



UNAIDS/PCB(30)/12.6
22 March 2012

30th Meeting of the UNAIDS Programme Coordinating Board
Geneva, Switzerland
5-7 June 2012

Financial report and audited financial statements
for the financial period
1 January 2010 to 31 December 2011

Additional documents for this item: Interim Financial Management Update for the 2012-2013 biennium for the period 1 January 2012 to 31 March 2012.
(UNAIDS/PCB(30)/12.7)

Action required at this meeting - the Programme Coordinating Board is invited to: Accept the financial report and audited financial statements for the financial period 1 January 2010 to 31 December 2011

Cost implications for decisions: *none*

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PART I

INTRODUCTION

1. The financial report of the Joint United Nations Programme on HIV/AIDS (UNAIDS) for the biennium 2010–2011 is submitted by the UNAIDS Secretariat to the UNAIDS Programme Coordinating Board (PCB), in accordance with established procedures¹ which require the Programme Coordinating Board to review the financial report of the Programme.
2. The financial report provides information to the Programme Coordinating Board and other partners about the sources, allocation and use of financial resources. The report also provides details about the assets and liabilities of the Programme, together with cash flow and equity, which gives a complete picture of the financial position of the Programme as at 31 December 2011.
3. The financial report for the biennium 2010-2011 has been prepared in accordance with United Nations System Accounting Standards (UNSAS) and WHO's Financial Regulations and Financial Rules. The statutory components of the financial report have been audited by WHO external auditor, whose opinion is included in the financial report.
4. In line with the continuing process of simplification in the presentation of the financial information provided by the Programme, the present report is divided into three parts. Part I presents general information and the main highlights of the report; Part II contains the opinion of the external auditor, the audited financial statements, schedules and the notes to the accounts; and Part III provides additional management information related to the financial period.
5. At its 24th meeting held in Geneva from 22-24 June 2009, the Programme Coordinating Board endorsed the action agenda and priority areas contained in the 2010-2011 Unified Budget and Workplan. It approved the total budget of US\$ 484.8 million and the distribution of these resources as follows: US\$ 161.0 million to be shared among 10 Cosponsors; US\$ 182.4 for the UNAIDS Secretariat; US\$ 136.4 million for interagency activities; and US\$ 5 million as a contingency fund.
6. Furthermore, in accordance with decision 7.9 of the 20th meeting of the Programme Coordinating Board and following consultations with the Programme Coordinating Board, the Executive Director exercised his discretion² to increase the 2010-2011 Unified Budget and Workplan by US\$ 30 million, equivalent to 6 per cent of the approved budget of US\$ 484.8 million for the biennium in order to offset the impact of the exchange rate fluctuations and the appreciation of the Swiss franc against the US dollar. Thus, bringing the total approved 2010-2011 Unified Budget and workplan to US\$ 514.8 million.
7. The 2010-2011 Unified Budget and Workplan has been guided by the 2007-2011 Strategic Framework for UNAIDS support to countries' efforts to move towards Universal Access to HIV prevention, treatment, care and support (UNAIDS/PCB(23)08.27). Furthermore, at its 27th meeting held in Geneva from 8 to 10 December 2010, the Programme Coordinating Board adopted the UNAIDS 2011-2015 Strategy. This Strategy outlines the following three strategic directions: (i) Revolutionize HIV prevention; (ii) Catalyse the next phase of treatment, care and support; and (iii) Advance human rights and gender equality for the HIV response.
8. Total revenue for 2010-2011 was US\$ 535.2 million, out of which US\$ 477.1 million was made available towards the Unified Budget and Workplan for 2010-2011 and US\$ 58.1 million was made available for the extra-budgetary funds. The total expenses for the same financial period amounted to US\$ 604.8 million, of which US\$ 494.0 million related to expenses against the Unified Budget and Workplan for 2010-2011; US\$ 17.2 million related to expenses against 2008-2009 Unified Budget and Workplan encumbrances and the remaining US\$ 93.6 million related to expenses

¹ Function 5 (vi) of Programme Coordinating Board modus operandi

² Decision 7.9 of the 20th meeting of the UNAIDS Programme Coordinating Board, grants the Executive Director, subject to certain conditions, discretion to programme and disburse funds received by way of contributions over and above the level of the approved Unified Budget and Workplan. The amount should not exceed 10 per cent of the budget.

against the extra-budgetary funds. The overall “shortage” (revenue less expenses) carried forward to 2012 was US\$ (69.6) million. In the 2008-2009 biennium, the corresponding figure was a surplus of US\$ 56.0 million.

9. As reflected above, the purchasing power of the 2010-2011 Unified Budget and Workplan was severely affected by the appreciation of the Swiss Franc. In view of the ongoing currency fluctuations in the financial markets and in line with the discussions at the 29th meeting of the Programme Coordinating Board in December 2011, measures have been taken to protect the value of the 2012-2013 Unified Budget, Results and Accountability Framework against any further appreciation in the value of the Swiss franc vis-à-vis the US dollar³.
10. Despite a financial implementation rate of over 95 per cent each biennium since the establishment of the Joint Programme, UNAIDS has ended each financial period with a positive fund balance, commensurate with the increase in the budget of the Programme and mobilization of resources for the Unified Budget and Workplan. On 31 December 2011, this accumulated fund balance amounted to US\$ 211.7 million (US\$ 245.8 million as at 31 December 2009). It should be noted that in addition to the expenditure of US\$ 494.0 million under the 2010-2011 Unified Budget and Workplan and US\$ 17.2 million related to expenses against 2008-2009 Unified Budget and Workplan encumbrances, US\$ 16.1 million was encumbered during the 2010-2011 biennium (representing firm commitments of goods and services to be delivered in 2012), which together represent a financial implementation rate of 99.1 per cent for the financial period ended 31 December 2011. Therefore, the net fund balance under the Unified Budget and Workplan available to continue implementation of 2012-2013 Unified Budget, Results and Accountability Framework activities is US\$ 195.6 million.
11. The fund balance available at the start of each biennium is the Joint Programme's working capital as it enables the Joint Programme to operate without interruption. This fund balance enabled the Secretariat to allocate and transfer US\$ 82.2 million to Cosponsors at the beginning of 2012 in order to ensure continuity and smooth implementation of their activities. This represents 50 per cent of the Cosponsors' share under the 2012-2013 Unified Budget, Results and Accountability Framework.
12. The remainder of the fund balance enabled the Joint Programme to encumber funds for activities and staff costs falling under the Secretariat component of the Unified Budget, Results and Accountability Framework for 2012-2013 in a timely manner, again ensuring continuity and smooth implementation of Unified Budget, Results and Accountability Framework activities.

³ Note 4.1 on page 21 refers.

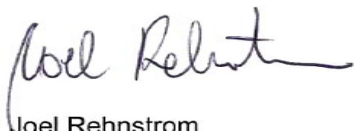
PART II

AUDITED FINANCIAL STATEMENTS, SCHEDULES AND NOTES TO THE ACCOUNTS FOR THE FINANCIAL PERIOD 1 JANUARY 2010 TO 31 DECEMBER 2011

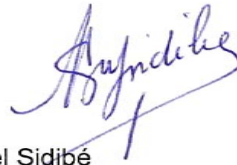
This section of the financial report presents the overall financial position of UNAIDS as of and for the financial period ended 31 December 2011. The relevant financial statements, accompanying notes and supporting schedules have been prepared in compliance with the requirements of the WHO Financial Regulations, Financial Rules and the United Nations System Accounting Standards (UNSAS). The schedules provide background details and explanations in support of individual funds and accounts administered by UNAIDS, through the WHO financial systems, for the financial period ended 31 December 2011.

Certification of Financial Statements

The financial statements, notes to the statements and supporting schedules are approved.



Joel Rehnstrom
Director, Financial Management
and Accountability



Michel Sidibé
Executive Director
UNAIDS

1 March 2012

VINOD RAI



भारत के नियंत्रक - महालेखापरीक्षक
COMPTROLLER & AUDITOR GENERAL OF INDIA

21 March, 2012
No. 542-IR/24-2010

LETTER OF TRANSMITTAL

The Chairperson
30th Meeting of the Programme Coordinating Board
Joint United Nations Programme on HIV/AIDS
20 Avenue Appia
CH - 1211 Geneva 27
SWITZERLAND

Dear Sir/Madam,

I have the honour to present to the 30th Meeting of the UNAIDS Programme Coordinating Board, a certified copy of the Financial Statements of the Joint United Nations Programme on HIV/AIDS for the financial period 1 January 2010 - 31 December 2011, together with my opinion thereon.

Yours sincerely,

Vinod Rai
Comptroller and Auditor General of India
External Auditor

Opinion of the External Auditor

INDEPENDENT AUDITOR'S REPORT

To

**The Programme Coordinating Board for the Joint United Nations
Programme on HIV/AIDS**

Report on the Financial Statements

We have audited the accompanying financial statements of the Joint United Nations Programme on HIV/AIDS (UNAIDS), which comprise the statement of financial performance, the statement of financial position as at 31 December 2011, and the statement of changes in net assets/equity, cash flow statement, statement of accounting policies, notes to the financial statements, and schedules 1 to 6 for the financial period 1 January 2010 to 31 December 2011.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with United Nations System Accounting Standards (UNSAS). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the

International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of UNAIDS as at 31 December 2011, and its financial performance and of its cash flows for the financial period 1 January 2010-31 December 2011 in accordance with UNSAS.

Report on Other Legal and Regulatory Requirements.

Further, in our opinion, the transactions of UNAIDS that have come to our notice or which we have tested as part of our audit have, in all

significant respects, been in accordance with the Financial Regulations and Financial Rules of WHO.

We have no further observations to report as a result of our audit.



Vinod Rai
Comptroller and Auditor General of India
External Auditor

New Delhi, India
21 March 2012

Statement I

Statement of financial performance

All sources of funds for the financial period ended 31 December 2011

(in US dollars)

	Notes	2010-2011	2008-2009
Revenue			
Voluntary contributions	3.2		
Governments		501 518 406	530 986 361
Cosponsoring organizations		9 371 337	12 605 462
Other operating revenue		14 600 863	17 420 142
Financial revenue	3.3	9 739 621	16 143 025
Total revenue		535 230 227	577 154 990
Expenses			
	3.4		
Staff costs and other personnel costs		241 707 553	186 772 084
Transfers and grants to counterparts		204 758 318	189 858 248
Contractual services		89 894 097	70 449 269
General operating expenses		36 131 783	44 188 036
Travel		25 967 020	28 591 783
Equipment, vehicles and furniture		6 330 682	4 261 827
Total expenses		604 789 453	524 121 247
Total surplus/(deficit) for the period		(69 559 226)	53 033 743

The accompanying notes form an integral part of the financial statements.

