodies are aware of the outstanding receivables. The Executive Committee of the fund has not conducted face to face meetings since December 2019, so all policy matters were deferred. At the 91st meeting of the Executive Committee, in November 2022, UNEP shall propose that the Committee reconsider its policy of not writing off long-outstanding receivables.

Ageing of voluntary contributions receivable

(Thousands of United States dollars)

	<i>Gross receivable</i>	<i>Allowance</i>
Neither past due nor impaired	878 441	–
Less than one year	42 642	–
One to two years	16 580	4 143
Two to three years	6 625	3 975
More than three years	13 736	13 736
Total	958 024	21 854

Ageing of other receivables

(Thousands of United States dollars)

	<i>Gross receivable</i>	<i>Allowance</i>
Less than one year	1 157	–
One to two years	102	25
Two to three years	655	392
More than three years	188	188
Total	2 102	605

Cash and cash equivalents

165. The organization had cash and cash equivalents of \$167.4 million as at 31 December 2021 (2020: \$143.3 million), which is the maximum credit exposure on these assets. Cash and cash equivalents are held with bank and financial institution counterparties rated at “A-” and above, based on the Fitch viability rating.

Liquidity risk

166. 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.

167. 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.

168. 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

169. 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 2021

(Thousands of United States dollars)

	<i><3 months</i>	<i>3 to 12 months</i>	<i>>1 year</i>	<i>Total</i>
Maturities for financial liabilities: as at 31 December 2021, undiscounted accounts payable and accrued payables	29 298	3	–	29 301

Market risk

170. 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

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

Currency risk

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

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

Currency exposure of the cash pools as at 31 December 2021

(Thousands of United States dollars)

	<i>United States dollars</i>	<i>Euros</i>	<i>Swiss francs</i>	<i>Others</i>	<i>Total</i>
Main cash pool	1 510 810	7 460	2 001	4 810	1 525 081

Sensitivity analysis

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

Effect on net assets, surplus or deficit

(Thousands of United States dollars)

	<i>As at 31 December 2021</i>		<i>As at 31 December 2020</i>	
	<i>Effect on net asset surplus or deficit</i>		<i>Effect on net asset surplus or deficit</i>	
	<i>Strengthening</i>	<i>Weakening</i>	<i>Strengthening</i>	<i>Weakening</i>
Euro (10 per cent movement)	746	(746)	825	(825)
Swiss franc (10 per cent movement)	200	(200)	232	(232)

Other market price risk

175. 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

176. 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

177. 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).

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

Fair value hierarchy

(Thousands of United States dollars)

Main pool

	31 December 2021			31 December 2020 ^a		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets at fair value through surplus or deficit						
Bonds – corporates	3 881	–	3 881	1 896	–	1 896
Bonds – non-United States agencies	206 416	–	206 416	168 794	–	168 794
Bonds – supranational	105 127	–	105 127	104 494	–	104 494
Bonds – United States treasuries	25 539	–	25 539	61 967	–	61 967
Bonds – non-United States sovereigns	11 665	–	11 665	11 212	–	11 212
Main pool – commercial papers	–	392 528	392 528	–	254 422	254 422
Main pool – certificate of deposit	–	365 475	365 475	–	340 705	340 705
Main pool – term deposits	–	247 119	247 119	–	224 455	224 455
Total	352 628	1 005 122	1 357 750	348 363	819 582	1 167 945
Euro pool						
Bonds – corporate	125	–	125	147	–	147
Bonds – non-United States sovereigns	59	–	59	70	–	70
Subtotal, euro pool	184	–	184	217	–	217
Total	352 812	1 005 122	1 357 934	348 580	819 582	1 168 162

^a Comparatives have been restated to conform to the current presentation.

179. 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.

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

Note 27

Financial instruments: cash pool

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

182. 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.

183. As at 31 December 2021, the cash pool held total assets of \$11,799.7 million (2020: 10,652.4 million), of which \$1,525.1 million was due to the organization (2020: \$1,311.2 million), and its share of revenue from cash pools was \$0.454 million (2020: \$19.0 million).

Summary of assets and liabilities of the main pool as at 31 December 2021

(Thousands of United States dollars)

	<i>Main pool</i>
Fair value through the surplus or deficit	
Short-term investments	8 839 722
Long-term investments	1 654 439
Total fair value through the surplus or deficit investments	10 494 161
Loans and receivables	
Cash and cash equivalents	1 294 660
Accrued investment revenue	10 903
Total loans and receivables	1 305 563
Total carrying amount of financial assets	11 799 724
Cash pool liabilities	
Payable to UNEP (12.9%)	1 525 081
Payable to other cash pool participants	10 274 643
Total liabilities	11 799 724
Net assets	–

**Summary of revenue and expenses of the main pool for the year ended
31 December 2021**

(Thousands of United States dollars)

	<i>Main pool</i>
Investment revenue	46 322
Unrealized gains/(losses)	(37 495)
Investment revenue from main pool	8 827
Foreign exchange gains/(losses)	(1 626)
Bank fees	(1 805)
Operating expenses from main pool	(3 431)
Revenue and expenses from main pool	5 396

Summary of assets and liabilities of the main pool as at 31 December 2020

(Thousands of United States dollars)

	<i>Main pool</i>
Fair value through the surplus or deficit	
Short-term investments	7 120 427
Long-term investments	2 349 880
Total fair value through the surplus or deficit investments	9 470 307
Loans and receivables	
Cash and cash equivalents	1 163 684
Accrued investment revenue	18 398
Total loans and receivables	1 182 082
Total carrying amount of financial assets	10 652 389
Cash pool liabilities	
Payable to UNEP (12.31%)	1 311 206
Payable to other cash pool participants	9 341 183
Total liabilities	10 652 389
Net assets	–

**Summary of revenue and expenses of the main pool for the year ended
31 December 2020**

(Thousands of United States dollars)

	<i>Main pool</i>
Investment revenue	113 031
Unrealized gains/(losses)	54 145
Investment revenue from main pool	167 176
Foreign exchange gains/(losses)	5 837
Bank fees	(578)
Operating expenses from main pool	5 259
Revenue and expenses from main pool	172 435

Financial risk management

184. The United Nations Treasury is responsible for investment and risk management for the cash pools, including conducting investment activities in accordance with the Guidelines.

