



UNAIDS PROGRAMME COORDINATING BOARD

UNAIDS/PCB (34)/14.11
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THIRTY-FOURTH MEETING

Date: 1 - 3 July 2014

Venue: Executive Board Room, WHO, Geneva

Agenda item 5.3

Financial reporting

**Financial report and audited financial statements
for the year ended 31 December 2013**

Additional documents for this item: Interim Financial Management Update for the period 1 January 2014 to 31 March 2014. (UNAIDS/PCB(34)/14.12)

Action required at this meeting - the Programme Coordinating Board is invited to: *Accept* the financial report and audited financial statements for the year ended 31 December 2013.

Cost implications for decisions: none

Table of contents

Part I:	Introduction	4
Part II:	Audited financial statements, schedules and notes to the accounts for the year ended 31 December 2013	
	Background note	8
	Certification of Financial Statements	9
	Letter of transmittal of the External Auditor.....	10
	Opinion of the External Auditor.....	11
	Statement I: Statement of Financial Position All sources of funds as at 31 December 2013	13
	Statement II: Statement of Financial Performance All sources of funds for the year ended 31 December 2013	14
	Statement III: Statement of changes in net assets/equity All sources of funds for the year ended 31 December 2013	15
	Statement IV: Cash Flow Statement All sources of funds for the year ended 31 December 2013	16
	Statement V: Statement of Comparison of Budget and Actual Amount for the period ended 31 December 2013 relating to the 2012-2013 Unified Budget, Results and Accountability Framework	17
	Statement of Accounting Policies	18
	Supporting information to the Statement of Financial Position.....	25
	Supporting information to the Statement of Financial Performance	37
	Schedule 1: Statement of Financial Performance by Segments All sources of funds for the year ended 31 December 2013	40
	Reconciliation between Statement of Budgetary Comparison (Statement V) and Statement of Financial Performance (Statement II)	42
	Schedule 2: Unified Budget, Results and Accountability Framework Details of revenue for the year ended 31 December 2013	44
	Schedule 3: Supplementary funds Details of revenue for the year ended 31 December 2013	45
	Schedule 4: Extra-budgetary funds Details of revenue for the year ended 31 December 2013	46
Part III:	Management Information	47
	Table 1: 2012-2013 Unified Budget, Results and Accountability Framework approved allocations, expense and encumbrance for the financial period ended 31 December 2013.....	48
	Table 2: Secretariat approved allocations, expense and encumbrance for the financial period ended 31 December 2013	49
	Table 3: Supplementary Funds Funds available, expense and encumbrance summary by source of revenue for the year ended 31 December 2013	50
	Table 4: Extra-budgetary funds Funds available, expense and encumbrance summary by source of revenue for the year ended 31 December 2013	51
	Table 5: Country Regional expense and encumbrances by all sources of funds for the year ended 31 December 2013.....	52
Part IV	Report of the External Auditor for the year ended 31 December 2013.....	55

PART I

INTRODUCTION

1. In accordance with the Programme Coordinating Board Modus Operandi, Function 5 (vi) of the Joint United Nations Programme on HIV/AIDS the financial report for the year ended 31 December 2013 is being submitted by the UNAIDS Secretariat for review to the Programme Coordinating Board (PCB), as per established procedures which require the Programme Coordinating Board to review the financial report of the Programme.
2. The Financial Statements, Accounting Policies, and Notes to the Financial Statements have been prepared in compliance with International Public Sector Accounting Standards (IPSAS) and in accordance with the WHO's Financial Regulations and Rules.
3. This is the second year that UNAIDS financial statements have been prepared under the IPSAS basis of accounting, which continues to provide greater transparency, increased accountability and a higher standard of financial reporting. IPSAS requires annual reporting, and this is the first time that UNAIDS financial statements are presented only for the second year of the biennium. Although UNAIDS has adopted an annual reporting basis, the budgetary period remains a biennium and therefore, for the purposes of comparisons, both the annual and biennial results have been provided in this report.
4. Highlights of revenue, expense, net assets/equity, assets and liabilities of the Programme are supplied, as is information on cash flow, liquidity and equity. This is done to provide a complete picture of the financial position of UNAIDS as at 31 December 2013.

Approved budget and work plan

5. The 2012-2015 Unified Budget, Results and Accountability Framework is guided by the UNAIDS 2011-2015 *Strategy*, which was adopted by the Programme Coordinating Board in December 2010. It aims to support the achievement of UNAIDS' long-term vision of *zero new HIV infections, zero AIDS-related deaths, and zero discrimination*.
6. The 2012-2015 Unified Budget, Results and Accountability Framework has been developed to translate the UNAIDS Strategy into action, responding to recommendations of the Second Independent Evaluation and decisions of the Programme Coordinating Board to focus on areas and activities where the Joint Programme can make the most difference. The Unified Budget, Results and Accountability Framework contributes to the achievement of the following targets, which were laid out in the 2011 Political Declaration of the United Nations General Assembly¹:
 - Reduce sexual transmission
 - Prevent HIV among drug users
 - Eliminate new HIV infection among children
 - 15 million accessing treatment
 - Avoid TB deaths
 - Close resource gap
 - Eliminate gender inequalities
 - Eliminate stigma and discrimination
 - Eliminate travel restrictions
 - Strengthen HIV integration
7. At its 28th meeting in June 2011, the Programme Coordinating Board approved the 2012-2015 Unified Budget, Results and Accountability Framework with a request to further strengthen the results, accountability and budget matrix. This was to be done through a consultative process with all

¹ UN General Assembly Resolution 65/277, Political declaration on HIV and AIDS: Intensifying our efforts to eliminate HIV and AIDS. Resolution 65/277 was adopted at the sixty-fifth session of the UN General Assembly.

constituencies, and the outcomes of this process were presented to the Programme Coordinating Board at its 29th meeting. At its 28th meeting, the Programme Coordinating Board also approved the core budget for 2012-2013 in the amount of US\$ 484.8 million (the same level as for the previous two biennia) and the distribution of US\$ 320.3 million for the Secretariat and US\$ 164.5 million to be shared among ten Cosponsors.² At its 29th meeting, the Programme Coordinating Board took note of the consultative process with all constituencies to further strengthen UNAIDS results, accountability and budget matrix and endorsed the outcome of the process.

Financial performance and highlights

8. During the financial year ended 31 December 2013 total revenue was US\$ 285.2 million, and total expense for the same financial year amounted to US\$ 295.2 million. This means that expenditure exceeded income by US\$ 10 million. Table A below summarizes the Programme's overall financial highlights for 2013, 2012, biennium 2012-2013 and biennium 2010-2011.

Table A: Financial highlights – All funds (in US dollars)

	2013	2012	2012-2013	2010-2011
Revenue	285 221 655	253 544 025	538 765 680	535 230 227
Expense	295 195 415	279 913 491	575 108 906	604 789 453
Surplus/(deficit)	(9 973 760)	(26 369 466)	(36 343 226)	(69 559 226)

Revenue

9. Total revenue for 2013 was US\$ 285.2 million, out of which US\$ 237.4 million was made available towards the Unified Budget, Results and Accountability Framework; US\$ 46.1 million in non-core funds was made available to UNAIDS to provide support to a number of global, regional and country activities that are designated for specific countries or purposes and the balance of US\$ 1.7 million related to financial revenue under the terminal payment account. Table B (below) provides details of revenue for 2013, 2012, biennium 2012-2013 and biennium 2010-2011.

Table B: Details of revenue (in US dollars)

Revenue	2013	2012	2012-2013	2010-2011
UBRAF core funds	237 361 986	220 248 478	457 610 464	477 154 075
Non-core funds	47 859 669	33 295 547	81 155 216	58 076 152
Total Revenue	285 221 655	253 544 025	538 765 680	535 230 227

10. As summarized in *Table B*, total revenue for the 2012–2013 biennium amounted to US\$ 538.8 million (US\$ 535.2 million in the 2010–2011 biennium), out of which US\$ 457.6 million was made available towards the 2012–2013 Unified Budget, Results and Accountability Framework. This represents 94.4% of the approved budget.

² When the 2012–2015 Unified Budget, Results and Accountability Framework was approved in June 2011, UNAIDS was composed of ten Cosponsors. UN Women became the eleventh UNAIDS Cosponsor in June 2012.

Expense

11. Total expense for the year ended 31 December 2013 amounted to US\$ 295.2 million, of which US\$ 246.8 million related to expenses against the Unified Budget, Results and Accountability Framework for 2012-2013 and US\$ 48.4 million represents expense under the non-core funds (i.e. US\$ 39.9 million related to expenses against supplemental and extra-budgetary funds; US\$ 5.1 million related to expenses against the Staff Health Insurance due to the movement in the After-Service Health Insurance (ASHI) actuarial liability; and US\$ 3.4 million related to expenses against the terminal payments and non-payroll entitlements funds. *Table C* (below) details expense by fund type for 2013, 2012, biennium 2012–2013 and biennium 2010–2011.

Table C: Details of expense (in US dollars)

Expense	2013	2012	2012-2013	2010-2011
UBRAF core funds	246 770 413	229 672 384	476 442 797	493 950 474
Non-core funds	48 425 002	37 904 539	86 329 541	93 571 997
Prior period expense	-	12 336 568	12 336 568	17 266 982
Total Expense	295 195 415	279 913 491	575 108 906	604 789 453

12. Total expenditure for the 2012-2013 biennium amounted to US\$ 575.1 million (US\$ 604.8 million in the 2010-2011 biennium) out of which US\$ 476.4 million related to expenditure against the Unified Budget, Results and Accountability Framework for 2012-2013. In addition to the above expended amount, US\$ 8.1 million was encumbered during the same financial period; together, these amounts represent a financial implementation rate of almost 100%.
13. Initiatives and measures put in place during 2012 to contain costs and increase cost-effectiveness and efficiency in the Secretariat continued throughout 2013. This has resulted in maintaining the level of expenditure in 2013 consistent to that of 2012 and a reduction in the total 2012–2013 biennium expenditure of US\$ 48.6 million or 8% compared to the 2010–2011 biennium expenditure as reflected in Table D below (i.e. US\$ 556.2 million in 2012–2013 vis-à-vis US\$ 604.8 million in 2010–2011). The net reduction of US\$ 48.6 million during 2012-2013 biennium exceeded by 20% the US\$ 40 million cost saving target established by the Secretariat.
14. The cost efficiency measures also resulted in the reduction of the 2012-2013 biennium expenditure under general operating expenses by 20%, travel by 30%, and contractual services and consultant costs by 35% when compared to 2010–2011 biennium expenditure as reflected in Table D (below).

Table D: Details of expense by category (in US dollars)

Expense	2013	2012	2012-2013	2010-2011
Salary and other personnel costs	121 280 163 ^{a/}	123 373 889 ^{a/}	244 654 052 ^{a/}	241 707 553
Transfers and grants to counterparts	108 866 756	94 942 607	203 809 363	204 758 318
Contractual services	30 178 154	28 302 720	58 480 874	89 894 097
General operating expenses	14 826 413	14 015 173	28 841 586	36 131 783
Travel	10 746 874	7 477 129	18 224 003	25 967 020
Equipment, Furniture, Vehicles	822 333	1 385 764	2 208 097	6 330 682
Sub-total	286 720 693	269 497 282	556 217 975	604 789 453
Depreciation	622 668	499 621	1 122 289	-
Finance Costs	946 165	3 357 583	4 303 748	-
ASHI and Terminal Payment (actuarial valuations)	6 905 889	6 559 005	13 464 894	-
Total Expense	295 195 415	279 913 491	575 108 906	604 789 453

^{a/} Excludes US\$ 9.8 million (US\$ 5.1 million for 2013 and US\$ 4.7 million for 2012) related to expense against the Staff Health Insurance due to movement in the ASHI actuarial liability and US\$ 3.6 million (US\$ 1.8 for 2013 and US\$ 1.8 million for 2012 relating to actuarial gains under the Terminal Payment Fund which are reflected separately under the heading "ASHI and Terminal Payment (actuarial valuations)"

Fund Balance

15. As at 31 December 2013, the net fund balance of the Unified Budget, Results and Accountability Framework stood at US\$ 140.2 million or 28.9% of the biennial budget³. This is within the approved level of 35% (or US\$ 170 million) of the biennial budget as approved by the Programme Coordinating Board in June 2010. It also represents a reduction of US\$ 14.6 million when compared to the net fund balance of US\$ 154.8 million (or 32% of the biennial budget) as at 31 December 2012.
16. The reduction in the Unified Budget, Results and Accountability Framework fund balance is due to the lower income received during 2013, the high implementation rate during 2013, the partial funding of staff-related liabilities and the annual replenishment of the building renovation fund. All these factors resulted in a net fund balance of US\$ 140.2 million.
17. It should be noted that the Unified Budget, Results and Accountability Framework fund balance available at the start of each year is the Joint Programme's working capital. This enables the Joint Programme to operate without interruption, including allocating funding to Cosponsors. Accordingly, the fund balance is monitored to ensure it is maintained at a level that guarantees the continued smooth implementation of the Joint Programme.

³ In addition to the expense of US\$ 246.8 million in 2013 under the 2012-2013 Unified Budget, Results and Accountability Framework, US\$ 8.1 million was encumbered during 2013 (representing firm commitments of goods and services to be delivered in 2014). As a result, the net fund balance as at 31 December 2013 under the Unified Budget, Results and Accountability Framework to cover 2014 Unified Budget, Results and Accountability Framework activities was US\$ 140.2 million (US\$ 148.3 million less US\$ 8.1 million reserved for 2013 encumbrances).

PART II

FINANCIAL STATEMENTS, SCHEDULES AND NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2013


This section of the financial report presents the overall financial position of UNAIDS as of and for the year ended 31 December 2013. 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 International Public Sector Accounting Standards (IPSAS). The schedules provide background details and explanations in support of individual funds and accounts administered by UNAIDS, through the WHO financial systems, for the year ended 31 December 2013.

Certification of Financial Statements

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



Joel Rehnstrom
Director, Planning, Finance
and Accountability



Michel Sidibé
Executive Director
UNAIDS

12 March 2014



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines


LETTER OF TRANSMITTAL

4 April 2014

Dear Sir/Madam,

I have the honour to present to the Programme Coordinating Board, the External Auditor's report and opinion on the financial statements of the Joint United Nations Programme on HIV/AIDS (UNAIDS) for the financial year ended 31 December 2013.

Yours sincerely,


Maria Gracia M. Pulido Tan
Chairperson, Commission on Audit
Republic of the Philippines
External Auditor

The Chairman
Programme Coordinating Board
Joint United Nations Programme on HIV/AIDS
Geneva, Switzerland

Opinion of the External Auditor



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

INDEPENDENT AUDITOR'S REPORT

**To The Programme Coordinating Board
Joint United Nations Programme on HIV/AIDS (UNAIDS)**

Report on the financial statements

We have audited the accompanying financial statements of the UNAIDS, which comprise the Statement of Financial Position as at 31 December 2013, and the Statement of Financial Performance, Statement of Changes in Net Assets/Equity, Statement of Cash Flow, Comparison of Budget and Actual Amounts for the year then ended and the Notes to the Financial Statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (IPSAS). 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 issued by the International Auditing and Assurance Standards Board. 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 the UNAIDS as at 31 December 2013, and its financial performance, changes in net assets/equity, cash flow, and the comparison of budget and actual amounts, in accordance with IPSAS.

Report on other legal and regulatory requirements

Further, in our opinion, the transactions of the 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 WHO Financial Regulations.

In accordance with Regulation XIV of the WHO Financial Regulations, we have also issued a Long-form Report on our audit of the UNAIDS.


