UNAIDS

## UNAIDS PROGRAMME COORDINATING BOARD

UNAIDS/PCB (32)/13.6
Issue date: 16 May 2013

**THIRTY-SECOND MEETING**

**Date**: 25-27 June 2013

**Venue**: Executive Board Room, WHO, Geneva

**Agenda item 4.2**

# Financial reporting

**Financial report and audited financial statements**
**for the year ended 31 December 2012**

**Additional documents for this item:** Interim Financial Management Update for the 2012-2013 biennium for the period 1 January 2012 to 31 March 2013.
(UNAIDS/PCB(32)/13.7

**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 2012

**Cost implications for decisions:** none

## Table of contents

## 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 2012 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. The 2012 Financial Statements for the financial reporting period have been prepared in accordance with IPSAS for the first time. In compliance with IPSAS, the Secretariat has presented information on the various implications and impact on accounting policy changes, as well as the financial presentation and position of UNAIDS.

### Adoption and benefits of IPSAS

3. On 30 November 2005, the High Level Committee on Management (HLCM) recommended that all United Nations Agencies adopt IPSAS as their accounting standard. The recommendation was driven by a clearly identified need within the UN system to move to improved, independent and universally accepted accounting standards, with the aim of increasing quality and credibility in financial reporting.

4. At its 60th meeting in July 2006, the UN General Assembly approved the proposal for the UN system-wide adoption of IPSAS. UNAIDS is also committed to the adoption of IPSAS in order to strengthen the quality and uniformity of its financial reporting.

5. At its 24th meeting held in Geneva from 22-24 June 2009, the Secretariat reported to the Programme Coordinating Board through its unaudited financial statements for 2008-2009, the process of working towards the adoption and implementation of IPSAS together with WHO. The Secretariat has been periodically updating the Programme Coordinating Board on the progress of IPSAS implementation and during its 30th meeting held in June 2012, the Programme Coordinating Board encouraged the implementation of IPSAS by endorsing the Executive Director's recommendation to fully fund the organizational staff-related liabilities from the fund balance and approved the funding of an initial amount of US$ 20 million.

6. IPSAS represents the international best practices for non-profit organizations. IPSAS adoption will improve quality, comparability and credibility of the financial reporting of UNAIDS. It will also lead to greater harmonization in the presentation of financial statements between UN system organizations and better comparability of financial statements with other international organizations and national governments.

7. The alignment of UNAIDS accounting according to IPSAS leads to credible financial statements which results in improved confidence and recognition among Member States and other partners.

8. Applying IPSAS requires the introduction of the full accrual basis of accounting, a significant change from the modified cash basis of accounting applied under the United Nations System Accounting Standards (UNSAS). Accrual basis accounting entails the recognition of assets when acquired, including property and equipment, and their gradual depreciation over their estimated useful lives. Liabilities are recognized based on obligations arising from past events, and therefore also include those relating to post-employment. Transactions and events are recognized when they occur, recorded in the accounting records and reported in the financial statements of the financial periods to which they relate, and not only when the cash or its equivalent is received or paid. UNAIDS has already adopted the accrual basis of accounting for both revenue and expense since the 2006-2007 biennium.

9. The application of IPSAS entails some modification to the presentation and structure of the financial statements from the previous biennium. Importantly, audited financial statements are required on an annual basis. As in the previous biennium, the financial statements do not refer to the different categories of funds, but show the single consolidated position of the Programme. A statement has been included summarizing the impact of the changes resulting from the adoption of IPSAS.

10. The value of future employee benefits (for example accumulated annual leave, termination, repatriation grants, after-service health insurance (ASHI)) that UNAIDS staff have earned but not yet received are now recorded to capture the full cost of employing staff. In previous financial statements these types of benefits were shown as an expense only when paid, and the liabilities were only disclosed in the notes.

11. The implementation of IPSAS does not currently impact the preparation of UNAIDS budget, the Unified Budget, Results and Accountability Framework, which continues to be presented on a modified cash basis. As this basis differs from the accrual basis applied to the financial statements, reconciliation between the budget and the principal financial statements is provided in accordance with the requirements of IPSAS.

**Approved budget and workplan**

12. The 2012-2015 Unified Budget, Results and Accountability Framework is guided by the UNAIDS 2011-2015 Strategy, adopted by the Programme Coordinating Board in December 2010. It aims at achieving UNAIDS long term vision of *zero new HIV infections, zero AIDS-related deaths, and zero discrimination*.

13. The 2012-2015 Unified Budget, Results and Accountability Framework has been developed to translate UNAIDS Strategy into action, responding to recommendations of the Second Independent Evaluation and decisions of the Programme Coordinating Board and focuses 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 following targets laid out in the 2011 Political Declaration of the United Nations General Assembly[1]:

    - 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

14. 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 through a consultative process with all constituencies and to report back 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 it's 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.

[1] Resolution 65/277 "Political Declaration on HIV and AIDS: Intensifying Our Efforts to Eliminate HIV and AIDS" which was adopted at the sixty-fifth session of the UN General Assembly.
[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 UNAIDS eleventh Cosponsors in June 2012.

## FINANCIAL PERFORMANCE AND HIGHLIGHTS FOR 2012

15. Total revenue for 2012 was US$ 253.5 million, and total expense for the same financial period amounted to US$ 279.9 million. This means that expenditure exceeded income by US$ 26.4 million. Table A below summarizes the Programme's results for 2012 and 2011.

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

| | Total 2012 | Total 2011 |
|---|---|---|
| **Revenue** | 253 544 025 | 268 608 756 |
| **Expense** | 279 913 491 | 321 430 936 |
| **Surplus/(Deficit)** | **(26 369 466)** | **(52 822 180)** |

16. Total revenue for 2012 was US$ 253.5 million, out of which US$ 220.2 million was made available towards the Unified Budget, Results and Accountability Framework; US$ 31.2 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$ 2.1 million related to financial revenue under the terminal payment account. Table B below details of revenue for 2012 and 2011.

**Table B: Details of Revenue (in US dollars)**

| | 2012 | | | *Total 2011* |
|---|---|---|---|---|
| | UBRAF Core Funds | Non-core Funds | Total | |
| Revenue | | | | |
| Governments | 213 657 059 | 21 038 054 | 234 695 113 | *252 481 174* |
| Cosponsoring organizations | 3 500 000 | 711 767 | 4 211 767 | *4 557 845* |
| Others | 262 453 | 8 704 182 | 8 966 635 | *5 994 435* |
| Finance Revenue | 2 828 966 | 2 841 544 | 5 670 510 | *5 575 302* |
| Total Revenue | 220 248 478 | 33 295 547 | 253 544 025 | *268 608 756* |

17. Total expense for the year ended 31 December 2012 amounted to US$ 279.9 million, of which US$ 232 million related to expenses against the Unified Budget, Results and Accountability Framework for 2012-2013; US$ 12.3 million related to expenses against 2010-2011 Unified Budget and Workplan encumbrances; US$ 29.3 million related to expenses against non-core funds; US$ 4.7 million related to expenses against the Staff Health Insurance due to the movement in the ASHI actuarial liability and US$ 1.6 million related to terminal payments and depreciation. Table C below details expense by category for 2012 and 2011

**<u>Table C:</u> Details of Expense (in US dollars)**

| | 2012 | | | Total |
|---|---|---|---|---|
| | UBRAF Core Funds | Non-core funds | Total | *2011* |
| Expense | | | | |
| Salary and other personnel costs | 117 006 106 | 12 926 788 | 129 932 894 a/ | *130 652 941* |
| Transfers and grants to counterparts | 89 181 409 | 5 761 198 | 94 942 607 | *104 841 934* |
| Contractual services | 14 874 373 | 13 428 347 | 28 302 720 | *49 676 352* |
| General Operating Expense | 12 937 334 | 1 077 839 | 14 015 173 | *19 077 464* |
| Travel | 6 157 444 | 1 319 685 | 7 477 129 | *13 967 963* |
| Equipment, Furniture, Vehicles | 1 207 911 | 177 853 | 1 385 764 | *2 584 603* |
| Depreciation | - | 499 621 | 499 621 | *-* |
| Finance Costs | 2 966 804 | 390 779 | 3 357 583 | *629 679* |
| Expense | 244 331 381 | 35 582 110 | 279 913 491 | *321 430 936* |

*a/ includes US$ 4.7 million related to expense against the staff health insurance due to the movement in the ASHI actuarial liability, therefore, the net 2012 salary expense amounted to US$ 125.5 million (i.e. a net decrease of US$ 5.5 million or 4.2% compared to 2011.*

18. The initiatives and measures put in place during 2012 to contain costs and increase cost-effectiveness and efficiency in the Secretariat resulted in a net decrease in the total 2012 expenditure of US$ 41.5 million or 13% compared to 2011 (i.e. US $ 279.9 million in 2012 vis-a-vis US$ 321.4 million in 2011) and reduction of costs under each major expense category compared to 2011 as reflected in table C above.

