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Report of the External Auditor for 2013

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Report of the External Auditor for 2013

Report of the External Auditor on the accounts of the United Nations Industrial Development Organization for the financial year 1 January to 31 December 2013*

Contents

* The report of the External Auditor is reproduced in the form in which it was received by the Secretariat. The present document has not been edited.

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Dated: 9 May, 2014

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

Excellency,

I have the honour to present to the 42nd Session of the Industrial Development Board, through the 30th Session of the Programme and Budget Committee, my report and opinion on the Financial Statements of the United Nations Industrial Development Organization for the year ended 31 December 2013.

In transmitting my report I wish to advise that in accordance with the United Nations 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*]
(Muhammad Akhtar Buland Rana)

ACRONYMS/ABBREVIATIONS

AG	Appraisal Group
AMC	Programme Approval and Monitoring Committee
BCP	Business Continuity Planning
BMS	Buildings Management Services
BPR	Business Process Re-engineering
BSS	Business and Systems Support Services
CATS	Cross-Application Time Sheets
CMI	Change Management Initiative
CMP	Crisis Management Plan
COG	Culture Operational Group
DAP	Delivered At Place
DG	Director General
DI	Declaration of Interest
ECM	Enterprise Content Management
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
EVA	Evaluation Group
FD	Financial Disclosure
GC	General Conference
GEF	Global Environment Facility
HRM	Human Resource Management
HRMF	Human Resource Management Framework
IAEA	The International Atomic Energy Agency
IAG	Internal Audit Group
IAS	International Accounting Standard
IDB	Industrial Development Board
INTOSAI	International Organization of Supreme Audit Institutions
IOS	Office of Internal Oversight Services
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
ISSAI	International Standards for Supreme Audit Institutions
KMC	Knowledge Management and Collaboration
KPI	Key Performance Indicators
MD	Managing Director
MSS	Management System Standard
OCOR	Office for Change and Organizational Renewal
OMD	Office of the Managing Director
OSS	Operational Support Services

PCOR	Programme for Change and Organizational Renewal
PPE	Property, Plant and Equipment
PPM	Portfolio and Project Management
PSM	Programme Support and General Management Division
PTC	Programme Development and Technical Cooperation
RBM	Results-Based Management
SRM	Supplier Relationship Management
STC	Screening and Technical Review Committee
TEST	Transfer of Environmentally Sound Technologies
TC	Technical Cooperation
UNGM	United Nations Global Market Place
UNIDO	United Nations Industrial Development Organization
UNSAS	United Nations System Accounting Standards
VBO	Vienna-Based Organisations
VIC	Vienna International Centre

I. INTRODUCTION

SCOPE OF AUDIT

1. The Financial Statements of the United Nations Industrial Development Organization (hereinafter UNIDO) for the year ended 31 December 2013 were examined in accordance with Article XI of "Financial Regulations and Rules of UNIDO" and the Additional terms of reference governing the audit of the UNIDO.

2. The Financial Statements included the following:

- Statement 1: Statement of Financial Position as at 31 December 2013
- Statement 2: Statement of Financial Performance for the year ended 31 December 2013
- Statement 3: Statement of Changes in Net Assets for the year ended 31 December 2013
- Statement 4: Cash Flow Statement for the year ended 31 December 2013
- Statement 5: Statement of Comparison of Budget and Actual Amounts for the year ended 31 December 2013
- Notes to the Financial Statements

Audit Objectives

3. The main objective of the audit was to form an opinion as to whether the expenditure charged to the budget had been incurred for the purposes approved by the General Conference (GC); whether income and expenditure were properly recorded, classified and summarized in accordance with Financial Regulations and Rules; and whether the Financial Statements presented fairly the financial position as at 31 December 2013.

4. The correctness of year-end balances of all UNIDO Funds was also ascertained. The UNIDO management adopted IPSAS as the basis of accounting from the financial year 2010 and applied transitional provisions available under IPSAS 17 and 23.

5. In accordance with the Additional terms of reference governing the audit of the UNIDO, the performance of UNIDO was also reviewed. In this context, comments on the Programme for Change and Organizational Renewal (PCOR) have also been included in this report.

Auditing Standards

6. The External Audit of the UNIDO Financial Statements for the year 2013 was conducted in accordance with International Standards on Auditing (ISA) and where applicable, according to International Standards for Supreme Audit Institutions (ISSAIs) which are the INTOSAI prescribed auditing standards for Supreme Audit Institutions.

Audit Methodology

7. The External Audit adopted system-based approach in auditing the financial statements and comments on the performance of UNIDO management.

8. The External Audit was conducted by a number of audit teams including the teams which carried out audits of UNIDO field offices. The audit teams:

- Examined financial and accounting procedures followed in UNIDO in the light of their Financial Regulations and Rules and other relevant documentation;
- Assessed internal controls regulating financial operations of UNIDO and carried out compliance testing for determining the extent of control operation during 2013;

- Conducted substantive testing of a representative sample of selected transactions;
- Reconciled bank balances with accounting records;
- Carried out review, on test check basis, of a number of contracts and transactions related to the creation of assets and liabilities; and
- Reviewed Programme for Change and Organizational Renewal (PCOR).

9. In order to achieve audit objectives, the audit teams administered questionnaires, conducted structured interviews and held discussions with the relevant UNIDO staff in the Headquarters and field offices.

10. The External Audit also verified the year-end balances of UNIDO Funds.

Reporting

11. 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. 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.

Overall Results

12. My report includes a number of observations and recommendations. My audit teams recorded additional findings in the Management Letters to the management. None of these matters materially affected my audit opinion on the UNIDO's Financial Statements; and, notwithstanding the observations in this report, my audit revealed no weaknesses or errors that I considered material to the accuracy, completeness and validity of the Financial Statements as a whole. Accordingly I have placed an unqualified opinion on UNIDO's Financial Statements for the period ended 31 December 2013.

II. AUDIT FINDINGS AND RECOMMENDATIONS

Internal Controls

13. Consequent upon compliance testing of internal controls, External Audit inferred with reasonable assurance that a reliable internal control system was in place in UNIDO to ensure completeness, occurrence, measurement, regularity and disclosure in the Financial Statements for the year 2013.

Presentation of Financial Statements

14. The Financial Statements have been found to be prepared in conformity with the International Public Sector Accounting Standards (IPSAS). The External Audit, however, observed that adequate disclosures as required under IPSAS 1 Paragraph 55 have not been made in respect of reclassification of comparative amounts and also as per requirements of IPSAS 1 Paragraph 63 (e), the level of rounding used in presenting amounts in the Financial Statements has not been displayed.

15. The UNIDO management replied that no reclassifications were made on the face of the financial statements. Minor changes, due to materiality and aggregation of individual items (as per IPSAS1 paragraph 45-47), were reflected in the notes, within the same FS line-head category, for better presentation and future consistency

(IPSAS1, paragraph 44). The management has however, accepted the observation related to IPSAS 1 Paragraph 63 (e) given the fact that this observation had not been pointed out in earlier reports.

16. The reply of the management cannot be accepted as reclassification of comparative amount under the head ‘Operational Costs’ was made in the Statement of Financial Performance. The nature, amount of the item and reason for the reclassification was not disclosed in the Financial Statements as required under IPSAS 1 (paragraph 55).

17. The comparative UNIDO financials for the last two years are given in the following table:

Table 1
(€ in 000)

Description	**31 December 2013**	**Percentage Increase/(Decrease)**	**31 December 2012**
Income/Revenue			
Assessed Contributions	76,540.1	(0.05)	76,577.5
Voluntary Contributions	113,962.5	(20.26)	142,924.7
Investment Revenue	487.5	(37.15)	775.6
Revenue producing activities	469.4	166.10	176.4
Share of surplus/(deficit) of joint venture	106.7	489.50	18.1
Others	(14.1)	-	471.4
Total Revenue	**191,552.1**	(13.30)	220,943.7
Expenditure			
Salaries & Employee Benefits	107,864.8	(6.21)	115,006.0
Operational Costs	33,977.9	44.56	23,503.8
Contractual Services	70,120.6	25.96	55,671.1
TC Equipment Expensed	15,646.0	(26.78)	21,368.8
Depreciation & amortization	2,079.7	57.71	1,318.7
Currency Translation Differences	9,668.9	23.73	7,814.4
Other Expenses	453.9	(96.53)	13,086.9
Total Expenditure	**239,811.8**	0.86	237,769.7
Surplus/(Deficit) for the Year 2013	(48,259.7)		(16,826.0)

Source: UNIDO Financial Statements for 2013 & 2012

18. The comments on key performance indicators, both financial and operational, are presented in the following paragraphs.

19. Statement of Financial Performance for the year 2013 showed a deficit of €48259.7 thousand. This deficit is largely attributable to a shortfall of 13.30 per cent in revenue. There was a marginal increase of 0.86 per cent in expenditure.

20. The main contributory factor to a decline in total revenue over the previous year was the substantial decrease of 20.26 per cent in voluntary contributions. Nevertheless, voluntary contributions remained the biggest source of revenue in the year 2013 as it was in the year 2012.

21. Salaries and Employee Benefits, the major expense, have decreased but the Operational Costs, Contractual Services and Currency Translation Differences have increased by 44.56 per cent, 25.96 per cent and 23.73 per cent respectively. TC Equipment Expensed showed a decrease of 26.78 per cent, in comparison to the last year's figures.

Fund Balances

22. Fund Balances are the unexpended contributions which are mainly kept for use in future operations of UNIDO, except where conditions apply (Technical Cooperation Fund). These fund balances hold the residual interest of UNIDO in the assets after subtracting all the liabilities. The organization's Fund Balances stood at €211,252.9 thousand as on 31 December 2013 as compared to €254,577.3 thousand as on 31 December 2012 registering a decrease of 17.00 per cent over the previous year.

23. UNIDO commitments (Note 20.5) which included purchase orders and contracts whose goods and services have not been received at the year-end, were €99,886.5 thousand as at 31 December 2013 as compared to €132,688.8 thousand as at 31 December 2012 showing an overall decrease of 24.72 per cent over the previous year. Although commitments went down, yet these were still 47.28 per cent of the total fund balances. It is true that commitments are not recognized as expense in IPSAS-compliant financial statements, but they do reflect potential claims of the outsiders on the resources of organization.

Cash and Cash Equivalents

24. Cash and Cash Equivalents went slightly up from €414,513.7 thousand as at 31 December 2012 to €438,741.4 thousand as at 31 December 2013, registering an increase of 5.84 per cent. Cash at Bank and on Hand increased from €62,390.1 thousand as at 31 December 2012 to €132,547.0 thousand as at 31 December 2013, registering an increase of 112.45 per cent.

25. Cash and Cash Equivalents include short-term investment in the form of term deposits with original maturity of less than three months. Term deposits decreased to €304,173.2 thousand at 31 December 2013 from €349,044.8 thousand at 31 December 2012, a decrease of 12.86 per cent. Decline in short-term investment revenue in the face of 112.45 per cent increased liquidity points toward the fact that much of the cash remained idle resulting in decline in Investment Revenue.

26. When pointed out, the management wanted clarification whether the External Audit had considered the Bank Austria call account as the term deposit. They considered that due to the favourable conditions on this account we are holding some of our assets for short-term investments there. Moreover, to draw conclusions on the overall maximization of investment revenue using a cut-off date of 31 December is not suitable. UNIDO regularly maintains higher liquidity during this period for operations so as not to be hindered by the vacation seasons in our main banks.

27. The observation was made on the basis of the amounts reflected in the financial statements of current year and previous year in line with IPSAS 1.28. As regards the vacation season it remains consistent every year so this year was no exception.

Accounts Receivables from non-exchange transactions

28. Accounts Receivables (current) from non-exchange transactions, before allowance for doubtful debts, went down to €169,241.9 thousand as at 31 December 2013 from €216,506.1 thousand as at 31 December 2012, recording a decrease of 21.83 per cent. This is a very positive sign of financial management.

29. Assessed contributions due from member states came slightly down to €92,499.7 thousand in 2013 from €92,537.8 thousand in 2012. Voluntary contributions receivable witnessed a downward trend from €119,868.2 thousand as at 31 December 2012 to €69,296.1 thousand as at 31 December 2013, showing a decrease of 42.19 per cent.

Employee Benefits Liabilities

30. The total employee benefits liabilities stood at €180,444.6 thousand as at 31 December 2013. Whereas these were €182,860.9 thousand as at 31 December 2012, registering a marginal decrease of 1.32 per cent. As a result, General Fund Balance of Regular Budget is negative at 180.4 million as at 31 December 2013. (Note 14.1)

31. On the recommendation of the External Audit in its report of the year 2010, Industrial Development Board (IDB) vide its decision IDB.39/Dec.2 taken in its 39th session, asked UNIDO to look for all the options available to generate funds for financing employee benefits liabilities and decided to form an Informal Working Group in order to provide guidance on the future liabilities of the Organization. The Working Group held several meetings since its inception but the management response on the outcome of the deliberations of this Group is still awaited.

32. In response to the observation the management informed that *the General Conference on its 15th session adopted decision GC.15/Dec.18 "STRATEGIC GUIDANCE DOCUMENT", in which the Conference endorsed the recommendations relating to management criteria contained in the "Strategic Guidance Document", and requested the Director General to report on their implementation. The Strategic Guidance Document, which is the outcome document of the subject working group, remained silent on the issue of future liabilities."*

33. Given the outcome in this case, the External Audit again asserts its stance of 2010 and observes that the group, specifically made for the purpose, should have come up with its recommendations regarding generating of funds for funding employee related liabilities. The General Conference may take note of that and issue necessary directions.

Status of Budget Utilization

34. The year 2013 was the fourth year after implementation of IPSAS in UNIDO. Transition to the IPSAS basis of accounting required annual preparation of accounts, while the budget of UNIDO was authorized to be prepared for a biennium. UNIDO divides its budget in two almost equal parts for each year of the biennium.

35. The status of budget utilization for the year 2013 in comparison to that for the year 2012 was as under:

Table 2
(€ in 000)

	2013			2012		
Cost Component	**Final Budget**	**Actuals**	**Balance *(Per cent)***	**Final Budget**	**Actuals**	**Balance *(Per cent)***
Staff costs	71,601.9	61,190.3	10,411.6 *(14.5)*	65,171.4	59,902.2	5,269.2 *(8.09)*
Official travel	3,025.2	1,651.7	1,373.5 *(45.4)*	2,412.5	1,405.9	1,006.6 *(41.72)*
Operating costs	18,636.4	16,223.0	2,413.4 *(12.9)*	14,541.0	12,014.1	2526.9 *(17.38)*
Information & communication technology	3,910.4	2,720.4	1,190.0 *(30.4)*	2,838.4	1,564.7	1,273.7 *(44.87)*
Technical Cooperation Programme/Special Resources for Africa	8,559.2	7,652.6	906.6 *(10.5)*	7,002.7	6,166.7	836 *(11.94)*
Total	105,733.1	89,438.0	16,295.1 *(15.4)*	91,966.0	81,053.6	10,912.4 *(11.9)*

Source: Statement 5 of Financial Statements of UNIDO 2013 & 2012

36. The overall budget utilization has fallen in 2013 whereby the percentage of unutilised balance of the appropriation has increased from 11.9 in 2012 to 15.4 per cent in 2013.

Contributions by the Member States

37. The annual contributions from the Member States for 2013 were assessed at €76,540.1 thousands against which €78,828.0 thousands were collected. The actual collection increased by a margin of €2,287.8 thousands against the assessed contributions. The following table indicates the assessed and collected contributions during the years 2013 and 2012:

Table 3
(€ in 000)

Description	**Year 2013**	**Year 2012**
Contributions Assessed	76,540.1	76,577.5
Contributions Collected	78,828.0	67,552.2

Source: Annexure-I (e) of Financial Statements UNIDO 2013 & 2012

38. Note 16.1 of the Financial Statement for the year 2013 states that the General Conference vide its decision GC.14/Dec.19 approved an amount of €153,231,936 for the regular budget of the biennium 2012-2013 to be financed from the assessed contributions by Member States. Accordingly €76,540,118 was allocated to the

year 2013, representing one-half of the amounts assessed reduced by an amount of €75,850 owed to the rescinding Member State.

39. The assessed contributions collected during the year 2013 were €78,827.8 thousand whereas the collection of assessed contributions during the previous year was €67,552.2, thousand registering an increase of 14.30 per cent.

Amounts Due to the Member States

40. According to the Financial Regulation 4.2, "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 the Financial Regulations 4.2 (c) and 5.2 (d)".

41. The surplus amount available for distribution represents the unspent balances of collections from the Member States. The assessed collections received for the prior biennia together with the receipts from the new Member States are set aside under "accounts payable", pending receipt of the instructions by the Member States concerned. The unencumbered balance due to the Member States as on 31 December 2012 was €10,350.6 thousand. The External Audit verified the balance due to the Member States as on 31 December 2013 as follows:

	€ in 000
Unencumbered balance brought forward on 01 January 2013	10,350.6
Add: Collection of contributions from previous period	12,028.8
Less: Applied to assessments, retained for TC activities or refunded to Member States	(5,817.2)
Balance due to Member States as on 31 December 2013	**16,562.3**

42. UNIDO had invoked the transitional provisions in 2010 to invoke the IPSAS standard 23 — Revenue from non-exchange transactions for measuring revenue for pre-2010 voluntary contributions. The External Audit has observed that now the revenue is recognized in SAP based on the total value of agreement and conditionalities, hence the IPSAS 23 is applied in the preparation of Financial Statements.

Programme for Change and Organizational Renewal (PCOR)

43. Since launching of the process of change in the organization and management undertaken by UNIDO in 2010, the External Audit has continued to include comments on the progress made every year in its annual audit reports. As the Programme ended in December 2013, there is a need to give an overview of the progress made through its implementation. UNIDO had opted to bring about fundamental changes in its operations to reap maximum benefits from the reorganization and to make it 'fit for the future.' The approach followed under the initiative included the adoption of technology to channelize the available resources in delivering services to its internal and external stakeholders. The multiple facets cover diverse areas of change such as adoption of a strategic vision, encouraging leadership, reengineering of business processes to maximize results, adoption of state-of-the-art Enterprise Resource Planning (ERP) system, remodelling the organizational structure in line with the demands of the ERP system, capacity building of staff competencies to align it with the best industrial practices.

44. The organization conducted an extensive Business Process Reengineering (BPR) exercise in 2009 in order to identify the processes requiring change and devising new workflows in this regard. Later, in July 2010, based on recommendations of this exercise, UNIDO set itself to achieve the following goals under the initiative:

- Higher demand fulfilment of internal and external stakeholders;

- Increase geographical coverage of UNIDO interventions;
- Greater development impact on its potential targets;
- Improved ability of access to information to the stakeholders;
- Enhanced delegation of authority with accountability and transparency;
- Improved capacity to manage risk;
- Proactive knowledge management and better teamwork;
- Release staff capacity to focus on value-adding activities;
- Increased organizational effectiveness.

45. The diagnostic study by the international consultants enumerated the issues/problems faced by the organization; these included the presence of repetitive project identification and approval cycles, tedious and complicated HR hiring mechanism, extensive procurement lead times with unclear accountability, ever increasing workload for project managers, minimal arrangement for knowledge sharing, multiple systems breaks at data collection and recording level due to absence of a robust electronic medium for all functionalities, data loss and process delays and absence of formal, standardized organization-wide risk management framework.

46. The study proposed four possible scenarios to achieve the change that was desired by UNIDO but preferable amongst these was either to go for Implementation Scenarios-3 termed as "Holistic Change" or Implementation Scenario-4 termed as "Fundamental Rethinking." As informed by the management, Scenario-III+ Holistic Change being technically most viable for the envisaged reforms, was finally adopted vide IDB.38/9/Add.2 at a cost of €13 million.

Table 4

	I	**II**	**III**	**IV**
Scenarios	**Status Quo (Reactive)**	**Incremental Improvement**	**Holistic Change**	**Fundamental Rebuilding**
Total External Costs	No cost estimate	€10m	€9m	€20m
Estimated timeline	No timeline	8 years	3 years	5 years
Additional Internal Costs	None	High	medium	very high

Source: Feasibility Study of Comprehensive Change Management Initiative at UNIDO

47. The adapted Scenario was to be implemented in a time frame of 3 years at the total cost of €13 million. The management adapted the modular release approach of the ERP with a view to ensuring timely implementation of PCOR within available time. External Audit is of the view that being an aggressive approach for bringing about the change, the management had anticipated a more responsive acceptance of change by its human capital and accepted to pay a higher price tag to the implementation firm than estimated originally in order to achieve its objectives in shorter time duration.

48. In response to the observation the management explained that UNIDO decided to implement Scenario III+ at the cost of €13 million and stated that *it is not correct that UNIDO anticipated a more responsive acceptance of change by its human capital, nor accepted to pay a higher price tag to the implementation firm. It should be noted that in line with UNIDO's procurement procedures following intensive and in-depth evaluation by a cross-organizational evaluation group and adhering to the internal authorisation process (Procurement*

Committee and Managing-Director of PSM), the contract was awarded to SAP as the implementation partner who had the technically acceptable lowest cost proposal.

49. The External Audit is of the view that the perception of the management is not correct as the choice of SAP or its cost has not been challenged. The execution of a project in shorter time duration appears over ambitious in hindsight as some of the objectives of the project could not be fully achieved as planned.

50. The External Audit further observed that selection of SAP as the ERP for the organization was based on the organizational needs assessment highlighted in the "As-Is" and "Should-Be" study of the BPR exercise in 2009. It required the new system solution to address the three main pillars on which the PCOR was being undertaken. During the blueprinting stage the three pillars that were defined as backbone of the organization when acquiring an ERP solution were that it should enable a more responsive Results Based Management, Risk Management and Knowledge Management. Necessary attention was given at the time of acquisition and the ERP was thus decided to be implemented through four releases.

- Release 1: Aimed at addressing the organization's core business/Technical Cooperation activities (i.e. PPM);
- Release 2: Aimed at addressing the Human Capital Management that includes Payroll and Travel Management functions;
- Release 3: Aimed at addressing the Finance, Procurement and Logistics functions; and
- Release 4: Aimed to enhance inter and intra-office Knowledge Management and Collaboration.

51. The first release of the new system of core business/TC activities that covered the Project Management System was fully operationalized as of early 2012. All ongoing projects were to be gradually moved into the SAP and all TC activities were to be carried out in the new system during the first half of 2012. Release 2 of ERP pertaining to HRM and Payroll was formally rolled-out in Jan 2012 and subsequently Release 3 pertaining to Finance, Procurement and Logistics went live in early 2013. In case of Release 4 that required covering the Knowledge Management and Collaboration functions, got stalled because the SAP solution of "cRooms" was rejected by the users for its inadequacy to the required organizational needs. This was replaced with another SAP integrated solution called "OpenText" which was procured and made available by the vendors in late 2013. All systems at the end of the PCOR were to be integrated with the SAP system to ensure uniformity, security and integrity of the information. At the conclusion of PCOR, the total expenditure statement is as follows:

Table 5
Amount in €

Cost Elements	Total Budget 2010-2013 Originally foreseen	Total Budget 2010-2013 As of December, 2013	Expenditure 2010 to December 2013	Uncommitted Funds
Implementation partner	6,400,000	7,537,222	6,534,473	1,002,749
Training & Roll-out	1,000,000	393,670	347,684	45,986
Software	3,100,000	3,495,859	3,450,738	45,121
Hardware/Infrastructure	600,000	312,701	312,700	1
Other costs	1,900,000	1,260,548	991,543	269,005
Total Costs	**13,000,000**	**13,000,000**	**11,637,138**	**1,362,862**

Source: Final Report on PCOR to the DG and PCOR Project Board, Dec 2013

52. In response the management informed that *the product is "SAP Extended Enterprise Content Management by OpenText (xECM)", which is an SAP product offering deep integration with the SAP ERP system"*.

53. Slightly over €1.3 million were saved at the conclusion of the programme as against the total original budget of €13 million, the expenditure incurred was €11.637 million. There was an under-spending in all cost elements except Hardware and Infrastructure. While project costs were cut from the start to remain within the allocated funding, any saving at the end was not considered as a gain by the project.

54. The External Audit first reviewed the periodic progress reports on PCOR from 2009 to 2013 presented by UNIDO to the internal and external stakeholders and noted that the benchmark of achieving specific tasks and targets to highlight progress was used e.g. data migration in the system, full RBM-based system, new travel management system etc. Whereas, in the 'Final Report on PCOR to The Director General and PCOR Project Board' presented by the Director OCOR on December 19, 2013 the benchmarking criteria for reporting progress was changed from specifically achieving the goals and targets by PCOR to merely having provided the required tools by PCOR to UNIDO. The External Audit is of the view that mere provision of tools was not the objective of PCOR. There was a need to achieve output based targets such as institutionalization of results-based management, achieving decentralization and realizing efficiency gains.