Maria Gracia M. Pulido Tan
Chairperson, Commission on Audit
Republic of the Philippines
External Auditor

Quezon City, Philippines
4 April 2014

Statement I

Statement of Financial Position

All sources of funds as at 31 December 2013

(in US dollars)

	Note	31 December 2013	31 December 2012
ASSETS			
Current assets			
Cash and cash equivalents held by WHO	3.1	211 161 391	204 672 570
Accounts receivable - net current	3.2	118 587 784	77 358 261
Staff receivables	3.3	1 961 037	1 682 960
Prepayments	3.4	452 326	20 475 470
Total current assets		332 162 538	304 189 261
Non-current assets			
Accounts receivable - non-current	3.2	18 251 381	7 560 611
Property, plant and equipment - net	3.5	23 160 816	23 367 086
Total non-current assets		41 412 197	30 927 697
TOTAL ASSETS		373 574 735	335 116 958
LIABILITIES			
Current liabilities			
Deferred revenue - current	3.6	49 547 743	18 811 463
Accounts payable	3.7	5 399 741	2 403 108
Staff payable	3.8	332 622	419 033
Accrued staff benefits -current	3.9	10 271 417	10 044 304
Other liabilities - current	3.10	27 810	235 612
Total current liabilities		65 579 333	31 913 520
Non-current liabilities			
Accrued staff benefits - non current	3.9	56 897 191	52 083 403
Deferred revenue - non-current	3.6	18 251 381	7 560 611
Long-term borrowings	3.11	20 433 240	21 172 074
Total non-current liabilities		95 581 812	80 816 088
TOTAL LIABILITIES		161 161 145	112 729 608
NET ASSETS/EQUITY			
Net assets/reserves			
Operating reserve fund	3.14	35 000 000	35 000 000
Equity in capital assets	3.15	4 811 248	4 010 562
Depreciation reserve		(3 256 744)	(2 634 076)
Non-restricted	3.16	148 344 192	164 887 579
Restricted		52 517 295	46 244 636
Building Renovation Fund		3 030 000	2 600 000
Staff Benefits		(28 628 962)	(31 667 752)
Non-payroll entitlements Fund		596 561	3 946 401
TOTAL NET ASSETS/EQUITY		212 413 590	222 387 350
TOTAL LIABILITIES AND NET ASSETS/EQUITY		373 574 735	335 116 958

Statement II

Statement of Financial Performance

All sources of funds for the year ended 31 December 2013

(in US dollars)

	Notes	31 December 2013	31 December 2012
Revenue			
Voluntary contributions	4.2		
Governments		270 751 614	234 695 113
Cosponsoring organizations		5 275 648	4 211 767
Others		4 314 462	8 966 635
Financial revenue	4.3	<u>4 879 931</u>	<u>5 670 510</u>
Total revenue		<u>285 221 655</u>	<u>253 544 025</u>
Expense			
	4.4		
Salary and other personnel costs		128 186 052	129 932 894
Transfers and grants to counterparts		108 866 756	94 942 607
Contractual services		30 178 154	28 302 720
General operating expenses		14 826 413	14 015 173
Travel		10 746 874	7 477 129
Equipment, vehicles and furniture		822 333	1 385 764
Depreciation		622 668	499 621
Finance Costs		946 165	3 357 583
Total expense		<u>295 195 415</u>	<u>279 913 491</u>
Total (deficit) for the year		<u>(9 973 760)</u>	<u>(26 369 466)</u>

Statement III

Statement of Changes in Net Assets/Equity

All sources of funds for the year ended 31 December 2013

(in US dollars)

	Notes	31 December 2013	2013 Movements	2013 Transfers	31 December 2012
Net assets/reserves	3.14				
Operating Reserve Fund	3.15	35 000 000			35 000 000
Equity in capital assets	3.16	4 458 270			4 458 270
Loan adjustments		352 978	674 183	256 658	(577 863)
Hedging adjustments				(130 155)	130 155
Total Equity in capital assets		4 811 248	674 183	126 503	4 010 562
Depreciation reserve					
Depreciation on property, plant and equipment		(3 256 744)	(622 668)		(2 634 076)
Non-restricted funds	3.16				
UBRAF Core Unrestricted		148 344 192	(9 596 467)	(6 946 920)	164 887 579
Restricted funds					
UBRAF Supplementary Restricted		35 143 209	15 472 386	1 189 498	18 481 325
Extra-budgetary funds		17 374 086	(9 230 144)	(1 159 081)	27 763 311
Total Restricted		52 517 295	6 242 242	30 417	46 244 636
Other Funds					
Building Renovation Fund		3 030 000		430 000	2 600 000
Staff Benefits					
Terminal Payments		(2 997 360)	1 848 386	1 208 400	(6 054 146)
Staff Health Insurance		(24 914 255)	(5 064 692)	5 024 400	(24 873 963)
Special Fund for Compensation		(717 347)	(104 904)	127 200	(739 643)
Total Staff Benefits Fund		(28 628 962)	(3 321 210)	6 360 000	(31 667 752)
Non-payroll Staff entitlements Fund		596 561	(3 349 840)		3 946 401
Net assets/equity		212 413 590	(9 973 760)	-	222 387 350

Statement IV

Statement of Cash Flow

All sources of funds for the year ended 31 December 2013

(in US dollars)

	2013	2012
Cash flows from operating activities		
Surplus/(deficit) for the year	(9 973 760)	(26 369 466)
Depreciation	622 668	499 621
(Increase)/decrease in accounts receivables - net current	(41 229 523)	4 637 946
(Increase)/decrease in accounts receivables non-current	(10 690 770)	(2 162 561)
(Increase)/decrease in other receivables	-	144 670
(Increase)/decrease in prepayments	20 023 144	(9 970 509)
(Increase)/decrease in staff receivables	(278 077)	299 835
Increase/(decrease) in accounts payables	2 996 633	743 245
Increase/(decrease) in staff payables	(86 411)	363 804
Increase/(decrease) in deferred revenue - current	30 736 280	(8 430 902)
Increase/(decrease) in accrued staff benefits - current	227 113	(1 294 721)
Increase/(decrease) in deferred revenue - non-current	10 690 770	2 162 561
Increase/(decrease) in accrued staff benefits - non-current	4 813 788	4 958 116
Increase/(decrease) in other liabilities - current	(207 802)	(656 003)
Decrease/Increase due to revaluations and others	-	529 919
<i>Net cash flow from operating activities</i>	<u>7 644 053</u>	<u>(34 544 445)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment - net	(416 398)	(387 718)
<i>Net cash flow from investing activities</i>	<u>(416 398)</u>	<u>(387 718)</u>
Cash flows from financing activities		
Repayment of borrowings	(738 834)	(864 223)
<i>Net cash flow from financing activities</i>	<u>(738 834)</u>	<u>(864 223)</u>
Net Increase/(decrease) in cash and cash equivalents	<u>6 488 821</u>	<u>(35 796 386)</u>
Cash and cash equivalents at beginning of year	<u>204 672 570</u>	<u>240 468 956</u>
Cash and cash equivalents at end of year	<u>211 161 391</u>	<u>204 672 570</u>

Statement V

Statement of Comparison of Budget and Actual Amount

2012-2013 Unified Budget, Results and Accountability Framework

for the period ended 31 December 2013

(in US dollars)

Strategic Directions and Functions	2012-2013 Approved allocations	Expense 2012	Expense 2013	Expense 2012-2013	Balance (e) = (a-d)	Percentage implementation (f) = (d / a)
	(a)	(b)	(c)	(d) = (b + c)		
1 Revolutionize HIV Prevention	82 225 700	41 112 850	41 112 850	82 225 700	-	100.0%
2 Catalyze the next phase of treatment, care and support	46 484 500	23 242 250	23 242 250	46 484 500	-	100.0%
3 Advance human rights and gender	26 297 300	13 148 650	13 148 650	26 297 300	-	100.0%
4 Leadership and advocacy	131 870 800	64 697 512	66 986 461	131 683 973	186 827	99.9%
5 Coordination, coherence and partnerships	104 738 200	41 796 295	60 268 444	102 064 739	2 673 461	97.4%
6 Mutual accountability	93 203 500	45 674 827	42 011 758	87 686 585	5 516 915	94.1%
Total	484 820 000	229 672 384	246 770 413	476 442 797 ^{a/}	8 377 203	98.3%

a/ In addition to the total expense of US\$476.4 million, a total of US\$ 8.1 million has been encumbered (representing firm commitment for goods and/or services which have not yet been delivered) resulting in budget implementation of almost 100%.

STATEMENT OF ACCOUNTING POLICIES

1. Statement of Objectives

The Joint United Nations Programme on HIV/AIDS (UNAIDS) was established through the Economic and Social Council (ECOSOC) resolution 1994/24 of 26 July 1994 to “undertake a joint and co-sponsored United Nations Programme on HIV/AIDS on the basis of co-ownership, collaborative planning and execution, and an equitable sharing of responsibility”. UNAIDS currently consists of eleven United Nations organizations referred to as Cosponsors.⁴

The Programme is headed by an Executive Director, appointed by the UN Secretary-General upon the recommendation of the Cosponsors, who reports to the Programme Coordinating Board which serves as the governing board of the Programme.

The objectives of the Joint United Nations Programme on HIV/AIDS (UNAIDS), are 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.

The objectives of UNAIDS were further refined and updated in UNAIDS new vision and mission statement which were endorsed by the UNAIDS Programme Coordinating Board at its 26th meeting held in Geneva, from 22-24 June 2010. These are:

- **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 defence 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.

2. 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. The financial statements have been prepared on an accrual and going concern basis and in accordance with the requirements of International Public Sector Accounting Standards (IPSAS) using the historical cost convention. Where an IPSAS Standard is silent concerning any specific standard, the appropriate International Financial Reporting Standard (IFRS) has been applied. The financial statements, notes and schedules are presented in US dollars.

The preparation of financial statements in conformity with IPSAS requires the use of certain critical accounting estimates, judgement and assumptions. UNAIDS management has had to exercise its judgement in the process of applying accounting policies. Critical estimates and areas where assumptions are significant have been disclosed in Note 2.19.

⁴ When UNAIDS was established in 1994 the Programme consisted of six UN system organizations: UNDP, UNICEF, UNFPA, WHO, UNESCO and the World Bank. Since that time, a further five UN agencies, namely UNODC, ILO, WFP, UNHCR and UN Women, have become UNAIDS Cosponsors.

The functional and reporting currency of the Organization is United States dollar.

The foreign currency transactions are translated into the United States dollars at the prevailing United Nations Operational Rate of Exchange, which approximates to the exchange rates at the dates of the transaction. The Operational Rates of Exchange are set once a month and revised mid-month if there are significant exchange rate fluctuations relating to individual currencies.

Assets and liabilities in currencies other than United States dollars are translated into United States dollars at the Operational Rates of Exchange prevailing at the end of each month. Resulting gains or losses are accounted for in the Statement of Financial Performance.

The accounting policies set out below have been consistently applied in the preparation of the financial statements throughout the period.

2.1 Cash and cash equivalents held by WHO

Cash and cash equivalents held by WHO include cash on hand, deposits in transit, cash in bank and balances held by WHO on behalf of UNAIDS. These balances are held centrally by WHO and invested on behalf of UNAIDS in accordance with WHO's rules and practices. UNAIDS has adopted the disclosure notes of WHO to reflect the accounting policies for investments.

Financial instruments are recognized when WHO becomes a party to the contractual provisions of the instrument until such time when the rights to receive cash flows from those assets have expired or have been transferred and WHO has substantially transferred all the risks and rewards of ownership. Investments can be classified as financial assets or financial liabilities at fair value through surplus or deficit, held-to-maturity, available for sale or loans and receivables. All purchases and sales of investments are recognized on the basis of their trade date.

Financial assets or financial liabilities at fair value through surplus or deficit are financial instruments that meet either of the following conditions: (i) they are held for trading; or (ii) they are designated by the entity upon initial recognition at fair value through surplus or deficit. Financial instruments that belong to this category are measured at fair value and any gains and losses arising from changes in the fair value are accounted for through surplus or deficit and included within the Statement of Financial Performance in the period in which they arise. All derivative instruments, such as swaps, currency forward contracts and options are classified as held for trading except for designate and effective hedging instruments defined under IPSAS 29 on hedge accounting. Financial assets in the externally managed portfolios designated upon initial recognition as at fair value through surplus or deficit, are classified as current assets or non-current assets according to the time horizon of the investment objectives of each portfolio. If the time horizon is less than or equal to one year, they are classified as current assets.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Organization has both the intention and ability to hold to maturity. Held-to-maturity investments are stated at amortized cost using the effective interest rate method, with interest revenue being recognized on an effective yield basis in the Statement of Financial Performance.

Available-for-sale investments are classified as being available-for-sale where WHO has not designated them either as held for trading or as held-to-maturity. Available-for-sale items are stated at fair value (including transaction costs that are directly attributable to the acquisition of the financial asset) with value changes recognized in net assets/equity. Impairment charges and interest calculated using the effective interest rate method are recognized in the Statement of Financial Performance. As at 31 December 2013, no available-for-sale financial assets were held by WHO.

Bank deposits and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Accrued revenue related to interest and dividend and pending cash to be received from investments to settle are included herein. Bank deposits and receivables are stated at amortized cost calculated using the effective interest rate method, less any impairment. Interest revenue is recognized on the effective interest rate basis, with the exception of short-term receivables for which the recognition of interest would be immaterial. The interest accrued is

held globally by WHO which includes UNAIDS portion attributable due to the share in the portion of bank deposits held by WHO on UNAIDS behalf.

2.2 Accounts receivables

Accounts receivables are recorded at their estimated net realizable value after providing for allowances for non-recovery and after careful review of the outstanding receivable. Current receivables are for amounts due within twelve months of the reporting date, while non-current receivables are due more than twelve months from the reporting date of the financial statements.

2.3 Inventories

UNAIDS inventory only comprises of publications on hand held for distribution, free of cost, and has no value.

2.4 Prepayments

Prepayments relate to amounts paid to suppliers for goods and services not yet received. Advances made to UNDP to cover payments made on behalf of UNAIDS in accordance with 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. Advances are made to UNAIDS Cosponsors to enable them to carry out their mandates under the UNAIDS 2012-2015 Unified Budget, Results and Accountability Framework when necessary.

2.5 Property, plant and equipment (PP&E)

Property, plant and equipment (PP&E) with a value greater than US\$ 5 000 are recognized as non-current assets in the Statement of Financial Position. They are initially recognized at cost, unless acquired through a non-exchange transaction, in which case they are recognized at fair value at the date of acquisition. PP&E is stated at historical costs less accumulated depreciation and impairment. PP&E are reviewed annually for impairments to ensure that the carrying cost is still considered recoverable.

Additions to PP&E

UNAIDS has recognized equipment with a value of US\$ 5 000 and above purchased in 2013 under PP&E. Heritage assets have not been valued and are not considered in the financial statements.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the Statement of Financial Performance. Impairment reviews are undertaken for all PP&E annually and all losses are recognized in the Statement of Financial Performance. Impairment indicators also include the obsolescence and deterioration of PP&E.

Subsequent Costs

Subsequent costs of major renovations and improvements to fixed assets that increase or extend the future economic benefits or service potential are valued at cost.

Depreciation

Depreciation is charged on property, plant and equipment other than land, over their estimated useful lives using the straight-line method on the following basis:

Asset Class	Years
Land	N/A
Buildings - permanent	60
Buildings - mobile	5
Fixtures and fittings	5
Vehicles and transport	5
Office equipment	3
Communications equipment	3
Audio Visual equipment	3
Computer equipment	3
Network equipment	3
Security equipment	3
Other equipment	3

2.6 Intangible assets

Intangible assets are carried at cost less accumulated amortization and impairment. UNAIDS only recognizes intangible assets if the useful life of the asset is more than one year and the value is above US\$ 100 000. UNAIDS holds computer software, licenses and copyrights as intangible assets.

Intangible assets are amortized over their estimated useful lives using the straight-line method as follows:

Intangible Asset Classes	Estimated Useful Life (in Years)
Software acquired externally	1- 3 years
Software developed internally	1- 3 years
Licences and rights	2 - 6 years
Copyrights	3 - 10 years

2.7 Leases

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. UNAIDS reviews all leases on an annual basis to determine whether these constitute a financial or operating lease.

2.8 Accounts payable and Accrued Liabilities

Accounts payable are liabilities for goods and services received by the Programme but which have not yet been paid for. Accrued liabilities are liabilities where goods and services have been received by the Programme but have not been paid and for which an invoice for payment to be made has not yet been received. The liabilities are recognized at cost due to the discounting being considered not to be material.

2.9 Employee benefits

UNAIDS recognizes the following categories of employee benefits:

- short-term employee benefits which fall due wholly within 12 months after the end of the accounting period in which employees render the related service;
- post-employment benefits;
- other long-term employee benefits; and
- termination benefits

2.9a Short-term employee benefits

Liabilities are established for short-term employee benefits including items such as wages, salaries and social security contributions, paid annual leave and paid sick leave, and non-monetary benefits (such as medical care) for current employees. Actuarial assumptions and valuation have been used to measure accumulated annual leave. In addition, liabilities are established for the value of accumulated leave, deferred home leave and overtime earned but unpaid at the reporting date and for education grants payable at the reporting date that have not been included in current expenditure.

2.9b Post-employment benefits

Post-employment benefits include pension plans, post-employment medical care and post-employment insurance. Also included are benefits to which eligible staff members are entitled on termination of their contracts and include repatriation grants, repatriation removal and repatriation travel. Post-employment benefits under defined benefit plans are measured at the present value of the defined benefit obligation (DBO) adjusted for unrecognized actuarial gains and losses and unrecognized past service costs.

United Nations Joint Staff Pension Fund

UNAIDS is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to staff. The Pension Fund is a funded, multi-employer defined benefit plan. As specified by Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The plan exposes participating organizations to actuarial risks associated with the current and former staff of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. UNAIDS and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify its proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes, and hence has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. UNAIDS contributions to the plan during the financial period are recognized as expenses in the Statement of Financial Performance.

2.10 Borrowing costs

UNAIDS has taken a loan from the Swiss Government and Canton de Genève jointly with WHO for the construction of the UNAIDS/WHO building in Geneva. There are no borrowing costs associated with this loan. Borrowings are currently stated at amortized cost; any difference between the proceeds and the redemption value is recognized in the Statement of Financial Performance over the period of the borrowings using the effective interest method. The loan received by UNAIDS is an interest-free loan, the benefit to UNAIDS of this arrangement has been treated as an in-kind contribution.

2.11 Deferred revenue

Deferred revenue is recognized when legally binding agreements between the Programme and its donors, (including governments, international organizations and private and public institutions) is confirmed and the funds are earmarked and due in the future periods. Deferred revenue which is due after one year from the reporting date has been classified as non-current.