## Fund Balance

19. On 31 December 2009, UNAIDS net fund balance stood at US$ 218.3 million or 45% of the biennial budget. At its 26th meeting held in Geneva in June 2010, the Programme Coordinating Board approved the fund balance at a maximum level of 35% of the biennial budget. On 31 December 2011 the Unified Budget, Results and Accountability Framework net fund balance amounted to US$ 195.6 million or 41% of the biennial budget.

20. At its 30th meeting held in Geneva in June 2012, the Programme Coordinating Board endorsed the Executive Director's recommendation to fund the organizational staff-related liabilities, and to establish a Building Renovation Fund. The initial funding of the staff-related liabilities for US$ 20 million; the establishment of the Building Renovation Fund for US$ 2.6 million; the lower income received during 2012 and the high implementation rate during 2012 resulted in a net fund balance as at 31 December 2012 of US$ 154.8 million or 32% of the biennial budget.[3] This represents a reduction of US$ 40.8 million compared to the fund balance as at 31 December 2011.

21. The level of the Unified Budget, Results and Accountability Framework net fund balance of US$ 154.8 million as at 31 December 2012 is now 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 should be noted that the fund balance available at the start of each year is the Joint Programme's working capital as it enables the Joint Programme to operate without interruption, including allocation of funding to Cosponsors. Accordingly, the fund balance is monitored to ensure it is maintained at a level to guarantee the continued smooth implementation of the Joint Programme.

[3] In addition to the expense of US$ 232 million under the 2012-2013 Unified Budget, Results and Accountability Framework US$ 12.3 million related to expenses against 2010-2011 Unified Budget and Workplan encumbrances, US$ 10.1 million was encumbered during 2012 (representing firm commitments of goods and services to be delivered in 2013), as reflected in statement V on page 18. Therefore, the net fund balance as at 31 December 2012 under the Unified Budget, Results and Accountability Framework to cover 2013 Unified Budget, Results and Accountability Framework activities was US$ 154.8 million. (i.e., US$ 164.9 million less US$ 10.1 million reserved for 2012 encumbrances equals US$ 154.8 million).

## PART II

### FINANCIAL STATEMENTS, SCHEDULES AND NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2012

This section of the financial report presents the overall financial position of UNAIDS as of and for the year ended 31 December 2012. 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 2012.

**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

7 March 2013

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

*Maria Gracia M. Pulido Tan*
Chairperson

## LETTER OF TRANSMITTAL

**12 April 2013**

**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 2012.

I record my appreciation to the World Health Assembly for the honor and privilege to serve as external auditor of WHO and its non-consolidated entities.

**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**

Phone: (632) 952-5700 local 1011 / 931-9232 / 931-9220 / 951-0936
Fax: (632) 931-9223 Email: cmgptan@coa.gov.ph Website: www.coa.gov.ph

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 2012, 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 2012, 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**
**27 March 2013**

***Statement I***

**Statement of financial position**

**All sources of funds as at 31 December 2012**

(in US dollars)

| | Note | 31 December 2012 | 1 January 2012 (Opening Balance Restated) | 31 December 2011 (as audited) |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents held by WHO | 4.1 | 204 672 570 | 240 468 956 | 240 599 111 |
| Accounts receivable - current | 4.2 | 77 358 261 | 81 996 207 | 81 996 207 |
| Advances to UNDP | | - | - | 9 301 705 |
| Staff receivables | 4.3 | 1 682 960 | 1 982 795 | - |
| Other receivables | 4.4 | - | 144 670 | 871 597 |
| Prepayments | 4.5 | 20 475 470 | 10 504 961 | 1 203 256 |
| **Total current assets** | | 304 189 261 | 335 097 589 | 333 971 876 |
| **Non-current assets** | | | | |
| Accounts receivable - non-current | 4.2 | 7 560 611 | 5 398 050 | 5 398 050 |
| Property, plant and equipment | 4.6 | 23 367 086 | 23 478 989 | 25 613 444 |
| **Total non-current assets** | | 30 927 697 | 28 877 039 | 31 011 494 |
| ***TOTAL ASSETS*** | | **335 116 958** | **363 974 628** | **364 983 370** |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Deferred revenue - current | 4.7 | 18 811 463 | 27 242 365 | 27 242 365 |
| Accounts payable | 4.8 | 2 403 108 | 1 659 863 | 1 715 092 |
| Staff payable | 4.9 | 419 033 | 55 229 | - |
| Employee benefits | 4.10 | 10 044 304 | 11 339 025 | - |
| Other liabilities | 4.12 | 235 612 | 891 616 | 891 616 |
| **Total current liabilities** | | 31 913 520 | 41 188 098 | 29 849 073 |
| **Non-current liabilities** | | | | |
| Employee benefits | 4.10 | 52 083 403 | 47 125 287 | 13 243 279 |
| Deferred revenue - non-current | 4.7 | 7 560 611 | 5 398 050 | 5 398 050 |
| Long-term borrowings | 4.11 | 21 172 074 | 22 036 297 | 21 058 670 |
| **Total non-current liabilities** | | 80 816 088 | 74 559 634 | 39 699 999 |
| ***TOTAL LIABILITIES*** | | 112 729 608 | 115 747 732 | 69 549 072 |
| **NET ASSETS/EQUITY** | | | | |
| **Net assets/reserves** | 4.15 | | | |
| Operating reserve fund | 4.16 | 35 000 000 | 35 000 000 | 35 000 000 |
| Equity in capital assets | | 4 010 562 | 3 480 643 | 4 458 270 |
| Depreciation reserve | | (2 634 076) | (2 134 455) | - |
| Non-restricted | 4.17 | 164 887 579 | 211 570 482 | 211 700 637 |
| Restricted | | 46 244 636 | 44 275 391 | 44 275 391 |
| Building Renovation Fund | | 2 600 000 | - | - |
| Staff Benefits | | (31 667 752) | (49 556 503) | - |
| Non-payroll entitlements Fund | | 3 946 401 | 5 591 338 | - |
| ***TOTAL NET ASSETS/EQUITY*** | | 222 387 350 | 248 226 896 | 295 434 298 |
| ***TOTAL LIABILITIES AND NET ASSETS/EQUITY*** | | **335 116 958** | **363 974 628** | **364 983 370** |