55. In response the management informed that a proposed management structure to ensure the sustainability of reforms and institutionalization of new ways of working to further enhance organizational effectiveness in the post PCOR era was included in the report presented to the Industrial Development Board in March 2013.

56. In view of the above the External Audit is of the view that the new structure may be approved to ensure continuity and consolidation of reforms. The next External Auditor may like to examine this aspect.

Implementation of ERP

57. The External Audit reviewed the status of implementation of all modules of SAP ERP and changes in the working of the organization in light of benefits envisaged in PCOR and has observed the following:

58. The first Release made in the year 2011 pertained to the Core Business of UNIDO i.e. Portfolio and Project Management (PPM). Necessary customization of the PPM module was carried out in accordance with the needs of UNIDO to achieve the objectives of effective monitoring and results-based reporting. The External Audit observed that due to data deficiencies, the objective of monitoring through PPM Module was not achieved. Regarding information provided to the stakeholders especially the Member States and donors the External Audit found out that information provided to the Member States was limited. The donors and Member States continue to rely on collecting of information from the management for decision making. The PTC Division management however asserted that it continued to remain a challenge to obtain correct financial information from the system to provide to the donors, upon which release of the next tranche of funding was being considered by them.

59. The management agreed with the observation and stated that *the new PPM monitoring and reporting functionalities will only be fully functional once all modules of the SAP system have been running for a while. However, UNIDO is aware of data deficiencies in PPM and this is being addressed by members of PTC and PSM/BSS as a priority.* While responding to the observation on deficiencies in information provided to Member States the management replied that *the dashboard reporting tools in SAP have been rolled out to Member States and donors in a controlled manner, i.e. initially, access has been provided to dashboard information on TC delivery and Human Capital Management information/data only. The feedback received from Member States and donors on these new online reports has been highly positive and appreciative. While a preview on the dashboard reporting tools for project outcomes, KPIs, risks, etc. has already been provided to Member States, they will only be granted access once the quality assurance exercise in PPM has been completed.*

60. The External Audit however, recommends that the responsibility of removing data deficiencies by PTC and PSM/BSS should be formally notified as the existing scope of PSM/BSS does not include the same.

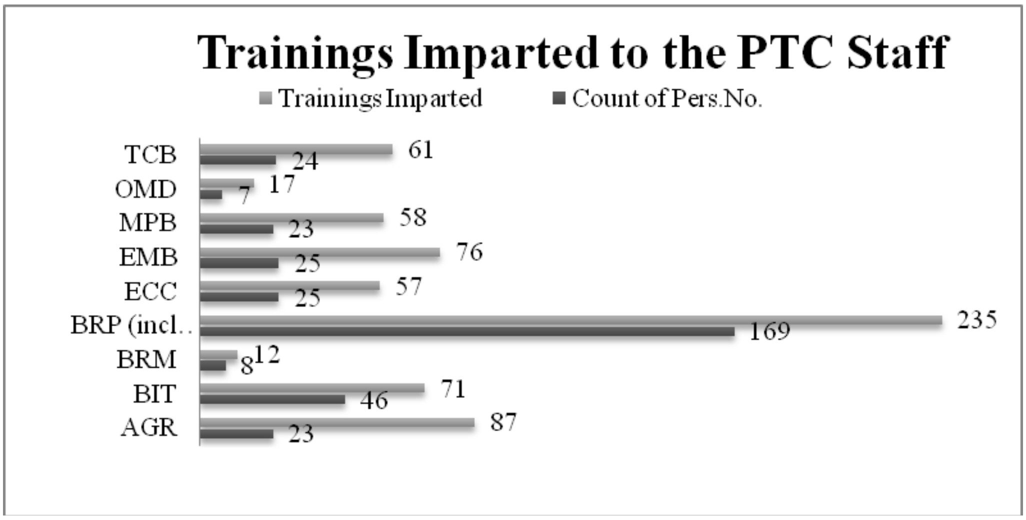
61. The External Audit further observed that the TC Guidelines developed in 2006 were not customised with PPM Module implemented in 2012. The mismatch of the TC Guidelines and PPM Module created difficulties for users to use the various features of the module. It transpired during discussions with staff of Portfolio and Project Management that nonexistence of revised guidelines since the last 03 years was one of the major hindrances in making best use of the SAP Portfolio and Project Management module. UNIDO management needed to expedite the customization of TC Guidelines with PPM Module to derive optimum benefits of the ERP.

62. The management agreed that TC Guidelines required to be updated, but extensive training on the SAP Portfolio and Project Management (PPM) module had been provided to staff since 2012.

63. The External Audit appreciates the trainings imparted through multiple means but reiterates that the same cannot be a substitute for comprehensive guidelines, which is the basis of all subsequent procedures. Therefore, the External Audit recommends that the task of revising the TC Guidelines should be completed in a defined timeline to streamline the process of PPM as envisaged under PCOR.

64. Capacity building of existing work force was the flag-bearer of cultural change in PCOR. UNIDO management conducted multiple training courses for PTC Division staff at all levels. The following graph of participation of the staff members of PTC Division in the number of training opportunities offered under PCOR shows that adequate trainings were imparted to the staff but shifting of operations from legacy to the PPM module could not be accomplished as pointed out above.

Table 6



Source: Office of MD PTC Division

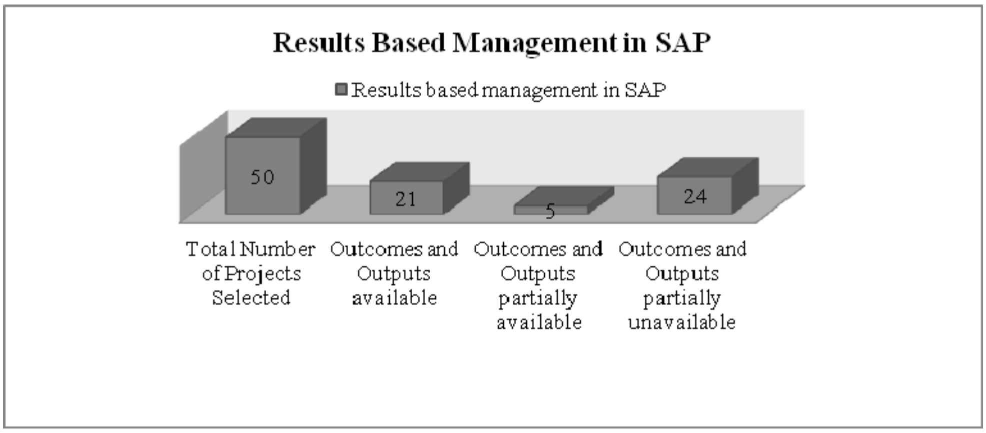
65. During interaction of the External Audit with the staff of the PTC Division, it was observed that a significant number of staff members still felt hesitant to work through the system and continued to resort to the old ways of doing work. This was due to bugs and errors in the systems at initial stage which prevented the staff from using the system. Similarly, some of the Project Managers (PM) pointed out that they could not avail the training opportunities due to their busy schedule. The External Audit is of the view that further training course may be conducted after impact analysis of earlier trainings.

66. The management informed that in addition to existing training opportunities, PSM/HRM is currently introducing new modalities, including “How Do I? (HDI)” e-Learning modules to further support SAP users. Further training can be organized, if necessary, within the UNIDO training budget.

67. The External Audit strongly recommends assessing the needs of further trainings for the PTC Division, specifically the PMs, and for arranging necessary trainings for them accordingly.

68. The External Audit conducted the data sufficiency test of 50 ongoing projects in the year 2013. These projects were evaluated for the data population in PPM module especially with reference to results based management and risk management. It was found that out of 50 projects, the outputs and outcomes of only 21 projects were fully populated in SAP system. The same was partially fed in case of 5 projects while in 24 projects, none of the outputs and outcomes were mentioned. The External Audit noted that data for most of the projects, especially the migrated ones, was incomplete contrary to the claims made in various progress reports of PCOR. It was further observed that owing to deficient information, most of the Program Managers and associated staff members were not using the PPM module of SAP even for current work.

Table 7

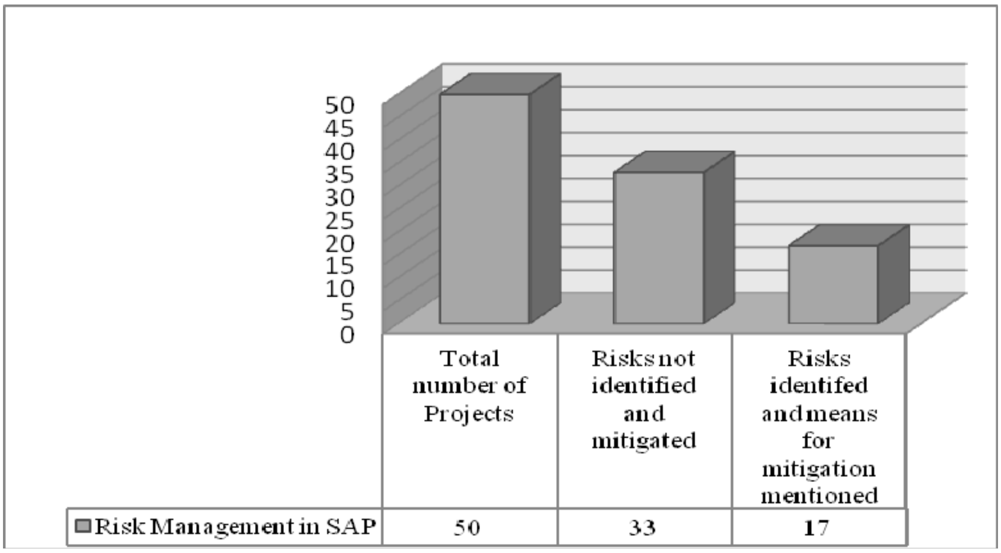


Source: Data obtained directly through dashboard

69. While agreeing to the above observation the management stated that *prior to the go-live of the PPM system, only the financial project information from Agresso was migrated into SAP PPM. The remaining qualitative project data has had to be manually entered by project teams, as this did not exist in the legacy system. The management further informed that in the coming months, as part of a new TC project approval and appraisal based on PPM and OpenText currently being implemented, the mandatory entry of key data such as project status, KPIs and risks will be activated in SAP.*

70. The projects mentioned in the preceding paragraph were also evaluated to check data availability for Risk management, whereby the risks in every project needed to be identified, assessed and measures of mitigation to be made available in SAP system. The results of this evaluation are as under:

Table 8
Risk management — Data population in SAP



Source: Office of MD PTC Division

71. The External Audit also reviewed Risk Management Dashboard of SAP ERP for Technical Cooperation and its underlying data and observed that the report could not be relied upon at that stage because of lack of quality assurance of the data or on account of missing data. It was due to the fact that data migration from the old system remained confined only to the financial data available in the Agresso system and beyond that no data was fed to the PPM module of SAP even where information and documents were available in digitized form.

72. The management responded to the above observation by stating that *the risk reporting is based on transactional data in the new system and not linked to any non-structured data such as documents. The capturing and monitoring of project-related information such as KPI's and risks did not exist in any digitalized form before SAP. This was a new system requirement as part of the RBM principles. It would have been a tremendous exercise that would have had a serious impact on the PPM implementation. Furthermore, a decision was made at a senior management pre-retreat in July 2012 not to undertake such an exercise.*

73. The External Audit recommends that the exercise may be initiated as in the absence of this necessary data, the risk monitoring and management are not effectively possible, making the projects vulnerable to all untoward events.

74. The External Audit suggests that there is a need to develop a comprehensive plan to first identify missing data or information of each of the ongoing projects and programmes and then to have an action plan charting the resource needs for feeding the missing data of the projects in PPM module. It was established during interaction with the staff of the PTC Division that there was at present no concrete action plan available with the management at the conclusion of PCOR to complete the leftover work. The newly created unit of BSS as per DG Bulletin No. UNIDO/DGB/(O).127 dated 15th Jan, 2014 is only responsible for ERP implementation while other responsibilities such as completing the unfinished agenda have not been assigned to any division/branch or unit even after passage of almost three months. It is further suggested that as a one-time activity, the management can get the remaining data fed in the system through the available resources or through outsourcing.

75. The management agreed with the suggestion of the External Audit. *The management acknowledged the fact and informed that a Task Force on Organizational Fine-Tuning and Alignment was established by the Director General in January 2014 to, among others, optimize UNIDO's operations and strengthen its performance. The*

members of this Task Force, who have all been decision-makers and/or functional leads in PCOR, have been informed about the required follow-up actions from PCOR. The management further stated that *the issue of PPM data quality is being addressed as a priority*.

76. The External Audit recommends that the various status fields existing in related SAP modules may be integrated on priority.

77. Proactive knowledge management and better teamwork was another benefit that was expected as a result of PCOR. Following the initial introduction of cRooms, UNIDO decided to carry out a re-implementation of the KMC component using “Extended Enterprise Content Management by OpenText”. Since its go-live, extensive training sessions have been provided and the KMC activities in the SAP system have picked up. However, the External Audit suggests that UNIDO should keep on making adequate arrangements for conversion of tacit knowledge into explicit knowledge and update repositories accordingly.

78. Delays in activities, frustration among employees and demotivation of project staff, together with lack of confidence in the new system are considered as the major impediments in adoption of change brought about by PCOR. The External Audit acknowledged that UNIDO implemented the new system without additional human resources and within a shorter time frame than recommended by SAP. However, the External Audit suggests that further efforts towards adoption of change are required and the driving force such as tangible or intangible benefits to the staff may be provided to achieve this objective.

79. **Release 2** related to the Human Capital Management (HCM), Payroll and Travel Management aspect was rolled out in January 2012. It included transformation of the functionalities to e-governance that enables employee/managers self-service, E-recruitment, system based performance management, 360-degrees performance appraisal, staff/consultants payroll processing, complementing the PPM requirements of hiring consultants/experts through creation of a talent pool under the four-eye principle, travel management and similar allied activities.

80. The legacy payroll data was migrated seamlessly from the previous system (mainframe) to SAP and after a four-month parallel run the new system became fully operational in January 2012. The organization had been paying € 550,000 per annum to the IAEA for running the earlier payroll. By quick and seamless transfer to the SAP based HCM the organization has saved this amount, rather, it became an added premium that was earned through quick changeover.

81. The External Audit after necessary testing of the HCM system considers that the data availability in HR functionality of SAP is quite adequate with a few exceptions. Certain basic fields, such as, the date of retirement continues to remain open. While checking in HCM Module in SAP through T-Code PA-20, the date of retirement for almost all the employees fed is arbitrarily showing the year 9999. The gaps need to be properly filled. Rather, there was need to embed them as primary data by linking such milestone events within primary static fields such as the date of birth of the employee.

82. Similarly, for monitoring progress on development of documents or inputs to make the HCM still more responsive, the reporting tool needs to include the capturing of tracking progress of document that are under development such as “the 360-appraisal” system that will become a year-round exercise in future requiring constant tracking and updating for each person. The External Audit suggests that this system needs to be integrated into the SAP system to avoid building up of arrears. The SAP HCM has the capability to generate such exception reports but these reports have to be developed on demand. Necessity is felt to point such aspects as capacity of the new system continues to be fathomed by its users. The management responded by stating that *such enhancements are already on the list.*

83. The Human Resource Management Framework envisioned a succession planning process which includes devising of future oriented staffing plan for key executives and senior technical positions. The organization introduced the “Knowledge Transfer Notes” (KTNs), which every retiring/separating staff member on a fixed-

term appointment is required to prepare. Such KTNs are counter-signed by the staff member's supervisors and serve as the basis for the induction of the incoming officer.

84. The External audit has observed that the succession planning is not up to the mark in UNIDO. Presently, there are three D2 positions, out of which two are vacant. The scrutiny of KTNs revealed that they were not prepared within the stipulated period or at times not prepared at all.

85. In response the above observation the management stated that *it is agreed that Succession Planning as envisioned by HRM, has not been possible. However, successful succession planning is only possible when there is a financial stability within the Organization and that because of the problems with membership and payment of assessed contributions in the recent years, UNIDO management had to give more weight to financial imperatives rather than to HRM imperatives.*

86. The External Audit recommends that serious attention be given to the preparation and implementation of succession plans, especially in the presence of the HCM module where SAP could be used to capture KTNs in the Extended ECM (OpenText) solution and use them not only for succession planning, but also for substitution functionality.

87. The External Audit appreciates that the new processes under HCM have considerably reduced the administrative efforts and facilitated the process of recruitment and management of consultants. The preparation and issuance of ISA contracts has been well integrated in the PPM and MSS. ISA contracts are automatically prepared and sent to the selected expert. This automated process has significantly improved the recruitment process of ISA consultants.

88. The External Audit acknowledges that the process for the initiation of travel requests/ticket issuance has been significantly simplified in comparison to the former Travel Authorisation System. The workflow/approval process has been entirely integrated in the SAP system and it is no longer required to submit paper print outs for approval that was time consuming and led to delays.

89. The External Audit found out that the timely payment of monthly remunerations of part-time employees was not being made. The payment was only made after 21 working days, which meant that a part-time employee was only paid every second month, which posed financial problems to such employees. It was recommended by the External Audit that this aspect needed to addressed through the HR module of SAP.

90. The management responded that *a solution has already been developed by PSM/BSS. It is currently being tested by users and will be implemented in the SAP solution in Quarter 2 2014.*

91. The External Audit appreciates the steps taken by the management to overcome the issue. However, the next External Audit Team will monitor the progress in this area.

92. The new performance management system under PCOR was to support and reinforce result-based performance management with meaningful and relevant consequences. Its main objectives were to align the individual goals with the organizational goals, providing clear indicators of results and of desired behaviours and underscoring management accountability and individual responsibility. One of the main tools in this regard is the "360 degrees performance management system." The External Audit recommends that the system should be closely monitored to obtain the required benefits envisaged under the initiative.

93. **Release 3** of SAP system included the implementation of modules of Finance, Procurement and Logistics. The External Audit viewed the budget revision process and observed that the TC Budget revision was not entirely paperless. The requests of the revisions were sent through e-mails and accordingly staff in PSM/FIN made revisions in SAP system and therefore, the complete workflow was not followed through the SAP system and was not visible to Project Managers/assistants. When informed the management replied that *the rollout of Release 3 to the business was made in a controlled manner by initially opening 5 key processes to the key users and focal points. This includes processing of the TC budget revision wherein access has been provided to key users and focal points only and gradually extended to the end users. Since then, the remaining functionalities have been*

implemented and currently improvements are being implemented by PSM/BSS in close collaboration with the business on a continuous basis.

94. The External Audit appreciates the steps taken by the management to bring improvement in the budget revision process and to ensure that it becomes entirely system based. The next External Audit Team will monitor the progress in this area.

95. The External Audit observed that the treasury had to face problems in the payment of the documents whose data was wrongly fed by the Allotment Holders and thereby the payments tended to be delayed. Several such issues were reported through help desks and most of them got resolved. The External Audit is of view that data entry errors occurred due to inadequate preventive controls in the system.

96. The management informed that they were *already aware of this issue and actions are currently being addressed via user training.*

97. The External Audit recommends that technical experts may further identify appropriate preventive controls and introduce the same in the system to capture error free data.

98. The External Audit observed that the practice of obtaining hard copies of the invoices by the PSM/FIN still continued irrespective of the availability of them in the SAP system as attachments. The finance unit only processed the payments once it received the hardcopies of payment documents, which along with absence of tracing mechanism was one of the important causes of delays in payment processing. Straight expenditure requests were placed through email requests/paper submission rather than through the system.

99. The management responded to the above observation by stating *that improvements on the new process and management of straight expenditure and invoices certification using SAP electronic workflows are currently being implemented by PSM/BSS. The solution is expected to be rolled out during the second quarter (April-June) of 2014.*

100. The External Audit recommends that keeping in line with the spirit of ERP system, all the documents related to a particular transaction must be uploaded and in the presence of all such necessary attachments, the manual documents or those transmitted through e-mail should be done away with. In case of system security issues, the same should be tackled accordingly and all circumventions should be avoided. This practice is in contrast with the plan of replacement of paper-based signature with the personal digital signatures and electronic approvals.

101. Release 3 also included Procurement and logistics. Procurement is the overall process of acquiring goods, works, and services, which includes all related functions including planning, forecasting, supply chain management, identification of needs, sourcing and solicitation of offers, preparation and award of contract, as well as contract administration until the final discharge of all obligations as defined in the relevant contract(s). The procurement process covers activities necessary for the purchase, rental, lease or sale of goods, services, and other requirements such as works and property. UNIDO's procurement policies, procedures and practices are governed by the Financial Regulations and Rules of UNIDO (UNIDO/DG/B.74/Rev.2) dated 18 August 2006 (Rules 109.5.1-109.5.9). The choice between centralized and decentralized procurement is based on the estimated value of the planned acquisition. All procurements estimated to have a cost of €40,000 or more are formally invited through the open competitive procurement method (unless other procurement methods are validly applied) and are part of the centralized bidding system. The procurement below €40,000 is taken up by the concerned Project Managers under the decentralized procurement regimen while purchases up to €5,000 may be made by applying the fast track procurement procedure. The breakup of the UNIDO's procurement for 2013 is as under:

Table 9: Type of Procurement

S. No	Type of Procurement	Number of Cases	Amount (Million €)	Percentage
1	Centralized	622	82.988	80.45
2	Decentralized	3,225	20.166	19.55

Source: E mails in response to Tickets No.187547&187558

102. The Procurement module was implemented in early 2013 under which data migration of operational projects was also to be undertaken by the Implementation Partner. The initiation of the module and its customization in accordance with organizational needs was done in a phased manner. An examination of efforts made by PCOR for capacity building of the functional staff at UNIDO headquarters and the field offices shows that numerous opportunities were offered for the purpose and resultant enhancement of capacity of the operational staff was noticed. This timing, availability and absorption of training on the new system thus enabled PCOR to satisfy its training objectives under this release. Staff capacity building may well be the critical ingredient that can contribute positively to the successes made in implementation of the Procurement module.

103. Procurement Manual: UNIDO Management launched the revised Procurement Manual in July 2013. The new version of the Manual quite satisfactorily addresses and reflects the best practices of supply chain management and evolving trends within the United Nations system of organizations. It is comprehensive and user friendly. Audit observed that some links either didn't exist or didn't work. It was informed that all existing links will be checked to ensure proper functioning. Furthermore, additional documentation is presently being prepared and will be attached to the few links that do not yet exist. This can be verified by the next auditors. To further streamline the working the field staff suggested that to help system users and new entrants into UNIDO, in-house efforts be encouraged to translate some of the important templates and procurement flow charts into UNIDO official working languages to help in better understanding of the field operatives keeping in view the present budgetary position. This would reduce errors, undue creation of work and avoid possible risk of mis-procurement.

104. With regard to the External Audit's observation the management informed that some of the links of the manual did not exist or work. UNIDO would like to inform that all existing links would be checked to ensure proper functioning. Furthermore, additional documentation was being prepared and would be attached to the few links that do not yet exist. As regards, translation of all bidding and contracting and SRM-related documents, forms and templates would be considered as budget proposal for implementation in the next biennium. It should be noted that, considering the prevailing budgetary situation, this exercise initially would be limited to UNIDO's official working languages (i.e. English and French).

105. Comprehensive planning enables organizations to have a clear vision for achieving their targets in a timely and economical manner. Although mandated under both the Procurement Manual 2008 (Chapter: 2 Section: 1) and Procurement Manual 2013 (Section: 7) UNIDO did not have the required Procurement Plan for 2013. During interaction with the PRS it was informed that it was very difficult for them to produce the Annual Procurement Plan under the existing system. It was also informed by the management that since January 2014, a number of improvements had been implemented like; various system checks and messages were added to better support users when creating a shopping cart (SC), purchase order (PO) or request for proposal (RFx).Under the new system Shopping carts (SC) can now be created with the status "saved". These SC's can be used to aggregate procurement requirements, to prepare the relevant procurement plans and have certain information uploaded as indicative procurement notices on UNIDO's external web-site. The solution is expected to be rolled out during the second quarter (April-June) of 2014.

106. The External Audit recommends that Procurement Plan may be prepared periodically along with Key Performance Indicators for effective evaluation of progress.

107. Indenting: Indenting is considered as the cornerstone for enabling an economic, effective and efficient procurement system. The Allotment Holders/Procurement Managers carry out due diligence in developing the terms of reference describing the technical specifications and allied requirements of the items being indented that may be based on research covering local market intelligence, site and geopolitical conditions, applicable laws and regulations, delivery terms, donor conditionalities and nature and extent of UNIDO's involvement. The External Audit observed during inspection of record that in a number of cases procurement was delayed for considerable periods due to problems caused by deficiencies in the indents. In particular the following two cases highlight such shortcomings.

108. Two purchase orders numbered 15003030 & 15003242 were placed for supply and installation of equipment in project "Phase out of HCFC-22 in the Room and Unitary Air-conditioning Equipment Manufacturing Sector," a project under Montreal Protocol, which was required to be completed by midyear 2012. The project has had all sorts of problems, such as:

- delay in shipments,
- customs clearance issues,
- holdup at the port,
- delays in installation,
- faulty installations,
- payment of demurrage and additional staff costs,
- losses caused to recipient beneficiaries on account of lost production etc.