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

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

Financial risk management: credit risk

187. The Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible cash pool investments may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The cash pools do not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.

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

189. The credit ratings used for the cash pools are those determined by major credit-rating agencies; Standard and Poor's and Moody's and Fitch are used to rate bonds, certificates of deposit 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 rating as at 31 December

(Percentage)

<i>Main pool</i>	<i>Ratings as at 31 December 2021</i>				<i>Ratings as at 31 December 2020</i>			
Bonds (long-term ratings)					Bonds (long-term ratings)			
	<i>AAA/AA<u>u</u></i>	<i>AA+<u>u</u>/AA+/AA</i>	<i>A+</i>	<i>NA</i>		<i>AAA</i>	<i>AA+/AA/AA-</i>	<i>A+ Not rated/WD</i>
S&P	47.8%	48.1%	0.4%	3.7%	S&P	44.0%	53.2%	2.8%
	<i>AAA</i>	<i>AA+/AA/AA-</i>		<i>NA/NR</i>	Fitch	61.4%	15.5%	23.1%
Fitch	61.3%	15.7%		23.0%		<i>Aaa</i>	<i>Aa1/Aa2/Aa3</i>	<i>A1</i>
	<i>Aaa</i>	<i>Aa1/Aa2/Aa3</i>	<i>A1</i>	<i>NA</i>	Moody's	61.1%	34.9%	0.4% 3.6%
Moody's	61.1%	34.9%	0.4%	3.6%				
Commercial papers/certificates of deposit (short-term ratings)					Commercial papers/certificates of deposit (short-term ratings)			
	<i>A-1+/A-1</i>					<i>A-1+/A-1</i>		
S&P	100.0%				S&P	100.0%		
	<i>F1+/F1</i>			<i>NR</i>		<i>F1+/F1</i>		<i>NR</i>
Fitch	96.7%			3.3%	Fitch	98.0%		2.0%
	<i>P-1/P2</i>					<i>P-1</i>		
Moody's	100.0%				Moody's	100.0%		
Reverse repurchase agreement (short-term ratings)					Reverse repurchase agreement (short-term ratings)			
	<i>A-1+<u>u</u></i>					<i>A-1+</i>		
S&P	100.0				S&P	–		
	<i>F1+</i>					<i>F1+</i>		
Fitch	100.0				Fitch	–		
	<i>WR</i>					<i>P-1</i>		
Moody's	100.0				Moody's	–		
Term deposits/demand deposit account (Fitch viability ratings)					Term deposits/demand deposit account (Fitch viability ratings)			
	<i>aa-</i>	<i>a+/a/a-</i>		<i>NA</i>		<i>aaa</i>	<i>aa/aa-</i>	<i>a+/a</i>
Fitch	34.1%	65.9%			Fitch	–	27.5%	72.5%

Abbreviations: NA, not applicable; NR, not rated; WD, withdrawn; WR, withdrawn.

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

Financial risk management: liquidity risk

191. The cash pools are exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. They maintain sufficient cash and marketable securities to meet participants' commitments as and when they fall due. The major portion of cash and cash equivalents and investments are available within a day's notice to support operational requirements. The cash pool liquidity risk is therefore considered to be low.

Financial risk management: interest rate risk

192. The cash pools comprise the organization's main exposure to interest rate risk with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the cash pools had invested primarily

in securities with shorter terms to maturity, with the maximum being less than three years (2020: four years). The average duration of the main pool on 31 December 2021 was 0.49 years (2020: 0.72 years), which is considered to be an indicator of low risk.

Cash pool interest rate risk sensitivity analysis

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

Main pool interest rate risk sensitivity analysis as at 31 December 2021

<i>Shift in yield curve (basis points)</i>	-200	-150	-100	-50	0	+50	+100	+150	+200
Increase/(decrease) in fair value (Millions of United States dollars):									
Main pool total	113.63	85.22	56.81	28.40	0	(28.40)	(56.80)	(85.19)	(113.58)

Main pool interest rate risk sensitivity analysis as at 31 December 2020

<i>Shift in yield curve (basis points)</i>	-200	-150	-100	-50	0	+50	+100	+150	+200
Increase/(decrease) in fair value (Millions of United States dollars):									
Main pool total	148.41	111.30	74.20	37.10	0	(37.10)	(74.18)	(111.26)	(148.34)

Other market price risk

194. The cash pools are not exposed to significant other price risks because they do not sell short, borrow securities or purchase securities on margin, which limits the potential loss of capital.

Accounting classifications and fair value hierarchy

195. 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.

196. 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 (that is, derived from prices).

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

197. 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 valuation of securities sourced from third-parties. A market is regarded as active if quoted prices are readily and regularly available from an

exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held in the cash pools is the current bid price.

198. 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.

199. The following fair value hierarchy presents the cash pool assets that are measured at fair value at the reporting date. There were no level 3 financial assets, no liabilities carried at fair value and no significant transfers of financial assets between fair value hierarchy classifications.