2.12 Provisions and contingent liabilities

Provisions are recognized for future liabilities and charges where UNAIDS has a present legal or constructive obligation as a result of past events and it is probable that the Programme will be required to settle the obligation. Provisions are recorded as expense in the Statement of Financial Performance and a corresponding liability is established in the Statement of Financial Position when the occurrence of the obligation for settlement has been ascertained and can reasonably be estimated.

Other commitments which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of UNAIDS.

2.13 Contingent assets

Contingent assets will be disclosed when an event gives rise to a probable inflow of economic benefits or service potential and there is sufficient information to assess the probability of the inflow of economic benefits or service potential.

2.14 Revenue recognition

Voluntary contributions - UNAIDS receives only voluntary contributions. Voluntary contributions are recorded on an accrual basis. Voluntary contributions which are supported by formal funding agreements signed by both parties are recognized as revenue at the time the agreement becomes binding and when control over the underlying asset is obtained. Agreements which are subject to conditions such as performance and/or receipt of funds are conditional on a certain future date, such agreements are established recognizing a receivable and a corresponding deferred revenue as a liability. Revenue is recognized when the condition is discharged.

Contributions in-kind and in-service - Contributions of goods or services in-kind or in-service are recorded in the period in which the contribution was received by UNAIDS. They are recognized and reflected as revenue and expense under the non-core funds at the best estimate of fair value.

2.15 Expense recognition

UNAIDS recognizes expense at the point when goods have been delivered or services rendered and not when cash or its equivalent is paid.

2.16 Segment reporting-fund accounting

Fund accounting is a method of segregating resources into categories, (i.e. funds) to identify both the source and use of funds. Establishment of such funds helps ensure better reporting of revenue and expenses along with a distinguishable group of activities for achieving its objectives and making decisions for future allocation of resources. The four types of funds for UNAIDS are core Unified Budget, Results and Accountability Framework funds, supplementary Unified Budget, Results and Accountability Framework funds, extra-budgetary funds and staff benefits and other funds. Any transfers between funds that would result in duplication of revenue and/or expense (including Programme Support Costs) are eliminated during consolidation. UNAIDS' assets and liabilities are not allocated to individual funds since ownership rests with the Programme, however, the balances against the respective funds and working capital reserve are recognized.

2.17 Statement of Cash flow

The Statement of Cash Flow (Statement IV) is prepared using the indirect method.

2.18 Budget comparison

The Unified Budget, Results and Accountability Framework continues to be prepared on a modified cash basis and is presented in the financial statements as Statement V, Statement of Comparison of Budget and Actual Amounts. The Programme Coordinating Board provides approval of the Unified Budget, Results and Accountability Framework and the UNAIDS financial statements encompass all activities of the Programme.

As stipulated in IPSAS 24, the actual amounts presented on a comparable basis to the budget shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the actual amounts presented in the financial statements, identifying separately any basis, timing, presentation and entity differences. There may also be differences in formats and classification schemes adopted for the presentation of financial statements and the budget. As the bases used to prepare the budget and financial statements differ, and in order to facilitate a comparison between the budget and the financial statements, reconciliation between the actual amounts presented in Statement V to the actual amounts presented in Statement II and Statement IV are included in the notes to the financial statements.

2.19 Materiality and use of judgement and estimates

Materiality is central for the preparation of UNAIDS financial statements. The process for reviewing accounting materiality provides a systematic approach to the identification, analysis, evaluation, endorsement and periodic review of decisions taken involving the materiality of information spread over numerous areas of accounting.

The financial statements include amounts based on judgement, estimates and assumptions by the management. Changes in estimates are reflected in the period they become known. Estimates include, but are not limited to, defined benefit medical insurance and other post-employment benefit obligations (the value of which is calculated by an independent actuary); financial risk on accounts receivable accrued charges and the degree of impairment of fixed assets. Actual results could differ from these estimates.

2.20 Risk management and internal control

The Secretariat has developed and is in the process of implementing an Enterprise Risk Management (ERM) framework. An ERM policy has been issued which aims at embedding a conscious, systematic and effective approach to identifying, assessing and managing risks and opportunities that adds value to decision making and is clearly linked to the achievement of objectives and results reflected in the Unified Budget, Results and Accountability Framework.

A governance model has been established to oversee the implementation of ERM across the Secretariat with well-defined roles and responsibilities. A Risk Management Committee has also been established to coordinate ERM activities and initiate ERM related training and compile the Organization-wide risk register.

Together with the internal control framework, the risk management framework will assist UNAIDS to manage and mitigate risks through improved strategic planning, performance monitoring and accountability.

3. SUPPORTING INFORMATION TO THE STATEMENT OF FINANCIAL POSITION

3.1 Cash and cash equivalents held by WHO

Cash and cash equivalents held by WHO include cash on hand, imprest bank account balances, petty cash, cash deposits in transit and balances held by WHO on behalf of UNAIDS. These balances are held centrally by WHO and invested on behalf of UNAIDS in accordance with WHO's rules and practices. These have been reflected as cash and cash equivalents held by WHO under the current assets.

WHO manages centrally all cash and investments for WHO and the non-consolidated entities. All cash and investments held are reported in the WHO financial statements. Cash and cash equivalents are held for meeting short-term cash commitments rather than for investment or other purposes. The WHO balance also reflects cash and cash equivalents held in the portfolios managed by investment managers.

The cash and cash equivalents held on behalf of UNAIDS stood at US\$ 211 161 391 as at 31 December 2013.

Cash and cash equivalents held by WHO (in US dollars)	31 December 2013	31 December 2012
Current assets		
Cash on hand and at bank		
Imprest Accounts	94 987	151 069
Total Cash	94 987	151 069
Cash held on behalf of UNAIDS by WHO	211 066 404	204 521 501
Total Cash and cash equivalents held by WHO	211 161 391	204 672 570

Investments

Details of significant accounting policies and methods adopted, criteria for recognition and de-recognition, basis of measurement and basis on which gains and losses are recognized are set out in the Accounting Policies.

WHO's main objectives for investments are the preservation of capital, the maintenance of sufficient liquidity to meet all payments of liabilities on time and the optimization of income return. The Investment Policy reflects the nature of WHO's funds, which may be held for the short-term, pending programme implementation, or for the longer term in order to meet liabilities under the other long-term funds of the Organization.

Short-term investments, which are funds related to pending programme implementation, are invested in cash and high-quality, short-term, government, agency, corporate bonds and time deposits as defined in the approved Investment Policy. Investments included within 'financial assets at fair value through surplus and deficit' include fixed income securities and derivatives instruments held to cover projected liabilities and unexpected cash requirements. Financial assets in the externally managed portfolios designated upon initial recognition as at fair value through surplus or deficit are classified as short-term investments where the investment time horizon objective of these portfolios is less than or equal to an year. The investments in the 'held-to-maturity' portfolio with a duration of less than one year are classified as current assets in the category 'financial assets at amortized costs'.

Long-term investments are for funds managed under the Terminal Payments Account as defined in the approved Investment Policy and are invested in high-quality, medium- and long-dated, government, agency and corporate bonds.

Risk exposure

UNAIDS shares the risk of WHO which is exposed to financial risks including credit risk, interest rate risk, foreign currency exchange risk and investment price risk. Derivative financial instruments are used to hedge some of its risk exposures. In accordance with WHO Financial Regulations, funds not required for immediate use may be invested. All investments are carried out within the framework of the investment policy approved by the WHO Director General. Some portfolios are managed by external managers appointed by WHO to manage funds in accordance with a defined mandate. The Advisory Investment Committee reviews regularly the investment policies, the investment performance and the investment risk for each investment portfolio. The Committee is composed of external investment specialists who can make investment recommendations to the Director General of WHO.

Credit risk

UNAIDS' shares similar credit risks to those of WHO and makes full disclosures with respect to the same. The WHO's investments are widely diversified in order to limit its credit risk exposure to any individual investment counterparty. Investments are placed with a wide range of counterparties using minimum credit quality limits and maximum exposure limits by counterparty (and by groups of related counterparties) established in investment mandates. These limits are applied both to the portfolios managed internally by the WHO Treasury Unit, and also to the portfolios managed by external investment managers. The WHO Treasury Unit monitors the total exposure to counterparties across all internally and externally managed portfolios to ensure that total counterparty exposure across portfolios are tracked and managed.

The credit and liquidity risk for cash and cash equivalents are minimised by investing only in major financial institutions that have received strong investment grade credit ratings from primary credit rating agencies. The WHO Treasury Unit regularly reviews the credit ratings of the approved counterparties and takes prompt action whenever a credit rating is downgraded.

Interest rate risk

UNAIDS is exposed to interest rate risk through short-term and long-term fixed income investments. The investment duration is a measure of sensitivity to changes in market interest rates, and the effective average duration of WHO's investment as at 31 December 2013 was 0.4 years for short-term investments and 2.1 years for the long term investments.

Fixed income derivatives may be used by external investment managers to manage interest rate risk under strict investment guidelines. Typically the interest rate instruments are used for portfolio duration management and strategic interest rate positioning.

Foreign exchange currency risk

UNAIDS receives voluntary contributions and makes payments in currencies other than US dollars and it is exposed to foreign exchange currency risk arising from fluctuations in the currency exchange rates. Exchange gains and losses on the purchase and sale of currencies, revaluation of cash book balances and all other exchange differences are adjusted against the funds and accounts eligible to receive interest under the interest apportionment programme. Translation into US dollars of transactions expressed in other currencies is performed at the United Nations Operational Rates of Exchange prevailing at the date of transaction. Assets and liabilities that are denominated in foreign currencies are translated at the Operational Rates of Exchange prevailing at the end of each month. Forward foreign exchange contracts are transacted to hedge foreign currency exposures and to manage short-term cash flows. Realised and unrealised gains and losses resulting from settlement and revaluation of foreign currency transactions are recognized in the Statement of Financial Performance.

Hedging foreign exchange exposures on future payroll costs

The value of non-dollar (i.e. Swiss Franc) payroll expenditures in 2014 has been protected from the impact of movements in foreign exchange rates against the US dollar. Protection has been effected

through the transaction of forward currency contracts during 2013. As at 31 December 2013 the forward foreign currency exchange hedging contracts were CHF 15 million. Unrealized net gains on these contracts amounted to US\$ 0.8 million as at 31 December 2013 (US\$ 0.9 million net losses as at 31 December 2012). Realized gains or losses on these contracts will be recorded on maturity of the contracts and applied during 2014-2015.

Hedging foreign exchange exposures on receivables and payables

Currency exchange risk arises as a result of 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 on-going 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 United Nations Operational Rates of Exchange. Through this process the exchange gains or losses realised on the forward foreign currency contracts match the corresponding unrealised exchange losses and gains on the movements in the net accounts receivable and accounts payable.

3.2 Accounts receivable

As at 31 December 2013, US\$ 136.8 million in contributions receivable was outstanding (US\$ 84.9 million as at 31 December 2012). A total of US\$ 65.4 million of this receivable is due to letters of credit outstanding with the Government of the United States of America; and US\$ 67.8 million represents receivables due in future financial periods (broken down between current and 2015). An allowance for doubtful debts has been established after review of all the outstanding receivables for US\$ 199 185.

Accounts Receivable (in US dollars)	31 December 2013	31 December 2012
Accounts receivable - current		
Unified Budget, Results and Accountability Framework	88 748 876	59 743 870
Supplementary Funds	23 567 643	8 912 886
Extra-budgetary Funds	6 470 450	8 786 516
Allowance for doubtful debt against Extra-budgetary Funds	(199 185)	(85 010)
Total Accounts receivable - net current	118 587 784	77 358 262
Accounts receivable - non-current		
Unified Budget, Results and Accountability Framework	16 780 127	2 460 612
Supplementary Funds	1 471 254	2 467 579
Extra-budgetary Funds	-	2 632 420
Total Accounts receivable - non current	18 251 381	7 560 611
Total Account receivables - Net	136 839 165	84 918 873

3.3 Staff receivables

In accordance with WHO's Staff Rules and Regulations, staff members are entitled to certain advances including salary, rent, education grant and travel advances. Advances are recovered periodically from staff salaries through payroll except for education grants which are settled at the end of the scholastic year. International staff members are eligible to receive an advance equal to the estimated amount of education grant for each child at the beginning of the scholastic year and are settled at the end of the scholastic year.

As at 31 December 2013, US\$ 2 million in staff receivables was outstanding including salary advances, rental advances, travel advances and education grant advances (US\$ 1.7 million as at 31 December 2012). The education grant advances represent the advances made to staff members for the scholastic year 2013-2014.

Staff Receivables (in US dollars)	31 December 2013	31 December 2012
Staff Receivables		
Salary advances	190 783	206 369
Rental advances	259 047	212 244
Education Grant advances	1 223 869	1 096 027
Travel advances	136 287	85 140
Expected Sick Leave Insurance Contribution	130 513	83 180
Other staff advances	20 538	-
Total Staff Receivables	1 961 037	1 682 960

3.4 Prepayments

The total value of prepayments is US\$ 0.5 million (US\$ 20.5 million as at 31 December 2012). Out of this amount US\$ 0.4 million relates to advances made to UNDP to cover payments made on behalf of UNAIDS in accordance with 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. The remaining US\$ 0.1 million represents payments to suppliers in advance of receipt of goods or services which will be charged to expense in 2014.

Prepayments (in US dollars)	31 December 2013	31 December 2012
Prepayments		
Advances to UNDP	365 416	1 170 452
Advances to Cosponsors	-	19 000 000
Advances to Suppliers	86 910	305 018
Total Prepayments	452 326	20 475 470

3.5 Property, plant and equipment (PP&E)

Building

The carrying value of the UNAIDS building at headquarters has been calculated at cost less depreciation. The building was constructed jointly with WHO and ownership is recognized at the 50% value with WHO. The land upon which the building has been constructed was made available to WHO by the Swiss Government at no cost. The value of the land has therefore not been valued and disclosed in the financial statements. The estimated useful life of the building has been determined at 60 years and has been depreciated using the straight line method.

Plant and Equipment

UNAIDS has capitalized all plant and equipment purchased in 2013 with a value of US\$ 5 000 or above. The assets value purchased during 2013 has been depreciated over the estimated useful life using the straight line method.

Property Plant and Equipment
(in US dollars)

	Building	Furniture and Fixtures	Vehicles	Communications and IT Equipment	Other Equipment	Total
Cost or fair value	25 613 445	11 298	109 625	164 482	102 312	26 001 162
Accumulated Depreciation	(2 561 346)	(753)	(4 765)	(40 623)	(26 589)	(2 634 076)
Total Carrying Cost as at 31 December 2012	23 052 099	10 545	104 860	123 859	75 723	23 367 086
Movements 1 January to 31 December 2013						
Additions			273 497	103 428	39 473	416 398
Disposals						
Depreciation	(426 891)	(2 636)	(63 110)	(83 189)	(46 842)	(622 668)
Total - Property, Plant and Equipment	22 625 208	7 909	315 247	144 098	68 354	23 160 816

Intangible assets

The Programme has no intangible assets to report.

3.6 Deferred revenue

As at 31 December 2013 deferred revenue amounted to US\$ 67.8 million (US\$ 26.4 million as at 31 December 2012). This represents multi-year pledges made in 2012 and 2013 for which the revenue recognition has been deferred to future financial periods. Out of this amount US\$ 18.3 million represents non-current deferred revenue for 2015 and future financial periods.

Deferred Revenue
(in US dollars)

	31 December 2013	31 December 2012
Deferred revenue - current		
Unified Budget, Results and Accountability Framework	43 670 706	13 111 463
Supplementary Funds	3 244 617	2 306 619
Extra-budgetary Funds	2 632 420	3 393 381
Total Deferred revenue - current	49 547 743	18 811 463
Deferred revenue - non current		
Unified Budget, Results and Accountability Framework	16 780 127	2 460 612
Supplementary Funds	1 471 254	2 467 579
Extra-budgetary Funds		2 632 420
Total Deferred revenue - non current	18 251 381	7 560 611
Total - Deferred Revenue	67 799 124	26 372 074

3.7 Accounts payable

This represents the total amount outstanding to suppliers for goods and services. The total accounts payable for UNAIDS programme activities as at 31 December 2013 was US\$ 5.4 million (US\$ 2.4 million as at 31 December 2012).

Accounts Payable
(in US dollars)

	31 December 2013	31 December 2012
Accounts payable		
Payables to Suppliers	3 263 333	1 451 066
Non-Staff Meeting Participants payable	29 896	12 448
Accrual of goods and services	2 106 512	939 594
Total - Accounts Payable	5 399 741	2 403 108

3.8 Staff payables

The total balance for staff payables as at 31 December 2013 was US\$ 0.3 million (US\$ 0.4 million as at 31 December 2012). These amounts relate to salaries payable and other staff liabilities including Pension and Mutual Staff Contributions.

Staff Payables (in US dollars)	<u>31 December 2013</u>	<u>31 December 2012</u>
Staff payables		
Salaries payable	264 533	396 631
Other employee liabilities	68 089	22 402
Total - Staff payables	<u>332 622</u>	<u>419 033</u>

3.9 Accrued staff benefits

UNAIDS staff benefits liabilities are determined by professional actuaries. The actuarial studies commissioned by WHO determined various liabilities to be established to cover different staff benefits in accordance with IPSAS for WHO and the non-consolidated entities as at 31 December 2013. The professional actuaries were calculated based on personnel data and past payment experience. As per the actuarial studies as at 31 December 2013, the total liability for staff benefits stood at US\$ 109.2 million (out of which US\$ 67.2 million is reflected in our accounts).