***Statement II***

**Statement of financial performance**

**All sources of funds for the year ended 31 December 2012**
(in US dollars)

| | Notes | 31 December 2012 |
|---|---|---|
| **Revenue** | | |
| Voluntary contributions | 5.2 | |
| Governments | | **234 695 113** |
| Cosponsoring organizations | | **4 211 767** |
| Others | | **8 966 635** |
| Financial revenue | 5.3 | **5 670 510** |
| ***Total revenue*** | | **253 544 025** |
| **Expense** | 5.4 | |
| Salary and other personnel costs | | **129 932 894** |
| Transfers and grants to counterparts | | **94 942 607** |
| Contractual services | | **28 302 720** |
| General operating expenses | | **14 015 173** |
| Travel | | **7 477 129** |
| Equipment, vehicles and furniture | | **1 385 764** |
| Depreciation | | **499 621** |
| Finance Costs | | **3 357 583** |
| ***Total expense*** | | **279 913 491** |
| **Total surplus/(deficit) for the period** | | **(26 369 466)** |

***Statement III***

**Statement of changes in net assets/equity**

**All sources of funds for the year ended 31 December 2012**
(in US dollars)

| | Notes | 31 December 2012 | 2012 Movements | 2012 Transfers | 1 January 2012 (Opening balance Restated) |
|---|---|---|---|---|---|
| **Net assets/reserves** | 4.15 | | | | |
| Operating reserve fund | 4.16 | 35 000 000 | | | 35 000 000 |
| Equity in capital assets | 4.17 | 4 458 270 | | | 4 458 270 |
| Loan adjustments effective interest | | ( 577 863) | 399 764 | | ( 977 627) |
| Hedging adjustments | | 130 155 | 130 155 | | |
| **Total Equity in capital assets** | | **4 010 562** | **529 919** | | **3 480 643** |
| Depreciation reserve | | | | | |
| Depreciation on property, plant and equipment | | (2 634 076) | ( 499 621) | | (2 134 455) |
| **Non-restricted funds** | 4.17 | | | | |
| UBRAF Core Unrestricted | | 164 887 579 | (24 082 903) | (22 600 000) | 211 570 482 |
| **Restricted funds** | | | | | |
| UBRAF Supplementary Restricted | | 18 481 325 | 18 481 325 | | |
| Extra-budgetary funds | | 27 763 311 | (16 512 080) | | 44 275 391 |
| Total Restricted | | 46 244 636 | 1 969 245 | | 44 275 391 |
| **Other Funds** | | | | | |
| Building Renovation Fund | | 2 600 000 | | 2 600 000 | |
| **Staff Benefits** | | | | | |
| Staff Health Insurance | | (24 873 963) | (4 746 897) | 13 877 551 | (34 004 617) |
| Terminal Payments | | (6 054 146) | 2 770 187 | 6 122 449 | (14 946 782) |
| Special Fund for Compensation | | ( 739 643) | ( 134 539) | | ( 605 104) |
| **Total Staff Benefits Fund** | | **(31 667 752)** | **(2 111 249)** | **20 000 000** | **(49 556 503)** |
| Non-payroll Staff entitlements Fund | | 3 946 401 | (1 644 937) | | 5 591 338 |
| **Total Funds** | | **185 511 242** | **(26 369 466)** | | **211 880 708** |
| **Net assets/equity** | | **222 387 350** | **(25 839 546)** | | **248 226 896** |

***Statement IV***

**Statement of cash flow**

**All sources of funds for the year ended 31 December 2012**

(in US dollars)

| | **2012** |
|---|---|
| **Cash flows from operating activities** | |
| Surplus/(deficit) for the period | (26 369 466) |
| Depreciation | 3 357 583 |
| (Increase)/decrease in contributions receivables (current) | 4 637 946 |
| (Increase)/decrease in contributions receivables (non-current) | (2 162 561) |
| (Increase)/decrease in other receivables | 144 670 |
| (Increase)/decrease in prepayments | (9 970 509) |
| (Increase)/decrease in staff receivables | 299 835 |
| Increase/(decrease) in accounts payables | 743 245 |
| Increase/(decrease) in staff payables | 363 804 |
| Increase/(decrease) in deferred revenue (current) | (8 430 902) |
| Increase/(decrease) in employee benefits (current) | (1 294 721) |
| Increase/(decrease) in deferred revenue (non-current) | 2 162 561 |
| Increase/(decrease) in employee benefits (non-current) | 4 958 116 |
| Increase/(decrease) in other current liabilities | ( 656 003) |
| Decrease/Increase due to revaluations and others | 529 919 |
| *Net cash flow from operating activities* | (31 686 484) |
| **Cash flows from investing activities** | |
| Purchase of property, plant and equipment | (3 245 680) |
| *Net cash flow from investing activities* | (3 245 680) |
| **Cash flows from financing activities** | |
| Repayment of borrowings | ( 864 222) |
| *Net cash flow from financing activities* | ( 864 222) |
| **Net Increase/(decrease) in cash and cash equivalents** | (35 796 386) |
| **Cash and cash equivalents at beginning of period** | 240 468 956 |
| **Cash and cash equivalents at end of period** | 204 672 570 |

***Statement V - A ( 2012-2013)***

**2012-2013 Unified Budget, Results and Accountability Framework**

**Budget, expense and encumbrance summary by Strategic Directions and Strategic Functions**

**for the year ended 31 December 2012**

**(in US dollars)**

| | Strategic Directions | 2012-2013 Approved allocations | Expense | Encumbrance [a/] | Total | Balance | Percentage implementation |
|---|---|---|---|---|---|---|---|
| | | (a) | (b) | (c) | (d) = (b + c) | (e) = (a-d) | (f) = (d / a) |
| 1 | Revolutionize HIV prevention | 82 225 700 | 41 112 850 | | 41 112 850 | 41 112 850 | 50.0% |
| 2 | Catalyze the next phase of treatment, care and support | 46 484 500 | 23 242 250 | | 23 242 250 | 23 242 250 | 50.0% |
| 3 | Advance human rights and gender | 26 297 300 | 13 148 650 | | 13 148 650 | 13 148 650 | 50.0% |
| 4 | Leadership, coordination and mutual accountability | 329 812 500 | 152 168 634 | 10 127 663 | 162 296 297 | 167 516 203 | 49.2% |
| | **Total** | **484 820 000** | **229 672 384** | **10 127 663** | **239 800 047** | **245 019 953** | **49.5%** |

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

***Statement V B ( 2010 -2011)***

**2010-2011 Unified Budget and Workplan**

**Budget, expense and encumbrance summary by Principal Outcomes**

**for the year ended 31 December 2012**

(in US dollars)

| | Principal Outcomes | 2010-2011 Approved allocations | 2010-2011 Expense | Encumbrance in 2010-2011 a/ | 2012 Expense ( being liquidation of 2010-2011 encumbrance) | Total Expense | Balance | Percentage implementation |
|---|---|---|---|---|---|---|---|---|
| | | (a) | (b) | ( c) | (d) | (e) = (b + d ) | (f) = (a - e) | (g) = (e / a) |
| 1 | Leadership and resource mobilization for a boradbased HIV response at country, regional and global levels are strengthened. | 73 797 330 | 71 848 190 | 3 705 033 | 2 446 296 | 74 294 486 | ( 497 156) | 100.7% |
| 2 | Strategic information strengthened and available to support knowing your epidemic, guiding an evidence informed response and improving accountability. | 37 448 672 | 36 201 754 | 1 507 069 | 1 267 756 | 37 469 510 | ( 20 838) | 100.1% |
| 3 | Human resources and systems of government and civil society enhanced to develop, implement and scale up evidence informed comprehensive HIV responses. | 102 174 825 | 102 650 391 | 1 217 186 | 1 084 215 | 103 734 606 | (1 559 781) | 101.5% |
| 4 | Human rights based and gender responsive policies and approaches to reduce stigma and discrimination are strengthened, including as appropriate focussed efforts on sex work, drug use, incarceration and sexual diversity | 19 652 573 | 17 584 833 | 414 359 | 300 640 | 17 885 473 | 1 767 100 | 91.0% |
| 5 | National capacities for scaling-up HIV prevention, treatment, care and support are enhanced | 48 505 097 | 43 210 484 | 442 829 | 385 472 | 43 595 956 | 4 909 141 | 89.9% |
| 6 | Coverage and sustainability of programmes for HIV prevention, treatment, care and support are increased and address the vulnerability and impact associated with sex work, drug use, incarceration and sex between men | 15 129 260 | 15 129 260 | | | 15 129 260 | | 100.0% |
| 7 | Increased coverage and sustainability of programmes including to address the vulnerability of, and impact on women and girls, young people, children, populations affected by humanitarian crisis and mobile populations | 37 894 503 | 33 983 669 | 271 553 | 194 532 | 34 178 201 | 3 716 302 | 90.2% |
| 8 | Coordination, alignment and harmonization strengthened across the HIV response | 180 217 740 | 173 341 894 | 8 548 775 | 6 657 657 | 179 999 551 | 218 189 | 99.9% |
| | **Total** | **514 820 000** | **493 950 475** | **16 106 804** | **12 336 568** | **506 287 043** | **8 532 957** | **98.3%** |

