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Report of the External Auditor for 2015

Report of the External Auditor on the accounts of the United Nations Industrial Development Organization for the financial year 1 January to 31 December 2015*

Contents

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President
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To the
President of the Industrial Development Board
United Nations Industrial Development Organization
Vienna International Centre
P.O. Box 300
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19 April 2016

Excellency,

I have the honour to present to the 44rd session of the Industrial Development Board, through the 32st 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 2015. I have audited the Financial Statements and have expressed my opinion thereon.

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

Please accept, Excellency, the assurances of my highest consideration.

[*Signed*]
Kay Scheller
President of the Federal Court of Auditors
Germany
External Auditor

Acronyms and Abbreviations

AC	Audit Committee
AMS	SAP Asset Management System
BCP	Business Continuity Plan
BMS	Buildings Management Services
CTBTO	Comprehensive Nuclear-Test-Ban Treaty Organization
CUA	Central User Administration
DG	Director-General
DMG	KMC Documents Management Guideline
EA	External Auditor
ERP	Enterprise Resource Planning
EVQ	Independent Evaluation and Quality Monitoring
FIN	Department of Finance
FR	Financial Regulations and Rules of UNIDO
GC	General Conference
IAEA	International Atomic Energy Agency
IC	Infrastructure Committee
ID	Asset Identification
INTOSAI	International Organization of Supreme Audit Institutions
IOE	Office of Internal Oversight and Ethics
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
ISSAI	International Standards for Supreme Audit Institutions
IT	Information Technology
ITC	Department of Information Technology and Communications
Management	UNIDO Management
MAXIMO	BMS Work Order Management System
MRRF	Major Repair and Replacement Fund
ODG	Office of the Director General
PCB	Polychlorinated Biphenyls
PMM	Property Management Manual
PPE	Property, Plant and Equipment
PPM	Portfolio and Project Management
PRO	Procurement Services Division
TC	Technical Cooperation
TIS	Technology and Information Systems Division
UN	United Nations
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
UNOV	United Nations Office in Vienna
UNSSS	United Nations Security and Safety Service
VBO(s)	Vienna Based Organization(s)
VIC	Vienna International Centre

A. Executive Summary

My team and I audited the financial statements of UNIDO	1. My team and I audited the financial statements of the United Nations Industrial Development Organization (hereinafter "UNIDO") for the financial period from 1 January to 31 December 2015. The financial statements include the following: • Statement 1 Statement of financial position • Statement 2 Statement of financial performance • Statement 3 Statement of changes in net assets • Statement 4 Cash flow statement • Statement 5 Statement of comparison of budget and actual amounts • Notes to the financial statements
Responsibility of Management	2. The Director-General (hereinafter "DG") is responsible for preparing the financial statements in accordance with Article X of the Financial Regulations and Rules of UNIDO (hereinafter "FR") and in conformity with the International Public Sector Accounting Standards (hereinafter "IPSAS").
Responsibility of the External Auditor	3. In accordance with Article XI of FR, my responsibility is to express an opinion on such financial statements based on my audit.
I conducted my audit in conformity with the International Standards on Auditing	4. I conducted my audit, pursuant to Article XI of FR, in conformity with the International Standards on Auditing (hereinafter "ISA") as adopted and amended by the International Organization of Supreme Audit Institutions (hereinafter "INTOSAI") and issued as International Standards for Supreme Audit Institutions (hereinafter "ISSAI"). As stipulated by these standards, I need to comply with ethical requirements and to plan and to carry out the audit with a view to obtaining reasonable assurance about whether the financial statements are free from material misstatement.
Scope of the audit as a reasonable basis for the audit opinion	5. The audit included the examination, on a test basis, of evidence supporting the amounts and disclosures stated in the financial statements. It also encompassed an assessment of the accounting principles used and an evaluation of the overall presentation of the financial statements. In accordance with the terms of reference governing the audit of UNIDO financial statements, I examined UNIDO performance, i.e. in particular the economy, efficiency and effectiveness of the accounting procedures, of the accounting system, of the internal control system and, in general, the financial impact of current management practices. I believe that my audit provides a reasonable basis for the audit opinion.
The financial statements present a fair view of the financial position	6. As a result of my audit, I am of the opinion that the financial statements present, in all material respects, a fair view of the financial position as at 31 December 2015, that they were prepared in accordance with IPSAS and the accounting policies stated by UNIDO, and that the transactions were conducted in accordance with FR.
I issued an unqualified opinion on the financial statements	7. The audit revealed no shortcomings or errors that I considered material with regard to the accuracy, completeness and validity of the financial statements as a whole. Therefore, I expressed an unqualified audit opinion on UNIDO´s financial statements for 2015.

B. Audit Procedure

B.1. Scope of the Audit

President of the Bundesrechnungshof appointed as External Auditor of UNIDO	8. Pursuant to the General Conference (hereinafter "GC") decision GC.15/Dec.8 and the Federal German Parliament election as President of the Bundesrechnungshof (German Supreme Audit Institution), the undersigned, Mr Kay Scheller, is the appointed External Auditor (hereinafter "EA") of UNIDO, beginning on 1 July 2014 until 30 June 2016.
Mandate extended until 30 June 2018	9. Pursuant to the GC decision GC.16/Dec.14, Mr Kay Scheller's appointment as EA of UNIDO was extended for a period of two years, from 1 July 2016 to 30 June 2018.
Financial statements for the financial year from 1 January to 31 December 2015	10. My team and I audited the financial statements of UNIDO for the financial year from 1 January to 31 December 2015. The financial statements include the statement of financial position as at 31 December 2015, the statement of financial performance for the year ended 31 December 2015, the statement of changes in net assets for the year ended 31 December 2015, the cash flow statement for the year ended 31 December 2015, the statement of comparison of budget and actual amounts for the year ended 31 December 2015 and the notes to the financial statements. We also examined related financial accounts and transactions.
Responsibility of Management	11. DG is responsible for the preparation and fair presentation of the financial statements in accordance with FR, and in application of such internal controls as Management considers necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
Responsibility of the External Auditor	12. I am responsible for expressing an opinion on the financial statements based on evidence obtained during my audit. I conducted my audit, pursuant to Article XI of FR, in conformity with ISA as adopted and amended by INTOSAI and issued as ISSAI. As stipulated by these standards, I need to comply with ethical requirements and to plan and to perform the audit with a view to obtaining reasonable assurance about whether the financial statements are free from material misstatement.
Report discussed with Management	13. My report on financial year 2015 contains the main observations, findings and recommendations. The financial statements of UNIDO, as well as my audit report and audit opinion, were discussed with UNIDO management (hereinafter "Management"). DG took note of the report contents and agreed with the findings.
Reporting to PBC and IDB	14. The EA Report and the audited financial statements will be forwarded by the Programme and Budget Committee to the Industrial Development Board.

B.2. Audit Objective

Financial audit as basis of the audit opinion	15. According to the requirements of ISA, the main objective of the audit was to enable me to express an opinion on whether expenditure recorded for the year had been incurred for the purposes approved by GC; whether revenue and expenses were properly classified and recorded in accordance with FR; and whether the financial statements present a fair view of the financial position as at 31 December 2015. This includes the correctness of year-end balances of all UNIDO funds as part of UNIDO accounts.

Performance audits with respect to economy, efficiency and effectiveness

16. In addition, the ISSAI provide guidance on the conduct of performance audits. In accordance with the terms of reference governing the audit of UNIDO financial statements, I examined UNIDO performance, i.e. in particular the economy, efficiency and effectiveness of the accounting procedures, of the accounting system, of the internal control system and, in general, the financial impact of current management practices.

B.3. Audit Approach

Audit team

17. The audit was conducted by audit teams. The audit teams held discussions with the relevant UNIDO staff at the headquarters. In accordance with usual practice, my audit teams issued information requests and audit observations.

My team examined the accounting records as considered necessary

18. My examination included a general review, and such tests of the accounting records and other supporting evidence as I considered necessary in the given circumstances. To achieve the audit objectives, I examined the financial and accounting procedures applied at UNIDO in the light of FR and other relevant documentation, assessed the internal control system monitoring the financial operations of UNIDO, conducted substantive testing of a representative sample of selected transactions, cross-checked bank balances against accounting records, and analysed assessed contributions. These audit procedures are designed primarily to be able to express an opinion on UNIDO financial statements.

Random sample

19. Using professional audit software, my team analysed UNIDO data records and transactions. My team took a random sample and verified if transactions and related documents had been filed in accordance with the regulations as part of their work thus cross-checking the basis for payment and the necessary signatures. None of the transactions examined gave cause for concerns.

Areas covered in this report

20. My report includes observations and recommendations intended to contribute to improving of the financial management and control of UNIDO. My audit work mainly covered the financial audit of the 2015 financial statements. In accordance with Regulation 11.4 of FR, my team visited UNIDO field office in Morocco and continued their audits on Buildings Management Service (hereinafter “BMS”) and on physical information technology (hereinafter “IT”) security. At the end of my report, I will present our findings on the process of following up on recommendations and other topics, such as fraud, write-offs, losses and ex-gratia payments.

B.4. Audit Conclusion

There were no material shortcomings that affected the audit opinion. I expressed an unqualified audit opinion on the financial statements

21. Notwithstanding the observations in this report, my examination revealed no shortcomings or errors that I considered material with regard to the accuracy, completeness and validity of the financial statements as a whole. Recommendations relating to improved procedures or more comprehensive disclosures were taken up by Management. None of my findings affected my audit opinion on UNIDO financial statements. Therefore, I expressed an unqualified opinion on UNIDO financial statements for 2015.

C. Analysis of the Financial Statements

C.1. Internal Control

Internal control system in place

22. Based on compliance testing, my team and I concluded with reasonable assurance that a reliable internal control system was in place in UNIDO to ensure completeness, occurrence, measurement, regularity and disclosure in the 2015 financial statements.

Authorizations in SAP checked by "CheckAud"

23. UNIDO deploys a SAP Enterprise Resource Planning (hereinafter "ERP") system for bookkeeping and other core business functions. System users need authorizations defined by their activities and responsibilities. In December 2015, my team checked by means of audit software "CheckAud for SAP Systems" authorizations for user administration and financial accounting granted to 148 key users of the UNIDO headquarters. For security reasons and to avoid any interfering of the audit software, a few days old copy of the production system was made available.

C.1.1. User administration

Segregation of duties for system administration

24. User maintenance needs authorizations for creating, changing and deleting users, and for other administrative activities. According to para. 219 of UNIDO Internal Control Framework, segregation of duties is implemented by granting systems administration rights exclusively to Technology and Information Systems Division (hereinafter "TIS")[*)] staff.

Many users have critical authorizations

25. My team checked nine critical authorizations for user maintenance. Of 17 users with more than three authorizations, one had four, four had five, one had six, one had seven, and 10 had nine authorizations. The users were staff members from the Department of Information Technology and Communications (hereinafter "ITC"), the Department of Finance (hereinafter "FIN") and the Procurement Service Division (hereinafter "PRO").

CUA disables unjustified authorizations

26. Asked why there were so many users with critical authorizations, TIS responded that these had been granted during the SAP implementation project. The risk of misuse of these authorizations would be reduced because TIS deploys the SAP Central User Administration (hereinafter "CUA"). CUA disables the use of unjustified authorizations in connected SAP systems like the production system. Finally, only few staff members of the SAP Help Desk Authorization and the Basis Team have access to CUA.

Recommendation(s)

27. In my view, even though the risk of misuse is low, authorizations in CUA and the production system should not differ from each other. This can lead to misunderstandings and wrong conclusions. I recommend terminating authorizations in the production system that do not comply with UNIDO SAP roles and authorization concept.

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*) Starting 1 February 2016, UNIDO fine-tuned and aligned its secretariat structure. Therefore, we use the new division/department names when we refer to them.

Management's response	28. Efforts will be made to clean up the User Maintenance access for non-essential users in the production system.
Follow-up	29. My team and I will follow up on the process.

C.1.2. Concepts and manuals

Documentation of roles and authorizations	30. UNIDO documents concerning SAP roles and authorizations such as the document "Phase II: Blueprint Release 3 Roles and Authorizations" from 2012 do not reflect the CUA concept. These documents neither consider the roles which have been changed, completed and extended since the SAP system implementation.
No comprehensive manual for co-operation	31. What is more, there is not yet a comprehensive manual in place about how departments and TIS work together in creating, changing and deleting users and authorizations. Since April 2015, TIS has been drafting the "Knowledge Acquisition Document" for its internal work. It describes how TIS implements requests of departments and users, and serves the purpose of documenting the user administration expertise on level 1 support for external supporters.
Recommendation(s)	32. I recommend that TIS revise and update the basic documents in co-operation with the departments and, thereby, consider CUA appropriately. Furthermore, it should compile a detailed instruction about the co-operation between TIS and the departments concerning SAP users and authorizations. In my view, the "Knowledge Acquisition Document" should be completed as soon as possible. It should also include a chapter about CUA.
Management's response	33. This recommendation has been noted. TIS is currently working on updating manuals and documentation of the SAP roles and authorizations.
Follow-up	34. My team and I will follow up on the process.

C.1.3. Segregation of duties

Framework	35. Segregation of duties is a means to ensure that not only one person has exclusive control over the lifespan of a transaction. Ideally, one person alone should not be able to initiate, record, authorize and reconcile a transaction. The principle of segregation of duties is reflected in the UNIDO Internal Control Framework. According to para. 133 of this framework, segregation of duties involves the segregation of the respective roles of: approving officers for obligations; officials authorized to enter into commitments on behalf of the Organization; approving officers for payments, approving officers for disbursement of funds; and authorized signatories for banking instructions.
Critical authorizations	36. To check whether segregation of duties actually works in the production system, we selected data from the extract and checked seven critical authorizations for financial accounting including "Vendor maintenance and invoices/credit memo posting", "Vendor invoices/credit memos and payment run", "Customer maintenance and invoices/credit memo posting". As a result, of 26 users with more than three authorizations, six had four, one had five, two had six and 17 had seven authorizations. The users were staff members from ITC, FIN and PRO. Thus, according to these authorizations, many SAP users have exclusive control over the lifespan of a transaction and, at the same time, can maintain vendor and customer data. The situation is all the more worrying because at least two of these users are

	also user administrators in CUA who can create, change and delete users.
Recommendation(s)	37. In my opinion, segregation of duties is still lacking. A culmination of authorizations exists by several users. Even though UNIDO built in barriers in the process chain, we are still worried about those users who have financial and administrative authorizations in CUA. In order to mitigate this risk, I recommend that ITC and FIN update the current authorizations and bring them in line with the tasks of each user.
Management's response	38. As discussed with and communicated to EA, all the roles were initially assigned during the implementation phase based on the roles and authorization blue print. These have been continuously updated based on the request of the business/key users. The assignment of these roles to the users are based on an official request through the Online Ticketing System OPRS and approved by the supervisor or by relevant key users.
	39. The four eye principle has been activated within SAP. This means that regardless of the authorization, if a user has to change vendor master data, the changes need to be confirmed by another user in the system with specific authorization to confirm changes. Without confirmation the changes to the vendor master data are not available for the open items postings or the payment program. No user can therefore single-handedly change the vendor master data and use this in follow-on transactions.
	40. Concerning the specific observation of the segregation of duties, there are areas for further improving the authorization concept, especially with regard to the automatic blocking of open items. UNIDO is looking into the possibility of a workflow for posting invoices. This would increase the traceability of approval steps. Currently, the approving officer (remover of payment block) can only be found in the change log of the open item. UNIDO has activated user activity logging so activities can easily be traced back. Based on the findings of the auditors we will look into cleaning and simplifying the authorization concept further. In general, however, the authorization concept for segregation of duties regarding the accounting/payable and accounting/receivable process is robust and secure; the risks of the above findings are marginal.
Follow-up	41. My team and I will follow up on the process.

C.1.4. Authorization profile SAP_ALL

SAP_ALL	42. The composite SAP_ALL profile contains all SAP authorizations, meaning that a user with this profile can perform all tasks in the SAP system. SAP recommends not assigning this authorization profile to any of the users.
SAP_ALL in use	43. My team found 15 "service users" with SAP_ALL in the production system. The "service user" is a dialog user available to a larger, anonymous group of users. According to recommendations from SAP, only limited authorizations should normally be assigned. Furthermore, if the user does not need dialog access to the SAP system, his user type should be defined as a system user.
Recommendation(s)	44. In my view, assigning SAP_ALL to "service users" runs the risk that the comprehensive authorizations could be misused. I recommend checking whether the 15 "service users" are assigned to the appropriate user type and, if so, whether they need SAP_ALL authorizations.

Management's response	45. Extensive efforts have been made during the period of 2013-2014 to reduce the number of users who have SAP_ALL in the production systems and to change service users to system users. TIS would also challenge the opinion that assigning SAP_ALL to service users carries a special risk of abuse. These credentials for these accounts are tightly managed and not available to any user outside of the systems management team. Therefore, the same risk would apply as with the built-in administration accounts.
	46. As discussed with EA during our meeting on 3 March, the remaining service users are required to ensure proper functioning of the SAP production system. As part of future authorization reviews, TIS will of course analyse if any of these accounts can be run without SAP_ALL. However, please note that such changes of these essential service users require careful analysis and extensive testing on the impacted areas of the system.
Follow-up	47. My team and I will follow up on the process.

C.1.5. Productive indicator for the company code

XPROD	48. The productive indicator "XPROD" prevents data within the company code from being deleted by the programs for deleting test data. The SAP guidelines recommend that the indicator be set when transferring the development system to the production system. In the production system the company code 1000 is not set in the client 100.
Recommendation(s)	49. I recommend setting the productive indicator "XPROD" to protect the data from being deleted.
Management's response	50. At the moment, the production systems are locked by the SAP transaction code "SCC4". Therefore, direct changes/configuration in the production system is strictly controlled i.e. via change and risk management approval process only. In this regard, the recommendation has been noted and the requirements are currently being analysed. At this stage, we are currently assuming that the implementation of this requirement will require extensive testing in all areas of ERP/SAP, including the master data. UNIDO will consider setting this checkbox during the next functional upgrade when extensive testing needs to be conducted anyway. Depending on the results of these tests, the company code may be set to "productive".
Follow-up	51. My team and I will follow up on the process.

C.2. International Public Sector Accounting Standard

IPSAS	52. Management adopted IPSAS as the basis of accounting. The first financial statements based on IPSAS were prepared for the financial year 2010.
Transitional provisions	53. As permitted for the first-time adoption of IPSAS, Management applied transitional provisions. The five-year period ended in 2014. Therefore, all buildings used by UNIDO are now recognized in the 2015 financial statements.
2014 restated	54. Due to the initial recognition of the buildings, especially the Vienna International Centre (hereinafter "VIC"), and consolidation of the Major Repair and Replacement Fund (hereinafter "MRRF") in the 2015 financial statements, the 2014 financial statements were restated. Therefore, all figures are shown on a comparative basis.

Accounting for VIC

55. UNIDO is granted the right to use and occupy the area and premises of VIC as its headquarters at the annual rental of 1 Austrian Schilling = 0.07 euro with a term of 99 years ending 31 August 2078. The other Vienna Based Organizations (hereinafter "VBOs"), the International Atomic Energy Agency (hereinafter "IAEA"), the United Nations Office in Vienna (hereinafter "UNOV") and the Comprehensive Nuclear-Test-Ban Treaty Organization (hereinafter "CTBTO"), have similar rights and obligations in using VIC as their respective headquarters.