109. This was not the first time that such procurement was being made. Local conditions and laws ought to have been brought to the knowledge of the Allotment Holder/Project Manager by UNIDO field staff at the station. The project is yet to be completed despite passage of more than two years. It was also noticed that UNIDO had not taken necessary caution of acquiring performance guarantee to ensure that the equipment procured was made operational in given time.

110. In another Contract no. 3000000511 awarded to a company for "Construction of Fishery Training Institute" in Sierra Leone, the firm was employed for the construction of a steel frame based structure to be completed within four months by the end of year 2011. According to the contract terms UNIDO made payments to the contractor in instalments and even at times at an express advantage to the contractor. When the contractor failed to complete his obligation, UNIDO faced further loss when the bank failed to cash the Performance Bank Guarantee. The contract had to be settled amicably as arbitration appeared to be a costly option and the fact that performance of the local UNIDO staff was also challenged by the contractor. The work at the site was subsequently got completed from a local contractor by changing the specifications from steel framed construction to a brick and mortar structure for which an additional cost was incurred under the project. The External Audit considers that if brick and mortar structure, which was finally provided at the site, could serve the purpose, then instead of indenting for a steel structured building at the site, the indent should have originally been moved for brick and mortar structure by the Project Manager. Regarding the Performance Bank Guarantee, it was observed that the wording of the guarantee was not unconditional, unambiguous and irrevocable which gave the bank the opportunity for using delaying tactics and finally going into default. All these aspects pointed towards further need for ensuring better market intelligence, best possible technical specifications keeping the area in mind and the market vulnerability at the time of raising the indent.

111. While agreeing to the suggestions regarding indenting made by the External Auditor, the management stated that they would ensure that it was properly reflected as part of the future revisions of UNIDO's model bidding and contract documents and templates.

112. Solicitations: The decentralization initiative involves local staff in procurement process. It was seen that since the launch of the SRM/MM modules electronic procurement system had become more effective. It was however, observed that 77 cases of extension in solicitation period were granted during 2013. The management however placed the extensions in four broad categories as tabulated below and gave reasons for each during the discussions.

Table 10: Extensions in Solicitation Period

S. No	Description	Cases	Percentage
1	Extended to enable upload of surrogate bids	**5**	**6.5**
2	None/insufficient market response	**9**	**11.7**
3	Technical Issues with uploading the offers	**11**	**14.3**
4	To allow potential bidders additional time to prepare their bids	**52**	**67.5**

Source: E mail in response to Ticket No. 187544

113. The above table indicates that 67 per cent cases of extension in solicitation were given to facilitate the bidders to prepare their bids which indicated that indents were raised without due diligence and keeping in view requirements of the new SRM system.

114. While noting the observation made by the External Audit the management stated that reasons for extension was for most of the cases a necessary decision to accommodate bidders' unfamiliarity with the newly introduced SRM system and hence to avoid insufficient market response/competition.

115. The External Audit recommends that necessary steps may be taken to reduce causes for extension in time to avoid possible delays in projects on account of procurements.

116. The External Audit noted that a ticket number 0020644839 pointing out a system bug under which three shopping carts were stuck as a result of which the available funds got blocked. A system based solution could not be found and the matter had to be resolved by the management manually which took time. Audit is of view that such interventions be done in a manner so as not to affect the time lines of the project and all corrections made to resolve the problems should leave an audit trail.

117. The uploading of the surrogate bid also requires time especially in cases where most of the bids are in hard form and have to be uploaded into the system by the staff of the Procurement Services. By design, it is believed that requirement for leaving the window open for surrogate bids would reduce once the issues with the system are resolved and finally removed as a possible option. The Procurement Manual provides procedures for handling the surrogate bids. However, the Audit recommends that a system based Standard Operating Procedure may be devised so that time schedule of procurement is not disturbed and transparency issues are properly addressed.

118. The management welcomed the recommendations given by the External Audit and stated that in the context of the upcoming roll-out of the KMC solution, some of the functionalities that now require a manual interaction by procurement staff would be automated.

119. The Supplier Registration procedure is well defined in UNIDO. The procurement guidelines also strongly recommend for Registration of Suppliers in the UNGM. The list of approved suppliers is being maintained in hard form by UNIDO that also shows black listed and suspended suppliers. However, this list of approved suppliers had not been placed on the UNIDO website.

120. In response to the above observation the management replied that for confidentiality and other reasons, UNIDO did not pursue such a practice of placing the list of approved suppliers on the UNIDO website and the same was also not practiced by the majority of other United Nations agencies/organizations.

121. The External Audit, however, still recommends registration of suppliers in UNGM.

122. Purchase Order/Contract Management: Canons of propriety warrant that only that bidder should become supplier whose bid is accepted. The PO/Contract or payments should not be made to any third party. In one such case having SAP identity No. 3000018065 the bidder was M/s. Fluke Calibration whereas first the Purchase Order and later, the payments were made to M/s. Fluke Corporation. It was clarified that "M/s. Fluke Calibration is a business unit of M/s. Fluke Corporation". It, however, did not clarify of the legal status of the two entities.

123. The issue was noted by the management and assured that it will further be proceduralized as part of the revision of UNIDO's model bidding and contracting documents and templates and the SRM Guide.

124. The External Audit observed that UNIDO was using standardized bidding documents for all types of procurements Delivery at Place (DAP) INCOTERM, which require insurance of consignments from the place of supply to the DAP named place of delivery. There was need to ensure that the shipping documents bore a copy of the door-to-door transport insurance to avert the risk of loss to UNIDO because major payment get released when shipping documents are produced for payment. The Manual of Procurement of UNIDO also makes it mandatory that all the procurement of more than €500 should be insured for freight services.

125. When pointed out, the management agreed with recommendations of the External Audit and informed that it also held a global insurance contract with Marsh USA, which included insurance of equipment on the basis of DAP INCOTERMS and it was up to the discretion of UNIDO to opt for insurance through the global insurance contract or of the supplier of the equipment. Procurement Services planned to operationalize this requirement in the SRM Guide in 2014.

126. The External Audit is of the view that the response of the management is conflicting as UNIDO already has global insurance cover for goods being purchased. It can therefore, not use its discretion to opt for procurement under DAP in such circumstances.

127. The External Audit recommends review of policy by the management. The External Audit may like to review this aspect during the next audit.

128. Performance Bank Guarantee: The External Audit reviewed Contract No. 16002596 "Construction and Commissioning of Photovoltaic Mini Grid" where the language of Performance Bank Guarantee was changed twice during the currency of contract in clear violation of all norms of financial propriety as terms and conditions were changed after the bidding. At present, rather than the guarantee being provided by a commercial bank or insurance company acceptable to UNIDO it had been replaced by one that was provided by Legal representative of the supplier.

129. In response to the observation, the management stated that no explicit language of guarantee was specified in the bidding documents. The payment schedule was successfully negotiated to UNIDO's advantage and the advance payment amount was less than 10% of the contract amount.

130. The External Audit is of the view that the interest of UNIDO was unnecessary put at risk by allowing the contractor to work without provision of the Performance Guarantee from a bank or insurance company.

131. In Contract (3000000237), UNIDO was facing problems when the contractor, who was originally responsible for installation of equipment (generators) refused to honour the warranty as it was installed by another vendor. Whereas, the original supplier also claimed installation charges. The Contract for supply and installation of two generators remained incomplete at the time of audit, despite passage of considerable time.

132. In response to the above observation, the management stated that *under this decentralized procurement case, a third party was instructed to perform installation work of delivered equipment from the UNIDO contractor. The contractor, however, was not informed about this additional work. Our current efforts are to reach an understanding by which the third party is being compensated for his installation work (on a post facto basis)*

whereas the main UNIDO contractor will be required to warrant the equipment, which was installed by the (qualified) third party. The outcome of this intervention is open.

133. The External Audit feels that the Contract was mis-managed by the local staff, thereby exposing UNIDO to unnecessary risk. The External Audit recommends that the issue may be settled amicably and the installation may be completed.

134. The External Audit observed that the original performance guarantees were placed in the folders of the POs/Contracts which increased the risks.

135. The External Audit recommends that a proper system for safe custody and storage of Performance Bank guarantee may also be devised to minimize the associated risk.

136. The efficacy of obtaining Performance Bank Guarantee is to mitigate risk of non-performance by the contractor. The guarantee needs to be unconditional, unambiguous and non-encumbering. While the Procurement Manual provides three types of templates for Performance Bank Guarantees, these do not fulfil the above conditions. Moreover, in some instances the management accepted the Performance Bank Guarantees on format that was not in conformity even with the one provided as the standard once the contract had been awarded. This aspect tantamount to alteration in terms after bidding. Need for risk mitigation became higher where entire contract payment was made on submission of shipping documents against Letter of Credit. As most of the procurements are performances based and require some sort of guarantee for the last deliverable i.e. fixing testing and operationalization. The External Audit is of the view that the risk for any default be appropriately covered through the following:

- By obtaining unconditional, unambiguous and non-encumbering Performance Guarantee that should remain valid till end of the one year maintenance period.
- By devising a system for safe custody and storage of Performance Bank Guarantees to minimize the associated risk.

137. The management welcomed the suggestions made by the External Audit and informed that in the context of the upcoming revision of UNIDO’s model bidding and contracting documents, this practice would be changed to better support UNIDO’s interests.

138. The subsequent External Audit teams will review the changes made in the templates of the Performance Bank Guarantee to ensure that risk is adequately covered.

139. Post Contract Evaluation: UNIDO’s procurement procedures require post contract evaluation of all the contractors and provide a complete format in the Procurement Manual. A sample of completed contracts was reviewed by the External Audit to examine the evaluation reports of the contractors. The External Audit found out that the post contract evaluation of contactors had not been documented.

140. When highlighted to the Procurement Services, it was replied that *it was already indicated that the performance evaluation forms supported in SRM have not yet been tested and adapted to UNIDO’s specific requirements and business processes. This will be done as part of PRS’s work plan for 2014.*

141. The External Audit recommends that all completed procurements may be evaluated for the adequacy of the designing and planning of the bid, publicity, evaluation, contract administration and Post Contract Administration. The Performance evaluation templates for the supplier may be triggered off with the final bill so that a proper feedback is available in the system. This would help in completing profiles of contractors which would be beneficial to UNIDO in future.

142. The External Audit found that the Procurement Services were functioning without any Contract Management system that could help them properly manage and monitor progress of all the procurements under one roof. The SAP SRM was operationally focused but did not address all aspects related with Contract

Management. The management may undertake a needs assessment exercise of the Procurement Services so that their functioning becomes more efficient and risk free.

143. The Procurement Services welcomed the suggestions made by the External Audit and agreed that a proper Contract Management system was required for the purpose.

144. **Cultural Change**: The cultural change was the ultimate outcome of the process initiated under Organizational Renewal Programme. A cultural operational group was set up in March, 2011 as a result of cultural diagnostic survey carried out in the year 2010. The objectives included creating a culture of "One UNIDO", cross organizational knowledge sharing, effective teamwork and collaboration, effective communication and staff development to cope with the needs of the change. The Cultural Operational Group was rolled back on the decision of the management in early 2012 and the task was assigned to OCOR.

145. The External Audit is of the view that the discontinuation of COG resulted in withdrawing of a forum that could have played a constructive role in bringing about a change under the 'One UNIDO' concept. Moreover, the cultural change initiative needs to be formally assigned to a group/unit in the organization who may devise a robust plan including definite milestones in achieving measurable targets of change in the organizational culture

146. In response to views presented by the External Audit, the management stated that *notwithstanding the fact that no budgetary resources are available for this purpose, more importantly, transformational change cannot be driven by an organizational unit, but through mainstreaming changes in processes, policies, and practices throughout all parts of the organization and at different levels. In short, transformational change needs to be owned by the majority and not advocated by a unit. Please reconsider this recommendation in light of our position.*

147. The External Audit appreciates the fact that cultural change takes time to develop, but with such a huge initiative undertaken by UNIDO the maintenance of COG was considered to be a step in the right direction and it would have provided a forum other than PCOR to complement the change process.

148. PCOR was an endeavour to bring a change and organizational renewal through various interventions. The attempt has been quite successful in the areas like HCM, Finance and Procurement while it could achieve partial successes in PPM, Knowledge Management and Cultural Change. The External Audit noted that OCOR presented its last report on 19 December 2013 where the closure of PCOR was announced and some of the left over work was also indicated but no further action plan to complete the left over was offered. The External Audit is of view that PCOR should have been undertaken by having a structured exit strategy to consolidate the changes brought about by UNIDO's investment in PCOR.

149. In response to the above observation of the External Audit, the management was of the view that reviews of PCOR by external stakeholders and independent evaluators were quite encouraging and appreciative of the progress made by UNIDO in comparison with other United Nations Organizations. Regarding the views about the closure of PCOR the management reiterated *that remaining items from PCOR have been presented to the Director General and executive management in January 2014 as part of the Task Force on Organizational Fine-Tuning and Alignment, who agreed to take a decision on the way forward for their implementation in 2014 and beyond. Furthermore, an outlook has also been communicated to Member States in Document IDB.41/9 PBC.29/9 of 11 March 2013.*

150. The External Audit reiterates its point of view as the response from the management highlights the fact that a Task Force has been constituted after the closure of PCOR as new initiative rather than well thought-out mechanism that should have been embedded earlier in PCOR as its exit strategy giving clear road-map to be followed by all concerned immediately on closure of PCOR.

SAP Implementation — Technical and Security Matters

151. During scrutiny of the IT system in December 2013 the External Audit identified certain security risks to the new SAP system, which may be addressed on an urgent basis:

Assignment of SAP_ALL Profile

152. SAP_ALL authorizations allow the user to perform all tasks in the system. SAP recommends that SAP_ALL profile should not be granted to any user in the production environment. External Audit observed that at UNIDO there were 27 users who had been assigned SAP_ALL profile, against the standard SAP recommendations. Out of these, 21 users were either Dialogue or S Service users.

Assignment of SAP_NEW Profile

153. SAP_NEW authorizations provide general access to any new profile included in a new release of SAP. Procedures should exist to review and test new objects which become available before allocating them to users. External Audit observed that at UNIDO there were 23 users who had been given the all-powerful SAP_NEW profile against SAP recommendations. Out of these, 18 users were either Dialogue or S Service users

Control of S_Develop Authorization in SAP ERP Production

154. It is a standard best practice in SAP that changes to the SAP ERP production environment are implemented in a controlled manner and by authorized users. Developers should not have access to change source code within the production environment using transactions SE38, SA38, SE37, or SE80. External Audit observed that there were 87 users with S_Develop authorization in SAP ERP production system, out of which 80 were either A Dialog users or S Service users. External Audit recommends that UNIDO should withdraw S_Develop authorization from users other than System Administrators and EarlyWatch User.

Locking Sensitive SAP Transactions in Production

155. Sensitive and critical SAP transaction codes should remain locked in production and be unlocked only when needed. It was observed during random checks that certain sensitive and critical transaction codes such as SCC5 Client Delete, SCC1 Client Copy, SM49 Execute Logical Commands, SM59 (RFC destinations), SM69 Maintain External OS Commands, SE16, SE16N, SM30, SM31, SE01, SE09, SE10 were always found unlocked.

156. In respect of the above observations, the management responded that *since the establishment of the Business and Systems Support Services Unit (PSM/BSS) in January 2014, measures have already been taken to address these observations as follows:*

- *A three-day workshop on "Empowering Service for Security @ UNIDO" conducted from 11-13 February 2014 by SAP as part of the SAP Active Embedded Support Services Contract with UNIDO. The recommendations from the workshop are currently being implemented.*
- *UNIDO recruited in February 2014 an ERP Technical Lead with over 15 years of relevant experience with several SAP implementations for various organizations, who has already started to address the stipulated technical issues*

157. The External Audit recommends that the management may undertake an exhaustive third party SAP security evaluation, due to sensitive nature of SAP security.

Manual Steps in Payroll Processing

158. The External Audit reviewed the automation of Payroll Processing and observed that the Payroll section still performed certain key steps manually. One of the key controls in Payroll Processing is to ensure that there are no

abnormal and exceptional payments. At present Payroll section *manually checks* each and every payment appearing in the print outs of Payment Summary generated from SAP. The manual download of DME file and Payments Summary file by Payroll section, their email to the Treasury and again a manual upload of these files in the Banking software by Treasury are not in the spirit of the ERP implementation and these files are susceptible to change during these manual steps, especially when the Treasury performs only a sample check in case of Euro payments. The External Audit recommends that UNIDO develops a SAP interface with the Banking Software of Treasury to safeguard the SAP generated payment files from man-in-the-middle attack. SAP could be configured to produce a system generated comparison with the previous month's payroll with the exceptions already flagged. This will increase efficiency of the Payroll section by saving time they spend in manual comparison, which is also more susceptible to human error.

159. The management responded to the above observation by informing that a number of improvements were being made in the processing of the payroll. At present, the segregation of duties between the payroll group and at different levels within the Treasury were considered to be sufficient to cover any large risk with manual upload of DME file to the banking software. The management viewed this practice to be consistent with the ones adopted by the corporate world. Future plans of using the payroll to banking interface would address the matter adequately.

160. The External Audit recommends that the management needs to review the risk of manual handling of sensitive data. Full advantage of the SAP ERP needs to be taken by complete elimination of any manual steps in payroll processing and implementation of SAP interface with the banking software by the Treasury to eliminate latent risk associated with such manual handling of sensitive DME file at the earliest.

Opening SAP Production Client for Direct Changes

161. SAP recommends avoiding making direct changes in SAP ERP production system. Direct changes in production environment should only be allowed in case of emergencies. The External Audit randomly checked opening of SAP production client for direct changes at UNIDO between the period 02-08-13 to 20-11-13 and observed that the SAP production client had been opened on occasions without any approval for making direct changes in production.

162. The management informed that *a strict approval procedure for opening SAP production has already been introduced by PSM/BSS*.

163. Subsequent audit teams may like to verify that the new procedure addresses this aspect of security issues.

SAP Users Access Control

164. An unauthorized user, who manages to access a system under a known user in the system, can proceed to do whatever is possible. Access to the SAP ERP system should therefore be disabled for employees who no longer require such access. The External Audit pointed out in the Report of the External Auditor for the year 2011 that working Aggresso accounts of the separated employees were a big risk. However, it had been observed again that out of the 50 UNIDO employees who were separated in 2013 as per the list provided by HR section, 41 separated employees still had active SAP accounts by the end of December 2013. The External Audit also observed that most of the users had their account expiry date set as 31-12-9999 whereas it should be set to a date when an individual will no longer be requiring SAP access for example at the time of separation, retirement or when the contract ends. The External Audit recommends that UNIDO may lock the SAP user accounts of separated employees immediately and adopt a policy of creating SAP user accounts for specific time duration besides locking accounts when the separated employee no longer needed SAP access.

165. In response to the above observation the management responded that *mandatory account expiration is handled in UNIDO's Active Directory System. Any user wishing to access the SAP Portal or Back End will need to be logged on to Active Directory first; therefore a user with an expired account could not access SAP even if*

the SAP back-end account were still valid. Moreover, the recommendation has already been implemented by PSM/BSS.

166. The External Audit stresses that the management may develop and effectively implement a procedure to lock SAP accounts of separated employees because even with the compensating control of Active Directory, working SAP accounts of separated employees are against basic information security best practices and may continue to remain a latent security risk because these can be misused externally as well as internally.

167. Subsequent audit teams may like to verify that the new procedure addresses this aspect of security issues.

Security of Powerful SAP Standard Users

168. While examining the SAP security policy in place at the close of PCOR in December 2013, the following were observed:

I. Super users have powerful system access rights and should be adequately protected to ensure that unauthorized access to the system is prevented. SAP*, DDIC and SAPCPIC are the most powerful SAP standard users. The SAP* user ID has always been a big risk in SAP because it has such broad access to the system. Locking this ID will mitigate this risk. SAP also recommends that no profiles should be assigned to SAP* due to security reasons. The External Audit observed that SAP* was always unlocked and it had also been assigned powerful SAP_All and SAP_New profiles.

II. DDIC is the only standard SAP user, who is allowed access to the SAP system during an upgrade, having access to all functions within the SAP system. Some of these access rights are hard-coded and therefore DDIC should not be deleted. It is recommended to lock DDIC user ID in production and unlock only when necessary. External Audit observed at different points in time during audit that DDIC was always found unlocked. Same is the case with SAPCPIC, which was also found unlocked at all times.

169. The External Audit recommended that Powerful user accounts SAP*, DDIC and SAPCPIC may be locked; Profile assignment to SAP* may be withdrawn; and Senior level management approval may be documented for unlocking these powerful super user accounts only in case of emergencies.

170. In response to the above observations the management stated that *PSM/BSS has already taken the necessary measures to address these observations.*

171. The External Audit recommends that the management may undertake a third party SAP security evaluation, in view of the laxity of security during the period up to December 2013.

172. Subsequent audit teams may like to follow up and verify the procedure for approving and operating the all-powerful SAP standard users.

Security of SAP router Configuration File Parameters

173. SAP router provided by SAP ERP software is an application level gateway into and out of the SAP ERP environment. When the routing table is not properly defined, the system will allow all connections exposing the system to the increased likelihood of unauthorized users gaining access to the system. It is, therefore, essential that SAP router program is configured securely.

174. The External Audit reviewed the SAP router configuration file provided by UNIDO and observed that the entries in the SAP router table did not have any approval documentation. It was also noted that none of the entries required the source hosts to input any passwords. SAP advises against using wildcards (*) for the target host (<dest-host>) and the target port (<dest-serv>) in P and S lines in the route permission table. However, it was observed that UNIDO SAProuter configuration file has used wildcards (*) quite frequently.

175. The External Audit recommended that, given the sensitive nature of SAP router Routing Table, all entries in SAP router routing table should have documented approval and using wildcards (*) for the target hosts and the target ports should be stopped immediately.

176. In response to the above observation the management responded that *the observation was based on an incorrect interpretation of the system architecture. The SAP Router in the UNIDO installation is used exclusively for the purpose of establishing the SAP Service connection to allow remote maintenance by SAP Personnel. Internal users do not connect via the SAP Router. Network-level protections on the SAP Router equivalent to restrictions in the SAP Router Table are in place.*

177. Contrary to the contention of the management, the External Audit considers that the observation has been raised being fully aware of the system architecture and the standing instructions from SAP on the subject. SAP advises that the SAP router Routing table should only allow targeted and limited third party access instead of using wildcards (*) which allows access to all users, servers and ports.

178. The External Audit recommends that the last Permit entry in the UNIDO SAP Routing Table using wildcards for all three fields may be removed immediately because it is in strict violation of SAP advice on Routing Table entries and the management may configure the Routing Table in line with the SAP recommendations and stop using Wildcards in Permit entries for Target Host and Target Port.

"CATS" and SAP

179. "CATS" is a SAP cross-application module for recording time and effort against task-types, levels and activities. It enables an organization to control all business processes concerning employees' tasks — from paying the employees to monitoring the progress of a project.

180. CATS module was part of the Finance, Procurement & Logistics release which was planned to be completed by January 2013. It was observed that its final rollout schedule had been extended to 2014. It was also observed that recording a timesheet by the employee/consultant can directly release the time and activity recorded without requiring approval of his supervisor. Moreover, even after full coverage of CATS, time recording in CATS will remain ceremonial because the actual timesheets recording had not been linked with the Payroll. Moreover there were no management dashboards developed so far.

181. The External Audit suggests that the time in and out, being done in InfoBase and other time recording machines, should be retired and CATS should eventually provide all data relating to time in and time out and it should be linked with the Time Management Solution of SAP.

182. The management agreed with the suggestions made by the External Auditor.

Project Progress Reports

183. TC Guidelines require project progress reports from project managers to be submitted to their line managers/team leaders every six month at the end of June and December. As already pointed out in the Report of the External Auditor for the year 2010 that *'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 of records of progress reports.'*

184. During the follow up of the previous audit findings, the management had replied in the Report of the External Auditor for the year 2011 that *the Project progress reports are an integral part of the overall PPM design and it will be possible to trigger them at any given time; various reporting designs can be incorporated to allow these reports at different portfolio level.*

185. As the Project Progress Reports are linked with the Status of Monitoring of projects, the External Audit requested for the status of monitoring of the projects along with the list of interventions made and specific actions taken in this regard. In reply, it was informed by management that *the Status of Monitoring for each project is at*

the moment not possible to report. Uploading of progress reports, etc. to the Infobase system at each project by respective project managers had been discontinued since early 2012, when the SAP Portfolio & Project Management (PPM) system went live. The knowledge management module, SAP cRoom, was originally supposed to replace the functionality, but due to its deficiencies it was decided to replace cRoom with OpenText. The new solution is launched very recently. Furthermore, while SAP PPM has enough facilities for project monitoring, reporting of such project-related information by SAP Business Intelligence (BI) reporting module was not possible until recently. Although the BI reporting is available now, the information/data provided by it needs further development. The supervisory responsibility for project implementation through monitoring is currently with line managers (Unit Chiefs and Branch Directors) of responsible project managers, therefore any intervention should have been made by respective line managers."