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

## 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” which currently consists of eleven United Nations organizations.[4]

Resolution 1994/24 adopted by ECOSOC in July 1994 endorsed the establishment of the Joint and Cosponsored United Nations Programme on HIV/AIDS as outlined in the annex to the resolution. The Programme headed by an Executive Director, appointed by the UN Secretary-General upon the recommendation of the Cosponsors, will report directly to the Programme Coordinating Board which serves as the governance structure for the Programme.

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

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

- **Uniting efforts** of the UN, civil society, governments, the private sector, global institutions and people living with and most affected by HIV;
- **Speaking out in solidarity** with the people most affected by HIV in 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). 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 which is the functional currency of UNAIDS.

[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 therefore encompassing the resources of eleven Agencies.

This is the first set of UNAIDS financial statements prepared in compliance with IPSAS. The adoption of IPSAS has required changes to be made to the accounting policies previously followed by UNAIDS. This includes the preparation of the financial statements on an annual basis as opposed to previously when financial statements were prepared on a biennial basis. The adoption of the new accounting policies has resulted in changes to the assets and liabilities recognized in the Statement of Financial Position. Accordingly, the last audited Statement of Financial Position, dated 31 December 2011, has been restated and the resulting changes are reported in the Statement of Changes in Net Assets/Equity and under Note 3 - “First Implementation of IPSAS”.

The revised 31 December 2011 Statement of Financial Position is described in the financial statements as the 1 January 2012 Opening Balance (Restated).

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. The areas where critical estimates and assumptions are significant have been disclosed in Note 2.20.

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

On the initial adoption of IPSAS, UNAIDS has invoked the following transitional provisions as permitted by IPSAS in the preparation of the financial statements:

1. Comparative information has not been provided for the Statement of Financial Performance and Statement of Cash Flow (IPSAS 1)

2. Transitional provisions have been applied for the initial recognition of property, plant and equipment (IPSAS 17). All additions to property, plant and equipment purchased in 2012 have been capitalized.

3. The initial recognition of Intangible Assets has been applied prospectively from 2012 (IPSAS 31).

The following Accounting Standards have been adopted prior to their required implementation date of 1 January 2013:

IPSAS 28: Financial Instruments: Presentation;
IPSAS 29: Financial Instruments: Recognition and Measurement; and
IPSAS 30: Financial Instruments: Disclosures.

These standards replace IPSAS 15, Financial Instruments: Disclosure and Presentation.

**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.

<u>Financial instruments</u> are recognized when WHO becomes a party to the contractual provisions of the instrument until such time as 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.

<u>Financial assets or financial liabilities at fair value through surplus or deficit</u> 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.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Organization has 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 income recognized on an effective yield basis in the Statement of Financial Performance.

Bank deposits and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Accrued income related to investments' interest and dividend and pending cash to receive from investments to settle are included here. Bank deposits and receivables are stated at amortized cost calculated using the effective interest rate method, less any impairment. Interest income is recognized on the effective interest rate basis, other than for short-term receivables where 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 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 and advances made to UNAIDS Cosponsors to enable them to carry out their mandate under the UNAIDS 2012-2015 Unified Budget, Results and Accountability Framework.

### 2.5 Property, plant and equipment (PP&E)

Property, plant & 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.

Additions to PP&E

UNAIDS has recognized equipment with a value of US$ 5 000 and above purchased in 2012 under PP&E. Heritage assets have not been valued and are not considered in the financial statements.

The cost of building as at 1 January 2012 (the date of transition to IPSAS) has been brought in at the value determined by reference to a deemed cost calculated by an external consultant and representing the value of each component at construction plus improvements existing at the initial recognition, less accumulated depreciation.

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. In accordance with the transition provision under IPSAS 31, the Secretariat has elected to apply the transition provision under IPSAS 31 on a prospective basis. The Secretariat has not purchased any intangible assets in 2012 that met the threshold requirement.

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. The Secretariat reviews all leases on an annual basis to determine whether it constitutes 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

<u>Short-term employee benefits</u>

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, housing, cars and free or subsidized goods or services) 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.

<u>Post-employment benefits</u>

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.

<u>United Nations Joint Staff Pension Fund</u>

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 employees. 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 employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. 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.

Service Staff Health Insurance

UNAIDS is a participant in the Staff Health Insurance (SHI) which is a multi-employer defined benefit plan operated and managed by WHO. The medical insurance subsidizes the costs of insurance for active and retired staff members and their dependents. The liability is determined by an independent actuary on an annual basis. Actuarial gains and losses are recognized utilizing the corridor approach and amortized over the average years of future service of active staff.

Other long-term employee benefits

These are liabilities which are not expected to be settled within the 12 month reporting period and have been classified as non-current liabilities.

Terminal benefits

There are benefits to which eligible staff members are entitled on termination of their contracts and include repatriation grants, removal and travel.

### 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. 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 Foreign currency transactions

The consolidated financial statements are presented in United States (US) dollars, which is the functional currency of UNAIDS. Foreign currency transactions are translated into United States dollars using the UN Operational Rate of Exchange prevailing at the date of the transaction. Assets and liabilities that are denominated in foreign currencies are translated at the rates of exchange prevailing on the first day of the following month for purposes of reporting. Realized/unrealized gains and losses resulting from the settlement and revaluation of foreign currency transactions are recognized in the Statement of Financial Performance.

### 2.13 Provisions and contingent liabilities

Provisions are recognized as future liabilities when a current legal obligation as a result of past events has presented the Programme as a commitment to be settled within a reasonable future period. 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.

Commitments which have a constructive obligation and a reliable estimate of value will be disclosed as contingent liabilities when it becomes probable that the Programme will be called on to settle the obligation.

### 2.14 Contingent assets

Contingent assets will be disclosed when information is available that an inflow of economic benefit or service potential to UNAIDS is probable and can be fairly estimated.

### 2.15 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 corresponding deferred revenue as a liability. Revenue is recognized when the condition is discharged.

***Contributions in-kind or 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.

### 2.16 Expense recognition

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

### 2.17 Segment reporting-fund accounting

Fund accounting is a method of segregating resources into categories, (i.e. funds) to identify both source and use of funds. Establishment of such funds 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 three types of funds for UNAIDS are core Unified Budget, Results and Accountability Framework funds, supplementary Unified Budget, Results and Accountability Framework funds and extra-budgetary funds. Any transfers between funds that would result in duplication of revenue and/or expense (including Programme Support Costs) are eliminated during consolidation. 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.

### 2.18 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 and therefore, as stipulated in IPSAS 24, and in order to facilitate a comparison between the budget and the financial statements prepared under IPSAS, reconciliation of the budget to the Statement of Financial Performance is included in the notes to the financial statements.

### 2.19 Use of estimates

The financial statements necessarily include amounts based on estimates and assumptions by management. 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. Changes in estimates are reflected in the period in which they become known.