Fair value hierarchy for investments as at 31 December 2021: main pool

(Thousands of United States dollars)

	31 December 2021			31 December 2020		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets at fair value through surplus or deficit						
Bonds – corporate	29 997	–	29 997	15 379	–	15 379
Bonds – non-United States agencies	1 595 405	–	1 595 405	1 368 666	–	1 368 666
Bonds – supranational	812 539	–	812 539	847 288	–	847 288
Bonds – United States treasuries	197 390	–	197 390	502 462	–	502 462
Bonds – non-United States sovereigns	90 163	–	90 163	90 910	–	90 910
Main pool – commercial papers	–	3 033 880	3 033 880	–	2 062 987	2 062 987
Main pool – certificates of deposit	–	2 824 787	2 824 787	–	2 762 615	2 762 615
Main pool – term deposits	–	1 910 000	1 910 000	–	1 820 000	1 820 000
Total	2 725 494	7 768 667	10 494 161	2 824 705	6 645 602	9 470 307
Euro pool						
Bonds – corporate	963	–	963	1 194	–	1 194
Bonds – non-United States sovereigns	458	–	458	570	–	570
Subtotal, euro pool	1 421	–	1 421	1 764	–	1 764
Total	2 726 915	7 768 667	10 495 582	2 826 469	6 645 602	9 472 071

Note 28

Related parties

Key management personnel

200. Key management personnel are those with the ability to exercise significant influence over the financial and operating decisions of the organization. For UNEP, the key management personnel group is deemed to comprise the Executive Director of UNEP, the Deputy Executive Director of UNEP, the Head of the New York office of UNEP, divisional directors, regional directors, the Head of Multilateral Environmental Agreements and Regional Seas and Conventions and the Executive Secretary of the Secretariat for the Convention on Biological Diversity.

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

202. The organization's key management personnel were paid \$10.39 million over the financial year; such payments are in accordance with the Staff Regulations and Staff Rules of the United Nations, the published salary scales of the United Nations and other publicly available documents.

Compensation of key management personnel

(Thousands of United States dollars)

	<i>Key management personnel</i>	<i>Close family members</i>	<i>Total</i>
Number of positions (full-time equivalents)	41	–	41
<i>Aggregate remuneration:</i>			
Salary and post adjustment	8 247	–	8 247
Other compensation/entitlements	2 147	–	2 147
Total remuneration for the year ended 31 December 2021	10 394	–	10 394

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

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

Related entity transactions

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

Note 29

Leases and commitments

Finance leases

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

Operating leases

207. 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 \$7.2 million. Future minimum lease payments under non-cancellable arrangements are shown below.

Future minimum operating lease obligations

(Thousands of United States dollars)

	<i>Minimum lease payment as at 31 December 2021</i>	<i>Minimum lease payment as at 31 December 2020</i>
Due in less than 1 year	8 207	8 825
Due in 1 to 5 years	18 065	12 490
Due later than 5 years	12 528	7 510
Total minimum operating lease obligations	38 800	28 825

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

Contractual commitments

209. 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)

	<i>31 December 2021</i>	<i>31 December 2020</i>
Goods and services	43 429	40 170
Implementing partners	769 618	761 487
Multilateral Fund external implementing partners	176 291	193 106
Total contractual commitments	989 338	994 763

Note 30**Contingent liabilities and contingent assets***Contingent liabilities*

210. The organization is subject to a variety of claims that arise from time to time in the ordinary course of its operations.

211. These claims are segregated into two main categories: commercial and administrative law claims. As at the reporting date, judgment on a case filed by a staff member for harm caused by an unlawful decision and for the violation of rights had been delivered on 27 October 2021 in favour of the complainant, and the organization had been requested to pay compensation of \$5,000. However, the decision was appealed at the United Nations Appeals Tribunal in January 2022, and the determination is still pending.

Contingent assets

212. 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 2021, there were no material contingent assets arising from the organization's legal actions or interests in joint ventures that were likely to result in a significant economic inflow.

Note 31
Grants and other transfers

213. 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)

	2021 ^b	2020 ^a
Grants to end beneficiaries	2 753	2 644
Grants to implementing partners:		
Staff and other personnel costs	68 613	48 088
Supplies, commodities, materials	2 100	2 099
Equipment, vehicles and furniture	7 214	6 261
Contractual services	24 375	23 681
Travel	8 903	12 446
Transfers and grants to counterparts	73 607	75 976
General operating and other direct costs	24 656	10 354
Indirect support costs (implementing partner)	1 585	2 432
Subtotal grants to implementing partners	211 053	181 337
Multilateral Fund expenditure	83 002	92 712
Less: eliminated expenses	(16 970)	(23 156)
Net Multilateral Fund expenditure	66 032	69 556
Total grants and other transfers	279 838	253 537

^a Grants and other transfers for 2020 have been restated for alignment with the 2021 presentation. Grants to end beneficiaries include both direct and indirect costs, and direct expenses of implementing partners have been consolidated with the general operating and other direct costs.

^b As at the time of the financial statements, 25 per cent of active implementing partners had not confirmed their 2021 deliverables. UNEP recognized the 2021 expenses on the basis of the reports received from the implementing partners and confirmed their 2021 deliverables. The pending expenses from the implementing partners will be recorded against the commitments. The balances of the contractual commitments to the implementing partners are reported in paragraph 208.

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

(Thousands of United States dollars)

	Total 2021	Total 2020
United Nations Environment Fund	18 592	18 269
United Nations Industrial Development organization	30 329	25 560
World Bank	5 245	16 750
United Nations Development Programme	28 836	32 133
Total	83 002	92 712

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

216. 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 2022, calculated on the basis of the average levels of expenses reported in prior years, are classified as current assets in the statement of financial position and the balances are classified as non-current assets.

