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Report of the External Auditor, including the implementation of recommendations of the External Auditor for the biennium 2008-2009; financial performance report for the year 2010 and interim programme performance report for the biennium 2010-2011

Report of the External Auditor on the accounts of the United Nations Industrial Development Organization for the financial year 1 January to 31 December 2010*

Contents

* The present document has not been edited.

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No. 49/IR/UNIDO/C-XV

Islamabad 23 May 2011

The President of the Industrial Development Board
United Nations Industrial Development Organization
Vienna International Centre
P.O. Box 300
A-1400 Vienna
Austria

Excellency,

I have the honour to present to the thirty-ninth session of the Industrial Development Board, my report and opinion on the financial statements of the United Nations Industrial Development Organization for the year ended 31 December 2010.

In transmitting my report I wish to advise that, in accordance with the United Nations Industrial Development Organization's Financial Regulations, I have given the Director-General the opportunity to comment on my report. The response of the Director-General has appropriately been reflected in my report.

Yours sincerely,

[*Signed*]

(**Tanwir Ali Agha)**

ACRONYMS/ABBREVIATIONS

BCP	Business Continuity Planning
BMS	Buildings Management Services
BPR	Business Process Reengineering
CMI	Change Management Initiative
COG	Culture Operational Group
CTBTO	The Preparatory Commission for the Comprehensive Nuclear Test-Ban Treaty Organization
DG	Director-General
DI	Declaration of Interests
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
FD	Financial Disclosure
FPCS	Financial Performance Control System
GC	General Conference
HRM	Human Resource Management Branch
IAG	Internal Audit Group
IAEA	International Atomic Energy Agency
ICM	Information and Communication Management
ICT	Information and Communication Technology
IDB	Industrial Development Board
IIA	Institute of Internal Auditors
INTOSAI	International Organization of Supreme Audit Institutions
IOS	Internal Oversight Services
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
ISMS	Information Security Management System
ISSAI	International Standards for Supreme Audit Institutions
JIU	Joint Inspection Unit
LDC	Least Developed Countries
MD	Managing Director
MTPF	Medium Term Programme Framework
OSS	Operations Support Services Branch
PCOR	Programme for Change and Organizational Renewal

PMICS	Performance Management and Inventory Control System
PPE	Property, Plant and Equipment
PPM	Project and Portfolio Management
PSM	Programme Support and General Management Division
RBM	Results Based Management
RFO	Regional and Field Operations
SOP	Standard Operating Procedure
SPL	Special Programmes and LDC Group
TC	Technical Cooperation
ULO	Un-Liquidated Obligation
UNGM	United Nations Global Marketplace
UNIDO	United Nations Industrial Development Organization
UNOV	United Nations Office in Vienna
UNSAS	United Nations System Accounting Standards
UR	UNIDO Representative
VBOs	Vienna Based Organizations
VIC	Vienna International Centre

I. INTRODUCTION

1. In terms of the Financial Regulation 11.10 of the United Nations Industrial Development Organization (hereinafter UNIDO), the External Auditor's reports, together with the audited financial statements, shall be completed by not later than 1 June, following the biennium to which they relate and shall be transmitted through the Programme and Budget Committee to the Industrial Development Board (IDB) in accordance with the directions given by the General Conference (GC). The Programme and Budget Committee shall examine the financial statements and the audit reports and submit recommendations to the Board, which shall forward them to the Conference with such comments, as it deems appropriate. However, in the wake of the implementation of the International Public Sector Accounting Standards (IPSAS) with effect from 1 January 2010, the General Conference, in its 13th session in December 2009, approved the recommendation of the IDB (IDB.36/11) that as an exception, an annual audit be carried out for the year 2010 for the assurance from the External Auditor that UNIDO had achieved IPSAS-compliance for 2010. It was also decided that the annual audit report for 2010 would be transmitted to the governing bodies as soon as practicable and placed on the agenda for discussion at the next scheduled meeting of the relevant governing body. Accordingly, as per the management's decision, the External Audit report for the year 2010 would be presented to the IDB in June 2011.

Scope of the Audit

2. The Financial Statements of UNIDO for the period ended 31 December 2010 prepared according to the International Public Sector Accounting Standards were examined in terms of Article XI of UNIDO Financial Regulations and Rules and the Additional Terms of Reference Governing the Audit (Annexed to UNIDO Financial Regulations and Rules). The Financial Statements included the following:

- Statement 1: Statement of Financial Position as at 31 December 2010;
- Statement 2: Statement of Financial Performance for year ended 31 December 2010;
- Statement 3: Statement of Changes in Net Assets for year ended 31 December 2010;
- Statement 4: Cash Flow statement for year ended 31 December 2010;
- Statement 5: Statement of Comparison of Budget and Actual Amounts for year ended 31 December 2010;
- Notes to the Financial Statements.

Audit Objectives

3. The main objectives of the audit were to enable me to form an opinion as to whether the expenditure recorded in the year 2010 had been incurred for the purposes approved by the General Conference; whether income and expenditure were properly classified and recorded in accordance with UNIDO Financial Regulations and Rules; and whether the Financial Statements presented fairly the financial position as at 31 December 2010. The correctness of the year-end balances of all the UNIDO Funds was also ascertained. Since the UNIDO management had decided to adopt IPSAS as the basis of accounting and for the preparation of the financial statements from the financial year 2010, the audit objectives included ascertaining as to whether the financial statements met the requirements of IPSAS.

4. My report also includes specific observations and recommendations directed at improving UNIDO's financial management and control, in accordance with the Additional Terms of Reference Governing the Audit (Annexed to the Financial Regulations and Rules).

Auditing Standards

5. The External Audit of UNIDO Financial Statements for the year 2010 was carried out in accordance with the International Standards on Auditing (ISA), and where applicable, according to the International Standards for

Supreme Audit Institutions (ISSAIs) which are the INTOSAI prescribed auditing standards for Supreme Audit Institutions.

Audit Methodology

6. For achieving the audit objectives, the External Audit adopted the system based approach to auditing under which the audit teams:

- examined the financial and accounting procedures followed in UNIDO, in the light of their Financial Regulations and Rules and other relevant documentation;
- assessed the internal control system regulating the financial operations of UNIDO and carried out compliance testing for determining the extent of control operation during 2010;
- conducted substantive testing of selected transactions;
- matched the receipts with the bank statements, verified the bank reconciliation statements and conducted an analysis of the assessed contributions, and
- carried out the analytical review of a number of contracts and substantial transactions related to creation of assets and liabilities.

7. My audit included a substantive examination of the year-end balances of UNIDO Funds.

8. The audit was conducted by various audit teams including the teams that carried out compliance with authority audits of UNIDO field offices.

Reporting

9. My audit teams held discussions with the relevant UNIDO staff in the headquarters and the field offices. The audit teams interacted with the staff nominated as focal persons for audit, and issued queries to the concerned Branches. The audit findings take into account the management's viewpoint as communicated to the audit teams. In accordance with normal practice, my audit teams also provided UNIDO with a Management Letter, setting out the detailed findings arising from their examination at the UNIDO Headquarters and the field offices. UNIDO's response to the management letter has been appropriately reflected in my report. I have noted UNIDO's response to the audit findings regarding the operations in the field offices of UNIDO for subsequent monitoring.

10. Observations on matters, which in my opinion, should be brought to the attention of the Member States, are set out in the following paragraphs of this report.

II. AUDIT FINDINGS AND RECOMMENDATIONS

Presentation of Financial Statements

11. The Financial Statements of UNIDO for the year 2010 were presented in compliance with IPSAS. The figures in the Financial Statements were generally accurate.

Internal Controls

12. As a result of the compliance testing of the internal controls, the External Audit concluded that a reasonably designed internal control system was in place in UNIDO to ensure completeness, occurrence, measurement, regularity and disclosure in the Financial Statements for the year 2010.

IPSAS Implementation

13. The United Nations General Assembly in August 2006 approved the adoption of IPSAS by the year 2010 to make the financial statements of the UN system organizations more transparent, consistent, comparable and accountable. Prior to the adoption of IPSAS, the financial statements were prepared in accordance with the United Nations System Accounting Standards (UNSAS).

14. A schedule of action points and activities was provided by the management to the External Audit team that visited the UNIDO Headquarters in November, 2010. According to the schedule, the following actions were to be taken by April, 2011:

- Initial revisions to the Financial Regulations approved by the UNIDO's governing bodies to be completed by February 2011.
- Consultations with the External Auditor during final audit and amending draft paper as necessary by February/March 2011.
- Internal review of the amended draft paper and review by the IPSAS Working Group by March 2011.
- Internal review: incorporation of comments from the IPSAS Working Group, presentation of revised draft to the Managing Director, Programme Support and General Management Division (PSM) and the IPSAS Implementation Task Force by March 2011.
- Internal Review: Presentation of the draft paper to the Executive Board/DG by March 2011.
- Complete internal review of the first draft paper by April 2011.
- Discussion of the draft with the Office for Change and Organizational Renewal (O-COR) to ensure that the new control systems and processes of Change Management are incorporated therein (time not specified).

15. The External Audit noted that the UNIDO management was following the actions as per the above-mentioned schedule. The key steps required to be taken for adoption of IPSAS included revision/development of policies, procedures, and systems. The IPSAS implementation team at UNIDO managed this complex and challenging transition to the new system seamlessly and within the planned time frame, which is a significant achievement.

16. The External Audit conducted a detailed review of the adoption of IPSAS by UNIDO.

17. The IPSAS Board has issued 31 Standards so far. Out of these, Standards 27 to 31 are not yet effective. The UNIDO Policy Manual for IPSAS, which establishes the organization's accounting policies in accordance with IPSAS, includes 18 Standards considered directly relevant to the operations of the organization. Presently, the Manual also includes the International Accounting Standard (IAS) 38 Intangible assets. IPSAS 31 Intangible assets, which becomes effective from April 2011, will replace the IAS 38. UNIDO has also adopted IPSAS 25 Employee benefits prior to its effective date, January 2011. The Financial Statements for the year 2010 were prepared in accordance with the following 18 IPSAS and one IAS:

- IPSAS 1 Presentation of financial statements;
- IPSAS 2 Cash flow statements;
- IPSAS 3 Accounting policies, changes in accounting estimates and errors;
- IPSAS 4 The effect of changes in foreign exchange rates;
- IPSAS 8 Interests in joint ventures;
- IPSAS 9 Revenue from exchange transactions;

- IPSAS 12 Inventories;
- IPSAS 13 Leases;
- IPSAS 14 Events after the reporting date;
- IPSAS 15 Financial instruments;
- IPSAS 17 Property, plant and equipment;
- IPSAS 18 Segment reporting;
- IPSAS 19 Provisions, contingent liabilities and contingent assets;
- IPSAS 20 Related party disclosures;
- IPSAS 21 Impairment of non-cash-generating assets;
- IPSAS 23 Revenue from non-exchange transactions;
- IPSAS 24 Presentation of budget information in financial statements;
- IPSAS 25 Employee benefits;
- IAS 38 Intangible assets.

18. During IPSAS implementation process, UNIDO sought guidance of the External Audit in finalizing its Policy Manual for IPSAS and preparing IPSAS compliant financial statements. Specifically, the External Audit advised UNIDO in respect of the following Standards:

- IPSAS 8 Interests in Joint Ventures;
- IPSAS 12 Inventories;
- IPSAS 17 Property, Plant and Equipment;
- IPSAS 18 Segment Reporting;
- IPSAS 20 Related Party Disclosures;
- IPSAS 23 Revenue from Non-Exchange Transactions.

19. The External Audit advice has been duly reflected in the UNIDO Policy Manual for IPSAS as well as the financial statements for the year ended 31 December 2010.

20. Apart from giving formal advice during the development of the Policy Manual, the External Audit also advised the management to carry out certain corrections/modifications in the financial statements and note disclosures during a review of the nine-month accounts in November, 2010 as well as during the year-end audit. The same were accordingly carried out in the financial statements.

21. The External Audit is of the opinion that implementation of IPSAS by UNIDO is in accordance with the spirit and substance of the Standards. The organization will have to watch the progress towards complete adoption of the Standards where transitional provisions have been applied. The significant outcomes of the adoption of IPSAS by UNIDO are highlighted in the following paragraphs.

Changes in Accounting Policy

22. Change in the basis of accounting led to certain fundamental changes in UNIDO's accounting policy effective from 1 January 2010. These changes broadly related to the full accrual approach adopted in recording revenues, expenses, PPE, inventories, liabilities and investments in joint ventures. Besides, Statement of Financial Position and Statement of Financial Performance by Segments were included in the accounts. These

statements present financial information on three activities of UNIDO, namely Regular Budget Activities, Technical Cooperation Activities and Other Activities and Special Services.

23. The voluntary contributions' revenue is now recognized when a binding agreement is signed between UNIDO and the donor rather than when the cash is received. If the voluntary contributions are received from the donors with conditions on their use, such contributions are kept as a liability in the advance receipts account "Voluntary Contribution Liability — With Condition" until the performance obligation is discharged. Under the UNSAS, contributions from the donors with conditions attached were also recognized as UNIDO's revenue.

24. Un-Liquidated Obligation or mere disbursement of funds is no more considered an expense. Expenses are recognized on the basis of the delivery principle, i.e. the fulfilment of contractual obligation by the supplier instead of signing of a purchase order/contract. The advance payments to the suppliers for the delivery of goods or services in future are recognized as current assets. The un-liquidated obligations are no more recorded in the accounts.

25. The Property, Plant and Equipment (PPE) valuing above the recognition threshold is capitalized and depreciated over its useful life rather than immediate expensing of the asset. Inventories are expensed in the period in which the related revenue is recognized instead of charging them off when purchased. The carrying amount of inventories at hand at the end of the year is reported in the Statement of Financial Position.

26. The employee benefit liabilities are fully recognized in the financial statements instead of a note disclosure. The investment in jointly controlled entities, namely Catering Service and Commissary, is initially recognized at cost. The carrying amount of the investment is adjusted to recognize UNIDO's share in the joint ventures' surplus or deficit during a year.

Transitional Provisions

27. UNIDO has opted for the following transitional provisions applicable under IPSAS:

- According to paragraph 151 of IPSAS 1 "comparative information is not required in respect of the financial statements to which accrual accounting is first adopted in accordance with IPSAS". The provision has been applied with respect to the Statement of Financial Performance and Cash Flow Statement.

- IPSAS 17 covers the recognition of property, plant and equipment. Paragraph 14 of IPSAS 17 provides guidance and prescribes principles for recognition of assets. However, there is a transitional provision in Paragraph 95 of IPSAS 17 which states that "Entities are not required to recognize property, plant, and equipment for reporting periods beginning on a date within five years following the date of first adoption of accrual accounting in accordance with IPSASs." As per the explanation given in Paragraph 101 of IPSAS 17, the transitional provisions in paragraphs 95 are intended to give relief in situations where an entity is seeking to comply with the provisions of this Standard, in the context of implementing accrual accounting for the first time. When entities adopt accrual accounting in accordance with IPSAS for the first time, there are often difficulties in compiling comprehensive information on the existence and valuation of assets. For facilitating smooth transition to full accrual accounting, IPSAS 17 provides for these transitional provisions. UNIDO has invoked the transitional provisions of IPSAS 17 for recognition of project assets and asset class "buildings".

- Paragraph 117 of IPSAS 23 states that "Entities are not required to change their accounting policies in respect of the recognition and measurement of revenue from non-exchange transactions, other than taxation revenue, for reporting periods beginning on a date within three years following the date of first adoption of this Standard". UNIDO has applied the provision for measuring the revenue from voluntary contributions where agreements were signed prior to 2010.

Financial Accounting and Reporting Under IPSAS

28. Financial accounting and reporting in accordance with IPSAS gives a fair presentation of the financial position and transactions of an organization. The disclosure requirements of the applicable standards make the financial statements clearer and easier to understand for the users. The financial statements of UNIDO are now prepared on an annual basis. Previously, the accounts were prepared biennially. The financial statements prepared under IPSAS are briefly discussed below:

Statement 1: Statement of Financial Position as at 31 December 2010. The statement presents all the assets and liabilities of UNIDO with their current and non-current categorization. PPE, inventories, and employee benefit liabilities are now included which were not reported in earlier accounts.

Statement 2: Statement of Financial Performance for year ended 31 December 2010. The statement shows the income/revenue of UNIDO from different sources. It also includes voluntary contributions revenue, which was not received in cash, but for which a binding agreement has been signed with the donors. Prior to the adoption of IPSAS, such revenues were not recognized. The statement reports the expenses which have been recognized on full accrual basis. Un-Liquidated Obligations are not recognized as expense as opposed to the previous practice.

Statement 3: Statement of Changes in Net Assets for year ended 31 December 2010. The statement reports movements in the net assets/equity during the year. In doing so it reconciles the opening balance of accumulated surplus and reserves with the closing balance at the end of the year. The statement for the year 2010 includes adjustments made to the last year's closing balance to restate the opening balance in accordance with IPSAS.

Statement 4: Statement of Cash Flows for year ended 31 December 2010. The statement depicts the net cash flows from operating, investing and financing activities of UNIDO; and

Statement 5: Statement of Comparison of Budget and Actual Amounts for year ended 31 December 2010. The statement, which was not prepared previously, gives a comparison of the budget with the expenditure (referred as actual amounts). It shows actual utilization of the resources against the approved budget. Since UNIDO prepares the budget on modified cash basis of accounting, the expenditure given in the statement is also reported on the same basis. The expenditure includes both disbursements and Un-Liquidated Obligations.

29. The set of the financial statements listed above, provides an all encompassing as well as in-depth account of UNIDO's performance in the year 2010 and its financial position at the end of 2010. Answers to queries like what are the liabilities that UNIDO has to meet in the short as well as the long-run and what resources it has in the shape of current and non-current assets, are fairly reflected in the Statement of Financial Position. How well UNIDO has utilized its resources in carrying out its functions can be gauged from the Statement of Financial Performance. The financial statements prepared in future according to IPSAS, would provide a consistent and comparable basis to review the organization's performance over time.

Restatement of Opening Balances

30. As a consequence of adopting IPSAS, the opening balances of assets, liabilities and net assets/equity have been restated as on 1 January 2010. A comparison of the restated opening balances with the closing balances as on 31 December 2009 is given below:

Table 1
€ in 000

Account	Balance 31 December 2009 (under UNSAS)	Adjustments	Balance 1 January 2010 (under IPSAS)
Total Assets	369,195.6	87,755.6	456,951.2
Total Liabilities	124,642.2	128,889.2	253,531.4
Net Assets/Equity:	244,553.4	(41,133.6)	203,419.8

Source: Note 24 to UNIDO Financial Statements for the year ended 31 December 2010.

31. The restatement of the opening balances resulted in a decrease of €41.134 million in net assets/equity of UNIDO. The adjustments mainly responsible for the decrease were as follows:

- initial recognition of employee benefit liabilities €97.739 million;
- initial recognition of deferred fund balances €24.091 million; and
- initial recognition of receipt accrual €9.313 million.

32. At the same time, the following adjustments added significantly to the net assets/equity:

- de-recognition of un-liquidated obligations €67.369 million;
- initial recognition of net contributions receivable €12.967 million; and
- initial recognition of advances to suppliers and Goods-in-Transit €6.096 million.

Employee Benefit Liabilities

33. An important issue requiring attention of the Member States is the organization's defined benefit obligation. Under defined benefit plans an organization is obligated to provide the agreed benefits to its present and former employees. These obligations include After-Service Health Insurance, Repatriation Benefits, Annual Leave and End of Service Allowance. The actuarial valuation of the defined benefit obligation has been done by professional actuaries. The employee benefits in UNIDO are unfunded and managed on pay-as-you-go basis.

34. The long-term portion of UNIDO's employee benefit liabilities had increased to €123.116 million by 31 December 2010. Major portion of the benefits have been charged to the regular budget. An employee benefit liability of €101.246 million appears on the statement of financial position for the Regular Budget Activities segment. Consequently, the regular budget segment has a negative equity of €53.662 million. €21.849 million appear on the statement of financial position for the Other Activities and Special Services segment as employee benefit liability. The management, in consultation with the Member States, needs to look for options available to generate funds for financing the liability.

Changes in the Financial Regulations and Rules

35. UNIDO has proposed draft amendments to the Financial Regulations 10.6, 10.7, and 11.10.

36. The External Audit observed that under the proposed amendment to Regulation 11.10, annual financial statements would be prepared by 15 March for both the years of the biennium. The External Audit also observed that while the date for the production of financial statements for both the years is 15 March following the end of the financial years to which they relate, the date for completion of audit report for the first year of the biennium has been proposed as 20 April while for the second year it is 1 June following the financial years to which they relate. The External Audit was informed that different dates for submission of the audit reports for different years had been necessitated because of the schedules of the PBC meeting.

37. In order to complete a meaningful audit of the financial statements for the first year of the biennium and for the finalization of the audit report by 20 April following the year to which the financial statements pertain, the management would be required to produce draft financial statements not later than 25 February following the year to which the financial statements pertain. The External Audit understands that successful completion of external audit and submission of report by 20 April would be contingent upon production and submission of the draft financial statements by 25 February. The financial statements will then be finalized and submitted by 15 March.

38. The External Audit also observed that the work on amendments to Financial Rules had not started. The External Audit was informed that the management planned to review the Rules after finalization of the change requirements resulting from the Business Process Re-engineering (BPR). The management informed the External Audit that proposal for amendment of the Rules resulting from such review would also include modification to the Rules to make them compliant to IPSAS, where needed.

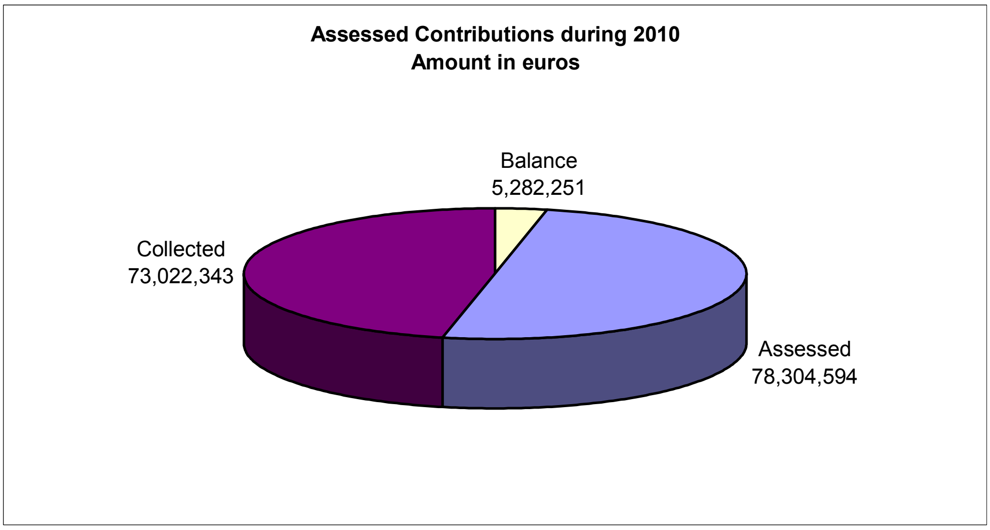
Contributions from the Member States

39. The annual contributions from the Member States for 2010 were assessed at €78,304.6 thousands against which €73,022.3 thousands were collected, leaving a balance of €5,282.3 thousands. The following table indicates the assessed and collected contributions during the year 2010:

Table 2
€ in 000

	Year 2010
Contributions Assessed	78,304.6
Contributions Collected	73,022.3
Balance	5,282.3

40. The following graph depicts the position of contributions assessed, collected and outstanding:



41. The contributions outstanding at the end of the year 2010 were €113,097.6 thousands. This figure was €115,783 thousands at the end of the biennium 2008-2009.

42. Contributions amounting to €113,097.6 thousands outstanding at the end of the year 2010 were due from 82 Member States. The amount due from two former Member States was €71,150 thousands which came to 63 per cent of the total outstanding amount. Thirty-two Member States owed more than €100,000 each to UNIDO and the total outstanding amount against these Member States was €102,969.8 thousands, which was 91 per cent of the total outstanding contributions. Leaving aside the static outstanding contributions against the two former Member States, recovery against the remaining outstanding contributions improved during the year 2010.

Un-liquidated Obligations

43. With the adoption of IPSAS, the management de-recognized Un-Liquidated Obligations (ULO) accruals of €50,149.7 thousands and ULO liabilities of €17,219.1 thousands from the financial statements. However, the Summary Financial Statements for the year 2010 prepared on the basis of UNSAS, included as an annex to the financial statements, showed ULOs amounting to €2,727.1 thousands under the General Fund.

Verification of Amounts Due to the Member States

44. According to the Financial Regulation 4.2 (b), "the unencumbered balance of the appropriations at the end of a fiscal period shall be surrendered to the Members at the end of the first calendar year following the fiscal period after deducting there from any contributions from Members relating to that fiscal period which remain unpaid, and shall be credited to the Members in proportion to their assessed contributions in accordance with the provisions of financial regulations 4.2 (c) and 5.2 (d)".

45. The surplus available for distribution representing the unspent balances of collections, the assessed contributions received for the prior biennia together with the receipts from the new Member States are set aside in the "accounts payable", pending receipt of the Member States' instructions. The unencumbered balance due to the Member States as on 31 December 2009 was €19,341.7 thousands (Note 3.12 of the Financial Statements for the biennium 2008-2009), which was restated as opening balance in the financial statements for the year 2010 prepared on IPSAS basis for a total of €22,424.0 thousands**,** including the Incentive scheme interest due to Member States of €3,082.3 thousands. The collections of the assessed contributions from the previous periods amounting to €7,818.5 thousands, adjustments of €18,477.0 thousands made during the year 2010 and the resulting balance due to the Member States as on 31 December 2010, amounting to €11,765.4 thousands, as given in the Financial Statements for the year 2010, were verified.

Programme for Change and Organizational Renewal (PCOR)

46. During the External Audit for the biennium 2008-2009 it was observed that UNIDO was in the process of implementing the Change Management Initiative (CMI)/Programme for Change and Organizational Renewal (PCOR) with a view to addressing the management objectives through an organization wide computer system that required major Business Process Re-Engineering (BPR). The External Audit identified certain weaknesses in the implementation of the PCOR and recommended that realistic cost-estimate and placement of qualified human resource were critical to effective implementation of the Programme. The External Audit also recommended that the organizational objectives of the Results Based Management (RBM) and Decentralization should be made part of the PCOR.

47. The External Audit continued to review the implementation of the PCOR during the audit for the year 2010.

48. The External Audit also reviewed the Implementation Plan of the PCOR. The following table shows the timelines for the PCOR and the implementation status:

Table 3

Main areas under PCOR	**Timeline**	**Progress**
1-People and Culture		
Vision	Feb 2010	Done
Culture Survey	April to June 2010	Cultural Diagnostic Survey completed. Further tasks to be carried forward by COG according to their TOR.
Communication Strategy and KM Report	May 2010 to August 2010	Done
360 Performance Management Pilot	Jan to April 2010	Done
Continuous alignment with operational improvements and ERP implementation	Nov 2010 to Dec 2013	This will continue till the end of the project and will be part of Culture Organizational Group (COG)'s work.
2-Operational Improvements		
Business Concept	June to May 2010	Done
Quick wins	Jan to July 2010	Out of 40 quick wins 35 have been completed. The rest will be made part of the ERP
BPR	June 2010 to Nov 2011	The initial BPR exercise has been completed now the Blue print preparation stage is under process.
3-ERP Implementation		
Software requirements	Feb 2010 to May 2010	Done
Implementation partner selection	June 2010 to Nov 2010	Done
Data Integration and Software implementation	Dec 2010 to Dec 2013	Under process

49. The External Audit noted that the overall broad activities under the PCOR were being carried out according to the above-mentioned schedule. The External Audit observed that while the overall objectives and outcomes had been determined, there was a need for documenting measurable performance indicators for all the activities to ensure effective monitoring.

50. With regard to ascertaining the effectiveness of the evaluation of project performance, the External Audit reviewed the progress in this area. The External Audit observed that the UNIDO management had started some initiatives under the PCOR to address the requirements of performance monitoring. These included:

I. Bureau for Programme Results Monitoring;
II. Project and Portfolio Management (PPM).

51. The External Audit observed that although the creation of a Bureau for Programme Results Monitoring might be a step in the right direction, the responsibility of the project management for submitting timely reports could not be overemphasised. During the 2010 audit of the regional offices, the External Audit noted that:

I. Around one-third of the progress/programme reports due in December 2010 were not submitted in one Regional Office, which showed weakness in the area of project monitoring.

II. In one Regional Office, there was a lack of coordination and communication between the Regional Office and the project managers in monitoring the projects. The UNIDO Representative (UR) was not aware of the progress made in projects as he was not engaged in project execution. The UR being involved in the process of conceptualizing the projects with the host country and being well aware of project objectives was expected to be in a better position to monitor the progress of projects.

III. While the implementation of the Enterprise Resource Planning (ERP) was likely to create an enabling environment for decentralization, there was a need to actually decentralise certain powers to the field as was envisaged in the Decentralization Initiative.

52. In order to enhance the capacity of UNIDO staff to come up to the requirements of the revised and more challenging business processes, a number of workshops had been held by the PCOR in which 205 staff members participated. The workshops on “SAP overview” were attended by 76 participants. The External Audit was of the opinion that the workshops provided only a general introduction to SAP and did not train the staff for the specific jobs they had to perform.

53. **The External Audit recommends that:**

I. Measurable performance indicators for all the activities may be documented for the PCOR and the implementation may be monitored with reference to these indicators.

II. A training need assessment of each category of employees of UNIDO may be made and the training schedule for the Revised Business Processes, being managed through the ERP, be finalized at the earliest to ensure that the targets of the PCOR Implementation Plan are met.

Management’s Response

54. *During the BPR exercise, UNIDO’s core business processes were redesigned in a manner that would allow staff members to perform activities, irrespective of whether they are at Headquarters or in the field. Also the ERP system is designed with regard to enabling field staff to have all functionalities and to carry out all processes as if they were at Headquarters. Field staff will be involved in all stages of the TC project cycle.*

55. *Specific SAP training for all users (at Headquarters and the field) would be provided prior to the going live of each release, considering the learning curve of people. A detailed training plan for both Headquarter and field staff was expected to be finalized during May 2011 by SAP specialists, UNIDO HRM and O-COR.*

56. **The External Audit is of the view that the availability of functionality through the ERP may not necessarily devolve the required powers to the field offices as envisaged in the Decentralization Initiative. Formal devolution of powers was therefore required.**

57. **The External Audit will continue to review the use of the PPM module by the project managers, supervisors, URs and senior managers for monitoring purposes, as well as for the implementation of the training plan.**

Audit of Information Systems

58. Successful implementation of IPSAS is critically dependent on ERP installation or upgrade of the existing computer system. Therefore, my audit team undertook a detailed review of the information system of UNIDO. The following paragraphs include observations emerging from review of the system.