### 2.20 Risk management and internal control

In order to ensure effective governance and accountability, the UNAIDS Secretariat is in the process of developing an Enterprise Risk Management framework (ERM) to enable the identification, assessment, mitigation and management of risk. The ERM is being developed as the methodology to optimize the impact and results of the Programme by efficiently and effectively deploying resources in pursuit of the Programme's objectives. The ERM shall enable management to effectively deal with uncertainty and associated risks to enhance response during particularly challenging times and prevent loss of resources by managing the Programme, conserving deployment of capital through accountability, performance monitoring and evaluation, as well as strategic planning. Together with the internal control framework, the risk management framework will assist UNAIDS in addressing the needs of various stakeholders to understand the broad spectrum of risks facing UNAIDS to ensure they are appropriately managed.

## 3. IMPACT STATEMENT ON THE IMPLEMENTATION OF IPSAS AND OPENING BALANCE ADJUSTMENTS

These are the first UNAIDS financial statements prepared on a full accrual basis and which comply with the requirements of International Public Sector Accounting Standards (IPSAS). UNAIDS financial statements for the prior biennium were prepared to conform to the United Nations System Accounting Standards (UNSAS), and were presented on a modified cash basis. The revised Statement of Financial Position shown below, summarizes the adjustments made to the audited 2010-2011 balances under Assets, Liabilities and Reserves and Fund Balances to reflect the impact and accounting treatment to various classes of assets and liabilities in order to present an IPSAS compliant opening Statement of Financial Position as at 1 January 2012.

**IPSAS Compliant opening statement of financial position**
**All sources of funds as at 1 January 2012 (Restated)**

(in US dollars)

| | Note | 31 December 2011 (as audited) | IPSAS Adjustments | 1 January 2012 Opening Balance Restated |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents held by WHO | 3.2 | 240 599 111 | ( 130 155) | 240 468 956 |
| Cash and cash equivalents held by WHO | | - | | |
| Accounts receivable - current | | 81 996 207 | | 81 996 207 |
| Advances to UNDP | 3.3 | 9 301 705 | (9 301 705) | |
| Staff receivables | 3.4 | | 1 982 795 | 1 982 795 |
| Other receivables | 3.5 | 871 597 | ( 726 927) | 144 670 |
| Prepayments | 3.3 | 1 203 256 | 9 301 705 | 10 504 961 |
| **Total current assets** | | 333 971 876 | 1 125 713 | 335 097 589 |
| **Non-current assets** | | | | |
| Accounts receivable - non-current | | 5 398 050 | | 5 398 050 |
| Building | 3.6 | 25 613 444 | (2 134 455) | 23 478 989 |
| **Total non-current assets** | | 31 011 494 | (2 134 455) | 28 877 039 |
| ***TOTAL ASSETS*** | | 364 983 370 | (1 008 742) | 363 974 628 |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Deferred revenue - current | | 27 242 365 | | 27 242 365 |
| Accounts payable | 3.9 | 1 715 092 | ( 55 229) | 1 659 863 |
| Staff payable | 3.9 | | 55 229 | 55 229 |
| Employee benefits | 3.7 | | 11 339 025 | 11 339 025 |
| Other liabilities | | 891 616 | | 891 616 |
| **Total current liabilities** | | 29 849 073 | 11 339 025 | 41 188 098 |
| **Non-current liabilities** | | | | |
| Employee benefits | 3.7 | | 47 125 287 | 47 125 287 |
| Deferred revenue - non-current | | 5 398 050 | | 5 398 050 |
| Long-term borrowings | 3.8 | 21 058 670 | 977 627 | 22 036 297 |
| Accrued staff benefits | 3.7 | 13 243 279 | (13 243 279) | |
| **Total non-current liabilities** | | 39 699 999 | 34 859 635 | 74 559 634 |
| ***TOTAL LIABILITIES*** | | 69 549 072 | 46 198 660 | 115 747 732 |
| **NET ASSETS/EQUITY** | | | | |
| **Net assets/reserves** | 3.1 | | | |
| Operating reserve fund | | 35 000 000 | | 35 000 000 |
| Equity in capital assets | | 4 458 270 | ( 977 627) | 3 480 643 |
| Depreciation reserve | | | (2 134 455) | (2 134 455) |
| Non-restricted | | 211 700 637 | ( 130 155) | 211 570 482 |
| Restricted | | 44 275 391 | | 44 275 391 |
| Staff Benefits | | | (49 556 503) | (49 556 503) |
| Non-payroll Entitlements Fund | | | 5 591 338 | 5 591 338 |
| ***TOTAL NET ASSETS/EQUITY*** | | 295 434 298 | (47 207 402) | 248 226 896 |
| ***TOTAL LIABILITIES AND NET ASSETS/EQUITY*** | | **364 983 370** | **(1 008 742)** | **363 974 628** |

**3.1 Statement overview (restated opening balances)**

In order to comply with IPSAS, adjustments were required for the preparation and presentation of opening balances as at 1 January 2012 over the balances reflected as at 31 December 2011 in the Statement of Financial Position. The main adjustments were the recognition of employee benefits liabilities pertaining to staff health insurance (US$ 34.4 million) and annual leave and termination benefits (US$ 14.4 million) which have been reflected as unfunded liabilities. The other adjustments include depreciation on the building from its inception of US$ 2.1 million and the loan adjustments for the building with interest effectiveness of US$ 0.9 million. The overall adjustments resulted in a net decrease of US$ 47.2 million in the net assets/equity.

The analysis of various impacts on the class of assets and liabilities are explained below along with the IPSAS compliant opening statement of financial position as at 1 January 2012.

**3.2 Cash and cash equivalents held by WHO**

The cash and cash equivalents held by WHO as at 31 December 2011 of US$ 240 599 111 was reduced by US$ 130 155 being UNAIDS balance sheet hedging. This adjustment has resulted in a net balance of US$ 240 468 956 under the account cash and cash equivalents held by WHO.

**3.3 Advances to UNDP and prepayments**

Under the “Working Arrangement between the United Nations Development Programme (UNDP) and the Joint United Nations Programme on HIV/AIDS (UNAIDS) covering the provision of administrative support services by UNDP” signed in April 1996 and updated in June 2008, UNDP provides some administrative support services to UNAIDS country and regional offices. Such an arrangement requires UNAIDS to periodically advance funds to UNDP to cover payments made by UNDP on behalf of UNAIDS. This has been reclassified as prepayments.

**3.4 Staff receivables**

International staff, other than those living in their home country, are eligible to receive a grant towards the costs of certain education for dependent children until the end of the school year in which the child reaches the age of 25. Maximum grants are established for each country. International staff are eligible to receive an advance equal to the estimated amount of the education grant for each child at the beginning of the scholastic year. Staff advances for education grants represent the portion of grants advanced for the 2011-2012 scholastic year which remain outstanding as at 31 December 2011. This has resulted in an additional amount of US$ 1.2 million under staff receivables representing the portion of education grant advances that relate to 2012. An amount of US$ 0.7 million earlier reflected under accounts receivable has been reclassified as staff receivables.

**3.5 Other receivables**

The balances as at 31 December 2011 included staff payroll receivables totalling US$ 0.7 million which has now been reflected under staff receivables. This adjustment has resulted in a reduction in the other receivables balance as at 1 January 2012.

**3.6 Building**

UNAIDS has adopted the transition provisions for disclosures of property, plant and equipment in the financial statements. UNAIDS owns one building and this has been recognized in the financial statements as at 1 January 2012. The UNAIDS building was previously included at cost without depreciation. In accordance with IPSAS, depreciation has now been recognized in the opening balance. The depreciation costs have been included as adjustments to the revaluation surplus reserve.

### 3.7 Employee benefits – current and non-current liabilities

Liabilities relating to post-employment employee benefits as per actuarial valuations have bee recognized in the financial statements based on their valuation as at 31 December 2011.