Statement II
Statement of financial position
All sources of funds as of 31 December 2011
(in US dollars)

	Notes	2010-2011	2008-2009
ASSETS			
Current assets			
Cash and cash equivalents	4.1	240 599 111	272 157 980
Accounts receivable	4.2	81 996 207	55 515 241
Advances to UNDP	4.3	9 301 705	11 077 234
Other receivables	4.4	871 597	566 163
Prepayments	4.5	1 203 256	38 830 708
		<u>333 971 876</u>	<u>378 147 326</u>
Non-current assets			
Accounts receivable - non current	4.2	5 398 050	
Building	4.10	25 613 444	25 613 444
TOTAL ASSETS		<u>364 983 370</u>	<u>403 760 770</u>
LIABILITIES			
Current liabilities			
Deferred revenue	4.7	27 242 365	-
Accounts payable	4.8	1 715 092	11 483 441
Other current liabilities	4.9	891 616	401 989
		<u>29 849 073</u>	<u>11 885 430</u>
Non-current liabilities			
Deferred revenue - non current	4.7	5 398 050	-
Long-term borrowings	4.10	21 058 670	22 498 769
Accrued staff benefits	4.11	13 243 279	5 718 703
		<u>39 699 999</u>	<u>28 217 472</u>
TOTAL LIABILITIES		<u>69 549 072</u>	<u>40 102 902</u>
NET ASSETS/EQUITY			
Net assets/reserves			
Operating reserve fund	5.1	35 000 000	35 000 000
Equity in capital assets	5.2	4 458 270	3 122 614
Accumulated surplus			
	4.15		
Non-restricted		211 700 637	245 764 017
Restricted		44 275 391	79 771 237
TOTAL NET ASSETS/EQUITY	Statement III	<u>295 434 298</u>	<u>363 657 868</u>
TOTAL LIABILITIES AND NET ASSETS/EQUITY		<u>364 983 370</u>	<u>403 760 770</u>

The accompanying notes form an integral part of the financial statements

Statement III

Statement of changes in net assets/equity

All sources of funds for the financial period ended 31 December 2011

(in US dollars)

	Notes	1 January 2010	Movements in 2010-2011	31 December 2011
Net assets/reserves				
Operating reserve fund	5.1	35 000 000	-	35 000 000
Equity in capital assets	5.2	3 122 614	1 335 656	4 458 270
Total net assets/reserves		38 122 614	1 335 656	39 458 270
Accumulated surplus				
	4.15			
Unified Budget and Workplan - non-restricted		245 764 017	(34 063 380)	211 700 637
Extra-budgetary funds - restricted		79 771 237	(35 495 846)	44 275 391
Total accumulated surplus		325 535 254	(69 559 226)	255 976 028
Net assets/equity		363 657 868	(68 223 570)	295 434 298

The accompanying notes form an integral part of the financial statements

Statement IV

Statement of cash flow

All sources of funds for the financial period ended 31 December 2011

(in US dollars)

	2010-2011	2008-2009
Cash flows from operating activities		
Surplus/(deficit) for the period	(69 559 226)	53 033 743
(Increase)/decrease in contributions receivables	(26 480 966)	(42 149 570)
(Increase)/decrease in other receivables	(305 434)	(566 163)
(Increase)/decrease in prepayments	37 627 452	(36 745 807)
(Increase)/decrease in advances to UNDP	1 775 529	(4 937 557)
(Increase)/decrease in contributions receivables - non current	(5 398 050)	-
Increase/(decrease) in deferred revenue	27 242 365	-
Increase/(decrease) in accounts payable	(9 768 349)	(25 343 531)
Increase/(decrease) in other liabilities	489 627	401 989
Increase/(decrease) in deferred revenue non-current	5 398 050	-
Increase/(decrease) in accrued staff benefits	7 524 576	847 376
(Increase)/decrease in borrowing amount due to exchange rate gains/(losses)	(104 443)	7 939
Less: Interest income	(9 739 621)	(16 143 025)
<i>Net cash flow from operating activities</i>	<u>(41 298 490)</u>	<u>(71 594 606)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	1 335 656	1 717 728
Plus: Interest income	9 739 621	16 143 025
<i>Net cash flow from investing activities</i>	<u>11 075 277</u>	<u>17 860 753</u>
Cash flows from financing activities		
Repayment of borrowings	(1 335 656)	(1 717 728)
<i>Net cash flow from financing activities</i>	<u>(1 335 656)</u>	<u>(1 717 728)</u>
Net Increase/(decrease) in cash and cash equivalents	<u>(31 558 869)</u>	<u>(55 451 581)</u>
Cash and cash equivalents at beginning of period	<u>272 157 980</u>	<u>327 609 561</u>
Cash and cash equivalents at end of period	<u>240 599 111</u>	<u>272 157 980</u>

The accompanying notes form an integral part of the financial statements

Statement of Accounting Policies

1.1 *Basis of preparation and presentation*

The accounts of UNAIDS are maintained in accordance with the Financial Regulations and Financial Rules of WHO, which provides administration in support of UNAIDS as per ECOSOC resolution 1994/24, and Article XI of the Memorandum of Understanding among Cosponsors establishing UNAIDS. The accounting policies and financial reporting practices applied by UNAIDS are therefore based upon the WHO Financial Regulations and Financial Rules. Where the Financial Regulations and Financial Rules of WHO do not provide explicit provisions, the requirements of the United Nations System Accounting Standards (UNSAS) apply. The financial statements, accompanying notes and schedules are in accordance with UNSAS.

These financial statements have been prepared on the going concern basis, conforming to the historical cost convention using the accrual method of accounting.

The financial statements, notes and schedules are presented in US dollars.

The United Nations System Accounting Standards (UNSAS), Revision VIII, allows for the phased implementation of International Public Sector Accounting Standards (IPSAS). As a result UNAIDS along with WHO has been gradually adopting IPSAS before the full implementation of IPSAS from 2012. During the Financial period 2010-2011 UNAIDS has fully adopted the following standards:

- **IPSAS 2** Cash Flow Statements;
- **IPSAS 4** The Effects of Changes in Foreign Exchange Rates;
- **IPSAS 14** Events after the Reporting Date; and
- **IPSAS 23** Revenue from Non-exchange Transactions

UNAIDS has concluded that the following Standards are not currently applicable to UNAIDS:

- **IPSAS 6** Consolidated and Separate Financial Statements;
- **IPSAS 7** Interests in Associates;
- **IPSAS 8** Interests in Joint Ventures;
- **IPSAS 10** Financial Reporting in Hyperinflationary Economies;
- **IPSAS 11** Construction Contracts;
- **IPSAS 16** Investment Property;
- **IPSAS 22** Disclosure of Financial Information about the General Government Sector; and
- **IPSAS 27** Agriculture

1.2 *Revenue recognition (Operating revenue)*

Voluntary contributions - Voluntary contributions are recorded on an accrual basis. Formal funding agreements signed by both parties are required in order to recognize an asset before the receipt of cash. When the entire funding is payable up front, revenue equal to the funding set out in the agreement is recognized when the agreement is signed. If the receipt of funds is conditional on a certain future date, and is supported by a signed agreement, deferred revenue is recorded in the Statement of Financial Position – refer to note 4.7. In the previous biennium, no entry was made to record deferred revenue. This change in policy is necessary to become IPSAS compliant. The impact of the change is to increase both assets (amounts receivable) and liabilities (deferred revenue).

Contributions in-kind or in-service - Contributions of goods or services in-kind or in-service received by UNAIDS are recorded in the period in which the contribution was received. They are treated both as revenue and expense in the UNAIDS Trust Fund for extra-budgetary activities at the best estimate of fair value.

1.3 Expense

UNAIDS recognizes expense at the point when goods have been delivered or services rendered.

1.4 Accounts receivables

Accounts receivables are recorded at their estimated realizable value. No provision was made for doubtful voluntary contributions as all outstanding receivables are considered collectable.

1.5 Provisions and contingent liabilities

UNAIDS recognizes a provision for all present obligations for which a probable outflow of resources will be required to settle the obligation and for which the value of the obligation can be reasonably estimated. These provisions are recorded as an expense in the period in which they occur and a corresponding liability is established in the Statement of Financial Position. Contingent liabilities, however, relate to potential future outflows which do not meet the criteria of a provision (i.e., they are not probable or cannot be reasonably estimated). If a contingent liability is not considered remote it should be disclosed in the notes to the financial statements.

1.6 Property and equipment

Property is recorded at cost and is not depreciated. Equipment is fully expensed at cost value in the financial year in which it is acquired. An inventory of equipment with a cost value of US\$ 2 500 and above per item is maintained and the value disclosed in these notes.

Proceeds from the sale of equipment purchased in prior financial periods are credited to miscellaneous income.

1.7 Employee benefits

Employee benefits are recognized as expense on an accrual basis. Similarly, terminal payments to staff members, including repatriation grant, accrued annual leave, repatriation travel and removal on repatriation, are expensed on an accrual basis. As per actuarial valuations, the current accruals for employee benefits are not sufficient to cover all future costs.

1.8 United Nations Joint Staff Pension Fund

UNAIDS participates in the United Nations Joint Staff Pension Fund (UNJSPF) through WHO, which is a member organization participating in the UNJSPF. The UNJSPF was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to staff. The pension fund is a funded defined-benefit plan. The financial obligation of the organization to the UNJSPF consists of its mandated contribution at the rate established by the United Nations General Assembly, together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. At the time of this report, the United Nations General Assembly has not invoked this provision.

1.9 Financial risks

UNAIDS is exposed to certain financial risks including foreign currency exchange risk and credit risk. WHO holds UNAIDS cash and, in accordance with Financial Regulation 11.1, funds not required for immediate use may be invested. All investments are carried out within the framework of investment policies approved by the WHO Director-General. These policies are regularly reviewed by the Advisory Investment Committee, which includes external investment specialists. The Committee makes regular recommendations to the Director-General. The range of investment types are:

- **Short-term fixed income in US dollars** - These are invested in cash and high quality, short dated, government, agency, and corporate bonds as defined in the approved investment policy;

- **Long-term fixed income in US dollars** - These are invested in high quality, medium and long dated, government, agency, and corporate bonds. They represent funds managed for the Staff Health Insurance Fund and the Terminal Payments Account as defined in the approved investment policy; and
- **Equity investments in US dollars** - In accordance with approved investment policy, this portfolio represents funds managed for the Staff Health Insurance Fund.

Foreign currency exchange risk - UNAIDS receives voluntary contributions and makes payments in currencies other than US dollars. It is exposed to foreign exchange currency risk arising from fluctuations in the currency exchange rates. Exchange rate gains and losses on the purchase and sale of currencies, revaluation of cash book balances, and all other exchange differences are adjusted against the corresponding funds and accounts.

Credit risk - The credit risk associated with contributions from donors and on other accounts receivables is considered above in note 1.4 on accounts receivable. UNAIDS is not subject to significant liquidity or price risk.

Foreign currency translation - Translation into US dollars of transactions expressed in other currencies is effected at the prevailing United Nations accounting rate of exchange, as applicable at the date of the transaction. Assets and liabilities that are denominated in foreign currencies are translated at the rates of exchange prevailing on the first day of the month for purposes of reporting. Realized/unrealized gains and losses resulting from the settlement and revaluation of foreign currency transactions are recognized in the Statement of Financial Performance.

1.10 Tax equalization fund

UNAIDS staff who are nationals of Member States that levy income tax on emoluments received from UNAIDS are included in the WHO Tax Equalization Fund.

1.11 Interest income

UNAIDS funds are managed centrally on a pooled basis by WHO. The interest earned on these funds is allocated based on proportional share of capital in the central accounts. The interest income is recorded on an accrual basis.

1.12 Fund accounting

Fund accounting is a method of segregating resources into categories, (i.e. funds) to identify both source and use of funds. Establishment of such funds help ensure better reporting of revenue and expenses. The two types of funds for UNAIDS are Unified Budget and Workplan funds and extra-budgetary funds. Any transfers between funds that would result in duplication of revenue and/or expense (including Programme Support Costs) are eliminated during consolidation.