Risk Management System for Information Assets in UNIDO

59. Risk management is the process of identifying vulnerabilities and threats to the information resources used by an organization in achieving business objectives and deciding what countermeasures (safeguards or controls), if any, to take in reducing the risk to an acceptable level (i.e., residual risk), based on the value of the information

resource to the organization. Risk management assessment should be carried out on a periodic basis to take into account the threats and vulnerabilities to the information assets in a timely manner.

60. The External Audit observed that the exercise on risk management was not being carried out. Although the Internal Control Framework, promulgated in May 2010 elaborated the risk management process, there was no mention of the IT risk management.

61. The management responded that *in the course of institutionalizing risk management at UNIDO, an SAP Governance, Risk and Compliance (GRC) system will be implemented. The GRC system will allow for organization-wide risk management at the strategic, operational and project level. The GRC system will cover the documentation of IT-related risks*.

Standard Operating Procedures

62. Established policies and procedures ensure that the organization's way of doing business does not deviate or deteriorate over time, and employees know their job duties and the scope of their responsibilities clearly.

63. The External Audit observed that Standard Operating Procedures (SOPs) in areas such as Network Management, IT Security, Information Security, IT Operations Management, Change Management, System Management etc. had not yet been formally developed, approved and circulated. The procedure for business continuity was developed in 2007 but it had not been updated. Moreover, even a number of the ICM staff was not aware of the existence of this procedure.

64. The management informed that *standard policies and procedures were in use and the scope was outlined in the Information and Communication Technology (ICT) Policy. The exact detailed formulation of SOPs, as is done for large IT facilities, was not necessarily applicable to a small IT facility.*

65. The External Audit was of the view that in the wake of the implementation of the PCOR and the introduction of SAP, there was a greater need for detailed procedures to implement the ICT policy.

Identification and Authentication Mechanism at Financial Control Points

66. Identification and authentication in logical access control software is the process by which the system authenticates the identity of a user. The External Audit observed that a password based authentication was being used at financial control points at Headquarters as well as the field offices which was a weak authentication mechanism, keeping in view the criticality of functions like handling pensions, salaries and procurements etc.

67. The management replied that *in order to access any UNIDO system, one must be either inside the HQ UNIDO premises or on a Virtual Private Network provided by UNIDO to Field Offices or else be in possession of an access code token using a one-time password system. The next authentication mechanism was user ID and password into the Windows Domain. Yet another authentication mechanism was application specific. For Agresso (financial and procurement workflow), a separate user ID and password, based on role, was required. For mainframe access (pension, salaries), yet another separate user ID and password, based also on role, was required. This was considered adequate. Appropriate encryption mechanisms were in place for transfers of data to the offsite backup facility.*

68. The External Audit was of the view that identification and authentication mechanisms mentioned by the management for different applications were still categorized as one-factor authentication. There remained the risk of unauthorized access even from within UNIDO. For critical control points two factor authentication methods (such as password plus biometric or password plus ID Card etc) might help avoid the chances of unauthorized access and hacking.

Information Security Management System

69. An Information Security Management System (ISMS) is a set of policies concerned with information security management or its related risks. The information protected is not just electronic but includes paper-based information as well.

70. The External Audit observed that ISMS had not been developed.

71. The management responded that the *ICT Policy update of 2011 (pending approval) covered information/security issues.* Subsequent External Audit teams will monitor the implementation of ISMS.

IT Governance Framework

72. An IT governance framework provides assurance about the value of IT, the management of IT-related risks and increased requirements for control over information. During discussions, the External Audit observed that UNIDO had not formally adopted an IT Governance Framework to manage its IT system.

73. The management replied that *the Joint Inspection Unit (JIU) was reviewing and making recommendations on IT Governance within the United Nations Systems organizations. There was indeed a governance framework in place vis-à-vis the PCOR, which included the envisaged SAP IT solution. Applicable components of this governance structure would undoubtedly remain in place after the envisaged IT solution was implemented.*

74. The subsequent external audit teams will review the development and implementation of IT Governance Framework in the newly implemented PCOR.

Configuration Management

75. Configuration management involves the identification and management of the security features for all hardware, software, and firmware components of an information system at a given point and systematically controls changes to that configuration during the system's life cycle. The External Audit identified that procedures for configuration management existed informally. UNIDO was using software Subversion to manage configurations. However, changes to configurations were not being enforced through this version control system.

76. In response, the management stated that *the current Configuration Management was supported by the version control system "Subversion" and is adequate for ICM purposes. The new SAP infrastructure Configuration Management in its entirety was controlled by SAP's "Solution Manager", which was SAP's ITIL compliant method for version control and overall project management.*

77. The External Audit is of the view that critical changes may pass through development and test phases before deployment into production environment. The next year's audit will review the status of configuration management in the newly implemented SAP system.

Business Continuity Planning

78. Business Continuity Planning (BCP) and contingency planning are elements of a system of internal controls that is established to manage availability of critical processes in the event of interruption. The ultimate goal of the process is to be able to respond to incidents that may impact people, operations and ability to deliver goods and services.

79. UNIDO developed its Business Continuity Plan in year 2007. But no separate budget had been assigned for the Business Continuity Plan (development, testing and maintenance). After reviewing the UNIDO Business Continuity Plan and discussions with the ICM personnel, the External Audit observed that:

- Recovery procedures were not given in details;
- Business Impact Analysis was not conducted;

- Roles and responsibilities were not clearly defined;
- Testing of Plan was not being carried out.

80. The management replied *that the Overall Business Continuity Planning for UNIDO and the governing document is under the auspices of the Senior Security Coordinator. The ICM BCP is internal and serves to augment the main document. The ICM BCP extra ordinary document does not contain a level of detail that would include sensitive information on disaster recovery facilities. The document prescribes testing intervals to be determined by the Chief else Head of Operations of ICM. The Business Impact Analysis is part of the UNIDO-wide document. The roles and responsibilities are outlined in the annexes of the UNIDO-wide document as they must be updated with changes of staff.*

81. The External Audit maintains that the overall Business Continuity Plan for UNIDO generally covers all major areas, whereas the ICM BCP, which was developed in year 2007, needs to specifically address issues pertaining to the ICM facilities such as more detailed recovery procedures, carrying out of business impact analysis, defining of roles and responsibilities and testing of the plan.

Information Technology Strategy

82. The core purpose of an Information Technology Strategy is to ensure that there is a strong and clear relationship between the IT investment decisions and the organization's overall strategies, goals and objectives.

83. During discussions with the ICM personnel, the External Audit found that an IT strategy document was developed in the year 1998. Afterwards, this document was not revised keeping in view the organization's present strategies, goals and objectives.

84. The management responded that *since 2009, the IT strategy became an internal part of the PCOR and the strategic approach for IT is covered by the PCOR governance framework for the envisaged SAP solution that will provide support for the Organization's business, operations and requirements for donor reporting, RBM, ERM, etc.*

85. **The External Audit recommends that:**

I. The management may ensure that the IT risk management is implemented as part of the PCOR.

II. Detailed SOPs may be developed to implement the ICT Policy.

III. A strong authentication mechanism such as two factor authentication (e.g. Digital Certificates) may be used at critical points. Encryption may be used in communicating critical financial data.

IV. It may be ensured that the ICT Policy update of 2011 covers security issues regarding confidentiality, integrity and availability of information.

V. A specific ICM Business Continuity Plan needs to be formulated to address issues like recovery strategies and business impact analysis.

VI. The IT strategy document may be updated and approved as IT is playing a major role in achieving the objectives of UNIDO.

Management's Response

86. *UNIDO intends to institutionalize risk management of which IT risk will be a component.*

87. *UNIDO intends to develop SOPs relevant for the implementation of the ICT Policy.*

88. *Strong authentication mechanisms will be used at critical points with encryption as appropriate for communication of critical financial data.*

89. *The ICT Policy update of 2011 (pending approval) covers information/security issues.*

90. *The ICM BCP will be updated and approved to address issues like recovery strategies and business impact analysis.*

91. *The IT strategy document will be updated.*

92. **As the management has agreed to the External Audit recommendations on the Audit of Information Systems, subsequent External Audit teams will review the implementation of these recommendations.**

Project Portfolio Management

93. The External Audit report for the biennium 2008-2009 contained a review of the project portfolio management and thematic priorities of UNIDO. The report had observed that the project portfolio management efforts were limited to consolidation of projects' financial information, monitoring appeared to be the weakest link in the project management, documents of some projects did not provide for the RBM reporting and the risk management was not an essential part of the project documentation cycle. There was no mechanism to capture the implementation status and outcome of the projects along UNIDO's three thematic priorities.

94. The External Audit continued a review of the issues highlighted in the previous report. The External Audit was informed that there were 1,178 projects as per the Infobase system. Progress reporting (annual or biannual) was required in the case of 1,032 projects, excluding special projects. In the case of 892 projects, at least one progress report was due in 2010. However, reports for only 415 projects were received.

95. The management responded that *it seems the statistics used above is based on the number of PADs, which is not a proper reflection of project numbers. Nonetheless Management intends to address the regularity of progress reports.*

96. The External Audit would like to clarify that the information regarding the number of Projects is based on the written response of the management to an audit query[1] in which it was clearly stated that ***"the number of projects in the Infobase system for which a Project Allotment Document (PAD) exists = 1,178. The number of projects for which progress reporting (annual or 6-monthly) is required – i.e. excluding Special Projects such as those for associate experts, evaluation, preparatory assistances, etc. = 1,032. The number of projects for which at least a progress report (annual or 6-monthly) was due in the course of 2010 — i.e. excluding those that started in the second half of 2010 (and for which therefore no report was yet due by the end of the year) = 892".***

97. In view of the above, the External Audit would like the management to determine the exact number of projects and the status of their progress reporting for the subsequent External Audit teams to verify.

98. The management also informed that under the current system there was no calendar of returns to indicate as to when a project report was due and this check was applied manually for each individual project whenever a budget revision was submitted for processing. During the final audit of the 2010 accounts carried out in April 2011, the management informed[2] that *there was neither a unit/focal point within UNIDO with an overall responsibility for monitoring and reporting nor was there an established forum to analyse the reports received for corrective action, where required*. Subsequently, the management has informed that *in May 2010, the AMC (Programme Approval and Monitoring Committee) was established in part aiming at being a focal point for portfolio monitoring and reporting.* The position needs to be firmed up for the verification by subsequent External Audit teams.

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[1] Audit query number 51 dated 19 April 2011 and the response of management dated 21 April 2011.

[2] Ibid

99. The External Audit noted that the management had revised the monitoring framework in the Programme and Budgets 2010-11, which now envisaged reduced number of outcomes and proposed considerably lesser number of indicators for measuring outcomes as compared to the Programme and Budgets 2008-09. However, the External Audit observed that while developing a project, the linkages between the results of the project (outcomes and outputs) and the larger theme were either missing or not adequately described.

100. It has been a consistent finding of the External Audit as reported in the Interim Audit Report 2008 as well as the Audit Report for the Biennium 2008-2009 that although the basic information on projects, including performance indicators, may be available on individual project basis the same is not available for the project portfolio as a whole. In the absence of the aggregated information, it becomes difficult to determine portfolio's health in terms of:

- Sustainability: funding and institutional capacities to implement projects;
- Development impact: envisaged outcomes of the projects;
- Project implementation timelines;
- Completion of projects within original cost estimates.

101. Aggregated information will serve as an early warning system and effective management tool for identification and mitigation of portfolio implementation risks.

102. In terms of PR 04.03.02 of TC Guidelines, the establishment of coordination mechanisms, both in the house (headquarters) and in the field, had been considered as the key to an efficient and effective implementation process of projects. However, the External Audit noted that the coordination meetings, both at headquarters and in the field, were not conducted as envisaged in the TC Guidelines.

103. The External Audit also observed that UNIDO had created a section "Special Programmes and LDC Group (SPL)" to promote cooperation with the Least Developed Countries (LDCs), with a focus on poverty reduction through policy advisory support and multi-disciplinary technical cooperation programmes. Funds mobilization was a critical challenge for the proper implementation of projects in LDCs. This resulted in difficulties and delays in the completion of projects despite the provision of UNIDO seed money. As a result, frequent budget revisions had to be done to extend the implementation time frame.

104. The External Audit was of the view that a robust monitoring and evaluation framework was critical for continuously assessing achievement of programme objectives, making suitable adjustments and strengthening accountability. The External Audit observed that in the period pending the implementation of the ERP, the system of monitoring and reporting results of programmes was not functioning adequately, which posed a serious risk that programme activities might not achieve the desired objectives, and constrain the management's ability to timely identify and subsequently address critical snags in the implementation of programmes. The External Audit also observed that currently the impact evaluation of the programmes and projects on the basis of the modified indicators was not being carried out.

105. The External Audit also noted that the templates, systems and procedures for the Results Based Management (RBM) were in the development phase. Subsequent audit teams would review them.

106. **The External Audit recommends that:**

I. A mechanism may be devised to ensure that all the projects submit their progress reports in a timely manner. This factor could be made a part of the appraisal of the Project Managers. A dedicated section may monitor and report on submission records of progress reports.

II. Coordination meetings, as envisaged in the TC Guidelines, may be held regularly.

III. In the case of the LDCs, a multidisciplinary approach for the programmes and projects may be adopted to ensure synergy for better results.

IV. The management may introduce a mechanism, for the interim period, till the full functioning of the ERP, to evaluate the implementation and outcome of UNIDO's project/programme portfolio.

Management's Response

107. *A dedicated section may monitor and report on submission records of progress reports, which could be considered as part of the mandate of the recently established Bureau for Programme Results Monitoring.*

108. *The recommended multi-disciplinary approach in the case of LDCs was one of UNIDO's competitive advantage and would be pursued.*

109. *All TC projects will be gradually moved into the monitoring and reporting framework of the core business activities of the ERP system which would go live in phases.*

110. **Subsequent External Audit teams will review the progress with reference to the management's acceptance of the recommendations in this area of audit.**

Internal Oversight Services (IOS)

111. The External Audit reviewed the working of the Internal Oversight Service (IOS) during 2010. The IOS issued four reports containing forty-one recommendations during 2010 as per the details given in the following table:

Table 4
Reports and Recommendations issued during 2010

Reports	Total Reports Issued	Number of recommendations issued
Internal Audit	2	9
Investigation	1	1
Any other*	1	31
Total	**4**	**41**

* *The "Lessons Learned" report contained recommendations relating to systemic issues found on investigative work.*

112. The performance showed an improvement compared with 2009 when no report was issued during the entire year.

113. Regarding implementation of recommendations, the management informed that in late 2008, the IOS started consolidating the recommendations by transferring all reports with pending recommendations to the new TeamMate software. This included deleting duplicate recommendations, and also splitting highly complex recommendations into simpler recommendations.

114. The following table depicts the implementation status of IOS recommendations, after the introduction of the new software, as on 31 December 2010:

Table 5
Implementation Status of the IOS Recommendations

Year	Rec.	Closed – Implemented	Closed – Management Accepts Risk	Closed – Obsolete	Pending – Partially Implemented	Pending
2010	41	3	0	4	9	25
2009	0	0	0	0	0	0
2008	81	25	6	0	49	1
2007	1	0	1	0	0	0
2006	46	9	0	1	29	7
2005	22	6	5	0	9	2
2004	5	0	4	0	1	0
Total	196	43	16	5	97	35

115. The implementation of 18 per cent of the total recommendations, made since 2004, had not started and 49 per cent of the recommendations had only been partially implemented.

116. The IOS received complaints/reports of wrongdoing in person, by physical mail, dedicated telephone line, dedicated confidential fax line, e-mail, and web page accessible from UNIDO website or the IOS intranet page. The following table shows the status of reports of wrongdoings received and disposed of by the IOS during 2008-2010:

Table 6
Complaints/Reports received and disposed of during 2008-2010

		2008	2009	2010
A	**Complaints Outstanding from Prior Period**	14	22	33
B	**New Complaints Received in the period**	13	51	60
C	**Total Outstanding (a+b)**	27	73	93
D	**Complaints Closed after Preliminary Review Investigation**	5	40	85
E	**Balance Outstanding (c-d)**	**22**	**33**	**8**

117. The IOS received 60 complaints/reports of wrongdoing during 2010 while 51 complaints/reports were received in 2009. Eighty-five complaints/reports were disposed of during 2010 compared with 40 complaints/reports disposed of during 2009.

118. The IOS based its 2009 and 2010 workplans on the risk assessment carried out in 2008. As informed by the management, the risk assessment for 2009 and 2010 was not carried out due to resource constraints and the risk assessment for 2011 was being carried out.

119. The IOS could not implement its workplan for 2009 due to staffing situation and had to carry forward the same plan to 2010, while the Workplan for 2011 had not been prepared. The management informed that *the work on the preparation of the IOS work Plan 2011 (including Internal Audit) was ongoing. Finalization depended on the risk assessment.*

120. **The External Audit recommends that:**

I. **The follow-up mechanism may be reviewed and strengthened to ensure timely implementation of the IOS recommendations.**

II. **The risk assessment and the workplan for 2011 may be finalized on priority basis.**

Management's Response

121. *The closure of outstanding recommendations would depend on the progress being made on the PCOR.*

122. **Subsequent External Audit teams will review the progress with reference to the management's acceptance of the recommendations in this area of audit.**

Ethics and Accountability

123. UNIDO Policy on Fraud Awareness and Prevention was promulgated on 6 June 2005 vide DGB/(M).94. The Policy defined fraud, committed a zero tolerance approach, identified potential risk areas, spelled out control mechanism, demarcated responsibilities for prevention of fraud, and announced severe disciplinary action against the individuals found guilty of fraud.

124. Fully cognizant of the need to further improve a culture of ethics, integrity, transparency, and accountability, UNIDO gave a new impetus to its accountability drive in 2010. As a starting point, the Director-General appointed a Focal Point for Ethics and Accountability in his office. To ensure the independence of Ethics Office, the Focal Point reports direct to the Director-General. His functions include, inter alia, developing, implementing, and administering ethics related policies of UNIDO.

125. Continuing the momentum, a number of ethics related policies were introduced during 2010. On 1 March 2010, the Code of Ethical Conduct was promulgated vide DGB/(M).115. The Code spelled out guiding principles and values for UNIDO and determined the basic features of the conduct expected from the staff members and employees. The Ethics Office was entrusted with the responsibility to administer the Code.

126. To ensure and facilitate the whistleblower protection, DGB/(M).116 was promulgated on 1 March 2010, announcing the Policy on Protection against retaliation for reporting misconduct or cooperating with audits or investigations. The Policy laid out a detailed mechanism for whistleblower protection.

127. On 4 May 2010, the UNIDO Policy for Financial Disclosure and Declaration of Interests was promulgated vide DGB/(M).118. Annual Financial Disclosure (FD) and Declaration of Interests (DI) statements were made obligatory for certain categories of staff members and employees. The Ethics Office was made responsible to administer the Policy.

128. Exhibiting the top management's commitment to the cause of ethics, integrity, transparency, and accountability, the Director-General, in his message dated 21 May 2010, unequivocally reiterated his resolve to vigorously pursue implementation of ethics related policies.

129. The External Audit appreciates the above-mentioned policies and initiatives. The management's policy of zero tolerance towards fraud and its resolve to strengthen the culture of ethics and integrity is also appreciated. With a view to institutionalizing its ethics related policies, the management may consider the following observations of the External Audit:

I. The Director-General issued an Interoffice Memorandum on 5 April 2011, enumerating the management priorities for 2011. However, ethics and accountability had not been included in the priorities for 2011. Given the critical importance of ethics and accountability in helping UNIDO achieve its objectives, these initiatives merit a place in the management priorities for ensuring the linkage between accountability and good governance.

II. The United Nations Convention against Corruption, in its preamble recognizes that "a comprehensive and multidisciplinary approach is required to prevent and combat corruption effectively". A critical component of this comprehensive approach is awareness about anti-corruption. UNIDO's drive to increase fraud awareness in its staff and employees was at a nascent stage.

III. It had been made obligatory for certain categories of staff and employees to file annual FD and DI statements. As it was a new initiative, UNIDO staff had no formal training for filing these statements. The External Audit noted that out of a total of 235 staff members and employees obligated to file FD and DI statement, 139 had filed the statements by the cut-off date i.e. 31 March 2011.

IV. The Director-General had already shown his unflinching commitment to pursue the agenda of ethics and accountability. In order to further strengthen senior management commitment to the cause, the idea of holding an ethics and accountability retreat might also be considered.

130. **The External Audit recommends that:**

I. The management may consider including ethics and accountability in its priorities for 2011.

II. UNIDO may launch a fraud awareness campaign for all its staff and employees regarding issues related with anti-corruption, ethics, and integrity in general and UNIDO ethics related policies in particular.

III. Training courses may be developed and conducted for UNIDO staff and employees for filing FD and DI statements.

IV. The idea of holding an ethics and accountability retreat for the senior management may be considered.

Management's Response

131. *Ethics and accountability would be included in the priorities for 2011.*

132. *As a first step an online training is being developed and will be rolled out before the end of the year. This will be followed up by workshops.*

133. *An online and user-friendly information system would be developed and communicated just before next filing period to help staff members fill the FD and DI statements.*

134. *The idea of holding a retreat would be considered to be part of the agenda for a Board of Directors meeting or in next year's retreat.*

135. **Subsequent External Audit teams will review the progress with reference to the management's acceptance of the recommendations in this area of audit.**

Audit Committee

136. In the Interim Audit Report for the year 2008, the External Audit, recommended UNIDO to form an audit committee. The management agreed to examine the recommendation. However, it was informed that no resources were available in the draft 2012-2013 budget for this purpose.

137. The Joint Inspection Unit of the UN in its 2010 report on the Audit Function in the United Nations System defined the audit committee as, "an independent advisory expert body set up with the purpose of, inter alia, reviewing the accounting and financial reporting process, the system of internal control, the risk and audit process, and the process for monitoring compliance with financial rules and regulations and the code of conduct. As such, audit committees are part of the governance structure of the organization and a prerequisite for good governance". The report expressed satisfaction with the overall progress on establishment of audit committees in the UN organizations. However, it was pointed out that audit committee did not exist in seven UN organizations

including UNIDO. The report informed that governing bodies of three UN organizations, including UNIDO, were of the opinion that audit committee was not required. Despite this, the report recommended creation of audit committee in the UN organizations where it did not exist.

138. UNIDO carried out a self assessment of the IOS in 2008. Evaluating the IOS conformance to the International Standards for the Professional Practices of International Auditing, the self assessment declared the IOS non-conformant with Standard 1100: Independence and Objectivity, and recommended establishment of an audit committee. An external review of the self assessment was carried out by the Institute of Internal Auditors (IIA). In its Independent Validation Statement, agreeing with the recommendations of the self assessment, the IIA stated, "to achieve full independence per Standard 1110,[3] both in fact and in appearance, the IOS Director should report functionally to a governing authority (audit committee) composed of individuals, external to the Organization, and administratively to the Director-General".

139. Considering the pivotal role the audit committee plays in ensuring independence of the IOS, improving financial discipline, strengthening the control framework, and facilitating better governance, the External Audit emphasizes establishment of an audit committee since it has become an established norm in the UN organizations.

Management's Response

140. *The Member states indicated during the 25th session of the PBC that the decision on the creation and mandate of an Audit Committee was their prerogative.*

Procurement

141. The External Audit reviewed and analysed the procurement function. Some contracts were also reviewed in detail. The following paragraphs give the significant audit findings in this area:

I. Chapter II, Section 1 of the UNIDO Procurement Manual defines a mechanism for preparation, approval, and issue of annual procurement plans by the prescribed timelines. The External Audit observed that procurement planning was not being undertaken for TC projects. A procurement planning system for TC projects was available on the UNIDO Intranet, but it was not being utilized. The lack of procurement planning continued to be an area of concern.

II. The External Audit noted that the Authorized Officials were not providing quarterly reports on decentralized procurement. The annual information on the qualified local suppliers was also not being provided to the Operational Support Services (OSS) branch by the concerned quarters, as required under Chapter III Sections 8.1 and 8.4 of the Procurement Manual. The management informed that *the procurement process under the new ERP system makes provision for management reporting*.

III. As provided in Chapter 1, Section 2 of the Procurement Manual, effective competition is one of the four UNIDO procurement principles. Moreover, Chapter III, Section 4.1 of the Manual declares, "Waiver of competition is an exception from normal procurement procedures and should therefore be considered as a serious departure from a regular procurement process". However, the External Audit observed that the number of contracts awarded through waiver had increased every year during the period 2008-2010. It had gone from 3.2 per cent to 7.8 per cent of the total contracts awarded during the year. The total value of contracts awarded through waiver as a percentage of the total value of contracts ranged from 31.3 to 33.8 per cent, which indicated that nearly one third of the total expenditure on procurement was incurred without competitive process. The following table depicts the status of contracts awarded through waiver during the period 2008-2010:

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[3] International Standards for the Professional Practice of Internal Auditing, Standard 1110: Organizational Independence.

Table 7
Contracts awarded through waiver during the period 2008-2010

	Total contracts awarded	Contracts awarded through waiver	Percentage	Total contract value €	Total value of contracts awarded through waiver €	Percentage
2008	1063	34	3.2	50,522,520	17,065,236	33.8
2009	1186	76	6.4	62,287,893	20,512,586	33
2010	1215	95	7.8	55,939,033	17,530,570	31.3

IV. It was also noted that information on all signed contracts of €70,000 or more was not being posted on the UNIDO website as required under Chapter II, Section 10.4 of the Procurement Manual. Such information was required to ensure transparency of the procurement process, which was one of the four procurement principles, given in Chapter 1, Section 2 of the Procurement Manual.

V. Vital information like advance payments was not electronically available. The management was requested to provide data about contracts in which advance payments were made, cases where advance payments were made without obtaining the bank guarantee, and cases where advance payments exceeded 20 per cent of the contract value. But the management informed that *since the procurement unit has not been fully automated the data will have to be manually extracted by going through hundreds of contract files*.

142. **The External Audit recommends that:**

I. Pending finalization of the new ERP, the procurement planning system for TC projects available on the intranet may be utilized to prepare procurement plans.

II. The Authorized Officials may be advised to ensure that periodic reports are submitted regularly.

III. A strategy may be devised to limit the number of waivers to the minimum possible extent.

IV. Information on signed contracts of €70,000 or more may be placed on the UNIDO website in accordance with the Procurement Manual.

V. The new ERP may be configured in such a manner that the information on all the vital statistics of contracts, including information on advance payments, is easily available from the system.

Management's Response

143. *The current workflow in Agresso did not support the preparation, approval, and issue of annual procurement plans by the prescribed timelines. However, in the integration blueprint of the core and procurement business processes in the new ERP system a mandatory functionality would be provided which, inter alia, would include procurement planning.*

144. **Subsequent External Audit teams will review the progress with reference to the management's acceptance of the recommendations in this area of audit.**

Human Resource Management

145. The External Audit also undertook a review of the Human Resource Management (HRM) function of UNIDO with reference to the recruitment policy, training and performance appraisal.

146. According to the Staff Regulation 3.2, due regard shall be paid to the importance of recruiting the staff on a wide and equitable geographical basis. The External Audit noted that UNIDO monitored equitable geographical

balance in the recruitment of staff through ‘informal desirable ranges’. However, the data showing the informal desirable range for each Member State and the number of staff hired against them showed that for some countries the hiring was beyond the informal desirable range, whereas there were some Member States which had no representation at all.

147. **The External Audit recommends that UNIDO may ensure maintaining the geographical equitable representation of the Member States according to the desirable ranges.**

Management’s Response

148. *The management appreciated the comment of the External Auditor and informed that efforts would continue in this direction. Actions had already been taken such as through HRM’s advertising campaigns.*

Buildings Management Services

149. During the process of IPSAS implementation, the UNIDO management had sought advice of the External Audit on the treatment of the Buildings Management Services (BMS) in the context of IPSAS 8 (Interests in Joint Ventures). The advice of the External Audit was adequately reflected in the financial statements and the BMS was shown as a jointly controlled operation. The External Audit undertook a review of the functioning of the BMS.

150. The BMS is responsible for the operation, maintenance, repairs and replacements in the Vienna International Centre (VIC) building, with a gross area of about 370,000 square meters as well as the associated technical facilities, machinery, equipment, furniture and fixtures installed therein. This responsibility has been assigned to UNIDO under the terms of Memorandum of Understanding signed by the four Vienna Based Organizations (VBOs). These services are provided by UNIDO on behalf of, and with the financial resources contributed by the VBOs according to a cost sharing formula.

151. The budget allocation for the BMS for the biennium 2010-11 and two previous biennia is given in the following table:

Table 8
€ in 000

Biennium	**2006-07**	**2008-09**	**2010-11**
Budget	57,164	56,928	64,161

Source: Programme and Budgets of respective Biennium.

152. It is pertinent to mention that the budget for the biennium 2010-11 included anticipated “savings on vacant posts” amounting to €3.0 million as income.

153. The following table shows the BMS expenditure during the last three years:

Table 9
€ in 000

Year	**BM Expenditure**	**BMS Special Account Expenditure**	**Total BMS Expenditure**
2008	6,781	13,469	20,250
2009	7,107	13,835	20,943
2010*	7,804	10,769	18,573

* The 2010 expenditure is on IPSAS basis whereas 2008 and 2009 expenditures are based on UNSAS.

154. The Programme and Budgets 2010-11, allocated resources for the operations of the BMS under Major Programme H, and also laid down the objective of the BMS, expected outcomes and performance indicators. The

management was requested to share the system being used to monitor the achievements against the designed performance indicators, and provide a copy of the performance monitoring report for review, along with information about any clients' survey or comprehensive evaluation of the BMS operations carried out. The management in response provided a set of documents consisting mainly of budget 2010-11 formulation papers, which did not contain any information relevant to effective monitoring of a programme based budget. Monitoring or evaluation reports were not provided to the External Audit. It appeared that the system to regularly monitor and report the results of the BMS operations against the designed indicators was not operative in UNIDO.

155. A review of the BMS expenditure pattern over the last three years indicated that the expenditure had been considerably less than the budget allocation. The savings in the BM fund, which is used mainly for staff related costs, were attributable to the shortage of staff against the budgeted positions. Against 9 posts in the Professionals' category, only 3 were filled, whereas against 125 budgeted posts in the GS category, only 95 staff members were working. During discussion with the management, the External Audit was informed that this acute shortage of staff was adversely affecting the working of the BMS. It was also making succession planning difficult, which was all the more important for an entity like the BMS, entrusted with the responsibility of maintaining ageing machinery and equipment.

156. Unlike the BM Fund, the savings in the BMS Special Account, used for operational costs, are not surrendered to the Member States, but transferred to the BMS Special Account Fund Balance. The General Conference had approved the creation of the BMS Special Account (GC.9/Dec.14) with the understanding that *the Secretariat would strive to utilize, to the fullest extent possible the funds budgeted for each biennium*. The following table gives expenditure under the BMS Special Account, net surplus of the BMS Special Account transferred to the BMS Special Account Fund Balance, net surplus as a percentage of expenditure and closing balance of Special Account Fund, for the year 2010 and two previous biennia.