The valuation for current liabilities representing accrued annual leave and terminal payments has been recognized at US$ 11.4 million. The valuation representing the after-service health insurance for UNAIDS staff has been recognized at US$ 63.2 million and has been classified as non-current liabilities (out of this amount of US$ 63.2 million, US$ 29.2 million is funded and the unfunded portion of US$ 34 million is reflected in our accounts. Terminal payments representing repatriation grant and other post-employment benefits of US$ 12.5 million has been recognized as non-current liability. US$ 0.6 million has been established as a liability for the special fund for compensation. All the provisions have been adjusted with a corresponding decrease in net assets/equity. The detailed explanations of the actuarial valuations are included in the notes to the current financial statements.

### 3.8 Long-term borrowings

In December 2003, the Swiss Confederation agreed to provide an interest free loan for the construction of a shared building in Geneva for the UNAIDS Secretariat and WHO. The joint loan of CHF 59.8 million, of which UNAIDS' share is CHF 29.9 million, is repayable over a 50-year period with effect from the first year of the completion of the building. The loan of US$ 22 million is reflected at amortized cost using the effective interest rate of 1.23% (Swiss National Bank rate for 30 years). The opening balances have been adjusted to reflect the effective rate of interest.

### 3.9 Accounts payable and staff payable

The opening balance has been adjusted to reflect the employee staff liability earlier classified under accounts payable and has now been reclassified as staff payable.

## 4. SUPPORTING INFORMATION TO THE STATEMENT OF FINANCIAL POSITION

### 4.1 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 non-consolidated entities. All cash and investments held are reported in the WHO financial statements. Cash and cash equivalents and unrealized losses on hedging have been included in the funds managed by WHO on behalf of UNAIDS. They are held for meeting short-term cash commitments rather than for investment or other purposes. The balance also includes 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$ 204 672 570 as at 31 December 2012.

**Cash and cash equivalents held by WHO**
(in US dollars)

| | 31 December 2012 | 1 January 2012 (Restated) | 31 December 2011 (as audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash at bank | | | |
| Imprest Accounts | 151 069 | 107 057 | 107 057 |
| Total Cash | 151 069 | 107 057 | 107 057 |
| Cash held on behalf of UNAIDS by WHO | 204 521 501 | 240 361 899 | 240 492 054 |
| **Total Cash and cash equivalents held by WHO** | 204 672 570 | 240 468 956 | 240 599 111 |

### 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, and corporate bonds as defined in the approved Investment Policy. Financial assets at fair value through surplus and deficit include fixed income securities and derivatives instruments held in order to cover projected liabilities and unexpected cash requirements. As the duration of the Held-to-Maturity Portfolio is less than one year, it is classified as a financial asset at amortized cost under current assets. Loans and receivables include bank deposits, accrued income on investments and receivables from trade sales to settle. This also includes the unrealized gains on the derivative contracts either made by external managers or on the internally managed foreign hedging contracts.

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

**Risk management**

The Organization is exposed to certain financial risks including credit risk, interest rate risk, foreign currency exchange risk and price risk. The Organization uses derivative financial instruments to hedge some of its risk exposures. In accordance with Financial Regulations, funds not required for immediate use may be invested. All investments are carried out within the framework of investment policies approved by the WHO Director General. These policies are regularly reviewed by the Advisory Investment Committee, which includes external investment specialists. The Committee makes regular recommendations to the Director General.

**Credit risk**

UNAIDS' shares similar credit risks to those of WHO and makes full disclosures with respect to the same. The WHO's credit risk is widely spread and WHO's Investment Policy limits the amount of credit exposure to a single counterparty. For this purpose WHO's investments are spread across many counterparties and for all portfolios, minimum credit quality limits and maximum exposure limits to any counterparty (and to group of related counterparties) have been established in mandate guidelines. This applies to the portfolios managed internally by the WHO Treasury unit directly and to the portfolios managed by external Investment Managers. Furthermore, the Treasury unit monitors the global exposure to the same counterparties under different internally and externally managed investment portfolios to ensure that there is no excessive cross-portfolio counterparty exposure.

Credit risk and liquidity risk associated with cash and cash equivalents are minimized substantially by ensuring that these financial assets are placed with major financial institutions that have been accorded strong investment grade ratings by primary rating agencies. The Treasury unit reviews the credit ratings of all approved financial counterparties at least once a month in order to monitor the credit rating changes and to take prompt action for capital preservation.

**Interest rate risk**

UNAIDS is exposed to interest rate risk through short-term and long-term fixed income 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 curve positioning.

**Foreign exchange currency risk**

UNAIDS receives voluntary contributions and makes payments in currencies other than US dollars. It is exposed to foreign exchange currency risk arising from fluctuations in the currency exchange rates. Translation into US dollars of transactions expressed in other currencies is effected at the prevailing United Nations accounting rate of exchange, as applicable at the date of the transaction. Assets and liabilities that are denominated in foreign currencies are translated at the rates of exchange prevailing on the first day of the month for purposes of reporting.

Realized/unrealized gains and losses resulting from the settlement and revaluation of foreign currency transactions are recognized in the Statement of Financial Performance. The foreign exchange forward contracts are used to hedge the foreign currency exposure and to manage short-term cash flows. These hedging relationships currently do not qualify as hedge accounting under IPSAS standards.

**Hedging foreign exchange exposures on future payroll costs**

The value of non-dollar (i.e. Swiss Franc) payroll expenditures in 2013 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 2012. As at 31 December 2012 the forward foreign currency exchange hedging contracts were CHF 15 million. Unrealized net losses on these contracts amounted to US$ 0.9 million as at 31 December 2012 (US$ 1.2 million as at 1 January 2012 restated). Realized gains or losses on these contracts will be recorded on maturity of the contracts and applied during 2012-2013.

**Hedging foreign exchange exposures on receivables and payables**

Currency exchange risk arises due to differences in the exchange rates at which foreign currency receivables or payables are recorded, and the exchange rates at which the cash receipt or payment is subsequently recorded. A monthly programme of currency hedging is performed to hedge this foreign currency risk. On an 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 UN exchange rates, and the forward foreign exchange contracts are adjusted and swapped back to the following month to match the revised net currency exposures. Through this process the exchange gains or losses crystallized on the forward foreign currency contracts hedge the corresponding exchange losses and gains on the movements in the net contributions, accounts receivable and accounts payable. As at 31 December 2012 the total forward foreign currency hedging contracts by currency for UNAIDS were as follows:

| Currency forward | Sum of Sell amount | Sum of Buy Amount | Unrealized gain/(loss) (USD) |
|---|---|---|---|
| EUR | 40 000 000 | 7 121 594 | ( 43 798) |
| GBP | 5 000 000 | 6 639 355 | ( 45 561) |
| SEK | 10 450 000 | 1 610 305 | ( 5 455) |
| Total | 55 450 000 | 15 371 254 | ( 94 814) |

### *4.2 Accounts receivable*

As at 31 December 2012, US$ 84.9 million in contributions receivable was outstanding (US$ 87.4 million as at 1 January 2012 restated). A total of US$ 55.3 million of this receivable is due to letters of credit outstanding with the Government of the United States of America; and US$ 7.5 million represents receivables due in future financial periods (broken down between current and 2013). An allowance for doubtful debts has been established after review of all the outstanding receivables for US$ 85 010.

| **Accounts Receivable** (in US dollars) | **31 December 2012** | **1 January 2012 (Restated)** | **31 December 2011 (as audited)** |
|---|---|---|---|
| Accounts receivable - current | | 81 996 207 | 81 996 207 |
| Unified Budget, Results and Accountability Framework | 59 743 870 | | |
| Supplementary Funds | 8 912 886 | | |
| Extra-budgetary Funds | 8 786 516 | | |
| Accounts receivable - non-current | | | |
| Unified Budget, Results and Accountability Framework | 2 460 612 | 5 398 050 | 5 398 050 |
| Supplementary Funds | 2 467 579 | | |
| Extra-budgetary Funds | 2 632 420 | | |
| **Total Accounts Receivable** | 85 003 883 | 87 394 257 | 87 394 257 |
| Less: Arrears for delayed payments - current | | | |
| Extra-budgetary Funds | 85 010 | | |
| Total Net receivable from Non-Exchange Transactions | 84 918 873 | 87 394 257 | 87 394 257 |