Notes to the Financial Statements

2. Statement of objectives

The objective of the Joint United Nations Programme on HIV/AIDS (UNAIDS), as contained in the Memorandum of Understanding among Cosponsors establishing UNAIDS and in the Economic and Social Council of the United Nations (ECOSOC) resolutions 1994/24 and 1995/2, is the coordination of the United Nations system's response to the HIV/AIDS epidemic.

This objective was further refined and updated as a result of the new UNAIDS vision and mission statement which was endorsed by the UNAIDS Programme Coordinating Board at its 26th meeting held in Geneva, from 22-24 June 2010, enumerating the five objectives of UNAIDS, as follows:

- **Uniting efforts** of the UN, civil society, governments, the private sector, global institutions and people living with and most affected by HIV;
- **Speaking out in solidarity** with the people most affected by HIV in defense of human dignity, human rights and gender equality;
- **Mobilizing resources** (political, technical, scientific and financial) and holding ourselves and others accountable for results;
- **Empowering agents of change** with strategic information and evidence to influence and ensuring that resources are targeted where they deliver the greatest impact;
- **Supporting inclusive country leadership** for sustainable responses that are integral to and integrated with national health and development efforts.

At its 24th meeting held in Geneva from 22-24 June 2009, the Programme Coordinating Board endorsed the action agenda and priority areas contained in the 2010-2011 Unified Budget and Workplan. It approved the total budget of US\$ 484.8 million (the same level as for the previous biennium) and the distribution of these resources as follows: US\$ 161.0 million to be shared among 10 Cosponsors; US\$ 182.4 for the UNAIDS Secretariat; US\$ 136.4 million for interagency activities; and US\$ 5.0 million as a contingency fund. Furthermore, in accordance with decision 7.9 of the 20th meeting of the Programme Coordinating Board and following consultations with the Programme Coordinating Board, the Executive Director exercised his discretion to increase the 2010-2011 Unified Budget and Workplan by US\$ 30 million, equivalent to 6 per cent of the approved budget of US\$ 484.8 million for the biennium in order to offset the impact of the exchange rate fluctuations and the appreciation of the Swiss franc against the US dollar. Thus, bringing the total approved 2010-2011 Unified Budget and Workplan to US\$ 514.8 million.

3. Supporting information to the Statement of Financial Performance

3.1 *Statement overview*

The statement of financial performance consolidates revenue and expenses for all activities throughout the Programme. The statement segregates operating activities from those arising from financing operations. Further details by fund are presented in Schedule 1.

3.2 *Voluntary contributions*

Voluntary contributions to the Programme totalled US\$ 510.9 million (US\$ 501.5 million from governments and US\$ 9.4 million from UNAIDS Cosponsors). Included in this figure is an amount of US\$ 1.2 million representing in-service contributions. The above amount of US\$ 510.9 million excludes deferred revenue totalling US\$ 32.6 million as reflected under financial note 4.7. During 2010-11 biennium no in-kind contributions were recognized. In addition to the voluntary contributions, a total of US\$ 14.6 million reflected under other operating revenue was received from intergovernmental organizations, institutions, other United Nations Organizations, as well as the private sector.

3.3 *Financial revenue and expense*

The total interest earnings were US\$ 7.4 million for the 2010-2011 financial period and the net realized gains on hedging and exchange transactions were US\$ 2.3 million for the same period, resulting in a total amount of US\$ 9.7 million at 31 December 2011.

	2010-2011 (in US dollars)	2008-2009 (in US dollars)
Interest	7 380 389	12 976 931
Realized gains/(losses) on hedging	2 930 511	-
Exchange gains/(losses)	(571 279)	3 166 094
Total exchange gains/(losses)	2 359 232	3 166 094
Total	9 739 621	16 143 025

3.4 **Expense**

UNAIDS recognizes expense at the point when goods have been delivered or services rendered. An encumbrance represents a firm commitment or obligation for goods and services which have not been delivered. Encumbrances are not reported in the Statement of Financial Performance.

3.4.1 Staff and other personnel costs: This represents the total cost of employing staff at all locations, including remuneration of base salary, post adjustment and any other type of entitlements (e.g., pension and insurance) paid by the Programme. Cost for special service agreements and fellowships are also considered to be staff costs

3.4.2 Transfers and grants to counterparts: This represents agreements signed with UNAIDS' Cosponsors, other UN entities, non-profit nongovernmental organizations and academic institutions to perform activities to help achieve specific objectives of the UNAIDS Secretariat; transfers to UNAIDS Cosponsors for their share of the Unified Budget and Workplan for 2010-2011; and Programme Acceleration Funds transferred to Cosponsors in countries to support national activities to contribute towards an expanded national response to HIV/AIDS.

3.4.3 Contractual services: Represents expenses for service providers usually through the issuance of Agreements for Performance of Work (APWs) to produce a specific piece of work, or consulting contracts given to individuals to perform activities on behalf of the Programme.

3.4.4 General operating expenses: This amount represents expenses related to general operations in support of Headquarters, regional and country offices. This includes costs such as utilities, telecommunication and rent expenses.

3.4.5 Travel: Travel for staff, non-staff meeting participants, consultants and Programme Coordinating Board members paid by UNAIDS are included in the total travel costs. Travel expenses include airfare, per diem and other travel related costs. The above does not include statutory travel such as appointment, home leave and separation.

3.4.6 Equipment vehicles and furniture: UNAIDS expenses the full cost for equipment, vehicles and furniture at the point of delivery. No charges for depreciation are currently recorded under UNSAS.

4. Supporting information to the Statement of Financial Position

4.1 **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits in transit, cash in bank and other short-term highly liquid investments that are readily convertible to cash with original maturities of three months or less. These balances are held centrally by WHO and invested on behalf of UNAIDS in accordance with WHO's rules and practices.

The total of US\$ 240 599 111 comprises of the following:

	31 December 2011 (in US \$)	<i>31 December 2009</i> <i>(in US \$)</i>
Local bank accounts – (Imprest Accounts)	107 057	797 292
Current account (with WHO)	240 492 054	271 360 688
Total	240 599 111	272 157 980

4.1.a **Hedging foreign exchange exposures on future payroll costs**

The value of non-dollar (i.e. Swiss Franc) payroll expenditures in 2012 has been protected from the impact of movements in foreign exchange rates against the United States dollar. Protection has been effected through the transaction of forward currency contracts during 2011. As at 31

December 2011 the forward foreign currency exchange hedging contracts were CHF 27.0 million. Unrealized net losses on these contracts amounted to US\$ 1.2 million as at 31 December 2011 (nil at 31 December 2009). Realized gains or losses on these contracts will be recorded on maturity of the contracts and applied during 2012-2013.

4.1.b Hedging foreign exchange exposures on receivables and payables

Currency exchange risk arises due to differences in the exchange rates at which foreign currency receivables or payables are recorded, and the exchange rates at which the cash receipt or payment is subsequently recorded. A monthly programme of currency hedging is performed to hedge this foreign currency risk. On an ongoing monthly basis the awards, accounts receivable and accounts payable exposures are netted by currency and each significant net foreign currency exposure is bought or sold forward using a forward foreign exchange contract equal and opposite to the net currency exposure. These exposures are re-balanced at each month end to coincide with the settings of the monthly UN exchange rates, and the forward foreign exchange contracts are adjusted and swapped back to the following month to match the revised net currency exposures. Through this process the exchange gains or losses crystallised on the forward foreign currency contracts hedge the corresponding exchange losses and gains on the movements in the net contributions, accounts receivable and accounts payable. As at 31 December 2011 the total forward foreign currency hedging contracts by currency were as follows:

Currency Forward Bought	Net Amount	Equivalent in US dollars	Market Value (US dollars)
CHF	5 000 000	5 291 005	(29 988)
EUR	5 750 000	7 416 798	(24 403)
GBP	10 000 000	15 414 990	(55 580)
SEK	20 150 000	2 904 984	(20 184)
Total		31 027 777	(130 155)

4.2 Accounts receivable

At 31 December 2011, US\$ 87.4 million in contributions receivable was outstanding (US\$ 55.5 million in 2009). A total of US\$ 54.6 million of this receivable is due to letters of credit outstanding with the Government of the United States of America; US\$ 31.2 million represents receivables due in future financial periods (broken down between current for 2012 financial period for an amount of US\$ 25.8 million and non-current amounting to US\$ 5.4 million for financial periods 2013 and 2014) and the remaining balance of US\$ 1.6 million represents outstanding receivables from several donors.

4.3 Advances to UNDP

Under the "Working Arrangement between the United Nations Development Programme (UNDP) and the Joint United Nations Programme on HIV/AIDS (UNAIDS) covering the provision of administrative support services by UNDP" signed in April 1996 and updated in June 2008, UNDP provides some administrative support services to UNAIDS country and regional offices. Such an arrangement requires UNAIDS to periodically advance funds to UNDP to cover payments made by UNDP on behalf of UNAIDS. During 2010-2011 the average monthly advance amounted to US\$ 4.0 million.

4.4 Other receivables

At 31 December 2011, there was an amount outstanding of US\$ 0.9 million in other receivables (US\$ 0.6 million as at 31 December 2009) which corresponds to various staff-related advances such as salary, rent, education grant and travel. It should be noted that prior to the implementation of the Enterprise Resource Planning (ERP) system (Oracle) the payment of per diem and education grant were considered an advance and recorded as a receivable. Post implementation of the ERP travel payments and education payments were considered as expenditure at the time of payment. When there is a variation in the travel or education costs which results in money due to the Organization a receivable is recorded.

In accordance with the WHO Staff Rule 380.6, a staff member's remuneration may be advanced to him if it falls due during his absence on leave or official travel; it may also be advanced to him in emergencies. When staff salaries are processed through payroll, the advance is recovered and amounts charged to the respective project. In this connection, a provision of US\$ 0.1 million for doubtful recovery of salary advances has been made as at 31 December 2011.

4.5 **Prepayments**

The total value of prepayments is US\$ 1.2 million (US\$ 38.8 million as at 31 December 2009). Out of this amount US\$ 0.7 million relates to advances paid to the UNAIDS Cosponsors towards their share under the UNAIDS 2012-2015 Unified Budget, Results and Accountability Framework (UBRAF) for the 2012-2013 biennium. The remaining amount of US\$ 0.5 million represents payments to suppliers in advance of receipt of goods or services which will be charged to expense in 2012.

4.6 **Non-expendable equipment**

The total value of non-expendable equipment at 31 December 2011 amounted to US\$ 10.1 million (US\$ 10.3 million as at 31 December 2009). In accordance with established accounting policy, non-expendable equipment (including furniture, computers and other office equipment and motor vehicles) is charged as an expense at cost. An inventory of non-expendable equipment is maintained and the value disclosed in these notes. For reporting purposes, only those items with a cost value of US\$ 2 500 and above are included. The inventory as at 31 December 2009 included all inventory items irrespective of costs and has been restated to reflect only those inventory items with a cost value of US\$ 2 500 and above.

	31 December 2011 (in 000's of US \$)	31 December 2009 (re-stated) (in 000's of US \$)
Beginning balance	10 265	7 804
Acquisitions	1 479	3 453
Disposals	1 663	992
Ending balance	10 081	10 265

4.7 **Deferred revenue**

As at 31 December 2011 deferred revenue amounted to US\$ 32.6 million. This represents multi-year pledges made in 2010-2011 but for which the revenue recognition has been deferred to future financial periods. Out of this amount US\$ 5.4 million represents non-current deferred revenue for 2013 and 2014 financial periods. Deferred revenue is recorded for the first time in 2011 financial statements as UNAIDS moves towards IPSAS compliant.