Table 10
€ in 000

Biennium/Year	BMS Special Account Expenditure	Net Surplus Transferred to BMS Special Account Fund	Net surplus as a percentage of Expenditure	Closing Balance of BMS Special Account Fund
2006-07	24,520	4,393	17.92	19,980
2008-09	27,304	5,508	20.17	25,488
2010	13,456*	3,528	26.22	29,016

* The expenditure figure for 2010 here is also UNSAS based for the sake of consistency in analysis.

157. The above table shows that the net surplus of the BMS Special Account as a percentage of expenditure is steadily increasing. An amount of €29,016 thousands had accumulated in the BMS Special Account Fund Balance as on 31 December, 2010. The management has informed that this Fund Balance formed part of the BMS cash, amounting to €32,773 thousands as on 31 December, 2010, which was invested in short-term deposits with maturity of less than three months. The Financial Statements for the biennia 2006-07, 2008-09 and the year 2010 indicated interest income (net of bank charges) of €1,217 thousands, €1,138 thousands and €155 thousands respectively on these short-term deposits.

158. **The External Audit recommends that:**

I. The management may design and implement a system of periodic reporting on BMS's achievements against the performance indicators laid down in the Programme and Budgets to measure the achievement of the programme outcomes.

II. The management may analyse the necessity of all the budgeted posts in the BMS and abolish posts that are not considered necessary. The necessary posts lying vacant may be filled.

Management's Response

159. *Periodic reporting took place to the appropriate bodies besides detailed monthly communications regarding BMS projects to the VBOs. The BMS was in the process of evaluating various software systems in order to monitor the achievements against the performance indicators. UNIDO was also assessing the possibility of achieving the objective with the SAP system.*

160. *The necessity of all budgeted posts had been continuously justified and analysed at every budgetary cycle by UNIDO as well as the other VBOs. The BMS operations were being analysed by an internal management committee after which recruitment would be effected to ensure necessary staffing levels, supporting future requirements.*

161. **The subsequent External Audit teams will review progress.**

Paperless Action

162. UNIDO launched the paperless action in 2010 as part of the PCOR. The External Audit was informed that against the target of 20 per cent the actual reduction in consumption amounted to 34.2 per cent between March 2010 and March 2011. In absolute terms, 2.7 million pages, around 13.5 tons of high quality paper (approximate value: 40,000 euro) had been saved. Paperless action not only resulted in significant reduction of paper and printing material consumption/costs, but also freed the staff from the mechanical low efficiency operations allowing to concentrate on their core, high-end activities.

163. UNIDO also conceived the idea of paperless meetings during 2010 and implemented it to the meetings of the Executive Board, and the Procurement Committee.

164. The External Audit appreciates the positive effects of the paperless initiative on the VIC environment, as it led to a significant reduction in paper consumption, cost savings, and paperless meetings.

Fraud and Cash Write-Offs

165. The UNIDO management reported to the External Audit cases of write-off of property, plant and equipment due to loss/theft amounting to €12,700 during the year 2010, in terms of Financial Regulation 9.4.

Ex-Gratia Payments

166. In terms of UNIDO Financial Regulation 9.3, the Director-General may make such ex-gratia payments as he deems to be necessary in the interest of the Organization. A statement of such payments shall be submitted with the final and interim accounts.

167. During 2010, an ex-gratia payment amounting to €3,000 was made out of the Operational Budget as compensation to a consultant for loss of personal effects due to the bomb attack at the UN offices in Algeria in 2007.

Compliance of the External Audit Report for the Biennium 2008-2009

168. The review of the compliance of the External Audit Report for the biennium 2008-2009 is at Annex I.

Acknowledgement

169. The External Audit is thankful to the management and the staff of UNIDO for their cooperation and assistance during audit.

ANNEX I

FOLLOW-UP OF THE RECOMMENDATIONS MADE IN THE PREVIOUS EXTERNAL AUDIT REPORT (External Audit Report for the Fiscal Period (2008-2009))

Sr. No.	Recommendation	Reference	Compliance status as of April 2011	Further Audit Comments
External Audit Report for the biennium 2006-2007 (PBC.24/3)				
1	**Procurement:** Procurement plans were incomplete and the organization could enhance their use as management and monitoring tools. Procurement plans were finalized. However, difficulty was still experienced in collecting the necessary inputs from all users in order to use these plans effectively as a management and monitoring tool. The benefits from effective management and monitoring of procurement are yet to be realized.	Annex 1	A UNIDO-wide procurement planning system functionality will be available in the new ERP system. Entering the planning data will be made mandatory for project managers and allotment holders.	As the External Audit report for the year 2010 contains comments on procurement planning, the matter will be further pursued under that report.
2	**Environmental Policy and Management Strategy** UNIDO has not developed and implemented a formal environmental policy and management strategy. The matter remains under review until such time as the organization formally develops and implements a comprehensive environmental policy and management strategy.	Annex 1	A dedicated Sustainability Management Focal point has been assigned to act as a link between the Issue Management Group (IMG) on Sustainable Management in the UN System and UNIDO. UNIDO is committed to achieving environmental sustainability in its operations within the framework of the wider UN initiative “Greening the Blue”. Following some delays in the publication of the UN wide report “Moving towards a climate neutral UN” (April 2011) the deadline for approval of the Emissions Reduction Plan/Policy by senior management has been moved to November 2011 by the IMG.	Subsequent audit teams will follow up progress.
3	**End-of-service and after-service health insurance liabilities:** Budgetary provision has not been made to cover the estimated costs of contingent liabilities for end-of-service	Annex 1	Beginning 2010, employee benefits liabilities; ASHI, End-of-Service Allowance, Repatriation Benefits and Annual Leave have been actuarially valued and recorded in the books of accounts. This transparent	As the External Audit report for the year 2010 contains comments on employee benefit liabilities, the matter will be further pursued under that report.

Sr. No.	Recommendation	Reference	Compliance status as of April 2011	Further Audit Comments
	payments to staff. Similarly, liabilities in respect of after-service health insurance have not been fully funded. The matter remains under review. No progress has been made.		presentation under IPSAS will assist in discussing with Member States the need for funding the liabilities. However, the budgeting methodology of the UN System as a whole remained on modified cash basis and no system-wide solution has been promulgated yet in respect of the unfunded post-employment benefit liabilities.	
Interim Audit Report 2008 (PCB.25/8)				
4	An audit committee may be formed to examine the internal audit and investigative reports and monitor the implementation of recommendations of the IOS.	2.9 (i)	The recommendation is noted. However, no financial resources are foreseen for that purpose in the draft 2012-2013 budgets.	As the External Audit report for the year 2010 contains comments on audit committee, the matter will be further pursued under that report.
5	Annual Procurement Plan may be prepared and approved within the time limit stipulated in the Procurement Manual.	3.7 (i)	The procurement planning system functionality which is a part of the SAP procurement module-presently in the blue-print phase, will be able to set up timelines/ controls for data entry/ management. Data entry will be made mandatory for project managers and allotment holders in line with the provisions of the Procurement Manual.	Subsequent audit teams will follow up progress.
6	Procurement function may be computerized with a centralized database for all procurement activities. It may also be linked with Agresso throughout the process. System of electronic approvals during the procurement process also needs to be institutionalized.	3.7 (ii)	The computerized procurement system for processing procurement requirements for both headquarters and field offices is part of the SAP ERP system presently in the blue-print phase, and expected to go live in January 2013. The new procurement module will automate the entire procurement cycle and it foresees a range of proposed new, e-supported functionalities.	Subsequent audit teams will follow up progress.
7	Procedures in the Procurement Manual need to be geared to limit the discretion of Procurement Officers in defining the number of suppliers for — Request for Quotation, and for the finalization of the list	3.7 (vi)	The new ERP procurement module will include a solicitation functionality that links sourcing to eligible vendors registered in the Supplier Relationship Management (SRM) through product codes as well as those registered in UNGM. This will in	Subsequent audit teams will follow up progress.

Sr. No.	Recommendation	Reference	Compliance status as of April 2011	Further Audit Comments
	of suppliers, in case of limited solicitation.		turn limit the use of individual discretion.	
8	If a contract is to be awarded that involves future phases as well, this fact should be clearly mentioned in the solicitation documents to ensure equal opportunity and level playing field for all bidders.	3.7 (vii)	The new ERP Procurement Plan functionality will allow for phase by phase procurement planning which will be reflected in the solicitation documents accordingly.	Subsequent audit teams will follow up progress.
9	For all acquisitions, neutral, clear and preferably performance oriented specifications should be determined, in line with the provisions of Paragraph 3.1, Chapter 2 of the Procurement Manual, so that the goods and services procured match the actual requirements of the organization. Due care should be exercised in defining the deliverables of contracts so that all the requirements are converted into measurable outputs.	3.7 (ix)	Recommendation is being followed.	No further comments.
10	It is recommended to ensure that: The accounting records provide adequate classified information on all acquisitions. The accounting information on physical assets is used for developing inventories of physical assets. There is periodic reconciliation between the financial record of assets and the physical inventories.	4.4 (i) 4.4 (ii) 4.4 (iii)	IPSAS compliance since 2010 has enhanced management and control of property, plant and equipment including complete reconciliations being carried out between Fixed Asset Register and financial records.	No further comments.
11	Travel Unit needs to ensure that all refunds/rebates, credits and reports are received within the time limits specified in the contract.	5.11 (ii)	CTBTO as the Leading Agency has already taken the measures of amending the contract.	No further comments.

Sr. No.	Recommendation	Reference	Compliance status as of April 2011	Further Audit Comments
12	While implementing the decentralization initiative the operational requirements of the field offices may be kept in view so that speedy and effective implementation of projects and programmes is ensured.	7.8 (i)	This subject is an ongoing and evolving matter. The DG has ensured, in May 2010 through DGB(P).120, that field staff, particularly URs are responsible and accountable for submission of new project concepts in their countries of coverage. Furthermore, through DGB(O).122 of November 2010, integrating the entire field network in PTC, the operational aspects of TC management are also strengthened. URs are becoming country portfolio managers allowing them to a greater extent to leverage the resources of TC for supporting the operational activities.	Subsequent audit teams will follow up progress.
13	For implementing such projects in future, it may be advisable to consider deployment of some resources as well as expertise, both indigenous and international, for identifying workable Human resource Development Strategy which is likely to be successful in the cultural and political milieu of the target country.	7.8 (ii)	UNIDO intends to progressively engage the Desks in TC management in their country including aspects of TC implementation according to resources available.	Subsequent audit teams will follow up progress.
External Audit Report for the Biennium 2008-2009 (PBC.25/8)				
14	A field office recorded an obligation for a service agreement in 2009 without any supporting documentation.	30	In order to meet the requirement for IPSAS compliance, the requisition entry was introduced in January 2010 as mandatory prior to its approval into obligation. Since the requisition entry requires the attachment of necessary supporting documentation, no obligation can any longer be recorded in the FPCS without supporting documentation.	No further comments.
15	Management may like to determine the extent and efficacy of the financial and human resources committed for the RBM initiatives.	41	An RBM-based project document template allowing for results-based TC project management was developed by a cross-organizational team and was tested among PTC colleagues	Subsequent audit teams will follow up progress.

Sr. No.	Recommendation	Reference	Compliance status as of April 2011	Further Audit Comments
			during 2010 and early 2011. The new ERP system will enable UNIDO to better manage and report for results. The full system to allow for effective RBM will be operational in early 2013.	
16	There was no mechanism to capture the implementation status and outcome of the projects.	54	The system of reporting to capture and aggregate project outcomes for various reporting purposes is being conceptualized and developed as part of the ongoing ERP system development during the current year. By early to mid-next year, when project information will be gradually migrated to the new system, the inquired reporting mechanism should be available and start producing such reports.	Further progress will be monitored with reference to the External Audit's comments on the PCOR in the report for 2010.
17	Management may consider adding information regarding achievements against planned performance indicators and outcomes, in the End of the Year TC Delivery Report.	64 (i)	As part of the division-wide annual planning exercise, all project managers in PTC were requested to elaborate their project workplans in detail following the result matrix of Logical Framework concept, covering, among others, objective, outcomes, outputs and various indicators. The management will seek opportunities to utilize results of this exercise for the inquired report. However, its completion may have to wait for the development of a project management platform in the new ERP system, as currently all the workplans were produced in available software, which makes it difficult to aggregate them.	Further progress will be monitored with reference to the External Audit's comments on the PCOR in the report for 2010.
18	Till the implementation of the Change Management Initiative, effective monitoring and evaluation of program results may be ensured.	64 (ii)	See above response (64-i). The Organization's recent structural adjustment (Director-General's IOM: Operational Changes and Reassignments, dated 29 March 2011) has created the Bureau for Programme Results Monitoring (BRM). ODG/EVA continues to evaluate programme level results at Programme level and 101 country programme evaluations are	Further progress will be monitored with reference to the External Audit's comments on the PCOR in the report for 2010.

Sr. No.	Recommendation	Reference	Compliance status as of April 2011	Further Audit Comments
			conducted during the 2010/11 biennium. There are also ongoing programme level evaluations in the area of upgrading and POPs. In 2010 thematic evaluations of UNIDO post-crisis projects, and International Technology Centres were finalized as well as Reviews of Montreal Protocol and Agri-business interventions.	
19	Risk management including risk mitigation may be made an essential part of the project documentation.	64 (iii)	The institutionalization of risk management is a key objective of PCOR. In late 2009, ERM workshops with the management were held to agree on top 20 risks and opportunities. During the BPR exercise in 2010, risks were identified for each stage of the project cycle. Risk management requirements were included in the Request for Proposal (RfP) for an ERP system and implementation partner issued in 2010. Risks for TC projects are also captured by the SAP Project and Portfolio management architecture, which is being implemented in release 1 (Core business/TC activities).	Further progress will be monitored with reference to the External Audit's comments on the PCOR in the report for 2010.
20	Change Management effort needed to be carefully implemented, involving all stakeholders and going for comprehensive solutions to avoid any risks of failure.	75	All stakeholders have been fully involved in the Change Management efforts. A large number of staff members at all levels are involved in various teams/working groups and committees. All developments of PCOR are regularly communicated to managers, staff, Member States and other stakeholders.	Further progress will be monitored with reference to the External Audit's comments on the PCOR in the report for 2010.
21	It may be advisable at this stage to revaluate the cost estimates for the selected option for the Change Management Initiative.	76 (i)	Based on the bids received during the international bidding exercise for an ERP system and implementation services, carried out in 2010, the PCOR cost estimates were revised and shared with Member States in November 2010 (see IDB.38/9/Add.2).	Further progress will be monitored with reference to the External Audit's comments on the PCOR in the report for 2010.

Sr. No.	Recommendation	Reference	Compliance status as of April 2011	Further Audit Comments
22	Since ERP is by definition a centrally led solution, it should be ensured that the key personnel responsible for the ERP implementation are in place and properly trained.	76 (ii)	A dedicated Office for Change and Organizational Renewal (OCOR) was established in March 2010 to guide, coordinate and manage the implementation of PCOR in a systematic and holistic manner. A comprehensive training plan is currently being developed by SAP specialists, O-COR and UNIDO HRM. It will include training for both Headquarter and field staff. Further training will take place shortly before each release goes live to ensure that staff are well prepared to make best use of the new system.	Further progress will be monitored with reference to the External Audit's comments on the PCOR in the report for 2010.
23	Since various activities relating to RBM and Decentralization are foreseen to be carried out within the overall framework of the Change Management Initiative, it should be ensured that the achievement of the objectives of RBM and Decentralization is supported.	76 (iii)	RBM and decentralization are integral elements of PCOR. They were fully taken into account during the BPR exercise, during the Request for Proposal for the ERP system and implementation services and currently during the design of the business blueprints. Moreover, with Decentralization, UNIDO core business processes have been designed in a manner that would allow staff members to perform activities irrespective of whether they are at Headquarters or in the field. Also the ERP system is designed with regard to enabling the field to have all functionalities like at Headquarters.	Further progress will be monitored with reference to the External Audit's comments on the PCOR in the report for 2010.
24	The internal controls in the field offices may be strengthened and segregation of duties of staff be ensured.	88 (i)	Financial Services are embarking on defining and developing a new approach to manage the payments entrusted to the field offices. Moreover, in line with the introduction of the new ERP system for TC management, 4th quarter 2011, the TC management aspects, involving the field, will also be positively effected to ensure better monitoring and segregation of duties.	Subsequent audit teams will follow up progress.
25	The URs may be given greater role in project implementation.	88 (ii)	Through the issuance of DGB(P)120 and DGB(O).122 in 2010, the field network has become to fulfil a more central	Subsequent audit teams will follow up progress.

Sr. No.	Recommendation	Reference	Compliance status as of April 2011	Further Audit Comments
			role in TC development and implementation. The URs are increasingly considered as Country Portfolio Managers. Depending upon the capacities in the field the URs are now implementing projects fully or partially.	
26	The field offices may be asked to send the required reports for effective Monitoring and Evaluation.	88 (iii)	In view of the integration of the field network in PTC (DGB.(O)122 of November 2010), as well as the regional programmes into PTC in March 2011, the monitoring functions of TC and those of the field office operations will be reviewed. Therefore this issue is still pending finalization.	Further progress will be monitored with reference to the External Audit's comments on the Project Portfolio Management in the report for 2010.
27	Management may ensure that only authorized persons use the authority to incur expenditure.	88 (iv)	Normally this matter is ensured through the correct assignment of approval rights in the financial system. With the introduction of the new ERP system also control mechanisms as well as control possibilities will be strengthened.	Further progress will be monitored with reference to the External Audit's comments on the Information Systems in the report for 2010.
28	Review of the investigative reports prepared and complaints disposed by IOS indicated the need for strengthening the existing control framework for prevention of fraud, wrong-doings, conflict of interest, particularly for project activities like procurement of goods and services, recruitment and project execution.	94	The most significant reinforcement is the implementation of the Ethics Policy and the Policy for Financial Disclosure and Declaration of Interests for the year 2010.	Further progress will be monitored with reference to the External Audit's comments on Ethics and Accountability in the report for 2010.
29	Management may undertake a comprehensive program for training of personnel in field offices.	112 (i)	Training plans for Agresso v553 (all levels) and IPSAS were extensive in late 2009 with a plethora of HQ and FO staff trained. These efforts continued in 2010 and continue in 2011.	No further comments.
30	The IT systems need to be dovetailed with the change management initiative.	112 (ii)	One of the major elements of the Programme for Change and Organizational Renewal (PCOR) is the implementation of an ERP system. Indeed, the IT systems that will be based on SAP are to be dovetailed to the PCOR.	Further progress will be monitored with reference to the External Audit's comments on the PCOR in the report for 2010.

Sr. No.	Recommendation	Reference	Compliance status as of April 2011	Further Audit Comments
31	Management may arrange an independent assessment of the system integrity.	112 (iii)	An external independent assessment of the Agresso system has not been conducted to date, however, the system is to be migrated to SAP starting in 2012 whereupon each and every aspect of the Agresso system will be under independent purview by the implementation partner during the migration.	Subsequent audit teams will follow up progress.

ANNEX II

OPINION OF THE EXTERNAL AUDITOR ON THE FINANCIAL STATEMENTS OF THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION FOR THE YEAR ENDED 31 DECEMBER 2010

To: The President of the Industrial Development Board

I have audited the appended Financial Statements comprising Statements 1 to 5 and Notes to the Financial Statements of the United Nations Industrial Development Organization (hereinafter, "UNIDO") for the financial period ended 31 December 2010.

The Director-General, in accordance with UNIDO's Financial Regulations, is responsible for preparing the Financial Statements. Under Article XI of the Financial Regulations, the External Auditor is required to express an opinion on these Financial Statements based on his audit.

I conducted my audit in accordance with International Standards on Auditing (ISA) and where applicable, according to the ISSAIs which are the INTOSAI prescribed auditing standards for the Supreme Audit Institutions. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

In my opinion, the financial statements, prepared on the International Public Sector Accounting Standards (IPSAS), present fairly, in all material respects, the financial position of UNIDO as of 31 December 2010 and its financial performance, cash flows and status of appropriations for the year then ended in accordance with UNIDO's Financial Regulations and Legislative Authority.

In accordance with Article XI of the UNIDO's Financial Regulations, I have also issued a long-form report.

[*Signed*]
(Tanwir Ali Agha)
Auditor General of Pakistan
External Auditor

Date: 23 May, 2011
Islamabad, Pakistan

ANNEX III

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

Report by the Director-General

International Public Sector Accounting Standards

1. The General Conference, at its twelfth session, approved the adoption of the International Public Sector Accounting Standards (IPSAS) by UNIDO effective 1 January 2010, as part of the United Nations system-wide adoption of these Standards (GC.12/Dec.14 refers). Accordingly, I am pleased to present the first financial statements prepared under IPSAS and in accordance with Article X of the financial regulations, for the year 2010. Transition to IPSAS at UNIDO was a major challenge for which the preparatory work already commenced in 2007. UNIDO is one of eight UN organizations that have adopted IPSAS as originally planned by 1 January 2010.

2. Until the last biennium, 2008-2009, the financial statements of UNIDO were prepared and audited on a biennial basis. In accordance with General Conference decision GC.13/Dec.12 the financial period was changed to annual from biennium to comply with IPSAS requirements. Therefore, the financial statements for 2010 are prepared and audited on an annual basis.

3. Adoption of IPSAS is a major change in UNIDO's financial accounting and reporting, which will enhance the transparency, accountability, consistency and comparability of the financial statements. In compliance with IPSAS, some of the major disclosures made for the first time in the Organization's financial statements are given below.

4. Accrual basis of accounting requires that revenues and expenses be recognized when they occur in the financial statements in the period to which they relate. The other elements recognized under accrual accounting are assets, liabilities and net assets/equity.

5. Expenses arising from the purchase of goods and services are recognized at the point when the supplier has performed its contractual obligations, which is when the goods and services are delivered to and accepted by the Organization. Also, all other expenses resulting from a consumption of assets or incurrence of liabilities that result in decreases in net assets/equity during the reporting period are recognized. Accordingly, outstanding commitments issued against budgetary allocations that do not meet the recognition criteria of expenses under the principle outlined above are not recognized as expenses.

6. Revenue from voluntary contributions that does not include specific conditions on their use is recognized upon the signing of a binding agreement between the Organization and the donor providing the contribution. Revenue from voluntary contributions that include conditions on their use, including obligation to return of funds to the contributing entity if such conditions are not met, is recognized as the conditions are satisfied. In previous years the revenue was recognized on receipt of cash by the Organization.

7. The treatment of property, plant and equipment (PPE) and intangible assets (IA) has changed, from immediate expensing of purchased assets to its capitalization on receipt. All PPE and IA above set thresholds are recognized in the financial statements. The gross value of PPE and IA at headquarters and field offices recognized in 2010 amounts to €11.6 million with a net value of €3.4 million after providing for amortization and depreciation. In line with IPSAS 17, Property, Plant and Equipment, which allows for a grace period of up to five years prior to full recognition of capitalized tangible assets, the Organization has invoked this transitional provision for recognition of PPE related to technical cooperation projects and the asset class "buildings". However, for management and control of these PPE items, they continued to be recorded in the fixed asset register.

8. Liabilities are accrued for both short and long term employee benefits as and when services are rendered by employees as opposed to the pay-as-you-go basis followed prior to implementation of IPSAS. Accordingly, employee benefits liabilities for After-Service Health Insurance (ASHI), Repatriation Grants along with costs related to separation entitlements for travel, shipment of household effects, and End of Service Allowances and accrued annual leave are recognized in the financial statements. These liabilities are determined by independent actuarial valuations and at year end the total of employee benefits liabilities amounted to €123.1 million. Though the liabilities are now fully accrued in the Statements they remain unfunded and continue to be serviced on the pay-as-you-go basis.

9. The enclosed Statements 1 to 4 have been presented on a consolidated basis for the Organization as a whole. Notes to the financial statements (Note 19 — Segment reporting) provide details of the Organization's three major distinguishable activities under regular budget, technical cooperation and other special services.

10. The key management personnel of the Organization are the Executive Management Group composed of the Director-General, the Deputy to the Director-General and the Managing Directors, who have the authority and responsibility for planning, directing and controlling the activities of the Organization and influencing its strategic direction. Remuneration of key management personnel is considered a related party transaction and is disclosed in the financial statements.

Assessed Contributions

11. The financial implementation of the approved programme and budgets is dependent on the actual level of cash resources available during the year, including the timing of payment of assessed contributions. Actual assessed contributions received and the amounts assessed in accordance with General Conference decisions with comparative figures for the previous years are shown below in millions of euros.

	2010		**2009**		**2008**		**2007**	
	€	%	€	%	€	%	€	%
Assessed contributions receivable	78.3	100.0	*77.3*	*100.0*	*77.3*	*100.0*	*75.4*	*100.0*
Assessed contributions received	73.0	93.3	*72.1*	*93.2*	*72.3*	*93.6*	*69.1*	*91.7*
Shortfall in collections	5.3	6.7	*5.2*	*6.8*	*5.0*	*6.4*	*6.3*	*8.3*

12. The rate of collection of assessed contributions for the year 2010 was 93.3 per cent, which is almost the same as for the year 2009 (93.2 per cent). The accumulated outstanding assessed contribution at year-end was €42.04 million, excluding an amount of €71.2 million due from former Member States, leading to a decrease from 2009 (€44.7 million). Annex I (b) provides details of assessed contribution collections and outstanding. In 2010, one of the Member States entered into a payment plan to steadily reduce its arrears totalling €25.6 million over a period of five years. The first instalment of €5.9 million has been already received. Two more Member States are making timely payments under payment plan agreements. The number of Member States without voting rights was 39 in December 2010 whereas in December 2009 it was 36. I would strongly encourage those Member States having difficulties in meeting their obligations to contact the Secretariat to enter into payment plan negotiations.

Performance based on Budget basis

13. The adoption of IPSAS has changed the basis of preparing the Organization's financial statements to full accrual; however, in the UN system as a whole there has been no change to the programme and budget preparation methodology. Consequently, IPSAS 24, Presentation of Budget Information, requires that a Statement of Comparison of Budget and Actual amounts (Statement 5) is included in the financial statements, based on budget basis.

14. Further, to provide the readers of financial statements information on budget basis, a separate section has been included and the following paragraphs describe the financial highlights for the year 2010.

15. The comparison is based on the programme and budgets 2010-2011, as adopted by the General Conference at its thirteenth session (decision GC.13/Dec.14), consisting of gross expenditures of €161,819,688, to be financed from assessed contributions in the amount of €156,609,188 and other income of €5,210,500. The assessment for 2010 was €78,304,594.

16. On budget basis the regular budget gross expenditures during the year 2010 amounted to €72.61 million or 91.31 per cent utilization of the €79.52 million gross approved expenditure budget. Actual collection of budgeted income amounted to €0.20 million government contribution to the cost of the field office network and €0.36 million under miscellaneous income against a budgeted amount of €1.04 million and €1.58 million, respectively. After taking into account the miscellaneous income not estimated in decision GC.13/Dec.14, the total net expenditures of €70.83 million represent 92.11 per cent of the net regular budget appropriations of €76.89 million. The resulting balance of net appropriations at 31 December 2010 amounted to €6.06 million (refer to Annex I (a)).

17. Expenditures under the regular budget were very close to the cash resources available. Variations were due to some under-spending of staff costs both because of a higher than budgeted vacancy level that prevailed during the biennium and lower-than-anticipated common staff cost ratios. Total recorded operating costs were also lower than anticipated, mostly on account of lower personnel costs in the Buildings Management Service.

18. In the operational budget, reimbursement for programme support costs amounted to €12.38 million during the year. Expenditures were recorded in the amount of €9.52 million, resulting in an excess of income over expenditure in the amount of €2.86 million. Consequently, the closing balance of the special account for programme support costs, i.e. the level of the operating reserve, including savings on cancellation of prior year obligations of €0.32 million, was €9.69 million as compared to the opening balance of €6.51 million (refer to Annex II).

19. The technical cooperation delivery continued to record increased performance during the year 2010 with an amount of US$ 153.5 million expenditure. This represents an increase of US$ 13.8 million, or 9.9 per cent over the previous year. This is the highest delivery figure recorded in the Organization since it became a specialized agency in 1986, except for the year 1990.

20. The Organization continues to show healthy financial results, as evidenced by the increase in the overall cash balance at 31 December 2010 to €392.7 million from €334.3 million at previous year-end. This, in combination with increased technical cooperation delivery, higher utilization of regular budget appropriations and increased collection rate of assessed contributions, augurs well for the Organization’s financial stability and its future programmes.

Results-based management

21. As prescribed in the Constitution, UNIDO has three policymaking organs, namely the General Conference, the Industrial Development Board and the Programme and Budget Committee. The Member States of UNIDO meet once every two years at the General Conference, the supreme policymaking organ of the Organization. The Conference determines the guiding principles and policies, approves the budget and work programme of UNIDO. As the chief administrative officer of the Organization, I have the overall responsibility and authority to direct the work of the Organization. The ever-increasing level of the application of results-based management (RBM) as a management tool has enabled the Organization to ensure that all its activities contribute towards the achievement of its strategic objectives and that results of activities are systematically assessed against objectives by performance indicators. The RBM principles were applied comprehensively while preparing the 2010-2011 programme and budgets approved by the Member States in decision GC.13/Dec.14. RBM is a key principle of UNIDO’s business model and is being operationalized during the implementation of the new

enterprise resource planning (ERP) system under the Programme for Change and Organizational Renewal (PCOR).

Programme for Change and Organizational Renewal (PCOR)

22. The Programme for Change and Organizational Renewal (PCOR) is an organization-wide initiative to reinforce the role UNIDO plays as a partner for prosperity and make the Organization "fit for the future". The programme, which is being implemented during the period 2011 to 2013, is making fundamental adjustments to the way the Organization operates to further increase its efficiency and effectiveness and, among others, institutionalize results-based management and risk management. The programme is based on the Leading Change and Organizational Renewal (LCOR) congruence model, which ensures that all aspects of change — concerning "formal organization" and "business processes" as well as "people" and "culture" - are addressed in a systematic and holistic manner.

23. Under the principles of "Growth with Quality" and "Delivering as One UNIDO" which were set by the Organization's new mission statement, PCOR is expected to achieve nine concrete benefits that will enable the Organization to better deliver to recipients' needs, better meet donors' and Member States' expectations and enhance an efficient and proactive working environment. Following the LCOR model, these benefits are being achieved through refinements in organizational structure ("formal organization"), reengineering of UNIDO's business processes and the implementation of an enterprise resource planning (ERP) system ("business processes") along with staff development ("people") and improving the working culture ("culture").

24. Since its launch in early 2010, PCOR has made significant progress. Some of the achievements are: agreement on the scope of PCOR; establishment of a governance structure; an implementation plan with clear timelines; completion of a business process reengineering (BPR) exercise covering the TC project cycle; the realization of operational quick wins; a diagnostic survey of UNIDO's corporate culture and assessment of cultural and knowledge management issues to be addressed; the pilot of 360 degree performance appraisal system; procurement of an ERP system and selection of an implementation partner; preparations for launching the ERP implementation; as well as securing the funds needed to implement PCOR. Throughout the year, I have submitted a number of reports and held regular briefings to Member States to keep them fully informed of all developments.