186. The External Audit observed that the old system of reporting (infobase) should have been discontinued only after the successful implementation of new SAP system. The Evaluation Group had also denied the receipt of any progress reports by a large number of Projects. It is recommended that monitoring of projects through the new SAP system should be made functional by linking the performance of project managers with the timely provision of project progress reports.

187. The management agreed with the findings of the External Audit and stated that *the old system of reporting (infobase) should have been discontinued only after the successful implementation of new SAP system. It is working on making the monitoring of projects through the new SAP system functional.*

188. The External Audit is of the view that while the matter was raised earlier in the report for the year 2010, the management had agreed to address the issue, whereas, a formal reporting and monitoring mechanism had now become non-existent. The External Audit recommends priority action for developing a formal system for reporting and monitoring under SAP PPM.

189. Subsequent audit teams may monitor the progress made by the management in developing the SAP PPM to ensure that it caters for monitoring and reporting mechanism as required by the TC Guidelines.

Open Operating Advances and Travel Advances

190. It was observed that there are 460 items of Open Operating advances amounting to €419,374.7 and a large number of items of travel advances amounting to €3,890,390.97 lying pending till December, 2013 waiting to be cleared. The huge open advances in Operating and Travel expenses were required to be cleared before 31st December, 2013.

191. In response to the observation the management replied that *delayed processing of open travel advances was caused by late implementation of the travel expense claims functionality in SAP. UNIDO is now in process of clearing the backlog.*

192. The External Audit recommends that efforts need to be made to get the advances cleared as per Financial Rules & Regulations of UNIDO and advances may not be accumulated for long duration as SAP has now been introduced in tracking such delays.

Investment Portfolio

193. As per Rule 108.1.1. of UNIDO Financial Regulations and Rules, the Director General may make both short and long term investments, subject always to the provisions of the appropriate regulations, rules, terms or conditions relating to the respective funds and accounts. It was observed that UNIDO was earning less interest income by limiting itself to short term investments only. The External Audit suggested to the management that it might identify a baseline amount that can be invested in long term deposits for better returns. The Treasury was having an access to the software which constantly updated the ratings of various banks and the same could be utilized for decision making in this regard. The risk however should be managed while making investment decisions

194. In response to the above observation, the management informed that *in general, UNIDO prefers a conservative investment policy. Priority is given to liquidity and the preservation of the capital over the optimization of return on investments; hence UNIDO preferably invested short term. Furthermore, according to Rule 108.1.1. (c) of the Financial Rules, the Director General or a delegated person must approve every long term investment, whereas short term investments don't need such special approval. During the financial crisis since the year 2008, it was decided by Management of UNIDO to reduce the tenure of investments held for a maximum of 3 months.*

195. While commenting upon the suggestion of the External Auditor regarding identification of a baseline amount that can be invested in long term deposits for better returns, the management replied that *at an appropriate time after the stabilisation of the financial markets UNIDO will consider (as already communicated to the external auditors) investing funds also for longer than 3 months, provided that the risks will be minimal and it is worth it from investment return perspective. UNIDO will consider at some future time to look at investing a certain threshold amount in long term investments, however, for this, practical and formal arrangements have to be made in advance to comply with the Financial Rules and Regulations. In the meantime, UNIDO can confirm to be at par with the market for short-term investments. The fact that Treasury has access to the Fitch Ratings software cannot make up for deterioration of an asset should the credit analysts be wrong, so long-term investments will remain under careful consideration for some time.*

196. The External Audit appreciates the conservative approach adopted by the management in the prevailing volatile investment market. However, it is suggested that review of the investment policy be made on regular basis so that the management can benefit from change in the overall investment climate.

Internal Oversight Services

197. The Internal Oversight Office is working under the Charter of the Office of Internal Oversight Services (IOS) issued by the Director General vide UNIDO/DGB/(M).92/Rev.2 in April,2011. IOS is established under the provisions of UNIDO's Financial Regulation 9.1 and Financial Rule 109.1.15.

198. The number of areas audited in the years 2013 reached four as compared to three each in 2012 and 2011 and two in 2010. The number of investigative reports was ten for the year. The IOS issued reports for Iran, China and Russia as they were considered to be placed as High (Iran) and Very High (China & Russia) during 2013. It was, however, observed that IOS had not audited the operations of UNIDO Headquarters (HQ) despite the fact that the major part of all activities in the field was being managed by Allotment Holders/Project Managers stationed at the UNIDO Headquarters.

199. The External Audit would like to reiterate its earlier recommendations given in the Report of the External Auditor for the Year 2011, requiring an adequate increase of resources for the IOS. The resource continues to remain static thus not allowing the IOS to increase its ambit of internal audit.

Operations in the Field

200. To review the working of the UNIDO Field Offices, the External Audit teams visited three selected Offices of UNIDO i.e. Field Office Mozambique, UNIDO Focal Point Office Sri Lanka and Desk Office Cambodia.

Field Office Mozambique

201. During the external audit of the UNIDO Field Office in Maputo, Mozambique, the following observations were made:

a. An amount of US$4,000 was sanctioned for fuel and road tax, instead, the amount was used for the purchase of tyres of a vehicle through Voucher DVM 201304008 dated 03-04-2013.

b. The External Audit reviewed record of the inventory items, which were required to be maintained as per Rule 109.16 of Financial Regulations and Rules of UNIDO. Items purchased in 2013 were found not to have been properly recorded as per required procedure.

c. Petty cash advances worth above €800 were drawn without supporting documents of previous advances in Voucher no DVM 201307034 dated 04-07-2013, amount MZN 7640.68 and Voucher no DVM 201307012 dated 08-07-2013, amount MZN 73250.00 in violation of Rule 107.1.5 (b) of Financial Regulations & Rules of UNIDO.

d. During review of Project No: UE/MOZ/10/002, SAP ID 104104, the External Audit Team visited sites of three beneficiaries viz. STEMA Silo, Matola, Chicken Slaughter House, Maputo, and Hotel Southern Sun, Maputo. It was observed that:

   i. The recommendations for cleaner production (CP) deliverables are yet to be implemented in case of STEMA Silo, Matola.

   ii. None of the five CP deliverables were achieved in case of Chicken Slaughter House, Maputo.

   iii. In case of Hotel Southern Sun, Maputo, some of the deliverables such as treatment of sewage water, proper drainage, manual temperature control, neat kitchen were in place. Implementation of remaining deliverables was delayed.

e. During review of the Project No: FM/MOZ/08/005, SAP ID 103009 *'Environmental Mainstreaming and Adaptation to Climate Change'*, it was observed that:

   i. Completion of the project and its sustainability was at a serious risk due to remoteness of the project site and the resultant problems of theft of solar panels.

   ii. Additional budget of US$80,000 had been secured to complete the project. However, the donors did not accede to extend project timeline.

f. Review of the Project No: TF/MOZ/07/003, SAP ID 101105 *'Entrepreneurship Development for the Youth'* revealed that:

   i. The External Audit Team visited the project sites at the National Director of Secondary Education, National Institute of Development, Maputo Industrial Institute and a school Escola Secundria De Laulane in the periphery of Maputo. The project started in 2007 initially for 04 years and was granted three extensions up to September 30, 2013. The project continued to remain incomplete, but there were a number of unfinished tasks despite six years of operation. The External Audit noticed that the project objectives were not achieved in terms of its deliverables, output, and outcome even with a liberal timeline.

g. Three other projects viz. Project No: EE/MOZ/12004, SAP ID 100082 *'Private Sector and Quality Promotion Programme'*; Project No: FB/MOZ/08/004, SAP ID 101024 *'Improving Capacity of Entrepreneurs especially Women in profitable Agro-Food Processing Activities'*; and Project No:US/MOZ/09/003, SAP ID 101135 *'Promotion of Economic Activities'* were also reviewed and found deficient in terms of efficiency and effectiveness.

202. The External Audit recommends in case of UNIDO Field Office at Maputo, Mozambique:

   I. In case of Observation mentioned at Sub-paragraph e (ii) above, the management may ensure timely utilization of budget to achieve desired objectives.

   II. In case of observation mentioned at Sub-paragraph (g), the management may take effective measures to reap full benefits associated with these projects.

III. In case of remaining observations, the management may take remedial actions to rectify the errors and omissions. Necessary instructions may also be issued to Field Offices to avoid such lapses in future.

Focal Point Office Sri Lanka

203. During audit of the UNIDO National Focal Point office in Sri Lanka for the year 2013, following observations were made:

a. Focal Point Office in Sri Lanka was not maintaining permanent files as per Chapter X of Operational Manual for UNIDO field offices.

b. Staff of Focal Point Office was not trained in using SAP ERP, nor was aware of the implementation of PCOR.

c. Financial matters of Focal Point office were being handled by UNIDO Office of New Delhi. Mr. Viji Vinay, Administrative Assistant of UNIDO Regional office in New Delhi was contacted in connection with budget statement. He informed that the data transfer from legacy system into new ERP was not authentic; therefore figures pertaining to the financial year 2012 might be disregarded.

d. Bank reconciliation was not being done as prescribed in rule 107.1.11. Focal Point Office was totally relying on the Operating Account Consolidated Statement of the Bank.

e. National Director of the Focal Point Office did not prepare Annual Work Programme and Annual Report as per rule 11.1.1 of Chapter XI of the Operational Manual for Field Offices nor did he maintain documents for Strategic Frame Work and PPM.

f. During review of the projects viz 1. *Strengthening international certification capacity with reference to Social Accountability Standard (SA 8000) and Food Safety Standard (HACCP/ISO 22000)* [TE/SRL/06/004], 2. *Sri Lanka National Cleaner Production Centre Project* [TFSRL01001], and 3. *Support for the Sustainable Livelihood Recovery* [TF/SRL/06/005], External Audit noted deviations from the original project plan of *'Strengthening international certification capacity'*. There were non-quantifiable objectives, non-operational KPIs, sustainability issues and weaknesses in monitoring and reporting of the projects progress.

g. IOS had never undertaken oversight inspection of the Focal Point office since its inception in September 1999.

204. The management explained that the personnel mentioned at observation mentioned at subparagraph (b) above *are project-funded ISA holders. Due to our limited training budget, UNIDO has so far been focusing on the training needs of regular staff members. Nevertheless, HRM will look into the matter of SAP training for project-funded personnel in general and ISA holders in particular, in consultation with the respective Project Managers.*

205. The External Audit recommends that above issues may be addressed.

Desk Office Cambodia

206. During audit of the UNIDO Desk Office Cambodia, the following observations were made:

a. Presently, there is a portfolio of 10 ongoing projects with a cumulative value of US$7 million. During last two years, 6 projects valuing over US$3 million have been completed.

b. Review of the project *'Identification, Assessment and Prioritization of Pollution Hot Spots & Transfer of Environmentally Sound Technologies (TEST) in the Cambodian Section of the Mekong River Basin'* revealed that:

i. In the absence of a proper MIS, effective monitoring and evaluation of the projects could not be carried out.

ii. In case of Purchase Order 3000016655 dated 26.04.2013, the procured items of lab supplies worth US$ 12,193.52 reflected a 100% increase over the requisitioned quantities without any request from Water Testing Laboratory. Moreover, the certificate of inspection and acceptance as required under terms of the contract was not available.

c. Review of the Project *'Better Quality Fish and Safety of Fishery Products for Improving Fish Trade Development in Cambodia* revealed that Project Performance Reports and Terminal Project Report were not available nor were there any record of the proceedings of the periodic performance meetings or terminal review meeting.

d. IOS had never undertaken oversight inspection of the Focal Point Office since its inception.

207. The management did not contest the observations raised by the External Audit.

208. The External Audit recommends that above mentioned issues may be addressed.

Verification of Physical Assets

209. The management had carried out physical verification of assets during 2013 as required vide paragraph 4.9.1 of the UNIDO Property Management Manual. The External Audit conducted physical verification of the items selected in the sample with the assistance of a nominee of the management. During physical verification of UNIDO Assets, the following observations were made:

a. The assets were traceable only under the old Agresso IDs rather than SAP IDs.

b. The data on re-location of Assets had not been updated in the SAP system.

210. The management agreed with the comments of the External Auditor. However, the management stated that *over the past several years, UNIDO has used three different Asset Management Systems (Mainframe System, Agresso System and now SAP System), hence three different IDs are available for the same item. A new bar code reader that allows synchronization with SAP Asset Management is currently under investigation for future acquisition following BSS recommendation*.

211. The External Audit recommends that the process of labelling the new SAP IDs on physical assets may be expedited and the data regarding the assets which have been re-located must essentially be updated in SAP System.

Losses, Ex-Gratia Payments and Write-offs

212. The management reported that no ex-gratia payments were made during the year 2013. Whereas, the value of property, plant and equipment written off during the year 2013 due to loss/theft amounted to €40,069 as compared to €18,492 in the year 2012.

Compliance of the Previous External Audit Reports

213. Our review of the compliance of the previous External Audit Reports is annexed with this letter.

Acknowledgement

214. The External Audit is thankful to the management and staff of UNIDO for the cooperation and support during audit.

[*Signed*]

(Muhammad Akhtar Buland Rana)
Auditor-General of Pakistan
External Auditor

09 May 2014

ANNEX A

Follow-Up of Recommendations made in Previous External Audit Reports

S.N	Recommendation	Reference	UNIDO Response	Audit Comments
External Audit Report for the 2010				
1	The management may ensure that the IT risk management is implemented as part of the PCOR.	85 (I)	In addition to the risk management fully embedded in the PPM module, risk management has also been implemented in the operational areas, such as finance, human capital management, and procurement. Furthermore, an Enterprise Risk Management (ERM) Policy for the Organization was issued on 6 June 2013 (reference UNIDO/DGB/(P).126). A new management structure for Business and Systems Improvement is also expected to be introduced from January 2014 which will, inter alia, ensure that ERP- and IT-related risks and issues are managed efficiently and effectively.	It may be ensured that ERM Policy is implemented in letter and spirit.
2	Pending finalization of the new ERP, the procurement planning system for TC projects available on the intranet may be utilized to prepare procurement plans.	142 (I)	Functionality now implemented in SAP. PRS would welcome future audit team to establish that the technical functionality recommended by SAP Austria and thus implemented meets the requirements of best practice procurement and supply chain management.	Copies of procurement plans still awaited.
3	A strategy may be devised to limit the number of waivers to the minimum possible extent.	142 (III)	A very high proportion of applied waiver cases is primarily due to one clause (Financial Rule 109.5.5 (a) (viii)) which is invoked in cases when contractual arrangements can be made with only one company or organization due to the project and/or programme execution modality agreed by UNIDO with relevant donor(s) and recipient Governments, thus pre-empting any competitive procurement procedure (segregation of implementation and execution, UNIDO Partner Organizations, etc.). These are not genuine procurement waivers but rather conditions of project execution. For another large part of waivers granted (for example, by piggy-backing on LTAs set up by other United Nations agencies/organizations) the underlying selection process that was applied by such a	The External Audit reiterates that waivers should be used sparingly under extreme urgencies.

			United Nations agency/organization could very well have been open competition. UNIDO would like to clarify that the reported 7 decentralized Purchase Orders, all using waiver rule 'emergency' without sufficiently documenting the cases, are associated with very few users only (out of more than 200 Project Managers/Allotment Holders).	
4	Information on signed contracts of € 70,000 or more may be placed on the UNIDO website in accordance with the Procurement Manual.	142 (IV)	As part of the new Procurement Manual which was issued in July 2013, the complete set of model bidding and contract documents, forms and templates, including but not limited to standard award notice forms, is in the process of being updated. The revised publication requirements for purchase orders/contracts exceeding €200,000 will thus be implemented early 2014.	No progress reported as yet.
5	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.	142 (V)	All relevant reporting requirements have been formulated and are in the process of being implemented.	Process not yet completed.
External Audit Report for the 2011				
6	Consignment clearance, specially custom handling may be streamlined.	137(ii)	The engagement of freight forwarding services agent(s) has been taken into account when mapping the SAP/SRM functionality. It will be implemented in 2014; once the main supply chain management processes have been sufficiently stabilized in SRM.	Process not yet completed.
External Audit Report for 2012				
7	Training Impact Assessment may be made a continuous process	Para 39 of IDB.41/3 PBC.29/3 document (ATTACHED)	Recommendations have been followed. Following training of HRM Staff on how to conduct Impact Assessments of Training Programmes, HRM conducted the Impact Assessment of the Trainings completed in 2012, for the SAP Human Capital Module.	Training Impact Assessment may be a regular feature and may be conducted for all the trainings held.

8	Regular Tests for Staff Members in receipt of language allowance	Para 42 IDB.41/3 PBC.29/3 document (ATTACHED)	The reply reflected in document IDB.41/3 remains valid in light of financial and administrative implications.	External Audit recommends that relevant staff rules should be adhered to in letter and spirit.
9	Result Based Management and Reporting in the PPM module of SAP	Para 49 IDB.41/3 PBC.29/3 document (ATTACHED)	Already in place	More concerted efforts are needed to be exerted to improve data quality.
10	Underutilization of Collaboration Functionality of KMC	Para 60(II) IDB.41/3 PBC.29/3 document (ATTACHED)	A new KMC solution based on OpenText covering the need of the entire Organization has been implemented.	This is at a very nascent stage and without any meaningful data population.
11	Crisis Management Plan of UNIDO	Para 76(I,II,III) IDB.41/3 PBC.29/3 document (ATTACHED)	The Business Continuity Plan was finalized and circulated on 16 September 2013.	Recommended for settlement.
12	Terminal Reports of Projects	Para 82 IDB.41/3 PBC.29/3 document (ATTACHED)	An internal process to review the TC Guidelines as a whole had started in early 2013, then it had been kept pending in view of ongoing implementation/development of ERP system with SAP …… EA's recommendation, therefore, should be further pursued in the coming months, particularly because the SAP implementation will soon come to an end.	This needs to be streamlined early.
13	Progress Reports Before Extension of Projects	Para 88 IDB.41/3 PBC.29/3 document (ATTACHED)	At the moment, various project-related reports, including progress and terminal reports, are produced and monitored by project managers and their line-managers (Unit Chiefs, Directors), but there is no organization-wide mechanism to check and monitor these reports at various milestones, including budget revisions. This aspect to be reviewed in the context of TC Guideline revisions and development of overall project monitoring and reporting framework.	This needs to be streamlined early.

14	Provision of Prohibited Vendors List in SAP ERP	Para 97 IDB.41/3 PBC.29/3 document (ATTACHED)	Following further consultations with SAP consultants on this matter, it has been confirmed that a seamless, online and full integration of various prohibited vendor lists [as maintained by, for example, the EU, UNPD, the World Bank, etc.] with UNIDO's SRM is technically not feasible at this stage. Thus, the only technically feasible option at this stage is to "block" companies in the FIN module, which has the effect that no purchase orders can be raised against such companies and that no payments can be made against invoices submitted by such companies.	The suggested solution may be implemented early.
15	Submission of Procurement Checklist with statement of Award	Para 105 IDB.41/3 PBC.29/3 document (ATTACHED)	The procurement checklist and statement of award forms have, to the extent technically feasible, been integrated into SRM. New Procurement Manual was issued in July 2013. A complete set of model bidding and contract documents, forms and templates is in the process of being updated. This also includes PC submission and award forms and templates. This will be implemented early 2014.	The suggested solution may be implemented early.
16	Compliance of Recommendations/Instructions of PSB	Para 114 IDB.41/3 PBC.29/3 document (ATTACHED)	External auditor's comment is noted and action is being undertaken accordingly.	Prompt Compliance is stressed.
17	Constitution of Audit Advisory Committee and Implementation Status of TeamMate	Para 145 IDB.41/3 PBC.29/3 document (ATTACHED)	1. Audit Committee: The status is unchanged. IOS prepared a paper on the Audit Committee which was submitted to the Executive Board on 4 December 2012 for review and guidance on whether the ToRs for the Audit Committee should be formulated. The DG asked the Board members to provide their comments on the paper for further discussion on the paper during 2013. IOS has not received any further information on the current status of the ToRs. However, IOS wish to reiterate once again, that the final decision rest with the governing bodies, including provision of funding. 2. TeamMate upgrade: The TeamMate upgrade was conducted and successfully completed 5-7 February 2014.	The Constitution of the advisory committee may be expedited.

ANNEX B

OPINION OF THE EXTERNAL AUDITOR ON THE FINANCIAL STATEMENTS OF THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013.

The Director-General, in accordance with UNIDO’s Financial Regulations, is responsible for preparing the Financial Statements. Under the Article XI of “Financial Regulations and Rules of UNIDO” and the Additional terms of reference governing the audit of the UNIDO, the External Auditor is required to express an opinion on these Financial Statements based on his audit.

I conducted my audit in accordance with the 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 2013 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 “Financial Regulations and Rules of UNIDO” and the Additional terms of reference governing the audit of the UNIDO, I have also issued a long-form report.

[*Signed*]
(Muhammad Akhtar Buland Rana)
Auditor General of Pakistan
External Auditor

Date: 09 May 2014

Islamabad, Pakistan

I. FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Report by the Director General

1. I am pleased to present the financial statements, prepared under the International Public Sector Accounting Standards (IPSAS) and in accordance with article X of the financial regulations, for the year 2013.

2. As permitted when IPSAS was first adopted on 1 January 2010, one remaining transitional provision allowed under IPSAS standard 17 for recognizing property, plant and equipment (PPE) for project PPE (technical cooperation PPE) and for the PPE class "buildings" was used. The transitional provision expires in 2014.

Assessed contributions

3. The financial implementation of the approved programmes 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 biennium, are shown below in millions of euros.

Table 1
Assessed contributions

	2012-2013		*2010-2011*	
	Millions of euros	*Per cent*	*Millions of euros*	*Per cent*
Assessed contributions receivable	153.2	100.0	156.6	100.0
Assessed contributions received	146.4	95.6	144.1	92.0
Shortfall in collections	6.8	4.4	12.5	8.0

4. The rate of collection of assessed contributions for the biennium 2012-2013 was 95.6 per cent, which is significantly higher than for the biennium 2010-2011 (92.0 per cent). The accumulated outstanding assessed contributions at year-end were €22.3 million, excluding an amount of €71.2 million due from former Member States, leading to a decrease from 2012 (€27.9 million). Annex I (e) provides details on the status of assessed contributions. Four Member States are making payments under payment plan agreements. Brazil has paid three instalments under a five-year payment plan, reducing the amount of its outstanding contributions from €16.4 million to €9.8 million. Ukraine has already paid two full instalments, while Costa Rica has paid two full and one partial instalments. The Republic of Moldova paid 7 out of 10 instalments. The number of Member States without voting rights was 34 in December 2013; in December 2012, it was 37.

Performance based on the budget basis

5. The adoption of IPSAS has changed the basis of preparing the Organization's financial statements to full accrual; however, in the United Nations system as a whole, there has been no change to the programme and budget preparation methodology. Consequently, IPSAS standard 24 (Presentation of budget information in financial statements) requires that a statement of comparison of budget and actual amounts (statement 5) be included in the financial statements, prepared on the budget basis.

6. Further, to provide the readers of the financial statements with information on the budget basis, a separate section has been included. The following paragraphs describe the financial highlights for the year 2013.

7. The comparison is based on the programmes and budgets for the biennium 2012-2013, as adopted by the General Conference at its fourteenth session (decision GC.14/Dec.19), consisting of regular budget biennial gross expenditure of €157,875,336, to be financed from assessed contributions in the amount of €153,231,936 and other income of €4,643,400.

8. On a budget basis, the actual regular budget expenditure during the biennium 2012-2013 amounted to €143.5 million (compared with €151.0 million for the biennium 2010-2011), or 90.9 per cent (compared with 93.3 per cent for the biennium 2010-2011) of the approved gross expenditure budget.

9. Actual collection of budgeted other income for 2012-2013 amounted to €0.94 million from Government contributions to the cost of the field office network and €0.57 million under miscellaneous income, against a budgeted amount of €2.5 million. After taking into account miscellaneous income of €0.81 million, which was not subject to estimation in decision GC.14/Dec.19, the total net expenditure of €141.2 million represents 92.2 per cent of the net regular budget appropriations of €153.2 million. The resulting balance of net appropriations as at 31 December 2013 amounted to €12.0 million (see annex I (a) and I (b)).

10. In the operational budget for the 2012-2013 biennium, reimbursement for programme support costs amounted to €28.4 million. Expenditure was recorded in the amount of €27.0 million, resulting in an excess of income over expenditure in the amount of €1.4 million. Consequently, the closing balance of the special account for programme support costs, i.e. the level of the operating reserve, was €12.5 million, compared with an opening balance of €11.1 million.