Note 32

Future year contributions

217. The organization has an amount of \$958.0 million worth of signed contributions from voluntary contributions for implementation in current and future years.

Note 33

Events after the reporting date

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

Note 34

Statement of cash flows for the year ended 31 December 2021

Environment Fund

(Thousands of United States dollars)

	31 December 2021	31 December 2020 ^a
Cash flow from operating activities		
Surplus/(deficit) for the year	14 784	19 080
<i>Non-cash movements</i>		
Depreciation and amortization	58	121
Actuarial gain/(loss) on employee benefits liabilities	–	–
Transfers and donated property, plant and equipment and intangibles	(25)	–
Net gain/(loss) on disposal of property, plant and equipment	(20)	–
<i>Changes in assets</i>		
(Increase)/decrease in voluntary contributions receivable ^a	(22 075)	(2 688)
(Increase)/decrease in other receivables	692	(150)
(Increase)/decrease in advance transfers	257	(148)
(Increase)/decrease in other assets	(1 519)	167
<i>Changes in liabilities</i>		
Increase/(decrease) in accounts payable and accrued liabilities	199	(1 359)
Increase/(decrease) in funds received in advance and deferred revenue	–	(6 287)
Increase/(decrease) in employee benefits payable	(6)	414
Increase/(decrease) in provisions	–	–

	31 December 2021	31 December 2020 ^a
Investment revenue presented as investing activities	(1 178)	(1 846)
Net cash flows from/(used in) operating activities	(8 833)	7 304
Cash flow from investing activities		
Pro rata share of net increases in the cash pool	(1 819)	(15 036)
Investment revenue presented as investing activities	1 178	1 846
Acquisitions of property, plant and equipment	(32)	(78)
Net cash flows from/(used in) investing activities	(673)	(13 268)
Cash flow from financing Activities		
Adjustments to net assets	9 774	–
Net cash flows from/(used in) financing activities	9 774	–
Net increase/(decrease) in cash and cash equivalents	268	(5 964)
Cash and cash equivalents – beginning of year	5 775	11 739
Cash and cash equivalents – end of year	6 043	5 775

^a The surplus and change in voluntary contributions receivable for 2020 have been restated upward by \$9,707,000, which is the portion of the multi-year contributions from the Environment Fund that had not been included.

Note 35

Statement of cash flows for the year ended 31 December 2021

Multilateral Fund

(Thousands of United States dollars)

	Note	31 December 2021	31 December 2020
Cash flow from operating activities			
Surplus/(deficit) for the year		71 406	72 795
<i>Non-cash movements</i>			
Depreciation and amortization		1	–
Transfers and donated property, plant and equipment and intangibles		–	–
<i>Changes in assets</i>			
(Increase)/decrease in assessed contributions receivable		(22 930)	21 364
(Increase)/decrease in voluntary contributions receivable		–	–
(Increase)/decrease in other receivables		(221)	(71)
(Increase)/decrease in advance transfers		21 295	22 516
(Increase)/decrease in other assets		(20)	5
<i>Changes in liabilities</i>			
Increase/(decrease) in accounts payable and accrued liabilities		91	(3 734)
Increase/(decrease) in advance receipts		10 929	(6 463)
Increase/(decrease) in employee benefits payable		(167)	185
Investment revenue presented as investing activities		(2 462)	(9 235)
Net cash flows from/(used in) operating activities		77 922	97 362

	<i>Note</i>	<i>31 December 2021</i>	<i>31 December 2020</i>
Cash flow from investing activities			
Pro rata share of net increases in the cash pool		(71 365)	(139 631)
Acquisitions of property, plant and equipment		–	–
Investment revenue presented as investing activities		2 462	9 235
Net cash flows from/(used in) investing activities		(68 903)	(130 396)
Cash flow from financing activities			
Adjustments to net assets		3	–
Net cash flows from/(used in) financing activities		3	–
Net increase/(decrease) in cash and cash equivalents		9 022	(33 034)
Cash and cash equivalents – beginning of year		42 429	75 463
Cash and cash equivalents – end of year		51 451	42 429

Annex I

Environment Fund segment

Schedule of net assets, revenue and expense at fund level for the year ended 31 December 2021

(Thousands of United States dollars)

<i>Fund ID code</i>	<i>Fund description</i>	<i>Net asset accumulated surplus – unrestricted</i>	<i>Net asset reserve unrestricted</i>	<i>Net assets 1 January 2021</i>	<i>Revenue</i>	<i>Expense</i>	<i>Net assets 31 December 2021</i>
FEL	UNEP Environment support budget	30 419	20 000	50 419	36 624	13 856	73 187
FPL	Environment Fund programme activities	14 663	–	14 663	52 735	60 410	6 988
RAL	Environment Fund Programme reserve activities	2 138	–	2 138	2	311	1 829
Net total		47 220	20 000	67 220	89 361	74 577	82 004

Annex II

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

Schedule of net assets, revenue and expense at fund level for the year ended 31 December 2021

(Thousands of United States dollars)