Accrued Staff Benefits (in US dollars)	<u>31 December 2013</u>	<u>31 December 2012</u>
Accrued staff benefits -current		
Terminal Payments	10 265 692	10 044 304
Special fund for compensation	5 725	
Total accrued staff benefits - current	<u>10 271 417</u>	<u>10 044 304</u>
Accrued staff benefits -non current		
Terminal payments	12 244 882	12 594 429
After-service health insurance	43 816 206	38 751 514
Special fund for compensation	836 103	737 460
Total accrued staff benefits - non current	<u>56 897 191</u>	<u>52 083 403</u>
Accrued staff benefits		
Terminal payments	22 510 574	22 638 733
After-service health insurance	43 816 206	38 751 514
Special fund for compensation	841 828	737 460
Total Accrued staff benefits	<u>67 168 608</u>	<u>62 127 707</u>

Terminal Payments

The Terminal Payments Fund was established to finance the terminal emoluments of staff members, including repatriation grants, accrued annual leave, repatriation travel and removal on repatriation. It is funded by a salary and post adjustment budgetary provision set for 2012–2013.

Liabilities arising from repatriation benefits and annual leave are determined by independent consulting actuaries. However, the accrued leave is calculated on a walk-away basis – that is, as if all staff separated immediately – and, therefore, is not discounted.

The actuarial studies as at 31 December 2013 have estimated the total liability for terminal payments to be US\$ 13.6 million (excluding annual leave). This calculation did not include cost of end of service grant

and separation by mutual agreement. UNAIDS has recognized actuarial gains of US\$ 1.6 million in the Statement of Financial Performance under terminal payments.

The annual leave entitlements stood at US\$ 8.9 million as at 31 December 2013. The liability has increased by US\$ 0.1 million from US\$ 8.8 million in 2012.

After Service Health Insurance

UNAIDS participates in a health insurance scheme which is managed as a separate entity, WHO Staff Health Insurance, and which has its own governance. It provides for the reimbursement of expenses for medically recognized health care incurred by staff members, recognized dependents and retired staff. It is financed from the contributions made by the participants and the organisation.

UNAIDS has recognized staff health insurance liabilities as a Post-Employment Benefit. All gains and losses were recognized upon the adoption of IPSAS 25. Thereafter, gains and losses (unexpected changes in surplus or deficit) will be recognized over time via the corridor method. Under this method, amounts up to 10% of the defined benefit obligation (DBO) are not recognized, so as to allow gains and losses the reasonable possibility of offsetting one another over time. Gains and losses over 10% of the DBO are amortized over the average remaining service of active staff expected to receive the benefit.

The defined benefit obligations as at 31 December 2013 determined by professional actuaries, based on personnel data and past payments experience provided by WHO stood at US\$ 85.8 million of which US\$ 42 million is funded resulting in net unfunded liability of US\$ 43.8 million which is reflected in the Statement of Financial Position. Further details on Staff Health Insurance can be found in the Staff Health Insurance Annual Report. As per the actuarial study, an additional accrual of US\$ 5.1 million has been charged to staff costs in the Statement of Financial Performance.

No actuarial gain or loss was recognized in the financial statements as the gain or loss was less than 10% of the defined benefit obligation.

Special Fund for Compensation

In the event of a death or disablement attributable to the performance of official duties of an eligible staff member, the Special Fund for Compensation covers all reasonable medical, hospital, and directly related costs, as well as funeral expenses. In addition, the fund will also provide compensation to the disabled staff member (for the duration of the disability) or the surviving family members.

UNAIDS accounts for the Special Fund for Compensation as a post-employment benefit. UNAIDS has recognized staff health insurance liabilities as a Post-Employment Benefit. All gains and losses were recognized upon the adoption of IPSAS 25. Thereafter, gains and losses (unexpected changes in surplus or deficit) will be recognized over time via the corridor method. Under this method, amounts up to 10% of the defined benefit obligation are not recognized, so as to allow gains and losses the reasonable possibility of offsetting one another over time. Gains and losses over 10% of the defined benefit obligation are amortized over the average remaining service of active staff expected to receive each benefit. For accounting purposes, the plan is considered unfunded (the liability is not reduced by plan assets).

As per the actuarial study, an additional accrual of US\$ 0.01 million has been recognized by nature of expenses in the Statement of Financial Performance. The total liability stood at US \$ 0.8 million as at 31 December 2013.

No actuarial gain or loss was recognized in the financial statements as the gain or loss was less than 10% of the defined benefit obligation.

Actuarial calculations

Staff Benefits as per Actuarial Valuation

IPSAS Disclosure tables as at 31 December 2013

(in US dollars)

	After Service Health Insurance	Terminal Payments excluding Accrued Annual Leave	Special Fund for Compensation	Terminal Payments for Accrued Annual Leave
RECONCILIATION OF DEFINED BENEFIT OBLIGATIONS -141 (c)				
Defined Benefit Obligation at 31-Dec-2012	77 180 521	13 813 773	561 942	8 822 777
Service Cost for 2013	9 111 275	1 432 740	101 580	
Interest Cost for 2013	2 004 290	395 988	16 825	51 924
(Actual Gross Benefit Payments in 2013)	(105 899)	(366 171)	(2 719)	
(Actual After Service Administrative Expenses in 2013)	(8 970)			
Actual Contributions by After Service Participants in 2013	82 981			
Actuarial (Gain)/Loss	(5 093 008)	(1 640 457)	(89 362)	
Defined Benefit Obligation at 31-Dec-2013	83 171 190	13 635 873	588 266	8 874 701
RECONCILIATION OF ASSETS - 141 (e)				
Assets at 31-Dec-2012, for SHI Net of 470.1 Reserve	35 913 063			
(Actual Gross Benefit Payments for 2013)	(3 948 832)	(366 171)	(2 719)	
(Actual After Service Administrative Expenses in 2013)	(296 866)			
Actual Total SHI Participant Contributions in 2013	2 952 506			
Actual Organization Contributions during 2013	5 695 161	366 171	2 719	
(increase/Decrease in 470.1 Reserve in 2013)	(105 780)			
Expected Return on Assets for 2013	1 722 796			
Asset Gain/(Loss)	28 913			
Assets at 31-Dec-2013, for SHI Net of 470.1 Reserve	41 960 961			
RECONCILIATION OF FUNDED STATUS - 141 (f)				
Defined Benefit Obligation (DBO)				
Inactive	8 150 247		98 687	
Active	75 020 943	13 635 873	489 579	
Total DBO	83 171 190	13 635 873	588 266	
Plan Assets				
(Gross Plan Assets)	(43 187 832)			
Offset for WHO 470.1 Reserve	1 226 871			
(Net Plan Assets)	(41 960 961)			
(Surplus)/Deficit	41 210 229	13 635 873	588 266	
Unrecognized Gain/(Loss)	2 605 977		253 562	
Unrecognized Prior Service Credit/(Cost)				
Net (Asset)/Liability Recognized in Statement of Financial Position	43 816 206	13 635 873	841 828	
Current (Asset)/Liability		1 390 991	5 725	
Non-current (Asset)/Liability	43 816 206	12 244 882	836 103	
Net (Asset)/Liability Recognized in Statement of Financial Position	43 816 206	13 635 873	841 828	
Annual Expense for 2013--141(g)				
Service Cost	9 111 275	1 432 740	101 580	
Interest Cost	2 004 290	395 988	16 825	
Expected Return on Assets	(1 722 796)			
Recognition of (Gain)/Loss		(1 640 457)	(13 501)	
Total Expense Recognized in Statement of Financial Performance	9 392 769	188 271	104 904	

After-service health insurance medical sensitivity analysis

2013 Service Cost plus Interest Cost

Current Medical Inflation Assumption Minus 1%	7 990 000
Current Medical Inflation Assumption	11 115 565
Current Medical Inflation Assumption Plus 1%	15 478 000

31 December 2013 Defined Benefit Obligation

Current Medical Inflation Assumption Minus 1%	64 260 305
Current Medical Inflation Assumption	83 171 190
Current Medical Inflation Assumption Plus 1%	108 973 415

Actuarial methods and assumptions

Each year, the Organization identifies and selects assumptions and methods that will be used by actuaries in the year-end valuation to determine the expense and contribution requirements for the Organization's staff benefits. Actuarial assumptions are required to be disclosed in the financial statements in accordance with IPSAS 25. In addition, each actuarial assumption is required to be disclosed in absolute terms.

Measurement Date

All plans	31 December 2013.
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Discount rate

Terminal Payments(other than accrued leave) and Special Fund for Compensation	<p>3.7% (increase from 3.0% in the prior valuation).</p> <p>Based on the combined projected benefit payments for both plans from the prior valuation with weights of 75% on the Aon Hewitt AA Bond Universe yield curve and 25% on the SIX Swiss Exchange yield curve as of 31 December 2013</p> <p>The resulting discount rate is rounded to the nearest 0.1%.</p>
After Service Health Insurance	<p>Europe—2.9% (increase from 2.6% in prior valuation). The Americas—4.9% (increase from 4.1% in prior valuation). Other Countries—5.3% (increase from 4.5% in prior valuation).</p> <p>For Europe, beginning with the 31 December 2010 valuation, WHO adopted a yield curve approach to reflect the pattern of expected cash flows from the European major office. The rate is a weighted average of the 2.49% rate from the SIX Swiss Exchange curve and the 3.87% rate from the iBoxx Euro Zone curve, with a two-thirds weight on the former. The resulting rate is rounded to the nearest 0.1%.</p> <p>For the Americas and Other Countries, the rates use the same methodology as for PAHO's valuation of the ASHI. Beginning with the 31 December 2012 valuation, PAHO adopted a yield curve approach using the Aon Hewitt AA Bond Universe Curve. The resulting rates for The Americas and Other Countries can differ due to different patterns of expected cash flows from those regions.</p>

Annual General Inflation

Terminal Payments(other than accrued leave) and Special Fund for Compensation	2.2%. Based on inflation rates of 2.5% for United States and 1.3% for Switzerland with weights of 75% and 25%, respectively. The resulting inflation rate is rounded to the nearest 0.1%. The inflation rate for United States is based on the rate from the 31 December 2011 valuation of the United Nations Joint Staff Pension Fund (UNJSPF). The inflation rate for Switzerland is based on Aon Hewitt's Q4 2013 forecast of inflation over the next 10 years in Switzerland.
After Service Health Insurance	Europe—1.6%. The Americas and Other Countries—2.5%. Based on Aon Hewitt's Q4 2013 10-year forecast of global capital market assumptions. Rate for Europe is the average of rates for Switzerland (1.3%) and the rest of Europe (1.8%), rounded to the nearest 0.1%. Rate for The Americas and Other Countries is based on the 31 December 2011 valuation of the United Nations Joint Staff Pension Fund (UNJSPF).

Annual Salary Scale

All Plans	General inflation, plus 0.5% per year productivity growth, plus merit component. Merit and productivity increases are set equal to those from the 31 December 2011 valuation of the UNJSPF.
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Actuarial Method

Repatriation Travel and Removal on Repatriation	Calculated using projected unit credit with service prorate, with an attribution period from the "entry on duty date" to separation.
Repatriation Grant, Termination Indemnity, and Grant in Case of Death	Calculated using the projected unit credit method with accrual rate proration.
Accrued Leave	The liability is set equal to the walk-away liability as if all staff separated immediately.
Abolition of Post, End-of-Service Grant, and Separation by Mutual Agreement	These benefits are considered termination benefits under IPSAS 25 and, therefore, excluded from the valuation.
Special Fund for Compensation	Calculated using projected Unit Credit, with an attribution period from the "entry on duty date" to separation.
After- Service Health Insurance	Liabilities are attributed using the projected unit credit method linearly from the "entry on duty date" to the earlier of the full eligibility date (the latest of age 55, 10 years of service, and five years of continuous service) and retirement date.

United Nations Joint Staff Pension Fund

The Pension Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

UNAIDS financial obligation to the UNJSPF consists of its mandated contribution, at the rate established by the United Nations General Assembly (7.9% for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the 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 Pension Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

The latest actuarial valuation was performed as of 31 December 2011. The valuation revealed an actuarial deficit of 1.87% (0.38% in the 2009 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2011 was 25.57% of pensionable remuneration, compared to the actual contribution rate of 23.7%. The actuarial deficit was primarily attributable to the lower than expected investment experience in recent years.

At 31 December 2011, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 130% (140% in the 2009 valuation). The funded ratio was 86% (91% in the 2009 valuation) when the current system of pension adjustments was taken into account.

After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2011, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26. The pensionable remuneration will be reviewed following the next actuarial valuation as of 31 December 2013.

In July 2012, the Pension Board noted in its Report of the fifty-ninth session to the General Assembly that an increase in the normal age of retirement for new participants of the Fund to 65 is expected to significantly reduce the deficit and would potentially cover half of the deficit of 1.87%. In December 2012 and April 2013, the General Assembly authorized an increase to age 65 in the normal retirement age and in the mandatory age of separation respectively for new participants of the Fund, with effect not later than from 1 January 2014. The related change to the Pension Fund's Regulations was approved by the General Assembly in December 2013. The increase in the normal retirement age will be reflected in the actuarial valuation of the Fund as of 31 December 2013.

During 2013, contributions paid to UNJSPF amounted to US \$ 21.7 million (US\$ 21.7 million contributions in 2012).

The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board on the audit every two years. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF website at www.unjspf.org.

3.10 Other current liabilities

The total balance for other current liabilities as at 31 December 2013 was US\$ 0.03 million (US\$ 0.2 million as at 31 December 2012). These amounts relate to various short-term liabilities.

3.11 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 UNAIDS and WHO at an estimated cost of CHF 66 million, of which UNAIDS' share was estimated at CHF 33 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% share of UNAIDS' expense incurred on the building up to 31 December 2007. The loan repayable of US\$ 20.4 million has been amortized using the effective interest rate of 1.97% (Swiss Libor rate for 30 years).

3.12 Administrative waivers, amounts written off, ex-gratia payments and fraud

During the financial year ended 31 December 2013, there were no administrative waivers, amounts written off or ex-gratia payments. Furthermore, there were no cases of fraud reported during the same financial year 1 January to 31 December 2013.

3.13 Contingent liabilities and commitments and contingent assets

Contingent Liabilities

As at 31 December 2013, there were two outstanding personnel matters before the WHO Headquarters Board of Appeal and there was one outstanding personnel matter pending with the ILO Administrative Tribunal. The legal proceedings have not progressed sufficiently to determine the extent of any liability of the Programme with any degree of certainty. The Secretariat has no material unrecognized contractual commitments.

Operating leases commitments

The Secretariat enters into operating lease arrangements for the use of country, regional and liaison offices premises. Future minimum lease rental payments for the following periods are:

Operating Leases (in US dollars)	31 December 2013
Within one year	3 372 002
Later than one year but not later than five years	2 417 198
Later than five years	-
Total Operating Lease Commitments	<u>5 789 200</u>

Contingent Assets

In accordance with IPSAS 19, contingent assets will be disclosed for cases where an event will give rise to a probable inflow of economic benefits. As at 31 December 2013, there are no material contingent assets to disclose.

3.14 Changes in net assets/equity

The fund balance represents the unexpended portion of the contributions that are intended to be utilized for the future operational requirements of the Programme.

The various categories of funds have been classified 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.

3.15 Operating reserve fund

Pending receipt of core contributions, implementation of the Unified Budget, Results and Accountability Framework 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.

3.16 Equity in capital assets

During the financial period ended 31 December 2013, the Programme had an overall deficit of US\$ 10 million, out of which US\$ 9.6 million related to Unified Budget, Results and Accountability Framework funds and US\$ 0.4 million to non-core funds.

In line with the Programme Coordinating Board's approval to fund the remaining shortfall under the staff-related liabilities and the annual replenishment of the Building Renovation Fund, in 2013 the Executive Director authorized the transfer of a total of US\$ 6.8 million from the fund balance to partially fund the staff-related liabilities for US\$ 6.4 million and US\$ 0.43 million was authorized towards the Building Renovation Fund. The Programme Coordinating Board during its 32nd meeting held from 25 to 27 June 2013 took note of the Executive Director's decisions.

The unfunded staff-related liabilities, stood at US\$ 28.6 million as at 31 December 2013 (US\$ 31.7 million as at 31 December 2012). The net reduction of US\$ 3.1 million was due to the transfer of US\$ 6.4 million from the fund balance as approved by the Programme Coordinating Board, and a net increase of US\$ 3.3 million due to the movements in the actuarial liabilities.

The transfer of US\$ 6.8 million from the Unified Budget, Results and Accountability Framework fund balance, together with the 2013 deficit of US\$ 9.6 million, resulted in a fund balance of US\$ 148.3 million as at 31 December 2013.

4. SUPPORTING INFORMATION TO THE STATEMENT OF FINANCIAL PERFORMANCE

4.1 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.

4.2 Voluntary contributions

Voluntary contributions to the Programme totalled US\$ 280.3 million (US\$ 270.7 million from governments; US\$ 5.3 million from UNAIDS Cosponsors; and a net of US\$ 4.3 million from other operating revenue received from intergovernmental organizations, other United Nations Organizations, institutions, as well as the private sector). Included in this figure is an amount of US\$ 3.4 million representing in-service contributions and US\$ 0.4 million as in-kind contributions. There has been no revenue received on account of exchange transactions.