11. Technical cooperation delivery for the year 2013 amounted to €161.7 million in expenditure. This represents a modest decrease of €6.6 million, or 3.9 per cent, over 2012 (€168.3 million).

12. The Organization continues to show a healthy financial situation, as evidenced by a stable cash balance as at 31 December 2013 of €438.7 million (2012: €414.5 million). This, in combination with stable technical cooperation delivery, high utilization of regular budget appropriations and an increasing collection rate with regard to assessed contributions, augurs well for the Organization’s financial stability and its future programmes.

Governance structure

13. As prescribed in its Constitution, UNIDO has three policymaking organs: 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 highest policymaking organ of the Organization. The Conference determines the guiding principles and policies and approves the budget and work programme of UNIDO. Members of the Board and the Committee meet once every year to discharge their functions as described by the Constitution, including review of the implementation of the approved programme of work and of the corresponding regular budget and operational budget, as well as of other decisions of the Conference. As the chief administrative officer of the Organization, I have overall responsibility for directing, and authority to direct, the work of the Organization.

Programme for Change and Organizational Renewal

14. The Programme for Change and Organizational Renewal, an organization-wide initiative, was launched in 2010 to reinforce the role of UNIDO as a partner for prosperity. The Programme, which ended in December 2013, made fundamental adjustments and improvements to the Organization’s operations in order to further increase its efficiency and effectiveness, thus making UNIDO “fit for the future”. This was achieved through the re-engineering of business processes, the implementation of an enterprise resource planning system, the introduction and institutionalization of results-based management, enterprise risk management, and knowledge management and collaboration, as well as staff development and changes in the working culture. Owing to tremendous efforts by all staff and the ongoing support of all stakeholders, including Member States, the Programme achieved all of its major goals. The enterprise resource planning solution implemented at UNIDO is unique in the United Nations system in that it covers all operations and processes of the Organization both at Headquarters and in the field. The system was implemented within the approved timeframe and budget.

15. The major milestones achieved between January and December 2013 include the following:

- Finance, procurement and logistics solution. This included the implementation of the enterprise resource planning system and new approaches to financial management, including controlling, funds and grant management, treasury operations, asset and inventory management and administration of assessed contributions. For procurement, a number of functionalities were introduced, such as global e-procurement, supplier relationship management, material management, long-term agreements, a global vendor database, increases in procurement thresholds and structural adjustments. The processes were streamlined to achieve more efficiency, effectiveness and transparency and to foster accountability. Furthermore, the financial modules and processes are compliant with IPSAS.

- Cross-application time sheet module. The gradual rollout of the cross-application time sheet module in the enterprise resource planning system will enable staff and consultants to capture and report on time and activities to better fulfil the reporting requirements of donors and Member States.

- Comprehensive solution for a knowledge-based organization. Knowledge management and collaboration functionalities and tools were finalized to achieve improved organization-wide collaboration and knowledge-sharing, and to manage all documents relating to technical cooperation activities, human capital management, finance, procurement, logistics and other operations.

- Enterprise risk management tools. Effective risk management in all UNIDO operations is covered through the provision of a number of enterprise risk management tools. This includes the portfolio and project management module, which allows for the systematic management of project risks during the entire project cycle. Similarly, human capital management, finance, procurement and logistics modules allow for capturing major risk indicators in these areas. Furthermore, user-friendly online reporting tools allow for risk monitoring and reporting through tailor-made dashboards.

- Continued targeted training related to enterprise risk planning. Targeted training related to enterprise risk planning continued in 2013 to ensure that all staff at Headquarters and in the field, as well as consultants, are well equipped to make the best use of the new system and processes. The variety of training methodologies applied included classroom training, guided sessions, support centres, the help function in the system, e-learning material specifically related to UNIDO and online webinars. In 2013, approximately 2,000 end users benefited from these training sessions.

- Dashboard monitoring and reporting tools. Development and roll-out of a large number of dashboard monitoring and reporting tools for technical cooperation activities, human capital management, finance, procurement, time management and travel, among other activities, took place during 2013. Selected dashboard reporting tools for technical cooperation activities and human capital management were also made available to Member States. These measures have contributed to better transparency and "one version of the truth".

- Improvements to the portfolio and project management and human capital management modules. Efforts continued during 2013 to consolidate and implement changes and improvements to these two modules, which have been in place since January 2012.

- Communication with stakeholders. Throughout the year, all internal and external stakeholders of the Programme for Change and Organizational Renewal continued to be well informed about this important Programme through numerous briefings, meetings, town hall meetings, regular newsletters, and intranet and extranet pages and other media. Positive comments were received from representatives of permanent missions, who noted the achievements and expressed appreciation for the transparent approach of keeping Member States informed of all developments.

Ethics and accountability

16. As previously reported (see IDB.40/3-PBC.28/3, paras. 25 and 26) the UNIDO code of ethical conduct, the policy to ensure protection from retaliation for reporting misconduct or cooperating with audits or investigations and the policy for financial disclosure and declaration of interests continued to be applied.

17. The focal point for ethics and accountability remained active through a series of ethics awareness messages to all staff and through the training of newly appointed staff. The declaration of interests and financial disclosure exercise for 2012 was successfully completed.

Conclusion

18. At its fifteenth session, the General Conference held its meeting in Lima and adopted the "Lima Declaration: towards inclusive and sustainable industrial development". The adoption was witnessed by the United Nations Secretary-General Ban Ki-moon and the President of Peru, Ollanta Humala Tasso. I am confident that, with its renewed mandate, the Organization is looking at a bright future. In this spirit, I wish to take this opportunity to express my appreciation to Member States and to the donors for their financial support, and to all UNIDO staff for their contribution to the work of the Organization.

[*Signed*]

LI Yong
Director General

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Responsibility for financial statements and certification

The Director General of the United Nations Industrial Development Organization (UNIDO) 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, ensure the reliability of financial information and 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. 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 operations and the changes in financial position.

[*Signed*]	[*Signed*]
Peter Ulbrich Director, Financial Services Branch	LI Yong Director General

Vienna, 20 March 2014

Statement 1: Statement of financial position as at 31 December 2013
(Thousands of euros)

	Note	31 December 2013	31 December 2012
		€ '000	*€ '000*
ASSETS			
Current assets			
Cash and cash equivalents	*2*	438,741.4	414,513.7
Accounts receivable (non-exchange transactions)	*3*	81,309.7	128,145.9
Receivables from exchange transactions	*3*	9,630.5	8,280.4
Inventory	*4*	1,302.7	1,347.6
Other current assets	*5*	20,031.2	26,468.6
Total current assets		**551,015.5**	**578,756.2**
Non-current assets			
Accounts receivable (non-exchange transactions)	*3*	578.7	4,217.0
Share in net assets/equity of joint ventures accounted for using the equity method	*6*	1,257.7	1,151.0
Property, plant and equipment	*7*	12,994.2	2,541.0
Intangible assets	*8*	4,088.9	3,548.7
Other non-current assets	*9*	2,845.4	920.1
Total non-current assets		**21,764.9**	**12,377.8**
TOTAL ASSETS		**572,780.4**	**591,134.0**
LIABILITIES			
Current liabilities			
Accounts payable (exchange transactions)	*10*	4,439.5	189.0
Employee benefits	*11*	1,509.3	2,328.4
Transfers payable (non-exchange transactions)	*10*	28,655.0	22,509.0
Advance receipts	*12*	107,398.9	86,627.9
Other current and financial liabilities	*13*	20,550.4	23,542.5
Total current liabilities		**162,553.1**	**135,196.8**
Non-current liabilities			
Employee benefits	*11*	180,444.6	182,860.9
Other non-current liabilities	*13*	96.5	113.6
Total non-current liabilities		**180,541.1**	**182,974.5**
TOTAL LIABILITIES		**343,094.2**	**318,171.3**
NET ASSETS/EQUITY			
Accumulated surpluses/(deficits) and fund balances	*14*	211,252.9	254,577.3
Reserves	*15*	18,433.3	18,385.4
TOTAL NET ASSETS/EQUITY		**229,686.2**	**272,962.7**
TOTAL LIABILITIES AND NET ASSETS/EQUITY		**572,780.4**	**591,134.0**

Statement 2: Statement of financial performance for year ended 31 December 2013
(Thousands of euros)

	Note	31 December 2013 *€ '000*	31 December 2012 *€ '000*
INCOME/REVENUE			
Assessed contributions	*16*	76,540.1	76,577.5
Voluntary contributions	*16*	113,962.5	142,924.7
Investment revenue	*16*	487.5	775.6
Revenue producing activities	*16*	469.4	176.4
Share of surplus/(deficit) of joint ventures	*16*	106.7	18.1
Others	*16*	(14.1)	471.4
TOTAL REVENUE		**191,552.1**	**220,943.7**
EXPENDITURE			
Salaries and employee benefits	*17*	107,864.8	115,006.0
Operational costs	*17*	33,977.9	23,503.8
Contractual services	*17*	70,120.6	55,671.1
TC equipment expensed	*17*	15,646.0	21,368.8
Depreciation and amortization	*17*	2,079.7	1,318.7
Currency translation differences	*17*	9,668.9	7,814.4
Other expenses	*17*	453.9	13,086.9
TOTAL EXPENDITURE		**239,811.8**	**237,769.7**
SURPLUS/(DEFICIT) FOR THE FINANCIAL PERIOD		**(48,259.7)**	**(16,826.0)**

Statement 3: Statement of changes in net assets for year ended 31 December 2013
(Thousands of euros)

	Note	Accumulated surplus/ (deficit)	Reserves	Total net assets/ equity
			€ '000	
Net assets/equity at the beginning of the year		**254,577.3**	**18,385.4**	**272,962.7**
Movements during the year				
Actuarial valuation gains/(losses) on employee benefit liabilities	11,14	8,699.4		**8,699.4**
Transfer to/(from) provision for delayed contribution	14	2,220.4		**2,220.4**
Transfer to/(from) reserves	15		47.9	**47.9**
Other movements recognized directly in net assets/equity	14	6,044.3		**6,044.3**
Net movements recognized directly in net assets/equity	14,15	**16,964.1**	**47.9**	**17,012.0**
Credits to Member States	14,15	(12,028.8)		**(12,028.8)**
Net surplus/(deficit) for the year		(48,259.7)		**(48,259.7)**
Total movement during the year		**(43,324.4)**	**47.9**	**(43,276.5)**
Net assets/equity at the end of the year		**211,252.9**	**18,433.3**	**229,686.2**

Statement 4: Cash flow statement for year ended 31 December 2013
(Thousands of euros)

	Note	31 December 2013	31 December 2012
		€ '000	*€ '000*
Cash flows from operating activities			
Surplus/(deficit) for the period		**(48,259.7)**	**(16,826.0)**
Foreign-exchange (gains)/losses on cash and cash equivalents		6,424.6	6,709.4
Depreciation and amortization	7,8	2,079.7	1,318.7
Increase/(decrease) in provision for contributions	3	2,220.4	(8,102.1)
Valuation gains/(losses) on employee benefit liabilities	11	8,699.4	(32,748.3)
(Increase)/decrease in inventories	4	44.9	(235.8)
(Increase)/decrease in receivables	3	49,124.4	1,446.5
(Increase)/decrease in other assets	5	4,512.1	11,301.1
Increase/(decrease) in advance receipts	12	20,771.0	(3,449.4)
Increase/(decrease) in accounts payable	10	10,396.5	(19,159.3)
Increase/(decrease) in employee benefits	11	(3,235.4)	47,214.4
Increase/(decrease) in other liabilities and provisions	13	(3,009.2)	(18,042.9)
(Gains)/losses on sale of property, plant and equipment	7	1,298.0	115.2
Investment/Interest income	6,16	(487.5)	(793.7)
Movements in reserves and provisions	14,15	47.9	8,941.5
Other movements		6,044.3	(10.6)
Net cash flows from operating activities		**56,671.4**	**(22,321.3)**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(12,966.6)	(1,359.4)
Purchase of intangible assets	8	(1,422.0)	(1,736.8)
Proceeds from sale of PPE	7	17.5	9.5
Cash flow from investments interest	16	380.8	775.6
Net cash flows from investing activities		**(13,990.3)**	**(2,311.1)**
Cash flows from financing activities			
Credits to Member States	14	(12,028.8)	(8,581.5)
Net cash flows from financing activities		**(12,028.8)**	**(8,581.5)**
Net increase/(decrease) in cash and cash equivalents		**30,652.3**	**(33,213.9)**
Cash and cash equivalents at beginning of the financial period		414,513.7	454,437.0
Foreign-exchange gains/(losses) on cash and cash equivalents		(6,424.6)	(6,709.4)
Cash and cash equivalents at the end of the financial period	2	**438,741.4**	**414,513.7**

Statement 5: Statement of comparison of budget and actual amounts for year ended 31 December 2013
(Thousands of euros)

Regular Budget	Original budget	Final budget	Actuals on comparable basis	Balance of Appropriations
	€ '000			
Cost component				
Staff costs	53,144.1	57,217.4	48,765.8	8,451.6
Official travel	917.4	1,484.0	633.1	850.9
Operating costs	15,713.6	18,629.2	15,689.2	2,940.0
Information and communication technology	2,636.6	3,910.4	2,720.4	1,190.0
Regular programme of technical cooperation, and special resources for Africa	7,723.2	8,559.2	7,652.6	906.6
Total	**80,134.9**	**89,800.2**	**75,461.1**	**14,339.1**

Operational Budget	Original budget	Final budget	Actuals on comparable basis	Balance of Appropriations
	€ '000			
Cost component				
Staff costs	13,188.6	14,384.5	12,424.5	1,960.0
Official travel	1,101.1	1,541.1	1,018.6	522.5
Operating costs	396.0	7.2	533.8	(526.6)
Total	**14,685.7**	**15,932.9**	**13,976.9**	**1,956.0**

Total	*Note*	Original budget	Final budget	Actuals on comparable basis	Balance of Appropriations
		€ '000			
Cost component					
Staff costs		66,332.7	71,601.9	61,190.3	10,411.6
Official travel		2,018.5	3,025.2	1,651.7	1,373.5
Operating costs		16,109.6	18,636.4	16,223.0	2,413.4
Information and communication technology		2,636.6	3,910.4	2,720.4	1,190.0
Regular programme of technical cooperation, and special resources for Africa		7,723.2	8,559.2	7,652.6	906.6
Total	18	**94,820.6**	**105,733.1**	**89,438.0**	**16,295.1**

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 General Assembly resolution 2152 (XXI) and became a specialized agency of the United Nations in 1985 with the entry 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 171 Member States.

1.2 The Organization 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 UNIDO, 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, which comprises 53 members, reviews the implementation of the work programme and the regular and operational budgets, and makes recommendations on policy matters, including the appointment of the Director General. The Board meets once a year (decision IDB.39/Dec.7(f)).

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

1.6 The Organization 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 programmes for the least developed countries and strategic industrial research and statistical services.

1.7 The sections in the notes on segment reporting 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. If IPSAS is silent concerning any specific matter, the appropriate International Financial Reporting Standards and International Accounting Standards are applied.

1.9 The senior management of UNIDO 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. The going-concern concept in accounting is an assumption that a business will continue to exist for the foreseeable future. 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 the financial statements of UNIDO and the joint venture entities of the Catering Service and the Commissary, as well as the joint venture operations of Buildings 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 requirements of the applicable IPSAS standards.

Reporting period

1.12 The financial period for the preparation of annual financial statements in accordance with IPSAS is the calendar year starting on 1 January 2013 and ending on 31 December 2013.

Currency and basis for conversion

1.13 The functional and presentation currency of UNIDO is the euro. All values in the financial statements are expressed in thousands of euros, unless stated otherwise.

Translation and conversion of currencies

1.14 Transactions, including those involving non-monetary items, in currencies other than the euro are converted to euros using the United Nations operational rates of exchange applicable on the deemed date of the transaction.

1.15 Monetary assets and liabilities denominated in other currencies are converted into euros at the United Nations operational rate of exchange in effect at the end of the reporting period.

1.16 Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the conversion 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 made by management using best knowledge of current events and actions. Estimates include, but are not limited to, the following: fair value of donated goods, defined benefit pension and other post-employment benefit obligations; amounts for litigation, 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.

Transitional provisions

1.18 As permitted on first-time adoption of IPSAS, the following transitional provision has been applied.

> Five-year transitional period, allowed under IPSAS standard 17 for recognizing property, plant and equipment (PPE), for project PPE (technical cooperation PPE) and for the PPE class “Buildings”;

Project assets (technical cooperation PPE) purchased since 1 January 2013 are recognized and capitalized in accordance with IPSAS without taking into consideration the transitional provision.

Revenue

Exchange revenue

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

1.20 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

1.21 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

1.22 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 programmes and budgets and billed to Member States according to the scale of assessment approved by the General Conference.

Voluntary contributions

1.23 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 an obligation to return the funds to the contributing entity if such conditions are not met, is recognized as the conditions are satisfied. Until such conditions are met, the present obligation is recognized as a liability.

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

Goods in kind

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

Services in kind

1.26 Services-in-kind contributions are not recognized in the financial statements as revenue. The nature and type of service are disclosed in the notes to the financial statements.

Expenses

1.27 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 the consumption of assets or the incurrence of liabilities that result in decreases in net assets/equity during the reporting period are recognized.

Assets

Cash and cash equivalents

1.28 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

1.29 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, in which case the impairment losses are recognized in the statement of financial performance.

Financial instruments

1.30 The Organization 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.

1.31 All financial instruments are recognized in the statement of financial position at their fair value. The historical cost-carrying amount of receivables and payables, subject to normal trade credit terms, approximates the fair value of the transaction.

Financial risks

1.32 The Organization has instituted prudent risk management policies and procedures in accordance with its financial regulations and rules. It may make both short- and long-term investments of moneys not needed for immediate requirements. All long-term investments must receive the recommendation of an investment committee before they 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 counter-party risk. The Organization does not use any hedging instruments to hedge risk exposures.

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

Inventories

1.33 Inventories are stated at cost, except when they are acquired through a non-exchange transaction, in which case their cost is measured at their fair value as at the date of acquisition. Costs are assigned by using the “first in, first out” (FIFO) basis for interchangeable items of inventory, and by 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.

1.34 As the value of office supplies, publications and reference tools used are not material, they are expensed upon purchase in the statement of financial performance.

Property, plant and equipment

1.35 Initial recognition of regular budget property, plant and equipment, including assets of the Buildings Management Services and Catering Service, are stated at cost as at the date of acquisition for each asset class. The subsequent carrying amount of property, plant and equipment is at cost less accumulated depreciation and any recognized impairment losses. A capitalization threshold of €600 has been set for this category.

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

1.37 Impairment reviews are undertaken for property, plant and equipment on a yearly basis.

1.38 The 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 life for each class of property, plant and equipment is as follows:

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

Intangible assets

1.39 Intangible assets are stated at cost less accumulated amortization and any impairment loss. Intangible assets held by UNIDO comprise mainly software.

1.40 If an intangible asset is acquired at no cost (e.g. as a gift or donation) or for nominal cost, the fair value of the asset as at the date of acquisition is used.

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

1.42 Amortization is provided over the estimated useful life using the straight-line method. The estimated useful life of intangible asset classes is as follows:

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

Leases

1.43 Lease agreements entered into in field offices are classified as operating leases. The lease payments made are included in the statement of financial performance as an expense, on a straight-line basis over the period of the lease.

Interests in joint ventures

1.44 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 in three different categories:

(a) For jointly controlled operations in which UNIDO is the operator, UNIDO recognizes in its financial statements the assets it controls and the liabilities and expenses it incurs. If another organization is the operator, the expense and liability recognition of UNIDO is limited to the agreed billing arrangements;

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

(c) 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 the UNIDO share of the surplus or deficit of the jointly controlled entity for each reporting period. The UNIDO share of that surplus or deficit is recognized in the statement of financial performance of UNIDO.

1.45 These general purpose financial statements include the applicable share of the joint ventures, entities and operations established by a memorandum of understanding concerning the allocation of the common services at the Vienna International Centre entered into by the Vienna-based organizations in 1977. The common services include catering, buildings management, the Commissary and other services. The Organization is party to a joint venture arrangement with the United Nations, the International Atomic Energy Agency and the Preparatory Commission for the Comprehensive Nuclear Test-Ban-Treaty Organization on the premises of the Vienna International Centre, as well as common service activities.

Liabilities

Accounts payable and other financial liabilities

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

Employee benefit liabilities

Short-term employee benefits

1.47 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

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

1.49 Post-employment benefits at UNIDO comprise defined benefit plans, namely the pension plan (United Nations Joint Staff Pension Fund), after-service health insurance, repatriation grants and end-of-service allowances, along with costs related to separation entitlements for travel and shipment of household effects.

1.50 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 the interest rates of high-quality corporate bonds for the corresponding maturity years.

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

Other long-term employee benefits

1.52 Other long-term employee benefits that are largely payable beyond 12 months, such as commutation of 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

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

1.54 The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. Both UNIDO and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify the proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan that pertain to UNIDO with sufficient reliability for accounting purposes. Hence, UNIDO has treated this plan as if it were a defined-contribution plan in line with the requirements of IPSAS standard 25. The contributions of UNIDO to the plan during the financial period are recognized as expenses in the statement of financial performance.

Provisions and contingent liabilities

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

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

Fund accounting and segment reporting

1.57 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 value of revenue and expenses.

1.58 Sources of funds for UNIDO reflect distinguishable types of services that UNIDO provides to achieve its overall objectives. The General Conference or the Director-General may establish separate funds for general or special purposes. Accordingly, segment reporting information is presented on the basis of the source of funds and categorizes all of its activities into three distinct service segments:

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

(b) *Technical cooperation activities*. Implementing projects and delivering services directly to beneficiaries. Those services bring direct benefit to beneficiaries in a wide range of areas, from agriculture to environment to trade, and include technology transfer, capacity-building and improvement of production processes. These services are distinguishably different from those provided under regular budget financed activities, as specified above;

(c) *Other activities and special services*. Carrying out "peripheral activities" in support of the services of (a) and (b) above. This last group of other activities and special services refers to services such as sales publications, buildings management and the Computer Model for Feasibility Analysis and Reporting, which are supplementary to the main activities of the Organization, but are in line with and relevant to its general objectives.

Budget comparison

1.59 Both regular and operational biennial programmes and budgets are prepared on a modified cash basis rather than on a full accrual basis. Owing to the different bases of preparing budgets and financial statements, statement 5 (Comparison of budget and actual amounts as required under IPSAS standard 24) is presented on the same basis of accounting, classification and period as the approved budget.

1.60 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.

1.61 Note 18 below provides a reconciliation of actual amounts presented on the same basis as 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

1.62 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 they occur within a normal relationship and on arm's 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.

1.63 The key management personnel of UNIDO are 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 2013	31 December 2012
	(thousands of euros)	
Cash and cash equivalents		
Cash in the bank and on hand	132,547.0	62,390.1
Term deposits with original maturity of less than 3 months	304,173.2	349,044.8
Cash and cash equivalents held in field offices	2,021.2	3,078.8
Total cash and cash equivalents	**438,741.4**	**414,513.7**

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, listed by segment, is provided in table A under note 19.

2.2 Cash and cash equivalents include cash and term deposits equivalent to €256,081,049 (2012: €255,062,574) held in currencies other than the euro.

2.3 Some cash is held in currencies which are either legally restricted or not readily convertible to euros and is used exclusively for local expenses in the respective countries. At period end, the euro equivalent of these currencies was €1,195,713 (2012: €1,706,470) based on the respective United Nations operational rates of exchange then in effect.

2.4 Interest-bearing bank accounts and term deposits yielded interest at an annual average rate of 0.19 per cent and 0.30 per cent for holdings in euros and United States dollars respectively (2012: 0.32 per cent and 0.35 per cent).

2.5 Cash in field offices is held in imprest bank accounts for the purpose of meeting financial needs in field locations.

Note 3. Accounts receivable

	31 December 2013	31 December 2012
	(thousands of euros)	
Current		
Receivable from non-exchange transactions		
Due from Member States: assessed contribution	92,499.7	92,537.8
Due from Member States: other	97.0	98.0
Voluntary contributions receivable	69,296.1	119,868.2
VAT and other taxes recoverable	7,349.1	4,002.1
Total accounts receivable before allowance	**169,241.9**	**216,506.1**
Allowance for doubtful accounts	(87,932.2)	(88,360.2)
Net accounts receivable from non-exchange transactions	**81,309.7**	**128,145.9**
Receivable from exchange transactions		
Receivables from United Nations organizations	5,271.8	5,796.7
Receivables: other	5,082.5	3,207.5

	31 December 2013	31 December 2012
	(thousands of euros)	
Allowance for doubtful accounts	(723.8)	(723.8)
Net accounts receivable from exchange transactions	**9,630.5**	**8,280.4**

	31 December 2013	31 December 2012
Non-current	*(thousands of euros)*	
Receivable from non-exchange transactions		
Due from Member States: assessed contribution (see note 3.4)	1,123.6	6,553.9
Allowance for doubtful accounts	(544.9)	(2,336.9)
Total receivable from non-exchange transactions	**578.7**	**4,217.0**

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 2012 and 2013

Length of time contributions were outstanding	*2013 (percentage)*	*2012 (percentage)*
More than 6 years	100	100
Between 4 and 6 years	80	80
Between 2 and 4 years	60	60
Between 1 and 2 years	30	30

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

	31 December 2013	31 December 2012
	(thousands of euros)	
Allowance for bad and doubtful accounts at beginning of the year	**89,538.7**	**97,640.8**
Release against Member State balances	(2,220.5)	(8,102.1)
Allowance for bad and doubtful accounts at the end of the year	**87,318.2**	**89,538.7**

3.3 Total allowances for bad and doubtful accounts of €89,200,900 (2012: €91,420,875) consist of €87,318,232 (2012: €89,538,661) against assessed contributions receivable and €1,882,668 against other receivables (2012: €1,882,214).