<i>Fund ID code</i>	<i>Fund description</i>	<i>Net asset accumulated surplus – unrestricted</i>	<i>Net asset reserve – unrestricted</i>	<i>Net assets 1 January 2021</i>	<i>Revenue</i>	<i>Expense</i>	<i>Net assets 31 December 2021</i>
CBL	Trust fund for the capacity-building initiatives of the Global Environment Facility	18 675	–	18 675	599	3 324	15 950
CCL	Technical cooperation trust fund for the management of the United Nations Environment Programme (UNEP)/Global Environment Facility special climate change fund programme	9 066	–	9 066	(221)	1 818	7 027
FBL	Technical cooperation trust fund for the implementation of the Global Environment Facility fee based system for funding project implementation	23 801	1	23 802	10 558	11 154	23 206
GFL	Technical cooperation trust fund for UNEP implementation of the activities funded by the Global Environment Facility	597 558	–	597 558	134 049	86 906	644 701
LDL	Technical cooperation for the management of the UNEP/Global Environment Facility national adaptation programme of action for least developed countries	101 425	12	101 437	5 511	13 023	93 925
NPL	Trust fund for the Nagoya Protocol implementation fund	3 431	4	3 435	5	1 025	2 415
Global Environment Facility trust fund: totals		753 956	17	753 973	150 501	117 250	787 224
AEL	General trust fund for the purpose of post-conflict environmental assessment	3 403	–	3 403	(397)	1 648	1 358
AFB	Technical cooperation trust fund for UNEP activities as multilateral implementing entity of the Adaptation Fund Board	19 000	–	19 000	(48)	(990)	19 942
AML	General trust fund for the African Ministerial Conference on the Environment	2 735	–	2 735	468	(60)	3 263
BPL	Technical cooperation trust fund for the implementation of the agreement with Belgium	253	–	253	3 454	36	3 671
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	5 875	–	5 875	7	784	5 098

<i>Fund ID code</i>	<i>Fund description</i>	<i>Net asset accumulated surplus – unrestricted</i>	<i>Net asset reserve – unrestricted</i>	<i>Net assets 1 January 2021</i>	<i>Revenue</i>	<i>Expense</i>	<i>Net assets 31 December 2021</i>
CLL	Trust fund to support the activities of the Climate Technology Centre and Network	12 838	–	12 838	16 784	5 522	24 100
CML	Trust fund for the special programme to enhance implementation of the Basel, Rotterdam and Stockholm Conventions, the Minamata Convention and the Strategic Approach to International Chemicals Management	7 285	–	7 285	5 688	3 000	9 973
CNL	Technical cooperation trust fund for the UNEP climate-neutral fund	483	–	483	87	224	346
CPL	Counterpart contributions in support of Environment Fund activities	207 991	–	207 991	97 489	83 255	222 225
DPL	Technical cooperation trust fund for the partnership agreement between the Government of the Netherlands and UNEP	26	–	26	–	6	20
EBL	General trust fund for implementing national biodiversity strategies and action plans	282	–	282	(282)	–	–
ECL	Technical cooperation trust fund to support achievement of contribution agreement No. 21 (0401/2011/608174/SUB/E2)	51	–	51	3 880	3 903	28
ESS	Technical cooperation trust fund for UNEP implementation of ecosystem-based adaptation	49 960	–	49 960	15 221	2 203	62 978
ETL	Trust fund for the environmental training network in Latin America and the Caribbean	305	–	305	50	27	328
EUL	Technical cooperation trust fund to support achievement of contribution agreement No. DCI-ENV/2010/258-800	–	–	–	2 632	2 424	208
FIL	General trust fund to support the activities of the UNEP financial services initiative on the environment	10 656	–	10 656	17 860	7 301	21 215
FRL	UNEP Environment Fund holding fund for cash transactions of UNEP Economy Division – Environment Fund support budget – counterpart contributions	53	–	53	–	–	53
FSL	Technical cooperation trust fund to support implementation of the Seed Capital Assistance Facility	18 461	–	18 461	290	1 150	17 601
FTL	Revolving fund activities	97	–	97	5	5	97
GCF	Green Climate Fund	133 683	–	133 683	22 470	5 464	150 689
GCL	Green Climate Fund research and follow-up	51 887	–	51 887	5 795	10 959	46 723
GPL	General trust fund in support of the implementation of the Global Programme of Action for the Protection of the Marine Environment from Land-based Activities, and related information exchange and technical assistance	930	–	930	18	112	836

<i>Fund ID code</i>	<i>Fund description</i>	<i>Net asset accumulated surplus – unrestricted</i>	<i>Net asset reserve – unrestricted</i>	<i>Net assets 1 January 2021</i>	<i>Revenue</i>	<i>Expense</i>	<i>Net assets 31 December 2021</i>
GPP	Trust fund to assist delegates from developing countries, least developed countries, landlocked developing countries and small island developing States in attending the sessions of the ad hoc open-ended working group	354	–	354	–	–	354
GPS	Trust fund for activities of the Secretariat and organization of meetings and consultations for the Global Pact for the Environment	47	–	47	–	15	32
GRL	Technical cooperation trust fund for the implementation of the greening economies in the Eastern neighbourhood and Central Asia programme	30	–	30	–	–	30
IAL	Technical cooperation trust fund for Irish Aid multilateral environment fund for Africa	216	–	216	–	43	173
IEL	Technical cooperation trust fund to improve the environment in the Democratic People's Republic of Korea	161	–	161	464	63	562
IML	Technical cooperation trust fund for UNEP implementation of the Multilateral Fund activities	53 394	–	53 394	17 066	20 559	49 901
JCL	Technical cooperation trust fund for the establishment of the International Environmental Technology Centre in Japan	5 915	–	5 915	881	1 028	5 768
MCL	General trust fund in support of the preparation of a global assessment of mercury and its compounds	5 764	–	5 764	5	9	5 760
MDL	Technical cooperation trust fund for UNEP implementation of the Millennium Development Goals achievement fund	123	–	123	–	–	123
NFL	Technical cooperation trust fund for the implementation of the framework agreement between UNEP and Norway	42 710	–	42 710	1 989	24 138	20 561
PGL	Technical cooperation trust fund for the implementation of the Partnership for Action on Green Economy	9 332	–	9 332	5 480	4 111	10 701
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	673	–	673	–	257	416
PPL	General trust fund in support of the preparation for and negotiation of an international legally binding instrument for the application of the prior informed consent procedure for certain hazardous chemicals in international trade	(3)	–	(3)	3	–	–
QGL	Support of the Global Environment Facility	3 336	–	3 336	67	534	2 869