Voluntary Contributions (in US dollars)	UBRAF Core Funds	Supplementary Funds	Extra budgetary Funds	Total
Governments	230 758 688	31 761 922	8 231 004	270 751 614
Cosponsors	3 300 000	1 500 560	475 088	5 275 648
Others	496 675	3 675 015	1 033 584	5 205 274
Less Allowance for non-recovery			(199 185)	(199 185)
Less refunds made to donors and other adjustments			(691 627)	(691 627)
Total - Voluntary Contributions	234 555 363	36 937 497	8 848 864	280 341 724

4.3 Financial revenue

The total interest earnings were US\$ 1.5 million for the financial period ended 31 December 2013 and the net unrealized gains on hedging and exchange transactions were US\$ 1.7 million for the same period. The actuarial gains of US\$ 1.7 million have been recognized as financial revenue as per the actuarial study under the terminal payments. This has resulted in a total amount of US\$ 4.9 million as financial revenue as at 31 December 2013. Interest revenue is recognized as it accrues and is allocated by WHO.

Finance Revenue (in Us dollars)	31 December 2013
Interest	1 546 910
Net unrealized foreign exchange gains on balance sheet revaluation	1 679 063
Actuarial revaluation gains on Terminal Payments Funds	1 653 958
Total - Finance Revenue	4 879 931

4.4 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.

4.4.1 Staff and other personnel costs

Staff and other personnel costs represent 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. Staff costs also include the increase in the SHI actuarial liability which is recognized as expense in the Statement of Financial Performance.

4.4.2 Transfers and grants to counterparts

Transfers and grants to counterparts represent agreements signed with UNAIDS' Cosponsors, other UN entities, non-profit non-governmental organizations and academic institutions to perform activities to help achieve specific objectives of the UNAIDS Secretariat and transfers to UNAIDS Cosponsors for their share of the Unified Budget, Results and Accountability Framework for 2013.

4.4.3 Contractual services

Contractual services represent 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. The 2013 expenses include an amount of US\$ 2.1 million relating to services provided by WHO in 2012 in accordance with the Administrative Services Agreement.

4.4.4 General operating expenses

General operating expenses represent expenses related to general operations in support of headquarters, regional and country offices. This includes costs such as utilities, telecommunications and rent.

4.4.5 Travel

Travel of staff, meeting participants and consultants paid by UNAIDS are included in the total travel costs. Travel expenses include airfare, per diem and other travel related costs.

4.4.6 Equipment vehicles and furniture

Equipment, vehicles and furniture are charged as expense at the point of delivery. PP&E purchased during 2013 have been recognized and capitalized in accordance with IPSAS.

4.4.7 Depreciation

Depreciation has been charged on PP&E using the straight line method. Depreciation is the expense resulting from the systematic allocation of the amounts on the PP&E over their useful lives. The useful life of the building has been estimated at 60 years. The useful lives of furniture and vehicles have been estimated at 5 years and equipment has been estimated at 3 years.

4.4.8 Finance costs

These include realized foreign exchange losses resulting from treatment of transactions in currencies as well as losses from realized losses on accounts receivable and payables and other management fees paid. It also includes actuarial interest cost related to valuation of Terminal Payments and Special Fund for Compensation.

Finance Costs (in Us dollars)	31 December 2013
Bank charges and investment management fees	1 611
Net realized foreign exchange losses	531 741
Actuarial interest cost related to valuation of Terminal Payments Fund and Special Fund for Compensation	412 813
Total - Finance Costs	946 165

5. SEGMENT REPORTING

Schedule 1

Statement of Financial Performance by Segments

All sources of funds for the year ended 31 December 2013

(in US dollars)

	UBRAF Core Funds			Non-Core Funds						TOTAL	
	UBRAF Core Funds	Supplementary Funds	Extra-budgetary Funds	Terminal Payments	Non-payroll Entitlements	Special Fund for Compensation	Staff Health Insurance	Depreciation Reserve	Eliminations	Sub-total non-core funds	Grand Total
Revenue											
Governments	230 758 688	31 761 922	8 231 004							39 992 926	270 751 614
Cosponsoring organizations	3 300 000	1 500 560	475 088							1 975 648	5 275 648
Others	496 675	3 675 015	142 772							3 817 787	4 314 462
Finance Revenue	2 806 623	120 498	199 692	1 739 617		13 501				2 073 308	4 879 931
Total	237 361 986	37 057 995	9 048 556	1 739 617		13 501				47 859 669	285 221 655
Programme Support Costs			2 061 453					(2 061 453)			
Payroll transfers to accrual funds				2 709 348	6 795 573			(9 504 921)			
Total Revenue	237 361 986	37 057 995	11 110 009	4 448 965	6 795 573	13 501		(11 566 374)		47 859 669	285 221 655
Expense											
Salary and other personnel costs	111 923 200	773 344	7 682 083	2 170 665	9 975 409	101 580	5 064 692	(9 504 921)		16 262 852	128 186 052
Transfers and grants to counterparts	94 010 862	6 658 795	8 197 099							14 855 894	108 866 756
Contractual services	17 379 824	10 525 467	2 155 105		117 758					12 798 330	30 178 154
General operating expenses	13 811 419	257 839	672 434	32 475	52 246					1 014 994	14 826 413
Travel	7 813 734	2 158 537	774 603							2 933 140	10 746 874
Equipment, Furniture, Vehicles	1 414 976	61 992	19 548					(674 183)		(592 643)	822 333
Programme Support Costs	72 537	1 149 635	839 281					(2 061 453)		(72 537)	-
Depreciation								622 668		622 668	622 668
Finance Costs	531 901			397 439		16 825				414 264	946 165
Total Expense	246 958 453	21 585 609	20 340 153	2 600 579	10 145 413	118 405	5 064 692	(51 515)	(11 566 374)	48 236 962	295 195 415
Total Surplus/(Deficit) by fund	(9 596 467)	15 472 386	(9 230 144)	1 848 386	(3 349 840)	(104 904)	(5 064 692)	51 515		(377 293)	(9 973 760)

6. COMPARISON OF BUDGET AND ACTUAL AMOUNTS

UNAIDS Programme Budget is established on a modified cash basis and is approved by the Programme Coordinating Board.

UNAIDS' budget and financial accounts are prepared using two different accounting basis. The Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets and Statement of Cash Flow are prepared on a full accrual basis, whereas the Statement of Comparison of Budget and Actual Amounts (Statement V) is prepared on a modified cash basis.

As required by IPSAS 24, reconciliation has been provided between the actual amounts on a comparable basis as presented in Statement V and the actual amounts in the financial accounts identifying separately any basis, timing, presentation and entity differences.

Basis differences - occur when the approved budget is prepared on a basis other than the full accrual accounting basis. Basis differences include the depreciation and capitalization of assets and repayment of the principal on the outstanding loan from the Swiss Confederation and Canton de Genève.

Timing differences - occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for UNAIDS for 2013 for purposes of comparison of budget and actual amounts.

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

Entity differences - include expenses under non-core funds, which are financed from other sources and are not included in the Unified Budget Results and Accountability Framework approved by the Programme Coordinating Board.

Reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement V) and the actual amounts in the Statement of Financial Performance (Statement II) and Statement of Cash Flow (Statement IV) for the year ended 31 December 2013 are presented below.

Reconciliation of Budget Utilization (Statement V) with Statement of Financial Performance (Statement II) as at 31 December 2013

Details	Operating against Core Funds	Operating against Non-Core funds	Investing	Eliminations due to inter fund transfers	Total
Actual amount on budget implementation (Statement V) Reconciliation	246 770 413				246 770 413
Expense against extrabudgetary funds and supplementary funds	72 537	54 274 515		(11 566 374)	42 780 678
Depreciation, amortization and impairment		622 668			622 668
Changes in staff benefits liability		5 166 072			5 166 072
Assets Capitalised	(416 398)	(674 183)	1 090 581	(1 090 581)	(1 090 581)
Finance costs	531 901	414 264			946 165
Actual amount in Statement of Financial Performance	246 958 453	59 803 336	1 090 581	(12 656 955)	295 195 415

	2013			
	Operating	Investing	Financing	Total
Actual amount on budget implementation (Statement V)	246 770 413			246 770 413
Basis Difference	622 668	416 398	674 183	1 713 249
Entity Difference	46 711 753			46 711 753
Actual amount in Statement of Financial Performance	294 104 834	416 398	674 183	295 195 415

Reconciliation of Budget Utilization (Statement V) with Statement of Cash Flow (Statement IV) as at 31 December 2013

	2013			
	Operating	Investing	Financing	Total
Actual amount on budget implementation (Statement V)	246 770 413			246 770 413
Basis Difference	622 668	(416 398)	(738 834)	(532 564)
Presentation Difference	(286 460 781)			(286 460 781)
Entity Difference	46 711 753			46 711 753
Actual Amount in Statement of Cash Flow	7 644 053	(416 398)	(738 834)	6 488 821

7. RELATED PARTY AND SENIOR MANAGEMENT DISCLOSURE

Key management personnel of UNAIDS consists of all staff members graded at the D2 level and above as they have the authority and responsibility for planning, directing and controlling the activities of UNAIDS. The aggregate remuneration paid to key management personnel includes salaries, allowances, statutory travel and other entitlements paid in accordance with the Staff Rules and Regulations and applicable to all staff. Key management personnel are members of the UN Joint Service Pension Fund (UNJSPF) to which the personnel and UNAIDS contribute and are also eligible for participation in the Staff Health Insurance scheme including the after service medical insurance scheme if they meet the eligibility requirements.

Related Party disclosures (in US dollars)

	2013						
	Number of individuals	Compensation and post adjustment	Entitlements	Pension and Health Plans	Total remuneration 2013	Outstanding advances against entitlements	Outstanding loans (in addition to normal entitlements if any)
Key Management Personnel	13	3 015 230	235 707	719 751	3 970 688	105 884	-

8. EVENTS AFTER THE REPORTING DATE

The Programme's reporting date is 31 December 2013. On the date of the certifying of these accounts by the Executive Director and submission to the External Auditor, there have been no material events, favorable or unfavorable, incurred between the balance sheet date and the date when the financial statements have been authorized for issue that would have impacted these statements.

Schedule 2

**Unified Budget, Results and Accountability Framework - details of revenue
for the year ended 31 December 2013**

(in US dollars)

Voluntary contributions	Funds made available towards the 2013 Unified Budget, Results and Accountability Framework
Governments	
Andorra	39 735
Australia	3 730 772
Belgium	7 305 236
Canada	5 044 248
Cote d' Ivoire	994 751
Czech Republic	49 210
Denmark	6 956 522
Finland	12 516 297
Flemish Government	1 111 111
France	766 284
Germany	3 344 929
Ireland	4 382 572
Israel	72 500
Japan	3 135 802
Liechtenstein	26 455
Luxembourg	4 889 319
Monaco	194 768
Netherlands	26 178 010
New Zealand	1 237 500
Norway	30 715 590
Poland	139 798
Portugal	132 450
Russian Federation	500 000
Senegal	10 235
Spain	689 655
Sweden	38 853 723
Switzerland	11 160 714
Thailand	101 064
The Republic of Congo	50 000
Turkey	110 000
United Kingdom of Great Britain and Northern Ireland	23 527 311
United States of America	42 792 127
Sub-total	230 758 688
Cosponsoring organizations	
World Bank	3 300 000
Sub-total	3 300 000
Other	
Gruppo Coin SPA	134 156
Miscellaneous	362 519
Sub-total	496 675
Total operating revenue	234 555 363
Financial revenue	
Interest	2 806 623
Sub-total	2 806 623
TOTAL	237 361 986

Schedule 3

**Supplementary funds - details of revenue
for the year ended 31 December 2013
(US dollars)**

Voluntary contributions	Funds made available towards Supplementary Specified funds 31 December 2013
Governments	
Australia	3 849 314
Luxembourg	1 293 661
Norway	78 799
Russian Federation	2 306 619
Sweden	4 964 106
Switzerland	160 000
United States of America (CDC)	318 800
United States of America (USAID)	18 790 623
Sub-total	31 761 922
Cosponsoring Organizations	
UNESCO	22 379
UNFPA	1 364 516
UNDP	113 665
Sub-total	1 500 560
Other	
Bill and Melinda Gates Foundation	938 116
European Commission	115 019
Ford Foundation	200 000
Global Fund	49 000
International AIDS Society	12 000
M.A.C. AIDS Fund	20 000
MDTF Office	983 012
Medicine Patents Pool Foundation	50 000
Oaks Foundation	20 000
Public Institution Coordination Implementation	34 333
UNCERF	233 280
UNITAID	50 000
UNOPS	920 255
West African Health Organization	50 000
Sub-total	3 675 015
Total operating revenue	36 937 497
Financial revenue	
Interest	120 498
Sub-total	120 498
TOTAL	37 057 995

Schedule 4

Extra-budgetary funds - details of revenue
for the year ended 31 December 2013
(US dollars)

Voluntary contributions	Funds made available towards Extra-budgetary funds 31 December 2013		
	In Cash	In- Kind and In-service	Total
Governments			
Belgium		155 251	155 251
Finland		261 644	261 644
France		705 821	705 821
Germany		319 635	319 635
Netherlands		545 433	545 433
Norway		58 980	58 980
Russian Federation	3 393 381		3 393 381
Sweden		349 772	349 772
United States of America (CDC)		597 260	597 260
United States of America (USAID)	1 478 589		1 478 589
Canton de Genève, Switzerland		365 238	365 238
Sub-total	4 871 970	3 359 034	8 231 004
Cosponsoring Organizations			
UNDP	95 568		95 568
WHO	379 520		379 520
Sub-total	475 088	-	475 088
Other			
Bill and Melinda Gates Foundation	99 510		99 510
Miscellaneous	934 074		934 074
Allowance for non-recovery	(199 185)		(199 185)
Refund to donors and others	(691 627)		(691 627)
Sub-total	142 772	-	142 772
Total operating revenue	5 489 830	3 359 034	8 848 864
Financial revenue			
Interest	199 692		199 692
Sub-total	199 692		199 692
TOTAL	5 689 522	3 359 034	9 048 556

PART III

MANAGEMENT INFORMATION

I. Funds made available for the financial year ended 31 December 2013

During the year under review, revenue totalling US\$ 237.4 million was made available towards the Unified Budget, Results and Accountability Framework. Thirty-two governments contributed 97.2% of this amount, while the World Bank contributed 1.4%. The remaining 1.4% 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, and miscellaneous donations and honoraria received). Schedule 2 on page 44 provides details of this revenue.

Furthermore, non-core resources amounting to US\$ 46.1 million were made available to UNAIDS to provide support to a number of global, regional and country activities that are designated for specific countries or purposes. Included in this amount is financial revenue (primarily interest earnings) of US\$ 0.3 million that was received and apportioned during the reporting year. Details on the sources of these funds are provided in Schedules 3 and 4 on pages 45 and 46.

II. Funds expended for the financial year ended 31 December 2013

The total expense for the financial year ended 31 December 2013 amounted to US\$ 295.2 million. Out of this total amount, US\$ 246.8 million related to expenses under the 2012-2013 Unified Budget, Results and Accountability Framework and US\$ 48.4 million represents expense under the non-core funds (i.e. US\$ 39.9 million related to expenses against supplemental and extra-budgetary funds; US\$ 5.1 million related to expenses against the Staff Health Insurance due to the movement in the ASHI actuarial liability; and US\$ 3.4 million related to expenses against the terminal payments and non-payroll entitlements funds).

A. Unified Budget, Results and Accountability Framework

During the year ended 31 December 2013, a total amount of US\$ 246.8 was expended for the implementation of AIDS activities contained in the 2012–2013 Unified Budget, Results and Accountability Framework and were distributed as follows:

1. US\$ 82.3 million was expended to Cosponsors; and
2. US\$ 164.5 million was expended for the Secretariat.

Total expense for the 2012–2013 biennium amounted to US\$ 476.4 million (US\$ 229.6 million expended in 2012 and US\$ 246.8 million expended in 2013). In addition to the above expended amount, US\$ 8.1 million was encumbered during the same financial period. Together, this represents a financial implementation rate of almost 100% (as summarized in *Table 1* below).