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 €1,123,579 (2012: €6,553,948).

3.5 Annex I (e) provides details of the status of assessed contributions, and the following table illustrates a summary of contributions receivable by age:

	31 December 2013		*31 December 2012*	
	(thousands of euros)	*(percentage)*	*(thousands of euros)*	*(percentage)*
Age				
1-2 years	7,342.4	7.8	10,778.9	10.9
3-4 years	2,299.0	2.5	3,012.0	3.0
5-6 years	2,225.0	2.4	4,015.2	4.1
7 years and more	81,756.9	87.3	81,285.6	82.0
Total contributions receivable before allowance	**93,623.3**	**100.0**	**99,091.7**	**100.0**

Note 4. Inventories

	31 December 2013	*31 December 2012*
	(thousands of euros)	
Opening inventory	1,347.6	1,111.8
Purchased during the year	243.6	499.2
Total inventory available	**1,591.2**	**1,611.0**
Less: consumption	(286.2)	(259.9)
Less: write-down	(2.3)	(3.5)
Closing inventory	**1,302.7**	**1,347.6**

4.1 Inventories consist of supplies for maintenance of premises, sanitation and cleaning materials. Physical quantities, derived from the UNIDO Inventory Management System, are validated by physical stock counts and are valued on a “first in, first out” (FIFO) basis.

4.2 Inventories are valued net of any impairments or obsolescence. In 2013, UNIDO wrote down inventories by an amount of €2,312 (2012: €3,551) on account of obsolescence and other losses.

Note 5.Other current assets

	31 December 2013	*31 December 2012*
	(thousands of euros)	
Advances to vendors	7,244.1	5,998.6
Advances to staff	5,755.4	2,353.9
Accrued interest	514.7	313.2
E-IOV items	2,648.0	4,197.7
Other current assets	3,869.0	13,605.2
Total other assets	**20,031.2**	**26,468.6**

5.1 Advances to vendors are payments made in advance of goods and service delivery on submission of shipping documents and initial payments released on signing of the contract documents.

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

5.3 Electronic inter-office voucher (E-IOV) items comprise the balance on the service clearing account for field inter-office vouchers, amounts held in suspense and items rejected due to insufficient information.

5.4 Other current assets includes advances to the Buildings Management Services fund and inter-fund balances.

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

	31 December 2013	*31 December 2012*
	(thousands of euros)	
Investment in Commissary	1,082.0	958.9
Investment in Catering Service	175.7	192.1
Total share in net assets/equity in joint ventures	**1,257.7**	**1,151.0**

6.1 The United Nations Vienna-based organizations have an agreement that the costs, in excess of any external income, of common services rendered by each organization, such as catering, Commissary, security and medical services and building management, are shared according to established cost-sharing ratios.

6.2 The ratios vary to reflect key factors such as the number of employees and the total space occupied. Each year, ratios derived from the agreed tabulation for the Vienna-based organizations, 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 were as follows:

2012 15.389 per cent

2013 15.389 per cent

6.3 Catering Service. The Catering Service is an entity that is jointly controlled by the Vienna-based organizations. The Catering Service sells food, beverages and services to staff members of the Vienna-based organizations and other specified groups of individuals, on the premises of the Vienna International Centre 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 Vienna-based organizations.

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 Vienna-based organizations, is potentially exposed to any residual liabilities of the Catering Service.

Summary financial information is provided below.

Catering Service: summary financial information

	31 December 2013 (thousands of euros)	*31 December 2012 (thousands of euros)*
Revenue	6,688.4	6,364.7
Cost of sales	2,652.6	2,490.9
Net operating expenses	3,898.8	3,531.4

	31 December 2013 (thousands of euros)	31 December 2012 (thousands of euros)
Assets, current	2,216.6	2,112.4
Assets, non-current	307.0	388.2
Liabilities, current	1,378.1	1,249.0
Reserves and fund balance	1,145.5	1,251.5

6.6 Commissary. The Commissary is an entity that is jointly controlled by the International Atomic Energy Agency (IAEA) and the other international organizations based at the Vienna International Centre. The Commissary sells tax-free household items for personal consumption to staff members of the Vienna-based organizations 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 IAEA and the other Vienna-based organizations based on the proportion of sales to staff members of the respective Vienna-based organizations over the five years preceding dissolution.

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

Summary financial information is provided below.

Commissary: summary financial information

	31 December 2013 (thousands of euros)	31 December 2012 (thousands of euros)
Revenue	29,418.6	29,130.4
Cost of sales	24,537.6	23,902.7
Net operating expense	4,449.6	4,161.1
Assets, current	15,746.2	16,404.8
Assets, non-current	729.1	477.2
Liabilities, current	1,420.7	2,685.2
Liabilities, non-current	8,023.8	7,966.0
Equity	7,030.9	6,230.9

6.9 Buildings Management Services. Buildings Management Services is responsible for the operation and management of the physical plant of the premises of the Vienna International Centre. 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 the Vienna-based organizations. Therefore, Buildings Management Services is considered a joint operation, with joint control shared among all Vienna-based organizations. Buildings Management Services has no legal status of its own. Its assets and liabilities are held in the name of UNIDO.

6.10 The Vienna-based organizations have been making annual contributions to the Buildings Management Services fund according to the approved ratio as described in paragraphs 6.1 and 6.2 above, with exceptions of reimbursement for ad hoc projects, which are of a cost-recovery nature. While neither the residual interest of the Vienna-based organizations in Buildings Management Services nor the mode of distribution of such interest upon dissolution of the fund is defined in any document, since the operation is carried out on the principle of a “no gain, no loss” basis, balances of the contributions of the Vienna-based organizations net of expenses are recognized as deferral, pending release for services to be delivered in the future (see para. 12.4 below).

Summary financial information is provided below.

Buildings Management Services: summary financial information

	31 December 2013 (thousands of euros)	*31 December 2012 (thousands of euros)*
Revenue	20,179.2	22,099.9
Expenses	20,179.2	22,099.9
Assets, current	55,454.3	61,086.9
Assets, non-current	7,946.5	1,178.7
Liabilities, current	41,863.6	40,833.2
Liabilities, non-current	21,537.3	21,432.4
Equity	-	-

6.11 Costs related to other common services, such as security and medical services, are expensed on a reimbursement basis. The amounts expensed during 2013 were €1,945,638 and €235,269 (2012: €1,804,845 and €230,747), respectively.

Note 7. Property, plant and equipment

	Capitalization in progress and other property, plant and equipment	*Furniture and fixtures*	*Information and communications technologies equipment*	*Vehicles*	*Machinery*	***Total***
Cost						
At 31 December 2012	881.3	1,635.6	3,979.8	1,691.0	1,685.1	**9,872.8**
Additions	1,364.5	298.3	8,089.2	926.4	2,288.2	**12,966.6**
Disposals/transfers	(1,234.1)	(576.6)	1,139.0	(519.4)	(520.2)	**(1,711.3)**
At 31 December 2013	**1,011.7**	**1,357.3**	**13,208.0**	**2,098.0**	**3,453.1**	**21,128.1**
Accumulated depreciation						
At 31 December 2012	-	1,467.3	3,328.9	995.3	1,540.3	**7,331.8**
Depreciation charge during the	417.5	47.8	308.1	179.5	168.9	**1,121.8**
Disposals/transfers	(353.0)	(576.6)	1,228.3	(98.2)	(520.2)	**(319.7)**
At 31 December 2013	**64.5**	**938.5**	**4,865.3**	**1,076.6**	**1,189.0**	**8,133.9**
Net book value						
At 31 December 2012	**881.3**	**168.3**	**650.9**	**695.7**	**144.8**	**2,541.0**
At 31 December 2013	**947.2**	**418.8**	**8,342.7**	**1,021.4**	**2,264.1**	**12,994.2**

7.1 Property, plant and equipment items are capitalized if their cost is greater than 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.

7.2 Major additions relates to the acquisition of information and communications technologies equipment for the refurbishment of the conference C Building and the full application of the accounting policy on project assets (technical cooperation property, plant and equipment).

7.3 Property, plant and equipment items are reviewed annually to determine if there is any impairment in their value. During 2013, review of asset impairments indicated no impairments.

7.4 The gross carrying amount (value at cost) of fully depreciated property, plant and equipment items still in use amounts to €5,032,821 (2012: €6,287,336) at the period end.

Note 8. Intangible assets

	Capitalization in progress and other intangible assets	*Software acquired externally*	*Internally developed software*	*Total*
		(thousands of euros)		
Costs				
At 31 December 2012	104.0	359.6	4,256.7	**4,720.3**
Additions	14.9	405.2	1,001.9	**1,422.0**
Transfers	(104.0)	-	104.0	**-**
At 31 December 2013	**14.9**	**764.8**	**5,362.6**	**6,142.3**
Accumulated amortization				
At 31 December 2012	-	233.0	938.6	**1,171.6**
Amortization charge during the year	120.0	60.1	777.9	**958.0**
Disposals/transfers	(105.2)	29.0	-	**(76.2)**
At 31 December 2013	**14.8**	**322.1**	**1,716.5**	**2,053.4**
Net book value				
At 31 December 2012	**104.0**	**126.6**	**3,318.1**	**3,548.7**
At 31 December 2013	**-**	**442.8**	**3,646.1**	**4,088.9**

8.1 Intangible assets are capitalized 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. Internally developed software represents development costs of the new enterprise resource planning system.

Note 9. Non-current assets

	31 December 2013	*31 December 2012*
	(thousands of euros)	
Initial advance in Commissary	808.9	808.9
Other non-current assets	2,036.5	111.2
Total, non-current assets	**2,845.4**	**920.1**

9.1 Other non-current assets are due after more than one year in accordance with the terms of the agreements. This includes rental deposits and the non-current portion of the advances to the Buildings Management Services fund.

Note 10. Accounts payable

	31 December 2013	*31 December 2012*
	(thousands of euros)	
Due to Member States	16,562.3	10,350.7
Payables to donors	12,092.7	12,118.8
Payables to vendors	4,439.5	228.5
Total accounts payable	**33,094.5**	**22,698.0**

	31 December 2013	*31 December 2012*
	(thousands of euros)	
Composition:		
Payables from non-exchange transactions	28,655.0	22,509.0
Payable from exchange transactions	4,439.5	189.0
Total accounts payable	**33,094.5**	**22,698.0**

10.1 Balances due to Member States represent the 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 Payables to donors represent refunds on unspent contributions for closed projects and interest on donor's funds. The treatment of the interest income earned, 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 2013			*31 December 2012*
	Actuarial valuation	*UNIDO valuation*	*Total*	
	(thousands of euros)			
Short-term employee benefits		1,509.3	1,509.3	**2,328.4**
Post-employment benefits	175,060.6		175,060.6	**176,774.5**
Other long-term employee benefits	5,384.0		5,384.0	**6,086.4**
Total employee benefit liabilities	**180,444.6**	**1,509.3**	**181,953.9**	**185,189.3**

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 2013, total employee benefit liabilities amounted to €181,953,943 (2012: €185,189,326), of which €180,444,643 (2012: €182,860,918) was calculated by the actuaries and €1,509,300 (2012: €2,328,408) was calculated by UNIDO.

Short-term employee benefits

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

Post-employment benefits

11.3 Post-employment benefits are defined benefit plans consisting of the after-service health insurance, 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 Gebietskrankenkasse (GKK) medical insurance plan.

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

11.6 The 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, with valuation conducted as at 31 December 2013. These employee benefits are established in accordance with UNIDO Staff Regulations and Rules for staff members in the Professional and General Service categories.

Actuarial assumptions

11.9 The present value of an 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.

11.10 The following assumptions and methods have been used to determine the value of post-employment and other long-term employee benefit liabilities at 31 December 2013:

- *Actuarial method*. Employee benefit obligations are computed using the projected unit credit method.
- *Attribution periods*. For after-service health insurance, the attribution period is the entry-on-duty date to the full eligibility date. For repatriation benefits, the attribution period is from the entry-on-duty date to the earlier of years of continuous service away from home country and 12 years of service. After 12 years, obligations are affected only by future salary increases. The attribution period for annual leave is from the date of hire to the separation date, subject to a maximum eligibility of 60 days. For the 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 2011 actuarial valuation of the United Nations Joint Staff Pension Fund, together with rates for withdrawal and retirement.

- *Discount rate*. 3.40 per cent (2012: 3.00 per cent) for after-service health insurance and 2.10 per cent (2012: 1.85 per cent) for repatriation, annual leave and end-of-service allowance.
- *Medical cost trend rates*. 5.03 per cent for 2013, 4.94 per cent for 2014, 4.85 per cent for 2015 and grading down to an ultimate rate of 4.5 per cent in 2019 and beyond.
- *Rate of salary increase*. 3.00 per cent (2012: 3.00 per cent), but varying according to age, category and individual progression.
- *Repatriation grant*. It is assumed that all Professional staff are eligible for repatriation benefits and will receive them upon separation from service.
- *Repatriation travel costs*. Annual decrease of 1.00 per cent (2012: 2.00 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.

11.11 Assumed medical cost trends have a significant effect on the amounts recognized in the statement of financial performance. A 1 percentage point change in assumed medical cost trend rates would have the following effects:

	1 percentage point increase	*1 percentage point decrease*
	(thousands of euros)	
Effect on year-end accumulated after-service health benefits obligation	31,423.3	(24,446.1)
Effect on combined service and interest cost	3,010.7	(2,212.1)

Reconciliation of defined benefit obligation

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*End-of-service allowance*	*Total*
			(thousands of euros)		
Defined benefit obligation at 31 December 2012	**150,194.3**	**14,275.9**	**6,086.4**	**12,304.3**	**182,860.9**
Service costs	5,574.4	983.2	642.3	638.0	**7,837.9**
Interest costs	4,627.1	325.4	115.2	237.1	**5,304.8**
Actual gross benefit payments	(2,731.2)	(1,187.6)	(750.2)	(1,160.8)	**(5,829.9)**
Actuarial (gains)/losses	(6,758.1)	(383.2)	(630.6)	(927.5)	**(8,699.4)**
Actuarial (gains)/losses of joint operation	(684.4)	15.8	(79.0)	(282.2)	**(1,029.7)**
Defined benefit obligation at 31 December 2013	**150,222.1**	**14,029.5**	**5,384.1**	**10,809.0**	**180,444.6**

Annual expense for year 2013

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*End-of-service allowance*	*Total*
	(thousands of euros)				
Service cost	5,574.4	983.2	642.3	638.0	**7,837.9**
Interest costs	4,627.1	325.4	115.2	237.1	**5,304.8**
Total expense recognized in 2013	**10,201.5**	**1,308.6**	**757.5**	**875.1**	**13,142.7**

Note 12. Advance receipts

	31 December 2013	*31 December 2012*
	(thousands of euros)	
Assessed contributions in advance	9.5	70.8
Voluntary contributions in advance	38,230.6	28,808.0
Advances from Vienna International Centre-based organizations	6,417.8	8,880.7
Deferred project income	3,457.0	1,838.7
Buildings Management Services deferral	32,537.9	27,722.7
Performance obligation for voluntary contributions Agreements	26,746.1	19,307.0
Total advance receipts	**107,398.9**	**86,627.9**

	31 December 2013	*31 December 2012*
	(thousands of euros)	
Composition:		
Advances from non-exchange transactions	68,443.2	50,024.6
Advances from exchange transactions	38,955.7	36,603.3
Total advance receipts	**107,398.9**	**86,627.9**

12.1 Assessed contributions received from Member States against future year’s assessment are reflected in the advance receipts account.

12.2 Voluntary contributions in advance represent funds received from donors awaiting programming for specific project activities.

12.3 Advances from organizations based at the Vienna International Centre include funds received for special work programmes carried out by Buildings Management Services at the Vienna International Centre.

12.4 Deferred project income includes project clearing accounts held with the United Nations Development Programme and other United Nations and host governments-related projects implemented by UNIDO.

12.5 The fund balances held in the Buildings Management Services special account, reclassified under IPSAS joint venture classification, are reflected in the Buildings Management Services deferral account (see note 6).

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

Note 13. Other liabilities

	31 December 2013	31 December 2012
	(thousands of euros)	
Unrealized exchange gain/loss	2,431.1	2,431.1
Accruals for goods/services received-but-not-paid	11,792.0	7,812.2
Other liabilities	6,327.3	13,299.2
Long-term guarantees – bank/rent deposit	96.5	113.6
Total other liabilities	**20,646.9**	**23,656.1**

	31 December 2013	31 December 2012
	(thousands of euros)	
Composition:		
Current	20,550.4	23,542.5
Non-current	96.5	113.6
Total other liabilities	**20,646.9**	**23,656.1**

13.1 Exchange gains represent the remaining balance of realized gains arising from the revaluation of euro-denominated cash and term deposits held in trust funds, prior to the introduction of euro management of technical cooperation projects in 2004.

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 Other liabilities consist of remitted payments, miscellaneous payables and inter-fund balances.

Note 14. Fund balances

	Regular budget funds					
	General fund	*Regular programme of technical cooperation*	*Working Capital Fund*	*Technical cooperation funds*	*Other funds*	*Total*
			(thousands of euros)			
Opening balance 1 January 2013	**(123,761.6)**	**6,676.6**	**7,427.6**	**357,365.4**	**6,869.3**	**254,577.3**
Net surplus/(deficit) for the year	714.4	1.7	(4.5)	(44,750.6)	(4,220.7)	**(48,259.7)**
Subtotal	**(123,047.2)**	**6,678.3**	**7,423.1**	**312,614.8**	**2,648.6**	**206,317.6**
Movements during year						
Credits to Member States	(12,028.8)	-	-	-	-	**(12,028.8)**
Transfer (to)/from provision for delayed contribution	2,220.4	-	-	-	-	**2,220.4**
Actuarial gains/(losses)	3,010.2	23.5	-	4,013.8	1,651.9	**8,699.4**
Transfers (to)/from deferrals	4,280.7	-	-	1,763.6	-	**6,044.3**

	Regular budget funds					
	General fund	*Regular programme of technical cooperation*	*Working Capital Fund*	*Technical cooperation funds*	*Other funds*	*Total*
			(thousands of euros)			
Total movements during year	**(2,517.5)**	**23.5**	**-**	**5,777.4**	**1,651.9**	**4,935.3**
Closing fund balance 31 December 2013	**(125,564.7)**	**6,701.8**	**7,423.1**	**318,392.2**	**4,300.5**	**211,252.9**

Regular budget general fund

14.1 The negative regular budget general fund balance is as a consequence of unfunded long-term employee benefits amounting to €180.4 million as at 31 December 2013 (2012: €182.7 million).

Regular programme of technical cooperation

14.2 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, not subject to financial regulations 4.2 (b) and 4.2 (c).

Working Capital Fund

14.3 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 or unforeseen and extraordinary expenditure. At subsequent sessions of the General Conference, 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 decision GC.9/Dec.15, resulting in a Working Capital Fund of €7,423,104. The Fund is financed through advances paid by Member States based on the scale of assessments approved by the General Conference.

Technical cooperation

14.4 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.

Other funds

Movements in other funds

	Note	*1 January 2013*	*Movements during the year*	*Net surplus/deficit for the year*	*31 December 2013*
			(thousands of euros)		
Computer Model for Feasibility Analysis and Reporting funds		1,469.0	-	(144.5)	**1,324.5**
Operational budget	14.6	(5,720.9)	1,642.8	(1,473.8)	**(5,551.9)**
Fund for the Programme for Change and Organizational Renewal	14.7	8,229.4	9.1	(2,579.0)	**5,659.5**
Regular budget supplementary appropriation: Vienna International Centre security	14.8	710.0	-	(139.7)	**570.3**

	Note	1 January 2013	Movements during the year	Net surplus/deficit for the year	31 December 2013
			(thousands of euros)		
Sales publication revolving fund	14.9	221.9	-	9.6	**231.5**
Commissary	6	1,767.8	-	123.1	**1,890.9**
Catering	6	192.1	-	(16.4)	**175.7**
Total		**6,869.3**	**1,651.9**	**(4,220.7)**	**4,300.5**

14.5 Other funds primarily consist of balances under special accounts established for programme support costs, security enhancements at the Vienna International Centre, the UNIDO change management initiative, which was later renamed "Programme for Change and Organizational Renewal", and technical cooperation activities earmarked for food security and renewable energy, together with the Computer Model for Feasibility Analysis and Reporting and the sales publication revolving fund.

14.6 Income from programme support costs, charged in respect of programme expenditure under extrabudgetary technical cooperation activities, is recognized either at the time of the establishment of obligations or at the time of disbursement, whichever happens first, and is credited to the special account for financing the operational budget. The negative fund balance is a consequence of unfunded future liabilities accrued from employee benefits.

14.7 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 Programme for Change and Organizational Renewal.

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

14.9 The sales publication revolving fund was established in the biennium 1998-1999, as contained in document GC.7/21 and pursuant to 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 the sale of publications and charged with the full costs related to promotions, marketing and publication activities.

Note 15. Reserves

	Note	1 January 2013	Movement during the year	31 December 2013
			(thousands of euros)	
Project personnel separation reserve	15.1	1,547.3	45.3	1,592.6
Insurance of project equipment		75.2	-	75.2
Statutory operating reserve	15.2/3	3,448.6	-	3,448.6
Separation indemnity reserve	15.4	5,499.3	-	5,499.3
Appendix D: reserve for compensation payments	15.5	3,257.1	(12.2)	3,244.9
Reserve for exchange rate fluctuations	15.6	4,557.9	14.8	4,572.7
Total		**18,385.4**	**47.9**	**18,433.3**

Project personnel separation reserve

15.1 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 8 per cent of net base pay.

Statutory operating reserves

15.2 An operating reserve, established in respect of the special account for programme support costs, in accordance with Programme and Budget Committee conclusion 1989/4, at $5,504,190 was reduced to $4,300,000 (€4,828,900), in accordance with Industrial Development 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 technical cooperation delivery and the related support cost income, for inflation and currency adjustments and to liquidate legal obligations in the case of abrupt termination of operating budget activities.

15.3 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). The purpose of the reserve is to ensure the financial liquidity of the Fund and to compensate for uneven cash flows.

Separation indemnity reserve

15.4 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 existed for that biennium. 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 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 1 per cent of net base pay.

Reserve for exchange rate fluctuations

15.6 The General Conference in decision GC.8/Dec.16 authorized the Director General to establish a reserve, not subject to the provisions of financial regulations 4.2 (b) and 4.2 (c). Consequently, the reserve was established in the 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 to the reserve in 2013 of €14,816 (2012: from reserve €266,351) is the difference between the euro value of actual dollars expended and the budgeted euro cost of those dollars.

Note 16. Revenue

	Note	*31 December 2013*	*31 December 2012*
		(thousands of euros)	
Assessed contributions	**16.1**	**76,540.1**	**76,577.5**
Voluntary contributions			
For technical cooperation		112,017.3	140,505.2
For support to regular activities		1,945.2	2,419.5
Subtotal, voluntary contributions	**16.2**	**113,962.5**	**142,924.7**
Investment revenue	**16.3**	**487.5**	**775.6**
Revenue producing activities			
Sales publications		87.3	88.4
Computer Model for Feasibility Analysis and Reporting		192.1	88.0
Other sales		190.0	-
Subtotal, revenue producing activities	**16.4**	**469.4**	**176.4**
Share of surplus/(deficit) of joint ventures			
Catering Service		(16.4)	13.6
Commissary		123.1	4.5
Subtotal, share of surplus/(deficit) of joint ventures	**16.5**	**106.7**	**18.1**
Miscellaneous income			
Transfer (to)/from reserve for exchange fluctuation	**16.6**	(14.8)	266.3
Other	**16.7**	0.7	205.1
Subtotal, miscellaneous income		**(14.1)**	**471.4**
TOTAL REVENUE		**191,552.1**	**220,943.7**

16.1 The General Conference approved an amount of €153,231,936 for the regular budget for the biennium 2012-2013 (decision GC.14/Dec.19), which is financed from assessed contributions by Member States. Accordingly, €76,540,118, representing one-half of the biennial amounts assessed, reduced by the amount that would have been due from a rescinding Member State of €75,850, was assessed in 2013. 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 (see financial regulation 5.5(c)).