BMS and MRRF account

56. VBOs are responsible for their own expense for the orderly operation and adequate maintenance of the buildings and facilities in order to keep them in good working order. Activities under this category are kept under UNIDO BMS account. As specified in the headquarters agreement, the major repairs and replacements of buildings, facilities and technical installations are governed by separate agreements and the costs are shared with the Austrian government. This fund is administered by UNIDO under MRRF account.

Committee on Common Services

57. The financial and operational decisions for the two categories of activities are made by the Committee on Common Services which consists of senior management from IAEA, CTBTO, UNIDO and UNOV. Such decisions are effective when a consensus is reached. UNIDO is responsible for carrying out activities under both BMS and MRRF accounts.

Up to 2014

58. Over a longer period, VBOs were trying to achieve a common solution. There were extensive discussions also in the United Nations (hereinafter "UN") Task Force on IPSAS whether to disclose or recognize the building. There was no agreement on the nature of the lease as operational or financial, whether the "peppercorn rent" of 1 Austrian Schilling per year was actually a rent or should lead to a contribution in-kind by the Austrian government and, finally, how to fix the value for VIC. To gain some time to find a common approach for VIC, UNIDO as the first IPSAS implementer in VIC has taken the transitional clause in IPSAS 17 for the class of building in its IPSAS implementation in 2010. The others followed according to their IPSAS implementation schedule. Until 2014, UNIDO was therefore able to disclose VIC building and premises with the basic information in the notes to the financial statements.

From 2015 onward

59. All VBOs agreed on the capitalization of VIC, starting 1 January 2015, under the following condition:

Land

60. The land provided is an operating lease which does not depreciate. The free use of land constitutes revenue, which, however, can only be recognized if UNIDO remains in the premises. Hence, the revenue and expense are recognized on an annual basis.

Building

61. The building is classified as a finance lease as UNIDO is paying for the right to use the building and is leased to VBOs for the major part of the building's useful life. The substantial risks and rewards of the building are transferred to VBOs as they are responsible for keeping it in working condition and for sharing the cost for major repair and replacement. They are also using the building to carry out their activities. Furthermore, the building is of such special nature that it cannot be used by other parties without major modification. It constitutes a "transfer" as defined in IPSAS 23 since it takes the form of an inflow of future economic benefits or service potential from a non-exchange transaction. The transfer is a tangible asset which is a good-in-kind. The transfer has no condition as it is at the discretion of VBOs whether they stay at or leave the building. Therefore, the revenue from the

transaction may be recognized in full. The revenue from the transfer, however, should be deferred as the economic benefits/service potential of the building is not materialized until the performance obligation of remaining in Austria is discharged annually. Therefore, the revenue is recognized on an annual basis to the extent of the annual depreciation by discharging the obligation of using the building during the year. The building is considered as a joint operation as VBOs have joint control over the assets, liabilities, revenue and expense of the joint arrangement.

Summary

62. In summary, the building will be capitalized as at 1 January 2015. The corresponding liability is recognized as deferred revenue. Each year the building incurs expense for the depreciation and at the same time the same amount of revenue will be recognized as VBOs discharge their obligation of staying at the building during the year. Eligible repairs and replacements enhancing value and/or useful life of VIC building components are capitalized and increase the overall value of VIC building as well as corresponding performance obligation.

Valuation Method

63. The total value of VIC was determined by a professional valuator mandated and financed by all VBOs. The company defined segments of the building such as shell construction, roof, façade, windows, heating and cooling system and estimated the useful life of each of the components. As a result, they estimated the Depreciated Replacement Costs at approximately 277.0 million euros as at 31 December 2015.

Confirmation

64. I am grateful that it was possible to find an agreement between all VBOs on capitalizing VIC, starting 1 January 2015. I confirm that recognition and valuation of VIC in the financial statements are IPSAS compliant.

C.3. Statement of Financial Position

Total net assets increased

65. Due to the initial recognition of VIC and consolidation of MRRF, restated 2014 total assets and total liabilities went up both by almost 50 million euros. Whereas total liabilities declined by 1.8 per cent in 2015, total assets grew by 16.6 per cent. As a result, UNIDO total net equity went up by almost 120 million euros (47.7 per cent). The trend from 2012 to 2015 is shown in Table 1.

	Year as at 31 December				
	2012	**2013**	**2014**	**2014 (restated)**	**2015**
Current assets					
million euros	578.8	551.0	591.7	556.7	634,0
percentage change	*(7.1 %)*	*(4.8 %)*	*7.4 %*	*1.0 %*	*13.9 %*
Non-current assets					
million euros	12.4	21.8	23.9	108,9	142.2
percentage change	*17.4 %*	*75.8 %*	*9.8 %*	*400.2 %*	*30.7 %*
Total assets					
million euros	**591.1**	**572.8**	**615.6**	**665.6**	**776.2**
percentage change	***(6.7 %)***	***(3.1 %)***	***7.5 %***	***16.2 %***	***16.6 %***
Current liabilities					
million euros	135.2	162.6	139.9	144.8	154.2

	Year as at 31 December				
	2012	2013	2014	2014 (restated)	2015
percentage change	*(22.4 %)*	*20.2 %*	*(14.0%)*	*(10.9 %)*	*6.5 %*
Non-current liabilities					
million euros	183.0	180.5	229.7	273.2	256.5
percentage change	*33.3 %*	*(1.3 %)*	*27.2 %*	*51.3*	*(6.1 %)*
Total liabilities					
million euros	**318.2**	**343.1**	**369.6**	**418.0**	**410.7**
percentage change	***2.1 %***	***7.8 %***	***7.7 %***	***21.8 %***	***(1.8 %)***
Total net assets/equity					
million euros	**273.0**	**229.7**	**246.0**	**247.5**	**365.6**
percentage change	***(15.3 %)***	***(15.9 %)***	***7.1 %***	***7.8***	***47.7 %***

Table 1: Statement of financial position

Voluntary contributions increased by more than 90 per cent

66. The reason for this development is an ongoing increase in current and non-current voluntary contributions receivable. Their growth speeded up from almost 60 per cent in 2014 to 92.0 per cent in 2015. As a result, more than one quarter of UNIDO total assets consist of voluntary contributions receivable.

Recommendation(s)

67. I would like to point out again that the development might bear risks for the future. Voluntary contributions receivable in 2015 will be spent for technical cooperation programmes in the next years, whereas post-employment benefits are expected to rise continuously over the same period. Once more, I recommend that Management keep a very close eye on the development over the next years.

Management's response

68. The development of voluntary contributions is an essential indicator of the demand for UNIDO's services. It is under permanent scrutiny of Management and regularly reviewed by the policymaking organs.

Follow-up

69. My team and I will follow up on the process.

C.3.1. Assets

C.3.1.1. Cash and cash equivalents

UNIDO overall cash situation is satisfactory

70. UNIDO overall cash situation is satisfactory. Cash and cash equivalents comprise: cash in the bank and on hand; term deposits with original maturity of less than 12 months; cash and cash equivalents held in field offices. The trend from 2012 to 2015 is shown in Table 2.

Euro/dollar exchange rate

71. In 2015, the euro's weakness against the dollar continued in the foreign exchange market. The year-end euro/dollar exchange rate decreased again by 10.3 per cent, from 1.220 in 2014 to 1.094 in 2015. Again, UNIDO earned accounting profits from exchange rate decreases of the euro. In 2015, the amount was about 33 million euros.

Cash in the banks and on hand increased

72. With 439.7 million euros in 2015, cash and cash equivalents reached almost the same amount as in 2014. Whereas cash in the bank and on hand increased by 23.4 million euros, term deposits decreased by almost the same amount. As in 2014, the situation in the finance market remained stable with very low interest rates on call accounts and short-term deposits.

	Year as at 31 December				
	2012	**2013**	**2014**	**2014 (restated)**	**2015**
Cash in the bank and on hand					
million euros	62.4	132.5	94.7	99.6	123.0
percentage change	*89.8 %*	*112.4 %*	*(28.6 %)*	*(24.9 %)*	*23.5 %*
Term deposits with original maturity less than 12 months					
million euros	349.0	304.2	340.7		314.4
percentage change	*(16.6 %)*	*(12.9 %)*	*12.0 %*		*(7.7 %)*
Cash and Cash equivalents held in field offices					
million euros	3.1	2.0	2.4		2.3
percentage change	*(0.9 %)*	*(34.4 %)*	*19.5 %*		*(3.5 %)*
Cash and cash equivalents					
million euros	**414.5**	**438.7**	**437.7**	**442.7**	**439.7**
percentage change	***(8.8 %)***	***5.8 %***	***(0.2 %)***	***0.9 %***	***(0.7 %)***

Table 2: Cash and cash equivalents (source: Note 2)

Term deposits in dollar increased

73. Whereas in 2014 the average interest rate for holdings in euros and dollar was almost the same, the interest rate for holdings in dollar (0.26 per cent) doubled that of the holdings in euros (0.13 per cent) in 2015. Therefore, UNIDO increased its investments in short-term deposits in US-dollar. The ratio between investments in dollar and euros was 56 per cent to 44 per cent as at 31 December 2015.

Recommendation(s)

74. Because of the higher interest rate for holdings in dollar the increase of these investments is sensible. On the other hand, UNIDO may have an exchange rate risk if investments in dollar have to be transferred back into euros. Therefore, I recommend that the amount held in dollar not be significantly higher than the obligations to be fulfilled in dollar.

Management's response

75. The assumption that UNIDO increased its investments in USD because the USD interest rate was higher than the EUR rate is incorrect. UNIDO hasn't exchanged any Euros to USDs in the year 2015 in order to obtain better interest rates and will not be exchanging USD back to Euros. The ratio between the investments of USD and EUR was exactly at the same rate as the ratio between expenditures in USD and EUR (In Year 2015, USD and EUR expenditures equalled a proportion of 56% and 44%, respectively). UNIDO managed to keep the ratio of the funds in the two currencies in proportion to the disbursements needed in each currency.

76. We agree with the comment that amounts held in USD should not be significantly higher than the obligations to be fulfilled in USD and we believe that this was achieved in 2015.

Follow-up

77. My team and I will follow up on the process.

Investment with penalty interest

78. Within the euro zone, UNIDO is confronted with falling interest rates, even with penalty interests. Due to the good relationship with the counterpart banks, UNIDO was able to manage term deposits in euros with zero or small interest rates. UNIDO could avoid penalty interest but had to extend the term of the investments by up to twelve months. Unfortunately, UNIDO prolonged one deposit for 97 days with

a negative interest rate. After that rollover, UNIDO received the final repayment with a deduction of 12,125 euros penalty interest.

Recommendation(s)

79. UNIDO prolonged the investment with complete knowledge of the penalty interest. There was no automatic rollover. Because UNIDO has more than ten counterparts for its investments, it should have been possible to transfer the deposit to another counterpart. Therefore, I am of the opinion that UNIDO could have avoided the penalty interest. For the actual financial situation, I recommend that no investment with interest rates below zero per cent be accepted.

Management's response

80. UNIDO agrees with the comment that investments with negative interest rates should be normally refrained from. However, UNIDO could not avoid the penalty interest in the quoted case and invest the funds somewhere else at that point of time since all of our counterparties offered negative interests (as duly recorded on the original Investment Sheet of the particular deal). Some of our existing investment partners were even not accepting EUR deposits for less than 1 year. Establishing relationship with a new counterparty is a long process and other potential counterparties we addressed at the point of time had also negative interest rates.

81. Please note that investing the funds with another existing counterparty with a full investment quota would have increased our exposure with the particular counterparty to an extent that would have endangered the security of the funds. UNIDO's investment policy has three main principles:

a. Security of the funds

b. Liquidity

c. Investment Return

By investing funds with another counterparty within the Portfolio beyond the established quota, UNIDO would have broken its first and foremost goal, ensuring security of the funds.

82. Furthermore, UNIDO has outperformed the market with regards to the EUR investment revenues during the year 2015. The actual 0,126% average rate on EUR investments is significantly above the market performance (0.07%).

83. UNIDO has been actively investigating other investment products available on the market. Unfortunately, most other short term non-speculative products currently bear negative interest rates (treasury bills and money market funds).

84. In summary, the overall investment performance, including its EUR segment, was better than the average market conditions. The single transaction that yielded negative interest was unavoidable at that moment and had no material influence on the yearly interest earnings.

Follow-up

85. My team and I will follow up on the process.

C.3.1.2. Assessed contributions receivable

Assessed contributions increased

86. In 2015, the level of assessed contributions receivable increased by some 5 million euros to 103.2 million euros. The trend from 2012 to 2015 is shown in Table 3.

	Year as at 31 December				
	2012	2013	2014	2014 (restated)	2015
Current assessed contributions receivable million euros	92.5	92.5	98.4		103.2
percentage change	*(6.8 %)*	*(0.0 %)*	*6.4 %*		*4.8 %*
Allowance for doubtful accounts million euros	87.2	86.8	89.8		91.4
percentage change	*(4.7 %)*	*(0.5 %)*	*3.5 %*		*1.9 %*
Non-current assessed contributions receivable million euros	6.6	1.1	0.6		0.1
percentage change	*(35.7 %)*	*(82.9 %)*	*(45.0 %)*		*(84.1 %)*
Allowance for doubtful accounts million euros	2.3	0.5	0.2		0.1
percentage change	*(42.6 %)*	*(62.0 %)*	*(76.7 %)*		*(78.3 %)*

Table 3: Assessed contributions receivable (source: Note 3)

Allowance for doubtful contributions had to be calculated as at 31 December 2015

87. In accordance with IPSAS, an allowance for doubtful contributions had to be calculated as at 31 December 2015. The allowance amount for doubtful accounts increased by 1.7 million euros to a total of 91.4 million euros. More than 71 million euros of the allowance refer to doubtful assessed contributions of former Member States. The total outstanding amounts (without former Member States) increased to a total of 32.1 million euros. The trend at the end of a biennium between 2010 and 2015 is shown in Table 4.

	Biennium		
	2010 - 2011	2012 - 2013	2014 - 2015
Assessed contributions receivable million euros	156.6	153.2	143.2
Assessed contributions collected million euros	144.1	146.4	129.6
Assessed contributions outstanding million euros	12.5	6.8	13.5
Outstanding amounts in total as at 31 December of the second year million euros	38.3	22.3	32.1

Table 4: Status of assessed contributions without former Member States - biennium - (source: Annex I)

Recommendation(s)

88. Once again, I would like to remind the few Member States with significant arrears to fulfil their obligations and to pay due contributions. It is also a question of fairness towards the other Member States to contribute to UNIDO financial health according to incurred commitments. All Member States and Management should enforce the efforts to negotiate payment plans with Member States being in arrears.

Management's response	89. Management confirms the importance of payment plans and its continued efforts in negotiating such with member states having arrears.
Follow-up	90. My team and I will follow up on the process.
Non-current assessed contributions	91. Non-current contributions receivable are confirmed contributions of Member States that fall due after one year from reporting date in accordance with agreed payment plans. Payment plans are negotiated between the Member States and Management in order to reduce arrears. Over the last years, Member States and Management successfully reduced non-current assessed contributions receivable. The trend from 2012 to 2015 is shown in Table 3.
Credit of instalments of a payment plan	92. After agreeing to a payment plan, a member state is permitted to pay arrears by yearly instalments. The member state also has to pay the assessed contribution of the current year. Pursuant to this segmentation, the instalments would have to be credited to the oldest arrear, whereas the other part of the payment would have to be credited to the due payment of the assessed contribution of the current year. Otherwise, the current assessed contributions of the member state would be in arrears. Anyhow, the payment plans do not include any regulation by which order the payments are credited. In accordance with financial regulation 5.5 (c), UNIDO credits the payments always to the oldest arrears, even if a payment plan is agreed.
Recommendation(s)	93. The agreement to pay arrears in instalments and to pay current assessed contribution does not comply with mentioned financial regulation to credit the payments to the oldest arrears. I recommend that UNIDO either add a special paragraph to the financial regulations on credits of payments under a payment plan or explicitly refer to financial regulation 5.5 (c) explicitly in the payment plans.
Management's response	94. All payment plans fully complied with the relevant financial regulations; any instalment payment received was applied against the oldest arrears. The inclusion of the current assessments in the plan ensures that at the end of the servicing period the entire amount of assessed contributions was paid, due at the time of the expiration of the plan. 95. There is no need to add a new paragraph to the financial regulations; the text of future payment plans might be improved to remove any doubt about the applicability of the financial regulations.
Follow-up	96. My team and I will follow up on the process.

C.3.1.3. Voluntary contributions receivable

Voluntary contributions increased by more than 90 per cent	97. In 2015, voluntary contributions receivable almost doubled by more than 100 million euros to a total of 212.0 million euros. For the first time, UNIDO differed between current and non-current voluntary contributions receivable. No allowance has been made to voluntary contributions. The trend from 2012 to 2015 is shown in Table 5.

	Year as at 31 December				
	2012	2013	2014	2014 (restated)	2015
Voluntary contributions receivable (current) million euros	.	.	.	70.5	139.2
percentage change					*97.4 %*
Voluntary contributions receivable (non-current) million euros	.	.	.	39.9	72.8
percentage change					*82.5 %*
Voluntary contributions receivable million euros	**119.9**	**69.3**	**110.4**		**212.0**
percentage change	***8.0 %***	***(42.2 %)***	***59.3 %***		***92.0 %***

Table 5: Voluntary contributions receivable (source: Note 3)

Voluntary contributions welcomed

98. Even though voluntary contributions are most welcome, increasing voluntary contributions and a constant budget (real growth of 0 %) jeopardize the DG development objectives. Furthermore, included programme support costs do not fully cover the administrative costs of the organization. The additional expenditure for the organization is borne by the regular budget on the expense of all member states.

Recommendation(s)

99. As last year, I recommend that Management observe the current and future situation and ensure a balance between voluntary contributions and the regular budget to finance UNIDO. The massive increase in voluntary contributions may help UNIDO to reach its goals but it may also bear risks for the future.

Management's response

100. Management is fully aware of the need to have the right balance between assessed and voluntary contributions. The current trend in the entire UN system is a shift away from assessments; the key issue is rather mobilizing funds with a non-tied character.

Follow-up

101. My team and I will follow up on the process.

C.3.2. Liabilities

C.3.2.1. Accounts payable

Financial Regulation 4.2.

102. According to 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 therefrom 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)".

Accounts payable to Member States

103. The surplus amount available for distribution is the unspent balance resulting from the collections from Member States. The assessed collections received relative to earlier biennia plus the amounts received from new Member States are shown

under "accounts payable" (pending receipt of the instructions by concerned Member States). The trend from 2012 to 2015 is shown in Table 6.

	Year as at 31 December				
	2012	2013	2014	2014 (restated)	2015
Unencumbered balance brought forward on 1 January million euros	26.8	10.4	16.6		4.8
Plus: Collection of contributions from previous period million euros	8.6	12.0	0.7		10.0
Minus: Applied to assessment, retained for Technical Cooperation (hereinafter "TC") activities or refunded to Member States million euros	(25.0)	(5.8)	(12.4)		(3.1)
Balance payable to Member States million euros	10.4	16.6	4.8		11.7

Table 6: Unencumbered balance (source: Note 10, accounts)

C.3.2.2. Employee benefits liabilities

Rising trend intact

104. Employee benefits liabilities consist of current and non-current liabilities. The trend from 2012 to 2015 is shown in Table 7.