Table 1: 2012-2013 UBRAF approved allocations, expense, and encumbrance for the period ended 31 December 2013 (in US dollars)

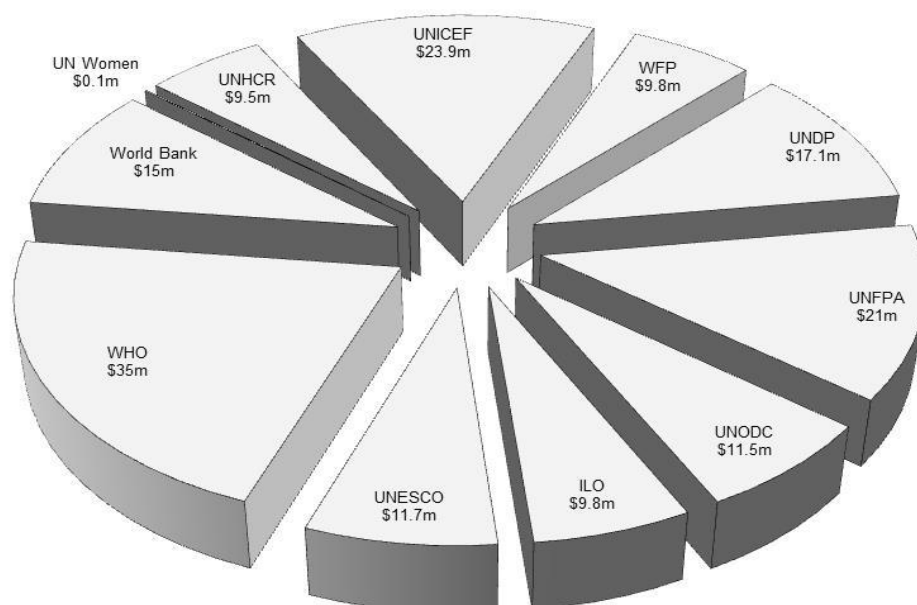
Strategic Directions and Functions	2012-2013 Approved allocations	Expense 2012	Expense 2013	Encumbrance 2012-2013	Total Expense and Encumbrance 2012-2013	Balance	Percentage implementation
	(a)	(b)	(c)	(d)	(e) = (b + c + d)	(f) = (a - e)	(g) = (f / a)
1 Revolutionize HIV Prevention	82 225 700	41 112 850	41 112 850		82 225 700	-	100.0%
2 Catalyze the next phase of treatment, care and support	46 484 500	23 242 250	23 242 250		46 484 500	-	100.0%
3 Advance human rights and gender	26 297 300	13 148 650	13 148 650		26 297 300	-	100.0%
4 Leadership and advocacy	131 870 800	64 697 512	66 986 461	3 046 404	134 730 377	(2 859 577)	102.2%
5 Coordination, coherence and partnerships	104 738 200	41 796 295	60 268 444	3 928 965	105 993 704	(1 255 504)	101.2%
6 Mutual accountability	93 203 500	45 674 827	42 011 758	1 218 005	88 904 590	4 298 910	95.4%
Total	484 820 000	229 672 384	246 770 413	8 193 374 ^{a/}	484 636 171	183 829	100.0%

^{a/} Encumbrances representing firm commitment for goods and/or services which have not yet been delivered

i) Funds transferred to Cosponsors

As at 31 December 2013, financial transfers made to Cosponsors amounted to US\$ 164.5 million (US\$ 82.25 million transferred in 2012 and US\$ 82.25 million transferred in 2013). These transfers represent 100% of the 2012-2013 Cosponsors' share under the Unified Budget, Results and Accountability Framework for 2012-2013. Information on the amounts of funds transferred to individual Cosponsors is provided in Figure 1.

Figure 1: Cosponsors' share of funds transferred as of 31 December 2013



ii) Expense incurred against the Secretariat budget

UNAIDS Secretariat expense amounted to US\$ 311.9 million during the financial period ended 31 December 2013 (US\$ 147.4 million expended in 2012 and US\$ 164.5 million expended in 2013). In addition to the above expenditure, a total of US\$ 8.1 million had been encumbered during the financial period. Together, these amounts represent a financial implementation rate of 99.9%. Further details on the funds expended and encumbered by the Secretariat (broken down by strategic functions) are shown in *Table 2*.

Table 2: Secretariat approved allocations, expense, and encumbrance for the year ended 31 December 2013 (in US dollars)

Strategic Functions	2012-2013 Approved allocations	Expense 2012	Expense 2013	Encumbrance 2012-2013	Total Expense and Encumbrance 2012-2013	Balance	Percentage implementation
	(a)	(b)	(c)	(d)	(e) = (b + c + d)	(f) = (a - e)	(g) = (f / a)
Leadership and advocacy	128 686 800	63 105 512	65 394 461	3 046 404	131 546 377	(2 859 577)	102.2%
Coordination, coherence and partnerships	99 273 800	39 064 095	57 536 244	3 928 965	100 529 304	(1 255 504)	101.3%
Mutual accountability	92 359 400	45 252 777	41 589 708	1 218 005	88 060 490	4 298 910	95.3%
Total	320 320 000	147 422 384	164 520 413	8 193 374 ^{a/}	320 136 171	183 829	99.9%

^{a/} Encumbrances representing firm commitment for goods and/or services which have not yet been delivered

B. Expense incurred against the non-core funds

During the year ended 31 December 2013, a total amount of US\$ 39.9 million was expended against non-core funds (US\$ 21.6 million was expended against supplemental funds and US\$ 18.3 million was expended against extra-budgetary funds). In addition to these expenditures, US\$ 4.9 million was encumbered against the non-core resources (as indicated in *Table 3* and *Table 4* on pages 50 and 51).

C. Country and regional expense against all sources of funds

As recommended by the Programme Coordinating Board at its 22nd meeting held from 23–25 April 2008, the report in *Table 5* (on pages 52 to 54), presents a breakdown of expense and encumbrances by country and region for both the Unified Budget, Results and Accountability Framework and non-core funds. Country and regional expense amounted to US\$ 117.1 million for the financial period ended 31 December 2013. In addition to the above expense, a total of US\$ 7.3 million was encumbered during the same period. Together, these amounts totalled US\$ 124.4 million for the financial year ended 31 December 2013.

Table 3

Supplementary funds
Funds available, expense and encumbrance summary by source of revenue
for the year ended 31 December 2013
(in US dollars)

Source of revenue	2012 carry-over	Funds made available in 2013	Total available funds	Expense	Encumbrance ^{b/}	Total	Percentage implementation
	(a)	(b)	(c) = (a+b)	(d)	(e)	(f) = (d + e)	(g) = (f / c)
Voluntary contributions and other revenue							
Australia	3 652 964	3 849 314	7 502 278	3 017 751	929 030	3 946 781	52.6%
Ireland	96 525		96 525	96 398	118	96 516	100.0%
Luxembourg	1 303 580	1 293 661	2 597 241	1 422 360	275 793	1 698 153	65.4%
New Zealand	55 000		55 000	54 999		54 999	100.0%
Norway	16 512	78 799	95 310	62 143	22 500	84 643	88.8%
Russian Federation	2 416 802	2 306 619	4 723 421	1 262 498	147 320	1 409 818	29.8%
Sweden	369 220	4 964 106	5 333 326	421 779	44 739	466 518	8.7%
Switzerland	79 367	160 000	239 367	79 401	147 320	226 721	94.7%
United Kingdom of Great Britain & Northern Ireland	396 968		396 968	396 965		396 965	100.0%
United States of America (CDC)	1 537 501	318 800	1 856 301	785 163	71 810	856 973	46.2%
United States of America (USAID)	3 376 776	18 790 623	22 167 399	8 178 843	800 076	8 978 919	40.5%
Bill & Melinda Gates Foundation	86 075	938 116	1 024 191	334 360	71 745	406 104	39.7%
Drosos Foundation	200 000		200 000	131 324	32 792	164 116	82.1%
European Commission	378 809	115 019	493 828	209 184	44 066	253 250	51.3%
Ford Foundation	316 510	200 000	516 510	329 326	21 155	350 481	67.9%
Global Fund	30 000	49 000	79 000	78 999		78 999	100.0%
International AIDS Society		12 000	12 000	11 999		11 999	100.0%
Japanese Foundation for AIDS Prevention	152 975		152 975	152 975		152 975	100.0%
Korean Green Foundation	105 913		105 913	58 479	23 121	81 600	77.0%
MDTF Office	2 701 970	983 012	3 684 982	2 525 492	208 638	2 734 131	74.2%
M.A.C. AIDS Fund		20 000	20 000				
Medicine Patent Pool (MPP) Foundation		50 000	50 000	49 976		49 976	100.0%
Oak Foundation		20 000	20 000	20 000		20 000	100.0%
Organization of Petroleum Exporting Countries	1 408 228		1 408 228	1 060 565	67 020	1 127 585	80.1%
Public Institution ' Coordination Implementation	20 182	34 333	54 515	54 511		54 511	100.0%
UNCERF	464 384	233 280	697 664	103 927	19 046	122 973	17.6%
UNDP	118 270	113 665	231 935	135 260	18 526	153 786	66.3%
UNESCO		22 379	22 379	22 379		22 379	100.0%
UNOCHA	99 516		99 516	97 165		97 165	97.6%
UNICEF	168 738		168 738	119 069	25 447	144 516	85.6%
UNFPA	9 037	1 364 516	1 373 553	150 124	319	150 443	11.0%
UNITAID		50 000	50 000	49 999		49 999	100.0%
UNOPS		920 255	920 255	29 200	836	30 036	3.3%
WHO	33 000		33 000	33 000		33 000	100.0%
West African Health Organization (WAHO)		50 000	50 000	49 996		49 996	100.0%
Interest and other	76 002	120 498	196 500				
Total	19 670 823 ^{a/}	37 057 995	56 728 818	21 585 609	2 971 419	24 557 027	43.3%

^{a/} An amount of US\$ 30 417 and US \$ 1 159 081 has been transferred from other funds

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

Table 4

Extra-budgetary funds
Funds available, expense and encumbrance summary by source of revenue
for the year ended 31 December 2013
 (in US dollars)

Source of revenue	2012	Funds made	Total	Expense	Encumbrance ^{a/}	Total	Percentage implementation
	carry-over	available in 2013	available funds				
	(a)	(b)	(c) = (a+b)	(d)	(e)	(f) = (d + e)	(g) = (f / c)
Voluntary contributions and other revenue							
Australia	3 218 645	(128 123) ^{cl}	3 090 522	2 041 514	379 438	2 420 952	78.3%
Belgium	178 368	155 251	333 619	155 251		155 251	46.5%
Canada	7 249		7 249				
Denmark	569 584	(271 147) ^{cl}	298 437				
Finland	3 947	261 644	265 591	261 644		261 644	98.5%
France	84 164	705 821	789 985	789 985		789 985	100.0%
Germany (including GIZ)	265 016	319 635	584 651	368 963		368 963	63.1%
Ireland	2 045 377		2 045 377	1 099 077	89 018	1 188 096	58.1%
Japan	185 438		185 438	66 854		66 854	36.1%
Luxembourg	317 663		317 663	292 138	14 721	306 859	96.6%
Ministry of the Flemish Community, Belgium	30 887		30 887				
Netherlands	484 080	458 730	942 810	545 433		545 433	57.9%
New Zealand	44 817		44 817				
Norway	294 945	58 980	353 925	58 980		58 980	16.7%
Russian Federation	3 291 565	3 393 381	6 684 946	3 862 069		3 862 069	
Spain	216 983		216 983	216 866		216 866	99.9%
Sweden	255 986	195 755	451 741	452 830		452 830	100.0%
Switzerland		365 238	365 238	365 238		365 238	100.0%
United Kingdom of Great Britain & Northern Ireland	1 404 644		1 404 644	309 913	12 481	322 394	23.0%
United States of America (CDC)	435 625 ^{dl}	556 081	991 706	597 260		597 260	60.2%
United States of America (NHI)	16 807		16 807				
United States of America (USAID)	1 480 947	1 478 589	2 959 536	2 612 893	290 367	2 903 260	98.1%
AIDS Life	63 324		63 324	63 321		63 321	100.0%
ASEAN Foundation	10 917	(10 917) ^{cl}	0				
AWARE	30 009		30 009				
Bill & Melinda Gates Foundation		99 510	99 510	69 511	29 999	99 510	100.0%
CARICOM	4 779		4 779	4 778		4 778	100.0%
Commission of the European Communities	27 117	(234) ^{cl}	26 883				
European Commission	1 452 320		1 452 320	1 081 586	128 373	1 209 959	83.3%
Ford Foundation	112 898		112 898	85 258		85 258	75.5%
Geneva Global Inc.	26 549		26 549				
Global Fund	84 606		84 606				
Imperial College London	13 808		13 808				
International Labour Organization	5 112		5 112				
MDTF Office	1 300 303		1 300 303	310 853	68 388	379 241	29.2%
National Agency for AIDS Research	10 589		10 589				
Organization of Petroleum Exporting Countries	215		215				
Southern African Development Community	43 555		43 555				
Stanford University	10 000		10 000				
UNCERF	4 418		4 418				
UNDP	0	95 568	95 568	6 805		6 805	7.1%
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				
UNODC	23 515		23 515	9 689		9 689	41.2%
UNOPS	13 314		13 314				
WFP	8 377		8 377				
WHO	528 922	379 520	908 442	109 431		109 431	12.0%
World Bank	7 275		7 275				
Special PCB allocations	380 698		380 698	380 698		380 698	100.0%
Miscellaneous	1 491		1 491				
Interest and other	7 328 910	935 274	8 264 184	4 121 314	896 646	5 017 960	60.7%
Programme support costs (PSC)				(2 061 453) ^{b/}		(2 061 453)	
Total	26 604 230^{dl}	9 048 556	35 652 786	18 278 700	1 909 431	20 188 131	56.6%

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

b/ PSC received for Non-core funds for 2013

c/ Other adjustments and refunds

d/ US \$ 1 159 081 has been transferred to Supplementary funds

Table 5

Country and Regional expense and encumbrance against all sources of funds
for the financial year ended 31 December 2013
(in US dollar)

Region	Countries	Unified Budget, Results and Accountability Framework			Non -core Funds			Total		
		Expense	Encumbrance ^{a/}	Total	Expense	Encumbrance ^{a/}	Total	Expense	Encumbrance ^{a/}	Total
Asia and Pacific	Regional Support Team	3 861 695	311 588	4 173 283	3 446 120	1 116 768	4 562 887	7 307 814	1 428 356	8 736 170
	Bangladesh	491 931	12 766	504 697	143 766	12 852	156 618	635 697	25 618	661 315
	Cambodia	792 929	46 033	838 962	66 397	71 131	137 528	859 326	117 164	976 490
	China	1 381 624	105 668	1 487 293	401 367	154 955	556 322	1 782 991	260 624	2 043 615
	Fiji	637 249	31 419	668 668	167 127	55 010	222 137	804 376	86 430	890 805
	India	1 254 551	153 418	1 407 969	1 269 249	325 672	1 594 921	2 523 800	479 090	3 002 891
	Indonesia	1 225 211	12 674	1 237 886	89 592	59 573	149 164	1 314 803	72 247	1 387 050
	Lao People's Democratic Republic	273 255	6 180	279 435	14 750		14 750	288 005	6 180	294 185
	Malaysia	13 172		13 172				13 172		13 172
	Mongolia	2 502		2 502	77 871	30 188	108 060	80 373	30 188	110 561
	Myanmar	1 474 391	32 737	1 507 127	107 139	4 375	111 514	1 581 530	37 111	1 618 641
	Nepal	738 349	4 145	742 494	47 923	298	48 221	786 271	4 443	790 715
	Pakistan	575 280	9 238	584 518	146 991	56 122	203 113	722 271	65 360	787 631
	Papua New Guinea	504 081	75 183	579 264	723 627	2 982	726 609	1 227 708	78 165	1 305 873
	Philippines	418 431	12 621	431 052	93 198	6 717	99 915	511 629	19 338	530 968
Sri Lanka	105 155	7 409	112 564	18 972		18 972	124 127	7 409	131 535	
Thailand	1 004 508	70 716	1 075 224	12 112	2 138	14 250	1 016 619	72 854	1 089 473	
Viet Nam	1 003 580	20 263	1 023 843	1 194 812	123 253	1 318 066	2 198 393	143 516	2 341 909	
Total Asia and Pacific		15 757 893	912 060	16 669 953	8 021 012	2 022 034	10 043 046	23 778 906	2 934 094	26 712 999
Caribbean	Regional Support Team	2 157 644	135 901	2 293 545	33 280		33 280	2 190 924	135 901	2 326 825
	Bahamas	81 381	247	81 628				81 381	247	81 628
	Barbados	67 310	15 160	82 470				67 310	15 160	82 470
	Belize	68 537	4 748	73 285				68 537	4 748	73 285
	Dominican Republic	476 670	24 284	500 953	40 188	1 272	41 460	516 858	25 556	542 413
	Guyana	581 292	32 749	614 042				581 292	32 749	614 042
	Haiti	898 948	48 769	947 717	28 540		28 540	927 488	48 769	976 257
	Jamaica	825 213	51 260	876 473	23 278		23 278	848 492	51 260	899 751
	Trinidad and Tobago	96 508	15 798	112 306				96 508	15 798	112 306
	Total Caribbean		5 253 503	328 916	5 582 418	125 286	1 272	126 558	5 378 789	330 187
East and South Africa	Regional Support Team	5 270 475	142 915	5 413 390	2 997 215	207 631	3 204 847	8 267 691	350 546	8 618 237
	Angola	763 209	21 637	784 846				763 209	21 637	784 846
	Botswana	1 068 192	107 939	1 176 131				1 068 192	107 939	1 176 131
	Eritrea	347 755	18 643	366 398	73 066		73 066	420 821	18 643	439 464
	Ethiopia	1 751 628	85 180	1 836 808	272 317	25 728	298 045	2 023 945	110 908	2 134 853
	Kenya	1 869 951	147 416	2 017 367	1 928 203	99 730	2 027 932	3 798 154	247 146	4 045 300
	Lesotho	1 067 942	44 342	1 112 284	97 243	1 165	98 408	1 165 185	45 507	1 210 692
	Madagascar (covering Seychelles, Comores, Mauritius)	686 123	17 446	703 569				686 123	17 446	703 569
	Malawi	1 149 448	68 140	1 217 588	364 908	21 882	386 789	1 514 356	90 022	1 604 377
	Mozambique	1 265 242	12 947	1 278 189	154 209	11 448	165 657	1 419 450	24 396	1 443 846
	Namibia	1 046 862	55 107	1 101 969	14 289	890	15 179	1 061 151	55 997	1 117 148
	Rwanda	810 433	22 305	832 737	603 261	5 702	608 963	1 413 694	28 007	1 441 700
	South Africa	2 652 043	93 881	2 745 924	10 044	3 445	13 488	2 662 086	97 326	2 759 412
	South Sudan	1 513 512	56 116	1 569 628	145 137	34 846	179 982	1 658 649	90 961	1 749 610
	Swaziland	1 178 901	77 684	1 256 585	163 431	21 377	184 808	1 342 332	99 061	1 441 393
	Tanzania, United Republic of	985 201	104 019	1 089 221	347 854	61 697	409 551	1 333 055	165 716	1 498 771
	Uganda	1 529 560	10 876	1 540 436	451 917	69 897	521 814	1 981 477	80 773	2 062 250
Zambia	1 542 253	58 422	1 600 676	326 662		326 662	1 868 915	58 422	1 927 338	
Zimbabwe	1 406 368	113 490	1 519 858	339 927	31 068	370 995	1 746 295	144 558	1 890 853	
Total East and South Africa		27 905 099	1 258 504	29 163 602	8 289 683	596 504	8 886 187	36 194 782	1 855 008	38 049 789