16.2 Voluntary contributions are recognized upon the signing of a binding agreement between UNIDO and the donor, provided that there are no conditions limiting the use of the funds. The decrease in 2013 is mainly attributable to the reduced annual phasing of project budgets.

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

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

16.5 The UNIDO share of net surplus on the catering and Commissary operations is recognized on the basis of the cost-sharing formula of the Vienna-based organizations for common services (see note 6).

16.6 The miscellaneous income in the table under note 16 represents the amount transferred to the reserve for exchange rate fluctuations for 2013 as a result of a euro surplus on actual dollar spending against the budgeted rate (see paragraph 15.6).

16.7 Other miscellaneous income includes proceeds from sales of property, plant and equipment.

Contributions in kind

16.8 Contributions of services in kind estimated at €1,401,575 (2012: €1,406,191) were received mainly in support of UNIDO projects and field office operations and are measured at fair value. In accordance with IPSAS standard 23, UNIDO has elected not to recognize the contributions on the face of the financial statements. Details of in-kind contributions of services received are as follows:

	31 December 2013	*31 December 2012*
	(thousands of euros)	
Contributions of services in kind for the use of:		
Office space	1,007.9	969.2
Furniture and fixtures	10.5	7.6
Communications and information technology equipment	34.4	9.2
Vehicles	81.1	48.9
Utilities	21.3	23.4
Other services	28.8	30.0
Contribution to conferences, workshops and training	78.9	124.1
Personnel services	138.6	193.9
Total	**1,401.5**	**1,406.2**

Note 17. Expenses

	Note	*31 December 2013*	*31 December 2012*
		(thousands of euros)	
Staff salaries		38,732.6	36,046.80
Staff entitlements and allowances		26,620.6	28,597.40
Temporary assistance		1,612.7	1,251.00
Project personnel and consultancies		40,898.9	49,110.80
Subtotal, salaries and employee benefits	**17.1**	**107,864.8**	**115,006.0**
Travel		10,522.4	9,025.4
Rental, utilities and maintenance		3,937.9	3,675.3

	Note	31 December 2013	31 December 2012
		(thousands of euros)	
Inventory consumed/distributed		141.6	259.9
Information technology, communications and automation		5,986.9	1,346.4
Expendable equipment		3,497.0	123.7
Other operating costs		7,122.5	4,619.3
Project operating costs		2,769.6	4,453.8
Subtotal, operating costs	**17.2**	**33,977.9**	**23,503.8**
Project contractual services	**17.3**	70,120.6	55,671.1
Technical cooperation equipment expensed	**17.4**	15,646.0	21,368.8
Depreciation and amortization	**7,8**	2,079.7	1,318.7
Currency translation differences	**17.5**	9,668.9	7,814.4
Other expenses	**17.6**	453.9	13,086.9
TOTAL EXPENDITURE		**239,811.8**	**237,769.7**

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

17.2 Operating costs include travel, utilities, field office operations, United Nations system jointly financed activities, information technology and communications, and contributions to common services at the Vienna International Centre.

17.3 Project contractual services represent subcontracts entered into for project implementation activities. The increase in 2013 is mainly attributable to the implementation of projects approved in previous years.

17.4 The expenses for technical cooperation equipment represent machinery and equipment purchased for technical cooperation projects during the year against prior year contracts, together with minor items over which UNIDO has no control.

17.5 Currency translation differences, primarily from revaluation of non-euro bank balances, assets and liabilities at the end of the period and of the balance of voluntary contributions receivable, are mainly attributable to a decrease in the year-end dollar/euro exchange rate from 0.754 in 2012 to 0.725 in 2013.

17.6 Other expenses include fellowships and training related to projects and costs related to governing body meetings for conference services, translation and documentation. In 2013, most of the expenses under the “other” category were classified more accurately than in previous years based on their nature.

Note 18. Statement of comparison of budget and actual amounts

18.1 The budgets and accounts of UNIDO are not prepared using the same 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 Basis differences occur when the approved budget is prepared on a basis that is not the same as the accounting basis, as stated in paragraph 18.1 above.

18.3 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 the purpose of comparison of budget and actual amounts.

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

18.5 Presentation differences are the result of differences in the format and classification schemes adopted for the presentation of the statement of cash flow and the statement of comparison of budget and actual amounts.

18.6 Reconciliation between the actual amounts in the statement of comparison of budget and actual amounts (statement 5) and in the statement of cash flow (statement 4) for the period ended 31 December 2013 is presented below:

	Operating	*Investing*	*Financing*	*Total*
		(thousands of euros)		
Balance of appropriations (statement 5)	16,295.1	-	-	**16,295.1**
Basis differences	6,884.7	(467.8)	(12,028.8)	**(5,611.9)**
Presentation differences	(8,665.0)	-	-	**(8,665.0)**
Entity differences	42,156.6	(13,522.5)	-	**28,634.1**
Actual amount in the statement of cash flow (statement 4)	**56,671.4**	**(13,990.3)**	**(12,028.8)**	**30,652.3**

18.7 Budget amounts have been classified based on the nature of expenses in accordance with the programme and budgets approved for the biennium 2012-2013 by the General Conference at its fourteenth session (GC.14/Dec.19) for regular and operational budgets of the Organization.

Explanation of material differences in the regular budget

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

Staff costs

18.9 The underutilization of budgeted staff costs was mainly attributable to higher than budgeted vacancy factors for Professional and General Service posts. Uncertainty with respect to payment of assessed contributions required the Organization to be prudent in its spending under the regular budget, especially in terms of staff costs, including consultancy services, as these represent the largest component of the regular budget. Prudent spending also resulted in the budget for holding expert group meetings being underutilized by €0.76 million.

Official travel

18.10 The budget for official travel was underutilized by €0.85 million, for both travel on official business, which was underspent by €0.73 million, and international travel of UNIDO representatives, which was marginally underspent, by €0.12 million. In addition to conservative spending, savings were achieved through concerted efforts to use information and communications technology instead of physical travel.

Operating costs

18.11 Savings in operating costs in the amount of €3.08 million were mainly the result of reduced requirements for document production (€0.85 million) and joint translation services (€0.57million). These savings were offset by higher operating costs for the field office network and for rental and maintenance of premises.

Information and communications technology

18.12 The marginal underutilization of €1.20 million in resources for information and communications technology is attributable to reduced usage of the budget lines for information technology assets (by €1.43 million) and communications service charges (by €0.37 million), partially offset by increased spending resulting from high reliance on information technology consultancies (€0.54 million) and in other information technology costs (€0.11 million).

Regular programme of technical cooperation and special resources for Africa

18.13 Resources for the regular programme of technical cooperation were administered under the special account created for that purpose to which the full appropriation had been transferred. An underutilization of €0.90 million was recognized under special resources for Africa.

Note 19. Segment reporting

A: Statement of financial position by segment as at 31 December 2013

	Regular budget activities	*Technical cooperation*	*Other activities and special services*	*Inter-segment transactions*	*Total UNIDO*
			(thousands of euros)		
ASSETS					
Current assets					
Cash and cash equivalents	31,172.5	341,169.2	66,399.7	-	**438,741.4**
Accounts receivable (non-exchange transactions)	10,206.5	69,318.9	1,784.3	-	**81,309.7**
Receivables from exchange transactions	4,050.1	141.3	5,439.1	-	**9,630.5**
Inventories	-	-	1,302.7	-	**1,302.7**
Other current assets	4,627.0	15,229.7	174.5	-	**20,031.2**
Subtotal, current assets	**50,056.1**	**425,859.1**	**75,100.3**	**-**	**551,015.5**
Non-current assets					
Receivables	578.7	-	-	-	**578.7**
Share in net assets/equity of joint ventures accounted for using the equity method	-	-	1,257.7	-	**1,257.7**
Property, plant and equipment	1,135.4	3,998.6	7,860.2	-	**12,994.2**
Intangible assets	235.2	41.4	3,812.3	-	**4,088.9**
Other non-current assets	1,935.4	101.1	808.9	-	**2,845.4**
Subtotal, non-current assets	**3,884.7**	**4,141.1**	**13,739.1**	**-**	**21,764.9**
TOTAL ASSETS	**53,940.8**	**430,000.2**	**88,839.4**	**-**	**572,780.4**

	Regular budget activities	Technical cooperation	Other activities and special services	Inter-segment transactions	Total UNIDO
			(thousands of euros)		
LIABILITIES					
Current liabilities					
Accounts payable (exchange transactions)	1,162.4	2,900.4	376.7	-	**4,439.5**
Employee benefits	211.1	771.0	527.2	-	**1,509.3**
Transfers payable (non-exchange transactions)	16,562.2	12,078.8	14.0	-	**28,655.0**
Advance receipts	9.5	68,456.2	38,933.2	-	**107,398.9**
Other current liabilities	571.0	14,907.3	5,072.1	-	**20,550.4**
Subtotal, current liabilities	**18,516.2**	**99,113.7**	**44,923.2**	**-**	**162,553.1**
Non-current liabilities					
Employee benefits	143,505.6	394.4	36,544.6	-	**180,444.6**
Other non-current liabilities	-	94.2	2.3	-	**96.5**
Subtotal, non-current liabilities	**143,505.6**	**488.6**	**36,546.9**	**-**	**180,541.1**
TOTAL LIABILITIES	**162,021.8**	**99,602.3**	**81,470.1**	**-**	**343,094.2**
NET ASSETS/EQUITY					
Accumulated surpluses/(deficits): fund balances	(118,851.5)	369,804.6	8,559.5	-	**259,512.6**
Current period surplus/(deficit)	709.8	(44,748.8)	(4,220.7)	-	**(48,259.7)**
Reserves	10,060.7	5,342.1	3,030.5	-	**18,433.3**
TOTAL NET ASSETS/EQUITY	**(108,081.0)**	**330,397.9**	**7,369.3**	**-**	**229,686.2**
TOTAL LIABILITIES AND NET ASSETS/EQUITY	**53,940.8**	**430,000.2**	**88,839.4**	**-**	**572,780.4**

B: Statement of financial performance by segment for the year ended 31 December 2013

	Regular budget activities	*Technical cooperation*	*Other activities and special services*	*Inter-segment transactions*	*Total UNIDO*
			(thousands of euros)		
INCOME/REVENUE					
Assessed contributions	76,540.1	-	-	-	**76,540.1**
Voluntary contributions	1,945.2	112,017.3	-	-	**113,962.5**
Investment revenue	127.5	319.3	40.7	-	**487.5**
Revenue producing activities	190.0	-	13,884.7	(13,605.3)	**469.4**
Share of surplus/(deficit) of joint ventures	-	-	106.7	-	**106.7**
Other	3,099.8	4,653.0	(43.7)	(7,723.2)	**(14.1)**
TOTAL REVENUE	**81,902.6**	**116,989.6**	**13,988.4**	**(21,328.5)**	**191,552.1**
EXPENDITURE					
Salaries and employee benefits	54,406.7	39,391.6	14,066.5	-	**107,864.8**
Operational costs	15,508.7	15,965.2	2,504.0	-	**33,977.9**
Contractual services	2,354.7	67,293.0	472.9	-	**70,120.6**
Technical cooperation equipment expensed	68.0	15,487.0	91.0	-	**15,646.0**
Depreciation and amortization	634.6	577.3	867.8	-	**2,079.7**
Currency translation differences	498.1	8,963.9	206.9	-	**9,668.9**
Other expenses	7,722.0	14,060.4	-	(21,328.5)	**453.9**
TOTAL EXPENDITURE	**81,192.8**	**161,738.4**	**18,209.1**	**(21,328.5)**	**239,811.8**
SURPLUS/(DEFICIT) FOR PERIOD	**709.8**	**(44,748.8)**	**(4,220.7)**	**-**	**(48,259.7)**

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 2013, activities have created inter-segment balances in the amount of €4,653,000, €3,070,200 and €13,605,251 (2012: €5,366,288, €3,424,769 and €14,818,252) in the statement of financial performance for the regular programme of technical cooperation, special resources for Africa 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 the future operational requirements under the respective activities.

19.4 Cash and short-term investments have restrictions on their availability for use based on the fund concerned since funds are earmarked for specific activities.

Note 20. Commitments and contingencies

20.1 *Leases*. Operating costs include payments recognized as operating lease expenses during the year in the amount of €1,432,020 (2012: €1,395,122). 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*
		(thousands of euros)		
31 December 2012	306.5	9.4	-	315.9
31 December 2013	403.0	7.4	-	410.5

20.2 UNIDO operating lease agreements are mainly for office premises and information technology equipment in the field offices. Future minimum lease payments include payments that would be required for rented premises and equipment until the earliest possible termination dates under the respective agreements.

20.3 Some of the operating lease agreements contain renewal clauses that enable the Organization to extend the terms of the lease at the end of the original lease terms, and some contain escalation clauses that may increase annual rent payments based on increases in the relevant market price indexes in the country concerned.

20.4 There are no agreements that contain purchase options.

20.5 *Commitments*. The commitments of the Organization include purchase orders and service contracts that were contracted but not delivered as at year-end. A list of these commitments by major funding source is given below.

	31 December 2013	*31 December 2012*
	(thousands of euros)	
Regular budget	6,090.3	3,212.5
Trust fund	24,511.6	31,438.8
Montreal Protocol on Substances that Deplete the Ozone Layer	23,148.6	46,439.5
Global Environment Facility	30,950.3	36,187.8
Industrial Development Fund	8,415.1	7,054.9

	31 December 2013	31 December 2012
	(thousands of euros)	
Inter-organization arrangements	320.7	2,613.1
Regular programme of technical cooperation	3,910.0	2,644.7
Special services and other	2,539.9	3,097.5
Total commitments	**99,886.5**	**132,688.8**

20.6 *Contingent liabilities*. The contingent liabilities of the Organization consist of appeal cases pending at the Administrative Tribunal of the International Labour Organization 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 the various claims, the contingent liabilities at year-end amounted to €2,478,150 (2012: €2,670,125).

20.7 Contingent liabilities on pending cases under Appendix D of the Staff Rules for possible retroactive payment amounted to €111,288 (2012: €424,125). There are five Joint Appeals Board cases pending either the panel discussion meeting or the decision of the Director General; no estimate of UNIDO obligations could be made as the appellants did not specify amounts.

20.8 UNIDO received a legal communication on an outstanding debt of €6,289 for alleged services provided (2012: €6,032).

Note 21. Vienna International Centre

21.1 UNIDO Headquarters are located at the Vienna International Centre together with other organizations under a 99-year lease with Austria for a nominal rent of

1 Austrian schilling per year. The total area allocated to UNIDO in 2013 for occupied and common/staff services facilities was 45,618 square metres (the same as in 2012).

21.2 An agreement between Austria and the organizations based in the Vienna International Centre provides for a common fund to finance the cost of major repairs and replacement of the buildings, facilities and technical installations, which are the property of Austria. The fund is administered by UNIDO through a joint committee.

21.3 Contributions to the fund are shared equally between Austria and the Vienna-based organizations, with the contributions of the organizations being set based on a cost-sharing ratio. The UNIDO contribution to the fund in 2013 was €271,200 (the same as in 2012).

Note 22: Losses, ex-gratia payments and write-offs

22.1 No ex-gratia payments were made by UNIDO during 2013 and 2012.

22.2 The value of property, plant and equipment written off during the year due to loss/theft amounts to €40,069 (2012: €18,492).

Note 23. Related party and other executive management disclosure

Key management personnel

	No. of individuals	*Aggregate remuneration*	*Other compensations*	*Total remuneration 2013*	*Outstanding advances against entitlements 31 December 2013*
			(thousands of euros)		
Director General	1	594.3	131.1	725.4	0.0
Deputy to the Director General	1	184.7	0.0	184.7	0.0
Managing Directors	2	401.0	0.0	401.0	0.0

23.1 The key management personnel are the Director General, 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, assignment and other grants, rental subsidy, employer contributions to the pension plan and current health insurance contributions.

23.3 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 eligible for post-employment benefits (see note 11 on employee benefits) at the same level as other employees. Benefits which are payable on separation are reflected as part of the remuneration for those that were separated in the current year, but cannot be reliably quantified for the future 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 the United Nations Joint Staff Pension Fund.

23.6 Advances may be made against entitlements in accordance with staff rules and regulations. There were no outstanding advances against entitlements of key management personnel as at 31 December 2013.

23.7 UNIDO changed Director General and managing directors in the course of 2013. The number of Managing Directors has been reduced to two as a result of restructuring. The above table discloses the prorated remuneration received by the respective manager for the period of service.

Note 24. Events after reporting date

26.1 The UNIDO reporting date is 31 December 2013. As at the date of signing of the present accounts, there have been no material events, favourable or unfavourable, between the reporting date and the date when the financial statements have been authorized for issue, as specified in certification, that would have affected the statements.

26.2 Effective 1 January 2014, UNIDO entered into a new contract for managing the Catering Service for a period of 10 years.

II. ANNEXES PRESENTED IN ACCORDANCE WITH UNITED NATIONS SYSTEM ACCOUNTING STANDARDS FOR THE YEAR ENDED 31 DECEMBER 2013 (UNAUDITED)

Annex I (a)

General Fund: Status of appropriations by major object of expenditure for the biennium 2012-2013 as at 31 December 2013

(In thousands of euros)

Major object of expenditure	Original appropriation	Disbursements during 2012-13	Unliquidated obligations as at 31/12/13	Total expenditure	Balance of appropriations
Salaries and common staff costs	105,339.8	95,518.7	1,515.8	97,034.5	8,305.3
Official travel	2,200.6	875.2	474.6	1,349.8	850.8
Operating costs	30,134.1	23,470.7	3,576.8	27,047.5	3,086.6
Information and communication technology	5,475.0	3,745.5	539.6	4,285.1	1,189.9
RPTC and SRA activities	14,725.9	12,483.7	1,335.6	13,819.3	906.6
TOTAL A	**157,875.3**	**136,093.8**	**7,442.3**	**143,536.1**	**14,339.2**
Income		**Actual income**		**Total income**	**Shortfall/ (surplus)**
Regional Programme	2,127.9	941.0		941.0	1,186.9
Miscellaneous Income					
1. Estimated in GC.14/Dec.19	2,515.5	566.0		566.0	1,949.5
2. Not estimated in GC.14/Dec.19		810.7		810.7	(810.7)
TOTAL B	**4,643.4**	**2,317.8**		**2,317.8**	**2,325.6**
TOTAL A-B	**153,231.9**	**133,776.1**		**141,218.4**	**12,013.6**

Annex I (b)

General Fund: Status of appropriations by Major Programme for the biennium 2012-2013 as at 31 December 2013

(In thousands of euros)

Major Programme	Original appropriation	Disbursements during 2012-13	Unliquidated obligations as at 31/12/13	Total expenditure	Balance of appropriations
Policymaking Organs	5,047.9	3,890.9	542.3	4,433.1	614.8
Executive Direction and Strategic Management	12,024.2	12,167.4	630.4	12,797.8	(773.6)
Thematic Priorities	78,349.3	67,954.4	4,191.7	72,146.2	6,203.2
Research, Policy Advice, Portfolio Monitoring & Outreach	13,911.6	9,827.9	384.1	10,212.0	3,699.6
Programme Support Services	26,879.3	22,808.8	908.9	23,717.8	3,161.5
Indirect Costs	21,663.0	19,444.4	784.8	20,229.3	1,433.7
TOTAL A	**157,875.3**	**136,093.8**	**7,442.3**	**143,536.1**	**14,339.2**
Income		**Actual income**		**Total income**	**Shortfall/ (surplus)**
Regional Programme	2,127.9	941.0		941.0	1,186.9
Miscellaneous Income					
1. Estimated in GC.14/Dec.19	2,515.5	566.0		566.0	1,949.5
2. Not estimated in GC.14/Dec.19		810.7		810.7	(810.7)
TOTAL B	**4,643.4**	**2,317.8**		**2,317.8**	**2,325.6**
TOTAL A-B	**153,231.9**	**133,776.1**		**141,218.4**	**12,013.6**

Annex I (c)

Operational budget: Status of appropriations by major object of expenditure for biennium 2012-2013 as at 31 December 2013

(In thousands of euros)

Major object of expenditure	Original appropriation	Disbursements during 2012-13	Unliquidated obligations as at 31/12/13	Total expenditure	Balance of appropriations
Salaries and common staff costs	26,018.0	23,793.7	264.3	24,058.0	1,960.0
Official travel	2,230.4	937.3	770.5	1,707.9	522.5
Operating costs	663.0	1,068.5	121.2	1,189.6	(526.6)
Field network operating costs	0.0	0.0	0.0	0.0	0.0
TOTAL A	**28,911.40**	**25,799.51**	**1,156.0**	**26,955.48**	**1,955.92**
Income		**Actual income**		**Total income**	**Shortfall/ (surplus)**
Regional Programme					
Miscellaneous Income					
1. Estimated in GC.14/Dec.19	73.7	64.3		64.3	9.4
2. Not estimated in GC.14/Dec.19		(598.7)		(598.7)	598.7
TOTAL B	**73.7**	**(534.4)**		**(534.4)**	**608.1**
TOTAL A-B	**28,837.7**	**26,333.9**		**27,489.9**	**1,347.8**

Annex I (d)

Operational budget: Status of appropriations by Major Programme for the biennium 2012-2013 as at 31 December 2013

(In thousands of euros)

Major Programme	Original appropriation	Disbursements during 2012-13	Unliquidated obligations as at 31/12/13	Total expenditure	Balance of appropriations
Policymaking Organs	85.5	36.4	00.0	36.4	49.1
Executive Direction and Strategic Management	274.0	361.7	00.0	361.7	(87.7)
Thematic Priorities	23,116.0	20,521.4	1,143.3	21,664.7	1,451.3
Research, Policy Advice, Portfolio Monitoring & Outreach	1,212.0	845.9	00.0	845.9	366.1
Programme Support Services	4,223.9	4,034.2	12.6	4,046.8	177.1
TOTAL A	**28,911.4**	**25,799.5**	**1,156.0**	**26,955.5**	**1,955.9**

Income		Actual income		Total income	Shortfall/ (surplus)
Regional Programme					
Miscellaneous Income					
1. Estimated in GC.14/Dec.19	73.7	64.3		64.3	9.4
2. Not estimated in GC.14/Dec.19		(598.7)		(598.7)	598.7
TOTAL B	**73.7**	**(534.4)**		**(534.4)**	**608.1**
TOTAL A-B	**28,837.7**	**26,333.9**		**27,489.9**	**1,347.8**

Annex I (e)

Status of assessed contributions to the regular budget (in euros) as at 31 December 2013

Member States	Scale %	Contributions payable		Credits and collections in 2012-13		Contributions outstanding		Total outstanding
		Prior biennium	Current biennium	Prior biennium	Current biennium	Prior biennium	Current biennium	
Afghanistan	0.006	709	8,760	709	8,760	-	-	-
Albania	0.014	-	20,440	-	20,440	-	-	-
Algeria	0.195	-	284,705	-	284,705	-	-	-
Angola	0.010	8,692	14,601	8,692	14,601	-	-	-
Argentina	0.437	2,209,628	638,033	2,209,628	638,033	-	-	-
Armenia	0.007	913,195	10,220	9,971	-	903,224	10,220	913,444
Austria	1.295	-	1,890,737	-	1,890,737	-	-	-
Azerbaijan	0.023	118,546	33,581	118,546	33,581	-	-	-
Bahamas	0.027	-	39,420	-	39,420	-	-	-
Bahrain	0.059	-	86,141	-	86,141	-	-	-
Bangladesh	0.010	-	14,601	-	14,601	-	-	-
Barbados	0.012	54	17,520	54	4,143	-	13,377	13,377
Belarus	0.064	-	93,442	-	93,442	-	-	-
Belgium	1.636	-	2,388,606	-	2,388,606	-	-	-
Belize	0.001	3,649	1,460	3,649	962	-	498	498
Benin	0.005	504	7,300	504	552	-	6,748	6,748
Bhutan	0.001	-	1,460	-	1,114	-	346	346
Bolivia (Plurinational State of)	0.011	24,829	16,061	9,642	-	15,187	16,061	31,248
Bosnia and Herzegovina	0.021	-	30,660	-	30,660	-	-	-
Botswana	0.027	-	39,420	-	39,420	-	-	-
Brazil	2.452	14,686,448	3,579,990	6,825,043	-	7,861,405	3,579,990	11,441,395
Bulgaria	0.058	-	84,681	-	84,681	-	-	-
Burkina Faso	0.004	-	5,840	-	5,840	-	-	-
Burundi	0.001	45,305	1,460	11	-	45,294	1,460	46,754
Cabo Verde	0.001	52,075	1,460	52,075	1,460	-	-	-
Cambodia	0.005	-	7,300	-	7,300	-	-	-
Cameroon	0.017	11,980	24,821	4,028	-	7,952	24,821	32,773
Central African Republic	0.001	117,511	1,460	7	-	117,504	1,460	118,964
Chad	0.003	100,618	4,380	-	-	100,618	4,380	104,998
Chile	0.359	-	524,150	-	524,150	-	-	-
China	4.853	-	7,085,520	-	7,085,520	-	-	-
Colombia	0.219	-	319,746	-	319,746	-	-	-
Comoros	0.001	140,690	694	7	-	140,683	694	141,377

Annex I (e) — cont.