	Year as at 31 December				
	2012	2013	2014	2014 (restated)	2015
Short-term benefits million euros	2.3	1.5	2.0		3.0
percentage change	*189,9 %*	*(35.2 %)*	*30.4 %*		*53.6 %*
Post-employment benefits million euros	176.8	175.1	223.5		211.5
percentage change	*33.6 %*	*(1.0 %)*	*27.7 %*		*(5.3 %)*
Other long-term benefits million euros	6.1	5.4	6.2		6.0
percentage change	*24.7 %*	*(11.5 %)*	*14.4 %*		*(2.6 %)*
Total liabilities million euros	**185.2**	**182.0**	**231.6**		**220.5**
percentage change	***34.2 %***	***(1.7 %)***	***27.3 %***		***(4.8 %)***

Table 7: Employee benefits liabilities (source: Note 11)

Short-term employee benefits are negligible

105. Short-term employee benefits liabilities including salaries, home leave travel and education grants are calculated by UNIDO based on personnel data and past payment experience. Compared to non-current employee benefits liabilities, short-term employee benefits amounting to 3 million euros are negligible.

Non-current employee benefits decreased slightly

106. Post-employment benefits and other long-term employee benefits are determined by professional actuaries. The actuarial valuation is an estimate of the long-term liabilities. Changes in assumptions, the discount rate and the inflation rate could significantly affect such an estimate. The assumptions are disclosed by Management in accordance with IPSAS.

Deficit of regular budget increases

107. Due to these non-current liabilities for employee benefits, the General Fund balance of UNIDO regular budget is negative. The deficit amounts to 156.8 million euros. Although it is not a payment that needs to be made in the near future, cash payments will be made in the years to come in order to meet these liabilities.

C.4. Statement of Financial Performance

Voluntary contributions increased

108. In 2015, the increase of total revenues speeded up from 15.7 per cent in 2014 to 37.7 per cent. Once more, the increase is mainly due to higher voluntary contributions totalling almost 230 million euros. On the other hand, assessed contributions decreased again, after 6 per cent in 2014 by 1 per cent in 2015. The trend from 2012 to 2015 is shown in Table 8.

	Year ended 31 December				
	2012	**2013**	**2014**	**2014 (restated)**	**2015**
Total revenue					
million euros	**220.9**	**191.6**	**221.6**		**305.1**
percentage change	***(19.2 %)***	***(13.3 %)***	***15.7 %***		***37.7 %***
<u>thereunder:</u>					
- Assessed Contributions					
million euros	76.6	76.5	71.9		71.2
percentage change	*(2.2 %)*	*(0.0 %)*	*(6.0 %)*		*(1.0 %)*
- Voluntary contributions					
million euros	142.9	114.0	149.6		228.8
percentage change	*(26.0 %)*	*(20.3 %)*	*31.3 %*		*52.9 %*
- Investment revenue					
million euros	0.8	0.5	0.1		0.0
percentage change	*(8.4 %)*	*(37.1 %)*	*(81.6 %)*		*(80.0 %)*
Total expenditure					
million euros	**230.0**	**230.1**	**190.8**	**191.4**	**223.1**
percentage change	***13.5 %***	***0.1 %***	***(17.1 %)***	***(16.9 %)***	***16.6 %***
<u>This comprises:</u>					
- Salaries/employee benefits					
million euros	115.0	107.9	106.9		126.3
percentage change	*5.0 %*	*(6.2 %)*	*(0.9 %)*		*18.2 %*

- Operational costs					
million euros	23.3	34.0	31.8		26.7
percentage change	*(7.8 %)*	*46.0 %*	*(6.3 %)*		*(16.2 %)*
- Contractual Services					
million euros	55,7	70.1	44.6		55.8
percentage change	*65.4 %*	*26.0 %*	*(36.4 %)*		*25.1 %*
- TC equipment expensed					
million euros	21.4	15.7	4.5		6.2
percentage change	*15.4 %*	*(26.8 %)*	*(71.1 %)*		*36.4*
Currency Translation Differences					
million euros	7.8	9.7	(25.4)	(26.0)	(33.3)
change in million euros	20.3	1.9	(35.1)	(35.6)	(7.3)
Surplus/(deficit)					
million euros	**(16.8)**	**(48.3)**	**56.2**		**115.2**
change in million euros	**(100.3)**	**(31.4)**	**104.5**		**59.0**

Table 8: Financial performance (source: Statement 2)

Expenditures increased significantly

109. In the same period, expenditures also went up by 16.6 per cent. In particular, salaries and employee benefits increased by almost one fifth, expenditures for contractual services by one quarter and TC equipment by more than one third. Only Operational costs decreased significantly by 16.2 per cent.

Currency translation differences impacting surplus

110. In total, UNIDO performance more than doubled. After 56.2 million euros in 2014, a surplus of 56.2 zoomed up to 115.2 million euros. The difference amount is 59.0 million euros. Again, a significant part of the surplus results from currency translation differences that are only accounted for as profits.

Recommendation(s)

111. The euro/dollar exchange rate decrease at year-end impacted UNIDO performance in 2015 once again. Therefore, I would like to reaffirm my last year’s recommendation that Management continue to generate revenues and to limit expenditures.

Management’s response

112. Management will continue its efforts of income generation (please refer to the noticed increase in voluntary contributions above). Budgetary expenditures were and will be limited to the level of available funds.

Follow-up

113. My team and I will follow up on the process.

C.5. Statement of Comparison of Budget and Actual Amounts

Preparation of budget and accounts on different bases

114. Since the adoption of IPSAS, UNIDO budgets und accounts have not been prepared using the same basis. Statements 1 to 4 are fully prepared on accrual basis. Budget items have been classified based on the nature of expenses in accordance with budgets approved for the biennium 2014-2015.

Statement 5 serving as a link

115. The Statement of comparison of budget and actual amounts (Statement 5) provides a reconciliation of budgets with accounts. It is prepared on a modified cash basis of accounting. Budget utilization for 2012-2015 is shown in Table 9.

	Year ended 31 December				
	2012	2013	2014	2014 (restated)	2015
Original budget million euros	91.7	94.8	88.4		91.7
Final budget million euros	91.7	105.7	88.4		102.0
Actual amounts on comparable basis million euros	81.1	89.5	78.0		87.6
Balance of appropriations million euros	10.9	16.3	10.3		14.5
percentage of final budget	11.9 %	15.4 %	11.7 %		14.2 %

Table 9: Comparison of budget and actual amounts (source: Statement 5)

Percentage of unspent budget funds increased

116. In 2015, the percentage of unspent budget went up to 14.2 per cent, but did not reach the level of 2013. This development over the two years of a biennium can be observed in each biennium.

C.6. Fund Balance and Commitments

Commitments only 44 per cent of the fund balance

117. UNIDO commitments are not recognized as expenses in IPSAS-compliant financial statements. On the other hand, commitments tie up UNIDO financial resources resulting in a cash outflow in future years. In 2015, 44 per cent of UNIDO fund balance is tied up by commitments. The percentage of fund balance is the lowest of the last five years. The trend from 2012 to 2015 is shown in Table 10.

	Year ended 31 December				
	2012	2013	2014	2014 (restated)	2015
Fund balance million euros	254.6	211.3	227.1		348.6
percentage change	*(16.2 %)*	*(17.0 %)*	*7.5 %*		*53.5 %*
Commitments million euros	132.7	99.9	125.4		154.6
percentage change	*21.5 %*	*(24.7 %)*	*25.5 %*		*23.3 %*
percentage of fund balance	52.1 %	47.3 %	55.2 %		44.3 %

Table 10: Fund balance and commitments (source: Notes 14, 20)

D. Detailed Findings for 2015

D.1. Field Mission to Morocco

Field mission carried out

118. My team carried out a field mission to Morocco. I will only give an overview of the mission's main results. More detailed findings have been presented to Management.

D.1.1. Sustainability of projects

Sustainability is a quality criterion

119. Sustainability is an important factor for the success of a project. According to UNIDO guidelines on TC programmes and projects, sustainability is a quality criterion which is to be considered during the design and implementation of a project. A project is called sustainable when a continued utilization of its results can be assured after completing of the project and it continues to deliver benefits to the project beneficiaries for an extended period after the end of external support. Clear ownership on the part of the beneficiary is a key prerequisite for attaining project sustainability. A binding commitment of the National Authorities is necessary to ensure that the achievements of a project will be maintained in the future.

Based on assumptions

120. In the interviews with relevant stakeholders and national counterparts, it was assumed or expected that the involved institutions or the National Authorities would take on the necessary tasks after the termination of a project. It was not specified how these assumptions should be put into practice. The considerations in the project documents with regard to sustainability were also necessarily based on assumptions.

Recommendation(s)

121. In my view, a post-implementation follow-up is necessary to determine whether sustainability of project results has been achieved. I recommend that after an appropriate period of time a further evaluation be carried out, either by the beneficiary or other institutions, in order to determine whether the achievements and benefits of a project were sufficiently perpetuated. UNIDO should discuss with the donors whether additional funds could be provided for this purpose. Alternatively, UNIDO could request the relevant National Authorities to report regularly over a suitable period of time after a project has been completed.

Management's response

122. Management agrees that sustainability assessment requires that the evaluation covers a much longer period of time. However, evaluations are typically funded under a project modality. When a project ends, evaluation funding for that project is also terminated. This prohibits collecting ongoing data to assess post-implementation sustainability over time. Indeed, post-implementation follow-up should be discussed with donors. Also, some appropriate criteria should be established, taking into account project size, complexity and other such parameters. It is less likely that the burden of post-implementation reporting could be placed on national authorities, because many countries lack the capacities for monitoring and evaluation. Addressing national capacity-building in these areas should also be considered.

No further follow-up

123. My team and I will not pursue this matter further.

D.1.2. Weaknesses in the project design

Visit of a project site	124. Under the project ‘‘Morocco-PCB Waste Management (Environmentally Sound Management and Disposal of PCB-Contaminated Transformers in Morocco)’’ with the project-ID 104051/(GFMOR09002), UNIDO and United Nations Development Programme (hereinafter “UNDP”) provide assistance to public and private sector actors to increase the in-country capacity for safe and sustainable management of polychlorinated biphenyls (hereinafter “PCB”) contaminated transformers at all stages of their life cycle. UNDP was responsible for strengthening the legal, regulatory and institutional capacity in Morocco with regard to PCB management and the disposal of pure PCB-containing equipment. UNIDO provides support and assistance to establish an industrial platform for treating and decontaminating contaminated equipment. My team reviewed this project.
24-month extension for the implementation	125. After updating the inventory of PCB-contaminated electrical equipment in Morocco, the implementation of the national platform was delayed. In December 2014, the national counterparts requested a time extension of 24 months. The national counterparts could not establish a local infrastructure for dismantling, decontaminating and treating of PCB-contaminated transformers in time. Furthermore, the environmental impact assessment took more time than expected in order to obtain authorization to set up the platform. At the time of the field mission, the national counterparts were still in the process of setting it up.
Lack of realistic timeframe	126. In my opinion, the project design was too optimistic and did not calculate adequately the amount of time needed to find a public private partnership with the skills and knowledge for the treatment and decontamination of PCB-contaminated transformers. Furthermore, the poor infrastructure, the environmental and basic conditions were not favourable to set up a platform for dismantling, decontaminating and treating of PCB-contaminated transformers in time.
Recommendation(s)	127. For a successful execution of a project, I recommend that UNIDO pay special attention to the project design in respect of the environmental and social conditions of a developing country. In addition, UNIDO should take into account the modalities and procedures of decision-making processes in a developing country and look for solutions in accordance with the national counterparts to accelerate the process.
Management’s response	128. Management agreed with my findings and recommendation. There were delays in the processing of the request for proposals related to the set-up and operation of the local infrastructure as well as the delivery of the environmental impact assessment license. The National platform for PCB treatment was commissioned in the first semester of 2015 and officially inaugurated on 17 November 2015 with the participation of the Government of Morocco, UNIDO and other national and international stakeholders.
No further follow-up	129. My team and I will not pursue this matter further.

D.1.3. Documentation

Documents requested	130. For the preparation of the field mission, my team had requested the complete project documentation for the respective projects with regard to project development and management, procurement and general correspondence. UNIDO informed them that all requested documents had been uploaded and were available on the ERP system.

Framework	131. In the Open Text system a set of standardized folders is provided in conjunction with the creation of a new SAP Portfolio and Project Management (hereinafter "PPM") Item or PPM Project. The KMC Documents Management Guideline (hereinafter "DMG") defines where a certain document should be stored according to its specific contents.
Documents not stored in required folder	132. While examining the documentation for the selected projects, my team found that some documents were not stored in the relevant folders specified by DMG or were not available at all in the PPM Item/Project workspace.
Consistent project documentation is essential for UNIDO work	133. Consistent and continuous project documentation is essential for the day-to-day project management, facilitating work for all staff involved and showing UNIDO activities within a project. If documents are stored in a haphazard and inconsistent way, there is a risk of loss of knowledge should the responsible staff member leave the organization. This could result in additional efforts for the respective successor or colleagues and other staff members who need to familiarize themselves with the projects. A disorderly documentation also renders external reviews difficult.
Recommendation(s)	134. I recommend raising awareness among staff about the necessity of a complete and structured storage of project documents. New staff should be acquainted with the structure of SAP PPM folders and the stipulations of DMG. UNIDO should examine whether DMG meets the requirements of users and revise the regulations, where necessary. The DMG should also be updated with regard to the demands of the new Open Data Platform.
Management's response	135. Management took note of my recommendations. Management also observed that the reason for such a storing practice stems from the fact that at the time of the initial introduction of the system documents could be uploaded directly into the system without a predefined structure. The document hierarchy was designed and introduced later. The filing for ongoing projects mostly has been completed using the same, original storage system to avoid disruption and facilitate access to the documents.
Follow-up	136. My team and I will follow up on the process.

D.1.4. Framework

Manuals/guidelines not up to date	137. My team found that some of the relevant manuals and guidelines were not up to date. The documents were stored in different locations in UNIDO Intranet. None of the documents was contained in the Open Text Documents subfolder 'Manuals and User Guides'.
Up-to-date framework necessary	138. The objective of manuals and guidelines is to advise staff how to carry out the necessary activities for their assigned tasks and ensure that this is implemented in a consistent and standardized way throughout the organization. Hence, they should be up to date and reflect all changes within the structures, processes and procedures, and IT systems of UNIDO. Especially for new staff, it can be onerous to locate the necessary regulations for their work if it is not possible to easily identify and access the relevant documents. This can also lead to time-consuming work processes and increase the risk for substantial errors and subsequently damages the organization.
Recommendation(s)	139. I recommend that UNIDO update the outdated guidelines and manuals in a timely manner, especially with regard to the changes induced by the new ERP

system. In order to facilitate the access of all staff to guidelines and manuals that is essential for their work, these documents should be aggregated in a central folder in the ERP system. If a guideline or manual is dispensable, UNIDO should consider suspending the regulation and removing the respective document from UNIDO Intranet or ERP system.

Management's response

140. Management recognized the need to update manuals and guidelines or develop new ones. According to Management, guidelines/manuals related to UNIDO processes and procedures are continuously updated by the respective departments/units. Updated content is to be published in the appropriate systems locations. However, the timely revision of these documents is hugely dependent on resource availability, particularly human resources.

Follow-up

141. My team and I will follow up on the process.

D.1.5. Assets

Registration of assets in the SAP Asset Management System

142. Chapter 3.2.3 of UNIDO Property Management Manual (hereinafter "PMM") sets criteria for capitalizing assets. Capitalizing a minimum threshold for items above 600 euros is required in the PMM. Items below the capitalization threshold are recorded as expenses in the year of purchase. Currently, the SAP Asset Management System (hereinafter "AMS") captures all items above 600 euros. Items with a value below 600 euros will be recorded automatically in AMS if they are purchased through the SAP Shopping Cart procedure. Items which are not automatically captured in the system have to be recorded separately for capitalizing.

Attractive assets

143. PMM stipulates that specific low-value assets, as mobile phones, computers and other attractive assets, should be captured in AMS for purposes of monitoring and control. My team observed a certain weakness in recording attractive assets. For instance, the Field Office in Morocco captures attractive items in an excel sheet. On the other hand, TIS records all IT assets separately in a database.

Recommendation(s)

144. I recommend capturing attractive assets below the threshold of 600 euros in AMS as required by PMM.

Management's response

145. Management took note of the recommendation and stated that this issue will require an assessment of the feasibility of entering such attractive items in the SAP Asset Module and the related workflow.

Follow-up

146. My team and I will follow up on the process.

D.1.6. Physical inventory verification

Lack of physical inventory verification

147. Chapter 9.6 of the PMM also stipulates physical inventory verification. For all property plant and equipment (hereinafter "PPE") issued to UNIDO country offices, physical inventories verifications should be scheduled and arranged annually. Therefore, the General Support Service Unit provides the representatives in the Field Offices with a list of the assets corresponding to UNIDO Field Offices. This inventory report should be reviewed and reconciled by the Field Offices. This list contains only the assets purchased, used and acquired for the Field Office with a value above 600 euros. The UNIDO Field Offices shall ensure that each asset is labelled with an asset identification (hereinafter "ID"). Assets which are purchased through the SAP Shopping Cart procedure are marked automatically with a

	generated system ID. Assets below 600 euros should be recorded in an Excel sheet by UNIDO Field Offices and should be labelled with an ID.
Inventory discrepancies	148. My team was provided with a list of the physical inventory prepared by the Field Office in Morocco. In addition, they received a certified list of the assets from Headquarters on the same issue. The comparison revealed that many assets were not included in Headquarters inventory list.
Recommendation(s)	149. In my opinion, physical verification of inventories is an important part of an organization's internal controls over assets. It is intended to verify the accuracy of inventory records, and to assign the proper carrying value to that inventory. Therefore, I recommend removing the discrepancies between these inventory records. In this context, I recommend raising awareness among staff about the importance of an inventory reconciliation process for the validity of financial records.
Management's response	150. Management pointed out that the field offices are responsible for the physical inventory verification. Therefore, once a year UNIDO Field Offices are requested to update the inventory list. The Headquarters staff could only rely on the results of physical inventory verification by the Field Office.
Follow-up	151. My team and I will follow up on the process.

D.1.7. Petty cash administration and minor bank transfers

Guidelines for petty cash management and minor bank transfers	152. With regard to the Guidelines for Petty Cash Management and Minor Bank Transfers, the petty cash holder shall keep a petty cash book, which should contain all receipts and disbursements chronologically numbered and journalized by date. A permanent file for the petty cash should be maintained by the responsible manager. It should contain the authorization for the establishment of the petty cash, a description of the type of expenditure, the designation of the petty cash holder and his/her alternative. The expenditures of petty cash should be reported in a petty cash expense report. The report must be certified by the responsible manager. At the Field Office in Morocco, my team only looked through petty cash records which did not comply with these guidelines.
Recommendation(s)	153. In my opinion, the administration in the Field Office should prepare a petty cash expense report in accordance with UNIDO guidelines. I recommend that UNIDO remind the responsible petty cash custodian to meet the requirements of the guidelines.
Management's response	154. UNIDO will remind the responsible petty cash custodian and will send Guidelines for Petty Cash Management and Minor Bank Transfers to UNIDO Field Office.
Follow-up	155. My team and I will follow up on the process.

D.1.8. Employment contracts

Employment contracts examined	156. For the preparation of the field visit, my team examined employment contracts of staff members in the Field Offices in Morocco and Tunisia. In two cases, the relevant remuneration for locally recruited staff was denominated in euros instead of in the local currency. The specified amount, however, was the same as the sum in local currency resulting from the applicable salary scale not converted to euros.