4.8 **Accounts payable**

This represents the total amount outstanding to suppliers for goods and services. The total accounts payable for UNAIDS programme activities at 31 December 2011 was US\$ 1.7 million (US\$ 11.5 million as at 31 December 2009).

4.9 **Other current liabilities**

The total balance for other current liabilities at 31 December 2011 was US\$ 0.9 million (US\$ 0.4 million as at 31 December 2009). These amounts relate to various short-term liabilities as detailed below.

	31 December 2011 (in US \$)	31 December 2009 (in US \$)
Payroll- related	522 976	401 989
Accruals (un-invoiced receipts)	368 639	-
Total	891 615	401 989

4.10 **Building and long-term borrowings**

At its 12th meeting in May 2004, the Programme Coordinating Board endorsed UNAIDS' negotiation of a direct loan with the Swiss Confederation for the construction of a new building in Geneva for the UNAIDS Secretariat and WHO at an estimated cost of CHF 66.0 million, of which UNAIDS' share was estimated at CHF 33.0 million. In December 2003, the Swiss Confederation agreed to provide an interest-free loan of CHF 59.8 million, of which UNAIDS' share is CHF 29.9 million. The repayment over a 50-year period of UNAIDS' share of the interest-free loan provided by the Swiss Confederation is made through the reallocation of funds otherwise expended on the rental of office space with effect from the first year of the completion of the building.

The building was completed in November 2006. The amount under Buildings includes US\$ 25.6 million which represents the 50 per cent share of UNAIDS' expense incurred on the building up to 31 December 2007.

The loan repayable of US\$ 21.1 million at 31 December 2011 represents the balance of UNAIDS' share of the loan received from the Swiss Confederation.

4.11 **Accrued staff benefits**

This represents:

- (i) **Terminal payments account:** This account was established to provide for financing the terminal emoluments of staff members, including repatriation grant, accrued annual leave, repatriation travel and removal on repatriation. It is funded by a budgetary provision set for 2010-2011 at 2.5 per cent of salary and post adjustment. It should be noted that the account does not reflect the Programme's full long term liability for terminal payments. The latest actuarial study estimated the full liability to be US\$ 23.9 million at 31 December 2011. This calculation did not include costs for end of service grant or separation by mutual agreement on abolishment of posts.
- (ii) **Non-payroll staff entitlements account:** This account provides for non-payroll staff entitlements. These consist of education grant, education grant travel, home leave, recruitment and assignment travel, assignment grant and transportation of personal effects.

	31 December 2011 (in US \$)	31 December 2009 (in US \$)
Terminal payments	8 907 809	6 357 869
Non-payroll staff entitlements	4 335 470	(639 166)
Total	13 243 279	5 718 703

4.12 **Staff Health Insurance**

UNAIDS staff are covered by WHO's Staff Health Insurance. Revenue to the WHO Staff Health Insurance Fund consists of contributions received for both active and retired staff (of which one-third is paid by the participants and two-thirds by the Programme), as well as interest earned on investments. In order to ensure the adequate funding of future claims from retired staff, a fixed percentage (currently 25 per cent) of active staff contributions is set aside each year. The remaining 75 per cent of contributions is required to meet current claims from active staff. It should be noted that the fund balance for after service health insurance (ASHI) is not sufficient to meet all future costs. The latest actuarial calculation as at 31 December 2011 estimates the full liability for UNAIDS to be US\$ 63.2 million. The net unfunded liability is US\$ 34.0 million (i.e. US\$ 63.2 million less plan assets specific to UNAIDS of US\$ 29.2 million).

4.13 **Administrative waivers, amounts written off, extra-gratia payments and fraud**

During the 2010-2011 biennium, there were no administrative waivers, amounts written off or extra-gratia payments. Furthermore, there were no cases of fraud reported during the 2010-2011 biennium.

4.14 Contingent liabilities

At 31 December 2011, there was one outstanding personnel matter before the WHO Headquarters Board of Appeal which is expected to be passed to the International Labour Office Administrative Tribunal. The legal proceedings have not progressed sufficiently to determine the extent of any liability of the Programme with any degree of certainty.

4.15 Changes in net assets/equity

This statement is broken down into two categories, namely, non-restricted and restricted. Non-restricted equity refers to UNAIDS funds. Restricted equity refers to the fund balances which are contractually obligated to be spent on specified activities and/or geographic areas. These funds may be required to be returned to the donor if not spent within the terms, or time frame, of the agreement.

5. Supporting information to the Statement of Changes in Net Assets/Equity

5.1 Operating reserve fund

Pending receipt of core contributions, implementation of the Unified Budget and Workplan may be financed from the Operating Reserve Fund (ORF), which was established by the Programme Coordinating Board in June 1996. The rules and procedures guiding the use of the ORF by the Executive Director were decided by the Programme Coordinating Board at its sixth meeting held in Geneva in May 1998.

5.2 Equity in capital assets

During the financial period, capital assets are expensed as purchased, thus reducing the respective fund balances appropriated. At the end of each financial period, expensed assets are credited to equity in capital. At the end of 2011, equity in capital assets was US\$ 4.5 million for UNAIDS' share of the Headquarters building in Geneva.

Schedule 1

**Statement of financial performance by major fund
for the financial period ended 31 December 2011
(in US dollars)**

Notes	Unified Budget and Workplan	Extra-budgetary funds			Totals
		Extra-budgetary funds	Eliminations	Sub-total	
	(a)	(b)	(c)	(d) = (b + c)	(e) = (a+d)
Revenue					
	3.2				
Voluntary contributions					
Governments	461 493 845	40 024 561	-	40 024 561	501 518 406
Cosponsoring organizations	7 500 000	1 871 337	-	1 871 337	9 371 337
Other operating revenue	341 266	14 259 597	-	14 259 597	14 600 863
Programme support costs revenue	-	788 988	788 988	-	-
Financial revenue	7 818 964	1 920 657	-	1 920 657	9 739 621
Total revenue	477 154 075	58 865 140	788 988	58 076 152	535 230 227
Expenses					
	3.4				
Staff costs and other personnel costs	221 867 809	19 839 744	-	19 839 744	241 707 553
Transfers and grants to counterparts	189 667 087	15 091 231	-	15 091 231	204 758 318
Contractual services	43 595 620	46 298 477	-	46 298 477	89 894 097
General operating expenses	32 641 678	3 490 105	-	3 490 105	36 131 783
Travel	18 701 395	7 265 625	-	7 265 625	25 967 020
Equipment, vehicles and furniture	4 743 867	1 586 815	-	1 586 815	6 330 682
Programme support costs	-	788 988	788 988	-	-
Total expenses	511 217 456 ^{1/}	94 360 985 ^{1/}	788 988	93 571 997 ^{1/}	604 789 453 ^{1/}
Total surplus/(deficit) for the period	(34 063 381)	(35 495 845)	-	(35 495 845)	(69 559 226)

^{1/} These amounts include expenses against 2008-2009 and 2010-2011 approved workplans and budget as detailed below:

	Unified Budget and Workplan	Extra-budgetary funds			Totals
		Extra-budgetary funds	Eliminations	Sub-total	
2010-2011	493 950 474	88 971 805	788 988	88 182 817	582 133 291
2008-2009	17 266 982	5 389 180	-	5 389 180	22 656 162
Total expenses	511 217 456	94 360 985	788 988	93 571 997	604 789 453

Schedule 2

**Unified Budget and Workplan - details of revenue
for the financial period ended 31 December 2011**

(in US dollars)

Voluntary contributions	Funds made available towards the 2010-2011 Unified Budget and Workplan
Governments	
Andorra	84 585
Australia	6 818 182
Austria	292 448
Belgium	12 048 491
Canada	10 717 334
China	200 000
Denmark	14 500 945
Finland	25 840 471
Flemish Government	1 056 337
France	1 944 669
Germany	7 067 787
Ireland	8 226 073
Israel	172 500
Japan	5 650 271
Liechtenstein	52 065
Luxembourg	8 717 093
Monaco	347 744
Netherlands	72 947 349
New Zealand	5 250 350
Norway	55 758 843
Poland	191 653
Portugal	412 968
Russian Federation	1 000 000
Spain	8 309 054
Sweden	81 309 511
Switzerland	9 694 133
Thailand	199 973
The Republic of Korea	100 000
Turkey	1 800 000
United Kingdom of Great Britain and Northern Ireland	31 412 347
United States of America	89 370 669
Sub-total	461 493 845
Cosponsoring organizations	
World Bank	7 500 000
Sub-total	7 500 000
Other	
United Nations Federal Credit Union	53 890
Miscellaneous	287 376
Sub-total	341 266
Financial revenue	
Interest	7 818 964
Sub-total	7 818 964
TOTAL	477 154 075

Schedule 3

**Extra-budgetary funds - details of revenue
for the financial period ended 31 December 2011**
(US dollars)

Voluntary contributions	Funds made available towards Extra-budgetary funds 2010-2011
Governments	
Australia	10 690 624
Canada	113 079
Denmark	4 378 517
France	1 279 811 ^{1/}
Germany	71 327
Ireland	2 091 908
Japan	800 000
Luxembourg	4 107 506
Netherlands	1 377 301 ^{2/}
Norway	581 344
Russian Federation	750 000
Spain	386 133
Sweden	2 984 662
United Kingdom of Great Britain & Northern Ireland	2 649 964
United States of America (CDC)	2 014 697
United States of America (USAID)	5 747 688
Sub-total	40 024 561
Cosponsoring Organizations	
UNDP	1 288 210
WHO	583 127
Sub-total	1 871 337
Other	
AIDS Life	168 975
ASEAN Foundation	140 097
CARICOM	84 436
European Commission	2 342 303
Ford Foundation	1 340 000
Foundation Open Society	25 000
Germany, GTZ	1 432 789
Global Fund	20 000
MDTF Office	6 009 711
OHCHR	95 000
Research Triangle Institute	20 000
Public Health Foundation in India	71 262
UNCERF	902 866
UNOPS	454 404
The Welcome Trust	8 157
Miscellaneous	1 966 162
Refund to donors and others	(821 565)
Sub-total	14 259 597
Financial revenue	
Interest	1 920 657
Sub-total	1 920 657
TOTAL	58 076 152

^{1/} Includes in-service contribution of US\$ 714 255.

^{2/} Includes in-service contribution of US\$ 453 456.