Status of assessed contributions to the regular budget (in euros) as at 31 December 2013

Member States	Scale %	Contributions payable		Credits and collections in 2012-13		Contributions outstanding		Total outstanding
		Prior biennium	Current biennium	Prior biennium	Current biennium	Prior biennium	Current biennium	
Congo	0.005	-	7,300	-	2,262	-	5,038	5,038
Costa Rica	0.052	314,461	75,921	176,701	-	137,760	75,921	213,681
Côte d'Ivoire	0.014	-	20,440	-	20,440	-	-	-
Croatia	0.148	-	216,085	81,522	134,563	(81,522)	81,522	-
Cuba	0.108	-	157,683	-	137,578	-	20,105	20,105
Cyprus	0.070	-	102,202	-	102,202	-	-	-
Czech Republic	0.531	-	775,275	-	775,275	-	-	-
Democratic People's Republic of Korea	0.011	7,317	16,061	7,317	9,077	-	6,984	6,984
Democratic Republic of the Congo	0.005	148,263	7,300	-	-	148,263	7,300	155,563
Denmark	1.120	-	1,635,232	-	1,635,232	-	-	-
Djibouti	0.001	99,596	1,460	56,532	-	43,064	1,460	44,524
Dominica	0.001	5,770	1,460	926	-	4,844	1,460	6,304
Dominican Republic	0.064	576,577	93,442	21,824	-	554,753	93,442	648,195
Ecuador	0.061	-	89,062	-	89,062	-	-	-
Egypt	0.143	-	208,784	-	208,784	-	-	-
El Salvador	0.028	347,442	40,880	-	-	347,442	40,880	388,322
Equatorial Guinea	0.010	2,273	14,601	921	-	1,352	14,601	15,953
Eritrea	0.001	-	1,460	-	1,460	-	-	-
Ethiopia	0.010	3,047	14,601	1,768	-	1,279	14,601	15,880
Fiji	0.006	2,969	8,760	2,969	6,665	(0)	2,095	2,094
Finland	0.861	-	1,257,084	-	1,257,084	-	-	-
France	9.318	-	13,604,547	-	13,604,547	-	-	-
Gabon	0.020	24,844	29,200	2,554	-	22,290	29,200	51,490
Gambia	0.001	64,498	1,460	11	-	64,487	1,460	65,947
Georgia	0.009	1,611,407	13,140	-	-	1,611,407	13,140	1,624,547
Germany	12.202	-	17,815,269	-	17,815,269	-	-	-
Ghana	0.009	-	13,140	-	2,321	-	10,819	10,819
Greece	1.052	648,362	1,535,950	648,362	1,535,950	-	-	-
Grenada	0.001	49,455	1,460	11	-	49,444	1,460	50,904
Guatemala	0.043	65,581	62,781	65,581	48,946	-	13,835	13,835
Guinea	0.003	1,980	4,380	1,332	-	648	4,380	5,028

Annex I (e) — cont.

Status of assessed contributions to the regular budget (in euros) as at 31 December 2013

		Contributions payable		Credits and collections in 2012-13		Contributions outstanding		Total outstanding
	Scale %	Prior biennium	Current biennium	Prior biennium	Current biennium	Prior biennium	Current biennium	
Guinea-Bissau	0.001	122,821	1,460	7	-	122,814	1,460	124,274
Guyana	0.001	129	1,460	129	985	-	475	475
Haiti	0.005	-	7,300	-	1,475	-	5,825	5,825
Honduras	0.011	5,557	16,061	2,173	-	3,384	16,061	19,445
Hungary	0.443	-	646,793	-	646,793	-	-	-
India	0.813	-	1,187,003	-	1,187,003	-	-	-
Indonesia	0.362	-	528,531	-	528,531	-	-	-
Iran (Islamic Republic of)	0.355	190,812	518,310	115,231	-	75,581	518,310	593,891
Iraq	0.030	-	43,801	-	43,801	-	-	-
Ireland	0.758	-	1,106,702	-	1,106,702	-	-	-
Israel	0.584	-	852,656	-	852,656	-	-	-
Italy	7.608	308,100	11,107,898	308,100	11,107,898	-	-	-
Jamaica	0.021	10,862	30,660	11,604	2,290	(742)	28,370	27,628
Japan	19.068	-	27,839,824	-	27,839,824	-	-	-
Jordan	0.021	-	30,660	-	30,660	-	-	-
Kazakhstan	0.116	-	169,364	-	169,262	-	102	102
Kenya	0.017	14,801	24,821	14,801	24,821	-	-	-
Kuwait	0.400	-	584,012	-	296,994	-	287,018	287,018
Kyrgyzstan	0.001	379,574	1,460	7	-	379,567	1,460	381,027
Lao People's Democratic Republic	0.001	-	1,460	-	1,098	-	362	362
Lebanon	0.050	36,636	73,001	36,636	36,868	-	36,133	36,133
Lesotho	0.001	1,960	1,460	1,960	940	-	520	520
Liberia	0.001	108,240	1,460	7	-	108,233	1,460	109,693
Libya	0.196	64,914	286,165	64,914	286,165	-	-	-
Lithuania	0.099	-	68,693	-	68,693	-	-	-
Luxembourg	0.137	-	200,024	-	200,024	-	-	-
Madagascar	0.005	4,528	7,300	4,528	7,300	-	-	-
Malawi	0.001	81	1,460	81	1,217	-	243	243
Malaysia	0.385	-	562,111	-	562,111	-	-	-
Maldives	0.001	1,809	1,460	1,112	-	697	1,460	2,157
Mali	0.005	1,491	7,300	1,056	-	435	7,300	7,735
Malta	0.026	-	37,961	-	37,961	-	-	-

Annex I (e) — cont.

Status of assessed contributions to the regular budget (in euros) as at 31 December 2013

Member States	Scale %	Contributions payable		Credits and collections in 2012-13		Contributions outstanding		Total outstanding
		Prior biennium	Current biennium	Prior biennium	Current biennium	Prior biennium	Current biennium	
Mauritania	0.006	82,820	1,460	7	-	82,813	1,460	84,273
Mauritius	0.014	-	24,821	-	24,821	-	-	-
Mexico	0.195	7,337,941	5,234,202	7,337,941	5,234,202	-	-	-
Monaco	0.010	-	7,300	-	7,300	-	-	-
Mongolia	0.437	-	4,380	-	4,380	-	-	-
Montenegro	0.007	-	8,760	-	-	-	8,760	8,760
Morocco	1.295	-	128,482	-	66,155	-	62,327	62,327
Mozambique	0.023	-	7,300	-	7,300	-	-	-
Myanmar	0.027	42,944	11,680	42,944	8,306	-	3,374	3,374
Namibia	0.059	-	17,520	-	2,793	-	14,727	14,727
Nepal	0.010	5,528	13,140	5,526	13,077	2	63	65
Netherlands	0.012	-	4,121,661	-	4,121,661	-	-	-
New Zealand	0.064	-	605,912	-	605,912	-	-	-
Nicaragua	1.636	146,900	5,840	146,900	5,840	-	-	-
Niger	0.001	102,183	4,380	-	-	102,183	4,380	106,563
Nigeria	0.005	-	173,743	-	90,417	-	83,326	83,326
Norway	0.001	-	1,935,998	-	1,935,998	-	-	-
Oman	0.011	-	191,264	-	191,264	-	-	-
Pakistan	0.021	63,572	182,504	63,572	93,716	-	88,788	88,788
Panama	0.027	1,398	48,181	1,398	25,647	0	22,535	22,535
Papua New Guinea	2.452	30,868	4,380	1,161	-	29,707	4,380	34,087
Paraguay	0.058	190	14,601	190	8,502	0	6,099	6,099
Peru	0.004	75	200,024	75	177,004	-	23,020	23,020
Philippines	0.001	-	200,024	-	200,024	-	-	-
Poland	0.005	-	1,839,636	-	1,839,636	-	-	-
Portugal	0.017	-	1,135,902	-	1,135,902	-	-	-
Qatar	0.001	91,730	299,306	91,730	21,544	-	277,762	277,762
Republic of Korea	0.001	-	5,021,038	-	5,021,038	-	-	-
Republic of Moldova	0.003	438,596	4,380	179,808	-	258,788	4,380	263,168
Romania	0.359	-	392,748	-	392,748	-	-	-
Russian Federation	4.853	-	3,559,549	-	3,559,549	-	-	-
Rwanda	0.219	713	1,460	713	385	-	1,075	1,075
Saint Kitts and Nevis	0.001	3,120	1,460	1,050	-	2,070	1,460	3,530

Annex I (e) — cont.

Status of assessed contributions to the regular budget (in euros) as at 31 December 2013

Member States	Scale %	Contributions payable		Credits and collections in 2012-13		Contributions outstanding		Total outstanding
		Prior biennium	Current biennium	Prior biennium	Current biennium	Prior biennium	Current biennium	
Saint Lucia	0.001	2,199	1,460	1,269	-	930	1,460	2,390
Saint Vincent and the Grenadines	0.001	116,981	1,460	7	-	116,974	1,460	118,434
Samoa	0.001	-	1,460	-	1,460	-	-	-
Sao Tome and Principe	0.001	140,690	1,460	7	-	140,683	1,460	142,143
Saudi Arabia	1.263	233,577	1,844,016	233,577	1,844,016	-	-	-
Senegal	0.009	3,457	13,140	2,276	-	1,181	13,140	14,321
Serbia	0.056	-	81,762	-	81,762	-	-	-
Seychelles	0.003	3,502	4,380	1,577	-	1,925	4,380	6,305
Sierra Leone	0.001	-	1,460	-	1,322	-	138	138
Slovakia	0.216	-	315,366	-	315,366	-	-	-
Slovenia	0.157	-	229,224	-	229,224	-	-	-
Somalia	0.001	140,689	1,460	7	-	140,682	1,460	142,142
South Africa	0.586	-	855,577	-	855,577	-	-	-
Spain	4.835	2,397,716	7,059,238	2,397,716	7,059,238	(1)	-	(1)
Sri Lanka	0.029	-	42,341	-	42,341	-	-	-
Sudan	0.010	21,826	14,601	21,826	14,601	-	-	-
Suriname	0.005	-	7,300	-	3,722	-	3,578	3,578
Swaziland	0.005	4,419	7,300	1,466	-	2,953	7,300	10,253
Sweden	1.619	-	2,363,787	-	2,363,787	-	-	-
Switzerland	1.720	-	2,511,249	-	2,440,022	-	71,227	71,227
Syrian Arab Republic	0.038	-	55,481	-	6,212	-	49,269	49,269
Tajikistan	0.003	118,290	4,380	24,968	-	93,322	4,380	97,702
Thailand	0.318	-	464,289	-	464,289	-	-	-
The former Yugoslav Republic of Macedonia	0.011	14,858	16,061	1,652	-	13,206	16,061	29,267
Timor-Leste	0.001	-	1,460	-	1,460	-	-	-
Togo	0.001	50,025	1,460	38,311	-	11,714	1,460	13,174
Tonga	0.001	1,827	1,460	1,827	1,100	-	360	360
Trinidad and Tobago	0.067	-	97,822	-	48,968	-	48,854	48,854
Tunisia	0.046	-	67,161	-	64,572	-	2,589	2,589
Turkey	0.939	-	1,370,967	-	1,370,967	-	-	-
Turkmenistan	0.040	249,142	58,401	-	-	249,142	58,401	307,543

Annex I (e) — cont.

Status of assessed contributions to the regular budget (in euros) as at 31 December 2013

Member States	Scale %	Contributions payable		Credits and collections in 2012-13		Contributions outstanding		Total outstanding
		Prior biennium	Current biennium	Prior biennium	Current biennium	Prior biennium	Current biennium	
Tuvalu	0.001	-	1,460	-	-	-	1,460	1,460
Uganda	0.008	9,140	11,680	9,140	978	-	10,702	10,702
Ukraine	0.132	1,899,772	192,724	923,034	-	976,738	192,724	1,169,462
United Arab Emirates	0.595	-	868,717	-	868,717	-	-	-
United Kingdom		-	7,229,081	-	7,229,081	-	-	-
United Republic of Tanzania	0.010	24	14,601	24	2,393	-	12,208	12,208
Uruguay	0.041	29,147	59,862	29,147	35,862	-	24,000	24,000
Uzbekistan	0.014	478,438	20,440	18,202	-	460,236	20,440	480,676
Vanuatu	0.001	84,377	1,460	7	-	84,370	1,460	85,830
Venezuela (Bolivarian Republic of)	0.478	304,450	697,893	304,450	104,901	-	592,992	592,992
Viet Nam	0.050	-	73,001	-	73,001	-	-	-
Yemen	0.010	14,649	14,601	13,832	-	817	14,601	15,418
Zambia	0.006	-	8,760	-	8,760	-	-	-
Zimbabwe	0.005	-	7,300	-	3,988	-	3,312	3,312
Subtotal:	100.000	38,328,363	153,156,086	22,770,579	146,380,212	15,557,784	6,775,874	22,333,658
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
T O T A L		**109,478,850**	**153,156,086**	**22,770,580**	**146,380,212**	**86,708,270**	**6,775,875**	**93,484,145**
Supplementary estimates for the biennium 2004-2005 for security enhancements (GC.11/Dec.15)		91,800	-	-	-	91,774	-	91,774
G R A N D T O T A L		**109,570,650**	**153,156,086**	**22,770,606**	**146,380,212**	**86,800,044**	**6,775,875**	**93,575,919**

Annex I (f)
Status of advances to the Working Capital Fund as at 31 December 2013
(in euros)

Member State	Scale of assessment (per cent)	Amount of advance	Collections 1986-2011	Adjustments 2012-2013	Collections 2012-2013	Amount outstanding
Afghanistan	0.006	404	74	330	-	-
Albania	0.014	943	594	349	-	-
Algeria	0.195	13,139	8,759	4,380	-	-
Angola	0.010	674	297	377	-	-
Argentina	0.437	29,444	33,552	(4,108)	-	-
Armenia	0.007	472	223	-	249	-
Austria	1.295	87,254	91,526	(4,272)	-	-
Azerbaijan	0.023	1,550	520	-	1,030	-
Bahamas	0.027	1,819	1,633	186	-	-
Bahrain	0.059	3,975	3,415	560	-	-
Bangladesh	0.010	674	742	(68)	-	-
Barbados	0.012	809	965	(156)	-	-
Belarus	0.064	4,312	2,078	2,234	-	-
Belgium	1.636	110,229	113,721	(3,492)	-	-
Belize	0.001	67	74	(7)	-	-
Benin	0.005	337	74	263	-	-
Bhutan	0.001	67	74	(7)	-	-
Bolivia (Plurinational State of)	0.011	741	594	147	-	-
Bosnia and Herzegovina	0.021	1,415	594	821	-	-
Botswana	0.027	1,819	1,410	409	-	-
Brazil	2.452	165,209	90,413	-	74,796	-
Bulgaria	0.058	3,908	2,078	1,830	-	-
Burkina Faso	0.004	270	223	47	-	-
Burundi	0.001	67	74	(7)	-	-
Cabo Verde	0.001	67	74	(7)	-	-
Cameroon	0.017	1,145	965	180	-	-
Central African Republic	0.001	67	74	(7)	-	-
Chad	0.003	202	74	-	-	128
Chile	0.359	24,188	16,628	7,560	-	-
China	4.853	326,982	275,172	-	51,810	-
Colombia	0.219	14,756	10,838	1,604	2,314	-
Comoros	0.001	67	74	(7)	-	-
Congo	0.005	337	74	263	-	-
Costa Rica	0.052	3,504	3,266	238	-	-
Côte d'Ivoire	0.014	943	965	(22)	-	-
Croatia	0.148	9,972	5,122	4,850	-	-
Cuba	0.108	7,277	5,567	1,710	-	-
Cyprus	0.070	4,716	4,528	188	-	-
Czech Republic	0.531	35,777	29,024	6,753	-	-
Democratic People's Republic of Korea	0.011	741	742	(1)	-	-
Democratic Republic of the Congo	0.005	337	297	-	-	40
Denmark	1.120	75,463	76,235	(772)	-	-
Djibouti	0.001	67	74	(7)	-	-

Annex I (f) — cont.
Status of advances to the Working Capital Fund as at 31 December 2013
(in euros)

Member State	Scale of assessment (per cent)	Amount of advance	Collections 1986-2011	Adjustments 2012-2013	Collections 2012-2013	Amount outstanding
Dominica	0.001	67	74	(7)	-	-
Dominican Republic	0.064	4,312	325	-	3,987	-
Ecuador	0.061	4,110	2,153	-	1,957	-
Egypt	0.143	9,635	9,056	579	-	-
El Salvador	0.028	1,887	153	-	-	1,734
Equatorial Guinea	0.010	674	223	451	-	-
Eritrea	0.001	67	74	(7)	-	-
Ethiopia	0.010	674	297	377	-	-
Fiji	0.006	404	297	107	-	-
Finland	0.861	58,012	58,197	(185)	-	-
France	9.318	627,822	650,109	(22,287)	-	-
Gabon	0.020	1,348	817	531	-	-
Gambia	0.001	67	74	(7)	-	-
Georgia	0.009	606	297	-	-	309
Germany	12.202	822,139	884,974	(62,835)	-	-
Ghana	0.009	606	445	161	-	-
Greece	1.052	70,881	61,463	9,418	-	-
Grenada	0.001	67	74	(7)	-	-
Guatemala	0.043	2,897	3,266	(369)	-	-
Guinea	0.003	202	74	128	-	-
Guinea-Bissau	0.001	67	74	(7)	-	-
Guyana	0.001	67	74	(7)	-	-
Haiti	0.005	337	223	114	-	-
Honduras	0.011	741	520	221	-	-
Hungary	0.443	29,848	25,164	-	4,684	-
India	0.813	54,778	46,394	-	8,384	-
Indonesia	0.362	24,391	16,628	-	7,763	-
Iran (Islamic Republic of)	0.355	23,919	18,558	5,361	-	-
Iraq	0.030	2,021	1,559	462	-	-
Ireland	0.758	51,072	45,949	5,123	-	-
Israel	0.584	39,348	43,202	(3,854)	-	-
Italy	7.608	512,607	524,066	(11,459)	-	-
Jamaica	0.021	1,415	1,039	376	-	-
Japan	19.068	1,284,765	1,633,067	(348,302)	-	-
Jordan	0.021	1,415	1,262	153	-	-
Kazakhstan	0.116	7,816	2,969	4,847	-	-
Kenya	0.017	1,145	1,039	106	-	-
Kuwait	0.400	26,951	18,780	8,171	-	-
Kyrgyzstan	0.001	67	74	(7)	-	-
Lao People’s Democratic Republic	0.001	67	74	(7)	-	-
Lebanon	0.050	3,369	3,489	(120)	-	-
Lesotho	0.001	67	74	(7)	-	-
Liberia	0.001	67	74	(7)	-	-
Libya	0.196	13,206	6,384	6,822	-	-

Annex I (f) — cont.
Status of advances to the Working Capital Fund as at 31 December 2013
(in euros)

Member State	Scale of assessment (per cent)	Amount of advance	Collections 1986-2011	Adjustments 2012-2013	Collections 2012-2013	Amount outstanding
Lithuania	0.099	6,670	3,192	3,478	-	-
Luxembourg	0.137	9,231	8,759	472	-	-
Madagascar	0.005	337	223	114	-	-
Malawi	0.001	67	74	(7)	-	-
Malaysia	0.385	25,940	19,597	6,343	-	-
Maldives	0.001	67	74	(7)	-	-
Mali	0.005	337	74	263	-	-
Malta	0.026	1,752	1,782	(30)	-	-
Mauritania	0.001	67	74	(7)	-	-
Mauritius	0.017	1,145	1,113	-	32	-
Mexico	3.585	241,548	232,860	8,688	-	-
Monaco	0.005	337	297	40	-	-
Mongolia	0.003	202	74	128	-	-
Montenegro	0.006	404	74	135	-	195
Morocco	0.088	5,929	4,305	1,624	-	-
Mozambique	0.005	337	74	-	263	-
Myanmar	0.008	539	520	19	-	-
Namibia	0.012	809	594	215	-	-
Nepal	0.009	606	297	309	-	-
Netherlands	2.823	190,206	193,221	(3,015)	-	-
New Zealand	0.415	27,962	26,426	-	1,536	-
Nicaragua	0.004	270	74	-	196	-
Niger	0.003	202	74	-	-	128
Nigeria	0.119	8,018	4,973	3,045	-	-
Norway	1.326	89,342	80,688	-	8,654	-
Oman	0.131	8,826	7,497	1,329	-	-
Pakistan	0.125	8,422	6,087	2,335	-	-
Panama	0.033	2,223	2,375	(152)	-	-
Papua New Guinea	0.003	202	223	(21)	-	-
Paraguay	0.010	674	520	154	-	-
Peru	0.137	9,231	8,017	1,214	-	-
Philippines	0.137	9,231	8,017	1,214	-	-
Poland	1.260	84,895	51,664	-	33,231	-
Portugal	0.778	52,420	54,337	(1,917)	-	-
Qatar	0.205	13,812	8,759	5,053	-	-
Republic of Korea	3.439	231,711	224,176	-	7,535	-
Republic of Moldova	0.003	202	74	-	128	-
Romania	0.269	18,125	7,200	10,925	-	-
Russian Federation	2.438	164,266	123,816	40,450	-	-
Rwanda	0.001	67	74	(7)	-	-
Saint Kitts and Nevis	0.001	67	74	(7)	-	-
Saint Lucia	0.001	67	74	(7)	-	-
Saint Vincent and the Grenadines	0.001	67	74	(7)	-	-

Annex I (f) — cont.
Status of advances to the Working Capital Fund as at 31 December 2013
(in euros)

Member State	Scale of assessment (per cent)	Amount of advance	Collections 1986-2011	Adjustments 2012-2013	Collections 2012-2013	Amount outstanding
Samoa	0.001	67	74	-	-	-
Sao Tome and Principe	0.001	67	74	(7)	-	-
Saudi Arabia	1.263	85,098	77,201	7,897	-	-
Senegal	0.009	606	445	161	-	-
Serbia	0.056	3,773	2,153	1,620	-	-
Seychelles	0.003	202	223	(21)	-	-
Sierra Leone	0.001	67	74	(7)	-	-
Slovakia	0.216	14,554	6,532	8,022	-	-
Slovenia	0.157	10,578	9,873	705	-	-
Somalia	0.001	67	74	(7)	-	-
South Africa	0.586	39,483	29,915	9,568	-	-
Spain	4.835	325,770	306,200	19,570	-	-
Sri Lanka	0.029	1,954	1,633	321	-	-
Sudan	0.010	674	742	(68)	-	-
Suriname	0.005	337	74	263	-	-
Swaziland	0.005	337	223	114	-	-
Sweden	1.619	109,084	110,529	(1,445)	-	-
Switzerland	1.720	115,889	125,449	(9,560)	-	-
Syrian Arab Republic	0.038	2,560	1,633	927	-	-
Tajikistan	0.003	202	74	-	128	-
Thailand	0.318	21,426	19,226	-	2,200	-
The former Yugoslav Republic of Macedonia	0.011	741	520	221	-	-
Timor-Leste	0.001	67	74	(7)	-	-
Togo	0.001	67	74	(7)	-	-
Tonga	0.001	67	74	(7)	-	-
Trinidad and Tobago	0.067	4,514	2,821	1,693	-	-
Tunisia	0.046	3,099	3,192	(93)	-	-
Turkey	0.939	63,267	39,342	23,925	-	-
Turkmenistan	0.040	2,695	56	-	-	2,639
Tuvalu	0.001	67	-	-	-	67
Uganda	0.008	539	297	242	-	-
Ukraine	0.132	8,894	4,677	4,217	-	-
United Arab Emirates	0.595	40,090	31,177	8,913	-	-
United Kingdom		685,294	685,294	-	-	-
United Republic of Tanzania	0.010	674	594	80	-	-
Uruguay	0.041	2,762	2,821	(59)	-	-
Uzbekistan	0.014	943	817	126	-	-
Vanuatu	0.001	67	74	(7)	-	-
Venezuela (Bolivarian Republic of)	0.478	32,206	20,636	11,570	-	-
Viet Nam	0.050	3,369	2,450	919	-	-
Yemen	0.010	674	742	(68)	-	-
Zambia	0.006	404	74	330	-	-
Zimbabwe	0.005	337	817	(480)	-	-
T O T A L	**100.0000**	**7,423,030**	**7,418,367**	**(211,447)**	**210,877**	**5,240**