Findings discussed	157. My team discussed this matter with UNIDO Department of Human Resources Management. A test run of a new contract for locally recruited staff showed that the system automatically creates an appointment letter that contains the applicable remuneration denominated in the respective national currency.
Recommendation(s)	158. In my opinion, the employment contracts should reflect the actual terms of employment according to the salary scale for a specific grade. I recommend ensuring that the correct currency denomination is automatically included in appointment letters and cannot be changed manually. UNIDO also might want to consider the possibility of dispensing with the specification of an amount payable in the appointment letters and merely referring to the applicable salary scale according to grade, step and category of staff.
Management's response	159. Management agreed with the recommendation that changes in the systems control to ensure this be initialized. Management also agreed to dispense with the specification of an amount payable in the appointment letters and to merely refer to the applicable salary scale according to grade, step and category of staff as this would reduce manual checking.
Follow-up	160. My team and I will follow up on the process.

D.2. Buildings Management Service

D.2.1 Organizational structure and processes

Last year's audit continued	161. Complementary to my last year's audit on UNIDO BMS, which mainly focused on BMS regulatory framework, missions, overall risks and staffing, this year's audit prioritized the assessment of its organizational structure and processes.
No BMS schedule of responsibilities	162. BMS is headed by the Chief BMS who is supported by the Office of the Chief, the Administrative and the Engineering Services, and six workshops headed by supervisors responsible for the execution of all operational tasks in electrical and air-conditioning, civil and electronics engineering. There is no comprehensive document for BMS organizational units and staff detailing responsibilities, duties and tasks and their respective interrelations (schedule of responsibilities).
No procedural guidelines/manuals	163. This lack of a comprehensive schedule of responsibilities corresponds with the lack of related mandatory procedural guidelines and manuals for BMS-specific processes and procedures.
Current review and evaluation of BMS organizational structure	164. The new Chief BMS, appointed in April 2015, is aware of these organizational deficiencies and shares EA assessment. Chief BMS hired an external organizational expert in November 2015 to – inter alia – review and evaluate the current organizational structure with the aim to: a. Establish a clear managerial structure with well-defined managerial and supervisory roles and responsibilities; b. Reinforce the monitoring capacities; c. Define a workflow of the Project Management Process and detail the roles and responsibilities of all parties involved; and d. Streamline administrative processes.
Report expected	165. The expert is expected to provide his report in the upcoming weeks, at the

latest on 6 May 2016 (end of contract). In line with interviews with BMS management and staff on the expected outcome of the expert's assessment and recommendations, the proposal for a new structure could be implemented once it is approved.

MAXIMO introduced

166. BMS has introduced a new Work Order Management System (hereinafter "MAXIMO") in October 2015. It includes different functionalities such as:

a. Ticketing and tracking service requests;

b. Planning, managing and monitoring work orders;

c. Planning and monitoring resources;

d. Reporting and analysing tools; and

e. An interface to SAP Material Module of BMS Central Store.

Initiatives welcomed

167. First of all, I welcome the appointment of the new Chief BMS and his initiatives aimed at strengthening effective goal achievement and organizational efficiency. While the organizational structure of BMS - Office of the Chief, administrative and engineering services, workshops - might be fit for purpose, the lack of clearly defined responsibilities and roles, duties and tasks together with poorly documented procedures and processes poses a general risk to BMS mission performance. It might lead to operational inefficiencies and misallocation of resources, especially when tasks on top of the daily routines have to be performed. This is yet increased by an insufficient and inappropriate staffing.

Review welcomed

168. I also welcome the initiative to task an external expert with developing a new and efficient structure for BMS. In order to increase BMS organizational efficiency and effective mission performance, a new structure must be complemented by a clearly defined schedule of responsibilities including appropriate supervisory and control mechanisms. In this regard, I appreciate the introduction of MAXIMO since its implementation already required streamlining and translating certain processes into IT-supported workflows. Still, this should not keep BMS from regularly reviewing these processes and workflows.

Recommendation(s)

169. Therefore, I recommend

a. Enhancing all efforts to make BMS more effective in terms of results and more efficient in terms of organization;

b. Paying due attention to BMS goal achievement when setting up a new organizational structure;

c. Reviewing and clarifying responsibilities and roles, duties and tasks in order to develop a comprehensive schedule of responsibilities;

d. Reviewing, streamlining and documenting existing procedures and processes or, if needed, develop appropriate new ones;

e. Keeping all procedures and processes as light as possible to ensure overall acceptance and support;

f. Integrating and translating relevant processes into MAXIMO in order to facilitate daily work of BMS staff; and

g. Enhancing the use of MAXIMO to support steering, managing and reporting capacities within BMS.

Management's response

170. Management took note of my observations. To discuss my recommendations in detail management gave the following response:

a. BMS is confident that the increase in efficiency will be achieved through a new structure, the redeployment of posts to high priority or understaffed areas, and the recruitment of skilled workforce.

b. The goals to be achieved under the new structure are 1) strengthening the Project Management Capacities, 2) reinforcing preventive maintenance activities, 3) improving the responsiveness of BMS to unplanned repairs and requests by VBOs, and 4) strengthening the staff relocation services provided to VBOs. As mentioned before, vacant posts will be redeployed to strengthen these areas and achieve these goals.

c. One of the objectives of the new structure is to clarify the roles and responsibilities of the different areas and jobs in order to reduce any overlapping of functions, and ensure that the focus of each area is on its "raison d'être". As example, by strengthening the Project Management area, BMS can release the supervisors of the maintenance areas from performing project management functions and allow them to concentrate all their efforts on the preventive maintenance activities.

d. Under the new structure, BMS intends to substantially strengthen the Administrative Support area. The new unit will be headed by one P-3 Building Management Officer and will count in total 10 posts. One of the functions of this unit will be to review the existing administrative procedures and processes and propose possible streamlining measures.

e. (see d.)

f. MAXIMO is an electronic Work Order Management System which allows viewing and monitoring the status of work orders assigned to BMS teams. From a managerial point of view, MAXIMO does not only allow managers to distribute work within a Team in a fair and efficient manner but also to anticipate workload related delays. MAXIMO reports on number of work orders per unit, team, and VBOs for a given period. As the next step, MAXIMO will cover the preventive maintenance plans of all teams which will further enhance the reporting capacities.

g. (see f.)

EA response

171. I appreciate the action taken by BMS management. I would like to point out again that MAXIMO could be the central instrument to support steering, managing and reporting capacities within BMS. In my view, BMS should step up efforts to reach this goal within the next time.

Follow-up

172. My team and I will follow up on the process.

D.2.2 BMS status and vacancies

UNIDO responsibilities

173. In accordance with the Headquarters' Agreement, UNIDO, through BMS, has the overall responsibility for maintaining, repairing and upkeeping VIC complex vis-à-vis the Host Government. In consequence of this responsibility, BMS, over the past 15 years, has increasingly been engaged in implementing major construction projects related to and funded by the individual VBOs, e.g. construction of data centres for IAEA and CTBTO.

High vacancy rate

174. For the biennium 2014-2015, BMS budget provides for 111 budgeted posts.

Nonetheless, BMS has a high vacancy rate of currently 34 budgeted vacant posts. There is a growing concern among the other VBOs, openly expressed at the meeting of the Infrastructure Committee (hereinafter "IC") dated 1 February 2016, that BMS will not be able to perform its duties and tasks if the high number of vacant posts cannot be filled adequately.

External services

175. In the past, VBOs entrusted and contracted external service providers on their own behalf, or carried out and supervised construction projects with their own units. This has, in at least one case, already resulted in, and increases the risk of, having conflicting technical standards at VIC.

All vacant post to be filled

176. At the IC meeting, VBOs emphasized that they expect UNIDO to fill all vacant posts in BMS by regular long-term staff as soon as possible. In particular since BMS is a common service, for which UNIDO share equals roughly 15 percent of the budget, and since posts have been budgeted and approved, lacking recruitment could not be attributed to financial constraints. In response, UNIDO representatives explained that they were not able to fill their vacancies due to a temporary external recruitment freeze.

UNIDO role

177. Since UNIDO has the overall responsibility for maintaining, repairing and upkeeping VIC complex vis-à-vis the Host Government, it is essential that BMS

a. Be accepted by all VBOs as the central actor and unit in charge of all activities for maintaining, repairing and upkeeping VIC complex to avoid the risk of having conflicting technical standards in VIC; and

b. Be adequately staffed in terms of number and skills to fulfil its duties and tasks.

Sufficient staff needed

178. As a consequence of BMS role, the sole responsibility includes any changes to VIC, notably the implementation of any construction projects related to and funded by the individual VBOs. This task is not adequately reflected in BMS current set-up; it does not only bind resources but requires staff to possess the necessary technical expertise and good project management skills.

VBOs concerns shared

179. As EA of UNIDO, I share VBOs concerns and reiterate last year's findings that BMS will not be able to perform all its duties and tasks if the high number of vacant posts cannot be filled adequately and as soon as possible. In resolving this situation, UNIDO would not only fulfil its legal duties stemming from the Headquarters' Agreement but would also mitigate potential financial and reputational risks that might arise in case of incidents which could be attributed to neglect of duty.

VBOs argumentation supported

180. I also support VBOs argumentation that BMS needs a long-term perspective to provide for adequate and high-quality service. In terms of risk mitigation, it is hard to understand UNIDO stance, i.e. choosing not to adequately fill the vacant posts during preceding years although posts have been budgeted and approved by Member States. Since UNIDO is ultimately responsible for VIC, investing roughly 15 per cent of the relevant budget for common services seems to be reasonable to mitigate the risk stemming from understaffing.

Recommendation(s)

181. Therefore, I recommend

a. Reiterating the overall responsibility for maintaining, repairing and upkeeping VIC complex vis-à-vis the other VBOs;

b. Establishing appropriate procedures with the other VBOs to avoid conflicts of competence;

	c. Recruiting the required staff as soon as possible; this should be based on the staff capacity plan, recommended in EA Annual Report of 2014, matches current vacancies with operational needs and risks; and d. Paying due regard to requirements resulting from reviewing BMS structure, processes and procedures when implementing the staff capacity plan.
Management's response	182. Management took note of my observations. To discuss my recommendations in detail, Management gave the following response: a. The mission of BMS is to ensure a safe and reliable operation, maintenance and repair of VIC buildings, equipment and installations. All changes and measures taken by BMS (development of MAXIMO, reduction of overtime, assessment of risks in case of failure, assessment of skills required in the future, structural changes, and the recruitment campaign) over the last 6 months are aimed at fulfilling this mission in the most efficient way. b. This recommendation is only partially accepted since there is a de-facto clear understanding of the role and responsibilities of BMS as the central actor and unit in charge of all activities for maintaining, repairing and upkeeping VIC complex and no conflicting incidents have happened in the recent past. In particular, since the recruitment of the new Chief of BMS, the working relationship between BMS and VBOs has been constantly improving. This relationship is based on transparency, trust and mutual respect. This is reflected in the excellent progress made in the approval process for MRRF projects in 2015 and 2016 and the large number of initiatives that have been approved by the IC to be implemented by BMS. However, formalizing the current factual relationship and understanding in the form of written procedures, which will define the roles and responsibilities of BMS as well as of the other common services, could be considered in the future. c. DG has approved the external advertising of all currently vacant posts as well as of posts to become vacant in 2016. This advertising campaign has just started and should end in approximately 18 months. In this context, some of the vacant posts have already been transferred to high priority areas (i.e. Project Management), or understaffed areas (i.e. Waste Management and Staff Relocation). Furthermore, highest priority has been given to the advertising of vacancies in the high risk areas (e.g. HVAC Plumber or Electrician, and Buildings Safety Worker). d. (see c.)
EA response	183. I appreciate the actions taken by BMS. Both the overall responsibility for maintaining, repairing and upkeeping VIC complex and appropriate procedures should be clarified with the other VBOs to avoid any kind of conflict. In my view, Management as well as BMS are responsible for this task. Taking into account my recommendation in last year's report, I would like to point out again that the basis for the ongoing recruitment of BMS staff has to be a capacity plan that matches current vacancies with operational needs and risks.
Follow-up	184. My team and I will follow up on the process.

D.3. Physical IT Security

Physical security of UNIDO IT infrastructure

185. On the basis of our findings reported last year, my staff performed audit work on the physical security of UNIDO IT infrastructure again. Additionally, they inspected the IT infrastructure within VIC which is important for the network connectivity of UNIDO. Accordingly, they examined the central hub racks of the building's shared fibre optic infrastructure in the basement of the C building (C-126) and the main fibre optic distribution racks of the D building (basement D-1).

D.3.1 VIC central hub racks

Central hub racks

186. The central hub racks of the VIC shared fibre optic infrastructure are located in a large room in the basement (-1) of the C building. These racks represent the central point where most of all incoming lines from outside of VIC are connected to the network distribution centres of the buildings and organizations inside VIC. Without this connectivity, data transfer and telephone connections inside and outside of the buildings are not possible. All work in the offices will be interrupted until a new infrastructure is set up. Considering the significance of this central point for the work of the organizations, an adequate protection is needed for this facility.

Used by several units

187. My team found that the room was used by several units from different organizations. They all could access the room by means of a control card with automatic login Exiting room, however, was not controlled. In order to open the cabinets with the fibre optic infrastructure, a special key is needed which is distributed to several network administrators of each organization. United Nations Security and Safety Service (hereinafter "UNSSS") manages both, control cards and special keys.

No labels with information

188. During our first room visits in July and December 2015, a large amount of combustible packing material was scattered all over the place. In addition, it was used for storing goods and articles that were no longer needed in the units, e. g. several racks and cabinets with or without content, several wooden pallets and furniture, a pallet full of disc drives and other IT items. There was neither an inventory label with information on the ownership nor a label with a description on the status especially of the data storages.

Some clean-up action dad been taken

189. A recent inspection of the room showed that some clean-up action had been taken and a part of the packing material had been removed. Nevertheless, a larger portion of the stored articles still remains in the room.

Access to the room

190. Room access by staff or other persons not in charge of network administration or other activities related to the IT infrastructure may increase the risk of damage from sabotage or unauthorized handling of the central hub racks. Moreover, the uncontrolled and disordered storage of inflammable goods and material might pose a higher risk of damage in the case of fire. In the event of sabotage or fire, this could result in the interruption of all communication connections and, consequently, the suspension of all computer-based work in most of the buildings.

Cleaning up of IT hardware

191. The stored IT hardware in the room, e.g. the hundreds of disc drives, which still might contain data, rest of data or erased data, should be relocated to secured rooms with access only for selected staff. If the items are not needed anymore, it may be possible to dispose of a larger part of them or provide them to other VBOs, especially in VIC. The obsolete disc drives should be destroyed in a safety process in accordance with the organizations' requirements.

Recommendation(s)	192. I recommend removing all inflammable and unnecessary material from the room to reduce the fire load. Moreover, the access to the room should be restricted to the absolute minimum of staff. Furthermore, UNIDO and the other organizations might want to consider the possibility of additionally protecting the central hub racks, which are vital for their work. I recommend at least creating an increased safety area by installing a fire resistant wall or, at any rate, a steel cage or crate around the cabinets.
Management's response	193. Management agreed with the recommendation to remove unnecessary material from room C-126. Since this room is shared by VBOs, and especially since the indicated articles such as used disc drives are not UNIDO property, Management cannot implement this recommendation. Management has to ask their sister organizations and/or UNSSS to further improve the situation. UNSSS has also been approached for information on who has access, and about the functions of those who have access, in order to be limited to network and infrastructure maintenance staff. 194. Management does not believe that an extra wall would add significant protection for the fibre racks. Management believes that the locked steel cabinets in place for the fibre hubs, installed fire alarms and UNSSS 24x7 presence with dedicated firefighting staff on the premises, should be enough protection.
EA response	195. I agree that a strict limitation of access will help to reduce the risks. However, in my opinion it is not possible to prevent the improper use and unauthorized access to this important point for VIC connections at all times. I would like to point out that in my opinion a significant improvement of the safety situation is needed. Therefore, I uphold my recommendation to create an increased safety area around the central hub racks.
No further follow-up	196. Considering the fact that this is the responsibility of all VBOs using the connectivity of the central racks, my team and I will not pursue this matter further.

D.3.2 Network distribution centre of the D building

Network distribution centre	197. Most of the buildings of VIC need their own network distribution centre to connect with the central hub fibre optic infrastructure in C-126. It distributes the fibre optic lines to the network distribution cabinets on every floor and to separate lines for special uses. Without this connectivity, computers in the buildings are unable to contact their computer network and databases and cannot work anymore.
Located on a narrow floor	198. The basement of the D building (D-01) accommodates the network distribution centre which provides the connections for the use of UNIDO and other organizations in this building. It is located on a narrow floor that is separated from the ground floor by a gridded steel door. The floor is used by several units, especially the network administrators of the building. They all have access keys but a central access control is lacking. Most of the whole area is used to deposit various old and obviously unusable goods and packing material. In addition, in the same floor the rack with the central Tannoy® system (Public Address system) is installed.
Risk of damage in the case of fire	199. The storage of inflammable goods and material increases the risk of damages in the case of fire. In an emergency, the items scattered everywhere could impede rescue teams in reaching the IT components in time to prevent higher damages. This could result in a complete interruption of all communication connections and computer-based work in the building. Furthermore, the use of the public address system might become impossible as it would be the first equipment to be destroyed in a fire.

Risk of unauthorized handling	200. Even more, the uncontrolled access to the room by staff or other persons not in charge of network administration increases the risk that the two central IT systems might be damaged by unauthorized handling or manipulation. Especially the connections and data of the units are endangered because unsupervised acts cannot be recognized in time and may allow manipulating and collecting data over a long period.
No protection against fire	201. Another material weakness is that most of the cable and cable canals in the floors across walls and ceilings are unprotected against fire and manipulation. As the whole basement floor is freely accessible via the stairs, access cannot be controlled. I am concerned about the simple installation of the lines on the surface and the breaks through ceilings and walls. Even though the exact use of all these lines and their importance for the functioning of the systems is unknown, it should be examined whether it is necessary to protect them by relocating them to secure areas or by using special secured cable channels.
Recommendation(s)	202. I recommend removing all inflammable and unnecessary material from the floor to reduce the fire load. Moreover, access to the room should be reduced. Preferably, access should be restricted to relevant staff only. In my view, similar difficulties especially those of the cable and cable channels may exist in all VIC buildings. Therefore, I recommend controlling all specific areas and points of network connection in VIC in order to ensure the work and connectivity of the organizations.
Management's response	203. Management responded that the majority of the "old and unused goods" in place in the D-1 area were stored there temporarily in the course of the ongoing public address system replacement and will be removed thereafter. Management did not agree that a higher protection of this central point of connection for the whole building is needed because the fibre racks are locked and require a special key issued only to network support staff of VBOs, and the gridded door is accessible only by BMS and VBO support staff. The same people have access to the cabling shafts and ducts in these buildings, where serious opportunities for sabotage could also arise. Management explained that the risk of manipulation and collecting data over a long period is eliminated because maintenance staff do not have access to the data connections.
EA response	204. The cleaning and replacement process of this central and important point for all connectivity in D-1 remains the responsibility of all VBOs. Additionally, I believe that my observations identify potential weaknesses, especially in case of an emergency. I would like to point out that in my opinion the protection of racks and cables is still lacking because all main floors are open areas. Unauthorized handling or manipulation is easily possible because no one pays attention to unknown people in this area as my team tested several times.
No further follow-up	205. My team and I will not pursue this matter further.

D.3.3 Network distribution cabinets

Network distribution cabinets	206. Every floor of the UNIDO D building has its own network distribution cabinets which are connected with the network distribution centre in the basement (D-01). These cabinets are not locked in separate rooms but placed in areas that can generally be accessed by staff members and visitors. Every person entering VIC could have access to these areas as there are no physical barriers. Even in front of the much frequented commissary is such a cabinet installed.