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

Table 5 continued

Region	Countries	Unified Budget, Results and Accountability Framework			Non-core Funds			Total		
		Expense	Encumbrance ^{a/}	Total	Expense	Encumbrance ^{a/}	Total	Expense	Encumbrance ^{a/}	Total
Europe	Regional Support Team	2 819 104	108 083	2 927 187	4 978 482	156 885	5 135 367	7 797 586	264 968	8 062 554
	Armenia	55 646	4 109	59 755				55 646	4 109	59 755
	Azerbaijan	100 832	1 386	102 218				100 832	1 386	102 218
	Belarus	141 538	12 753	154 291				141 538	12 753	154 291
	Georgia	72 684	1 887	74 571				72 684	1 887	74 571
	Kazakhstan	628 645	6 942	635 586				628 645	6 942	635 586
	Kyrgyzstan	96 395	9 177	105 572				96 395	9 177	105 572
	Moldova, Republic of	153 708	6 673	160 381	50 945		50 945	204 653	6 673	211 326
	Russian Federation	75 000		75 000				75 000		75 000
	Tajikistan	162 442	9 307	171 749	31 738		31 738	194 180	9 307	203 487
	Ukraine	1 461 253	63 395	1 524 647	22 896		22 896	1 484 149	63 395	1 547 543
Uzbekistan	505 573	32 261	537 833	14 272		14 272	519 845	32 261	552 105	
Total Europe		6 272 819	255 972	6 528 792	5 098 334	156 885	5 255 219	11 371 153	412 857	11 784 010
Latin America	Regional Support Team	2 723 513	97 836	2 821 350	356 506	26 150	382 655	3 080 019	123 986	3 204 005
	Argentina	820 372	23 383	843 755	8 500		8 500	828 872	23 383	852 255
	Bolivia	6 297		6 297	85 595	789	86 384	91 893	789	92 681
	Brazil	730 498	21 813	752 312	48 161		48 161	778 660	21 813	800 473
	Chile	124 151	4 599	128 750				124 151	4 599	128 750
	Colombia	328 221	20 640	348 860	3 137	2 968	6 105	331 358	23 607	354 965
	Costa Rica	14 528		14 528	17 212		17 212	31 740		31 740
	Ecuador	229 620	1 791	231 411				229 620	1 791	231 411
	El Salvador	179 992	7 155	187 147	4 725		4 725	184 717	7 155	191 872
	Guatemala	1 125 423	11 695	1 137 118	27 737		27 737	1 153 160	11 695	1 164 855
	Honduras	714 348	2 250	716 598	56 960		56 960	771 308	2 250	773 558
	Mexico	13 419		13 419	10 000		10 000	23 419		23 419
	Panama	274 267	7 273	281 540	16 250	3 750	20 000	290 517	11 023	301 540
	Paraguay	3 860	880	4 740	33 992	7 191	41 182	37 851	8 071	45 922
	Peru	830 593	6 118	836 710	10 000		10 000	840 593	6 118	846 710
	Uruguay	24 245		24 245				24 245		24 245
Venezuela	335 187	10 234	345 420				335 187	10 234	345 420	
Total Latin America		8 478 532	215 668	8 694 200	678 776	40 846	719 622	9 157 308	256 514	9 413 822
Middle East & North Africa	Regional Support Team	2 455 521	29 539	2 485 061	811 814	49 140	860 954	3 267 335	78 679	3 346 014
	Algeria	218 350	11 562	229 912	57 961		57 961	276 311	11 562	287 874
	Djibouti	328 278	50 242	378 520	38 104	8 542	46 646	366 381	58 785	425 166
	Egypt	118 596	23 913	142 509	140 064	32 792	172 856	258 660	56 706	315 366
	Iran	511 521	24 090	535 611	10 000		10 000	521 521	24 090	545 611
	Morocco	485 515	39 728	525 243	74 174		74 174	559 689	39 728	599 417
	Somalia	259 452	1 020	260 472	121 432	24 557	145 989	380 884	25 578	406 462
	Sudan	893 449	18 303	911 752	13 295		13 295	906 744	18 303	925 048
	Tunisia	59 077	591	59 668				59 077	591	59 668
	Yemen	216 698	5 945	222 643	97 165		97 165	313 863	5 945	319 808
Total Middle East and North Africa		5 546 457	204 935	5 751 392	1 364 010	115 032	1 479 042	6 910 467	319 967	7 230 434

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

Table 5 continued

Region	Countries	Unified Budget, Results and Accountability Framework			Non-core Funds			Total		
		Expense	Encumbrance ^{a/}	Total	Expense	Encumbrance ^{a/}	Total	Expense	Encumbrance ^{a/}	Total
West and Central Africa	Regional Support Team	3 644 827	63 284	3 708 111	2 508 825	13 538	2 522 363	6 153 652	76 822	6 230 474
	Benin	379 294	21 866	401 160	210 948		210 948	590 241	21 866	612 107
	Burkina Faso	627 321	9 968	637 289	11 023		11 023	638 344	9 968	648 312
	Burundi	627 395	71 223	698 618	5 207	7 758	12 966	632 602	78 982	711 584
	Cameroon	1 370 897	34 257	1 405 154	129 840	1 783	131 623	1 500 737	36 040	1 536 777
	Central African Republic	853 658	122 780	976 438				853 658	122 780	976 438
	Chad	705 439	133 000	838 439	122 357	6 094	128 451	827 796	139 094	966 891
	Congo	725 133	12 764	737 897	25 000	25 000	50 000	750 133	37 764	787 897
	Democratic Republic of Congo	2 106 678	133 156	2 239 834	165 432	11 480	176 912	2 272 109	144 636	2 416 746
	Côte d'Ivoire	808 729	83 081	891 810	32 128		32 128	840 857	83 081	923 938
	Gabon	524 442	31 878	556 320	4 915	4 501	9 417	529 357	36 379	565 736
	Gambia	130 333	5 311	135 643				130 333	5 311	135 643
	Ghana	730 326	28 873	759 199	386 955	31 668	418 622	1 117 281	60 540	1 177 821
	Guinea	533 005	553	533 558				533 005	553	533 558
	Liberia	754 556	2 514	757 070	79 791	4 590	84 382	834 348	7 104	841 452
	Mali	394 509	36 537	431 047	75 527	36 387	111 913	470 036	72 924	542 960
	Mauritania	205 475	218	205 693				205 475	218	205 693
	Niger	489 928	28 786	518 714	113 971	12 146	126 117	603 898	40 932	644 830
	Nigeria	2 593 998	56 870	2 650 867	416 148	48 851	465 000	3 010 146	105 721	3 115 867
	Senegal	226 010	9 484	235 494	157 751	2 500	160 251	383 761	11 984	395 745
Sierra Leone	716 325	14 675	731 000	273 864	15 853	289 717	990 189	30 527	1 020 717	
Togo	468 318	67 084	535 402				468 318	67 084	535 402	
Total West & Central Africa		19 616 595	968 163	20 584 757	4 719 682	222 150	4 941 832	24 336 277	1 190 312	25 526 589
Grand Total		88 830 898	4 144 217	92 975 115	28 296 783	3 154 722	31 451 505	117 127 681	7 298 939	124 426 621

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

PART IV
REPORT OF THE EXTERNAL AUDITOR



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

4 April 2014

Dear Mr. Sidibé,

**REPORT OF THE EXTERNAL AUDITOR
TO THE PROGRAMME COORDINATING BOARD ON THE
FINANCIAL OPERATIONS OF THE JOINT UNITED NATIONS
PROGRAMME ON HIV/AIDS (UNAIDS)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

I have the honour to present to you the above report which may kindly be transmitted to the Programme Coordinating Board, UNAIDS. All matters contained in the report have been communicated to the appropriate staff and management of UNAIDS.

I express my appreciation for the cooperation and assistance that I have received in the performance of my audit mandate.

Yours sincerely,


Maria Gracia M. Pulido Tan
Chairperson, Commission on Audit
Republic of the Philippines
External Auditor

Mr. Michel Sidibé
Executive Director
Joint United Nations Programme on HIV/AIDS
20 Avenue Appia
CH-1211 Geneva 27
Switzerland

Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City



**Report of the External Auditor
to the Programme Coordinating Board
on the Financial Operations of the
Joint United Nations Programme on HIV/AIDS
(UNAIDS)**

**For the Financial Year Ended
31 December 2013**

**REPORT OF THE EXTERNAL AUDITOR
TO THE PROGRAMME COORDINATING BOARD
ON THE FINANCIAL OPERATIONS OF THE
JOINT UNITED NATIONS PROGRAMME ON HIV/AIDS (UNAIDS)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

Contents	Page
Executive Summary	1
A. Mandate, Scope and Methodology	5
B. Results of Audit	7
1. Financial Matters	
1.1 Audit of Financial Statements	7
1.2 Overall Financial Performance	8
1.3 After Service Health Insurance	9
2. Governance Matters	
2.1 Monitoring and Closure of DFC Contracts	11
2.2 Procurement Framework/Policy	12
2.3 Long-term Agreements	13
C. Disclosures by Management	15
D. Implementation of External Audit Recommendations	15
E. Acknowledgement	16
Annex A	
Implementation of External Audit Recommendations in Prior Year	

List of Abbreviations

ASHI	After Service Health Insurance
DFC	Direct Financial Cooperation
ERM	Enterprise Risk Management
IOS	Office of Internal Oversight Services
IPSAS	International Public Sector Accounting Standards
LTA	Long-term Agreement
NGO	Non-government Organization
ORF	Operating Reserve Fund
PCB	Programme Coordinating Board
WHO	World Health Organization
ERM	Enterprise Risk Management
UBRAF	Unified Budget, Results and Accountability Framework
UNAIDS	Joint United Nations Programme on HIV/AIDS

EXECUTIVE SUMMARY

Introduction

1. This Report of the External Auditor on the audit of the financial statements and operations of **Joint United Nations Programme on HIV/AIDS (UNAIDS)** is issued pursuant to Regulation XIV of the Financial Regulations of the World Health Organization.

2. This is the second long-form report to the Programme Coordinating Board by the Chairperson of the Commission on Audit of the Republic of the Philippines who was elected by the Sixty-fourth World Health Assembly as the External Auditor of the World Health Organization (WHO) for the financial periods 2012-2015. The terms of reference are contained in the engagement letter signed between the Chairperson and the Director-General of the WHO in March 2012. We have detailed in this Long-form Report the financial and governance matters that we believe should be brought to the attention of the Programme Coordinating Board of UNAIDS. We have recommended to Management 10 value-adding measures to improve the financial management and governance in UNAIDS.

Overall Result of the Audit

3. We have audited the financial statements of UNAIDS in accordance with the Financial Regulations and in conformity with International Standards on Auditing issued by the International Auditing Assurance Board.

4. Our audit of the financial statements revealed findings requiring adjustments and enhancements which were accordingly done by Management. After effecting the audit adjustments, no material weaknesses or errors were further noted that affect the accuracy, completeness and validity of the financial statements as a whole. Accordingly, we issued an unqualified audit opinion on the Organization's financial statements for the financial year ended 31 December 2013. As such, we are of the opinion that the financial statements present fairly, in all material respects, the financial

position of UNAIDS for the financial year ending 31 December 2013, the results of its financial performance, the changes in net assets/equity, the cash flows and the comparison of budget and actual amounts in accordance with the International Public Sector Accounting Standards (IPSAS).

5. We have identified three areas where governance over UNAIDS's resources could be better enhanced. UNAIDS could improve on the monitoring and closure of its Direct Financial Cooperation (DFC) contracts, the procurement policies and strategies, and the long-term agreements (LTAs). Specifically, in the area of DFC, UNAIDS could enhance its existing guidelines on DFC contracting, and devise a mechanism that would encourage and interest both contracting parties to honour their respective obligations. In the area of Procurement, UNAIDS would benefit on the formulation of an Overall Procurement Strategy and Framework that defines and integrates procurement processes at all levels of the Organization into one overall plan, and finalize for formal adoption a Procurement Manual. In the area of LTA, UNAIDS could enhance its proposed Procurement Manual by incorporating provisions on LTA procurements with the end view of making it efficient, effective, responsive and transparent. Along this line, the UNAIDS Risk Management Framework should include measures that would help identify risks associated with LTAs, and come up with measures that would address or mitigate the residual risks.

Summary of Recommendations

6. The following audit recommendations which are discussed in detail in this report are provided to Management to further improve financial management and governance:

Recommendation No. 1

Enhance its existing guidelines on DFC contract monitoring and closure, and devise a mechanism that would afford both contracting parties to honour their respective obligations with emphasis on the essence of accountability, and the importance of preserving limited resources.

Recommendation No. 2

Improve the capability of managers/persons responsible for contract management by orienting/reorienting them on the importance of seeing these contracts through all phases of contract implementation most especially contract completion and closure, where successful implementation of any contract is measured.

Recommendation No. 3

Implement even more vigorously the current Guides and Standards with regard to DFC contracts, and revisit some provisions that may no longer be in keeping with the times.

Recommendation No. 4

Institute an internal mechanism to regularly monitor compliance to DFC provisions by the partners.

Recommendation No. 5

Formulate an Overall Procurement Strategy and Framework to help meet the Organization's objectives, goals, targets and priorities. It must define and integrate procurement processes at all levels of the Organization into one overall plan at the headquarters level in order to harmonize procurement patterns and practices throughout the Organization, all for improving the efficiency and the economies of scale to serve the best interest of the Organization.

Recommendation No. 6

As a matter of priority, finalize and formally adopt UNAIDS' proposed Procurement Manual that encompasses and codifies all relevant and applicable procurement guidelines to be observed and applied by all across the Organization.

Recommendation No. 7

Provide timely, proper and adequate training to all staff that are actually performing procurement functions.

Recommendation No. 8

Undertake a thorough study on and evaluation of the use of LTAs, and in the process, draft an LTA-specific procurement policy and strategy including the appropriate monitoring and examination standards.

Recommendation No. 9

Enhance the provisions pertaining to LTAs in the proposed Procurement Manual, and facilitate its review and finalization with the end view of making LTA procurements efficient, effective, responsive and transparent.

Recommendation No. 10

Include in its Risk Management Framework measures that would help identify risks associated with LTAs, and come up with measures that would address or mitigate the residual risks.

Implementation of External Auditor's Recommendations in Prior Year

7. We reviewed the action taken on the audit recommendations provided in the 2012 Report of the External Auditor, and we noted that all of the five recommendations, or 100%, were fully implemented. We commend Management for their immediate action/s which improved the financial management and governance in the areas covered by our examination.

A. MANDATE, SCOPE AND METHODOLOGY

Mandate

8. The Chairperson of the Commission on Audit of the Republic of the Philippines was given the mandate by the Sixty-fourth World Health Assembly as the External Auditor of the World Health Organization and the non-consolidated entities for the financial periods 2012-2015.

Scope and Objectives

9. Our audit is an independent examination of the evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of UNAIDS' compliance with Financial Regulations and legislative authority. The primary objectives of the audit are to provide an independent opinion on whether:

- a. the financial statements presented fairly the financial position of UNAIDS as at 31 December 2013, the results of its financial performance, the changes in net assets/equity, the cash flows, and the comparison of actual amounts and budget for the financial year ended 31 December 2013 in accordance with IPSAS;
- b. the significant accounting policies set out in Note 2 to the financial statements were applied on a basis consistent with that of the preceding financial period; and
- c. the transactions that have come to our notice or that we have tested as part of the audit, in all significant respects, complied with the Financial Regulations and legislative authority.

10. In addition, the audit intends to provide independent assurance to the Governing Body, to increase transparency and accountability in UNAIDS, and to support the objectives of UNAIDS's work through the external audit process.