<i>Fund ID code</i>	<i>Fund description</i>	<i>Net asset accumulated surplus – unrestricted</i>	<i>Net asset reserve – unrestricted</i>	<i>Net assets 1 January 2021</i>	<i>Revenue</i>	<i>Expense</i>	<i>Net assets 31 December 2021</i>
RED	Technical cooperation trust fund to support the UNEP programme of work and responsibilities of the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries	7 414	–	7 414	4 808	4 046	8 176
REL	Technical cooperation trust fund for the promotion of renewable energy in the Mediterranean region	2 876	–	2 876	7 923	885	9 914
RPL	General trust fund to support participation of developing countries in reporting on the state of the marine environment	3	–	3	–	(1)	4
SCP	Technical cooperation trust fund for the 10-Year Framework of Programmes on Sustainable Consumption and Production Patterns	5 274	–	5 274	755	2 178	3 851
SEL	Technical cooperation trust fund for the implementation of the agreement with Sweden	28 187	–	28 187	641	15 808	13 020
SFL	Technical cooperation trust fund for implementation of the framework agreement between Spain and UNEP	1 819	–	1 819	61	627	1 253
SLP	Trust fund to support the activities of the Climate and Clean Air Coalition to Reduce Short-lived Climate Pollutants	24 005	–	24 005	5 256	6 807	22 454
SML	General trust fund for the Strategic Approach to International Chemicals Management: quick start programme	2 833	–	2 833	(300)	(147)	2 680
UTL	Technical cooperation trust fund for the implementation of the UNEP/United Nations Conference on Trade and Development capacity-building task force on trade, environment and development	40	–	40	–	(10)	50
WPL	General trust fund to provide support to the Global Environment Monitoring System/Water Programme office	333	–	333	–	245	88
FEC	Trust fund for core activities of the “Faith for Earth Coalition” of UNEP	22	–	22	6	2	26
Other support to UNEP programme of work (non-Global Environment Facility trust fund non-Junior Professional Officer): total		721 112	–	721 112	236 576	208 170	749 518
TBL	Technical cooperation trust fund for provision of Junior Professional Officers (financed by the Government of Belgium)	160	–	160	123	164	119
CEL	Technical cooperation trust fund for financing of Professional Officers (financed by the Government of Finland)	739	–	739	(155)	154	430
SNL	Special purpose trust fund for the provision of a Professional Officer to UNEP/secretariat of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal	146	–	146	(66)	66	14

<i>Fund ID code</i>	<i>Fund description</i>	<i>Net asset accumulated surplus – unrestricted</i>	<i>Net asset reserve – unrestricted</i>	<i>Net assets 1 January 2021</i>	<i>Revenue</i>	<i>Expense</i>	<i>Net assets 31 December 2021</i>
TCL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Nordic Governments through the Government of Sweden)	295	–	295	–	–	295
TDL	Special purpose trust fund for the Government of Denmark agreement with UNEP for the provision of Junior Professional Officers	5	–	5	–	–	5
TGL	Special purpose trust fund for the provision of Junior Professional Officers (financed by the Government of Germany)	1 372	–	1 372	634	785	1 221
THL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of the Netherlands)	621	–	621	607	647	581
TIL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of Italy)	646	–	646	221	322	545
TJL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of Japan)	1 620	–	1 620	(188)	332	1 100
TKL	Technical cooperation trust fund for the provision of Professional Officers (financed by the Government of the Republic of Korea)	640	–	640	1 253	295	1 598
TNL	Special purpose trust fund for the Government of Norway agreement with UNEP for the provision of Junior Professional Officers	456	–	456	5	(97)	558
TPL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Spanish Agency for International Development Cooperation)	158	–	158	–	(2)	160
TRL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of France)	434	–	434	185	98	521
TSL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of Sweden)	1 074	–	1 074	293	564	803
Trust funds for Junior Professional Officers: total		8 366	–	8 366	2 912	3 328	7 950
Other support to UNEP programme of work: total		1 483 453	–	1 483 453	389 993	328 753	1 544 693
Fund IML financial statement elimination		(51 398)	–	(51 398)	–	–	(51 398)
Net total		1 432 054	–	1 432 054	389 993	328 753	1 493 295

Annex III

Conventions and protocols segment

Schedule of net assets, revenue and expense at fund level for the year ended 31 December 2021

(Thousands of United States dollars)