Ethics and accountability

25. The Organization took a major stride in entrenching ethics and accountability functions with the introduction of three related policies during the year, namely,

- Code of Ethical Conduct, which reiterated the guiding ethical principles and values of the Organization and its personnel and the provision of specific guidelines to assist personnel in achieving the Organization's mission, in accordance with the purposes of the United Nations Charter and the UNIDO Constitution.
- Protection from Retaliation for Reporting Misconduct or Cooperating with Audits or Investigations. This policy established the framework and procedures for the protection of those individuals working for the Organization who report misconduct, provide information in good faith on alleged wrongdoing, or cooperate with an audit or investigation, and
- Policy for Financial Disclosure and Declaration of Interests which ensures that, in the best interests of the Organization, actual, perceived or potential conflicts of interest arising from staff members' or employees' official position and duties on behalf of UNIDO, on the one hand, and their personal financial or other related interests on the other, can be timely identified, reviewed, managed and resolved.

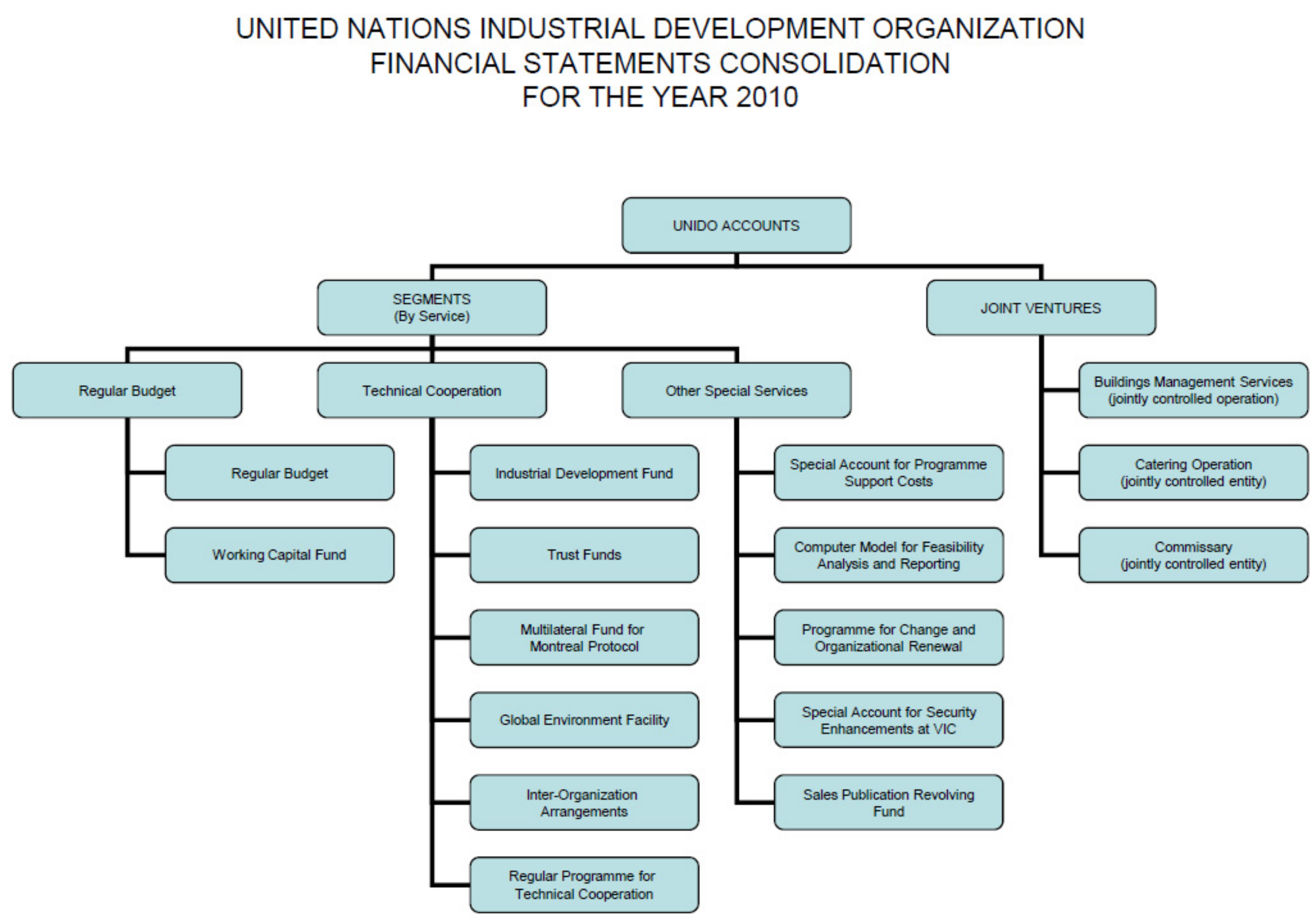
26. The Office of the Focal Point for Ethics and Accountability was established and a focal point was also appointed. The website has been launched and an initial awareness campaign conducted.

27. In every aspect, 2010 was a successful year for UNIDO. If the future would solely depend on past achievements, the Organization would be looking at a bright prospect. In this spirit, I wish to take this opportunity to express my appreciation to Member States and to donors for their financial support, and to all UNIDO staff for their contribution to the work of the Organization.

[*Signed*]

Kandeh K. Yumkella
Director-General

Major Segments and Joint Venture Consolidation Chart for the year 2010



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2010

Responsibility for Financial Statements and Certification

The Director-General of the United Nations Industrial Development Organization is responsible for the preparation and integrity of the financial statements and the External Auditor's responsibility is to express an opinion on the statements.

The financial statements have been prepared in accordance with the International Public Sector Accounting Standards and Article X of the Financial Regulations of UNIDO and have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and Management's best estimates.

The Organization maintains systems of internal accounting controls, policies and procedures to manage risks and ensure the reliability of financial information, the safeguarding of assets and to identify possible irregularities.

The internal control systems and financial records are subject to reviews by the Office of Internal Oversight Services and the External Auditor during their respective audits and the Management objectively reviews the recommendations made by them for further improving the internal control framework of the Organization.

All material transactions have been properly charged in the accounting records and are properly reflected in the appended financial statements and accompanying notes. The statements disclose with reasonable accuracy the financial position of the Organization and of funds held in trust by it, the results of their operations and the changes in their financial position.

[*Signed*]
Peter Ulbrich
Director, Financial Services Branch

[*Signed*]
Kandeh K. Yumkella
Director-General

Vienna, 31 March 2011

Statement 1: Statement of Financial Position as at 31 December 2010

(*Thousands of euros*)

	Note	31 December 2010	1 January 2010 (restated)
		€ '000	
ASSETS			
Current assets			
Cash and cash equivalents	*2*	392,681.7	334,274.2
Accounts receivable (non-exchange transactions)	*3*	82,159.6	45,376.9
Receivables from exchange transactions	*3*	9,799.6	10,219.6
Inventory	*4*	1,099.3	1,044.0
Other current assets	*5*	67,816.0	62,651.4
Total current assets		**553,556.2**	**453,566.1**
Non-current assets			
Accounts receivable (non-exchange transactions)	*3*	4,613.3	28.1
Share in net assets/equity of joint ventures accounted for using the equity method	*6*	984.9	512.5
Property, plant and equipment	*7*	1,755.5	1,719.2
Intangible assets	*8*	1,682.1	207.9
Other non-current assets	*9*	935.9	917.4
Total non-current assets		**9,971.7**	**3,385.1**
TOTAL ASSETS		**563,527.9**	**456,951.2**
LIABILITIES			
Current liabilities			
Accounts payable (exchange transactions)	*10*	333.0	262.9
Employee benefits	*11*	514.6	701.0
Transfers payable (non-exchange transactions)	*10*	26,942.6	38,849.6
Advance receipts	*12*	76,516.0	53,182.6
Other current and financial liabilities	*13*	71,819.5	63,014.8
Total current liabilities		**176,125.7**	**156,010.9**
Non-current liabilities			
Employee benefits	*11*	123,115.5	97,409.6
Other non-current liabilities	*13*	129.4	110.9
Total non-current liabilities		**123,244.9**	**97,520.5**
TOTAL LIABILITIES		**299,370.6**	**253,531.4**
NET ASSETS/EQUITY			
Accumulated surpluses/(deficits) and fund balances	*14*	240,004.3	178,820.2
Reserves	*15*	24,153.0	24,599.6
TOTAL NET ASSETS/EQUITY		**264,157.3**	**203,419.8**
TOTAL LIABILITIES AND NET ASSETS/EQUITY		**563,527.9**	**456,951.2**

The accompanying notes form an integral part of these Financial Statements

Statement 2: Statement of Financial Performance for year ended 31 December 2010
(*Thousands of euros*)

	Note	31 December 2010
		€ '000
INCOME/REVENUE		
Assessed contributions	*16*	78,304.6
Voluntary contributions	*16*	173,923.8
Investment revenue	*16*	551.0
Revenue producing activities	*16*	536.9
Share of surplus/ (deficit) of joint ventures	*16*	472.4
Others	*16*	1,480.7
TOTAL REVENUE		**255,269.4**
EXPENDITURE		
Salaries and employee benefits	*17*	112,472.4
Operational costs	*17*	22,159.2
Contractual services	*17*	26,301.2
Office supplies and consumables	*17*	292.0
TC equipment expensed	*17*	15,714.8
Depreciation and amortization	*17*	601.8
Currency translation differences	*17*	(18,503.7)
Other expenses	*17*	12,360.5
TOTAL EXPENDITURE		**171,398.2**
SURPLUS/ (DEFICIT) FOR THE FINANCIAL PERIOD		**83,871.2**

The accompanying notes form an integral part of these Financial Statements

Statement 3: Statement of Changes in Net Assets for year ended 31 December 2010

(*Thousands of euros*)

	Note	Accumulated Surplus/ (Deficit)	Reserves	Total Net Assets/ Equity
			€ '000	
Balance 31 December 2009 (restated)		**221,040.5**	**23,512.9**	**244,553.4**
Change in accounting policy:				
Initial recognition of property, plant and equipment		1,719.2	-	1,719.2
Initial recognition of intangible assets		207.9	-	207.9
Initial recognition of inventories		1,044.0	-	1,044.0
Initial recognition of employee benefit liabilities		(98,415.9)	-	(98,415.9)
De-recognition of un-liquidated obligations		50,149.7	-	50,149.7
De-recognition of un-liquidated payables accrual		17,219.1	-	17,219.1
Initial recognition of receipt accrual		(9,313.2)	-	(9,313.2)
Initial recognition of contribution receivable (net)		12,967.4	-	12,967.4
De-recognition of TC receivables		(2,431.8)	-	(2,431.8)
Initial recognition of deferred fund balances		(24,091.1)	-	(24,091.1)
Initial recognition of advances to suppliers and goods in transit		6,096.4	-	6,096.4
Change in valuation of provision for assessed contribution		913.4	-	913.4
Initial recognition of joint ventures		1,321.4	-	1,321.4
Initial recognition of reserves and fund balances for project personnel separation and project Equipment insurance		393.2	1,086.7	1,479.9
Adjusted net assets/equity at the beginning of the year	14,15	**178,820.2**	**24,599.6**	**203,419.8**
Actuarial valuation gains/(losses) on employee benefit liabilities	14	(18,037.1)	-	(18,037.1)
Transfer (to)/from provision for delayed contribution	14	3,190.9	-	3,190.9
Other movements recognized directly in net assets/equity	14	(22.4)	(446.6)	(469.0)
Net movements recognized directly in net assets/equity	14,15	**(14,868.6)**	**(446.6)**	**(15,315.2)**
Credits to Member States	14,15	(7,818.5)	-	(7,818.5)
				-
Net surplus/(deficit) for the year		83,871.2	-	83,871.2
Total movement during the year		**61,184.1**	**(446.6)**	**60,737.5**
Net assets/equity at the end of the year		**240,004.3**	**24,153.0**	**264,157.3**

The accompanying notes form an integral part of these Financial Statements

Statement 4: Cash Flow Statement for year ended 31 December 2010
(*Thousands of euros*)

	Note	**31 December 2010**
		€ '000
Cash flows from operating activities		
Surplus/(deficit) for the period		**83,871.2**
Foreign-exchange holding (gains)/losses on cash and cash equivalents		(16,474.8)
Depreciation and amortization	7,8	601.8
Increase/(decrease) in provision for delay in collection of contributions	3	(3,190.9)
Valuation gains/(losses) on employee benefit liabilities	11	(18,037.1)
(Increase)/decrease in inventories	4	(55.3)
(Increase)/decrease in receivables	3	(37,757.0)
(Increase)/decrease in other assets	5	(5,183.1)
Increase/(decrease) in advance receipts	12	23,333.4
Increase/(decrease) in accounts payable	10	(11,836.9)
Increase/(decrease) in employee benefits	11	25,519.5
Increase/(decrease) in other liabilities and provisions	13	8,823.2
(Gains)/losses on sale of property, plant and equipment	7	69.2
(Investment/Interest income)	6,16	(1,023.4)
Movements in reserves and provisions	14,15	2,744.3
Other movements		(22.3)
Net cash flows from operating activities		**51,381.8**
Cash flows from investing activities		
Purchase of property, plant and equipment (PP&E)	7	(663.0)
Purchase of intangible assets	8	(1,522.7)
Proceeds from sale of PP&E	7	4.1
Cash flow from investments interest	16	551.0
Net cash flows from investing activities		**(1,630.6)**
Cash flows from financing activities:		
Credits to Member States	14	(7,818.5)
Net cash flows from financing activities		**(7,818.5)**
Net increase/(decrease) in cash and cash equivalents		**41,932.7**
Cash and cash equivalents at beginning of the financial period		334,274.2
Foreign-exchange holding gains/(losses) on cash and cash equivalents		16,474.8
Cash and cash equivalents at end of the financial period	2	**392,681.7**

The accompanying notes form an integral part of these Financial Statements

Statement 5: Statement of Comparison of Budget and Actual amounts for year ended 31 December 2010

(*Thousands of euros*)

	Note	Original budget	Final budget	Actuals on comparable basis	Difference
		€ '000			
Cost component					
Staff costs		64,822.3	64,822.3	60,230.6	4,591.7
Official travel		1,879.5	1,879.5	1,607.5	272.0
Operating costs		14,265.9	14,265.9	12,398.9	1,867.0
Information and communication technology		2,685.3	2,685.3	2,173.3	512.0
Regular programme of technical cooperation, and special resources for Africa		7,075.3	7,075.3	5,713.4	1,361.9
Total	*18*	**90,728.3**	**90,728.3**	**82,123.7**	**8,604.6**

Note: Includes Regular and Operational budgets

The accompanying notes form an integral part of these Financial Statements

Notes to the Financial Statements

Note 1: Accounting Policies

Reporting Entity

1.1 The United Nations Industrial Development Organization (UNIDO) was established in 1966 by the UN General Assembly Resolution 2152 (XXI) and became a specialized agency of the United Nations in 1985 with the entering into force of its Constitution. The primary objective of the Organization is the promotion of sustainable industrial development in developing countries and countries with economies in transition. The Organization currently has 173 Member States.

1.2 The governing bodies of UNIDO are based on their predecessors that were effective prior to UNIDO becoming a specialized agency in 1985. UNIDO has three governing bodies: the General Conference, the Industrial Development Board and the Programme and Budget Committee. All three are anchored in the Constitution of the Organization, which was adopted in 1979.

1.3 The General Conference, which comprises all Member States of UNIDO, determines the guiding principles and policies of the Organization, and approves its budget and work programme. Every four years, the General Conference appoints the Director-General. The General Conference also elects the members of the Industrial Development Board and of the Programme and Budget Committee.

1.4 The Industrial Development Board (IDB), which comprises 53 members, reviews the implementation of the work programme, the regular and operational budgets, and makes recommendations on policy matters, including the appointment of the Director-General. The IDB meets once in General Conference years, and twice in other years.

1.5 The Programme and Budget Committee consisting of 27 members, is a subsidiary organ of the Board, which meets once a year, and assists the Board in the preparation and examination of the work programme, the budget and other financial matters. It meets once a year.

1.6 UNIDO channels its technical cooperation activities into three thematic priority areas — poverty reduction through productive activities, trade capacity-building and environment and energy. In addition, it engages in a number of cross-cutting activities, especially in promoting South-South cooperation for industrial development, partnerships with international financial institutions and the private sector, special programme for the least developed countries and strategic industrial research and statistical services.

1.7 The segments sections in the notes provide further details on how these core activities are managed and financed.

Basis of Preparation

1.8 The financial statements of UNIDO are maintained in accordance with Article X of the Financial Regulations of UNIDO, as adopted by the General Conference and in conformity with the International Public Sector Accounting Standards (IPSAS). Accordingly, the financial statements are prepared on the accrual basis of accounting. Where IPSAS is silent concerning any specific matter, the appropriate International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) are applied.

1.9 UNIDO's senior management has made an assessment of the entity's ability to continue as a going concern and it notes no material uncertainties related to events or conditions which may cast significant doubt. Therefore, these financial statements are prepared on a going-concern basis, and the accounting policies have been applied consistently throughout the reporting period.

1.10 These consolidated financial statements include financial statements of UNIDO and joint venture entities of Catering and Commissary and joint venture operations of Building Management Services and other common services.

Measurement basis

1.11 The financial statements are prepared using the historic cost convention except for certain investments and assets, which are carried at fair value according to the requirement of the applicable IPSAS standards.

Reporting period

1.12 The financial period for the preparation of first annual financial statements in accordance with IPSAS is the calendar year starting from 1 January 2010 and ending on 31 December 2010.

Currency and basis for conversion

1.13 The functional and presentation currency of UNIDO is euro. All values in the financial statements are in thousand of euro (€'000), unless stated otherwise.

Translation and conversion of currencies

1.14 Transactions, including non-monetary items, in currencies other than euro are converted to euros using the applicable United Nations Operational Rates of Exchange (UNORE) at the deemed date of the transaction.

1.15 Monetary assets and liabilities denominated in foreign currencies are converted into euro at the period end UNORE.

1.16 Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Financial Performance.

Use of estimates

1.17 The financial statements necessarily include amounts based on estimates and assumptions by management's best knowledge of current events and actions. Estimates include, but are not limited to: fair value of donated goods, defined benefit pension and other post employment benefit obligations, amounts for litigations, financial risk on accounts receivable, accrued charges, contingent assets and liabilities; and degree of impairment on inventories, property, plant and equipment and intangibles. Actual results could differ from those estimates. Material changes in estimates are reflected in the period in which they become known.

Changes in accounting policies and transitional provisions

1.18 This is the first set of financial statements prepared in compliance with IPSAS. Accordingly, the accounting policy changes, resulting from transition to IPSAS from United Nations system accounting standards (UNSAS), in recognizing revenue, expenditure, assets and liabilities on full accrual basis, effective 2010, are explained in paragraphs below.

- revenue from voluntary contributions beginning 2010 is recorded on accrual basis, at the time a binding agreement exists between UNIDO and the donor, as opposed to the cash basis under UNSAS in prior years;
- expenses are recorded on full accrual basis, when goods and services are delivered and the supplier performed its contractual obligation, rather than on modified accrual basis where some expenses have been recognized upon signature of the purchase order in prior years;

- treatment of property, plant and equipment (PPE) and intangible assets (IA) has changed, from immediate expensing of purchased assets to their capitalization. All PPE and IA above set thresholds are recognized in the Statement of Financial Position and depreciated over their useful life (refer to Note 7);
- inventories on hand are now capitalized and reported in the statement of financial position, compared to the immediate expensing upon purchase, in prior periods;
- all employee benefits are classified into three broad categories — short term, post employment and other long term and accounted for on an accrual basis (refer to Note 11);
- investments in joint ventures are accounted for in line with IPSAS.

Comparative opening balances of the Statement of Financial Position have been restated and adjusted. Details of such restatements are disclosed in Note 23 and 24.

1.19 As permitted on first time adoption of IPSAS, the following transitional provisions allowed under IPSAS have been applied.

(i) Comparative information for the previous year is not provided in the Statement of Financial Performance and Cash Flow in accordance with IPSAS 1;

(ii) Five-year transitional period, allowed under IPSAS 17 for recognizing property, plant and equipment, for project PPE (Technical Cooperation PPE) and for the PPE class “Buildings”;

(iii) Three-year transitional provision, allowed under IPSAS 23 for measuring Revenue from Non-Exchange Transactions for pre-2010 voluntary contributions.

The Accounting Standard IPSAS 25: Employee Benefits has been adopted prior to its required implementation date. The effect on net assets on the opening balance due to early adoption of IPSAS 25 is €97.4 million.

1.20 UNIDO has not applied the following new IPSAS that have been issued, but are not yet effective: IPSAS 28 — Financial Instruments: Presentation, IPSAS 29 — Financial Instruments: Recognition and Measurement, IPSAS 30 - Financial Instruments: Disclosures and IPSAS 31 — Intangible Assets. The Standards on Financial Instruments will replace IPSAS 15: Financial Instruments: Disclosure and Presentation; they establish principles for recognizing and measuring financial assets and financial liabilities, principles for presenting financial instruments as liabilities or net asset/equity, principles for off-setting financial assets and financial liabilities, and requirements for disclosure. The Standards are required for application for reporting periods beginning on or after January 1, 2013. IAS-38 Intangible Assets will be replaced by IPSAS-31 Intangible Assets effective April, 2011. On initial application the impact the Standards expected to have on financial statements is minimal due to UNIDO’s usage of limited financial instruments and the few variations between Intangible Assets Standards IAS 38 and IPSAS 31.

Revenue

Exchange revenue

1.21 Revenue from the sale of goods, such as sales of publications and the Computer Model for Feasibility Analysis and Reporting (COMFAR) is recognized when the significant risks and rewards of ownership of the goods are transferred to the purchaser.

1.22 Revenue from the provision of services is recognized in the financial period, in which the service is rendered according to the estimated stage of completion of that service, provided that the outcome can be estimated reliably.

Interest revenue

1.23 Interest income is recognized on a time-proportion basis as it accrues, taking into account the effective yield on the asset.

Non-exchange revenue

Assessed contributions

1.24 Revenue from assessed contributions from Member States to the regular budget is recognized at the beginning of the year to which the assessment relates. The revenue amount is determined based on programme and budgets and scale of assessment approved by the General Conference.

Voluntary contributions

1.25 Revenue from voluntary contributions that include restrictions on their use is recognized upon the signing of a binding agreement between UNIDO and the donor providing the contribution. Revenue from voluntary contributions that include conditions on their use, including obligation to return of funds to the contributing entity if such conditions are not met, is recognized as the conditions are satisfied. Until such conditions are met, present obligation is recognized as a liability.

1.26 Voluntary contributions and other revenue, which are not supported by binding agreements, are recognized as revenue when received.

Goods-in-kind

1.27 Goods-in-kind contributions are recognized at their fair value and goods and corresponding revenue is recognized immediately if no condition is attached. If conditions are attached, a liability is recognized, until such conditions are met and present obligation is satisfied. Revenue is recognized at fair value, measured as of the date the donated assets are acquired.

Services-in-kind

1.28 Services-in-kind contributions will not be recognized in the financial statements as revenue. The nature and type of services will be disclosed in the notes to the financial statements.

Expenses

1.29 Expenses arising from the purchase of goods and services are recognized at the point that the supplier has performed its contractual obligations, which is when the goods and services are received and accepted by UNIDO. This process may occur in stages for some service contracts. Also, all other expenses resulting from a consumption of assets or incurrence of liabilities that result in decreases in net assets/equity during the reporting period are recognized.

Assets

Cash and cash equivalents

1.30 Cash and cash equivalents are held at nominal value and include cash on hand and short-term highly liquid time deposits held with financial institutions.

Receivables and advances

1.31 Receivables and advances are recognized initially at nominal value. Allowances for estimated irrecoverable amounts are recognized for receivables and advances when there is objective evidence that the asset is impaired, whereby the impairment losses are recognized in the Statement of Financial Performance.

Financial Instruments

1.32 UNIDO uses only non-derivative financial instruments as part of its normal operations. These financial instruments consist mainly of bank accounts, time deposits, call accounts, accounts receivable and accounts payable.

1.33 All financial instruments are recognized in the Statement of Financial Position at their fair values. The historical cost-carrying amount of receivables and payables subject to normal trade credit terms, approximates the fair value of the transaction.

Financial Risks

1.34 UNIDO has instituted prudent risk management policies and procedures in accordance with its Financial Regulations and Rules. UNIDO may make both short- and long-term investments of moneys not needed for immediate requirements. All long-term investments must receive recommendation of an Investment Committee before such investments are made. In the normal course of business, UNIDO is exposed to a variety of financial risks, such as market risk (foreign currency exchange and interest rate), and counterparty risks. UNIDO does not use any hedging instruments to hedge risk exposures.

- **Currency risk:** UNIDO receives contributions from member countries and donors in currencies other than euro and is therefore exposed to foreign currency exchange risk arising from fluctuations of currency exchange rates.
- **Interest rate risk:** UNIDO deposits its funds only in short-term fixed interest accounts, and therefore has no significant interest rate risk exposure.
- **Credit risk:** UNIDO has no significant exposure to credit risk because its contributing member countries and donors are generally of high credit standing.
- **Counter-party risk:** UNIDO has its cash deposited with various banks and is therefore exposed to the risk that a bank defaults in its obligation towards the Organization. However, UNIDO has policies that limit the amount of exposure to any one financial institution.

Inventories

1.35 Inventories are stated at cost, except where inventories are acquired through a non-exchange transaction, where their cost is measured at their fair value as at the date of acquisition. Costs are assigned using the first-in, first-out (FIFO) basis for interchangeable items of inventory, and using specific identification for non-interchangeable items of inventory. A provision for impairment is recorded in the Statement of Financial Performance in the year in which the inventory is determined to be impaired.

1.36 As the value of office supplies, publications and reference material used are not material; they are expensed on purchase in the Statement of Financial Performance.

Property, plant and equipment

1.37 Initial recognition of Regular Budget PPE including Buildings Management and Catering Services assets are stated at cost as at the date of acquisition for each asset class. Subsequent carrying amount of PPE is at cost less accumulated depreciation and any recognized impairment losses. A capitalization threshold of 600 euro has been set for PPE.

1.38 Donated assets are valued at fair value as at the date of acquisition. Heritage assets are not recognized.

1.39 Impairment reviews are undertaken for PPE on a yearly basis.

1.40 Straight-line depreciation method is applied over the asset's estimated useful life to determine the annual depreciation charge, which is recognized in the Statement of Financial Performance.

The estimated useful lives for each class of PPE are as follows:

Class	**Estimated useful lives (years)**
Vehicles	3-10
Communications and IT equipment	3-7
Furniture and fixtures	5-12
Machinery	4-15
Buildings	5-50
Land	No depreciation
Leasehold improvements	shorter of lease term or useful life

Intangible assets

1.41 Intangible assets are stated at cost less accumulated amortization and any impairment loss. Intangible assets in UNIDO comprise mainly of software.

1.42 Where an intangible asset is acquired at no cost (gift, donation) or for nominal cost, the fair value of the asset as of the date of acquisition is used.

1.43 The following criteria shall also be met for an item to be recognized as an intangible asset: (a) An estimated useful life of more than 1 year; and (b) Cost of the asset exceeding €1,700, except for internally developed software where a minimum development cost is set at €25,000, excluding research and maintenance costs, which are expensed when incurred.

1.44 Amortization is provided over the estimated useful life using the straight-line method. The estimated useful lives for intangible asset classes are as follows:

Class	**Estimated useful life (years)**
Software acquired externally	6
Software internally developed	6
Copyrights	3

Leases

1.45 Lease agreements entered into in field offices are classified as operating leases and the lease payments made are charged to the Statement of Financial Performance as expense, on a straight-line basis over the period of the lease.

Interests in joint ventures

1.46 A joint venture is a contractual arrangement whereby UNIDO and one or more parties undertake an economic activity that is subject to joint control. Joint venture activities are classified into three different forms:

(i) For jointly controlled operations where UNIDO is the operator, UNIDO recognizes in its financial statements the assets it controls, the liabilities and expenses it incurs. Where another organization is the operator, UNIDO's expense and liability recognition is limited to the agreed billing arrangements;

(ii) For jointly controlled assets, UNIDO recognizes its share of the asset and any associated depreciation;

(iii) For jointly controlled entities, UNIDO applies the equity method of accounting. The investment in the jointly controlled entity is initially recognized at cost, and the carrying amount is increased or decreased to recognize UNIDO's share of the surplus or deficit of the jointly controlled entity for each reporting period. UNIDO's share of that surplus or deficit of the jointly controlled entity is recognized in UNIDO's Statement of Financial Performance.

1.47 These general purpose financial statements include applicable share of the joint ventures, entities and operations established by Memorandum of Understanding concerning the allocation of the common services at Vienna International Centre entered into by the Vienna based organizations in 1977. The common services include Catering, Building Management, Commissary and other services. UNIDO is party to a joint venture arrangement with the United Nations (UN), International Atomic Energy Agency (IAEA) and Comprehensive Nuclear Test-Ban Treaty Organization (CTBTO) on the VIC premises and common service activities.

Liabilities

Accounts payable and other financial liabilities

1.48 Accounts payable and other financial liabilities are recognized initially at nominal value, that best estimates the amount required to settle the obligation at the reporting date.

Employee Benefit liabilities

Short-term employee benefits

1.49 Short-term employee benefits comprise wages, salaries, allowances, paid sick leave and maternity leave. Short-term employee benefits are due to be settled within 12 months after the end of the period in which the employees render the related service and are measured at their nominal value based on accrued entitlements at current rates of pay.

Post-employment benefits

1.50 Post-employment benefits are employee benefits (other than termination benefits) that are payable after completion of employment.

1.51 Post employment benefits at UNIDO comprise defined benefit plans, comprising of pension plan (United Nations Joint Staff Pension Fund (UNJSPF), After Service Health Insurance (ASHI), Repatriation Grants and End of Service Allowances) along with costs related to separation entitlements for travel and shipment of household effects.

1.52 The post-employment benefit obligations are calculated by independent actuaries using the projected unit credit method. The present value of the obligation is determined by discounting the estimated future payment required to settle the obligation resulting from employee service rendered in the current and prior periods, using interest rates of high quality corporate bonds for the corresponding maturity years.

1.53 Actuarial gains and losses are recognized on the reserve method in the period in which they occur, and shown as a separate item in the statement of changes in net assets/equity.

Other long-term employee benefits

1.54 Other long-term employee benefits that are largely payable beyond 12 months, such as annual leave are calculated on the same actuarial basis as post employment benefits and actuarial gains and losses are recognized immediately.