Easily accessible	207. The network distribution cabinets comprise all incoming and outgoing lines of telephones and computer networking to the offices on a floor. The lines are easily accessible between the cabinet and the ceiling of the floor as the gap between the cabinet and the overhead cable tray is not protected. The cabinets are contained in a metallic shelter, but the covers of the cabinets are not completely closed and thus an easy target for sabotage.
Risks of destruction	208. In my opinion, the cabinets could be easily sabotaged or destructed through the partly open top, and the unprotected lines to and from the network distribution cabinets be cut through. This would interrupt the communication connections of the offices on a whole floor. Although a cable on one of the office ceilings could also be cut, the concentration of the cables above the cabinets in an unprotected area makes them particularly vulnerable to attacks.
Recommendation(s)	209. I recommend that the unprotected lines and the cabinets be covered and secured to avoid any risk of sabotage.
Management's response	210. Management pointed out that the network distribution cabinets are standard throughout VIC and consist of enclosure steel with double doors, each with a door lock. On office floors, the exposed wiring is a matter of some inches until the cables enter the overhead cable trays, where they continue to run unprotected. Management maintained that the same cables could be cut as well in the overhead trays, especially as the ceiling panels were no protection against the access to the cable trays. Therefore, Management maintained that special re-enforcement of the area above the cabinets would not add significant safety, especially considering that a sabotage scenario was not likely. It is consensus among VBOs that the existing cabling system is adequately secured against foreseeable, realistic risks. The feasibility, complexity and cost of significant further hardening were incommensurate with the probability of the sort of attack such hardening would be designed to make less likely – especially since such hardening could still never ensure a 100 per cent protection against a determined, knowledgeable attacker, especially if the very staff tasked with maintaining this infrastructure themselves would not be considered trustworthy.
EA response	211. I would like to point out that I also recognize the possible costs of improvements needed to achieve an adequate safety of the cables and networks on the floors and other easily accessible areas. But I recommend once again that especially the important central points like central hubs, distribution centres and also the contribution cabinets in the office floors be made as secure as possible. Management apparently estimates the risk of sabotage as (very) low even though nobody can effectively control access and illegal activities. In my opinion, there is a significant likelihood that any damage will occur. In my experience, in most cases sabotage is prepared or carried out by active or former staff or their friends and family. But Management has the responsibility to calculate possible risks and the consequences arising out of the loss of connectivity on the floors and of the whole buildings. I recommend assessing the risks, prioritize the necessary improvements and plan countermeasures.
No further follow-up	212. My team and I will not pursue this matter further.

D.3.4 Disaster recovery plan

Business Continuity Plan	213. UNIDO has no disaster recovery plan that describes all the risks in the event of a major disaster and gives advice for the emergency situation. TIS had published a

Business Continuity Plan (hereinafter "BCP") in 2013 but it became obsolete with several organizational and personnel changes during the last years. Even so, this BCP only contained the duties of the former PSM division and described in detail the work the IT branch needs to carry out in case of an emergency. It does not outline the prioritized functions and the important tasks of all divisions that must be given first priority when IT is down or a catastrophe has occurred. It should be the central topic and main focus of BCP to enable an organization to resume its work as soon as possible.

Recommendation(s)

214. The above-mentioned difficulties show that such an instruction is needed to ensure the continuous work of UNIDO. Therefore, I recommend issuing and implementing a comprehensive official BCP outlining UNIDO policy for the case of an emergency. This major document should be reissued every year in order to include recent changes and new risk situations.

Management's response

215. UNIDO has a valid Crisis Management Plan (CMP), which was originally established/approved by UNIDO's Executive Board on 19 October 2007 as "a living document subject to regular review". Such a review occurred roughly every three years with the last one, initiated and coordinated by Officer-in-charge of PSM, in September 2013. The plan consists of two parts: part 1 on the basics of the crisis management; and part 2 with the business continuity plans (BCPs) of each division. UNIDO CMP was derived from the United Nations Security Plan for Austria and UNOV/UNODC CMP, which later was replaced by so called VIC Crisis Management Standard Operating Procedure (VIC CM SOP), maintained by the United Nations Security and Safety Service (UNSSS) of the United Nations Office at Vienna (UNOV) for and on behalf of all VBOs.

216. UNIDO's Senior Security Coordinator is in the process of updating UNIDO's CMP and BCPs with the latest changes in the UNIDO organizational structure, terms of reference and key personnel as well as the latest VIC Crisis Management Standard Operating Procedure (VIC CM SOP). Upon completion of the updating, the UNIDO CMP and BCP will be reviewed by UNIDO Security Management Group (SMG) for approval by the Director General.

217. In our opinion, there is no need for annual reviews of the CMP and BCP, except for very specific parts of these documents, like the lists of key personnel. Since most of the significant structural changes in UNIDO occur in connection with the programme and budget process, two-three years would appear as a more practical and reasonable review period.

No further follow-up

218. Taking into account that UNIDO is actually updating CMP and BMPs in view of its new organisational structure, my team and I will not pursue this matter further.

D.4. Governance in UNIDO

Improvements urgently needed

219. In my view, the governance structure in UNIDO now urgently needs improvement. It can be considered as unsatisfactory in one part but critical to internal audit.

Insufficient staffing of IOE

220. Already the first Internal Oversight Group Charter issued in October 2003 required that adequate staffing and budgetary resources be made available to the Office of Internal Oversight and Ethics (hereinafter "IOE") to perform its duties. This point has been included in all subsequent revisions of the Charter. My predecessors had criticized in their 2013 report that staffing of the Office of Internal

Oversight was insufficient. My team followed up on this issue and found that there was no visible reaction by the Secretariat until January 2015 when the revised Charter of IOE was issued describing the mission, authority and responsibilities DG delegated to IOE. The Charter stipulates that IOE shall receive the necessary resources in terms of appropriate staff and adequate funding.

Present situation

221. At present, the actual staffing situation is worse than ever before. While IOE was staffed with a director (D1), an auditor (P4), an investigator (P3) and two oversight assistants (G5 and G6) in 2015, the investigator resigned in November last year. Until the reporting date, the post was still vacant. An increase of staff resources is still required. One auditor headed by one Director is surely not the desired organizational structure to provide oversight of financial reporting, risk management, internal control and investigation activities. I urge Management to be committed to the support of IOE. Therefore, I would like to reiterate that the insufficient staffing level of IOE may pose a risk to UNIDO if it is not possible to carry out audits to the necessary extent.

Decision to establish an audit committee still pending

222. Closely connected to this severe lack of the internal control system is the pending decision to establish an Audit Committee (hereinafter “AC”). The recommendation dates back to my predecessors’ 2012 report. I also supported the recommendation in my last year’s report. The issue was announced to be revisited in 2015. My team did not note any progress yet. ACs are not costly because the expert members are not paid (except daily subsistence allowance) and represent the link between Management, Member States, Internal and External Audit. An AC facilitates the work of the Member States because it tackles any gaps in the oversight function and reports to governing bodies on actions to be taken. One of its major tasks is to safeguard the independence of the internal audit function in terms of sufficient funding and staffing. Currently, 16 out of 21 UN organizations already benefit from the advantages of this modern governance tool.

New organizational structure beginning 1 February 2016

223. With Director General’s Bulletin (UNIDO/DGB/2016/01/Amend.1), dated 17 February 2016, the Secretariat assigned to the Office of Internal Oversight, which is also located in the Office of the Director General (hereinafter “ODG”), the additional task of Ethics and Accountability. In my view, it can be helpful to install these tasks at a prominent place, but in general they are both within the mandate of an audit/investigation office. The same bulletin established inter alia a new organizational structure for the evaluation function and concentrated independent evaluation and quality monitoring (hereinafter “EVQ”) in ODG. I appreciate this action taken by Management. However, in my opinion the new organizational structure requires further consideration. Most of our other clients (e.g., IAEA) combine the functions audit, evaluation and investigation in one single unit headed by a director (D1). UNIDO obviously chose the option of having two D1 posts, one heading EVQ and one IOE.

Recommendation(s)

224. I once again recommend providing adequate staffing for IOE. For example, UNIDO should take into account establishing one D1 post as Director of the two offices and using the savings for a sufficient staffing of the internal audit function. Additionally, I continue to recommend establishing an AC.

Management’s response

225. It should be noted that limited staffing in IOE has been raised on numerous occasions by various oversight entities; however, due to budgetary constraints, Management has not been able to accommodate this request yet. The recruitment process of the Investigator (P3) position is at an advanced stage, but the selected candidate/s declined the offers. Therefore, the recruitment process will be restarted.

The issue of an AC has advanced in that DG has requested IOE to identify and submit to his office potential candidates residing in Vienna to serve on the AC to minimize the financial impact on the regular budget. IOE is in the process of evaluating this option. EVQ and IOE are two independent oversight functions; support for this recommendation is contingent upon the concurrence of stakeholders as well as an increase in the staffing resources in IOE/EVQ.

Follow-up

226. My team and I will follow up on the process.

E. Follow-up on Findings and Recommendations of Last Year and Prior Years

19 recommendations pending

227. The 2014 external audit report included 19 pending findings and recommendations. In November 2015, Management updated the list of follow-ups to inform about the progress with regard to the implementation of these recommendations.

List evaluated

228. My team evaluated the list to ensure continuity and institutional memory. We discussed all items with the relevant staff members and reviewed the mentioned documents. Annex 1 of the report informs about the implementation status of all pending recommendations.

I appreciate Management's actions taken

229. I appreciate the actions taken by Management to implement recommendations. In the course of our future audit activities, my team will examine UNIDO progress on these fields at my own discretion.

F. Other Topics

Cases of fraud or presumptive fraud

230. IOS informed me about four cases of fraud or presumptive fraud. In three of these cases, Management terminated the individual service agreement. In one of these cases, contracting with companies involved was also restricted. One case is pending. In two cases, no damage as caused. The established damage of the other two cases amounts up to 550,499 US-dollars. In one case, IOS recommended recovery through payroll, which is still pending. In the other case, criminal investigations with Austrian authorities are also pending.

231. During our audit, my team did not find any other cases of fraud or presumptive fraud.

Losses/write-off

232. In 2015, PPE items totalling 34 thousands of euros were written off due to loss or theft (2014: 21 thousands euros).

Ex-gratia payments

233. In 2014 and 2015, no ex-gratia payments were made.

G. Acknowledgement

Acknowledgement

234. I wish to express my appreciation for the cooperation and assistance extended by the DG, Management and UNIDO staff. I am very grateful for their assistance during the entire external audit process.

[*Signed*]

Kay Scheller

President of the Bundesrechnungshof
Germany
External Auditor

ANNEX

INDEPENDENT AUDITOR'S REPORT

CERTIFICATE OF THE EXTERNAL AUDITOR ON THE ACCOUNTS OF THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015

To the President of the Industrial Development Board

Identification of the financial statements

I have audited the financial statements of the United Nations Industrial Development Organization (hereinafter "UNIDO") for the financial period ended 31 December 2015, comprising

- the Statement of Financial Position,
- the Statement of Financial Performance,
- the Statement of Changes in Net Assets,
- the Cash Flow Statement,
- the Statement of Comparison of Budget and Actual Amounts,
- Notes.

Statement of Responsibilities

The Director-General, in accordance with UNIDO's Financial Regulations, is responsible for preparing the financial statements. My responsibility, under Article XI of the Financial Regulations and the Additional Terms of reference governing the audit of UNIDO, is to express an opinion on these financial statements based on my audit.

Basis of Opinion

I conducted my audit in conformity with International Standards on Auditing as adopted and expanded by the International Organization of Supreme Audit Institutions and issued as International Standards for Supreme Audit Institutions. These standards require that I plan and perform the audit with a view to obtaining reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Director-General, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for the audit opinion.

Opinion

As a result of my audit, I am of the opinion that the financial statements present fairly the financial position as at 31 December 2015 and that they were prepared in accordance with the UNIDO's stated accounting policies and that the transactions were in accordance with the Financial Regulations and legislative authority. Further, in my opinion, the transactions of the UNIDO that have come to my notice or which I have tested as part of my audit have, in all significant respects, been in accordance with the Financial Regulations and Rules.

Report Reference

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

[*Signed*]
Kay Scheller
President of the Federal Court of Auditors
Germany
External Auditor

19 April 2016

Follow-Up of the Findings and Recommendations made in the Previous External Audit Reports

Ref.	Findings & Recommendations	UNIDO responses	EA comments
(1)	(2)	(3)	(4)
External Audit Report for 2014			
# 27	UNIDO does not prepare the financial statements using the ERP system. Instead, the trial balance generated by the ERP system is transferred to an Excel worksheet. In addition, there is neither documentation nor a systematic process established for updating the worksheets. UNIDO should only use the ERP system for accounting and reporting. EA recommended adding the reporting functionality to the ERP system, especially in view of the financial statements.	BSS will provide the necessary support to Financial Services to implement the recommendation on automating the preparation of the financial statements. The topic is already included in the BSS work plan as a follow up to a recommendation from the European Union 7 pillar verification audit previously conducted by Ernst & Young.	EA will follow up on the process.
		<u>Status as of 30 November 2015</u>	
		In Progress: PSM/BSS together with PSM/ FIN are currently working on the partial automation of the Financial Statements from SAP ERP system. The initial Financial Statements will be made available during Quarter 1 2016. However, the full automation can only be expected during 2016/17 as this is part of the request for additional ERP funding from Member States at the PBC in May 2015.	UNIDO is working on generating the financial statements for 2016 completely in SAP. So far, it has approved the necessary requirements and started implementing them into the SAP system. EA will follow up on the process.
# 35	Transitional provisions apply to PPE class “buildings”. The five-year period ended in 2014. Therefore, all buildings used by UNIDO will have to be recognized in financial year 2015. Particularly with regard to VIC, recognizing and capitalizing of VIC might be time-consuming. The headquarters of four organizations of the UN system are located in VIC. All organizations prepare their financial statements on the basis of IPSAS. No current UNIDO document presenting a clear and consistent concept for recognizing and capitalizing of VIC was made available to EA. EA recommended that Management should continue discussions with the other organizations located at VIC. The goal should be to prepare a clear and consistent concept for recognition and capitalization or disclosure of VIC in UNIDO financial statements for the financial year 2015.	Management agreed with my findings and recommendation. The recommendation has been noted.	
		<u>Status as of 30 November 2015</u>	
		The VIC building was valued externally by PWC and capitalized as at 1.1.2015, including capital additions from MRRF in 2015. The whole process was accomplished in detailed co-ordination with other VBO’s via regular meetings and review of the valuation, accounting policies, etc. The final accounting policy on consolidation of VIC building and MRRF is still being fine-tuned among VBO’s, with expected completion end-Nov 2015.	see EA Report 2015, C.2.1., # 55 - 64

Ref.	Findings & Recommendations	UNIDO responses	EA comments
(1)	(2)	(3)	(4)
# 39	Management includes the statement of financial position by segment as at 31 December 2014 and the statement of financial performance by segment for the year ended 31 December 2014 in Note 19. In accordance with IPSAS 18, the statements inform about UNIDO regular budget activities, technical cooperation and other activities and special services. On the other hand, the standard does not specify where to present segment information. Through segment reporting, Management provides key information about UNIDO work, especially about the amounts UNIDO spent on technical cooperation. The information provided by segment reporting is highly valuable for Member States and should not be presented in a note. Therefore, EA recommended that Management include a Statement 6 containing the segment reporting, instead of note 19.	UNIDO will examine the feasibility of implementation of Statement 6 if in line with best practices followed by other UN organizations. The UN-wide Task Force on Accounting Standards is engaged in a project entitled "Co-ordination of Accounting Diversity", within which the proposed Statement 6 will be discussed. If it becomes an element of the UN common format then its implementation shall also be covered by the system improvements planned as a response to the recommendation on enhancing ERP functionality to automate the financial statements reporting. ***<u>Status as of 30 November 2015</u>*** We have reviewed 2014 financial statements of big five UN agencies – "trend setters" and all of them has segmental analysis reported as notes, not as separate statement: UN vol I – Note 5; UNDP – Note 6; UNICEF – Note 35; WFP – Note 7; WHO – Note 8. In light of the above and in reference to the project of "Co-ordination of Accounting Diversity", to align presentation of the financial statements among UN agencies, we have decided to continue report segment analysis within notes, not as a separate statement.	EA will follow up on the process. EA takes notice of the decision. The item is closed.
# 44	Voluntary contributions receivable went up by almost 60 per cent, from 69.3 million euros in 2013 to 110.4 million euros in 2014. On the other hand, non-current liabilities, especially employee benefits, increased significantly by 27.2 per cent. Voluntary contributions receivable in 2014 will be spent for technical cooperation programmes in the next years, whereas post-employment benefits are expected to rise continuously over the same period. Therefore, EA recommended that Management keep a very close eye on the development over the next years.	Management agreed with my findings and recommendation. The recommendation has been noted. ***<u>Status as of 30 November 2015</u>*** UNIDO has been actively participating in the working group of UN system agencies for a greater part of 2015. The aims of this WG included the need of standardizing general valuation methodology and the application of a key ASHI liability factors as well as assessing pre-funding alternatives of the liability. As at 10 November 2015, notable recommendations have been proposed to the General Assembly for its action in 2016.	see EA Report 2015, C.3., # 66 - 69

Ref.	Findings & Recommendations	UNIDO responses	EA comments
(1)	(2)	(3)	(4)
# 50	Some short-term deposits were renewed with a maturity of up to 4 to 6 months at the end of 2014. At this occasion, Management reviewed its decision approved during the financial crisis starting in 2008 to reduce investments held for a maximum of 3 months. According to this decision, the current description as "Term deposits with original maturity of less than 3 months" might no longer be valid in future financial statements. Hence, EA recommended that Management update the description to reflect the maturity of term deposits held.	Management agreed with my findings and recommendation. The recommendation has been noted. ***<u>Status as of 30 November 2015</u>*** This will be implemented.	The description is updated in the financial statements 2015. The item is closed.
# 55	UNIDO disclosed the interest rate of interest-bearing bank accounts and term deposits as an annual average rate on a yearly basis in Note 2. UNIDO disclosed investment revenue as interest earned and accrued on short-term deposits held with financial interest in Note 16. The development of the annual average interest rates and the development of the investment revenue do not match. The annual average interest rate for holdings in euros is almost stable and the rate for holdings in dollar declined by about one third, whereas the investment revenue decreased by 81.6 per cent. Upon request, Management explained that the calculation method changed. Information needs to be disclosed on a comparable basis. EA recommended that Management at least disclose the changed calculation method.	UNIDO agrees with the recommendation and will make sure any change in methodology of the average interest rate calculation shall be disclosed in relevant notes in the future. ***<u>Status as of 30 November 2015</u>*** This will be implemented.	The item is closed.
# 59	The allowance amount for doubtful account increased by 3 million euros to a total of 89.8 million euros. More than 71 million euros of the allowance refer to doubtful assessed contributions of former Member States. On the other hand, total outstanding amounts (without former Member States) still total 27.9 million euros. EA would like to remind the few Member States with significant arrears to fulfil their obligations and to pay due contributions.	Management agreed with my findings and recommendation. The recommendation has been noted. ***<u>Status as of 30 November 2015</u>*** n/a	see EA Report 2015, C.3.1.2., # 87 - 90
# 62	Non-current contributions receivable are confirmed contributions of Member States that fall	Management agreed with my findings and recommendation. The recommendation has been	