Schedule 4

2010-2011 Unified Budget and Workplan
Budget, expense and encumbrance summary by Principal Outcomes
for the financial period ended 31 December 2011
(in US dollars)

Principal Outcomes	2010-2011 Approved allocations	Expense	Encumbrance ^{a/}	Total	Balance	Percentage implementation
	(a)	(b)	(c)	(d) = (b + c)	(e) = (a - d)	(f) = (d / a)
1 Leadership and resource mobilization for a boradbased HIV response at country, regional and global levels are strengthened.	73 797 330	71 848 190	3 705 033	75 553 223	(1 755 893)	102.4%
2 Strategic information strengthened and available to support knowing your epidemic, guiding an evidence informed response and improving accountability.	37 448 672	36 201 754	1 507 069	37 708 823	(260 151)	100.7%
3 Human resources and systems of government and civil society enhanced to develop, implement and scale up evidence informed comprehensive HIV responses.	102 174 825	102 650 391	1 217 186	103 867 577	(1 692 752)	101.7%
4 Human rights based and gender responsive policies and approaches to reduce stigma and discrimination are strengthened, including as appropriate focussed efforts on sex work, drug use, incarceration and sexual diversity	19 652 573	17 584 833	414 359	17 999 191	1 653 382	91.6%
5 National capacities for scaling-up HIV prevention, treatment, care and support are enhanced	48 505 097	43 210 484	442 829	43 653 313	4 851 784	90.0%
6 Coverage and sustainability of programmes for HIV prevention, treatment, care and support are increased and address the vulnerability and impact associated with sex work, drug use, incarceration and sex between men	15 129 260	15 129 260	-	15 129 260	-	100.0%
7 Increased coverage and sustainability of programmes including to address the vulnerability of, and impact on women and girls, young people, children, populations affected by humanitarian crisis and mobile populations	37 894 503	33 983 669	271 553	34 255 222	3 639 281	90.4%
8 Coordination, alignment and harmonization strengthened across the HIV response	180 217 740	173 341 894	8 548 775	181 890 669	(1 672 929)	100.9%
Total	514 820 000	493 950 474	16 106 804	510 057 279	4 762 721	99.1%

^{a/} Encumbrance equals a firm commitment for goods and/or services which have not yet been delivered.

Schedule 5

2008-2009 Unified Budget and Workplan
2010-2011 Expense against 2008-2009 UBW encumbrances by Principle Outcomes
for the financial period ended 31 December 2011

(in US dollars)

Principal Outcomes	Balance 2008-2009 UBW	2008-2009 Encumbrance ^{a/}	Total Available	2010 -2011 Expense	Balance	Percentage implementation
	(a)	(b)	(c)	(d)	(e) = (c - d)	(f) = (d / c)
1 Leadership and resource mobilization	184 225	11 206 680	11 390 905	7 034 089	4 356 816	61.8%
2 Planning, financing, technical assistance & coordination	397 805	10 668 523	11 066 328	6 424 856	4 641 472	58.1%
3 Strengthened evidence base and accountability	44 128	2 762 168	2 806 296	1 922 946	883 350	68.5%
4 Human resources and systems capacities	296 860	-	296 860	-	296 860	-
5 Human rights, gender, stigma and discrimination	896 651	708 267	1 604 918	441 161	1 163 757	27.5%
6 Most at-risk populations	414 232	1 017 049	1 431 281	707 146	724 135	49.4%
7 Women & girls, young people, children and populations of humanitarian concern	759 089	1 181 640	1 940 729	670 470	1 270 259	34.5%
Total	2 992 988	27 544 327	30 537 315	17 200 668	13 336 647	56.3%

^{a/} Agree with the ending balance from the 2008-2009 financial report, schedule 4, page 26.

Schedule 6

Extra-budgetary funds
Funds available, expense and encumbrance summary by source of revenue
for the financial period ended 31 December 2011
(in US dollars)

Source of revenue	2008-2009	Funds made	Total	Expense	Encumbrance	Total	Percentage
	Carry-over	available in	Available Funds	^{a/}	^{b/}		Implementation
	(a)	(b)	(c) = (a+b)	(d)	(e)	(f) = (d + e)	(g) = (f / c)
Voluntary contributions and other revenue							
Australia	4 385 336	10 690 624	15 075 960	8 769 479	2 020 361	10 789 840	71.6%
Austria	724 319	-	724 319	722 804	-	722 804	99.8%
Belgium	178 368	-	178 368	-	-	-	-
Canada	1 786	113 079	114 865	100 567	7 003	107 570	93.6%
Denmark	220 271	4 378 517	4 598 788	3 827 194	99 181	3 926 375	85.4%
Finland	1 343 094	-	1 343 094	1 313 502	11 256	1 324 758	98.6%
France	1 676 410	1 279 811 ^{d/}	2 956 221 ^{d/}	2 367 309	136 388	2 503 697	84.7%
Germany including GTZ	1 143 102	1 504 116	2 647 218	1 477 752	255 833	1 733 585	65.5%
Greece	5 613	-	5 613	5 613	-	5 613	100.0%
Ireland	3 821 579	2 091 908	5 913 487	3 059 425	285 729	3 345 154	56.6%
Japan	530 594	800 000	1 330 594	1 011 842	67 422	1 079 264	81.1%
Luxembourg	7 889 612	4 107 506	11 997 118	9 019 489	1 902 618	10 922 107	91.0%
Ministry of the Flemish Community, Belgium	1 164 335	-	1 164 335	1 133 448	30 716	1 164 164	100.0%
Mozambique	68 294	-	68 294	68 294	-	68 294	100.0%
Netherlands	294 272	1 377 301 ^{d/}	1 671 573 ^{d/}	1 157 715	29 573	1 187 288	71.0%
New Zealand	158 672	-	158 672	113 855	-	113 855	71.8%
Norway	949 749	581,344	1 531 093	1 073 296	132 475	1 205 771	78.8%
Russian Federation	7 907	750 000	757 907	749,541	-	749 541	98.9%
Saudi Arabia	12 765	-	12 765	12 765	-	12 765	100.0%
Spain	1 346 169	386 133	1 732 302	1 302 406	104 176	1 406 582	81.2%
Sweden	6 658 603	2 984 662	9 643 265	8 732 389	260 352	8 992 741	93.3%
United Kingdom of Great Britain & Northern Ireland	1 502 107	2 649 964	4 152 071	1 698 505	688 932	2 387 437	57.5%
United States of America (CDC)	2 226 839	2 014 697	4 241 536	1 168 146	179 090	1 347 236	31.8%
United States of America (NIH)	16 807	-	16 807	-	-	-	-
United States of America (USAID)	4 767 013	5 747 688	10 514 701	8 965 067	585 489	9 550 556	90.8%
AIDS Life	-	168 975	168 975	29 195	-	29 195	17.3%
ASEAN Foundation	-	140 097	140 097	8 249	80 000	88 249	63.0%
AWARE	30 009	-	30 009	-	-	-	-
Bill & Melinda Gates Foundation	1 258 260	-	1 258 260	1 181 360	14 866	1 196 226	95.1%
CARICOM	109 023	84 436	193 459	188 680	-	188 680	97.5%
Commission of the European Communities	27 117	-	27 117	-	-	-	-
European Commission	-	2 342 303	2 342 303	1 439 153	288 875	1 728 028	73.8%
Ford Foundation	536 276	1 340 000	1 876 276	1 399 332	155 769	1 555 101	82.9%
Foundation Open Society	-	25 000	25 000	25 000	-	25 000	100.0%
Geneva Global Inc.	26 549	-	26 549	-	-	-	-
Global Fund	149 880	20 000	169 880	25 274	-	25 274	14.9%
Imperial College London	13 808	-	13 808	-	-	-	-
International Labour Organization	9 019	-	9 019	3 907	-	3 907	43.3%
MDTF Office	-	6 009 711	6 009 711	2 377 741	1 599 446	3 977 187	66.2%
National Agency for AIDS Research	10 589	-	10 589	-	-	-	-
Organization of Petroleum Exporting Countries	1 021 858	-	1 021 858	992 483	29 375	1 021 858	100.0%
OHCHR	-	95 000	95 000	95 000	-	95 000	100.0%
Public Health Foundation in India	-	71 262	71 262	-	66 543	66 543	93.4%
Research Triangle Institute	-	20 000	20 000	18 692	-	18 692	93.5%
Southern African Development Community	43 555	-	43 555	-	-	-	-
The Wellcome Trust	-	8 157	8 157	8 157	-	8 157	100.0%
Stanford University	10 000	-	10 000	-	-	-	-
UNCERF	-	902 866	902 866	745 900	154 611	900 511	99.7%
UNDP	2 205 232	1 288 210	3 493 442	3 139 319	348 634	3 487 953	99.8%
UNESCO	116 000	-	116 000	-	-	-	-
UNHCR	83 562	-	83 562	-	-	-	-
UNICEF	36 767	-	36 767	-	-	-	-
UNIFEM	22 145	-	22 145	-	-	-	-
United Nations	20 000	-	20 000	-	-	-	-
United Nations Foundation	4 668	-	4 668	4 668	-	4 668	100.0%
UNODC	13 825	-	13 825	-	-	-	-
UNOPS	106 304	454 404	560 708	494 900	51 702	546 602	97.5%
WFP	14 019	-	14 019	5 642	-	5 642	40.2%
WHO	98 429	583 127	681 556	430 022	10 193	440 215	64.6%
World Bank	7 275	-	7 275	-	-	-	-
Special PCB allocations	20 065 783	-	20 065 783	18 471 044	1 466 772	19 937 816	99.4%
Miscellaneous	32 639	1 966 162	1 998 801	-	-	-	-
Interest and other	12 605 030	1 920 657	14 525 687	5 426 864	609 425	6 036 289	41.6%
Refund to donors	-	(821 565)	(821 565)	-	-	(821 565)	-
Programme support costs (PSC)	-	-	-	(788 988) ^{e/}	-	(788 988)	-
Total	79 771 237	58 076 152	137 847 389	93 571 997	11 672 805	104 423 237	75.8%

^{a/} Represents total expense against 2010-2011 budget and 2008-2009 encumbrances, as reflected in schedule 1 on page 25.

^{b/} Encumbrance equals a firm commitment for goods and/or services which have not yet been delivered.

^{c/} Includes in-service xcontribution of US\$ 714 255

^{d/} Includes in-service xcontribution of US\$ 453 456

^{e/} Please refer to note 1.12 on page 18

PART III

MANAGEMENT INFORMATION

I. Funds made available for the 2010-2011 biennium

During the financial period under review, revenue totalling US\$ 477.1 million was made available towards the Unified Budget and Workplan for 2010-2011. Thirty one governments contributed 96.7 per cent of this amount, and the World Bank contributed 1.6 per cent of this amount. The remaining 1.7 per cent is made up of financial revenue (primarily interest earnings) received and apportioned during the reporting period as well as miscellaneous income, including funds received from public institutions and private contributors other than governments, miscellaneous donations and honoraria received. Schedule 2 on page 26 provides the details of this revenue.

Furthermore, extra-budgetary resources amounting to US\$ 58.1 million were made available to UNAIDS to provide support to a number of global, regional and country activities and a number of interagency-managed activities that are not included in the Unified Budget and Workplan and do not specifically fall under any Cosponsor's mandate. Included in this amount, financial revenue (primarily interest earnings) of US\$ 1.9 million received and apportioned during the reporting period. Details on the sources of these funds are detailed in Schedule 3 on page 27.

II. Funds expended for the financial period ended 31 December 2011

The total operating expense for the financial period ended 31 December 2011 amounted to US\$ 604.8 million, as shown in Schedule 1 (column e) on page 25. Out of this total amount, US\$ 494.0 million represents expense under the 2010-2011 Unified Budget and Workplan; US\$ 17.2 million represents expense against 2008-2009 encumbrances and the remaining amount of US\$ 93.6 million represents expense under the extra-budgetary funds.

Unified Budget and Workplan expenses of US\$ 494.0 million for the implementation of AIDS activities contained in the 2010-2011 Unified Budget and Workplan were distributed as follows:

- (a) US\$ 161.0 million was expended to Cosponsors;
- (b) US\$ 131.9 million was expended for Interagency; and
- (c) US\$ 201.1 million was expended for Secretariat.