<i>Fund ID code</i>	<i>Fund description</i>	<i>Net asset accumulated surplus – unrestricted</i>	<i>Net asset reserve – unrestricted</i>	<i>Net assets 1 January 2021</i>	<i>Revenue</i>	<i>Expense</i>	<i>Net assets 31 December 2021</i>
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	16 196	–	16 196	7 151	2 187	21 160
BCL	Trust fund for the Basel Convention	5 396	745	6 141	4 918	4 285	6 774
ROL	General trust fund for the operational budget of the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade	4 317	941	5 258	4 262	3 306	6 214
SCL	General trust fund for the Stockholm Convention on Persistent Organic Pollutants, its subsidiary bodies and the Convention	3 834	916	4 750	6 122	5 292	5 580
QRL	Support for the Basel Convention	–	–	–	–	–	–
RSL	Technical cooperation trust fund to support implementation of the Rotterdam and Stockholm Conventions in developing countries	(3)	–	(3)	3	–	–
RVL	General trust fund for the Rotterdam Convention	2 076	–	2 076	1 327	262	3 141
SVL	Special trust fund for the Stockholm Convention: its subsidiary bodies and the Convention	8 281	451	8 732	2 148	1 551	9 329
Basel, Rotterdam and Stockholm Conventions: total		40 097	3 053	43 150	25 931	16 883	52 198
QCL	Support of the Action Plan for the Caribbean Environment Programme	938	–	938	(108)	227	603
CRL	Regional trust fund for implementation of the Action Plan for the Caribbean Environment Programme	2 208	190	2 398	1 267	1 346	2 319
Caribbean Environment Programme: total		3 146	190	3 336	1 159	1 573	2 922
CAP	Trust fund for the core budget of the Framework Convention on the Protection and Sustainable Development of the Carpathians and related protocols	536	–	536	592	475	653
CAR	Trust fund for the core budget of the Carpathian Convention	1 157	–	1 157	265	167	1 255
Carpathian Convention: total		1 693	–	1 693	857	642	1 908

<i>Fund ID code</i>	<i>Fund description</i>	<i>Net asset accumulated surplus – unrestricted</i>	<i>Net asset reserve – unrestricted</i>	<i>Net assets 1 January 2021</i>	<i>Revenue</i>	<i>Expense</i>	<i>Net assets 31 December 2021</i>
BEL	General trust fund for additional voluntary contributions in support of approved activities under the Convention on Biological Diversity	22 959	–	22 959	3 837	4 754	22 042
BIL	Special voluntary trust fund for facilitating the participation of developing country parties, in particular least developed countries and small island developing States, and parties with economies in transition	–	–	–	–	–	–
BHL	Special voluntary trust fund for additional voluntary contributions in support of approved activities	1 671	–	1 671	(1)	1	1 669
BBL	Trust fund for the core programme budget for the Nagoya Protocol	1 828	302	2 130	1 867	1 759	2 238
BGL	General trust fund for the core programme budget for the Biosafety Protocol	4 168	411	4 579	2 488	2 357	4 710
BYL	General trust fund for the Convention on Biological Diversity	13 386	2 028	15 414	12 319	12 451	15 282
BXL	Additional voluntary contributions in support of approved activities of the Nagoya Protocol	46	–	46	–	–	46
BZL	General trust fund for voluntary contributions to facilitate the participation of parties in the process of the Convention on Biological Diversity	1 383	–	1 383	1 117	86	2 414
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	395	–	396	162	1	556
Convention on Biological Diversity: total		45 836	2 741	48 577	21 789	21 409	48 957
EAP	Multi-donor implementation: Africa	1 654	–	1 654	320	854	1 120
QTL	Support of activities related to the Convention on International Trade in Endangered Species of Wild Fauna and Flora	19 178	–	19 178	9 665	10 633	18 210
CTL	Trust fund for the Convention on International Trade in Endangered Species of Wild Fauna and Flora	5 930	1 050	6 980	6 260	5 969	7 271
Convention on International Trade in Endangered Species of Wild Fauna and Flora: total		26 762	1 050	27 812	16 245	17 456	26 601
AVL	General trust fund for voluntary contributions in respect of the Agreement on the Conservation of African-Eurasian Migratory Waterbirds	1 810	–	1 810	653	873	1 590
MRL	Technical cooperation trust fund on the Conservation and Management of Marine Turtles and their Habitats of the Indian Ocean and South East Asia	624	–	624	232	162	694
MVL	General trust fund for voluntary contributions in support of the Convention on the Conservation of Migratory Species of Wild Animals	17 460	–	17 460	482	1 679	16 263
QFL	Support of the secretariat of the Agreement on the Conservation of Populations of European Bats	93	–	93	10	45	58

<i>Fund ID code</i>	<i>Fund description</i>	<i>Net asset accumulated surplus – unrestricted</i>	<i>Net asset reserve – unrestricted</i>	<i>Net assets 1 January 2021</i>	<i>Revenue</i>	<i>Expense</i>	<i>Net assets 31 December 2021</i>
AWL	General trust fund for the African-Eurasian Waterbirds Agreement	412	194	606	1 394	1 283	717
BAL	General trust fund for the conservation of small cetaceans of the Baltic, North-East Atlantic, Irish and North Seas	221	41	262	284	256	290
BTL	General trust fund for the conservation of European bats	85	90	175	543	478	240
MSL	Trust fund for the Convention on the Conservation of Migratory Species of Wild Animals	3 221	502	3 723	3 525	3 080	4 168
QVL	Support of the secretariat of the Agreement on the Conservation of Small Cetaceans of the Baltic, North-East Atlantic, Irish and North Seas	205	–	205	39	55	189
QWL	Support of the Convention on the Conservation of Migratory Species of Wild Animals	266	–	266	–	–	266
SMU	Trust fund to support the activities of the secretariat of the memorandum of understanding on the conservation of migratory sharks	861	100	961	(546)	308	107
Convention on the Conservation of Migratory Species of Wild Animals: total		25 258	927	26 185	6 616	8 219	24 582
CAL	Support of the Mediterranean Action Plan (financed by the Government of Greece)	862	–	862	402	272	992
QML	Support of the Mediterranean Action Plan	1 033	–	1 033	4 642	1 893	3 782
MEL	Trust fund for the protection of the Mediterranean Sea against pollution	8 298	1 186	9 484	7 320	8 933	7 871
Mediterranean Action Plan: total		10 193	1 186	11 379	12 364	11 098	12 645
QNL	Support of the North-West Pacific Action Plan	3 945	–	3 945	1 250	871	4 324
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	1 428	75	1 503	644	373	1 774
North West Pacific Action Plan: total		5 373	75	5 448	1 894	1 244	6 098
QOL	Support of the activities of the Ozone Secretariat	107	–	107	110	140	77
MPL	Trust fund for the Montreal Protocol on Substances that Deplete the Ozone Layer	10 472	841	11 313	3 790	3 069	12 034
VCL	Trust fund for the Vienna Convention for the Protection of the Ozone Layer	2 349	133	2 482	990	860	2 612
SOL	General trust fund for financing activities on research and observations on the Vienna Convention	261	–	261	37	57	241
Ozone: total		13 189	974	14 163	4 927	4 126	14 964
QAC	Support for the Convention for Cooperation in the Protection, Management and Development of the Marine and Coastal Environment of the Atlantic Coast of the West, Central and Southern Africa Region	2 014	–	2 014	(1 225)	106	683