Ref.	Findings & Recommendations	UNIDO responses	EA comments
(1)	(2)	(3)	(4)
	due after one year from reporting date in accordance with agreed payment plans. Payment plans are negotiated between the Member States and Management in order to reduce arrears. Over the last five years, Member States and Management successfully reduced non-current assessed contributions receivable. EA appreciated that Member States being in arrears agreed on payment plans with Management, met their obligations and paid off long-standing debts. EA recommended that Member States being in arrears and Management take every opportunity to negotiate payment plans.	noted.	
		Status as of 30 November 2015	
		n/a	see EA Report 2015, C.3.1.2., # 91 - 96
# 69	In 2014, voluntary contributions increased by more than 40 million euros totalling 110.4 million euros. In general, voluntary contributions include programme support costs to cover the administrative costs of the organization. However, administrative costs are estimated to be higher than these values. Increasing voluntary contributions and a constant budget (real growth of 0 per cent) jeopardize the DG development objectives. EA recommended that Management observe the current and future situation. Management should ensure a balance between voluntary contributions and the regular budget to finance UNIDO.	Management agreed with my findings and recommendation. The recommendation has been noted.	
		Status as of 30 November 2015	
		Management of UNIDO has kept its Policy Making Organs apprised of the need to provide a sufficient, stable and a predictable funding base. At the 31st session of the PBC-Programme and Budget Committee as well as the 43rd session of the IDB-Industrial Development Board, UNIDO made concerted efforts to defend the proposal for a real growth budget for its Regular and Operational budgets. Member states cited financial constraints at their as the capitals as the key impediment in fulfilling this request. Further, at the IDB meeting the Director General submitted a document requesting an enhancement to the Financial Management framework of UNIDO that received favourable response, and resulted in the creation of an account for MCIF-Major Capital investment funds and another SAVCCA-Special Account of Voluntary Contribution for Core Activities. The latter has been set-up to facilitate the receipt, management and usage of Voluntary contributions for activities that cannot be fully funded from the regular budget due to funding constraints.	see EA Report 2015, C.3.1.3., # 97 - 101
# 80	UNIDO performance made a volte-face. The deficit of 48.3 million euros in 2013 turned into a	Management agreed with my findings and recommendation. The recommendation has been	

Ref.	Findings & Recommendations	UNIDO responses	EA comments
(1)	(2)	(3)	(4)
	surplus of 56.2 million euros. The difference amount is 104.5 million euros, one third of which results from currency translation differences that are only accounted for as profits. The euro/dollar exchange rate decrease at year-end impacted on UNIDO performance in 2014. Management should continue to generate revenues and to limit expenditures.	noted.	
		Status as of 30 November 2015	
		n/a	see EA Report 2015, C.4., # 108 – 113
# 94	UNIDO BMS, the responsible unit for ‘Buildings Management’, is the largest operation within UNIDO. VIC has been in operation for more than 35 years. With regard to the centre getting older, BMS underlined that the costs of operating, maintaining and repairing the buildings and integrated installations are increasing accordingly. With regard to the deteriorating situation of buildings and installations, the risk of potential breakdowns is growing. To address these issues, EA recommended assessing potential risks in connection with the common service ‘Buildings Management’; defining clearly BMS mission taking into account the results of the above mentioned risk assessment; initiating the process of amending and updating the Memorandum of Understanding reflecting the above mentioned issues and today’s situation with regard to the other VBOs; revising the Memorandum of Understanding periodically and amending it, if necessary.	Management agreed with my findings and recommendation. The recommendation has been noted.	EA will follow up on the process.
		Status as of 30 November 2015	
		Management is organizing a risk assessment exercise that would identify the critical issues and related solutions.	BMS has started collecting relevant data and held a preparatory BMS internal workshop on identifying and categorizing the different risks on 10 February 2016. The relevant terms of reference for hiring such an expert are to be drafted by April 2016. The bidding exercise and the awarding of the contract are scheduled for May and June 2016. The detailed “Risk Assessment Report” is expected by December 2016. EA will follow up on the process.
# 103	From 2011 to 2014, BMS vacancy rate was high. Over the same period, the number of temporary assistants and ad-hoc workers was relatively stable. With respect to the same period, BMS G Staff accumulated special overtime of approximately	Management agreed with my findings and recommendation. The recommendation has been noted.	EA will follow up on the process.

Ref.	Findings & Recommendations	UNIDO responses	EA comments
(1)	(2)	(3)	(4)
	11,000 hours per year, with more than 300 hours per person/year in specific cases. EA was unable to find or was not provided with a detailed capacity plan identifying current and future staffing needs to achieve BMS goals. EA recommended developing a detailed capacity plan in accordance with the mission of BMS (cf. 88); implementing the capacity plan in a timely manner; training and qualifying staff or, if needed, hiring qualified experts in order to substitute staff BMS considers indispensable.		
		Status as of 30 November 2015	
		The recommended HR capacity plan is being developed in conjunction with the outcome of the above-mentioned risk assessment.	At the end of 2014, the gap between posts budgeted and occupied remained at a high level, i.e. 50 per cent of P Staff and 26 per cent of G Staff posts were not occupied. By the end of 2015, this situation has only changed slightly. The P Staff vacancy rate was reduced to one third, while the G Staff vacancy rate amounted to 29 per cent. see EA Report 2015, D.2.2., # 173 - 184
# 108	BMS has been audited only twice since 2005. IOS highlights that with "the current level of resources IOS pose a risk in not being able to adequately cover the audit universe identified in the risk assessment within a reasonable time period." IOS self-assessment clearly states that its current level of resources only partially complies with the International Standards for the Professional Practice of Internal Auditing. Appropriate risk assessment and mitigation require regular audits and controls. Therefore, EA recommended taking two different actions: strengthening the audit function of IOS; and establishing a regular audit scheme for BMS based on a permanent risk assessment.	Management stated that the lack of sufficient resources was compensated by successive EAs, independent validators and by IOS itself. Management is aware of this deficiency, with provision of necessary resources being contingent upon the availability of budgetary resources for the Organization as a whole. Management also stated that IOS performs annual risk assessments of the entire audit universe. Given the limited resources, IOS focuses its audits on higher risk entities related to core UNIDO operations.	EA appreciated IOS risk assessment of BMS. UNIDO resources should be sufficient to strengthen IOS. By allocating two additional auditors, IOS manpower would be doubled. Therefore, it is rather a question of allocation than limitation to implement the recommendation.
		Status as of 30 November 2015	
		Due to continuing budgetary constraints, this issue is still pending.	see EA Report 2015, D.4., # 219 – 226
# 114	The data centre is located in two rooms, separated by an operator room. To always guarantee a proper functioning two redundant IT systems for UNIDO programmes and data were set up, each in one room. The walls and doors between the rooms are made of wood and thus not fire resistant. There is no state-of-the-art fire protection system in place such as an automatic fire extinguisher system. In the case of fire, this situation might lead to a total loss of operational	Management agreed with my findings and recommendation. The recommendation has been noted.	EA will follow up on the process.

Ref.	Findings & Recommendations	UNIDO responses	EA comments
(1)	(2)	(3)	(4)
	capacity and the total loss of all data since the last backup. EA recommended transferring one of these IT systems to another fire section. An alternative but only provisional solution could be to install a state-of-the-art fire protection system. In order to mitigate these risks, EA recommended reducing the prevailing fire load immediately.	***Status as of 30 November 2015*** In progress: On 7 August 2015, PSM/ICM officially requested PSM/OSS/BMS to provide a detailed overview, feasibility and cost estimate for recommendations in External Audit Report 2014 reference # 114. On 31 August 2015, PSM/OSS/BMS returned a detailed feasibility and cost estimate including an update on the UNIDO data centre area indicating lesser risk than anticipated in that, "…the existing partition walls between rooms C-117, C-118 and C-120 and the corridor wall are made of brick around 10 cm thick and are therefore fire resistant…". Not including an estimate for, "… a state of the art fire protection system…", BMS lists some possible modifications totalling over 60,000 Euro, which are under consideration by PSM/ICM and will be implemented as deemed advisable and as the 2016-2017 budget may allow.	UNIDO initialized first steps to mitigate the risks of fire. In my view, this is only the second best solution. Therefore, I again recommend transferring one of the IT systems to another fire section. EA will follow up on the process.
# 116	There is a backup configuration for the main IT systems to mitigate the risk of complete data loss. The data centre's backup system and all backup tapes are kept in the same room on the 10th floor of the D Building. This room is also used for storing paper and IT components as well as for operating a large plotter. UNIDO should consider keeping the backup system and the backup tapes in separate rooms with controlled and limited access. Combustible material should be removed to reduce the fire load to a minimum.	Management agreed with my findings and recommendation. The recommendation has been noted. ***Status as of 30 November 2015*** Closed item: Recommendation implemented as outlined in External Audit Report 2014 reference # 116.	EA will follow up on the process. The item is closed.
# 118	The official UNIDO policy for IT and IT security has not been updated since 2011. During this time several large changes happened in the UNIDO IT environment. EA recommended issuing and implementing a comprehensive official document outlining UNIDO policy relative to IT and taking into account the current state of technology. This major document may be renewed every year in order to include the current changes and to add the planning for the next year.	Management agreed with my findings and recommendation. The recommendation has been noted.	EA will follow up on the process.

Ref.	Findings & Recommendations	UNIDO responses	EA comments
(1)	(2)	(3)	(4)
		Status as of 30 November 2015 In progress: Preliminary and initial steps have been taken by PSM/ICM on the External Audit Report 2014 reference # 118.	EA will follow up on the process.
# 125	The preparation and implementation of succession plans should be given serious attention. In early 2014, human resources management set up a recruitment plan including all vacant positions, retirements, planned recruitments and rotations of staff. Due to budget constraints at the end of 2014, Management suspended implementing the recruitment plan. The process was restarted in 2015.	***Status as of 30 November 2015*** There was a process of Human Resources Management Framework review conducted in Q2 2015 and recommendations were made regarding enhancement of some of the current HR practices - including recruitment & succession planning. Currently the recommendations of the Workgroup are with JAC for review and approval with the intention the updated policies to be implemented as at 2016. The Recruitment plan (including vacant positions, retirements and planned recruitments) was well maintained throughout the year and preliminary actions were undertaken in all possible cases. As the financial constraints for external recruitment remain as at 25 Nov. 2015, currently the main recruitment activities are internally focused with the purpose of filling in positions in a way, providing highest efficiency of the workforce and guaranteeing opportunities for internal mobility of staff members. As per 25 November 2015, there were internal promotions/rotations made for 20 staff members (3 per cent of all FTEs). It is expected that in the forthcoming General Conference discussions will be held regarding the future field structure. When decisions are taken, if needed, the field rotation and mobility programme will be revived.	EA takes note of the comments. At the appropriate time, the item may be subject of a subsequent audit. The item is closed.
#126	The decision to establish an Audit Committee is still pending. This issue will be revisited in 2015. With regard to the International Standards of Internal Auditing. EA recommended establishing an Audit Committee to provide oversight of financial reporting, risk management, internal control and internal audit activities.	***Status as of 30 November 2015*** The decision is still pending.	see EA Report 2015, D.4., # 219 – 226

Ref.	Findings & Recommendations	UNIDO responses	EA comments
(1)	(2)	(3)	(4)
#127	In January 2015, the revised Charter of IOS was issued describing the mission, authority and responsibilities DG delegated to IOS. The Charter stipulates that IOS shall receive the necessary resources in terms of appropriate staff and adequate funding. At present, ODG/IOS is staffed with a director, an auditor, an investigator and two oversight assistants. Increasing staff resources is still required. EA would like to reiterate that the insufficient staffing level of ODG/IOS may pose a risk to UNIDO if it is not possible to carry out audits to the necessary extent.	***Status as of 30 November 2015*** As emphasized by IOS and EA, Management is aware of the risks; however, continuing budgetary constraints is an impediment to implementation of the recommendation.	see EA Report 2015, D.4., # 219 – 226

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015.

2. The last transitional provision allowed under IPSAS 17 for recognizing property, plant and equipment (PPE) for project PPE (technical cooperation PPE) and for the PPE class "buildings", when IPSAS was adopted for the first time in 2010, expired in 2015, and IPSAS has now been fully adopted.

Assessed contributions

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

Table 1
Assessed contributions

	2014-15		*2012-13*	
	Millions of euros	*Per cent*	*Millions of euros*	*Per cent*
Assessed contributions receivable	143.7	100.0	153.2	100.0
Received as at 31 December 2015	130.2	90.6	148.5	96.9
Shortfall in collections	13.5	9.4	4.7	3.1

4. The rate of collection of assessed contributions for the biennium 2014-2015 was 90.6 per cent, which is lower than that for 2012-2013 at 96.9 per cent. The accumulated outstanding assessed contributions at year-end were €32.1 million, excluding an amount of €71.2 million due from former Member States, leading to an increase from 2014 (€27.9 million). Annex I (e), contained in conference room paper PBC.32/CRP.2, provides details on the status of assessed contributions. Three Member States are making payments under payment plan agreements. Brazil has paid three instalments under a five-year payment plan, two more instalments are open, Costa Rica has paid five full instalments and five more are still open. The Republic of Moldova paid nine out of ten instalments. The number of Member States without voting rights was 44 in December 2015; in December 2014, it was 36.

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 2015.

7. The comparison is based on the programmes and budgets for the biennium 2014-2015, as adopted by the General Conference at its fifteenth session (decision GC.15/Dec.16), consisting of regular budget biennial gross expenditure of €147.2 million to be financed from assessed contributions in the amount of €143.7 million and other income of €3.5 million.

8. On a budget basis, the actual regular budget expenditure during the biennium 2014-2015 amounted to €131.1 million (compared with €143.5 million for the biennium 2012-2013), or 89.0 per cent (compared with 90.9 per cent for the biennium 2012-2013) of the approved gross expenditure budget.

9. Actual collection of budgeted other income for the biennium 2014-15 amounted to €0.70 million from Government contributions to the cost of the field office network and €1.63 million under miscellaneous income, against a budgeted amount of €3.51 million. After taking into account a lower than expected collection of Government contributions to the cost of the field office network of €1.74 million, the total net expenditure of €134.12 million represents 93.31 per cent of the net regular budget appropriations of €143.74 million. The resulting balance of net appropriations as at 31 December 2015 amounted to €9.62 million (see annex I (a) and I (b), PBC.32).

10. In the operational budget for the biennium 2014-2015, the reimbursement for programme support costs amounted to €30.2 million (for 2012-2013: €28.4 million). Expenditure was recorded in the amount of €28.6 million (for 2012-2013: €27.0 million), resulting in an excess of income over expenditure in the amount of €1.6 million. Consequently, the closing balance of the special account for programme support costs, i.e. the level of the operating reserve, on modified cash basis, was €14.1 million, compared with an opening balance of €12.5 million.

11. Technical cooperation delivery for the year 2015, as measured under IPSAS, amounted to €148.1 million in expenditure compared to €116.8 million in 2014. More information on UNIDO's technical cooperation services is available in the *Annual Report of UNIDO 2015* (PBC.32).

12. The Organization shows a healthy financial situation, as evidenced by a stable cash balance as at 31 December 2015 of €439.7 million (2014: €442.7 million). This, in combination with increased allotments for future technical cooperation services, high utilization of regular budget appropriations and a decent collection rate with regard to assessed contributions, argues 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.

Ethics and accountability

14. During 2015, UNIDO continued to enforce its code of ethical conduct and to apply both 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.

Conclusion

15. In 2015, the adoption of Sustainable Development Goal 9 "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation" and other industry-related goals and targets has anchored UNIDO as an integral part of a United Nations system-wide approach to maximize collective impact for sustainable development around the world, underscored by the mandate for inclusive and sustainable industrial development (ISID), the medium-term programme framework, 2016–2019, and the programme and budgets, 2016–2017. In this spirit, I wish to take this opportunity to express my appreciation to Member States and to the donors for their overall support, and to all UNIDO staff for their contribution to the work of the Organization.

LI Yong
Director General

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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.

LI Yong Director General	Peter Ulbrich Director, Department of Finance

Vienna, 11 March 2016

Statement 1: Statement of financial position as at 31 December 2015
(*Thousands of euros*)

	Note	31 December 2015	31 December 2014 (restated)
		€ '000	*€ '000*
ASSETS			
Current assets			
Cash and cash equivalents	*2*	439,714	442,657
Accounts receivable (non-exchange transactions)	*3*	152,845	81,580
Receivables from exchange transactions	*3*	12,041	11,218
Inventory	*4*	1,080	1,298
Other current assets	*5*	28,310	19,961
Total current assets		**633,990**	**556,714**
Non-current assets			
Accounts receivable (non-exchange transactions)	*3*	72,857	40,293
Share in net assets/equity of joint ventures accounted for using the equity method	*6*	1,284	1,057
Property, plant and equipment	*7*	64,154	62,143
Intangible assets	*8*	2,424	3,312
Other non-current assets	*9*	1,513	2,054
Total non-current assets		**142,232**	**108,859**
TOTAL ASSETS		**776,222**	**665,573**
LIABILITIES			
Current liabilities			
Accounts payable (exchange transactions)	*10*	4,792	2,828
Employee benefits	*11*	3,024	1,968
Transfers payable (non-exchange transactions)	*10*	38,150	14,513
Advance receipts	*12*	86,703	110,772
Other current and financial liabilities	*13*	21,521	14,734
Total current liabilities		**154,190**	**144,815**
Non-current liabilities			
Employee benefits	*11*	217,521	229,626
Other non-current liabilities	*13*	38,940	43,607
Total non-current liabilities		**256,461**	**273,233**
TOTAL LIABILITIES		**410,651**	**418,048**
NET ASSETS/EQUITY			
Accumulated surpluses/(deficits) and fund balances	*14*	348,617	228,602
Reserves	*15*	16,954	18,923
TOTAL NET ASSETS/EQUITY		**365,571**	**247,525**
TOTAL LIABILITIES AND NET ASSETS/EQUITY		**776,222**	**665,573**

Statement 2: Statement of financial performance for year ended 31 December 2015
(*Thousands of euros*)

	Note	31 December 2015	31 December 2014 (restated)
		€ '000	*€ '000*
INCOME/REVENUE			
Assessed contributions	*16*	71,200	71,937
Voluntary contributions	*16*	228,779	149,646
Investment revenue	*16*	18	90
Revenue producing activities	*16*	580	549
Share of surplus/(deficit) of joint ventures	*16*	227	(200)
Other income	*16*	4,310	(405)
TOTAL REVENUE		**305,114**	**221,617**
EXPENDITURE			
Salaries and employee benefits	*17*	126,293	106,886
Operational costs	*17*	26,681	31,830
Contractual services	*17*	55,785	44,592
TC equipment expensed	*17*	6,165	4,520
Depreciation and amortization	*17*	7,646	3,003
Other expenses	*17*	574	529
TOTAL EXPENDITURE		**223,144**	**191,360**
Currency translation differences	*17*	(33,272)	(25,967)
SURPLUS/(DEFICIT) FOR THE FINANCIAL PERIOD		**115,242**	**56,224**

Statement 3: Statement of changes in net assets for year ended 31 December 2015
(*Thousands of euros*)

	Note	Accumulated surplus/ (deficit)	Reserves	Total net assets/ equity
			€ '000	
Net assets/equity at the beginning of the year		**227,056**	**18,923**	**245,979**
Initial recognition of advance to the Major Repair and Replacement Fund		1,546	-	1,546
Net assets/equity at the beginning of the year (restated)		**228,602**	**18,923**	**247,525**
Movements during the year				
Actuarial valuation gains/(losses) on employee benefit liabilities	11,14	15,530		15,530
Transfer (to)/from provision for delayed contribution	14	(1,486)		(1,486)
Transfer to/(from) reserves	15		(1,969)	(1,969)
Other movements recognized directly in net assets/equity	14	683		683
Net movements recognized directly in net assets/equity	14,15	**14,727**	**(1,969)**	**12,758**
Credits to Member States	14,15	(9,954)		(9,954)
Net surplus/(deficit) for the year		115,242		115,242
Total movement during the year		**120,015**	**(1,969)**	**118,046**
Net assets/equity at the end of the year		**348,617**	**16,954**	**365,571**