United Nations Joint Staff Pension Fund

1.55 UNIDO is a member organization participating in the UNJSPF, which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The UNJSPF is a multi-employer funded, defined benefit plan.

1.56 As one of the participating organizations, UNIDO is not in a position to identify its share of the underlying financial position and performance of the plan on an IPSAS 25 basis with sufficient reliability for accounting purposes and will therefore, account for this plan as a defined contribution plan.

Provisions and Contingent Liabilities

1.57 Provisions are recognized for contingent liabilities when UNIDO has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle that obligation, and the amount can be reliably estimated. The amount of the provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. The estimate is discounted where the effect of the time value of money is material.

1.58 Contingent liabilities for which the possible obligation is uncertain, or yet to be confirmed whether UNIDO has a present obligation that could lead to an outflow of resources, or obligations that do not meet recognition criteria of IPSAS 19 are disclosed.

Fund Accounting and Segment Reporting

1.59 The financial statements are prepared on a “fund accounting” basis. Each fund is maintained as a distinct financial and accounting entity, with a separate self-balancing double-entry group of accounts. Fund balances represent the accumulated residual of revenue and expenses.

1.60 UNIDO’s sources of funds reflect distinguishable types of services that UNIDO provides to achieve its overall objective. The General Conference or the Director-General establishes separate funds for general or special purposes. Accordingly, segment reporting information is presented on the basis of source of funds and categorizes all its activities into three distinct service segments namely: (i) regular budget activities, (ii) technical cooperation activities and (iii) other activities and special services.

These three segments represent distinguishable service activities in following ways:

(a) *Regular budget activities* — provide core services, such as UNIDO’s governance, policy development, strategic direction, research, administration and support services (e.g., financial management, human resource management, etc.), as well as services to support Member States’ decision-making and provide core support to the achievement of UNIDO’s primary objective according to its Constitution, i.e., the promotion and acceleration of industrial development in the developing countries.

(b) *Technical cooperation (TC) activities* — implement projects and deliver services directly to the beneficiaries/countries. Those services bring direct benefit to the beneficiary in a wide range of areas, from agriculture to environment to trade, involving technology transfer, capacity-building, improvement of production processes, etc. These services are distinguishably different from those provided under regular budget financed activities, as specified above.

(c) *Other activities and special services* — are “peripheral activities” in supporting the services of (a) and (b) above. This last group of other services and special services refer to services such as, sales publication, buildings management, COMFAR etc., which are supplementary to the Organization’s mainstream activities, but are in line with and relevant to UNIDO’s general objective.

Budget Comparison

1.61 The biennial programme and budgets of the regular and operational budgets are prepared on the modified cash basis rather than on full accrual basis of IPSAS. Due to the different bases of preparing budgets and financial statements, Statement 5: Comparison of Budget and Actual Amounts as required under IPSAS 24 are presented on the same basis of accounting, classification and period as the approved budget.

1.62 The comparison statement includes: the original and final budget amounts; the actual amounts on the same basis as the corresponding budgetary amounts and an explanation of material differences between the budget and actual amounts.

1.63 Note 18 provides a reconciliation of actual amounts presented on the same basis to the budget with the actual amounts of net cash flows from operating activities, investing activities and financing activities presented in the financial statements, identifying separately any basis, timing and entity differences.

Related Party Disclosures

1.64 Related parties that have the ability to control, or exercise significant influence over UNIDO in making financial and operating decisions, as well as transactions with such parties, unless occurring within a normal relationship and on arms-length terms and conditions, or if such transactions are consistent with normal operating relationships between such entities, will be disclosed. In addition, UNIDO will disclose specific transactions with key management personnel and family members.

1.65 The key management personnel of UNIDO are the Executive Management Group composed of the Director-General, the Deputy to the Director-General and the Managing Directors, who have the authority and responsibility for planning, directing and controlling the activities of UNIDO and influencing its strategic direction. Remuneration of key management personnel will be considered a related party transaction.

Note 2: Cash and Cash Equivalents

	31 December 2010	1 January 2010 (restated)
	€ ‘000	
Cash and cash equivalents		
Cash at bank and on hand	38,353.7	12,277.3
Term deposits with original maturity of less than 3 months	351,707.2	319,991.9
Cash and cash equivalents held in field offices	2,620.8	2,005.0
Total cash and cash equivalents	**392,681.7**	**334,274.2**

2.1 Cash and cash equivalents contain restrictions on their availability for use depending upon the Fund they relate to — further information on cash and cash equivalents by major activities is provided in Note 19(A).

2.2 Cash and cash equivalents include cash and term deposits equivalent to €224,959,723 (2009: €165,752,869) held in currencies other than euro.

2.3 Some cash is held in currencies, which are either legally restricted or not readily convertible to euro and used exclusively for local expenses at the respective countries. At period end, the euro equivalent of these currencies is €527,402 (2009: €961,190) based on the respective closing United Nations Operational Rates of Exchange.

2.4 Interest bearing bank accounts and term deposits yielded interest at an annual average rate of 0.53 per cent and 0.24 per cent for euro and USD respectively.

2.5 Cash in field offices are held in Imprest Bank Accounts for the purpose of meeting financial needs at field locations.

Note 3: Accounts Receivable

Current	**31 December 2010**	**1 January 2010 (restated)**
	€ '000	
Receivable from non-exchange transactions		
Due from Member States – assessed contribution	97,757.7	115,002.6
Due from Member States – other	96.6	108.4
Voluntary contributions receivable	74,048.0	32,981.5
VAT and other taxes recoverable	2,860.7	2,915.1
Total accounts receivable before allowance	**174,763.0**	**151,007.6**
Allowance for doubtful accounts	(92,603.4)	(105,630.7)
Net accounts receivable from non-exchange transactions	**82,159.6**	**45,376.9**
Receivable from exchange transactions		
Receivables from VIC-based organizations	5,628.8	7,695.3
Receivables – other	4,894.6	3,248.1
Allowance for doubtful accounts	(723.8)	(723.8)
Net accounts receivable from exchange transactions	**9,799.6**	**10,219.6**

Non-current	**31 December 2010**	**1 January 2010 (restated)**
	€ '000	
Receivable from non-exchange transactions		
Due from Member States – assessed contribution	15,339.8	780.1
Allowance for doubtful accounts	(10,726.5)	(752.0)
Total receivable from non-exchange transactions	**4,613.3**	**28.1**

3.1 Accounts receivable are shown net of adjustments related to doubtful accounts. Allowance for uncollected assessed contributions is based on historical experience and is estimated at the following percentages of outstanding contributions receivable. No allowance has been made for voluntary contributions receivable.

Assessed contributions outstanding for:	%
More than 6 years	100
Between 4 and 6 years	80
Between 2 and 4 years	60
Between 1 and 2 years	30

3.2 Changes in allowance for uncollected assessed contributions were as follows:

	€ '000
Allowance for bad and doubtful account at beginning of the year (restated)	**105,362.4**
Release against Member States balances	(3,190.9)
Allowance for bad and doubtful account at the end of the year	**102,171.5**

3.3 Total allowances for bad and doubtful accounts of €104,053,698 (2009: €107,106,368), consist of €102,171,484 (2009: €105,362,372) against assessed contributions receivable and €1,882,214 against other receivables (2009: €1,743,996).

3.4 Non-current contribution receivables are for confirmed contributions from Member States due after more than one year from the reporting date in accordance with agreed payment plans amounting to €15,339,842 (2009: €780,057).

3.5 Annex I (b), Status of Assessed Contributions provide details of outstanding assessed contributions and the following table illustrates a summary ageing of contributions receivable:

	31 December 2010 *€ '000*	**%**
Year		
2009-2010	9,386.4	8.3
2007-2008	8,654.4	7.7
2005-2006	4,469.3	4.0
2004 and earlier	90,587.5	80.0
Total contributions receivable before allowance	**113,097.6**	**100.0**

Note 4: Inventories

	31 December 2010	1 January 2010 (restated)
	€ '000	
Supplies for maintenance of premises	1,062.4	1,016.4
Sanitation and cleaning material	12.0	7.2
Uniforms	21.7	16.8
Miscellaneous supplies	3.2	3.6
Total inventories	**1,099.3**	**1,044.0**

Inventory reconciliation	Supplies for maintenance of premises	Sanitation and cleaning material	Uniforms	Miscellaneous supplies	31 December 2010
			€ '000		
Opening inventory	1,016.4	7.2	16.8	3.6	1,044.0
Purchased in 2010	207.4	19.0	16.5	0.1	243.0
Total inventory available	**1,223.8**	**26.2**	**33.3**	**3.7**	**1,287.0**
Less: Consumption	(136.5)	(13.8)	(11.1)	(0.1)	(161.5)
Less: Write-down	(24.9)	(0.3)	(0.6)	(0.4)	(26.2)
Total inventories at 31 December 2010	**1,062.4**	**12.1**	**21.6**	**3.2**	**1,099.3**

4.1 Inventories physical quantities, derived from UNIDO's Inventory Management System are validated by physical stock counts and are valued on first-in-first-out (FIFO) basis.

4.2 Inventories are valued net of any impairments or obsolescence. During 2010, UNIDO wrote down inventories by an amount of €26,209 on account of obsolescence and other losses.

Note 5:Other Current Assets

	31 December 2010	1 January 2010 (restated)
	€ '000	
Pre-payments for goods-in-transit	1,789.6	3,762.7
Advances to staff	1,687.6	1,836.0
Advances to vendors	1,640.8	2,375.1
Accrued interest	181.9	177.6
E-IOV items	1,387.7	1,625.8
Inter-fund transactions	60,403.0	49,470.9
Other current assets	725.4	3,403.3
Total other assets	**67,816.0**	**62,651.4**

5.1 Pre-payments for goods-in-transit are payments made in advance of goods and service delivery on submission of shipping documents.

5.2 Advances to staff are for education grants, rental subsidies, travel and other staff entitlements.

5.3 Advances to vendors represent the initial payments released on signing of the contract documents.

5.4 E-IOV items are comprised of unprocessed field inter-office vouchers for December 2010 and amounts held in suspense and rejected accounts due to insufficient information.

5.5 Inter-fund balances represent amounts due from other funds (see Note 13 for contra liability). These balances arise from maintenance of bank accounts at specific general fund level.

Note 6: Share in net assets/equity of joint ventures accounted for using the equity method

	31 December 2010	1 January 2010 (restated)
	€ '000	
Investment in Commissary	814.5	357.5
Investment in Catering services	170.4	155.0
Total share in net assets/equity in joint ventures	**984.9**	**512.5**

6.1 The United Nations Vienna-based organizations have a consensus that the costs of common services rendered by each organization such as catering, commissary, security and medical services and buildings management are shared according to established cost-sharing ratios.

6.2 The ratios vary to reflect key factors such as number of employees, total space occupied, etc. Each year ratios derived from the VBO agreed tabulation, once approved, become effective to apportion cost. These cost sharing arrangements are reviewed from time to time by management. The consolidation of all UNIDO joint ventures is based on the cost-sharing ratios applicable to the corresponding reporting periods.

Cost-sharing ratios for UNIDO from 2006 to 2010 are as follows:

2010	2009	2008	2007	2006
15.604%	15.578%	15.710%	15.541%	15.873%

6.3 Catering Service: The Catering Service is an entity that is jointly controlled by UNIDO and other Vienna International Centre based international organizations (VBOs). The Catering Service provides food, beverages and services to staff members of VBOs and other specified groups of individuals, within the VIC premises through a contractor on a cost recovery basis.

6.4 On dissolution, any residual net equity will be distributed to the Staff Welfare Funds of UNIDO and other VBOs. While UNIDO has a potential ownership interest in its Staff Welfare Fund, it is not recognized as an asset.

6.5 The Catering Service has no legal personality of its own, its assets and liabilities are held in the legal name of UNIDO. Therefore, UNIDO, along with other VBOs, is potentially exposed to any residual liabilities of the Catering Service.

Summary financial information is provided below.

The Catering Service **Summary financial information**	**31 December 2010** ***€ '000***
Revenue	5,859.9
Cost of sales	2,171.2
Net operating expense	3,589.5
Assets current	1,755.4
Assets non-current	542.1
Liabilities current	1,203.4
Reserves and fund balance	1,094.1

6.6 Commissary: The Commissary is an entity that is jointly controlled by the IAEA and other Vienna International Centre based international organizations (VBOs). The Commissary sells tax-free household items for personal consumption to staff members of (VBOs) and other specified groups of individuals on a cost recovery basis.

6.7 On dissolution, any residual net equity is distributed to the Staff Welfare Funds of the IAEA and other VBOs based on the proportion of sales to respective VBOs' staff members over the five years preceding dissolution. While the IAEA has a potential ownership interest in its Staff Welfare fund, it is not recognized as an asset.

6.8 The Commissary has no legal personality of its own, its assets and liabilities are held in the legal name of IAEA. The IAEA is therefore potentially exposed to any residual liabilities of the Commissary.

Summary financial information is provided below.

The Commissary **Summary financial information**	**31 December 2010** ***€ '000***
Revenue	27,914.8
Cost of sales	22,971.4
Net operating expense	2,014.9
Assets current	11,991.4
Assets non-current	451.8
Liabilities current	291.1
Liabilities non-current	5,311.0
Equity	6,841.1

6.9 Building Management Services: The buildings management service is responsible for the operation and management of the physical plant of the VIC premises. UNIDO is assigned to be the operating agency of the service with decision-making capacity over financial and operating policies resting with the Committee of Common Services comprising the respective representatives of UNIDO, IAEA, UN and CTBTO. Therefore the Service is considered as a joint operation with joint control shared among all VBOs. BMS has no legal status of its own. Its assets and liabilities are held in UNIDO's name.

6.10 VBOs have been making annual contribution to the BMS fund according to the approved ratio as described in paragraph 6.1, with exceptions of reimbursement for ad hoc projects, which are of cost-recovery nature. While the residual interest of VBOs in BMS is not defined in any document and neither is the mode of distribution of such interest upon dissolution of the fund, since the operation is carried out in the principle of no-gain- no-loss basis, balances of VBOs' contributions net of expenses are recognized as deferral, pending release for services to be delivered in future (ref. to Note 12.4).

Summary financial information is provided below.

The Building Management Services Summary financial information	**31 December 2010** ***€ '000***
Revenue	18,576.8
Expense	18,576.8
Assets current	41,778.6
Assets non current	257.7
Liabilities current	28,247.7
Liabilities non current	13,788.6
Equity	-

6.11 Costs related to other common services, such as security and medical services, are expensed on reimbursement basis. The amounts expensed during 2010 were €1,757,808 and €211,573, respectively.

Note 7: Property, Plant and Equipment

	Furniture & fixtures	Communications & IT equipment	Vehicles	Machinery	Total
Cost					
At 1 January 2010 (restated)	1,581.0	4,851.2	1,386.6	1,994.1	**9,812.9**
Additions	47.6	331.7	242.7	41.0	**663.0**
Disposals	(40.0)	(303.3)	(108.0)	(253.3)	**(704.6)**
At 31 December 2010	**1,588.6**	**4,879.6**	**1,521.3**	**1,781.8**	**9,771.3**
Accumulated depreciation					
At 1 January 2010 (restated)	1,412.8	4,125.6	711.9	1,843.4	**8,093.7**
Depreciation charge during the year	45.0	359.8	157.6	(9.1)	**553.3**
Disposals	(39.1)	(301.1)	(89.1)	(201.9)	**(631.2)**
At 31 December 2010	**1,418.7**	**4,184.3**	**780.4**	**1,632.4**	**8,015.8**
Net Book Value					
At 1 January 2010	**168.2**	**725.6**	**674.7**	**150.7**	**1,719.2**
At 31 December 2010	**169.9**	**695.3**	**740.9**	**149.4**	**1,755.5**

7.1 Prior to the adoption of IPSAS, the value of non-expendable property and attractive items were disclosed in the Notes to the financial statements as required by UNSAS and no depreciation was calculated. The threshold for recording non-expendable property and attractive items in the fixed assets register was €1,700 and €600 respectively.

7.2 Opening balances for property, plant and equipment reflect the initial recognition of major classes of PPE at cost at the date of acquisition and in line with transitional provisions under IPSAS 17 excluding the value of technical cooperation/project assets and buildings.

7.3 PPE items are capitalized if their cost is greater or equal to the threshold limit set at €600. They are depreciated over the asset's estimated useful life using the straight-line method. The threshold level is reviewed periodically.

7.4 PPE items are reviewed annually to determine if there is any impairment in their value. During 2010, review of asset impairments indicated no impairments. The carrying amount of PPE retired from active use and held for disposal were as follows: a) value at cost in the amount of €293.4 for zero net book value PPE; and b) value at cost in the amount of €23.8 for PPE items with a net book value (€10.7).

7.5 The gross carrying amount (value at cost) of fully depreciated PPE still in use amounts to € 6,562.3 at the period-end.

Note 8: Intangible Assets

	Capitalization in progress	Software externally acquired	Total
		€ '000	
Cost			
At 1 January 2010 (restated)	-	650.3	**650.3**
Additions	1,505.2	17.5	**1,522.7**
Disposals	-	(361.0)	**(361.0)**
At 31 December 2010	**1,505.2**	**306.8**	**1,812.0**
Accumulated amortization			
At 1 January 2010 (restated)	-	442.4	**442.4**
Amortization charge during the year	-	48.5	**48.5**
Disposals	-	(361.0)	**(361.0)**
At 31 December 2010	**-**	**129.9**	**129.9**
Net Book Value			
At 1 January 2010	**-**	**207.9**	**207.9**
At 31 December 2010	**1,505.2**	**176.9**	**1,682.1**

8.1 Intangible assets are capitalised if their cost exceeds the threshold of €1,700 except for internally developed software where the threshold is €25,000, excluding research and maintenance costs. UNIDO did not have any internally developed software as at period end.

8.2 Capitalization in progress includes payment for the licenses for new ERP system that will be capitalized when capable of operating in the manner intended by management. This is estimated to be in the second half of 2011.

Note 9: Non-current assets

	31 December 2010	1 January 2010 (restated)
	€ '000	
Initial advance in Commissary	808.9	808.9
Rental deposits	127.0	108.5
Total non-current assets	**935.9**	**917.4**

9.1 Non-current contributions are due after more than one year in accordance with the terms of the agreements.

Note 10: Accounts Payable

	31 December 2010	1 January 2010 (restated)
	€ '000	
Due to Member States	11,765.4	22,424.0
Voluntary contribution liability – unspent balances	30.3	-
Interest on donor funds	15,107.2	16,368.6
Miscellaneous	372.7	319.9
Total accounts payables	**27,275.6**	**39,112.5**

	31 December 2010	1 January 2010 (restated)
	€ '000	
Composition:		
Payables from non-exchange transactions	26,942.6	38,849.6
Payable from exchange transactions	333.0	262.9
Total accounts payables	**27,275.6**	**39,112.5**

10.1 Balances due to Member States represent unspent balance of collections, assessed contributions received for prior years and the excess interest over the budget estimate, pending distribution to eligible Member States or their instructions on its use.

10.2 Voluntary contribution liability represents balances due to donors on unspent contributions for closed projects pending refund or reprogramming.

10.3 The treatment of the interest income earned from the investment of donor funds, net of bank charges, exchange gains and losses is governed by agreements with the donors. The balance in accounts payable denotes the accumulated interest until instructions regarding its utilization are received from the donor.

Note 11: Employee Benefits

	31 December 2010			Opening Balance 1 January 2010 (restated)
	Actuarial valuation	UNIDO valuation	Total	
		€ '000		
Short-term employee benefits	-	514.6	**514.6**	**701.0**
Post-employment benefits	118,023.2	-	**118,023.2**	**92,835.1**
Other long-term employee benefits	5,092.3	-	**5,092.3**	**4,574.5**
Total employee benefits liabilities	**123,115.5**	**514.6**	**123,630.1**	**98,110.6**

	31 December 2010	1 January 2010 (restated)
	€ '000	
Composition:		
Current	514.6	701.0
Non-current	123,115.5	97,409.6
Total employee benefits liabilities	**123,630.1**	**98,110.6**

Valuation of Employee Benefit Liabilities

11.1 Employee benefit liabilities are determined by professional actuaries or calculated by UNIDO based on personnel data and past payment experience. At 31 December 2010, total employee benefits liabilities amounted to €123.6 million, of which €123.1 million was calculated by the actuaries and €0.5 million was calculated by UNIDO.

Short-Term Employee Benefits

11.2 Short-term employee benefits relate to salaries, home leave travel and education grant.

Post-Employment Benefits

11.3 Post-employment benefits are defined benefit plans consisting of the After-Service Health Insurance (ASHI), Repatriation Grants and End of Service Allowances along with costs related to separation entitlements for travel and shipment of household effects.

11.4 After-Service Health Insurance is a plan that allows eligible retirees and their eligible family members to participate in the Full Medical Insurance Plan, Supplementary Medical Plans or the Austrian medical insurance plan Gebietskrankenkasse (GKK).

11.5 End of Service Allowance is a benefit payable to UNIDO general service staff at the Vienna duty station upon separation from service, which is based on length of service and final salary.

11.6 Repatriation Grant is an entitlement payable to professional staff on separation together with related costs in travel and shipment of household effects.

Other Long-Term Employee Benefits

11.7 Other long-term employee benefits consist of accrued annual leave payable when staff separate from service.

Actuarial Valuations of Post Employment and Other Long-Term Employee Benefits

11.8 The liabilities arising from post-employment benefits and other long-term employee benefits are determined by independent actuaries. These employee benefits are established in accordance with UNIDO Staff Regulations and Rules for staff members in professional and general service categories.

11.9 Year-end liabilities for ASHI, repatriation grant and accrued annual leave are derived from the actuarial valuation conducted in 2009, adjusted for change in discount rate.

11.10 Obligations for End-of-Service Allowances are determined by the actuarial valuation conducted as at 31 December 2010.

Actuarial Assumptions

11.11 The present value of the obligation is determined by discounting the estimated future payment required to settle the obligation resulting from employee service rendered in the current and prior periods, using interest rates of high quality corporate bonds for the corresponding maturity years together with a set of assumptions and methods.

11.12 The following assumptions and methods have been used to determine the value of post-employment and other long-term employee benefits liabilities at 31 December 2010.

- Actuarial method: Employee benefits obligations are computed using the Projected Unit Credit method.
- Attribution periods: For ASHI, the attribution period is the entry on duty date to the full eligibility date. For repatriation benefits attribution period is entry on duty date to earlier of each decrement age and twelve years of service. After twelve years obligations is affected only by future salary increases. Attribution period of annual leave is from date of hire to separation date, subject to a maximum eligibility of 60 days. For End-of-Service Allowance the attribution period is from the date of hire, which is the beginning of the credited service period to the date the incremental benefit is earned.
- Mortality: Mortality rates for pre- and post-retirement are based on 31 December 2009 actuarial valuation of the United Nations Joint Staff Pension Fund together with rates for withdrawal and retirement.
- Discount rate: 5.00 per cent for ASHI, Repatriation and Annual leave benefit plans and 4.75 per cent for End-of-Service Allowance plan.
- Medical cost trend rates: 6.00 per cent for 2010, 5.91 per cent for 2011, 5.82 per cent for 2012 and grading down to an ultimate rate of 4.5 per cent in 2027.
- Rate of salary increase: Vary according to age and category; the weighted average salary increase is 6.6 per cent.
- Repatriation grant: It is assumed that all professional staff are eligible for repatriation benefits and will receive them upon separation from service. 60.00 per cent of staff are assumed to be married.
- Repatriation travel costs: Annual increase of 4.00 per cent in future years.
- Annual leave: It is assumed that all staff are eligible for these benefits and will receive them upon separation from service. Accumulation rates of leave balances vary with years of service.

11.13 Assumed medical cost trends have a significant effect on the amounts recognized in the Statement of Financial Performance. A one percentage point change in assumed medical cost trend rates would have the following effects:

Effect on	**One percentage point increase**	**One percentage point decrease**
	€ ‘000	
Year-end accumulated ASHI benefit obligation	13,544.3	(10,944.7)
Combined service and interest cost	1,279.2	(1,000.0)

Reconciliation of Defined Benefit Obligation

	After-Service Health Insurance	Repatriation Benefits	Annual Leave	End of Service Allowance	Total
			€ '000		
Defined benefit obligation at 31 December 2009 (restated)	69,646.5	11,761.6	4,574.5	11,427.0	**97,409.6**
Service cost for 2010	1,919.2	382.6	577.8	428.0	**3,307.6**
Interest cost for 2010	5,232.8	758.1	282.2	512.0	**6,785.1**
Actual gross benefit payments in 2010	(2,266.4)	(743.5)	(487.1)	(800.0)	**(4,297.0)**
Actuarial losses	17,507.0	712.1	104.2	(286.2)	**18,037.1**
Actuarial losses of joint operation	2,026.7	(0.5)	40.7	(193.8)	**1,873.1**
Defined benefit obligation at 31 December 2010	**94,065.8**	**12,870.4**	**5,092.3**	**11,087.0**	**123,115.5**

Annual Expense for Year 2010

	After-Service Health Insurance	Repatriation Benefits	Annual Leave	End of Service Allowance	Total
			€ '000		
Service cost	1,919.2	382.6	577.8	428.0	**3,307.6**
Interest cost	5,232.8	758.0	282.2	512.0	**6,785.0**
Total expense recognized in 2010	**7,152.0**	**1,140.6**	**860.0**	**940.0**	**10,092.6**

United Nations Joint Staff Pension Fund

11.14 UNIDO is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The pension fund is a funded multi-employer defined benefit plan. As specified by 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.

11.15 The UNJSPF conducts actuarial valuations of the Fund every two years. The actuarial method adopted for the UNJSPF is the open group aggregate method to determine whether the present and estimated future assets of the Fund will be sufficient to meet its present and estimated future liabilities, using various sets of assumptions as to future economic and demographic developments. A review of the 2009 annual report of the UNJSPF reveals that an actuarial valuation has been carried out every two years from as early as 1997. The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the United Nations General Assembly on the audit every two years. The most recent actuarial valuation carried out was at 31 December 2009.

11.16 UNIDO's financial obligation to the UNJSPF consists of its mandated contribution, at the same uniform rate as specified by the Regulations of the Fund (7.9 per cent for participants and 15.8 per cent for member organizations) which is established by United Nations General Assembly, together with any share of any actuarial deficiency payments under Article 26 of the Regulation of the Pension Fund.

11.17 Such deficiency payments are payable only if and when the United Nations General Assembly has invoked the provision of Article 26, following 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. At the time of this report, the United Nations General Assembly had not invoked this provision.

11.18 The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets among other participating organizations in the plan. UNIDO, as well as other participating organizations, is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has accounted for this plan as if it were a defined contribution plan in line with IPSAS 25, Employee Benefits.

11.19 During 2010, total contributions paid to UNJSPF amounted to €16.3 million. No significant variance is expected in the contributions due in 2011.

Social Security for Consultants under Special Service Agreements

11.20 UNIDO consultants under the special service agreements (SSA) are entitled to social security based on local conditions and norms. UNIDO, however, has not undertaken any global arrangement for social security for consultants under SSAs. Social security arrangements can either be obtained from national security system, private local schemes or as cash compensation for own scheme. The provision of proper social security in line with local labour legislation and practice is a key requirement of the SSA. SSA holders are not UNIDO staff members and are not covered by the United Nations Staff Rules and Regulations.

Note 12: Advance Receipts

	31 December 2010	**1 January 2010 (restated)**
	€ '000	
Assessed contributions in advance	3,113.5	489.0
Voluntary contributions in advance	20,155.7	20,014.0
Advances from VIC-based organizations	7,274.4	6,457.9
Balances with other UN agencies	4,489.9	2,838.8
BMS deferral	25,389.9	23,382.9
Performance obligation for voluntary contributions	16,092.6	-
Total advance receipts	**76,516.0**	**53,182.6**

	31 December 2010	1 January 2010 (restated)
	€ '000	
Composition:		
Advances from non-exchange transactions	43,851.7	23,341.7
Advances from exchange transactions	32,664.3	29,840.9
Total advance receipts	**76,516.0**	**53,182.6**

12.1 Assessed contributions received from Member States against future year's assessment are reflected in advance receipts account. Voluntary contributions in advance represent funds received from donors awaiting programming for specific project activities.

12.2 Advance from VIC-based organizations include funds received for special work programmes carried out by BMS at the VIC.

12.3 Balances with other UN agencies include, Service and Project Clearing Accounts held with UNDP and other United Nations related projects implemented by UNIDO.

12.4 The fund balances held in Building Management Services special account reclassified under IPSAS joint venture classification are reflected in the BMS deferral account (ref. Note 6.9).

12.5 Voluntary contributions received with conditions on their use are held in a liability account until the discharge of performance obligation, as stipulated in the agreements.

Note 13: Other Liabilities

	31 December 2010	1 January 2010 (restated)
	€ '000	
Unrealised exchange gain/loss	2,431.1	2,213.9
Accruals for goods/services received-but-not-paid	7,016.8	9,527.2
Inter-fund transactions	60,403.0	49,471.0
Other liabilities	1,968.6	1,802.7
Long-term guarantees – bank/rent deposit	129.4	110.9
Total other liabilities	**71,948.9**	**63,125.7**

	31 December 2010	1 January 2010 (restated)
	€ '000	
Composition:		
Current	71,819.5	63,014.8
Non-current	129.4	110.9
Total other liabilities	**71,948.9**	**63,125.7**

13.1 Exchange gains represent the remaining balance of realized gains arising from the revaluation of euro denominated cash and term deposits held by trust funds, prior to the introduction of euro management of technical cooperation projects in 2004. The balance is held pending a decision on its utilization.

13.2 Accruals are liabilities for goods and services that have been received or provided to UNIDO during the period and which have not been invoiced or formally agreed with the suppliers.

13.3 Inter-fund balances represent amounts due to other funds (see Note 5 for contra asset). These balances arise from maintenance of bank accounts at specific general fund level.

13.4 Other liabilities consist primarily of invoices payable to the UN Office in Vienna for conference, language, communication and translation services provided during 2010.

Note 14: Fund Balances

			Regular Budget Funds			
	Technical Cooperation Funds	**Other Funds**	**Fund Balance**	**RPTC**	**Working Capital Fund**	**Total**
			€ '000			
Opening fund balance 1 January 2010 (restated)	227,865.9	1,262.7	(62,846.7)	5,115.2	7,423.1	**178,820.2**
Net surplus for the year	72,761.9	8,424.0	1,684.0	1,001.3	-	**83,871.2**
Subtotal	**300,627.8**	**9,686.7**	**(61,162.7)**	**6,116.5**	**7,423.1**	**262,691.4**
Movements during year						
Credits to Member States	-	-	(7,818.5)	-	-	**(7,818.5)**
Transfer (to)/from provision for delayed contribution	-	-	3,190.9	-	-	**3,190.9**
Actuarial gains/(losses)	1.0	(812.7)	(17,212.4)	(13.0)	-	**(18,037.1)**
Other adjustments	(22.4)	-	-	-	-	**(22.4)**
Total movements during year	**(21.4)**	**(812.7)**	**(21,840.0)**	**(13.0)**	-	**(22,687.1)**
Closing balance 31 December 2010	**300,606.4**	**8,874.0**	**(83,002.7)**	**6,103.5**	**7,423.1**	**240,004.3**

Technical Cooperation

14.1 Fund balances under technical cooperation funds represent the unexpended portion of voluntary contributions that are intended to be utilized in future operational requirements of the project activities.