### *4.3 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.

As at 31 December 2012, US$ 1.7 million in staff receivable was outstanding including salary advance, rental advance, travel advance and education grant advances. (US$ 1.9 million as at 1 January 2012 restated). The education grant advances represent the advances made to staff members for the scholastic year 2012-2013.

| **Staff receivables** (in US dollars) | **31 December 2012** | **1 January 2012 (Restated)** |
|---|---|---|
| Staff Receivables | | |
| Salary advance | 206 369 | 147 903 |
| Rental advance | 212 244 | 214 598 |
| Other staff advances | | 59 724 |
| Education Grant advances | 1 096 027 | 1 313 887 |
| Travel advances | 85 140 | 246 683 |
| Expected Sick Leave Insurance Contribution | 83 180 | |
| **Total Salary Receivables** | 1 682 960 | 1 982 795 |

### *4.4 Other receivables*

As at 31 December 2012, there was no outstanding amount in other receivables (US$ 0.1 million as at 1 January 2012 restated).

### *4.5 Prepayments*

The total value of prepayments is US$ 20.5 million (US$ 10.5 million as at 1 January 2012 restated). Out of this amount US$ 19 million relates to advances paid to the UNAIDS Cosponsors towards their share under the UNAIDS 2012-2015 Unified Budget, Results and Accountability Framework for the 2012-2013 biennium; US$ 1.2 million relates to advances made to UNDP to cover payments made on our behalf 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$ 0.3 million represents payments to suppliers in advance of receipt of goods or services which will be charged to expense in 2013.

| **Prepayments** (in US dollars) | **31 December 2012** | **1 January 2012 (Restated)** | **31 December 2011 (as audited)** |
|---|---|---|---|
| Prepayments | | | |
| Advances to UNDP | 1 170 452 | 9 301 705 | 9 301 705 |
| Advances to Cosponsors | 19 000 000 | | |
| Advances to Suppliers | 305 018 | 1 203 256 | 1 203 256 |
| **Total Prepayments** | 20 475 470 | 10 504 961 | 10 504 961 |

## 4.6 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 whose ownership is also 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 th/24
e 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 2012 with a value of US$ 5 000 or above. The Secretariat has invoked the transition provisions for recognizing the carrying cost of existing plant and equipment. The assets value purchased during 2012 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 as at 1 Jan 2012 | 25 613 445 | | | | | 25 613 445 |
| Accumulated Depreciation | (2 134 455) | | | | | (2 134 455) |
| Total Carrying Cost | 23 478 990 | | | | | 23 478 990 |
| Movements period to 31 Dec 2012 | | | | | | |
| Additions | | 11 298 | 109 625 | 164 482 | 102 312 | 387 717 |
| Disposals | | | | | | |
| Depreciation | ( 426 891) | ( 753) | ( 4 765) | ( 40 623) | ( 26 589) | ( 499 621) |
| **Total - Property, Plant and Equipment** | 23 052 099 | 10 545 | 104 860 | 123 859 | 75 723 | 23 367 086 |

*Intangible assets*

The Programme has no intangible assets to report.

## *4.7 Deferred revenue*

As at 31 December 2012 deferred revenue amounted to US$ 26.3 million (US$ 32.6 million as at 1 January 2012 restated). This represents multi-year pledges made in 2011 and 2012 for which the revenue recognition has been deferred to future financial periods. Out of this amount US$ 7.5 million represents non-current deferred revenue for the 2014 and future financial periods.

| Deferred Revenue (in US dollars) | 31 December 2012 | 1 January 2012 (Restated) | 31 December 2011 (as audited) |
|---|---|---|---|
| **Current Liabilities** | | | |
| Deferred revenue | | 27 242 365 | 27 242 385 |
| Unified Budget, Results and Accountability Framework | 13 111 463 | | |
| Supplementary Funds | 2 306 619 | | |
| Extra-budgetary Funds | 3 393 381 | | |
| Total Deferrred revenue (current) | 18 811 463 | 27 242 365 | 27 242 385 |
| **Non-Current Liabilities** | | | |
| Deferred revenue | | 5 398 050 | 5 398 050 |
| Unified Budget,Results and Accountability Framework | 2 460 612 | | |
| Supplementary Funds | 2 467 579 | | |
| Extra-budgetary Funds | 2 632 420 | | |
| Total Deferred revenue (non-current) | 7 560 611 | 5 398 050 | 5 398 050 |
| **Total - Deferred Revenue** | **26 372 074** | **32 640 415** | **32 640 435** |

### *4.8 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 2012 was US$ 2.4 million (US$ 1.7 million as at 1 January 2012 restated).

| Accounts Payable (in US dollars) | 31 December 2012 | 1 January 2012 (Restated) | 31 December 2011 (as audited) |
|---|---|---|---|
| Accounts payable | | | |
| Payables to Suppliers | 1 451 066 | 1 581 577 | 1 715 092 |
| Non-Staff Meeting Partcipants payable | 12 448 | 78 286 | |
| Accrual of goods and services | 939 595 | | |
| **Total - Accounts Payable** | 2 403 108 | 1 659 863 | 1 715 092 |

### *4.9 Staff payables*

The total balance for staff payables as at 31 December 2012 was US$ 0.4 million (US$ 0.05 million as at 1 January 2012 restated). These amounts relate to salaries payable and other employee liabilities including Pension and Mutual Employee Contributions.

### *4.10 Employee benefits*

UNAIDS employee benefits liabilities are determined by professional actuaries. The actuarial studies commissioned by WHO determined various liabilities to be established to cover different employee benefits in accordance with IPSAS for WHO and its non-consolidated entities as at 31 December 2012. The professional actuaries were calculated based on personnel data and past payment experience. As per the actuarial studies as at 31 December 2012, the total liability for employee benefits stood at US$ 98 million (out of which US$ 62.1 million is reflected in our accounts).

| **Employee Benefits** (in US dollars) | **31 December 2012** | **1 January 2012 (Restated)** | **31 December 2011 (as audited)** |
|---|---|---|---|
| **Current Liabilities** | | | |
| Employee Benefits - Short-term | | | |
| Accrued Annual Leave, other current benefits | 10 044 304 | 11 339 025 | |
| **Non Current Liabilities** | | | |
| Employee Benefits - Long-term | | | |
| Repatriation and post-employment benefits | 12 594 429 | 12 517 862 | 8 907 809 |
| Staff Health Insurance | 38 751 514 | 34 004 617 | |
| Special fund for Compensation | 737 460 | 602 808 | |
| Non-payroll entitlements | | | 4 335 470 |
| **Total - Employee Benefits** | 62 127 707 | 58 464 312 | 13 243 279 |

### *4.10a Employee benefits – current*

Employee benefits under current liabilities represent accrued annual leave and other payroll benefits. UNAIDS staff can accumulate unused annual leave up to a maximum of 60 working days. On separation, staff members are entitled to be paid an amount equivalent to the value of accumulated annual leave equivalent to the salary they hold at the date of separation.

### *4.10b Employee benefits – non-current*

The non-current employee benefits relate to post-employment and other long-term employee benefits. These include repatriation and other benefits, ASHI, end of service benefits and compensation in the event of a death or disablement attributable to the performance of official duties of an eligible staff member.