Statement 4: Cash flow statement for year ended 31 December 2015
(*Thousands of euros*)

	Note	31 December 2015	31 December 2014 (restated)
		€ '000	*€ '000*
Cash flows from operating activities			
Surplus/(deficit) for the period		**115,242**	**56,224**
Foreign-exchange (gains)/losses on cash and cash equivalents		(24,055)	(23,455)
Depreciation and amortization	7,8	7,646	3,003
Increase/(decrease) in provision for contributions	3	(1,486)	(2,694)
Valuation gains/(losses) on employee benefit liabilities	11	15,530	(37,376)
(Increase)/decrease in inventories	4	218	5
(Increase)/decrease in receivables	3	(104,652)	(41,572)
(Increase)/decrease in other assets	5	(7,808)	862
Increase/(decrease) in advance receipts	12	(24,069)	3,373
Increase/(decrease) in accounts payable	10	25,601	(15,754)
Increase/(decrease) in employee benefits	11	(11,049)	49,640
Increase/(decrease) in other liabilities and provisions	13	2,120	(6,629)
(Gains)/losses on sale of property, plant and equipment	7	10,536	3,998
Investment/Interest income	6,16	(18)	(90)
Movements in reserves and provisions	14,15	(1,969)	490
Other movements		683	1,286
Net cash flows from operating activities		**2,470**	**(8,689)**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(19,033)	(10,795)
Purchase of intangible assets	8	(296)	(319)
Proceeds from sale of PPE	7	24	64
Cash flow from investments interest	16	(209)	291
Net cash flows from investing activities		**(19,514)**	**(10,759)**
Cash flows from financing activities			
Credits to Member States	14	(9,954)	(91)
Net cash flows from financing activities		**(9,954)**	**(91)**
Net increase/(decrease) in cash and cash equivalents		**(26,998)**	**(19,539)**
Cash and cash equivalents at beginning of the financial period		442,657	438,741
Foreign-exchange gains/(losses) on cash and cash equivalents		24,055	23,455
Cash and cash equivalents at the end of the financial period	2	**439,714**	**442,657**

Statement 5: Statement of comparison of budget and actual amounts for year ended 31 December 2015

(*Thousands of euros*)

Regular Budget	Original budget	Final budget	Actuals on comparable basis	Balance of appropriations
	€ '000			
Cost component				
Staff costs	48,732	52,026	49,138	2,888
Official travel	869	1,237	641	596
Operating costs	14,686	18,668	13,626	5,042
Information and communication technology	3,303	4,224	3,114	1,110
Regular programme of technical cooperation, and special resources for Africa	7,454	8,050	6,889	1,161
Total	**75,044**	**84,206**	**73,408**	**10,798**

Operational Budget	Original budget	Final budget	Actuals on comparable basis	Balance of appropriations
	€ '000			
Cost component				
Staff costs	15,031	16,065	12,931	3,134
Official travel	814	503	945	(442)
Operating costs	807	1,275	266	1,009
Total	**16,652**	**17,843**	**14,142**	**3,701**

Total	*Note*	Original budget	Final budget	Actuals on comparable basis	Balance of appropriations
		€ '000			
Cost component					
Staff costs		63,763	68,091	62,069	6,021
Official travel		1,683	1,741	1,586	154
Operating costs		15,493	19,943	13,892	6,052
Information and communication technology		3,303	4,224	3,114	1,110
Regular programme of technical cooperation, and Special Resources for Africa		7,454	8,050	6,889	1,161
Total	18	**91,696**	**102,050**	**87,550**	**14,499**

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 169 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 areas: creating shared prosperity, advancing economic competitiveness and safeguarding the environment. In addition, it engages in a number of cross-cutting activities, especially in promoting South-South cooperation for industrial development, strategic partnerships, 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 2015 and ending on 31 December 2015.

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 euro and rounded to the nearest thousand 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.

Restatement of prior year comparative financial information

1.18 Comparative information for 2014 reflects restatements related mainly to the initial recognition of the buildings and consolidation of the Major Repair and Replacement Fund established for capital investments in the buildings, previously not recognized, as allowed under the transitional provision of IPSAS standard 17. Further details about the restatements are disclosed in note 23.

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 noninterchangeable 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	15-100
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 2015	31 December 2014 (restated)
	(thousands of euros)	
Cash and cash equivalents		
Cash in the bank and on hand	122,981	99,589
Term deposits with original maturity up to 12 months	314,402	340,653
Cash and cash equivalents held in field offices	2,331	2,415
Total cash and cash equivalents	**439,714**	**442,657**

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 €217,166 (2014: €236,007) 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 €1,021 (2014: €1,022) 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 0.13 per cent and 0.26 per cent for holdings in euros and United States dollars respectively (2014: 0.20 per cent and 0.21 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 2015	31 December 2014 (restated)
	(thousands of euros)	
Current		
Receivable from non-exchange transactions		
Due from Member States: assessed contribution	103,162	98,407
Due from Member States: other	215	246
Voluntary contributions receivable	139,180	70,518
VAT and other taxes recoverable	3,552	4,048
Total accounts receivable before allowance	**246,109**	**173,219**
Allowance for doubtful accounts	(93,264)	(91,639)
Net accounts receivable from non-exchange transactions	**152,845**	**81,580**

	31 December 2015	31 December 2014 (restated)
	(thousands of euros)	
Receivable from exchange transactions		
Receivables from United Nations organizations	10,887	8,718
Receivables: other	1,734	3,224
Allowance for doubtful accounts	(580)	(724)
Net accounts receivable from exchange transactions	**12,041**	**11,218**

	31 December 2015	31 December 2014 (restated)
Non-current	*(thousands of euros)*	
Receivable from non-exchange transactions		
Due from Member States: assessed contribution	98	618
Voluntary contributions receivable	72,809	39,905
Allowance for doubtful accounts: assessed contribution	(50)	(230)
Total receivable from non-exchange transactions	**72,857**	**40,293**

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):

Length of time contributions were outstanding	*2015 (percentage)*	*2014 (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 2015	31 December 2014
	(thousands of euros)	
Allowance for bad and doubtful accounts at beginning of the year	**90,012**	**87,318**
Change during the year	1,486	2,694
Allowance for bad and doubtful accounts at the end of the year	**91,498**	**90,012**

3.3 Total allowances for bad and doubtful accounts of €93,895 (2014: €92,593) consist of €91,498 (2014: €90,012) against assessed contributions receivable and €2,397 against other receivables (2014: €2,581).

3.4 Non-current contribution receivables are for confirmed contributions from donors and Member States due after more than one year from the reporting date in accordance with agreed payment plans and project phasing.

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 2015		*31 December 2014*	
	(thousands of euros)	*(percentage)*	*(thousands of euros)*	*(percentage)*
Age				
1-2 years	13,523	13.1	10,248	10.3
3-4 years	4,662	4.5	3,497	3.5
5-6 years	2,155	2.1	2,247	2.3
7 years and more	82,920	80.3	83,033	83.9
Total contributions receivable before allowance	**103,260**	**100.0**	**99,025**	**100.0**

Note 4. Inventories

	31 December 2015	*31 December 2014*
	(thousands of euros)	
Opening inventory	1,298	1,303
Purchased during the year	214	221
Total inventory available	**1,512**	**1,524**
Less: consumption	(433)	(216)
Less: write-up/(down)	1	(10)
Closing inventory	**1,080**	**1,298**

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 2015, UNIDO wrote down inventories by an amount of €0 (2014: €10) on account of obsolescence and other losses.

Note 5.Other current assets

	31 December 2015	31 December 2014
	(thousands of euros)	
Advances to vendors	22,271	11,430
Advances to staff	2,807	3,126
Accrued interest	99	52
E-IOV items	2,377	1,667
Other current assets	756	3,686
Total other assets	**28,310**	**19,961**

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.

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

	31 December 2015	31 December 2014
	(thousands of euros)	
Investment in Commissary	1,058	835
Investment in Catering Service	226	222
Total share in net assets/equity in joint ventures	**1,284**	**1,057**

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:

2015	14.340 per cent
2014	15.389 per cent

Catering Service

6.3 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. In 2014 a contract was entered into with a new catering operator, for a period of 10 years. The operator controls and manages the catering business on UNIDO's behalf and pays a fixed annual operating fee, regardless of the profit or loss incurred by the operator.

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.

Catering Service: summary financial information

	31 December 2015 (thousands of euros)	*31 December 2014 (thousands of euros)*
Revenue	125	51
Cost of sales	-	33
Net operating expenses	(6)	(282)
Assets, current	1,578	1,447
Liabilities, current	-	1
Reserves and fund balance	1,578	1,446

Commissary

6.6 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.

Commissary: summary financial information

	31 December 2015 (thousands of euros)	*31 December 2014 (thousands of euros) (restated)*
Revenue	28,923	29,144
Cost of sales	24,160	24,189
Net operating expenses	4,695	4,219
Assets, current	16,926	16,241
Assets, non-current	752	841

	31 December 2015 (thousands of euros)	31 December 2014 (thousands of euros) (restated)
Liabilities, current	1,342	1,458
Liabilities, non-current	8,960	9,239
Equity	7,377	6,385

Buildings Management Services

6.9 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 note 12).

Buildings Management Services: summary financial information

	31 December 2015 (thousands of euros)	*31 December 2014 (thousands of euros) (restated)*
Income	20,784	20,874
Expenses	23,770	23,177
Assets, current	52,614	55,554
Assets, non-current	4,116	6,495
Liabilities, current	28,051	9,011
Liabilities, non-current	23,427	27,434
Equity	8,238	27,907

Major Repair and Replacement Fund

6.11 A common fund for the purpose of financing the cost of major repairs and replacement of buildings, facilities and technical installations of the Vienna International Centre was established by the Republic of Austria and the Vienna-based organizations under the responsibility of the joint Committee, comprising the respective representatives of the Republic of Austria and the Vienna-based organizations. The Major Repair and Replacement Fund is considered a joint operation with joint control shared among the Republic of Austria and the Vienna-based organizations. It has no legal status, and its assets and liabilities are held in the name of the Republic of Austria and UNIDO (UNIDO on behalf of the Vienna-based organizations).

6.12 The Republic of Austria and the Vienna-based organizations are making annual contributions to the Major Repair and Replacement Fund shared equally between the Republic of Austria and the Vienna-based organizations. The contribution of the Vienna-based organizations is shared among the individual organizations according to the approved ratio as described in paragraphs 6.1 and 6.2 above. As for Buildings Management Services, the 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 note 12).

Major Repair and Replacement Fund: summary financial information

	31 December 2015 (thousands of euros)	*31 December 2014 (thousands of euros)*
Income	3,547	3,544
Expenses	3,554	1,729
Assets, current	10,090	10,159
Liabilities, current	550	612
Equity	9,540	9,547

Vienna International Centre

6.13 In 1967, the Republic of Austria provided a permanent headquarters building to the Vienna-based organizations for 99 years at a nominal rent of one Austrian schilling a year. The headquarters agreement of each organization states that the building would be made available without furnishings, and it would be used solely as the headquarters seat for the Vienna-based organizations with due regard to the owner's rights under Austrian law. The Vienna-based organizations would meet all operating costs, and bear the costs of maintenance of the building and of any necessary inside and outside repairs. The agreement shall cease to be in force if the headquarters seat of the Vienna-based organizations is removed from the designated area; a decision to move the seat is at the discretion of the individual organization, and there are no onerous conditions attached.

6.14 The Republic of Austria retains the ownership of the area constituting the headquarters seat. However, the Vienna-based organizations acquire the economic benefits and service potential of the use of the leased asset for the major part of its economic life. Therefore, the Vienna International Centre is considered a joint operation with joint control shared among the Vienna-based organizations. The commitment to retain the headquarters seat in the premises is reflected as a performance obligation (see note 13) representing the full value of the gift from the Republic of Austria, deferred until fulfilled, on an annual basis.

6.15 The Vienna International Centre is maintained by UNIDO's Buildings Management Services under the management of the joint Committee on Common Services. Costs of major repairs are financed from the Major Repairs and Replacement Fund.

Vienna International Centre: summary financial information

	31 December 2015 (thousands of euros)	*31 December 2014 (thousands of euros)*
Income	15,975	-
Expenses	15,975	-
Assets, non-current	277,043	288,017
Liabilities, non-current	277,043	288,017

6.16 Costs related to other common services, such as security and medical services, are expensed on a reimbursement basis. The amounts expensed during 2015 were €1,863 and €212 (2014: €1,782 and €196), respectively.

Note 7. Property, plant and equipment

	Capitalization in progress and other property, plant and equipment	*Buildings*	*Furniture and fixtures*	*Information and communications technologies equipment*	*Vehicles*	*Machinery*	***Total***
				(thousands of euros)			
Cost							
At 31 December 2014 (restated)	3,097	75,282	1,806	13,891	2,509	7,430	**104,015**
Additions	1,067	486	1,376	1,300	893	13,911	**19,033**
Disposals/transfers	(3,094)	(5,123)	(958)	(510)	1,138	157	**(8,390)**
At 31 December 2015	**1,070**	**70,645**	**2,224**	**14,681**	**4,540**	**21,498**	**114,658**
Accumulated depreciation							
At 31 December 2014 (restated)	-	30,959	1,031	6,813	1,180	1,889	**41,872**
Depreciation charge during the year	495	2,069	174	575	480	2,720	**6,513**
Depreciation charge of joint venture	24	-	17	2,467	5	33	**2,546**
Disposals/transfers	(517)	(2,111)	(19)	(314)	682	1,852	**(427)**
At 31 December 2015	**2**	**30,917**	**1,203**	**9,541**	**2,347**	**6,494**	**50,504**
Net book value							
At 31 December 2014 (restated)	**3,097**	**44,323**	**775**	**7,078**	**1,329**	**5,541**	**62,143**
At 31 December 2015	**1,068**	**39,728**	**1,021**	**5,140**	**2,193**	**15,004**	**64,154**

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 In 2015, UNIDO capitalized the remaining part of project assets with a total cost of €5,525 and a net book value as at 31 December 2015 of €1,253. The majority were in the asset classes machinery and vehicles (net book value of €927 and €294 respectively).

7.3 Property, plant and equipment items are reviewed annually to determine if there is any impairment in their value. During 2015, review of asset impairments indicated no impairments.

7.4 The gross carrying amount (value at cost) of fully depreciated property, plant and equipment items, excluding buildings, still in use amounts to €5,655 (2014: €4,710) 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 2014	-	1,043	5,338	**6,381**
Additions	-	250	46	**296**
Disposals/transfers	-	(264)	-	**(264)**
At 31 December 2015	**-**	**1,029**	**5,384**	**6,413**
Accumulated amortization				
At 31 December 2014	-	463	2,606	**3,069**
Amortization charge during the year	149	91	893	**1,133**
Disposals/transfers	(149)	(64)	-	**(213)**
At 31 December 2015	**-**	**490**	**3,499**	**3,989**
Net book value				
At 31 December 2014	**-**	**580**	**2,732**	**3,312**
At 31 December 2015	**-**	**539**	**1,885**	**2,424**

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 2015	31 December 2014 (restated)
	(thousands of euros)	
Initial advance in Commissary	809	809
Advance to the Major Repair and Replacement fund	684	735
Other non-current assets	20	510
Total, non-current assets	**1,513**	**2,054**

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 2015	31 December 2014 (restated)
	(thousands of euros)	
Due to Member States	11,694	4,833
Payables to donors	7,334	9,680
Due to Vienna-based organizations	19,122	-
Payables to vendors	4,792	2,828
Total accounts payable	**42,942**	**17,341**

	31 December 2015	31 December 2014
	(thousands of euros)	
Composition:		
Payables from non-exchange transactions	38,150	14,513
Payable from exchange transactions	4,792	2,828
Total accounts payable	**42,942**	**17,341**

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.

10.3 Amounts due to Vienna-based organizations represent the refund of the excess funds over the established ceiling of the Buildings Management Services special account.

Note 11. Employee benefits

	31 December 2015			31 December 2014
	Actuarial valuation	UNIDO valuation	Total	
	(thousands of euros)			
Short-term employee benefits		3,024	3,024	1,968
Post-employment benefits	211,520		211,520	223,465
Other long-term employee benefits	6,001		6,001	6,161
Total employee benefit liabilities	**217,521**	**3,024**	**220,545**	**231,594**

	31 December 2015	31 December 2014
	(thousands of euros)	
Composition:		
Current	3,024	1,968
Non-current	217,521	229,626
Total employee benefit liabilities	**220,545**	**231,594**

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 2015, total employee benefit liabilities amounted to €220,545 (2014: €231,594), of which €217,521 (2014: €229,626) was calculated by the actuaries and €3,024 (2014: €1,968) 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 mainly 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 2015. 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 2015:

- *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 2013 actuarial valuation of the United Nations Joint Staff Pension Fund, together with rates for withdrawal and retirement.
- *Discount rate*. 2.40 per cent (2014: 2.10 per cent) for after-service health insurance and 1.50 per cent (2014: 1.30 per cent) for repatriation, annual leave and end-of-service allowance.
- *Medical cost trend rates*. 4.85 per cent for 2015, 4.77 per cent for 2016, 4.68 per cent for 2017 and grading down to an ultimate rate of 4.50 percent in 2019 and beyond.
- *Rate of salary increase*. 2.00 per cent (2014: 2.00 per cent), but varying according to age, category and individual progression.
- *Repatriation grant*. It is assumed that all Professional staff is eligible for repatriation benefits and will receive them upon separation from service.
- *Repatriation travel costs*. Decrease of 0.00 per cent (2014: 0.00 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	44,987	(34,248)
Effect on combined service and interest cost	3,262	(2,979)

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 2014	**202,797**	**9,988**	**6,161**	**10,680**	**229,626**
Service costs	7,518	614	636	500	**9,268**
Interest costs	4,376	125	78	133	**4,712**
Actual gross benefit payments	(3,236)	(689)	(543)	(854)	**(5,322)**
Actuarial (gains)/losses	(15,094)	(104)	(316)	(16)	**(15,530)**
Actuarial (gains)/losses of joint operation	(5,174)	28	(15)	(72)	**(5,233)**
Defined benefit obligation at 31 December 2015	**191,187**	**9,962**	**6,001**	**10,371**	**217,521**

Annual expense for the year 2015

	After-service health insurance	Repatriation benefits	Annual leave	End-of-service allowance	Total
	(thousands of euros)				
Service cost	7,518	614	636	500	**9,268**
Interest costs	4,376	125	78	133	**4,712**
Total expense	**11,894**	**739**	**714**	**633**	**13,980**

United Nations Joint Staff Pension Fund

11.12 UNIDO's financial obligation to the United Nations Joint Staff Pension Fund (UNJSPF) consists of its mandated contribution at the rate established by the United Nations General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations), together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the UNJSPF.

11.13 In 2015, UNIDO's contributions paid to the UNJSPF amounted to €8,427 (2014: €7,466).

11.14 The actuarial valuations are undertaken every two years, with the most recent valuation carried out as of 31 December 2013. The consulting actuary concluded that there was no requirement for deficiency payments under Article 26 of the Regulations of the UNJSPF.