Regular Budget

14.2 The negative regular budget fund balance is as a consequence of unfunded employee benefits amounting to €101.1 million as at 31 December 2010.

Other Funds

Movements in Other Funds

	1 January 2010 (restated)	Other movements during 2010	Net surplus/deficit for the year	31 December 2010
	€ '000			
COMFAR funds	1,283.8	(0.8)	104.5	**1,387.5**
Operational budget	(2,559.5)	(811.9)	2,204.4	**(1,167.0)**
Fund for organizational renewal	-	-	5,031.6	**5,031.6**
Fund for TC activities	-	-	754.2	**754.2**
Regular budget supplementary appropriation – VIC security	952.1	-	(158.6)	**793.5**
Sales publications revolving fund	264.9	-	15.4	**280.3**
Commissary	1,166.4	-	457.0	**1,623.4**
Catering	155.0	-	15.5	**170.5**
Total	**1,262.7**	**(812.7)**	**8,424.0**	**8,874.0**

14.3 Other funds primarily consist of balances under special accounts established for programme support costs, security enhancements at the VIC, the UNIDO change management initiative and technical cooperation activities earmarked for food security and renewable energy, together with Computer Model for Feasibility Analysis and Reporting (COMFAR) and sales publication revolving fund.

14.4 Income from programme support costs, charged in respect of programme expenditure under extrabudgetary technical cooperation activities, is recognized earlier of the establishment of obligations or on disbursements and is credited to the special account for financing the operational budget.

14.5 The General Conference at its eleventh session established a special account with effect from year 2006, for the purpose of financing UNIDO's share of the security enhancements at the VIC (decision GC.11/Dec.15). The special account is not subject to financial regulations 4.2(b) and 4.2(c). Due to the specific purpose and duration of the special account, it is classified under the segment other activities in the financial statements.

14.6 The General Conference decision GC.13/Dec.15(h) established the special accounts from the unutilized balances of appropriations due to Member States in 2010 for financing the change management initiative and technical cooperation activities aimed at (i) increased food security through agribusiness and agro-industry promotion and, (ii) renewable energy for productive activities. The fund balances on these two activities at 31 December 2010 amounted to €5,031,640 and €754,186 respectively.

14.7 The sales publication revolving fund was established in biennium 1998-1999 as contained in document GC.7/21 and decision GC.7/Dec.16 to support longer range planning of publication activities, including promotion, marketing and re-printing of publications. The fund is credited with one-half of the income generated from sale of publications and charged with the full costs related to promotions, marketing and publication activities.

Regular Programme of Technical Cooperation

14.8 In accordance with General Conference decision GC.9/Dec.14, a special account was established for fully programmable appropriations under the regular programme of technical cooperation (RPTC), not subject to financial regulations 4.2(b) and 4.2(c).

Working Capital Fund

14.9 The General Conference decision GC.2/Dec.27 established the Working Capital Fund at $9 million for the purpose of financing budgetary appropriations pending the receipt of contributions and unforeseen and extraordinary expenditure. At subsequent General Conferences, the level of the Fund was progressively reduced to $6,610,000. With the introduction of euro assessment effective 1 January 2002, the amount was converted to euros in accordance with GC.9/Dec.15, resulting in a Working Capital Fund of €7,423,030. The General Conference (GC.13/Dec.11) decided to maintain the Fund at the same level for the biennium 2010-2011. The Fund is financed through assessments to Member States based on the scale of assessments approved by the General Conference.

Note 15: Reserves

	1 January 2010 (restated)	Movement during 2010	31 December 2010
		€ '000	
Project personnel separation reserve	1,285.5	183.4	**1,468.9**
Insurance of project equipment	66.0	6.5	**72.5**
Statutory operating reserves	3,411.2	37.4	**3,448.6**
Separation indemnity reserve	5,499.3	-	**5,499.3**
Appendix D – reserve for compensation payments	2,458.9	390.6	**2,849.5**
Reserve for exchange rate fluctuations	11,878.7	(1,064.5)	**10,814.2**
Total	**24,599.6**	**(446.6)**	**24,153.0**

Statutory Operating Reserves

15.1 An operating reserve, established in respect of the special account for programme support costs in accordance with PBC conclusion 1989/4 at $5,504,190 was reduced to $4,300,000 (€4,828,900) in accordance with Board decision IDB.14/Dec.12. By decision IDB.30/Dec.2, the Board reduced the level of the operating reserve to €3,030,000. The purpose of the reserve is primarily to protect against unforeseen shortfalls in delivery and support cost income, for inflation and currency adjustments and to liquidate legal obligations in the case of abrupt termination of operation budget activities.

15.2 The Industrial Development Board, in decision IDB.2/Dec.7, authorized the freezing of the operational reserve of the Industrial Development Fund at $550,000 (€418,550 at the United Nations rate of exchange as at 31 December 2010). The purpose of the reserve is to ensure the financial liquidity of the Fund and to compensate for uneven cash flows.

Separation Indemnity Reserve

15.3 Pursuant to decision GC.6/Dec.15, paragraph (e), the amount of $9,546,732 representing the balance of appropriations for the biennium 1992-1993, which was actually received by the Organization, was transferred to a separation indemnity reserve in 1995. Pursuant to General Conference decision GC.7/Dec.17, the amount of $13,900,000 was transferred from the unencumbered balance of appropriations for the biennium 1994-1995 for the funding of the separation indemnity reserve to meet the cost of staff separations resulting from the 1998-1999 programme and budgets. Unlike the previous allocation from the biennium 1992-1993, the allocation from the biennium 1994-1995 was not supported by actual cash, as large arrears for this biennium existed. The cumulative payments made during the period 1995 to 2001 from both reserves amounts to $18,546,191. The remaining balance of $4,900,541 was converted to euros on 1 January 2002 using the exchange rate approved by the General Conference (GC.9/Dec.15). Accordingly, the balances attributable to the above two decisions are €1,109,698 and €4,389,609, respectively.

Reserve for Exchange Rate Fluctuations

15.4 General Conference in decision GC.8/Dec.16 authorized the Director-General to establish a reserve, not subject to the provisions of the financial regulations 4.2(b) and 4.2(c). Consequently, the reserve was established in biennium 2002-2003 in order to protect the organization from exchange rate fluctuations resulting from the introduction of the euro as a single currency for the preparation of the programme and budgets, appropriation and assessment, collection of contributions and advances, and currency of accounts. The amount transferred from the reserve in 2010 is the difference between the euro value of actual dollars expended and the budgeted euro cost of those dollars.

Reserve for Compensation Payments

15.5 A provision is made to meet potential liabilities for compensation payments under appendix D to the Staff Rules for personnel financed by technical cooperation resources other than inter-organization arrangements and certain trust funds and are calculated on the basis of one per cent of net base pay.

Project Personnel Separation Reserve

15.6 This reserve consists mainly of the provision made to meet repatriation grant entitlements for personnel financed by technical cooperation resources other than inter-organization arrangements and certain trust funds and are calculated on the basis of eight per cent of net base pay.

Note 16: Revenue

	Note	31 December 2010
		€ ‘000
Assessed contributions	**16.1**	**78,304.6**
Voluntary contribution		
For technical cooperation		167,686.6
For support regular activities		6,237.2
Subtotal voluntary contributions	**16.2**	**173,923.8**
Investment revenue	**16.3**	**551.0**
Revenue producing activities		
Sales publication		91.3
COMFAR		374.4
Other sales		71.2
Subtotal revenue producing activities	**16.4**	**536.9**

	Note	31 December 2010
		€ '000
Share of surplus/(deficit) of joint ventures		
Catering services		15.5
Commissary		456.9
Sub-total share of surplus/(deficit) of joint ventures	**16.5**	**472.4**
Miscellaneous income		
Transfer to/from reserve for exchange fluctuation	**16.6**	1,064.5
Others	**16.7**	416.2
Subtotal miscellaneous income		**1,480.7**
TOTAL REVENUE		**255,269.4**

16.1 The General Conference approved an amount of €156,609,188 for the regular budget for biennium 2010-2011 (decision GC.13/Dec.14) is financed from assessed contributions by Member States. Accordingly, €78,304,594 representing one-half of the amounts was assessed in 2010. In accordance with financial regulation 5.5(c), payments made by a Member State are credited first to the Working Capital Fund and then to the contributions due, in the order in which the Member State was assessed.

16.2 Voluntary contributions are recognized upon the signing of a binding agreement between UNIDO and the donor, provided there are no conditions limiting the use of funds. It also includes voluntary renunciation of unencumbered balances for prior years, by Members States in accordance with General Conference decision GC.13/Dec.15 for financing the change management initiative and special accounts for technical cooperation activities.

16.3 Investment revenue represents interest earned and accrued on the short-term deposits held with financial institutions.

16.4 Income from revenue-producing activities consists of sales of publications and Computer Model for Feasibility Analysis and Reporting (COMFAR) and cost recovery for technical services.

16.5 UNIDO's share of net surplus on the operations of Catering and Commissary is recognized based on the cost-sharing formula of the VBOs' for common services, referred to in Note 6.

16.6 This represents amount transferred from reserve for exchange rate fluctuations for 2010 due to euro deficit on actual dollar spending against budgeted rate (see Note 15.4).

16.7 Refunds of expenditure charged to previous fiscal periods, commissions from travel agents, CTBTO support costs and other sundry credits are treated as miscellaneous income.

Contributions in-kind

16.8 Services in-kind estimated at €1,052,740 were received mainly from Member States in support of UNIDO projects and field office operations during the year. The amount is measured at fair value. They are not recognized in the face of the financial statements as UNIDO has elected as such in accordance with IPSAS 23. The nature and type of major classes of services in-kind received are as follows:

	31 December 2010
	€ '000
Contribution for the use of:	
Office space	520.2
Furniture & fixtures	45.0
Communication & IT equipment	45.0
Vehicles	73.5
Machinery	76.2
Utilities	45.0
Other services	73.6
Contribution to conferences, workshops, and training	73.1
Personnel services	101.1
Total Services-in-kind	**1,052.7**

Note 17: Expenses

	Note	31 December 2010
		€ '000
Staff salaries		
Staff salary		36,278.0
Staff entitlement and allowance		28,171.8
Temporary assistance		1,502.5
Project Personnel		43,746.8
Consultancy		2,773.3
Salaries and employee benefits	**17.1**	**112,472.4**
Travel		7,754.9
Rental, utility and maintenance		3,514.7
Inventory consumed/distributed		161.6
IT, communication and automation		1,870.4
Expendable equipment		277.3
Other operating cost		3,990.2
Project operating costs		4,590.1
Operating Cost	**17.2**	**22,159.2**
Project contractual services	**17.3**	26,301.2
Offices supplies and consumables	**17.4**	292.0

	Note	31 December 2010
		€ '000
TC equipment expensed	**17.5**	15,714.8
Depreciation and amortization	**7,8**	601.8
Currency translation differences	**17.6**	(18,503.7)
Other expense	**17.7**	12,360.5
TOTAL EXPENDITURE		**171,398.2**

17.1 Salaries and employee benefits are for UNIDO staff and consultants and special service agreements. Project personnel costs include experts, national consultants, administrative support personnel, and project travel.

17.2 Operating costs include travel, utilities, field office operations, UN system jointly financed activities, information technology and communication and contributions to common services at the VIC.

17.3 Project contractual services represent subcontracts entered into for project implementation activities.

17.4 Office supplies and consumables include cost of goods and services used exclusively by UNIDO in regular budget and technical cooperation activities.

17.5 The expenses for TC equipment are machinery and equipment purchased for technical cooperation projects during the year.

17.6 Currency translation differences are primarily due to revaluation of non-euro bank balances, assets and liabilities at the end of the period.

17.7 Other expenses include fellowships and training related to projects and costs related to governing body meetings for conference, language, translation, documentation, etc.

Note 18: Statement of Comparison of Budget and Actual Amounts

18.1 UNIDO's budget and accounts are prepared using a different basis. The Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets and Statement of Cash Flow are prepared on a full accrual basis using a classification based on the nature of expenses in the Statement of Financial Performance, whereas the Statement of Comparison of Budget and Actual Amounts (Statement 5) is prepared on a modified cash basis of accounting.

18.2 As required under IPSAS 24, the actual amounts presented on a comparable basis to the budget shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the actual amounts presented in the financial statements, identifying separately any basis, timing and entity differences. There may also be differences in formats and classification schemes adopted for presentation of financial statements and the budget.

18.3 Basis differences occur when the approved budget is prepared on a basis other than the accounting basis, as stated in paragraph 18.1 above.

18.4 Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for UNIDO for purposes of comparison of budget and actual amounts.

18.5 Entity differences occur when the budget omits programmes or entities that are part of the entity for which the financial statements are prepared.

18.6 Presentation differences are due to differences in the format and classification schemes adopted for presentation of Statement of Cash Flow and Statement of Comparison of Budget and Actual Amounts.

18.7 Reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement 5) and the actual amounts in the Statement of Cash Flow (Statement 4) for the period ended 31 December 2010 is presented below:

	2010			
	Operating	**Investing**	**Financing**	**Total**
	€ '000			
Actual amount on comparable basis (Statement 5)	(82,123.7)	-	-	**(82,123.7)**
Basis differences	(3,581.1)	(155.7)	(7,818.5)	**(11,555.3)**
Presentation differences	44,988.1	(1,474.9)	-	**43,513.2**
Entity differences	92,098.5	-	-	**92,098.5**
Actual amount in the Statement of Cash Flow (Statement 4)	**51,381.8**	**(1,630.6)**	**(7,818.5)**	**41,932.7**

18.8 Open commitments including open purchase orders and net cash flows from operating, investing and financing activities are presented as Basis differences. Revenue and non fund relevant expenses that do not form part of the Statement of Comparison of Budget and Actual Amounts are reflected as Presentation differences. Under entity differences, technical cooperation funds form part of UNIDO activities and are reported in the financial statements in detail, but they are included in the budgetary process at aggregate levels only.

18.9 Budget amounts have been presented on a classification based on the nature of expenses in accordance with the approved Programme and Budgets 2010-2011 by the General Conference at its thirteenth session (GC.13/Dec.14) for regular and operational budgets of the Organization.

Explanation of material differences

Explanations of material differences between the original budget and final budget as well as between final budget and the actual amounts are presented below.

Staff Costs

18.10 The underutilization of the budgeted staff costs was mainly due to the higher than budgeted vacancy factors for Professional and General Service posts. Given that the largest component of the organization's regular budget is staff costs, it was necessary to follow a conservative implementation plan under this item in order to compensate for the expected non- or late/uncertain payment of assessed contributions.

Official Travel

18.11 Official travel was underutilized by €0.27 million. Official travel comprises of two accounts — Travel on official business that was under-spent by €0.24 million and International travel of UNIDO representative that was only marginally underutilized by €0.03 million.

Operating Costs

18.12 Savings in operating costs in the amount of €1.87 million were mainly the result of reduced requirements for document production and translation of €0.84 million, savings under the Contribution to the Security and Safety Service of €0.19 million, savings in Printing and Binding of €0.13 million and a reduction to UNIDO's overall costs in Common and Joint BMS of €0.34 million. However, part of these savings were offset by the over utilization under the Field Network Operating Costs of €0.10 million, given the increased costs in field operations that result from high field security costs.

Information and Communication Technology

18.13 The marginal underutilization of €0.50 million of Information and Communication Technology resources is due to the reduction in usage of both communication services of €0.31 million and the Office Automation of €0.33 million. This surplus was partially offset by increases in procurement of communications equipment.

Regular Programme of Technical Cooperation and Special Resources for Africa

18.14 Regular Programme of Technical Cooperation resources were administered under the special account created for the purpose to which the full appropriation has been transferred. An underutilization of € 1.40 million was recognized under the Special Resources for Africa.

Note 19: Segment Reporting

A: Statement of Financial Position by Segment as at 31 December 2010

	Regular Budget Activities	Technical Cooperation	Other Activities and Special Services	Inter Segments Transactions	Total UNIDO
			€ '000		
ASSETS					
Current assets					
Cash and cash equivalents	59,843.5	291,987.0	40,851.2	-	**392,681.7**
Accounts receivable (non-exchange transactions)	7,522.1	74,055.6	581.9	-	**82,159.6**
Receivables from exchange transactions	1,751.4	782.4	7,265.8	-	**9,799.6**
Inventories	-	-	1,099.3	-	**1,099.3**
Other current assets	9,984.6	47,438.6	10,392.8	-	**67,816.0**
Total current assets	**79,101.6**	**414,263.6**	**60,191.0**	**-**	**553,556.2**
Non-current assets					
Receivables	4,613.3	-	-	-	**4,613.3**
Share in net assets/equity of joint ventures accounted for using the equity method	-	-	984.9	-	**984.9**
Property, plant and equipment	1,497.8	-	257.7	-	**1,755.5**
Intangible assets	176.9	-	1,505.2	-	**1,682.1**
Other non-current assets	-	127.0	808.9	-	**935.9**
Total non-current assets	**6,288.0**	**127.0**	**3,556.7**	**-**	**9,971.7**
TOTAL ASSETS	**85,389.6**	**414,390.6**	**63,747.7**	**-**	**563,527.9**

	Regular Budget Activities	Technical Cooperation	Other Activities and Special Services	Inter Segments Transactions	Total UNIDO
			€ '000		
LIABILITIES					
Current liabilities					
Accounts payable (exchange transactions)	282.9	50.1	-	-	**333.0**
Employee benefits	422.9	80.2	11.5	-	**514.6**
Transfers payable (non-exchange transactions)	11,805.1	15,137.5	-	-	**26,942.6**
Advance receipts	10,303.2	40,738.2	25,979.6	(505.0)	**76,516.0**
Other current liabilities	14,992.1	52,826.2	4,001.2	-	**71,819.5**
Total current liabilities	**37,806.2**	**108,832.2**	**29,992.3**	**(505.0)**	**176,125.7**
Non-current liabilities					
Employee benefits	101,245.5	21.0	21,849.0	-	**123,115.5**
Other non-current liabilities	-	127.0	2.4	-	**129.4**
Total non-current liabilities	**101,245.5**	**148.0**	**21,851.4**	**-**	**123,244.9**
TOTAL LIABILITIES	**139,051.7**	**108,980.2**	**51,843.7**	**(505.0)**	**299,370.6**
NET ASSETS/EQUITY					
Accumulated surpluses/ (deficits) – fund balances	(72,161.4)	227,844.5	450.0	-	**156,133.1**
Current period surplus/ (deficit)	2,180.3	72,761.9	8,424.0	505.0	**83,871.2**
Reserves	16,319.0	4,804.0	3,030.0	-	**24,153.0**
TOTAL NET ASSETS/EQUITY	**(53,662.1)**	**305,410.4**	**11,904.0**	**505.0**	**264,157.3**
TOTAL LIABILITIES AND NET ASSETS/EQUITY	**85,389.6**	**414,390.6**	**63,747.7**	**-**	**563,527.9**

B: Statement of Financial Performance by Segment for the year ended 31 December 2010

	Regular Budget Activities	Technical Cooperation	Other Activities and Special Services	Inter Segments Transactions	Total UNIDO
			€ '000		
INCOME/REVENUE					
Assessed contributions	78,304.6	-	-	-	**78,304.6**
Voluntary contributions	201.0	171,298.8	6,036.1	(3,612.1)	**173,923.8**
Investment revenue	311.6	166.0	73.4	-	**551.0**
Revenue producing activities	45.6	0.1	14,985.2	(14,494.0)	**536.9**
Share of surplus/(deficit) of joint ventures	-	-	472.4	-	**472.4**
Others	1,478.7	(3.0)	5.0	-	**1,480.7**
TOTAL REVENUE	**80,341.5**	**171,461.9**	**21,572.1**	**(18,106.1)**	**255,269.4**
EXPENDITURE					
Salaries and employee benefits	58,096.2	42,692.3	11,683.9	-	**112,472.4**
Operational costs	13,125.7	10,371.0	2,181.7	(3,519.2)	**22,159.2**
Contractual services	-	26,301.2	-	-	**26,301.2**
Office supplies and consumables	263.9	-	28.1	-	**292.0**
TC equipment expensed	-	15,714.8	-	-	**15,714.8**
Depreciation and amortization	594.6	-	7.2	-	**601.8**
Currency translation differences	260.7	(17,966.2)	(798.2)	-	**(18,503.7)**
Other expenses	5,820.3	21,586.9	45.3	(15,092.0)	**12,360.5**
TOTAL EXPENDITURE	**78,161.4**	**98,700.0**	**13,148.0**	**(18,611.2)**	**171,398.2**
SURPLUS/(DEFICIT) FOR THE FINANCIAL PERIOD	**2,180.1**	**72,761.9**	**8,424.1**	**505.1**	**83,871.2**

19.1 Some internal activities lead to accounting transactions that create inter-segment revenue and expense balances in the financial statements.

19.2 During the year ended 31 December 2010, activities have created inter-segment balances in the amount of €3,612,129, €3,014,143/3,519,188 and €11,479,827 in the Statement of Financial Performance for regular programme of technical cooperation, Buildings Management Services and programme support costs, respectively. Inter-segment transfers are measured at the price at which the transactions occur.

19.3 Accumulated fund balances under technical cooperation funds and other funds represent the unexpended portion of contributions that are carried forward to be utilized in future operational requirements of the respective activities.

19.4 Cash and short-term investments contain restrictions on their availability for use depending upon the Fund, which are earmarked for specific activities.

Note 20: Commitments and contingencies

20.1 Leases — Operating costs include lease payments in the amount of €1,265,919 recognized as operating lease expenses during the year. The amount includes minimum lease payments. No sublease payments or contingent rent payments were made or received.

The total of future minimum lease payments under non-cancellable operating leases is as follows:

	Within 1 Year	**1 to 5 Years**	**After 5 Years**	**Total**
				€ '000
31 December 2010	494.0	2.3	-	496.3

20.2 UNIDO's operating lease agreements are mainly for office premises and IT related equipments in the field offices. Future minimum lease payments include payments for such rented premises and equipments that would be required until the earliest possible termination dates under the respective agreements.

20.3 Some of the operating lease agreements contain renewal clauses which enable the Organization to extend the terms of the leases at the end of the original lease terms, and escalation clauses that may increase annual rent payments based on increases in the relevant market price indexes in the respective countries where the field offices are located.

20.4 There are no agreements that contain purchase options.

20.5 Commitments — The Organizations' commitments include purchase orders and service contracts, contracted but not delivered as at year-end. A list of these commitments by major funding source is given below.

	€ '000
Regular Budget	2,755.4
Trust Fund	33,240.6
Montreal Protocol	19,327.1
Global Environment Facility	16,270.1
Industrial Development Fund	6,528.6
Inter-organization arrangements	5,996.0
Regular programme of technical cooperation	1,627.1
Special services and others	229.7
Total commitments	**85,974.6**

In addition, an amount of €26,704 is payable during 2011 for compensation under Appendix D claims.

20.6 Contingent Liabilities — The contingent liabilities of the Organizations consists of appeal cases pending at the Joint Appeals Board (JAB) and the Administrative Tribunal of International Labour Organization (ILOAT) by both current and separated staff members. The Organization is not in a position to measure probability of rulings in favour of complainants or predict exact award of damages. However, based on respective complainants' claims, the contingent liabilities at year-end amounted to €75,000 and €2,451,225 for JAB and ILOAT cases respectively.

While contingent liabilities on pending cases under Appendix D rules for reimbursement of medical costs amounted to €10,157, the future claims for reimbursement of medical costs on approved cases cannot be reliably estimated at 31 December 2010, as they are dependent on actual costs to be incurred in the future.

Note 21: Vienna International Centre

21.1 UNIDO Headquarters are located at the Vienna International Centre (VIC) together with other VIC-based organizations under a 99-year lease with the Republic of Austria for a nominal rental of 1 Austrian schilling per year. The total area allocated to UNIDO in 2010 for occupied and common/staff services facilities were 45,618 square meters.

21.2 Also an agreement between the Republic of Austria and the VIC-based organizations (VBO) is in force on a common fund (MRRF) established for the purpose of financing the cost of major repairs and replacement of VIC buildings, facilities and technical installations, which are the property of the Republic of Austria and form part of the Headquarters. The Fund is administered by UNIDO through a joint committee.

21.3 Contributions to the Fund are shared equally between the Republic of Austria and the VBOs with the VBOs contributions being shared in accordance with their Buildings Management Services cost-sharing ratio. UNIDO's contribution to the Fund in 2010 was €274,989.

Note 22: Losses, Ex-gratia payments and Write-offs

22.1 An ex-gratia payment of €3,000 was made to a UNIDO consultant for loss of personal effects due to the bomb attack of UN offices in Algeria in 2007.

22.2 The value of property, plant and equipment written-off during the year due to loss/theft amounts to €12,768.

Note 23: Related Party and Other Executive Management Disclosure

Key Management Personnel

	No. of individuals	Aggregate remuneration	Other compensations	Total remuneration 2010	Outstanding advances against entitlements 31 December 2010
			€ '000		
Director-General	1	382.9	148.0	530.9	0.0
Deputy to the Director-General	1	183.1	0.0	183.1	0.0
Managing Directors	3	525.4	0.0	525.4	0.0

23.1 Key management personnel are the Director-General and other executive management personnel (the Deputy to the Director-General and the Managing Directors) as they have the authority and responsibility for planning, directing and controlling the activities of UNIDO.

23.2 The aggregate remuneration paid to key management personnel includes net salaries, post adjustment, entitlements, assignments and other grants, rental subsidy, employer contributions to pension plan and current health insurance contributions.

23.3 The Other Compensation includes the official car assigned to the Director-General valued at the market rental cost of a similar vehicle together with the remuneration paid to the official driver.

23.4 Key management personnel are also qualified for post-employment benefits (see Note 11 on Employee Benefits) at the same level as other employees. These benefits, which are payable on separation, cannot be reliably quantified as they depend on the years of service and actual date of separation (which could be voluntary).

23.5 Key management personnel are ordinary members of UNJSPF.

23.6 Advances are those made against entitlements in accordance with staff rules and regulations. There are no outstanding advances against entitlements of key management personnel as at 31 December 2010.

Note 24: Opening Balances Adjustments

	31 December 2009 (audited)	Adjustments	1 January 2010 (restated)
		€ '000	
ASSETS			
Current Assets			
Cash and cash equivalents	334,274.2	-	**334,274.2**
Accounts receivable	13,956.7	31,420.2	**45,376.9**
Receivables from exchange transactions	11,227.8	(1,008.2)	**10,219.6**
Inventory	-	1,044.0	**1,044.0**
Other current assets	9,655.9	52,995.5	**62,651.4**
Total current assets	**369,114.6**	**84,451.5**	**453,566.1**
Non-current assets			
Accounts receivable	-	28.1	**28.1**
Share in net assets/equity of joint ventures accounted for using the equity method	-	512.5	**512.5**
Property, plant and equipment	-	1,719.2	**1,719.2**
Intangible assets	-	207.9	**207.9**
Other non-current assets	81.0	836.4	**917.4**
Total non-current assets	**81.0**	**3,304.1**	**3,385.1**
TOTAL ASSETS	**369,195.6**	**87,755.6**	**456,951.2**
LIABILITIES			
Current Liabilities			
Un-liquidated obligation	50,149.7	(50,149.7)	-
Accounts payable (exchange transactions)	262.9	-	**262.9**
Employee benefits	1,892.7	(1,191.7)	**701.0**
Transfers payable (non-exchange transactions)	38,849.6	-	**38,849.6**

	31 December 2009 (audited)	Adjustments	1 January 2010 (restated)
		€ '000	
Advance receipts	9,113.0	44,069.6	**53,182.6**
Other current and financial liabilities	24,171.2	38,843.6	**63,014.8**
Total current liabilities	**124,439.1**	**31,571.8**	**156,010.9**
Non-current liabilities			
Employee benefits	119.7	97,289.9	**97,409.6**
Other non-current liabilities	83.4	27.5	**110.9**
Total non-current liabilities	**203.1**	**97,317.4**	**97,520.5**
TOTAL LIABILITIES	**124,642.2**	**128,889.2**	**253,531.4**
NET ASSETS/EQUITY			
Accumulated surpluses/(deficits)	221,040.5	(42,220.3)	**178,820.2**
Reserves	23,512.9	1,086.7	**24,599.6**
TOTAL NET ASSETS/EQUITY	**244,553.4**	**(41,133.6)**	**203,419.8**
TOTAL LIABILITIES AND NET ASSETS/EQUITY	**369,195.6**	**87,755.6**	**456,951.2**

24.1 Opening balances represent the 2009 audited Statement of Assets, Liabilities, Reserves and Fund balances which have been restated to incorporate adjustments made due to changes in accounting policies and other adjustments made at 01 January 2010.

24.2 These adjustments pertain to the capitalization of property, plant and equipment, inventories and intangibles; recognition of expenses for delivered goods and services; recognition of allowances for receivables, due to doubtful accounts, impairments and refunds and adjustments relating to employee benefits liabilities.

Note 25: Adjustments to Fund Balances

25.1 The net decrease in fund balances due to adjustments totalled €41.1 million at 1 January 2010. The nature of adjustments to fund balances are shown below:

Description	Assets	Liabilities	Net effect on reserves and fund balances 1 January 2010
		€ '000	
Initial recognition of property, plant and equipment and intangibles	1,927.1	-	1,927.1
Initial recognition of inventories	1,044.0	-	1,044.0
Initial recognition of employee benefit liabilities	(677.0)	97,738.9	(98,415.9)
De-recognition of un-liquidated obligation	-	(50,149.7)	50,149.7
De-recognition of un-liquidated payables accrual	-	(17,219.1)	17,219.1
Initial recognition of receipt accrual	-	9,313.2	(9,313.2)

Description	Assets	Liabilities	Net effect on reserves and fund balances 1 January 2010
		€ '000	
Initial recognition of contribution receivable (net)	32,981.4	20,014.0	12,967.4
De-recognition of TC receivables	(2,431.8)	-	(2,431.8)
Initial recognition of deferred fund balances	-	24,091.0	(24,091.0)
Initial recognition of advances to suppliers and goods in transit	6,096.4	-	6,096.4
Change in valuation of provision for assessed contribution	913.4	-	913.4
Reclassification of project personnel separation costs and Insurance of project equipment	-	(1,479.8)	1,479.8
Other receivables – payables reclassifications	46,580.7	46,580.7	-
Initial recognition of interest in joint ventures	1,321.4	-	1,321.4
TOTAL	**87,755.6**	**128,889.2**	**(41,133.6)**

Note 26: Events After Reporting Date

26.1 UNIDO's reporting date is 31 December 2010. On the date of signing of these accounts, there have been no material events, favourable or unfavourable, incurred between the reporting date and the date when the financial statements have been authorized for issue, as specified in Certification, that would have impacted these statements.