<i>Fund ID code</i>	<i>Fund description</i>	<i>Net asset accumulated surplus – unrestricted</i>	<i>Net asset reserve – unrestricted</i>	<i>Net assets 1 January 2021</i>	<i>Revenue</i>	<i>Expense</i>	<i>Net assets 31 December 2021</i>
QAW	Support of the Action Plan for the Eastern African Region	9 938	–	9 938	628	973	9 593
QEL	Support of the Action Plan for the Protection and Development of the Marine Environment and Coastal Areas of the East Asian Seas	110	–	110	66	7	169
EAL	Regional seas trust fund for the Eastern African region	2 137	55	2 192	255	443	2 004
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	837	47	884	327	352	859
WAL	Trust fund for the Convention for Cooperation in the Protection, Management and Development of the Marine and Coastal Environment of the Atlantic Coast of the West, Central and Southern African Region	2 036	62	2 098	772	1 498	1 372
Regional seas total		17 072	164	17 236	823	3 379	14 680
MCC	Trust fund for core activities under the Minamata Convention	2 137	510	2 647	4 769	4 364	3 052
MCP	Trust fund for activities relating to the Specific International Programme of the Minamata Convention on Mercury	5 221	–	5 221	651	658	5 214
MCV	Trust fund for voluntary activities relating to the Minamata Convention	1 613	–	1 613	1 071	615	2 069
Minamata Convention: total		8 971	510	9 481	6 491	5 637	10 335
BML	Trust fund for the Bamako Convention core programme budget, United Nations Environment Programme	352	–	352	127	(1)	480
BRL	Trust fund for the revolving fund activities of the Bamako Convention	2 515	–	2 515	(15)	581	1 919
BWL	Special Trust Fund for Voluntary Contribution in support of the Bamako Convention	–	–	–	–	–	–
Bamako Convention: total		2 867	–	2 867	112	580	2 399
PES	Trust fund for the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services	9 147	988	10 135	4 831	4 021	10 945
Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services: total		9 147	988	10 135	4 831	4 021	10 945
SRL	General trust fund for voluntary contributions in respect of the United Nations Scientific Committee on the Effects of Atomic Radiation	1 032	–	1 032	188	249	971
United Nations Scientific Committee on the Effects of Atomic Radiation: total		1 032	–	1 032	189	249	971
Conventions and protocols total		210 637	11 857	222 494	104 230	96 519	230 205

Annex IV**Multilateral Fund segment****Schedule of net assets, revenue and expense at fund level for the year ended 31 December 2021**

(Thousands of United States dollars)

<i>Fund ID code</i>	<i>Fund description</i>	<i>Net asset accumulated surplus – unrestricted</i>	<i>Net asset reserve – unrestricted 31 December 2020</i>	<i>Net assets 1 January 2021</i>	<i>Revenue</i>	<i>Expense</i>	<i>Net assets 31 December 2021</i>
MFL	Trust fund for the Multilateral Fund under the Montreal Protocol on Substances that Deplete the Ozone Layer	573 344	–	573 344	157 771	86 365	644 750
Net total		573 344	–	573 344	157 771	86 365	644 750

Annex V

Programme support segment

Schedule of net assets, revenue and expense at fund level for the year ended 31 December 2021

(Thousands of United States dollars)

<i>Fund ID code</i>	<i>Fund description</i>	<i>Net asset accumulated surplus – unrestricted</i>	<i>Net asset reserve – unrestricted</i>	<i>Net assets 1 January 2021</i>	<i>Revenue</i>	<i>Expense</i>	<i>Net assets 31 December 2021</i>
ECR	Cost recovery	1 994	–	1 994	6 667	5 954	2 707
OTA	UNEP trust fund programme support cost	11 634	5 000	16 634	25 950	21 348	21 236
Net totals		13 628	5 000	18 628	32 617	27 302	23 943

Annex VI

End-of-service and post-retirement benefits segment

Schedule of net assets, revenue and expense at fund level for the year ended 31 December 2021

(Thousands of United States dollars)

<i>Fund ID code</i>	<i>Fund description</i>	<i>Net asset accumulated surplus – unrestricted</i>	<i>Net asset reserve – unrestricted</i>	<i>Net assets 1 January 2021</i>	<i>Revenue</i>	<i>Expense</i>	<i>Net assets 31 December 2021</i>
AAL	After-service health insurance	(199 337)	–	(199 337)	7 981	13 193	(204 549)
ALL	Annual leave	(19 444)	–	(19 444)	–	686	(20 130)
RGL	Repatriation benefits	25 691	–	25 691	4 391	1 213	28 869
Net totals		(193 090)	–	(193 090)	12 372	15 091	(195 810)