In addition to the above expended amount under the Unified Budget and Workplan, US\$ 16.1million was encumbered during the same financial period which together represents a financial implementation rate of 99.1 per cent (summarized in Schedule 4 on page 28). Encumbered amounts represent firm commitments for goods and services which have not yet been delivered.

Table 1: 2010-2011 Unified Budget and Workplan approved allocations, expense and encumbrances for the financial period ended 31 December 2011 (in thousands of US dollars)

	Approved allocations	Expense	Encumbrance ^{a/}	Total	Balance	Percentage implementation
	(a)	(b)	(c)	(d) = (b + c)	(e) = (a - d)	(f) = (d / a)
Cosponsors	160 970	160 970		160 970	-	100.0%
Interagency	136 450	131 874	4 242	136 116	334	99.8%
Secretariat	217 400	201 106	11 865	212 971	4 429	98.0%
Total	514 820	493 950	16 107	510 057	4 763	99.1%

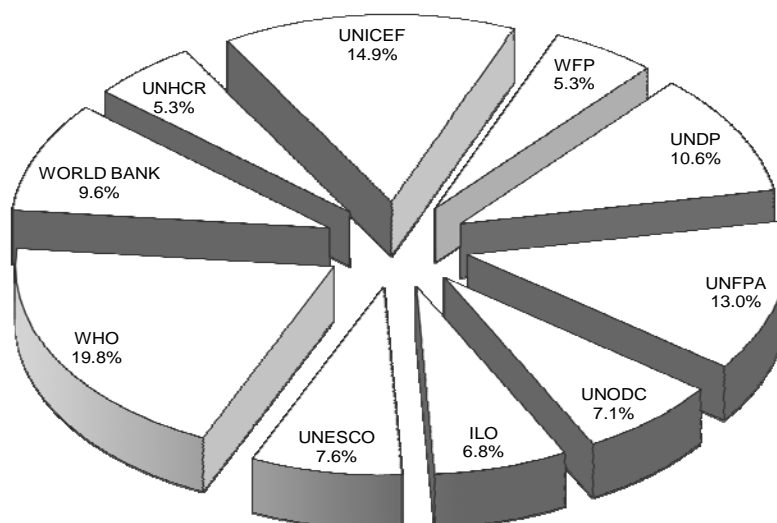
^{a/} Encumbrance equals a firm commitment for goods and/or services which have not yet been delivered.

A. Unified Budget and Workplan

i) Funds transferred to Cosponsors

As at 31 December 2011, financial transfers made to Cosponsors amounted to US\$ 161.0 million. These transfers represent 100 per cent of the Cosponsors' share under the Unified Budget and Workplan for 2010-2011. Information on the proportion of transfers made to individual Cosponsors versus total transfers, together with amounts transferred against each of the agreed principal outcomes, is provided in Figure 1.

Figure 1: Funds and proportions transferred to Cosponsors for the financial period ended 31 December 2011



ii) Expense incurred against Interagency resources

The Interagency activities include joint initiatives by more than one member of the UNAIDS Cosponsors and/or the Secretariat. These primarily represent country level activities typically focus on cross-cutting activities that help strengthen the multi-sectoral AIDS response. During the financial period under review, a total amount of US\$ 131.9 million was expended and US\$ 4.2 million was encumbered for interagency activities out of a biennium budget allocation of US\$ 136.4 million⁴ which together represents a financial implementation rate of 99.8 per cent.

iii) Expense incurred against the Secretariat budget

UNAIDS Secretariat expense amounted to US\$ 201.1 million during the financial period ended 31 December 2011. In addition to the above expenditure a total of US\$ 11.9 million had been encumbered during the financial period which together represents a financial implementation rate of 98.0 per cent.

B. Expense incurred against the extra-budgetary funds

During the financial period ended 31 December 2011, a total amount of US\$ 93.6 million was expended and US\$ 11.7 million was encumbered against the extra-budgetary resources as indicated in Schedule 6, on page 30.

⁴ The Interagency budget includes a provision of US\$ 100 million for the salaries of the Interagency country staff (UNAIDS Country Coordinators and advisers on monitoring and evaluation, partnership development and social mobilization) and operational costs for 91 UNAIDS country offices and related investment in IT field connectivity.

Schedule 6 also presents: (i) an overview of the total extra-budgetary resources (column c), including funds carried over from 2009 which have been made available to programme activities under this component; and (ii) the amount of funds expended and encumbered during the financial period ended 31 December 2011.

C. Country and regional expense against all sources of funds

As recommended by the Programme Coordinating Board at its 22nd Meeting held in Chiang Mai, Thailand from 23-25 April 2008, this report in Table 2 on pages 34 to 36, presents a breakdown of expense and encumbrances by country and region for both the Unified Budget and Workplan and extra-budgetary funds. Country and regional expense amounted to US\$ 228.2 million for the financial period ended 31 December 2011. In addition to the above expenditure, a total of US\$ 18.0 million was encumbered during the same period which together totalled US\$ 246.2 million for the financial period ended 31 December 2011.

III. Fund Balance

On 31 December 2009, the net fund balance under the Unified Budget and Workplan stood at US\$ 218.3 million or 45 per cent of the biennial budget. On 31 December 2011, the net fund balance amounted to US\$ 195.6 million⁵ or 40 per cent of the biennial budget (i.e. a reduction of US\$ 22.7 million). This reduction is a result of conscious efforts to reduce the fund balance in accordance with decision 8.6 of the 26th meeting of the Programme Coordinating Board, a high implementation rate and the level of income received during the financial period ended on 31 December 2011.

In order to reduce the level of the fund balance to 35 per cent of the biennial budget,⁶ the Executive Director requested the Programme Coordinating Board at its 28th meeting held in Geneva from 21-23 June 2011 to endorse the utilization of a portion of the fund balance to: (i) fund the organizational liabilities for employees, and; (ii) establish a Building Renovation Fund.

The Programme Coordinating Board acknowledged the efforts by the Secretariat to monitor the fund balance and reduce working capital. Furthermore it endorsed the principle of prudent financial management, including ways to fund unfunded staff-related liabilities and potential major repairs to the building, and requested the Secretariat to present a revised proposal to the 30th meeting of the Programme Coordinating Board.

In light of the above, a revised proposal is included in the Interim Financial Update on the 2012-2013 biennium for the period 1 January 2012 to 31 March 2012 (document reference UNAIDS/PCB(30)/12.8) for endorsement by the Programme Coordinating Board.

⁵ In addition to the expenditure of US\$ 494.0 million under the 2010-2011 Unified Budget and Workplan and US\$ 17.2 million related to expenses against 2008-2009 Unified Budget and Workplan encumbrances, US\$ 16.1 million was encumbered during 2010-2011 (representing firm commitments of goods and services to be delivered in 2012), as reflected in schedule 4 on page 28. Therefore, the net fund balance as at 31 December 2011 under the Unified Budget and Workplan available to cover 2012-2013 Unified Budget, Results and Accountability Framework activities was US\$ 195.6 million. (i.e. US\$ 211.7 million less US\$ 16.1 million reserved for 2010-2011 encumbrances equals US\$ 195.6 million).

⁶ At its 26th meeting held in Geneva from 22-24 June 2010, the Programme Coordinating Board approved a maximum level for UNAIDS working capital equivalent to 35 per cent of the UNAIDS biennial budget.

Table 2

**Country and Regional expense and encumbrance against all sources of funds
for the financial period ended 31 December 2011**
(in thousands of US dollar)

Region	Countries	Unified Budget and Workplan			Extra-budgetary funds			Total		
		Expense ^{a/}	Encumbrance ^{b/}	Total	Expense ^{a/}	Encumbrance ^{b/}	Total	Expense ^{a/}	Encumbrance ^{b/}	Total
Asia and Pacific	Regional Support Team, Asia and Pacific	10 366	294	10 659	8 660	440	9 100	19 025	734	19 759
	Bangladesh	1 002	90	1 092	239	53	293	1 241	144	1 384
	Bhutan	65	10	75	8	27	35	73	37	110
	Cambodia	1 975	-	1 975	292	82	373	2 267	82	2 348
	China	3 538	110	3 648	1 394	383	1 776	4 931	493	5 424
	Fiji	1 303	87	1 391	337	99	437	1 641	187	1 827
	India	2 566	90	2 656	1 925	367	2 292	4 491	466	4 947
	Indonesia	2 074	29	2 103	213	40	253	2 287	69	2 356
	Lao People's Democratic Republic	799	138	937	54	7	61	853	145	998
	Malaysia	94	55	150	135	60	195	229	115	345
	Maldives	10	-	10	44	17	60	53	17	70
	Mongolia	84	21	105	108	10	118	192	31	224
	Myanmar	1 829	47	1 875	618	191	809	2 447	238	2 685
	Nepal	1 541	65	1 606	201	101	302	1 742	166	1 908
	Pakistan	1 530	192	1 722	514	146	660	2 045	338	2 382
	Papua New Guinea	1 742	182	1 924	155	331	487	1 897	514	2 411
	Philippines	949	83	1 033	55	13	68	1 005	96	1 101
Sri Lanka	892	37	929	214	49	264	1 106	87	1 193	
Thailand	1 795	54	1 849	82	82	163	1 876	136	2 012	
Viet Nam	1 604	31	1 635	1 089	251	1 340	2 693	282	2 975	
Total Asia and Pacific		35 758	1 615	37 373	16 336	2 750	19 086	52 094	4 365	56 459
Caribbean	Regional Support Team, Caribbean	4 238	241	4 480	387	-	387	4 626	241	4 867
	Bahamas	83	30	113	30	-	30	113	30	143
	Barbados	782	-	782	83	-	83	865	-	865
	Belize	92	48	140	15	40	55	106	89	195
	Cuba	117	-	117	75	-	75	192	-	192
	Dominican Republic	1 069	137	1 206	176	84	260	1 245	222	1 466
	Guyana	1 349	46	1 395	37	31	68	1 386	76	1 463
	Haiti	1 977	234	2 211	889	73	961	2 866	307	3 173
	Jamaica	1 148	38	1 185	65	76	140	1 212	113	1 325
	Trinidad and Tobago	368	101	469	31	-	31	399	101	500
Total Caribbean		11 224	875	12 099	1 787	304	2 091	13 011	1 179	14 190
East and South Africa	Regional Support Team, East and South Africa	10 617	763	11 380	8 170	42	8 212	18 786	805	19 592
	Angola	1 496	28	1 524	55	53	108	1 550	82	1 632
	Botswana	1 384	109	1 492	31	48	79	1 414	156	1 571
	Eritrea	801	44	845	249	57	306	1 050	101	1 151
	Ethiopia	3 369	106	3 475	307	464	771	3 676	570	4 246
	Kenya	1 907	63	1 971	1 887	795	2 682	3 794	859	4 653
	Lesotho	1 783	85	1 868	101	131	231	1 884	216	2 100
	Madagascar (covering Seychelles, Comores, Mauritius)	1 148	52	1 200	34	80	114	1 182	132	1 314
	Malawi	2 000	64	2 065	1 654	354	2 008	3 654	418	4 073
	Mozambique	1 625	77	1 702	1 242	212	1 454	2 866	289	3 155
	Namibia	2 194	51	2 244	292	62	354	2 485	113	2 598
	Rwanda	1 759	15	1 774	496	92	587	2 254	107	2 361
	South Africa	4 481	102	4 584	1 179	122	1 300	5 660	224	5 884
	Swaziland	1 255	29	1 284	346	111	457	1 601	140	1 741
	Tanzania, United Republic of	1 702	49	1 751	143	135	279	1 846	184	2 030
	Uganda	2 025	14	2 039	872	428	1 300	2 897	441	3 338
	Zambia	2 319	231	2 551	451	45	496	2 770	276	3 047
Zimbabwe	2 280	112	2 392	377	146	523	2 657	258	2 915	
Total East and South Africa		44 146	1 995	46 141	17 883	3 377	21 260	62 029	5 372	67 400

^{a/} Represents total expense against 2010-2011 budget and 2008-2009 encumbrances

^{b/} Encumbrance equals a firm commitment for goods and/or services which have not yet been delivered.