IV. SUMMARY FINANCIAL STATEMENTS IN ACCORDANCE WITH UNITED NATIONS SYSTEM ACCOUNTING STANDARDS FOR THE YEAR ENDED 31 DECEMBER 2010 (UNAUDITED)

Annex I

Regular Budget Funds: Statement of income and expenditure and changes in reserves and fund balances for the year ended 31 December 2010

	(In euros)
Income	
Assessed Contributions	78,304,594.0
Voluntary Contributions	201,037.5
Other Income	
Revenue Producing Activities	45,643.3
Interest Income	311,617.0
Currency Exchange Adjustments	803,722.6
Miscellaneous Income	418,393.8
TOTAL INCOME	**80,085,008.2**
Expenditure	
Salaries and common staff costs	52,607,387.9
Operating Costs & Contractual Services	14,315,636.2
RPTC & SRA Activities	5,713,431.0
TOTAL EXPENDITURE	**72,636,455.1**
Excess (Shortfall) Of Income Over Expenditure	7,448,553.1
Prior biennium adjustments	(164,392.1)
Savings on cancellation of obligations from Prior biennium	3,148,655.6
Provision for delays in collection of contributions	4,104,239.0
Net Excess (Shortfall) Of Income Over Expenditure	**14,537,055.6**
Transfers to/from reserves	1,314,739.3
Transfers from reserves	(1,064,440.0)
Credits to Member States	(7,818,514.0)
Reserves & Fund balances, beginning of year	36,149,591.6
Reserves & Fund Balances End of year	**43,118,432.5**
Represented by:	
Separation indemnity reserve	5,499,307.5
Reserve for exchange rate fluctuations	10,814,254.1
Credit/surplus due to Member States	14,181,573.9
Special account for RPTC (Refer Annex IV)	5,101,890.1
Working capital fund	7,423,104.0
Reserve for maternity leave	98,302.9
Reserves and Fund balances	**43,118,432.5**

Annex I (a)

General Fund: Status of appropriations by major object of expenditure for the year 2010 as at 31 December 2010

(In thousands of euros)

Major Object Of Expenditure	Original appropriation	Disbursements during 2010	Unliquidated obligations as at 31/12/10	Total expenditure	Balance of appropriations
Salaries and common staff costs	53,944.1	50,109.9	860.1	50,970.0	2,974.1
Official Travel	1,879.5	1,359.3	248.2	1,607.5	272.0
Operating Costs	13,932.5	11,037.7	1,104.7	12,142.4	1,790.1
Information & Communication Technology	2,685.2	1,768.9	404.4	2,173.3	511.9
RPTC & SRA Activities	7,075.3	5,603.7	109.7	5,713.4	1,361.9
TOTAL A	**79,516.6**	**69,879.5**	**2,727.1**	**72,606.6**	**6,910.0**
Income		**Actual Income**	**Accrued Income**	**Total Income**	**Shortfall/(surplus)**
Regional programme	1,041.0	201.0		201.0	840.0
Miscellaneous Income					
1. Estimated in GC.13/Dec.14	1,583.6	357.3		357.3	1,226.3
2. Not estimated in GC.13/Dec.14		1,222.1		1,222.1	(1,222.1)
TOTAL B	**2,624.6**	**1,780.4**		**1,780.4**	**844.2**
TOTAL A-B	**76,892.0**	**68,099.1**	**2,727.1**	**70,826.2**	**6,065.8**

Annex I (b)

Status of assessed contributions to the Regular Budget (in euros) as at 31 December 2010

Member States	Scale %	Contributions payable		Credits and collections in 2010		Contributions outstanding		Total outstanding
		Prior biennium	Current biennium	Prior biennium	Current biennium	Prior biennium	Current biennium	
Afghanistan	0.001	-	783	-	204	-	579	579
Albania	0.008	-	6,264	-	6,264	-	-	-
Algeria	0.118	-	92,400	-	92,400	-	-	-
Angola	0.004	2,565	3,132	68	-	2,497	3,132	5,629
Argentina	0.452	1,565,235	353,937	-	-	1,565,235	353,937	1,919,172
Armenia	0.003	913,195	2,349	2,349	-	910,846	2,349	913,195
Austria	1.233	-	965,496	-	965,496	-	-	-
Azerbaijan	0.007	380,012	5,481	131,645	-	248,367	5,481	253,848
Bahamas	0.022	-	17,227	-	17,227	-	-	-
Bahrain	0.046	-	36,020	-	36,020	-	-	-
Bangladesh	0.010	-	7,830	-	7,830	-	-	-
Barbados	0.013	-	10,180	-	10,180	-	-	-
Belarus	0.028	-	21,925	-	21,925	-	-	-
Belgium	1.532	-	1,199,626	-	1,199,626	-	-	-
Belize	0.001	2,150	783	-	-	2,150	783	2,933
Benin	0.001	2,646	783	2,646	783	-	-	-
Bhutan	0.001	-	783	-	783	-	-	-
Bolivia (Plurinational State of)	0.008	22,025	6,264	9,655	-	12,370	6,264	18,634
Bosnia and Herzegovina	0.008	-	6,264	-	6,264	-	-	-
Botswana	0.019	-	14,878	-	14,878	-	-	-
Brazil	1.218	24,535,801	953,750	5,955,609	-	18,580,192	953,750	19,533,942
Bulgaria	0.028	-	21,925	-	21,925	-	-	-
Burkina Faso	0.003	-	2,349	-	2,349	-	-	-
Burundi	0.001	54,245	783	5,638	-	48,607	783	49,390
Cambodia	0.001	646	783	646	783	-	-	-
Cameroon	0.013	7,784	10,180	817	-	6,967	10,180	17,147
Cape Verde	0.001	100,582	783	-	-	100,582	783	101,365
Central African Republic	0.001	115,945	783	-	-	115,945	783	116,728
Chad	0.001	99,052	783	-	-	99,052	783	99,835
Chile	0.224	362,204	175,402	362,204	175,402	-	-	-
China	3.707	-	2,902,751	-	2,902,751	-	-	-
Colombia	0.146	-	114,325	-	114,325	-	-	-
Comoros	0.001	139,124	783	-	-	139,124	783	139,907

Annex I (b) — cont.

Status of assessed contributions to the Regular Budget (in euros) as at 31 December 2010

Member States	Scale %	Contributions payable		Credits and collections in 2010		Contributions outstanding		Total outstanding
		Prior biennium	Current biennium	Prior biennium	Current biennium	Prior biennium	Current biennium	
Congo	0.001	-	783	-	783	-	-	-
Costa Rica	0.044	245,620	34,454	-	-	245,620	34,454	280,074
Côte d'Ivoire	0.013	-	10,180	-	1,022	-	9,158	9,158
Croatia	0.069	-	54,030	-	54,030	-	-	-
Cuba	0.075	162,398	58,728	65,591	-	96,807	58,728	155,535
Cyprus	0.061	-	47,766	-	3,883	-	43,883	43,883
Czech Republic	0.391	-	306,171	-	306,171	-	-	-
Democratic People's Republic of Korea	0.010	-	7,830	-	7,830	-	-	-
Democratic Republic of the Congo	0.004	141,999	3,132	-	-	141,999	3,132	145,131
Denmark	1.027	-	804,188	-	804,188	-	-	-
Djibouti	0.001	98,030	783	-	-	98,030	783	98,813
Dominica	0.001	4,271	783	-	-	4,271	783	5,054
Dominican Republic	0.033	524,895	25,841	-	-	524,895	25,841	550,736
Ecuador	0.029	56,521	22,708	56,521	22,708	-	-	-
Egypt	0.122	-	95,532	-	95,532	-	-	-
El Salvador	0.028	303,592	21,925	-	-	303,592	21,925	325,517
Equatorial Guinea	0.003	8,446	2,349	8,446	2,349	-	-	-
Eritrea	0.001	-	783	-	783	-	-	-
Ethiopia	0.004	-	3,132	-	3,132	-	-	-
Fiji	0.004	5,045	3,132	5,045	3,132	-	-	-
Finland	0.784	-	613,908	-	613,908	-	-	-
France	8.758	-	6,857,917	-	6,857,917	-	-	-
Gabon	0.011	39,897	8,614	-	-	39,897	8,614	48,511
Gambia	0.001	62,932	783	-	-	62,932	783	63,715
Georgia	0.004	1,605,143	3,132	-	-	1,605,143	3,132	1,608,275
Germany	11.921	-	9,334,691	-	9,334,691	-	-	-
Ghana	0.006	-	4,698	-	4,698	-	-	-

Annex I (b) — cont.

Status of assessed contributions to the Regular Budget (in euros) as at 31 December 2010

Member States	Scale %	Contributions payable		Credits and collections in 2010		Contributions outstanding		Total outstanding
		Prior biennium	Current biennium	Prior biennium	Current biennium	Prior biennium	Current biennium	
Greece	0.828	-	648,362	-	152,783	-	495,579	495,579
Grenada	0.001	47,889	783	-	-	47,889	783	48,672
Guatemala	0.044	-	34,454	-	2,997	-	31,457	31,457
Guinea	0.001	-	783	-	(492)	-	1,275	1,275
Guinea-Bissau	0.001	121,255	783	-	-	121,255	783	122,038
Guyana	0.001	-	783	-	783	-	-	-
Haiti	0.003	-	2,349	-	272	-	2,077	2,077
Honduras	0.007	545	5,481	545	5,318	-	163	163
Hungary	0.339	-	265,453	-	265,453	-	-	-
India	0.625	-	489,404	-	489,404	-	-	-
Indonesia	0.224	-	175,402	-	175,402	-	-	-
Iran (Islamic Republic of)	0.250	1,478	195,761	1,478	14,054	-	181,707	181,707
Iraq	0.021	-	16,444	-	16,444	-	-	-
Ireland	0.619	-	484,706	-	484,706	-	-	-
Israel	0.582	-	455,733	-	455,733	-	-	-
Italy	7.060	-	5,528,305	-	5,528,305	-	-	-
Jamaica	0.014	-	10,963	-	10,963	-	-	-
Japan	22.000	-	17,227,011	-	17,227,011	-	-	-
Jordan	0.017	-	13,312	-	13,312	-	-	-
Kazakhstan	0.040	-	31,322	-	31,322	-	-	-
Kenya	0.014	21,011	10,963	15,745	-	5,266	10,963	16,229
Kuwait	0.253	-	198,111	-	198,111	-	-	-
Kyrgyzstan	0.001	379,557	783	761	-	378,796	783	379,579
Lao People’s Democratic Republic	0.001	-	783	-	783	-	-	-
Lebanon	0.047	36,164	36,803	36,164	2,384	-	34,419	34,419
Lesotho	0.001	532	783	68	-	464	783	1,247
Liberia	0.001	110,445	783	3,771	-	106,674	783	107,457
Libyan Arab Jamahiriya	0.086	-	67,342	-	13,079	-	54,263	54,263
Lithuania	0.043	-	33,671	-	2,384	-	31,287	31,287
Luxembourg	0.118	-	92,400	-	92,400	-	-	-
Madagascar	0.003	180	2,349	180	92	-	2,257	2,257
Malawi	0.001	-	783	-	783	-	-	-
Malaysia	0.264	-	206,724	-	206,724	-	-	-

Annex I (b) — cont.

Status of assessed contributions to the Regular Budget (in euros) as at 31 December 2010

Member States	Scale %	Contributions payable		Credits and collections in 2010		Contributions outstanding		Total outstanding
		Prior biennium	Current biennium	Prior biennium	Current biennium	Prior biennium	Current biennium	
Maldives	0.001	381	783	68	-	313	783	1,096
Mali	0.001	5,180	783	5,180	-	0	783	783
Malta	0.024	-	18,793	-	18,793	-	-	-
Mauritania	0.001	81,254	783	-	-	81,254	783	82,037
Mauritius	0.015	-	11,746	-	11,746	-	-	-
Mexico	3.137	6,897,579	2,456,415	98,270	-	6,799,309	2,456,415	9,255,724
Monaco	0.004	-	3,132	-	3,132	-	-	-
Mongolia	0.001	-	783	-	783	-	-	-
Montenegro	0.001	-	783	-	783			
Morocco	0.058	40,105	45,417	40,105	45,417	-	-	-
Mozambique	0.001	-	783	-	68	-	715	715
Myanmar	0.007	32,049	5,481	-	-	32,049	5,481	37,530
Namibia	0.008	-	6,264	-	6,264	-	-	-
Nepal	0.004	22,031	3,132	22,031	409	-	2,723	2,723
Netherlands	2.603	-	2,038,269	-	2,038,269	-	-	-
New Zealand	0.356	-	278,764	-	278,764	-	-	-
Nicaragua	0.003	142,202	2,349	-	-	142,202	2,349	144,551
Niger	0.001	100,617	783	-	-	100,617	783	101,400
Nigeria	0.067	149,437	52,464	149,437	52,464	-	-	-
Norway	1.087	-	851,171	-	851,171	-	-	-
Oman	0.101	-	79,088	-	79,088	-	-	-
Pakistan	0.082	74,021	64,210	71,005	-	3,016	64,210	67,226
Panama	0.032	16,860	25,057	16,860	25,057	-	-	-
Papua New Guinea	0.003	26,237	2,349	-	-	26,237	2,349	28,586
Paraguay	0.007	-	5,481	-	1,158	-	4,323	4,323
Peru	0.108	83,491	84,569	83,491	84,419	-	150	150
Philippines	0.108	-	84,569	-	84,569	-	-	-

Annex I (b) — cont.

Status of assessed contributions to the Regular Budget (in euros) as at 31 December 2010

Member States	Scale %	Contributions payable		Credits and collections in 2010		Contributions outstanding		Total outstanding
		Prior biennium	Current biennium	Prior biennium	Current biennium	Prior biennium	Current biennium	
Poland	0.696	-	545,000	-	545,000	-	-	-
Portugal	0.732	559,261	573,190	559,261	573,190	-	-	-
Qatar	0.118	-	92,400	-	92,400	-	-	-
Republic of Korea	3.020	-	2,364,799	-	2,364,799	-	-	-
Republic of Moldova	0.001	614,160	783	88,599	-	525,561	783	526,344
Romania	0.097	-	75,955	-	75,955	-	-	-
Russian Federation	1.668	-	1,306,121	-	1,306,121	-	-	-
Rwanda	0.001	1,154	783	1,154	783	-	-	-
Saint Kitts and Nevis	0.001	1,621	783	-	-	1,621	783	2,404
Saint Lucia	0.001	912	783	204	-	708	783	1,491
Saint Vincent and the Grenadines	0.001	115,415	783	-	-	115,415	783	116,198
Samoa	0.001	773	783	773	783	-		
Sao Tome and Principe	0.001	139,124	783	-	-	139,124	783	139,907
Saudi Arabia	1.040	-	814,368	-	814,368	-	-	-
Senegal	0.006	13,302	4,698	9,796	-	3,506	4,698	8,204
Serbia	0.029	-	22,708	-	22,708	-	-	-
Seychelles	0.003	-	2,349	-	204	-	2,145	2,145
Sierra Leone	0.001	1,776	783	1,776	783	-	-	-
Slovakia	0.088	-	68,908	-	68,908	-	-	-
Slovenia	0.133	-	104,145	-	104,145	-	-	-
Somalia	0.001	139,123	783	-	-	139,123	783	139,906
South Africa	0.403	-	315,568	-	315,568	-	-	-
Spain	4.125	-	3,230,065	-	3,230,065	-	-	-
Sri Lanka	0.022	-	17,227	-	17,227	-	-	-
Sudan	0.010	6,943	7,830	681	-	6,262	7,830	14,092
Suriname	0.001	-	783	-	68	-	715	715
Swaziland	0.003	-	2,349	-	204	-	2,145	2,145
Sweden	1.489	-	1,165,956	-	1,165,956	-	-	-
Switzerland	1.690	-	1,323,348	-	1,323,348	-	-	-
Syrian Arab Republic	0.022	-	17,227	-	17,227	-	-	-
Tajikistan	0.001	147,133	783	15,567	-	131,566	783	132,349
Thailand	0.259	-	202,809	-	202,809	-	-	-

Annex I (b) — cont.

Status of assessed contributions to the Regular Budget (in euros) as at 31 December 2010

Member States	Scale %	Contributions payable		Credits and collections in 2010		Contributions outstanding		Total outstanding
		Prior biennium	Current biennium	Prior biennium	Current biennium	Prior biennium	Current biennium	
The former Yugoslav Rep. of Macedonia	0.007	4,603	5,481	613	-	3,990	5,481	9,471
Timor-Leste	0.001	1,494	783	68	-	1,426	783	2,209
Togo	0.001	57,924	783	773	-	57,151	783	57,934
Tonga	0.001	399	783	68	-	331	783	1,114
Trinidad and Tobago	0.038	-	29,756	-	29,756	-	-	-
Tunisia	0.043	-	33,671	-	33,671	-	-	-
Turkey	0.530	-	415,014	-	415,014	-	-	-
Turkmenistan	0.008	236,614	6,264	-	-	236,614	6,264	242,878
Uganda	0.004	5,110	3,132	613	-	4,497	3,132	7,629
Ukraine	0.063	1,906,452	49,332	53,215	-	1,853,237	49,332	1,902,569
United Arab Emirates	0.420	-	328,879	-	328,879	-	-	-
United Kingdom	9.232	-	7,229,080	-	7,229,080	-	-	-
United Republic of Tanzania	0.008	4,028	6,264	4,028	5,154	-	1,110	1,110
Uruguay	0.038	19,168	29,756	19,168	14,978	-	14,778	14,778
Uzbekistan	0.011	478,328	8,614	8,504	-	469,824	8,614	478,438
Vanuatu	0.001	82,811	783	-	-	82,811	783	83,594
Venezuela (Bolivarian Republic of)	0.278	134,995	217,687	43,389	-	91,606	217,687	309,293
Viet Nam	0.033	-	25,841	-	25,841	-	-	-
Yemen	0.010	7,080	7,830	7,080	918	-	6,912	6,912
Zambia	0.001	-	783	-	783	-	-	-
Zimbabwe	0.011	-	8,614	-	8,614	-	-	-
Subtotal:	100.000	44,632,203	78,304,594	7,967,368	73,022,343	36,664,834	5,282,251	41,947,085

Annex I (b) — cont.

Status of assessed contributions to the Regular Budget (in euros) as at 31 December 2010

Member States	Scale %	Contributions payable		Credits and collections in 2010		Contributions outstanding		Total outstanding
		Prior biennium	Current biennium	Prior biennium	Current biennium	Prior biennium	Current biennium	
FORMER MEMBER STATES:								
USA		69,068,887	-		-	69,068,887	-	69,068,887
Yugoslavia (former)		2,081,599	-	-	-	2,081,599	-	2,081,599
Subtotal:		71,150,486	-	-	-	71,150,486	-	71,150,486
TOTAL		115,782,689	78,304,594	7,967,368	73,022,343	107,815,320	5,282,251	113,097,571
1986		44,138		-		44,138		44,138
1987		46,734		-		46,734		46,734
1988		72,721		-		72,721		72,721
1989		91,479		-		91,479		91,479
1990		496,067		3,771		492,296		492,296
1991		625,832		-		625,832		625,832
1992		722,060		2,349		719,711		719,711
1993		814,240		761		813,479		813,479
1994		7,213,535		1,501		7,212,034		7,212,034
1995		34,051,814		143,589		33,908,225		33,908,225
1996		33,118,460		2,163,481		30,954,979		30,954,979
1997		3,105,322		2,267,757		837,565		837,565
1998		2,491,505		1,683,222		808,283		808,283
1999		3,512,507		-		3,512,507		3,512,507
2000		1,742,814		-		1,742,814		1,742,814
2001		1,742,814		-		1,742,814		1,742,814
2002		2,052,463		-		2,052,463		2,052,463
2003		2,329,982		-		2,329,982		2,329,982
2004		2,582,176		2,759		2,579,417		2,579,417
2005		2,593,094		4,040		2,589,054		2,589,054
2006		1,887,740		7,442		1,880,298		1,880,298
2007		4,938,226		242,125		4,696,101		4,696,101
2008		4,261,144		302,894		3,958,250		3,958,250
2009		5,245,822		1,141,677		4,104,145		4,104,145
2010			78,304,594		73,022,343		5,282,251	5,282,251
TOTAL		115,782,689	78,304,594	7,967,368	73,022,343	107,815,321	5,282,251	113,097,572
Supplementary estimates for the biennium 2004-2005 for security enhancements (GC.11/Dec.15) - refer Schedule 1.1 for details.		91,980		147		91,833		91,833
GRAND TOTAL		115,874,669	78,304,594	7,967,515	73,022,343	107,907,154	5,282,251	113,189,405

Annex I (c)

Status of advances to the Working Capital Fund as at 31 December 2010
(in euros)

Member state	Scale of assessment (per cent)	Amount of advance	Collections 1986-2009	Adjustments 2010	Collections 2010	Amount outstanding
Afghanistan	0.001	74	74	-	-	-
Albania	0.008	594	594	-	-	-
Algeria	0.118	8,759	8,759	-	-	-
Angola	0.004	297	297	-	-	-
Argentina	0.452	33,552	33,552	-	-	-
Armenia	0.003	223	223	-	-	-
Austria	1.233	91,526	91,526	-	-	-
Azerbaijan	0.007	520	520	-	-	-
Bahamas	0.022	1,633	1,633	-	-	-
Bahrain	0.046	3,415	3,415	-	-	-
Bangladesh	0.010	742	742	-	-	-
Barbados	0.013	965	965	-	-	-
Belarus	0.028	2,078	2,078	-	-	-
Belgium	1.532	113,721	113,721	-	-	-
Belize	0.001	74	74	-	-	-
Benin	0.001	74	74	-	-	-
Bhutan	0.001	74	74	-	-	-
Bolivia (Plurinational State of)	0.008	594	594	-	-	-
Bosnia and Herzegovina	0.008	594	594	-	-	-
Botswana	0.019	1,410	1,410	-	-	-
Brazil	1.218	90,413	90,413	-	-	-
Bulgaria	0.028	2,078	2,078	-	-	-
Burkina Faso	0.003	223	223	-	-	-
Burundi	0.001	74	74	-	-	-
Cambodia	0.001	74	74	-	-	-
Cameroon	0.013	965	965	-	-	-
Cape Verde	0.001	74	74	-	-	-
Central African Republic	0.001	74	74	-	-	-
Chad	0.001	74	74	-	-	-
Chile	0.224	16,628	16,628	-	-	-
China	3.707	275,172	275,172	-	-	-
Colombia	0.146	10,838	10,838	-	-	-
Comoros	0.001	74	74	-	-	-
Congo	0.001	74	74	-	-	-
Costa Rica	0.044	3,266	3,266	-	-	-
Côte d’Ivoire	0.013	965	965	-	-	-
Croatia	0.069	5,122	5,122	-	-	-
Cuba	0.075	5,567	5,567	-	-	-
Cyprus	0.061	4,528	4,528	-	-	-
Czech Republic	0.391	29,024	29,024	-	-	-
Democratic People’s Republic of Korea	0.010	742	742	-	-	-
Democratic Republic of the Congo	0.004	297	297	-	-	-
Denmark	1.027	76,235	76,235	-	-	-
Djibouti	0.001	74	74	-	-	-

Annex I (c) — cont.

Status of advances to the Working Capital Fund as at 31 December 2010
(in euros)

Member state	Scale of assessment (per cent)	Amount of advance	Collections 1986-2009	Adjustments 2010	Collections 2010	Amount outstanding
Dominica	0.001	74	74	-	-	-
Dominican Republic	0.033	2,450	325	-	-	2,125
Ecuador	0.029	2,153	2,153	-	-	-
Egypt	0.122	9,056	9,056	-	-	-
El Salvador	0.028	2,078	153	-	-	1,925
Equatorial Guinea	0.003	223	223	-	-	-
Eritrea	0.001	74	74	-	-	-
Ethiopia	0.004	297	297	-	-	-
Fiji	0.004	297	297	-	-	-
Finland	0.784	58,197	58,197	-	-	-
France	8.758	650,109	650,109	-	-	-
Gabon	0.011	817	817	-	-	-
Gambia	0.001	74	74	-	-	-
Georgia	0.004	297	297	-	-	-
Germany	11.921	884,974	884,974	-	-	-
Ghana	0.006	445	445	-	-	-
Greece	0.828	61,463	61,463	-	-	-
Grenada	0.001	74	74	-	-	-
Guatemala	0.044	3,266	3,266	-	-	-
Guinea	0.001	74	74	-	-	-
Guinea-Bissau	0.001	74	74	-	-	-
Guyana	0.001	74	74	-	-	-
Haiti	0.003	223	223	-	-	-
Honduras	0.007	520	520	-	-	-
Hungary	0.339	25,164	25,164	-	-	-
India	0.625	46,394	46,394	-	-	-
Indonesia	0.224	16,628	16,628	-	-	-
Iran (Islamic Republic of)	0.250	18,558	18,558	-	-	-
Iraq	0.021	1,559	1,559	-	-	-
Ireland	0.619	45,949	45,949	-	-	-
Israel	0.582	43,202	43,202	-	-	-
Italy	7.060	524,066	524,066	-	-	-
Jamaica	0.014	1,039	1,039	-	-	-
Japan	22.000	1,633,067	1,633,067	-	-	-
Jordan	0.017	1,262	1,262	-	-	-
Kazakhstan	0.040	2,969	2,969	-	-	-
Kenya	0.014	1,039	1,039	-	-	-
Kuwait	0.253	18,780	18,780	-	-	-
Kyrgyzstan	0.001	74	74	-	-	-
Lao People’s Democratic Republic	0.001	74	74	-	-	-
Lebanon	0.047	3,489	3,489	-	-	-
Lesotho	0.001	74	74	-	-	-
Liberia	0.001	74	74	-	-	-
Libyan Arab Jamahiriya	0.086	6,384	6,384	-	-	-

Annex I (c) — cont.

Status of advances to the Working Capital Fund as at 31 December 2010
(in euros)

Member state	Scale of assessment (per cent)	Amount of advance	Collections 1986-2009	Adjustments 2010	Collections 2010	Amount outstanding
Lithuania	0.043	3,192	3,192	-	-	-
Luxembourg	0.118	8,759	8,759	-	-	-
Madagascar	0.003	223	223	-	-	-
Malawi	0.001	74	74	-	-	-
Malaysia	0.264	19,597	19,597	-	-	-
Maldives	0.001	74	74	-	-	-
Mali	0.001	74	74	-	-	-
Malta	0.024	1,782	1,782	-	-	-
Mauritania	0.001	74	74	-	-	-
Mauritius	0.015	1,113	1,113	-	-	-
Mexico	3.137	232,860	221,223	11,637	-	-
Monaco	0.004	297	297	-	-	-
Mongolia	0.001	74	74	-	-	-
Montenegro	0.001	74	74	-	-	-
Morocco	0.058	4,305	4,305	-	-	-
Mozambique	0.001	74	74	-	-	-
Myanmar	0.007	520	520	-	-	-
Namibia	0.008	594	594	-	-	-
Nepal	0.004	297	297	-	-	-
Netherlands	2.603	193,221	193,221	-	-	-
New Zealand	0.356	26,426	26,426	-	-	-
Nicaragua	0.003	223	74	-	-	149
Niger	0.001	74	74	-	-	-
Nigeria	0.067	4,973	4,973	-	-	-
Norway	1.087	80,688	80,688	-	-	-
Oman	0.101	7,497	7,497	-	-	-
Pakistan	0.082	6,087	6,087	-	-	-
Panama	0.032	2,375	2,375	-	-	-
Papua New Guinea	0.003	223	223	-	-	-
Paraguay	0.007	520	520	-	-	-
Peru	0.108	8,017	8,017	-	-	-
Philippines	0.108	8,017	8,017	-	-	-
Poland	0.696	51,664	51,664	-	-	-
Portugal	0.732	54,337	54,337	-	-	-
Qatar	0.118	8,759	8,759	-	-	-
Republic of Korea	3.020	224,176	224,176	-	-	-
Republic of Moldova	0.001	74	74	-	-	-
Romania	0.097	7,200	7,200	-	-	-
Russian Federation	1.668	123,816	123,816	-	-	-
Rwanda	0.001	74	74	-	-	-
Saint Kitts and Nevis	0.001	74	74	-	-	-
Saint Lucia	0.001	74	74	-	-	-
Saint Vincent and the Grenadines	0.001	74	74	-	-	-
Samoa	0.001	74	-	-	74	-

Annex I (c) — cont.