Methodology and auditor's responsibilities

11. We conducted our audit in accordance with the International Standards on Auditing. These standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. The audit includes examining evidence supporting the amounts and disclosures in the financial statements on a test basis. The audit also includes assessing the accounting principles used and the significant estimates made by Management as well as evaluating the overall presentation of the financial statements.

12. The Risk-based Audit Approach was adopted in the audit of the financial statements. This approach requires the conduct of risk assessments of material misstatements at the financial statements and assertions levels based on an appropriate understanding of the entity and its environment including its internal control.

13. The auditor's responsibility is to express an opinion on the financial statements based on an audit. The audit is performed to obtain reasonable assurance, not absolute assurance, as to whether the financial statements are free of material misstatement including those caused by fraud or error.

14. We also carried out a review of UNAIDS operations with regard to Financial Regulation 14.3 which required the External Auditor to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls, and in general, the administration and management of the entity's operations. We focused on the following:

- a. Management of DFC contracts;
- b. Management of Procurement; and
- c. Management of Long-term Agreements.

15. Further, the objective of the audit is to provide independent assurance to Member States, to add value to the UNAIDS's financial management and governance, and to support the objectives of UNAIDS's work through the external audit process.

16. During the financial year 2013, the audit was performed at the Headquarters of the UNAIDS in Geneva, Switzerland. This is the second year of implementation of IPSAS in UNAIDS, and the audit resources were focused primarily on the review of its implementation to enable Management to sustain the sufficient ground already gained in the preparation of IPSAS-compliant financial statements.

17. The External Auditor coordinates planned audit areas with the Office of Internal Oversight Services (IOS) to avoid unnecessary duplication of efforts, and to determine the extent of reliance that can be placed on the latter's work.

18. We continued to report audit results to UNAIDS Management in the form of management letters containing detailed observations and recommendations. The practice provides a continuing dialogue with Management.

B. RESULTS OF AUDIT

19. The present report covers matters that, in the opinion of the External Auditor, should be brought to the attention of the Programme Coordinating Board (PCB) of UNAIDS. Management was afforded the opportunity to comment on or audit observations. The recommendations provided to Management are designed to support the objectives of UNAIDS' mandate, and to improve and add value to UNAIDS' financial management and governance.

1. FINANCIAL MATTERS

1.1 Audit of Financial Statements

20. In the audit of UNAIDS for the financial year 2013, a number of recommendations were made to improve the presentation and disclosure requirements in compliance with IPSAS. We issued an unqualified opinion on the financial statements. As such, we concluded that the financial statements present fairly, in all material respects, the financial position of UNAIDS for the financial year ending 31

December 2013, the results of its financial performance, the changes in net assets/equity, the cash flows, and the comparison of budget and actual amounts in accordance with IPSAS. Management agreed with our recommendations and acted on or committed to act on them accordingly. We recognized the commitment and professionalism of UNAIDS Management and Finance staff to sustain the preparation of IPSAS-compliant financial statements.

1.2 Overall Financial Performance

21. The audited financial statements of UNAIDS reflect a deficit of US\$9.97 million for the year, as shown in the Statement of Financial Performance (Statement II). This represents a substantial improvement over the previous year's total deficit of US\$26.37 million. On the other hand, net assets/equity, as reflected in the Statement of Changes in Net Assets/Equity (Statement III), showed a decrease from US\$222.39 million for the year ended 31 December 2012 to US\$212.41 million for the year ended 31 December 2013. Considering the reported 62% decline in deficit and the 4% decrease in net assets/equity, we enjoin Management to continue its rigorous efforts to improve even more UNAIDS' financial performance in the ensuing years.

22. Specifically, total revenue for 2013 was US\$285.22 million broken down as follows: US\$270.75 million from governments, US\$5.28 million from co-sponsoring organizations, US\$4.31 million from other sources, and the balance of US\$4.88 million from financial revenue. On the other hand, the total expenses for the same financial period amounted to US\$295.19 million which consisted of the following: US\$128.18 million for salaries and other personnel costs, US\$108.87 million for transfers and grants to counterparts, US\$30.18 million for contractual services, US\$14.83 million for general operating expenses, US\$10.75 million for travel, US\$0.82 million for equipment, vehicles and furniture, US\$0.62 million for depreciation, and the remaining US\$0.94 million for finance costs. As earlier stated, the overall "shortage" (i.e., revenue less expenses) in 2013 that was carried forward to 2014 was US\$9.97 million.

23. Of the total approved millennium budget of US\$484.82 million for 2012-2013, expenditures of US\$229.67 million under the 2012 Unified Budget, Results and Accountability Framework (UBRAF) and US\$246.77 million in 2013 were incurred, totaling to US\$476.44 million or representing 98% implementation for the biennium. The US\$8.1 million of the remaining UBRAF fund balance of US\$8.38 million as at 31 December 2013 represents a firm commitment for goods and/or services which have not yet been delivered. On the whole, therefore, the budget implementation of UBRAF was almost 100%.

24. An Operating Reserve Fund (ORF) was established by the PCB in June 1996, which stood at US\$35 million for the year ended 31 December 2013. This fund can be used to finance the implementation of the UBRAF while awaiting the receipt of core contributions. The rules and procedures guiding the use of the ORF by the Executive Director were decided by the PCB at its Sixth Meeting held in Geneva in May 1998. With ORF, the continued operation of UNAIDS is relatively secure.

25. Comparatively, total current assets amounted to US\$332.16 million while total current liabilities reached US\$65.58 million, thus, registering a comfortable liquidity ratio of 5.06. In addition, cash and cash equivalents at the beginning of the year registered at US\$204.67 million, and increased to US\$211.16 million at the end of the year after accounting for the net cash flow from operating, investing and financing activities of US\$6.49 million. With such a comfortable cash and cash equivalents balance, and anchored on the cash activities shown in the Statement of Cash Flow, continuity of operations of UNAIDS over the years is assured without having to require the infusion of additional funds into its system.

1.3 After Service Health Insurance

26. The defined benefit obligations of UNAIDS for After Service Health Insurance (ASHI) as at 31 December 2013 stood at US\$85.8 million, of which US\$42 million is funded, resulting in net unfunded liability of US\$43.8 million. These were determined by

professional actuaries based on personnel data and past experience on payments as provided by WHO.

27. During its 30th Meeting held from 5 to 7 June 2012, the PCB authorized and approved the initial funding of US\$20 million from the UBRAF fund balance to partially cover the unfunded staff-related liabilities over a period of 5 years. The ASHI share of the funding was US\$13.88 million in 2012 and US\$5.02 million in 2013. Therefore, the net unfunded SHI as at 31 December 2013 stood at US\$ 24.91 million. In line with the above decision and subject to the availability of funds, UNAIDS staff liabilities (i.e., ASHI, terminal payments including annual leave) will be fully funded only by the end of 2017.

2. GOVERNANCE MATTERS

28. We have identified three (3) areas where governance over UNAIDS' resources could be better enhanced. UNAIDS could improve on the monitoring and closure of its Direct Financial Cooperation (DFC) contracts, the procurement policies and strategies, and the long-term agreements (LTAs). Specifically, in the area of DFC, UNAIDS could enhance its existing guidelines on DFC contract monitoring and closure, and devise a mechanism that would encourage and interest both contracting parties to honour their respective obligations throughout the term of the engagement. UNAIDS could also formulate an Overall Procurement Strategy and Framework that defines and integrates procurement processes at all levels of the Organization into one overall plan, consolidated at the headquarters level in order to harmonize patterns and practices across the Organization for better efficiency and economies of scale in the best interest of the Organization. This shall be carried out simultaneously with the finalization and formal adoption of a Procurement Manual that encompasses and codifies all relevant and applicable procurement guidelines to be observed and applied by all across the Organization. The timely, proper and adequate training of all staff actually doing procurement functions is likewise recommended.

29. In addition, UNAIDS could undertake a thorough study on and evaluation of the use of LTAs, and in the process, draft an LTA-specific procurement policy and strategy including sufficient monitoring and examination standards. Such policy may be enhanced in the proposed Procurement Manual with the end view of making LTA procurements efficient, effective, responsive and transparent. Along this line, the UNAIDS Risk Management framework should include measures that would help identify risks associated with LTAs, and come up with measures that would address or mitigate the residual risks.

2.1 Monitoring and Closure of DFC Contracts

30. As part of its regular day-to-day ventures, and in pursuit of its objectives, UNAIDS contracts with non-commercial entities such as Government Institutions, Non-government Organizations (NGOs), Research Institutions and non-profit academic institutions that support UNAIDS activities in accordance with its priority programme objectives. Specifically, we reviewed relevant policies, procedures and documentation on DFC contracts particularly on how these undertakings are being monitored and their eventual closure in accordance with pertinent procedures and rules.

31. The evaluation showed selected contracts that were expected closed but still showed encumbrances at year-end, indicating the non-closure of these contracts despite the lapse of time. In accordance with existing guidelines, encumbrances indicate either non-submission of Technical and Financial Reports, or inability of UNAIDS to monitor and manage these contracts and see them towards full completion and closure with accountabilities ascertained and verified.

Recommendation No. 1

Enhance its existing guidelines on DFC contract monitoring and closure, particularly where full contract payment is already made at the early stage of contract countersigning, and devise a mechanism that would afford both contracting parties to honour their respective obligations throughout the engagement with emphasis on the essence of accountability and the importance of preserving limited resources.

Recommendation No. 2

Improve the capability of managers/persons responsible for contract management by orienting/reorienting them on the importance of seeing these contracts through all phases of contract implementation most especially contract completion and closure, where successful implementation of any contract is measured.

Recommendation No. 3

Implement even more vigorously the current Guides and Standards with regard to DFC contracts, and revisit some provisions that may no longer be in keeping with the times.

Recommendation No. 4

Institute an internal mechanism to regularly monitor compliance to DFC provisions by the partners.

2.2 Procurement Framework/Policy

32. UNAIDS, while not a major procuring entity in terms of volume and quantity as compared with the other UN organizations, is nonetheless an organization that engages in the procurement of goods and services as a regular organizational function on a day-to-day basis.

33. For CY 2013, UNAIDS procured a substantial quantity and amount of deliverables without the benefit of a central Procurement Plan and portfolio that could serve as guide for the entire organization. Instead, Management adopted the Blue Book which provides guidance on procurement but is supplemented by frequent issuances of guidelines and guidance notes, detailing and at times revising the original provisions of the Blue Book. The frequency of issuances indicates that procurement processes are rather fragmented than unified. A central Procurement Plan accompanied by a Procurement Manual is valuable not only for determining optimal quantities and costs but also for devising strategies on how best procurement processes can be done under certain circumstances.

34. Also, while some staff members are already equipped with related procurement trainings, quite a number have yet to undergo the same kind of training to better equip them to manage procurement processes.

Recommendation No. 5

Formulate an Overall Procurement Strategy and Framework to help meet the Organization's objectives, goals, targets and priorities. It must define and integrate procurement processes at all levels of the Organization into one overall plan at the headquarters level in order to harmonize patterns and practices throughout the Organization, all for improving the efficiency and economies of scale to serve the best interest of the organization.

Recommendation No. 6

As a matter of priority, finalize and formally adopt UNAIDS' proposed Procurement Manual that encompasses and codifies all relevant and applicable procurement guidelines to be observed and applied by all across the Organization.

Recommendation No. 7

Provide timely, proper and adequate training of all staff that are actually performing procurement functions.

2.3 Long-term Agreements (LTAs)

35. Over the years, the need to resort to Long-term Agreements as a mode of procurement of goods or services has been slowly but widely felt and hence, its use was applied across organizations. Overall, statistics shows that the use of LTAs is relevant and, to some extent, efficient and effective. Numerous examples of monetary and non-monetary benefits of LTAs have been realized by different organizations. Most notable of these benefits are in the areas of administrative efficiencies for goods and services, opportunities for greater volume leverage and best value for money. However, the use of LTAs does not automatically or absolutely guarantee the realization

of the full benefits attached to it. Simply put, there could be disadvantages just as there are advantages in using LTAs.

36. In UNAIDS, there was no formal documentation on the assessment made before introducing the use of LTAs. As it is, present processes and controls appear to be rather wanting in some respects, which could reduce the capacity to fully realize the potential benefits of this kind of contracts.

37. Specifically, adequate LTA-specific framework/policy would be of better use, than the existing one-page LTA Guide in the UNAIDS Blue Book on Procurement. The guide basically defines LTA and its use. It does not address issues and peculiarities present only in LTAs, and lacks detailed instructions that could truly maximize the relevance, efficiency and effectiveness of LTAs.

38. For one, it was noted in a few LTA contracts subjected to test check that a standard provision on liquidated damages clauses were not present; thus, this could prove unfavorable to the cause of UNAIDS. At present, there is no systematic risk management framework that would identify risks associated with LTAs, and measures that would somehow address these risks. Likewise, no study has been conducted to assess the impact of LTAs after its implementation in terms of the potential benefits from its use.

39. Overall, in the absence of an established policy framework and strategy on LTA utilization and monitoring, UNAIDS has a limited way of telling whether it is doing too little, or too much, as far as its LTA contracts are concerned which could affect the satisfactory attainment of its objectives in this regard.

Recommendation No. 8

Undertake a thorough study on and evaluation of the use of LTAs, and in the process, draft an LTA-specific procurement policy and strategy including the appropriate monitoring and examination standards.

Recommendation No. 9

Enhance the provisions pertaining to LTAs in the proposed Procurement Manual, and facilitate its review and finalization with the end view of making LTA procurements efficient, effective, responsive and transparent.

Recommendation No. 10

Include in its Risk Management Framework measures that would help identify risks associated with LTAs, and come up with measures that would address or mitigate the residual risks.

C. DISCLOSURES BY MANAGEMENT

Administrative waivers, amounts written off, extra-gratia payments and cases of fraud

40. During the period 1 January 2013 to 31 December 2013, there were no administrative waivers, amounts written off or extra-gratia payments for UNAIDS. Furthermore, there were no cases of fraud reported during the financial period 1 January 2013 to 31 December 2013. This fact is emphasized under Note 3.12 of the Notes to the Financial Statements.

D. IMPLEMENTATION OF EXTERNAL AUDIT RECOMMENDATIONS

41. We validated the implementation of External Audit Recommendations contained in the 2012 audit report. We noted that Management implemented all of the five recommendations we provided, thereby registering a 100% implementation. **Annex A** presents the detailed analysis of the implementation of the recommendations.

E. ACKNOWLEDGEMENT

42. We wish to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director, the Director of Planning, Finance and Accountability, and the Chief of the Risk Management, Financial Services and Compliance, and the members of their team.

43. We also wish to express our appreciation to the Programme Coordinating Board for their support for and interest in our work.

**COMMISSION ON AUDIT
REPUBLIC OF THE PHILIPPINES
External Auditor**

**4 April 2014
Quezon City, Philippines**

Annex A

IMPLEMENTATION OF EXTERNAL AUDIT RECOMMENDATIONS IN PRIOR YEAR

Our report on the audit of the financial operations of UNAIDS for Financial Year 2012 provided five recommendations designed to further improve the financial management and governance of UNAIDS. Management acted on all our recommendations, and the analysis of their implementation is summarized in the following matrix:

No.	Recommendation	External Auditor's Validation
1	Document, validate and confirm the benefits realized in the implementation of IPSAS and render a report thereon to inform stakeholders of the benefits of adopting the new financial reporting framework.	Implemented. UNAIDS produced a publication documenting the benefits realized from implementing IPSAS. The document was shared with the PCB at its 32 nd meeting held in June 2013.
2	Draft a policy or guidelines on Fixed Assets Disposal to ensure uniformity in application and in their eventual recording, reporting and monitoring.	Implemented. UNAIDS produced a written policy on fixed assets disposal. The guidelines were produced and disseminated to the staff throughout the Programme. The guidelines provide clear guidance to ensure the proper recording, reporting and monitoring of the disposal of fixed assets.
3	Design strategies to enhance implementation of projects with the end in view of increasing the rate of project implementation and consequently, the turnover rate of receivables.	Implemented. UNAIDS has intensified the tracking of its project implementation with the aim of improving the project implementation rate. Specific information on projects which are approaching their close dates and face the risk of low implementation have been circulated to Award Managers to enable them to focus on implementing the projects as soon as possible.

4	Strengthen collaborative efforts with donors and sponsors through unified goals and strategies to attain efficient implementation and timely completion of projects.	Implemented. UNAIDS conducted multi-stakeholder meetings to develop UNAIDS budget, define and redefine indicators and improve reporting to link results to resources better and improve future planning. The latest meeting was conducted in October 2013 and during this meeting, a background paper and a presentation on the progress made by the UNAIDS Secretariat on risk management were discussed.
5	Develop Risk Management Policy taking off from the initial advice of Deloitte Consulting, and pursue the implementation of a structured Enterprise Risk Management (ERM) to effectively manage risks.	Implemented. A Risk Management Policy has been developed, approved by Senior Management, and is being disseminated to all staff concerned. A Governance Model and Terms of Reference of a Risk Management Committee have also been prepared and shared with the staff. UNAIDS has continued to pursue the implementation of structured ERM approach to effectively manage risks. A road map has been established outlining the proposed implementation of ERM in UNAIDS.

[End of document]

UNAIDS

20 Avenue Appia

CH-1211 Geneva 27

Switzerland

+41 22 791 3666

unaids.org