Table 2 (continued)

Region	Countries	Unified Budget and Workplan			Extra-budgetary funds			Total		
		Expense ^{a/}	Encumbrance ^{b/}	Total	Expense ^{a/}	Encumbrance ^{b/}	Total	Expense ^{a/}	Encumbrance ^{b/}	Total
Europe	Regional Support Team, Europe	5 342	476	5 818	1 292	4	1 296	6 634	480	7 114
	Albania	75	-	75	5	-	5	80	-	80
	Armenia	567	129	697	43	13	55	610	142	752
	Azerbaijan	354	115	469	10	30	40	364	145	509
	Belarus	415	41	457	21	6	27	436	48	484
	Bosnia and Herzegovina	75	-	75	-	5	5	75	5	80
	Croatia	75	-	75	25	-	25	100	-	100
	Georgia	242	115	357	4	1	5	246	116	362
	Kazakhstan	1 224	124	1 348	43	11	54	1 267	134	1 402
	Kosovo	75	-	75	-	-	-	75	-	75
	Kyrgyzstan	211	69	280	90	19	109	301	88	389
	Macedonia, the former Yugoslav Republic of	75	-	75	95	-	95	170	-	170
	Moldova, Republic of	661	47	709	168	1	169	830	48	878
	Romania	75	-	75	6	6	12	81	6	87
	Russian Federation	1 243	41	1 284	842	29	871	2 085	70	2 155
	Serbia	75	20	95	18	-	18	93	20	113
	Montenegro	75	20	95	18	-	18	93	20	113
	Tajikistan	423	125	548	20	-	20	442	125	568
Turkey	128	-	128	21	-	21	148	-	148	
Turkmenistan	40	-	40	17	8	25	57	8	65	
Ukraine	1 712	194	1 907	106	12	118	1 818	206	2 024	
Uzbekistan	967	74	1 040	9	-	9	976	74	1 049	
Total Europe		14 129	1 591	15 720	2 852	146	2 998	16 981	1 737	18 719
Latin America	Regional Support Team, Latin America	5 458	161	5 620	1 416	20	1 436	6 874	182	7 056
	Argentina	1 266	35	1 302	348	1	350	1 615	37	1 651
	Bolivia	162	2	164	158	12	170	320	14	334
	Brazil	1 476	54	1 530	287	-	287	1 763	54	1 817
	Chile	609	111	720	130	-	130	739	111	850
	Colombia	556	47	602	200	-	200	756	47	802
	Costa Rica	128	6	134	59	69	127	187	74	261
	Ecuador	427	32	459	47	1	48	474	32	507
	El Salvador	437	37	474	42	50	92	479	87	566
	Guatemala	1 403	53	1 456	720	90	810	2 122	143	2 265
	Honduras	1 485	89	1 573	203	5	208	1 688	94	1 782
	Mexico	148	34	182	154	13	167	302	47	349
	Nicaragua	131	8	139	112	-	112	243	8	251
	Panama	756	88	844	57	37	95	813	125	938
	Paraguay	88	17	105	28	2	30	116	19	135
	Peru	1 235	76	1 311	223	10	233	1 458	86	1 544
	Uruguay	160	25	185	38	24	62	199	49	247
Venezuela	743	86	829	85	-	85	828	86	914	
Total Latin America		16 668	961	17 628	4 309	335	4 643	20 976	1 295	22 272
Middle East & North Africa	Regional Support Team, Middle East and North Africa	5 605	168	5 773	829	15	844	6 434	183	6 617
	Algeria	538	51	589	73	39	112	612	90	702
	Djibouti	789	21	809	99	65	164	887	86	973
	Egypt	914	32	946	394	145	539	1 308	177	1 486
	Iran	657	-	657	103	-	103	760	-	760
	Jordan	60	-	60	19	28	47	79	28	107
	Lebanon	40	-	40	-	-	-	40	-	40
	Libyan Arab Jamahiriya	50	-	50	-	-	-	50	-	50
	Morocco	940	-	940	169	63	232	1 109	63	1 172
	Somalia	199	36	235	-	-	-	199	36	235
	Sudan	2 049	254	2 303	302	6	307	2 350	260	2 610
	Tunisia	105	5	111	71	119	190	176	124	301
	Yemen	442	-	442	30	5	35	472	5	477
Total Middle East and North Africa		12 389	567	12 956	2 088	485	2 573	14 477	1 053	15 529

^{a/} Represents total expense against 2010-2011 budget and 2008-2009 encumbrances

^{b/} Encumbrance equals a firm commitment for goods and/or services which have not yet been delivered.

Table 2 (continued)

Region	Countries	Unified Budget and Workplan			Extra-budgetary funds			Total		
		Expense ^{a/}	Encumbrance ^{b/}	Total	Expense ^{a/}	Encumbrance ^{b/}	Total	Expense ^{a/}	Encumbrance ^{b/}	Total
West and Central Africa	Regional Support Team, West and Central Africa	12 165	413	12 577	3 901	146	4 046	16 065	558	16 624
	Benin	1 078	12	1 090	242	47	290	1 320	59	1 379
	Burkina Faso	1 389	31	1 421	42	47	89	1 432	78	1 510
	Burundi	1 767	9	1 776	117	33	150	1 884	42	1 926
	Cameroon	1 255	52	1 307	141	1	141	1 396	52	1 448
	Central African Republic	966	24	990	287	51	338	1 253	75	1 328
	Chad	1 532	54	1 585	771	209	979	2 302	262	2 565
	Congo	1 365	28	1 393	165	-	165	1 530	28	1 558
	Cape Verde	75	-	75	-	-	-	75	-	75
	Democratic Republic of Congo	2 574	62	2 637	323	191	513	2 897	253	3 150
	Côte d'Ivoire	1 718	-	1 718	245	10	255	1 963	10	1 973
	Gabon	999	42	1 041	18	4	21	1 017	46	1 062
	Gambia	453	20	473	37	3	40	490	23	513
	Ghana	1 740	33	1 773	350	6	356	2 090	39	2 129
	Guinea	793	54	847	109	34	143	902	88	989
	Guinea-Bissau	110	-	110	8	-	8	118	-	118
	Liberia	719	8	727	215	25	240	933	33	967
	Mali	1 242	73	1 315	88	45	133	1 330	118	1 448
	Mauritania	242	55	298	137	-	137	379	55	434
	Niger	1 018	43	1 061	51	4	55	1 069	47	1 116
Nigeria	4 041	54	4 095	511	723	1 234	4 552	777	5 329	
Senegal	516	27	543	87	58	145	603	85	688	
Sierra Leone	1 498	43	1 540	730	33	764	2 228	76	2 304	
Togo	813	114	927	35	51	86	848	165	1 013	
Total West & Central Africa		40 067	1 250	41 316	8 609	1 719	10 328	48 676	2 968	51 644
Grand Total		174 379	8 855	183 233	53 865	9 115	62 980	228 244	17 969	246 213

^{a/} Represents total expense against 2010-2011 budget and 2008-2009 encumbrances

^{b/} Encumbrance equals a firm commitment for goods and/or services which have not yet been delivered.

ANNEX I



26 March 2012

Report of the Internal Auditor for 2010-2011

1. The Office of Internal Oversight Services (IOS) transmits herewith its report for the biennium 2010-2011 for the information of the Programme Coordinating Board of the Joint and Cosponsored United Nations Programme on HIV/AIDS (UNAIDS).

OBJECTIVE AND SCOPE

2. The Office provides an independent and objective assurance and advisory activity, which is designed to add value to and improve the operations of UNAIDS. Using a systematic and disciplined approach, it helps UNAIDS accomplish its objectives by evaluating and improving the effectiveness of processes for risk management, control and governance. The Office is authorized full, free and prompt access to all records, property, personnel, operations and functions within UNAIDS which, in its opinion, are relevant to the subject matter under review.
3. The scope of work was to evaluate whether the network of processes for risk management, control and governance, as designed and implemented by UNAIDS management, was adequate and functioning in a manner so as to fulfill specific purposes. These were to ensure that: (a) financial, managerial and operating information was accurate, reliable and timely; (b) staff actions complied with UNAIDS and WHO regulations, rules, policies, standards and procedures; and (c) resources were acquired economically, used efficiently, and protected adequately.

OVERSIGHT FRAMEWORK

4. The Office provides oversight services to UNAIDS in accordance with the "arrangement regarding the cost reimbursement for the provision of administrative and financial services by WHO to UNAIDS" of December 2004 and the subsequent Memorandum of Understanding of January 2008 between IOS and UNAIDS. Under the terms of the MOU, WHO have agreed to provide UNAIDS with 216 days of staff resources per calendar year (i.e. equivalent of one full-time equivalent staff).

METHODOLOGY

5. The Office views risk as the possibility of an event occurring that will influence the achievement of objectives. It assesses risk in terms of degree of impact and likelihood of occurrence. Methodical consideration of risk guides the Office's prioritization of activities and provides a basis for work planning during engagements.
6. The objective of the planning process is to allocate available resources to the operational areas considered to be of highest risk. The process incorporates both subjective and objective measures - such as financial exposure, recent changes in staff or systems and the internal control environment - which when weighted accordingly, determine the relative risk of the auditable areas.
7. The results of the audit risk assessment were discussed with UNAIDS and a programme of work was drawn up for the year. This resulted in an agreed workplan at the beginning of each year detailing the planned assignments, based on the assumptions that, on average, a Country Office audit should take 20 days, a Regional Support Team audit 25 days and a HQ audit around 30 days. At the conclusion of each assignment, the Office issued a detailed report including recommendations to UNAIDS management, designed to enhance the processes of risk, control and

governance within the Secretariat. The Office also provides the Director-General of WHO and the External Auditor with a copy of all its audit reports.

8. The main issues from each individual report are summarized in this report.

AUDITS

9. **Regional Support Teams**

The objective of audits of Regional Support Teams (RSTs) was to review the effectiveness of internal controls with regard to: (a) reliability of financial and operational information; (b) efficiency of operations; (c) compliance with rules and regulations; and (d) safeguarding of assets. The audit covered financial and operational systems, including areas such as budgets and workplans, extrabudgetary funding, obligations and payments through the UNAIDS Enterprise Resource Planning system (ERP) and e-imprest, inventory, cash, administration, security, office organization, monitoring and reporting. The audit was carried out through interviews, observation, documentation review and analysis.

10. **Regional Support Team for West and Central Africa in Senegal** (report no. 10/841, October 2010).