Note 12. Advance receipts

	31 December 2015	31 December 2014 (restated)
	(thousands of euros)	
Assessed contributions in advance	27	763
Voluntary contributions in advance	39,369	48,817

	31 December 2015	*31 December 2014 (restated)*
	(thousands of euros)	
Advances from Vienna International Centre-based organizations	3,668	5,920
Deferred project income	5,506	3,752
Buildings Management Services deferral	5,252	25,604
Major Repair and Replacement Fund deferral	4,770	4,774
Performance obligation for voluntary contributions agreements	28,111	21,142
Total advance receipts	**86,703**	**110,772**

	31 December 2015	*31 December 2014 (restated)*
	(thousands of euros)	
Composition:		
Advances from non-exchange transactions	73,013	74,473
Advances from exchange transactions	13,690	36,299
Total advance receipts	**86,703**	**110,772**

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 for 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 and the Major Repair and Replacement Fund on behalf of the Vienna-based organizations (see note 6) are awaiting release for services to be delivered in the future.

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 2015	*31 December 2014 (restated)*
	(thousands of euros)	
Deferred exchange gains	2,434	2,431
Accruals for goods/services received-but-not-paid	14,932	8,529
Deferred income – Vienna International Centre performance obligation	38,844	43,511

	31 December 2015	31 December 2014 (restated)
	(thousands of euros)	
Other liabilities	4,155	3,774
Long-term guarantees – bank/rent deposit	96	96
Total other liabilities	**60,461**	**58,341**

	31 December 2015	31 December 2014
	(thousands of euros)	
Composition:		
Current	21,521	14,734
Non-current	38,940	43,607
Total other liabilities	**60,461**	**58,341**

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 Performance obligation represents the full value of the gift from the Republic of Austria for use of the Vienna International Centre building deferred until UNIDO fulfils its commitment to retain its headquarters seat on the premises on an annual basis. The net book value of UNIDO-financed leasehold improvements of €884 (2014: €812) reduces the performance obligation valued at the UNIDO share of the Vienna International Centre buildings of €39,728 (2014: €44,323).

13.4 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 2015	**(153,461)**	**5,795**	**7,423**	**376,172**	**(8,873)**	**227,056**
Advance to the Major Repair and Replacement Fund	1,546	-	-	-	-	**1,546**
Opening balance (restated)	**(151,915)**	**5,795**	**7,423**	**376,172**	**(8,873)**	**228,602**
Net surplus/(deficit) for the year	(3,055)	303	-	117,416	578	**115,242**
Subtotal	**(154,970)**	**6,098**	**7,423**	**493,588**	**(8,295)**	**343,844**
Movements during year						

	Regular budget funds: General fund	Regular budget funds: Regular programme of technical cooperation	Working Capital Fund	Technical cooperation funds	Other funds	Total
	(thousands of euros)					
Credits to Member States	(9,954)	-	-	-	-	**(9,954)**
Transfer (to)/from provision for delayed contribution	(1,486)	-	-	-	-	**(1,486)**
Actuarial gains/(losses)	9,699	-	-	984	4,847	**15,530**
Transfers between funds	(758)	-	-	758	-	**-**
Consolidation adjustments	707	(24)	-	-	-	**683**
Total movements during year	**(1,792)**	**(24)**	**-**	**1,742**	**4,847**	**4,773**
Closing fund balance 31 December 2015	**(156,762)**	**6,074**	**7,423**	**495,330**	**(3,448)**	**348,617**

Regular budget general fund

14.1 The negative regular budget general fund balance is as a consequence of unfunded long-term employee benefits liabilities amounting to €217.5 million as at 31 December 2015 (2014: €229.6 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 €7,423,030. The Fund is financed through advances paid by Member States based on the scale of assessments approved by the General Conference.

Special Account of Voluntary Contributions for Core Activities (SAVCCA) and Major Capital Investment Fund (MCIF)

14.4 The Programme and Budget Committee, at its thirty-first session, took note of the establishment of the Special Account of Voluntary Contributions for Core Activities (SAVCCA) and of the Major Capital Investment Fund (MCIF), as proposed by the Director General and presented in document IDB.43/5-PBC.31/5. The purpose of the SAVCCA is to facilitate the receipt, management, and use of voluntary contributions for core activities that cannot be fully funded from the regular budget due to funding constraints. The MCIF provides a funding mechanism to secure funding for major capital investments or replacements in such a way that major expenditures of a one-off or infrequent nature will not cause significant distortion to the levels of the regular budgets.

14.5 The Industrial Development Board, at its forty-third session, took note of the establishment of two special accounts: (a) Special Account of Voluntary Contributions for Core Activities (SAVCCA), and (b) Major Capital Investment Fund (MCIF), as well as the purposes and limits, and the special financial rules governing the operation of the special accounts as presented in document IDB.43/5. The Board also took note of the operational modalities of these accounts and the activities to be funded from them.

14.6 As at 31 December 2015, no contribution was received by any of the newly established funds.

Technical cooperation

14.7 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 2015*	*Movements during the year*	*Net surplus/(deficit) for the year*	*31 December 2015*
			(thousands of euros)		
Computer Model for Feasibility Analysis and Reporting fund	14.8	996	-	(349)	**647**
Operational budget	14.9	(16,537)	4,847	1,919	**(9,771)**
Fund for the Programme for Change and Organizational Renewal	14.10	3,994	-	(1,201)	**2,793**
Regular budget supplementary appropriation: Vienna International Centre security	14.11	571	-	4	**575**
Sales publication revolving fund	14.12	236	-	(22)	**214**
Commissary	6	1,644	-	223	**1,867**
Catering	6	223	-	4	**227**
Total		**(8,873)**	**4,847**	**578**	**(3,448)**

14.8 The Fund for Computer Model for Feasibility Analysis and Reporting (COMFAR) supports the distribution of COMFAR software, which facilitates short and long term analysis of financial and economic consequences of industrial and non-industrial projects.

14.9 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.

14.10 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.

14.11 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.

14.12 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.

14.13 General Conference decision GC.15/Dec.13(f) established the special account for financing the retention of office space in the biennium 2014-2015, up to the amount of €1,280,000. In 2014 Member States voluntarily renounced €942,896 for this purpose.

Note 15. Reserves

	Note	*1 January 2015*	*Movement during the year*	*31 December 2015*
			(thousands of euros)	
Project personnel separation reserve	15.1	1,636	75	1,711
Insurance of project equipment		75	-	75
Statutory operating reserve	15.2/3	3,449	-	3,449
Separation indemnity reserve	15.4	5,499	-	5,499
Appendix D: reserve for compensation payments	15.5	3,234	(11)	3,223
Reserve for exchange rate fluctuations	15.6	5,030	(2,033)	2,997
Total		**18,923**	**(1,969)**	**16,954**

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 was reduced to $4,300 (€4,829), 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. 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 (€419). 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 $9,547, 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 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. The remaining balance of $4,900 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 €1,110 and €4,389, 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 from the reserve in 2015 of €2,033 (in 2014 €458 were transferred to the reserve) 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 2015*	*31 December 2014*
		(thousands of euros)	
Assessed contributions	**16.1**	**71,200**	**71,937**
Voluntary contributions			
For technical cooperation		228,609	148,179
For support to regular activities		170	1,467
Subtotal, voluntary contributions	**16.2**	**228,779**	**149,646**
Investment revenue	**16.3**	**18**	**90**
Revenue producing activities			
Sales publications		94	101
Computer Model for Feasibility Analysis and Reporting		243	220
Other sales		243	228
Subtotal, revenue producing activities	**16.4**	**580**	**549**
Share of surplus/(deficit) of joint ventures			

	Note	31 December 2015	31 December 2014
		(thousands of euros)	
Catering Service		4	47
Commissary		223	(247)
Subtotal, share of surplus/(deficit) of joint ventures	**16.5**	**227**	**(200)**
Miscellaneous income			
Transfer from/(to) reserve for exchange fluctuation	**16.6**	2,033	(458)
Release of performance obligation for the Vienna International Centre	**16.7**	1,955	-
Contribution in kind – Vienna International Centre land	**16.8**	222	-
Other	**16.9**	100	53
Subtotal, miscellaneous income		**4,310**	**(405)**
TOTAL REVENUE		**305,114**	**221,617**

16.1 The General Conference approved an amount of €143,744 for the regular budget for the biennium 2014-2015 (decision GC.15/Dec.16), which is financed from assessed contributions by Member States. Accordingly, €71,937, representing one-half of the biennial amounts assessed, adjusted by the amounts due from rescinding Member States of €672 (2014: €65). 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 increase in 2015 is mainly attributable to the increased 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, or deficit, 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 amount transferred from/(to) the reserve for exchange rate fluctuations for 2015 is a result of a euro deficit/(surplus) on actual dollar spending against the budgeted rate (see paragraph 15.6).

16.7 The release of the performance obligation for the Vienna International Centre buildings corresponds to the fulfilled commitment to maintain the headquarters seat in the premises.

16.8 The contribution in kind represents the value of the free use of the land at the Vienna International Centre.

16.9 Other miscellaneous income includes proceeds from sales of property, plant and equipment, and from bonuses received from airlines.

Contributions in kind for projects and field office operations

16.10 Contributions of services in kind estimated at €1,895 (2014: €1,437) 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 such contributions on the face of the financial statements. Details of in-kind contributions of services received are as follows:

	31 December 2015	31 December 2014
	(thousands of euros)	
Contributions of services in kind for the use of:		
Office space	865	1,104
Furniture and fixtures	8	6
Communications and information technology equipment	7	8
Vehicles	44	52
Machinery	27	-
Utilities	28	25
Other goods/services	576	11
Contribution to conferences, workshops and training	191	76
Personnel services	149	155
Total	**1,895**	**1,437**

Note 17. Expenses

	Note	31 December 2015	31 December 2014 (restated)
		(thousands of euros)	
Staff salaries		39,521	37,793
Staff entitlements and allowances		34,114	27,479
Temporary assistance		1,411	1,223
Project personnel and consultancies		51,247	40,391
Subtotal, salaries and employee benefits	**17.1**	**126,293**	**106,886**
Regular travel		1,540	1,430
Project travel		7,693	13,452
Rental, utilities and maintenance		4,136	3,685
Inventory consumed/distributed		461	193
Information technology, communications and automation		3,571	3,686
Supplies and consumables		1,528	1,462
Other operating costs		7,091	7,572
Project operating costs		661	350
Subtotal, operating costs	**17.2**	**26,681**	**31,830**
Project contractual services	**17.3**	55,785	44,592
Equipment expensed	**17.4**	6,165	4,520

	Note	31 December 2015	31 December 2014 (restated)
		(thousands of euros)	
Depreciation and amortization	**7,8**	7,646	3,003
Other expenses	**17.5**	574	529
TOTAL EXPENDITURE		**223,144**	**191,360**
Currency translation differences	**17.6**	(33,272)	(25,967)

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 (IT) 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.

17.4 The expenses for equipment represent machinery and equipment below the capitalization threshold, together with technical cooperation equipment handed over to the beneficiaries, or over which UNIDO has no control.

17.5 Other expenses include bank charges of €137 (2014: €108).

17.6 Currency translation differences, primarily from revaluation of non-euro bank balances, investments, assets and liabilities at the end of the period are mainly attributable to an increase in the year-end dollar/euro exchange rate from 0.820 in 2014 to 0.914 in 2015.

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 2015 is presented below:

	Operating	*Investing*	*Financing*	*Total*
		(thousands of euros)		
Balance of appropriations (statement 5)	14,499	-	-	**14,499**
Basis differences	4,689	(838)	(9,954)	**(6,103)**
Presentation differences	(11,224)	-	-	**(11,224)**
Entity differences	(5,494)	(18,676)	-	**(24,170)**
Actual amount in the statement of cash flow (statement 4)	**2,470**	**(19,514)**	**(9,954)**	**(26,998)**

18.7 Budget amounts have been classified based on the nature of expenses in accordance with the programme and budgets approved for the biennium 2014-2015 by the General Conference at its fifteenth session (GC.15/Dec.16) 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 €0.61 million and the budget for consultancy services being underutilized by €0.80 million.

Official travel

18.10 The budget for official travel was marginally underutilized by €0.60 million, for both travel on official business and international travel of UNIDO representatives. 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 €5.14 million were mainly the result of reduced requirements for UNOV Security and Safety services of €0.42 million and a reduction in UNIDO’s contribution to the common Buildings Management Service of €0.82 million, both which resulted from a separate funding pool that was secured to offset the cost of occupying two floors at the VIC. Further, translation and document production reported an underutilization of €1.73 million. Lastly, the operating costs for the field office network were underutilized by €0.68 million, mainly due to attempts aimed at cautious spending and savings in general field operational costs.

Information and communications technology

18.12 The underutilization of €1.11 million in resources for information and communications technology is mainly attributable to reduced usage of the budget lines for IT assets by €0.15 million, IT contractors by €0.45 million and communications service charges by €0.46 million, as UNIDO is making every concerted effort at technological efficiency by achieving more with less resources.

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 €1.16 million was recognized under Special Resources for Africa.

Note 19. Segment reporting

A: Statement of financial position by segment as at 31 December 2015

	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	26,450	352,408	60,856	-	**439,714**
Accounts receivable (non-exchange transactions)	12,174	139,283	1,388	-	**152,845**
Receivables from exchange transactions	2	300	11,739	-	**12,041**
Inventories	-	-	1,080	-	**1,080**
Other current assets	2,822	25,321	167	-	**28,310**
Subtotal, current assets	**41,448**	**517,312**	**75,230**	**-**	**633,990**
Non-current assets					
Receivables	48	72,809	-	-	**72,857**
Share in net assets/equity of joint ventures accounted for using the equity method	-	-	1,284	-	**1,284**
Property, plant and equipment	40,899	19,263	3,992	-	**64,154**
Intangible assets	134	36	2,254	-	**2,424**
Other non-current assets	684	20	809	-	**1,513**
Subtotal, non-current assets	**41,765**	**92,128**	**8,339**	**-**	**142,232**
TOTAL ASSETS	**83,213**	**609,440**	**83,569**	**-**	**776,222**

	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)	1,268	2,610	914	-	**4,792**
Employee benefits	1,012	596	1,416	-	**3,024**
Transfers payable (non-exchange transactions)	8,216	7,324	22,610	-	**38,150**
Advance receipts	27	72,986	13,690	-	**86,703**
Other current liabilities	4,751	15,691	1,079	-	**21,521**
Subtotal, current liabilities	**15,274**	**99,207**	**39,709**	**-**	**154,190**
Non-current liabilities					
Employee benefits	169,969	3,314	44,238	-	**217,521**
Other non-current liabilities	38,844	94	2	-	**38,940**
Subtotal, non-current liabilities	**208,813**	**3,408**	**44,240**	**-**	**256,461**
TOTAL LIABILITIES	**224,087**	**102,615**	**83,949**	**-**	**410,651**
NET ASSETS/EQUITY					
Accumulated surpluses/(deficits): fund balances	(146,284)	383,647	(3,988)	-	**233,375**
Current period surplus/(deficit)	(3,055)	117,719	578	-	**115,242**
Reserves	8,465	5,459	3,030	-	**16,954**
TOTAL NET ASSETS/EQUITY	**(140,874)**	**506,825**	**(380)**	**-**	**365,571**
TOTAL LIABILITIES AND NET ASSETS/EQUITY	**83,213**	**609,440**	**83,569**	**-**	**776,222**

B: Statement of financial performance by segment for the year ended 31 December 2015

	Regular budget activities	*Technical cooperation*	*Other activities and special services*	*Inter-segment transactions*	*Total UNIDO*
			(thousands of euros)		
INCOME/REVENUE					
Assessed contributions	71,200	-	-	-	**71,200**
Voluntary contributions	170	228,609	-	-	**228,779**
Investment revenue	50	(54)	22	-	**18**
Revenue producing activities	165	(2)	18,008	(17,591)	**580**
Share of surplus/(deficit) of joint ventures	-	-	227	-	**227**
Other	7,420	4,384	(40)	(7,454)	**4,310**
TOTAL REVENUE	**79,005**	**232,937**	**18,217**	**(25,045)**	**305,114**
EXPENDITURE					
Salaries and employee benefits	55,824	54,868	15,601	-	**126,293**
Operational costs	13,567	11,977	1,137	-	**26,681**
Contractual services	2,444	53,073	268	-	**55,785**
Technical cooperation equipment expensed	28	6,139	(2)	-	**6,165**
Depreciation and amortization	2,688	3,974	984	-	**7,646**
Other expenses	7,552	18,067	-	(25,045)	**574**
TOTAL EXPENDITURE	**82,103**	**148,098**	**17,988**	**(25,045)**	**223,144**
Currency translation differences	(43)	(32,880)	(349)	-	**(33,272)**
SURPLUS/(DEFICIT) FOR PERIOD	**(3,055)**	**117,719**	**578**	**-**	**115,242**

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 2015, activities have created inter-segment balances in the amount of €4,383, €3,070 and €17,591 (2014: €4,241, €2,462 and €12,406) 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 €1,476 (2014: €692). 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 2015	402	3		405
31 December 2014	401	5		406

20.2 UNIDO operating lease agreements are mainly for office premises and IT 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 2015	*31 December 2014*
	(thousands of euros)	
Regular budget	2,531	2,212
Trust fund	31,607	16,339
Montreal Protocol on Substances that Deplete the Ozone Layer	43,074	36,258
Global Environment Facility	62,027	48,533
Industrial Development Fund	11,906	9,227

	31 December 2015	*31 December 2014*
	(thousands of euros)	
Inter-organization arrangements	592	9,284
Regular programme of technical cooperation	2,500	3,455
Special services and other	321	52
Total commitments	**154,557**	**125,361**

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 €2,467 (2014: €2,583).

20.7 Contingent liabilities on pending cases under Appendix D of the Staff Rules for possible retroactive payment amounted to €239 (2014: €291) and additional recurring monthly payments of €16. There are five cases pending with the Joint Appeals Board panel, with only one claim indicating an amount of €500. In addition, the UNIDO Staff Pension Committee (SPC) may, pending its final approval, have an obligation of €5 for a medical board.

Note 21: Losses, ex-gratia payments and write-offs

21.1 No ex-gratia payments were made by UNIDO during 2015 and 2014.

21.2 The value of property, plant and equipment written off during the year due to loss/theft amounts to €34 (2014: €21).

Note 22. Related party and other executive management disclosure

Key management personnel

	No. of individuals	*Aggregate remuneration*	*Other compensations*	*Total remuneration 2015*	*Outstanding advances against entitlements 31 December 2015*
			(thousands of euros)		
Director General	1	382	106	488	0.0
Deputy to the Director General	1	201	0	201	0.0
Managing Directors	2	460	0	460	23

22.1 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.

22.2 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.

22.3 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.

22.4 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).

22.5 Key management personnel are ordinary members of the United Nations Joint Staff Pension Fund.

22.6 Advances made against entitlements of key management personnel in accordance with staff rules and regulations amounted to €23 as at 31 December 2015 (2014: €0).

Note 23. Opening balances adjustments

23.1 Opening balances were restated to include adjustments, which pertain to the initial recognition of the Vienna International Centre and the related Major Repair and Replacement Fund:

	Assets	*Liabilities*	*Equity*
		(thousands of euros)	
Consolidation of Vienna International Centre buildings	44,323	(44,323)	-
Consolidation of the Major Repair and Replacement Fund	4,956	(4,956)	-
Recognition of advance in the Major Repair and Replacement Fund and deferral	735	811	(1,546)
Total	**50,014**	**(48,468)**	**(1,546)**

23.2 Non-current accounts receivable from non-exchange transactions have been restated to reflect €39,905 of voluntary contribution receivables due after more than one year, previously classified under current assets.

23.3 Other expenses in 2014 were restated to include €529 previously classified under currency translation differences, which reflect more accurately the substance of the items.

Note 24. Events after reporting date

24.1 The UNIDO reporting date is 31 December 2015. 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.