Status of advances to the Working Capital Fund as at 31 December 2010
(in euros)

Member state	Scale of assessment (per cent)	Amount of advance	Collections 1986-2009	Adjustments 2010	Collections 2010	Amount outstanding
Sao Tome and Principe	0.001	74	74	-	-	-
Saudi Arabia	1.040	77,201	77,201	-	-	-
Senegal	0.006	445	445	-	-	-
Serbia	0.029	2,153	2,153	-	-	-
Seychelles	0.003	223	223	-	-	-
Sierra Leone	0.001	74	74	-	-	-
Slovakia	0.088	6,532	6,532	-	-	-
Slovenia	0.133	9,873	9,873	-	-	-
Somalia	0.001	74	74	-	-	-
South Africa	0.403	29,915	29,915	-	-	-
Spain	4.125	306,200	306,200	-	-	-
Sri Lanka	0.022	1,633	1,633	-	-	-
Sudan	0.010	742	742	-	-	-
Suriname	0.001	74	74	-	-	-
Swaziland	0.003	223	223	-	-	-
Sweden	1.489	110,529	110,529	-	-	-
Switzerland	1.690	125,449	125,449	-	-	-
Syrian Arab Republic	0.022	1,633	1,633	-	-	-
Tajikistan	0.001	74	74	-	-	-
Thailand	0.259	19,226	19,226	-	-	-
The former Yug. Rep. of Macedonia	0.007	520	520	-	-	-
Timor-Leste	0.001	74	74	-	-	-
Togo	0.001	74	74	-	-	-
Tonga	0.001	74	74	-	-	-
Trinidad and Tobago	0.038	2,821	2,821	-	-	-
Tunisia	0.043	3,192	3,192	-	-	-
Turkey	0.530	39,342	39,342	-	-	-
Turkmenistan	0.008	594	56	-	-	538
Uganda	0.004	297	297	-	-	-
Ukraine	0.063	4,677	4,677	-	-	-
United Arab Emirates	0.420	31,177	31,177	-	-	-
United Kingdom	9.232	685,294	685,294	-	-	-
United Republic of Tanzania	0.008	594	594	-	-	-
Uruguay	0.038	2,821	2,821	-	-	-
Uzbekistan	0.011	817	817	-	-	-
Vanuatu	0.001	74	74	-	-	-
Venezuela (Bolivarian Republic of)	0.278	20,636	20,636	-	-	-
Viet Nam	0.033	2,450	2,450	-	-	-
Yemen	0.010	742	742	-	-	-
Zambia	0.001	74	74	-	-	-
Zimbabwe	0.011	817	817	-	-	-
TOTAL	**100.000**	**7,423,104**	**7,406,656**	**15,657**	**4,094**	**4,737**

Annex II

Operational Budget: Statement of income and expenditure and changes in reserves and fund balances for the year ended 31 December 2010

	(In euros)
Other Income	
Revenue Producing Activities	11,551,000.5
Interest Income	25,322.1
Currency Exchange Adjustments	798,863.8
TOTAL INCOME	**12,375,186.4**
Expenditure	
Salaries and common staff costs	9,260,594.5
Operating costs and contractual services	256,522.4
TOTAL EXPENDITURE	**9,517,116.8**
Excess (Shortfall) Of Income Over Expenditure	2,858,069.6
Prior biennium adjustments	(22,872.2)
Savings on cancellation of obligations from. Prior biennium	343,697.4
Net Excess (Shortfall) Of Income Over Expenditure	3,178,894.7
Reserves & Fund balances, beginning of year	6,509,971.3
Reserves & Fund Balances End of Year	**9,688,866.0**
Represented by:	
Operating reserve	3,030,000.0
Surplus in excess of operating reserve	6,658,866.0
Reserves and Fund balances	**9,688,866.0**

Annex III

Other Special Funds: Statement of income and expenditure and changes in reserves and fund balances for the year ended 31 December 2010

(In euros)

	COMFAR	PCOR & TC Funds	Sales Publications	VIC Security Supplement	Other Special Funds (Total)
Income					
Voluntary Contributions		6,036,144.2			6,036,144.2
Other Income					
Revenue Producing Activities	374,391.1		91,286.7		465,677.8
Funds Under Inter-organisational arrangements			(45,643.3)		(45,643.3)
Interest Income		23,275.4			23,275.4
Currency Exchange Adjustments	(689.7)		3.3		(686.4)
TOTAL INCOME	**373,701.5**	**6,059,419.6**	**45,646.6**	**0.0**	**6,478,767.7**
Expenditure					
Salaries and common staff costs	156,095.5	273,593.6	23,565.6		453,254.6
Operating costs and contractual services	66,863.7		6,883.2	158,493.3	232,240.2
Acquisitions		1,505,160.0			1,505,160.0
Programme support costs	28,984.7				28,984.7
TOTAL EXPENDITURE	**251,943.8**	**1,778,753.6**	**30,448.8**	**158,493.3**	**2,219,639.5**
Excess (Shortfall) Of Income Over Expenditure	121,757.6	4,280,666.0	15,197.8	(158,493.3)	4,259,128.2
Reserves & Fund balances, beginning of year	1,263,805.6	0.0	264,908.8	952,118.5	2,480,832.9
Reserves & Fund Balances End of Year	**1,385,563.3**	**4,280,666.0**	**280,106.6**	**793,625.2**	**6,739,961.1**

Represented BY:		
Fund balance - PCOR		**3,526,479.7**
Fund balance - TC Activities		**754,186.3**
		4,280,666.0

Annex IV

Regular Programme for Technical Cooperation: Statement of income and expenditure and changes in reserves and fund balances for the year ended 31 December 2010

	(In euros)
Other Income	
Contributions from UNIDO regular budget	4,613,470.0
Currency Exchange Adjustments	(122.3)
Miscellaneous income	(3,965.2)
TOTAL INCOME	**4,609,382.5**
Expenditure	
Salaries and common staff costs	1,965,417.0
Operating Costs & Contractual Services	934,458.9
Acquisitions	144,296.2
Fellowships	250,471.1
TOTAL EXPENDITURE	**3,294,643.2**
Excess (Shortfall) Of Income Over Expenditure	1,314,739.3
Reserves & Fund balances, beginning of year	3,787,150.8
Reserves & Fund Balances End of Year	**5,101,890.1**

Annex V (a)

Summary of transactions on sub-accounts of the Industrial Development Fund for the year as at 31 December 2010 — euro-based

(in euros)

	Fund Balance at 01/01/2010	Cash Received in 2010	Expenditures 2010	Misc. income incl. General Pool interest	Fund Balance as at 31/12/2010
General-purpose convertible	2,003,098	0	48,159	9,334	**1,964,273**
Agence Wallonne à l'Exportation	151,122	20,702	43,080	0	**128,744**
Austria Cleaner Production	2,064,934	36,120	554,287	0	**1,546,766**
Austria	3,293,527	1,100,000	401,738	0	**3,991,789**
Austrian Development Agency	483,472	491,945	330,741	0	**644,676**
Austrian Ministry of Agriculture, Forestry Environment and Water Management	84,339	0	56,732	0	**27,607**
Denmark (Danida) – Sub-Saharan Africa	7,317	-7,317	0	0	**0**
Finland	847,665	2,400	48,572	0	**801,493**
France	102,283	573,429	621,947	0	**53,766**
France, Ministry of Agriculture	757,276	5,298	30,463	0	**732,110**
Greece	156,725	145,942	275,359	0	**27,308**
Hungary	11,576	368	-6,302	0	**18,246**
Czech Republic	88,082	0	68,101	0	**19,981**
Italy	5,088,954	628,231	2,112,066	0	**3,605,120**
Luxembourg	183,183	306,635	321,310	0	**168,508**
Namibia	348	0	0	0	**348**
Poland	2,793	0	-650	0	**3,443**
Portugal	89,937	1,448	0	0	**91,385**
Slovenia	1,028,306	439,326	424,146	0	**1,043,486**
Spain	2,224,581	500,000	788,585	-1,139	**1,934,857**
Switzerland	2,166,369	38,286	1,282,564	0	**922,091**
Unencumbered balances – Integrated programmes and country service framework activities	171,399	3,113	114,286	0	**60,226**
Unencumbered balances – Millennium Development Goals	41,884	790	15,712	0	**26,961**
Unencumbered balances – Post-crisis situation	166,332	2,679	0	0	**169,011**
Undefined	-1	0	0	-392	**-393**
Total special-purpose convertible	19,212,402	4,289,395	7,482,736	-1,532	**16,017,530**
GRAND TOTAL	21,215,500	4,289,395	7,530,896	7,803	**17,981,803**

Annex V (b)

Summary of transactions on sub-accounts of the Industrial Development Fund for the year as at 31 December 2010 — dollar-based

(in United States dollars)

	Fund Balance at 01/01/2010	Cash Received in 2010	Expenditures 2010	Misc. income incl. General Pool interest	Fund Balance as at 31/12/2010
General-purpose convertible	2,761,451	209,950	0	24,143	**2,995,544**
Argentina	225	0	0	0	**225**
Australia	30,606	0	0	0	**30,606**
Austria	299,508	160,030	5,842	266	**453,963**
Austria Cleaner Production	2,438	25	0	0	**2,463**
Bahrain	240,233	798,600	761,241	0	**277,592**
Belgium	125,017	1,187	0	0	**126,204**
Brazil	29,696	0	0	0	**29,696**
Brazil – Pernambuco State Government	28,937	0	0	0	**28,937**
China	4,356,968	1,148,969	727,200	0	**4,778,737**
Côte d'Ivoire	-108,618	0	0	0	**-108,618**
Czech Republic	283,427	0	108,174	0	**175,253**
Denmark (Danida) – Sub-Saharan Africa	1,356,551	-423,219	322,293	676	**611,715**
Egypt	-101,718	0	0	0	**-101,718**
France	27,159	-27,159	0	0	**0**
Germany	220,550	0	0	0	**220,550**
Guatemala	195,155	0	121,592	0	**73,563**
Hungary	131,164	1,477	492	0	**132,150**
India	8,349,971	2,287,036	1,647,496	0	**8,989,512**
Indonesia	10,493	0	0	0	**10,493**
Italy	416,681	4,072	0	0	**420,753**
Japan	492,712	1,812,163	1,762,751	0	**542,124**
Japan Overseas Development Corporation, Bangkok	424	0	0	0	**424**
Korea, Democratic People's Republic of	1,351	0	0	0	**1,351**
Korea, Republic of	1,694,959	766,322	577,877	0	**1,883,405**
Kuwait	110,550	1,051	0	0	**111,601**
Luxembourg	36,667	349	0	-450	**36,566**
Mexico	517,375	0	303,536	0	**213,839**

Annex V (b) — cont.

Summary of transactions on sub-accounts of the Industrial Development Fund for the year as at 31 December 2010 — dollar-based
(in United States dollars)

	Fund Balance at 01/01/2010	Cash Received in 2010	Expenditures 2010	Misc. income incl. General Pool interest	Fund Balance as at 31/12/2010
Myanmar	577	0	0	0	**577**
Netherlands	828,524	0	0	0	**828,524**
New Zealand	40,204	2,376	2,825	0	**39,754**
Nigeria - Ebonyi Sate	174,966	0	59,048	0	**115,918**
Norway	156,049	0	0	0	**156,049**
Poland	109,586	0	77,695	0	**31,891**
Portugal	1,472,448	92,615	186,475	0	**1,378,588**
Romania	13,434	0	0	0	**13,434**
Russian Federation	2,527,842	2,600,000	1,707,985	0	**3,419,857**
Saudi Arabia	1,126,072	74,407	0	0	**1,200,479**
Saudi Arabian General Investment Authority	306,489	0	0	0	**306,489**
Slovakia	106,905	0	19	0	**106,886**
Spain	4,213	0	0	0	**4,213**
Sweden	4,676	0	0	0	**4,676**
Switzerland	4,389,447	5,186,016	2,376,924	0	**7,198,539**
Thailand	54,735	0	0	0	**54,735**
Turkey	374,488	174,497	328,049	0	**220,936**
Undefined	1,671	1,666	0	0	**3,338**
Various Donors Programmable Funds	564,100	6,142	193,645	0	**376,598**
Total special-purpose convertible	31,004,906	14,668,624	11,271,156	492	**34,402,865**
Bulgaria	28	0	0	0	**28**
China	309,676	140,118	0	0	**449,794**
Cuba	433,148	0	0	0	**433,148**
Egypt	-45,546	0	0	0	**-45,546**
Egypt Iron And Steel Co.	31,942	0	0	0	**31,942**
Undefined	293	0	0	0	**293**
Total special-purpose non-convertible	729,541	140,118	0	0	**869,659**
GRAND TOTAL	34,495,898	15,018,692	11,271,156	24,636	38,268,069

Annex VI (a)

Summary of technical cooperation activities financed by trust funds for the year as at 31 December 2010 — euro-based

(in euros)

Description	Fund balance at 01/01/2010	Contributions received, interest and miscellaneous income 2010	Expenditures 2010	Fund balance as at 12/31/2010
Projects financed by recipient Governments				
Cameroon	65,983	0	0	**65,983**
Croatia	117,224	0	68,628	**48,596**
Iran (Islamic Republic of)	1,450	0	0	**1,450**
Kenya	10,906	0	2,979	**7,927**
Republic of the Congo	134,943	557,347	324,277	**368,013**
Democratic People’s Republic of Korea	54,184	95,568	85,471	**64,281**
South Africa	1,326,733	1,320,141	1,084,494	**1,562,380**
Sudan	119,321	0	-5,151	**124,472**
Thailand	0	20,709	20,443	**266**
Subtotal	1,830,744	1,993,765	1,581,141	**2,243,368**
Associate Experts and JPOs				
Austria	45,695	7,013	40,573	**12,135**
Germany	78,167	213,002	132,139	**159,030**
Subtotal	123,862	220,015	172,712	**171,165**
Projects financed by donor Governments				
Australia	10,824	0	12,597	**-1,773**
Belgium	62,088	28,000	62,777	**27,311**
European Union	8,762,525	18,070,244	15,569,421	**11,263,348**
Finland	64,016	-3,991	16,063	**43,962**
France	3,769,126	1,234,802	4,488,500	**515,428**
Germany	1,435,807	1,870,758	2,052,479	**1,254,086**
Trust Fund Trade	2,022,956	10,897	262,263	**1,771,590**
Trust Fund for Agro-Industry Promotion	0	378,364	103,970	**274,394**
Trust Fund for Renewable Energy for Productive Activities	0	17,786	12,128	**5,658**
Italy	14,568,014	10,718,089	6,093,041	**19,193,062**
Netherlands	5,810	-3,504	-2,363	**4,669**
Norway	3,140,384	676,465	2,129,823	**1,687,026**
Africa Region Productive Capacity Facility	57,448	835	0	**58,283**
Sweden	1,334	914,386	0	**915,720**
Spain	106,000	0	0	**106,000**
United Kingdom	813,056	0	43,945	**769,111**
Subtotal	34,819,388	33,913,131	30,844,644	**37,887,875**

Annex VI (a) — cont.

Summary of technical cooperation activities financed by trust funds for 2010 as at 31 December 2010 — euro-based
(in euros)

Description	Fund balance at 01/01/2010	Contributions received, interest and miscellaneous income 2010	Expenditures 2010	Fund balance as at 12/31/2010
Other Trust funds				
Undefined	0	40,220	40,220	**0**
Subtotal	0	40,220	40,220	**0**
Austria	104,995	-2,254	56,341	**46,400**
Global Carbon Capture and Storage (CCS) Institute, Australia	0	212,500	92,214	**120,286**
Hilfswerk, Austria	5,105	-5,105	0	**0**
Flemish Government, Belgium	249,377	250,000	167,098	**332,279**
Euro-based Industrial Modernization Centre Egypt	20,395	-20,395	0	**0**
City of Marseille, France	27,343	80,000	33,150	**74,193**
Agence Française de Développement (AFD), France	0	447,890	166,831	**281,059**
Deutsche Gesellschaft für Technische Zusammenarbeit, Germany	0	200,000	76,452	**123,548**
Iran (Islamic Republic of)	434	0	0	**434**
Central European Initiative (CEI), Italy	3,334	0	-2,752	**6,086**
Region of Tuscany, Italy	110,778	0	107,786	**2,992**
Microsoft Corporation, USA	61,776	0	17,107	**44,669**
Norwegian Agency for Development Cooperation (Norad), Norway	1,382,035	1,468,783	1,493,933	**1,356,885**
Renewable Energy Efficiency Partnership	309	0	0	**309**
ComMark Trust, South Africa	81,729	0	46,859	**34,870**
Food and Agriculture Organization of the United Nations (FAO)	398	0	-627	**1,025**
United Nations Environment Programme (UNEP)	5,931	0	0	**5,931**
Subtotal	2,053,939	2,631,419	2,254,392	**2,430,966**
	38,827,933	38,798,550	34,893,109	42,733,374

Annex VI (b)

Summary of technical cooperation activities financed by trust funds for the year as at 31 December 2010 — dollar-based

(in US dollars)

Description	Fund balance at 01/01/2010	Contributions received, interest and miscellaneous income 2010	Expenditures 2010	Fund balance as at 12/31/2010
Projects financed by recipient Governments				
Algeria	26,029	0	0	**26,029**
Argentina	361,894	0	0	**361,894**
Burundi	1,014	0	0	**1,014**
Bolivia (Plurinational State of)	12,460	0	0	**12,460**
Brazil	125,082	0	0	**125,082**
Bulgaria	7,104	0	0	**7,104**
Belarus	26,204	0	0	**26,204**
Belize	30,170	0	-244	**30,414**
Chad	13,844	708,812	0	**722,656**
Chile	6,824	-6,824	0	**0**
Cameroon	269,746	0	33,990	**235,756**
Colombia	152,362	12,611	44,183	**120,790**
China	1,237,750	232,017	500,559	**969,208**
Democratic People's Republic of Korea	3,832	-3,832	0	**0**
Ecuador	12,934	-6,244	0	**6,690**
Egypt	-93	0	0	**-93**
Social Fund for Development, Egypt	13,512	0	0	**13,512**
Ethiopia	2,699	0	0	**2,699**
Gabon	3,604	0	0	**3,604**
Honduras	2,958	0	0	**2,958**
India	1,117,793	155,693	278,176	**995,310**
Indonesia	-12,903	0	-21,452	**8,549**
Iran (Islamic Republic of)	163,697	1,260	32,198	**132,759**
Iran-Organization for Investment, Economic and Technical Assistance of Iran (Islamic Republic of)	52,112	0	0	**52,112**
Iraq	19,638	0	-2,390	**22,028**
Côte d'Ivoire	9,358	0	0	**9,358**
Kenya	7,994	0	0	**7,994**
Lebanon	118,337	0	38,715	**79,622**
Libyan Arab Jamahiriya – Benghazi Development Centre	8,093	0	0	**8,093**
Libyan Arab Jamahiriya – General Pipe Company Benghazi	2,700	0	0	**2,700**
Libyan Arab Jamahiriya – Industrial Research Centre of Libya	10,049	0	0	**10,049**

Annex VI (b) — cont.

Summary of technical cooperation activities financed by trust funds for 2010 as at 31 December 2010 — dollar-based

(in US dollars)

Description	Fund balance at 01/01/2010	Contributions received, interest and miscellaneous income 2010	Expenditures 2010	Fund balance as at 12/31/2010
Libyan Arab Jamahiriya – Secretariat of Strategic Industry	53,081	0	0	**53,081**
Lithuania	3,928	0	0	**3,928**
Madagascar	95,672	0	0	**95,672**
Mexico	706,631	0	77,854	**628,777**
Nigeria	3,177,013	141,482	2,069,637	**1,248,858**
Oman	11,311	0	0	**11,311**
Pakistan	30,186	0	0	**30,186**
Panama	10,057	0	0	**10,057**
Paraguay	17,780	0	0	**17,780**
Peru	0	19,929	0	**19,929**
Russian Federation	1,351,998	-369,534	239,737	**742,727**
Russia - The Foundation NEM and CPCOGI	1,786	0	0	**1,786**
Rwanda	167,687	0	40,263	**127,424**
South Africa	0	113,000	0	**113,000**
Saudi Arabia	53,401	0	0	**53,401**
Saudi Arabian General Investment Authority	52,179	0	0	**52,179**
Saudi German Hospitals Group	59,246	0	0	**59,246**
Sudan	329	0	0	**329**
Thailand	16,173	-5,899	0	**10,274**
Trinidad and Tobago	97,987	0	28,825	**69,162**
Turkey	11,268,779	2,337,628	6,981,069	**6,625,338**
Yemen	24,593	0	0	**24,593**
Zambia	0	1,500,000	1,526,548	**-26,548**
Subtotal	21,006,614	4,830,099	11,867,668	**13,969,045**
Associate Experts and JPOs				
Austria	37,241	47,017	-15,711	**99,969**
Belgium	38,736	0	0	**38,736**
Denmark	141,059	-141,059	0	**0**
France	21,119	2,337	0	**23,456**
Germany	218,097	100,873	211,811	**107,159**
Italy	40,593	807,194	451,891	**395,896**
Japan	292,707	278,816	326,956	**244,567**
Norway	357,805	98,112	177,161	**278,756**
Russian Federation	49,456	0	56,009	**-6,553**
Saudi Arabia	66,948	0	75,977	**-9,029**

Annex VI (b) — cont.

Summary of technical cooperation activities financed by trust funds for 2010 as at 31 December 2010 — dollar-based
(in US dollars)

Description	Fund balance at 01/01/2010	Contributions received, interest and miscellaneous income 2010	Expenditures 2010	Fund balance as at 12/31/2010
Spain	25,026	0	0	**25,026**
Sweden	29,058	144,883	127,916	**46,025**
Subtotal	1,317,845	1,338,173	1,412,010	**1,244,008**
Projects financed by donor Governments				
Austria	41,449	-26,910	-20,888	**35,427**
Belgium	33,077	2,972	21,127	**14,922**
Canada	433,538	2,508,833	1,405,638	**1,536,733**
European Union	-36	36	0	**0**
Finland	65,826	0	0	**65,826**
France	51,322	0	-2,816	**54,138**
Trust Fund Trade	57,061	1,869	-1,645	**60,575**
Greece	23,524	7,143	0	**30,667**
Italy	1,739,587	-2,031	690,836	**1,046,720**
Japan	3,198,081	4,122,893	1,792,269	**5,528,705**
Norway	1,704,309	387,318	909,099	**1,182,528**
Africa Region Productive Capacity Facility	294,579	1,871	0	**296,450**
Republic of Korea	29,186	0	0	**29,186**
Republic of Korea - Korean Research Institute of Standards and Science	133,002	0	0	**133,002**
Spain	135,188	537,919	328,783	**344,324**
Sweden	5,656	-5,905	0	**-249**
Switzerland	188,965	40,000	165,494	**63,471**
United Kingdom	494,376	0	-49,413	**543,789**
United States of America	373,232	0	0	**373,232**
Subtotal	9,001,922	7,576,008	5,238,484	**11,339,446**
Other Trust Funds				
Cabinda Gulf Oil Co. Ltd, Angola	225,000	700,000	77,998	**847,002**
Centro de Investigaciones Textiles, Argentina	1,385	0	0	**1,385**
Austria Rural Energy, Austria	655,650	305	369,953	**286,002**
Premag HandelsGesMBH, Austria	2,595	0	0	**2,595**
Institute for Scientific and Technological Development (IDCT), Brazil	4,075	0	0	**4,075**

Annex VI (b) — cont.

Summary of technical cooperation activities financed by trust funds for 2010 as at 31 December 2010 — dollar-based
(in US dollars)

Description	Fund balance at 01/01/2010	Contributions received, interest and miscellaneous income 2010	Expenditures 2010	Fund balance as at 12/31/2010
Serviço Nacional de Aprendizagem Industrial, Brazil	38,327	0	0	**38,327**
Pontifical Catholic University of Minas Gerais (SMC), Brazil	-28	0	0	**-28**
Instituto de Investigación de Recursos Biológicos, Colombia	-20	0	0	**-20**
Contratación Autónoma Regional del Centro de Antioquia (CORANTIOQUIA), Colombia	0	129,167	0	**129,167**
Beni-Suef Cement Company, Egypt	33,822	0	0	**33,822**
Engineering for the Petroleum and Process Industry (ENPPI), Egypt	8,179	-8,179	0	**0**
IINFOCON Gesellschaft für Wirtschaftsinformationen und Beratung mbH, Germany	40,195	127,065	54,035	**113,225**
Oil and Natural Gas Corporation Ltd, India	30,028	0	0	**30,028**
Ministry of Chemicals and Fertilizers, India	0	399,940	5,663	**394,277**
Glucosan Factories, Iran (Islamic Republic of)	-172	0	0	**-172**
Iranian Fuel Conservation Organization (IFCO), Iran (Islamic Republic of)	19,265	30,441	0	**49,706**
Shahid Modarres Industrial Pharmaceutical Complex, Iran (Islamic Republic of)	53,878	-53,878	0	**0**
Sezione Speciale per l'Assicurazione del Credito, Italy	36,448	0	0	**36,448**
New Energy and Industrial Technology Development Organization, Japan	1,404	0	0	**1,404**
Ministry for the Environment, Land and Sea, Italy	0	118,650	0	**118,650**
Procter and Gamble Far East Inc., Japan	475	0	0	**475**
Japan Overseas Development Corporation, Bangkok	31,383	0	31,338	**45**
Petroliam Nasional Berhad (Petronas), Malaysia	28,179	-28,179	0	**0**
Comité, Técnico Empresarial (CTE), Mexico	17,507	0	0	**17,507**
Agence de l'Oriental, Morocco	84,218	0	-5,960	**90,178**
New Nigeria Development Company, Nigeria	28,325	0	0	**28,325**
Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), Nigeria	115,868	0	10,708	**105,160**
Standards Organization of Nigeria (SON), Nigeria	5,867	659,608	0	**665,475**
National Agency for Science and Engineering Infrastructure (NASENI), Nigeria	0	52,980	52,135	**845**
Projects Development Institute (PRODA), Nigeria	0	125,000	79,233	**45,767**

Annex VI (b) — cont.

Summary of technical cooperation activities financed by trust funds for 2010 as at 31 December 2010 — dollar-based
(in US dollars)

Description	Fund balance at 01/01/2010	Contributions received, interest and miscellaneous income 2010	Expenditures 2010	Fund balance as at 12/31/2010
Norwegian Agency for Development Cooperation (Norad), Norway	1,124,019	527,316	1,231,230	**420,105**
Federal Chemical and Ceramics Corporation, Pakistan	-1,677	0	0	**-1,677**
Inversiones Cofide S.A., Peru	15,405	-15,405	0	**0**
Gulf Organization for Industrial Consulting, Qatar	8,777	0	84	**8,693**
Gulf Cooperation Council, Saudi Arabia	11,676	0	0	**11,676**
Islamic Development Bank, Saudi Arabia	413,264	588,751	414,273	**587,742**
NADSME – Slovakia	8,181	0	0	**8,181**
Ceylon Steel Corporation, Sri Lanka	5,284	0	0	**5,284**
Staudhammer Finanz AG, Switzerland	3,357	0	0	**3,357**
Turkish Electronic Industry Association (TESIDE), Turkey	1,781	0	0	**1,781**
Unilever Research, United Kingdom	2,497	0	0	**2,497**
Epstein Engineering Export Ltd, USA	807	0	0	**807**
The Ford Foundation, USA	12,982	-11,220	0	**1,762**
US Agency for International Development (USAID), USA	-399	0	0	**-399**
Zonta International Foundation, Chicago, USA	76,141	93,750	68,810	**101,081**
World Bank	0	55,000	45,834	**9,166**
Yemen Corporation for Cement Industry and Marketing, Yemen	15,708	0	0	**15,708**
African Development Bank	488	0	0	**488**
Arab Gulf Programme for United Nations Development Organizations	11,098	94,000	2,754	**102,344**
Common Fund for Commodities (CFC)	-37,778	605,992	542,883	**25,331**
Economic Cooperation Organization (ECO), Iran (Islamic Republic of)	-44	0	0	**-44**
Food and Agriculture Organization of the United Nations (FAO)	128,530	-30,672	100,489	**-2,631**
Hewlett-Packard Company, USA	50,159	253,000	119,821	**183,338**
International Development Association (IDA)	144,643	0	0	**144,643**
International Fund for Agriculture Development (IFAD)	59,860	340,000	287,566	**112,294**
International Labour Organization (ILO)	52,968	15,000	39,691	**28,277**
Multi-donor Trust Fund Joint Programme in Mali	629,057	0	343,271	**285,786**
Multi-donor Trust Fund for Northern Sudan	23,402	-19,798	-2,595	**6,199**
Multi-donor Trust Fund for Southern Sudan	189,122	299,960	460,998	**28,084**

Annex VI (b) — cont.

Summary of technical cooperation activities financed by trust funds for 2010 as at 31 December 2010 — dollar-based
(in US dollars)

Description	Fund balance at 01/01/2010	Contributions received, interest and miscellaneous income 2010	Expenditures 2010	Fund balance as at 12/31/2010
Multi-donor Trust Fund for Sierra Leone	0	455,400	305,013	**150,387**
One UN Fund	5,795,269	5,027,029	4,508,554	**6,313,744**
Organization of Petroleum Exporting Countries (OPEC)	2,274	0	0	**2,274**
RENPAP Member Countries	169,972	98,520	44,497	**223,995**
Undefined	349,522	352,159	351,971	**349,710**
UNDP/United Nations Agreement for Tanzania	8,269	0	-5,528	**13,797**
Millennium Development Goals Achievement Fund financed by Spain through UNDP (MDG-F)	6,512,104	5,308,206	5,863,841	**5,956,469**
UNIDO Regional Cleaner Production Programme for Latin America and the Caribbean (RCPP-LAC)	34,789	7,000	19,243	**22,546**
United Nations Development Group Iraq Trust Fund	13,745,754	5,455,063	9,266,824	**9,933,993**
United Nations Development Programme (UNDP)	74,303	0	58,966	**15,337**
United Nations Economic and Social Commission for Western Asia	5,922	0	0	**5,922**
United Nation Fund for International Partnerships	186,983	104,603	278,160	**13,426**
United Nations High Commissioner for Refugees	559	0	-1,937	**2,496**
United Nations Joint Trust Fund for Sudan	3,084	0	0	**3,084**
United Nations Lebanon Recovery Fund	1,576,010	0	1,364,823	**211,187**
United Nations Trust Fund for Human Security	3,347,408	1,380,495	1,852,345	**2,875,558**
One UN Fund Kyrgyzstan	0	158,922	156,565	**2,357**
United Nation Fund for Montenegro	0	53,500	49,870	**3,630**
United Nations Environment Programme (UNEP)	735,362	499,600	484,114	**750,848**
United Nations Peacebuilding Fund	0	1,050,000	282,028	**767,972**
Subtotal	36,958,745	24,999,091	29,209,561	**32,748,275**
TOTAL	68,285,126	38,743,371	47,727,723	59,300,774

Annex VII

Special account for Buildings Management Services as at 31 December 2010

Statement of Income and Expenditure for the year ended 31 December 2010

(in euros)

Income			
Contributions invoiced			
	IAEA	7,834,802	
	UNIDO	2,283,931	
	UNOV	3,343,491	
	CTBTO	1,174,606	
			14,636,830
Reimbursement for ad hoc projects			1,061,055
Interest income			159,107
Miscellaneous income			31,920
Total Income			**15,888,912**
Expenditure			
Rental and maintenance of premises			5,835,983
Utilities			7,392,329
Supplies and materials			41,200
Capital goods			171,964
Bank charges			4,189
Other general operating expenses			10,383
Total Expenditure			**13,456,048**
Excess of Income over Expenditure for 2010			**2,432,864**
Savings on cancellation of obligations			**1,095,371**
NET SURPLUS FOR THE YEAR			**3,528,235**

Annex VII — cont.

SPECIAL ACCOUNT FOR BUILDINGS MANAGEMENT SERVICES

Statement of Assets, Liabilities, Reserves and Fund Balances as at 31 December 2010

Assets	
Cash	32,772,644
Accounts receivable	
Taxation	581,902
Vienna-Based Organizations	5,156,535
Other	1,362,424
Total Assets	**39,873,505**
Liabilities	
Unliquidated obligations	5,320,888
Payments in advance	84,638
Accounts payable	5,451,793
Total Liabilities	**10,857,319**
Fund Balance	
Balance available 1 January 2010	25,487,951
Add: Net surplus for 2010	3,528,235
Balance available 31 December 2010	**29,016,186**
TOTAL RESERVES AND FUND BALANCE	**29,016,186**
TOTAL LIABILITIES,RESERVES AND FUND BALANCE	**39,873,505**

Analysis of fund balance:	**IAEA**	**UNIDO**	**UNOV**	**CTBTO**	**Total**
2010 Opening Fund Balance	12,676,088	4,451,227	5,862,596	2,498,040	25,487,951
Contributions	7,834,802	2,283,931	3,343,491	1,174,606	14,636,830
Interest (net of bank charges)	48,018	36,658	41,781	28,461	154,918
Net expenditure	-6,029,133	-1,757,559	-2,572,924	-903,897	-11,263,513
	14,529,775	**5,014,257**	**6,674,944**	**2,797,210**	**29,016,186**
Contributions receivable	5,156,535				5,156,535