The RST was found to be well controlled and actively providing country support with regard to administrative and financial matters. Procedures were generally well established and documented; however, better monitoring tools for Programme Acceleration Funds (PAFs) are required, along with the transmission of, and justification for, expenditure for internal commitments to UNAIDS Country Offices (UCOs). Improvement was recommended of the level of documentation retained on file to support local procurement. Furthermore, increased communication and sharing of individual work and travel plans within the RST, was needed to ensure that there was no duplication of work, both in travel and tasks. The RST co-occupied premises with the United Nations Development Programme (UNDP). However, the move of UNDP to an alternative location was assessed as impacting UNAIDS, as the RST would have to bear increased rental costs. The Office also noted that the premises were not in compliance with Minimum Operating Security Standards (MOSS). Given both circumstances, it was considered an opportune moment to consider a cost-benefit analysis of alternative locations for the RST.

11. **Regional Support Team for Asia Pacific in Thailand** (report no. 10/844, November 2010).

The audit found that the management of the operations of the RST was conducted in accordance with established UNAIDS policies, rules and regulations. The introduction of the programme envelope system has resulted in a change in the budget structure and authority of the RST, which has implications for its controlling, monitoring and reporting functions. Similarly, a change in the UNAIDS structure necessitated new methods of working. The performance of a strategic direction and competency review exercise at the RST level was judged necessary to help in adapting to the changes.

12. **Regional Support Team for Eastern and Southern Africa in South Africa** (report no. 11/864, November 2011).

Overall, the audit concluded that key internal controls in the area of compliance with rules and regulations in certain areas such as contracting and duty travel, were ineffective and that steps needed to be taken urgently to ensure future compliance. In addition, contract monitoring and follow-up should be strengthened to ensure value for money and full accountability for UNAIDS funds. Support to UCOs required strengthening, particularly improving the assistance provided by the country focal points in backstopping country office capacity for programme implementation. The Office recognized that the RST was undergoing a period of transition, with a recent change in the Director position and internal restructuring, including the UNAIDS-wide review of RSTs and their purpose. As a result, there was general uncertainty with regard to assignments of roles and responsibilities. There was also a need to enhance monitoring of the use of, and reporting on, PAFs. The Office noted that improvements had been made in certain areas, with progress noted in the

coordination of extrabudgetary funds and the use of team-building workshops to improve staff relations.

Country Offices

13. The objective of the audits of UCOs was to review the effectiveness of internal controls with regard to (a) reliability of financial and operational information; (b) efficiency of operations; (c) compliance with rules and regulations; and (d) safeguarding of assets. The audit covered financial and operational systems, including areas such as budgets and workplans, extrabudgetary funding, inventory, cash, administration, security, office organization, monitoring and reporting. The audits were carried out through interviews, observation, documentation review and analysis.
14. Until 1 January 2012, UNDP provided all administrative and support services to the majority of UCOs. As such, all local financial and human resource activities were administered in accordance with UNDP rules and regulations. IOS was unable to verify the control processes and checks in place by UNDP locally for UNAIDS funds, under the single audit principle. Therefore, evidence was obtained through interview (of both UNAIDS and UNDP staff) and was limited to documentation provided by UCOs. Following recommendations arising from the Second Independent Evaluation Report,⁷ a review of the options for a single administrative system was carried out. As a direct consequence, during the latter half of 2011, all UNAIDS staff were transferred to UNAIDS staff contracts administered by WHO and since 1 January 2012, all UCOs use ERP system provided by WHO.
15. The references and findings that follow for UCOs relate to the period under administration by UNDP and will be superseded by the changes referred to above.
16. **Country Office in China** (report no. 10/826, April 2010).

The audit found that the UCO was a well-functioning office that has developed an effective set of work procedures to manage its operations. As mentioned, UNAIDS operated at country level through UNDP, and as activities increased at the country level, the need arose to maintain a separate monitoring and recording system alongside the UNDP Atlas system, which led to duplication of effort and inefficiencies. The granting of access to the UNDP Atlas system for UNAIDS staff, a change in the manner in which financial information was recorded at the UCO, as well as the type and form in which activity information was reported at UNAIDS headquarters, were recommended to greatly enhance efficiency and accountability. This finding is now superseded by the introduction of the ERP system for use at UCOs.

17. **Country Office in Indonesia** (report no.10/827, June 2010).

The UCO was well organized, with a clear division of roles and responsibilities, and good communication at the office level. The working relationship with UNDP was excellent, which greatly assisted in the smooth running of the UCO, due to the high level of dependence placed on UNDP systems. However, the absence of a formal delegation of authority from UNAIDS headquarters - specifically to the UNAIDS Country Coordinator - was an issue of concern. The introduction of programme envelopes to support the UCOs' workplans was expected to provide more stability of funding from the beginning of the biennium 2012-2013. The increased use of the workplan for other activities, such as the preparation of key tasks for performance evaluation and the UCO travel plans, would improve efficiency and accountability. Finally, the audit found that there were some minor compliance issues with UNDP rules.

18. **Country Office in India** (report no. 10/834, July 2010).

This audit had a specific objective of assessing the management of and control over extrabudgetary funds mobilized by the country office, to ascertain the integrity of related financial information, efficiency of operations and compliance with rules and procedures. The audit found instances of unreconciled balances, unreported statements of expenditures and misunderstanding on the

⁷ UNAIDS PCB(25)/09.18 2 October 2009.

depositing of funds. These instances gave rise in the past to a perception of the risk of loss of funds, reduced accountability and the risk of damage to the credibility of UNAIDS. At the implementation level, in the management of these funds, there was an absence of a systematic monitoring mechanism to provide reasonable assurance that implementing partners have delivered according to the terms of reference referred to in the Letters of Agreement. Efforts were under way to mitigate these risks; however, progress was slow and residual risks were considered to be high.

19. **Country Office in Brazil** (report no. 10/840, October 2010).

There was an urgent need to strengthen the control environment at the UCO through increased formalization and organization of tasks. Improvements in the completeness of the documentation to support recorded transactions and greater use of tracking tools with regard to budget, expenditure, duty travel, petty cash and vehicle use, would strengthen reliability and integrity of financial information. Increased supervision was required over procurement activities, particularly procurement of contractual services, where selection processes should be fully documented, waiver cases fully justified and verified by more than one person. Clarification on roles and responsibilities within the UCO was required and the existence of all staff, regardless of their contract status, should be officially notified to UNAIDS headquarters. Recruitment procedures should be followed in all cases. The absence of access to the UNDP ATLAS system was a cause for concern, as it is key to an efficient tracking of the expenditure.

20. **Country Office in Ethiopia** (report no. 11/856, November 2011).

Control activities over the operations of UCO were sufficiently effective to ensure that most major risks relating to reliability of operational information, efficiency, compliance and safeguarding of assets, are identified and mitigated. However, the audit noted a lack of comprehensive supporting documentation, examples of inadequately controlled payments and the lack of a robust and effective monitoring mechanism over operational activities. Thus, controls need to be strengthened in these areas. The audit also noted that the creation of the African Union Liaison Office (AULO) had resulted in an additional burden on the UCO operations budget, which was not sustainable and required urgent attention.

21. **Country Office in Uganda** (report no. 11/881, February 2012).

Internal controls at the UCO appeared to be operating effectively in ensuring the efficiency of operations, compliance with rules and procedures, and safeguarding of assets. Improvements could be made in the areas of reliability of financial and operational information. Specifically, extrabudgetary resources received for programme activities or hiring personnel need to be reflected as income of UNAIDS, and the quality and process of end-of-year assessment and transaction monitoring for control purposes require improvement.

Headquarters

22. **Procurement function** (report no. 10/848, April 2011).

The objective of the audit was to review compliance of procurement actions with existing rules and assess the effectiveness of internal controls. The audit found a number of cases where supporting documentation for the competitive bidding process was insufficient or conflicting. Also, data on waivers of competitive bidding was not systematically recorded. Therefore, IOS could not find satisfactory evidence to conclude that UNAIDS practices competitive contracting of consultants. Additionally, there was no requirement to justify, as part of the adjudication process, why contracted services could not be performed by existing staff. The Office also noted that decentralization, coupled with the lack of an overall procurement planning strategy, has led to overlaps in procurement responsibilities, and therefore inefficiencies. An example was the division of responsibility between Financial Management and Accountability (FMA) and the Administrative Services Team (AST). It was unclear to staff undertaking procurement actions in the technical units who they should address in the event of questions during the various stages of the process. Finally, there was very little management information available on procurement activities or monitoring information in the form of performance indicators, which made it difficult to assess whether procurement at UNAIDS was effective and/or efficient.

23. **Recruitment function** (report no. 11/857, April 2011).

The objective of the audit was to review internal controls in relation to reliability and availability of operational information, effectiveness and efficiency of operations and compliance with relevant WHO and UNAIDS rules and regulations. In the absence of a comprehensive management information system, the Office was unable to conclude on the reliability and availability of operational information on recruitment. Similarly, an overall system for measuring performance of the recruitment process was lacking and could only be extracted on a case-by-case basis. The underlying recruitment data was stored under different forms - Enterprise Resource Planning (ERP), e-recruit and MS Access - and extraction of data was not systematic. Generally, recruitment actions were found to be in compliance with WHO and UNAIDS rules and regulations. The Office noted that 20% of the recruitment, transfer and promotion actions during the period under review (January 2009-October 2010) were taken as a result of executive decisions, and that 52% of them were made to accommodate the establishment of the new Executive Office in 2009. At the time, there was no formal procedure or disclosure policy for such decisions, and therefore the Office was unable to determine in all cases the appropriateness of the action taken. The Office also noted a number of proposed process improvements in the upcoming Human Resource Strategy,⁸ notably in the areas of simultaneous internal and external recruitments: streamlining the functions of the Appointments and Promotions Committee (APC) and of the Mobility Review Committee (MRC); increased use of generic post descriptions; and introduction of the new Competency Framework in 2010.

INVESTIGATION

24. In early 2011, the Office undertook an investigation into a complaint of harassment received from a UCO. The objective of the investigation was to establish the facts and present the evidence gathered concerning the allegations made. An oversight report (no. 10/851, March 2011) was provided to the Executive Director of UNAIDS and appropriate action has since been taken.

FOLLOW-UP, IMPLEMENTATION AND OPERATIONAL RISKS

25. The Office monitors the implementation of all its recommendations to ensure either that action has been taken effectively by management or that senior management has accepted the risk of not taking action. Reporting on and monitoring of each individual audit recommendation has been improved with the assistance of a recommendations tracking database maintained by the Office. Audit recommendations are categorized by risk category and significance. A summary of the status of implementation of audit recommendations (as of 31 May 2012) will be included in the presentation to the 30th meeting of Programme Coordinating Board in June 2012.
26. During its routine audit work, the Office identified the main operational risks that UNAIDS faces:
- A major challenge facing UNAIDS in 2012 as UNAIDS moves towards global ERP implementation is that the accountability framework could be weakened by moving from a centrally-managed administrative system to a decentralized system reliant on individual responsibilities and delegation of authority, without systematic implementation of effective, efficient monitoring controls and consequences for non-compliance. Considerable effort therefore needs to be focused on reinforcing individual and corporate accountability.
 - The Office noted some issues of non-compliance with UNAIDS and WHO rules and regulations. For example, incomplete or missing supporting documentation for procurement actions is a common weakness, as is the number of retroactive approvals for actions taken. However, the system put in place by UNAIDS for quality control of all procurement actions, provides a good foundation to build on. The lack of follow-up for contractual services for UNAIDS is also recurrent, with weak processes for the follow-up of Agreements for Performance of Work and Programme Funding Agreements noted. Consistent follow up and concerted efforts across the organization will be required to ensure value for money of services provided to UNAIDS.

⁸ UNAIDS Secretariat Strategy on Human Resources 2011-2015.