### *Repatriation and other post- employment benefits*

Staff members who have completed more than one year of continuous service are entitled to repatriation to their home country and to grants payable based on the number of years of completed service. This also includes travel and removal costs. The independent actuarial study was conducted at the end of 31 December 2012 for the valuation of benefits payable to staff for repatriation costs.

### *4.10c Staff Health Insurance (SHI)*

UNAIDS staff are covered by WHO's Staff Health Insurance. It is a defined multiemployer benefit plan. Revenue to the WHO Staff Health Insurance Fund consists of contributions received for both active and retired staff (of which one-third is paid by the participants and two-thirds by the Programme), as well as interest earned on investments. In order to ensure the adequate funding of future claims from retired staff, a fixed percentage (currently 25%) of active staff contributions is set aside each year. The remaining 75% of contributions is required to meet current claims from active staff.

### *4.10d Actuarial calculations, methods and assumptions*

The actuarial calculations are based on the following assumptions and methods to determine the value of post- employment, staff health insurance and other separation-related employee benefits for UNAIDS as at 31 December 2012 in compliance with IPSAS 25.

The actuarial valuation has adopted the Defined Benefit Obligation (DBO) method. The benefits paid under the DBO method are defined in advance. The absolute level of the benefits may be defined in fixed monetary terms and are dependent upon the number of years of service that the employee has achieved. These fixed benefits may also be indexed in line with, for example, a price index. It is an undertaking by the provider to pay a defined benefit for which the amount, timing and duration are not fixed or certain, but dependent upon the beneficiary.

The actuarial study actually projects when the benefit payments are to be made (demographic projection) and projects the level of benefits to be paid (economic projection). These projections involve the actuary making assumptions about future events. The assumptions made for determining the UNAIDS employee benefits are disclosed in the sections below. The main calculations carried out by the actuaries in respect of the defined benefit plan are to determine the annual cost of providing the pension benefits and the level of liabilities that should be recognized at a specific point of time. The annual costs are normally reflected as current costs and interest costs. Current cost is the increase in the present value of the defined obligation resulting from employee service in the current period. Interest cost is the increase during the period in the present value of DBOs which arises because the benefits are one period closer to settlement.

The key aspects for driving the actuarial valuations are as follows: the use of projected unit method for determining benefit liabilities; the use of market values or related values of assets; the use of best estimate assumptions for valuing the liability including estimate assumptions for future salary growth, pension increase, or other factors that affect the actual benefits that will be paid; and the use of a discount rate that reflects the market yields on long dated, high quality corporate bonds.

The actuarial valuation of a DBO is determined by discounting the probable future payment required to settle the obligation resulting from employee service rendered in the current and prior periods. The discount rate used on market yields at the reporting date, have terms to maturity approximating to terms of the related post-employment liability. It was assumed that 100% of the staff who met the eligibility criteria elected to receive the benefits. The actuarial gains or losses arise when the actuarial assessments differ from the long-term expectation on the obligations: they result from experience adjustments (difference between the previous actuarial assumptions and what has actually occurred) and the effects of change in actuarial assumptions.

Each year, all the assumptions and methods that will be used by the actuaries in the year-end valuation to determine the expense and contribution requirements for employee benefits (post-employment benefits and other separation-related benefits) are reviewed and selected. For the 2012 valuation, the assumptions and methods used are described for each of the employee benefits as determined by the actuaries in the tables below. All actuarial assumptions are required to be disclosed in absolute terms as per IPSAS 25.

**Terminal Payments**

The actuarial studies as at 31 December 2012 have estimated the liability for terminal payments to be US$ 13.8 million. This calculation did not include cost of end of service grant and separation by mutual agreement. UNAIDS has recognized actuarial gains of US $ 1.5 million in the Statement of Financial Performance under terminal benefits.

The annual leave entitlements stood at US$ 8.8 million as at 31 December 2012. The liability has been reduced by US$ 0.3 million from US$ 9.1 million in 2011.

The various assumptions and methods used by the actuaries for the 2012 year-end valuation to determine the expense and contribution requirements for the terminal benefits are as follows:

| | |
|---|---|
| Measurement Date | 31 December 2012 |
| Discount Rate for Terminal Payments | The discount rate used is 3%. Based on the combined project benefit payments for both plans and 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 2012. The resulting discount rate is rounded to the nearest 0.1%. Last year, the discount rate was based on a weighted average of Bloomberg indices in the United States and Switzerland. |

| | |
|---|---|
| Expected Return on Assets for Accounting | Not applicable. |
| Annual General Inflation | The inflation rate used is 2.2%. Based on a weighted average of inflation 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%. |
| Annual Salary Scale | General inflation, plus 0.5% per year productivity increases, plus merit increases are set equal to those from the 31 December 2011 valuation of the UNJSPF. |
| Repatriation Travel and Removal on Repatriation | Projected unit credit with service prorates, with an attribution period from the 'entry on duty date' to separation. |
| Repatriation Grant, Termination indemnity and Grant in case of death | Projected unit credit 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. |

**Staff Health Insurance**

UNAIDS has recognized staff health insurance liabilities as a Post-Employment Benefit. As per IPSAS 25 all gains and losses will be recognized upon adoption of the standard. For 2012, the actuarial gains and losses have not been recognized as expense due to the application of the Corridor Method. This method allows for non-recognition of expense up to 10% of the DBO so as to allow the reasonable possibility of offsetting gains and losses 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 of staff health insurance as at 31 December 2012 stood at US$ 74.7 million of which US$ 35.9 million is funded resulting in net unfunded liability of US$ 38.8 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.

The increase of the liability by US$ 4.7 million has been charged to staff costs in the Statement of Financial Performance.

The following tables and texts provide additional information and analysis on employee benefit liabilities calculated by the actuaries:

**Staff Benefits as per Actuarial Valuation**

**IPSAS Disclosure tables as at 31 December 2012**

(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-2010 (TP, SFFC as at 31 Dec 2011) | 63 202 824 | 14 059 666 | 605 104 | 9 163 804 |
| Service Cost for 2012 (includes for TP,SFFC) | 8 719 564 | 1 662 238 | 119 763 | |
| Interest Cost for 2012 (includes for TP, SFFC) | 1 956 831 | 371 936 | 16 911 | ( 341 027) |
| (Actual After Service Benefit Payments in 2012) | ( 117 365) | ( 730 607) | ( 2 135) | |
| (Actual After Service Administrative Expenses in 2012) | ( 9 996) | | | |
| Actual Contributions by After Service Participants in 2012 | 60 083 | | | |
| Plan Charges | | | | |
| Annual Expenses | | | | |
| Changes in Accounting Methods | | | | |
| Actuarial (Gain)/Loss | 3 368 580 | (1 549 460) | ( 177 701) | |
| Defined Benefit Obligation at 31-Dec-2012 | 77 180 521 | 13 813 773 | 561 942 | 8 822 777 |

| | After Service Health Insurance | Terminal Payments excluding Accrued Annual Leave | Special Fund for Compensation |
|---|---|---|---|
| **RECONCILIATION OF ASSETS - 141 ( e )** | | | |
| Assets at 31-Dec-2011, Net of 470.1 Reserve | 29 198 207 | | |
| (Actual Total SHI Gross Benefit Payments for 2012 | (3 710 951) | ( 730 607) | ( 2 135) |
| (Actual After Service Administrative Expenses in 2012) | ( 285 151) | | |
| Actual Total SHI Participant Contributions in 2012 | 2 790 505 | | |
| Actual Total SHI Organization Contributions during 2012 | 5 449 244 | 730 607 | 2 135 |
| (increase/Decrease in 4700.1 Reserve in 2012 | 1 753 | | |
| Expected Return on Assets for 2012 | 1 616 820 | | |
| Asset Gain/(Loss) | 852 636 | | |
| Assets at 31-Dec-2012, Net of 470.1 Reserve | 35 913 063 | | |

| | After Service Health Insurance | Terminal Payments excluding Accrued Annual Leave | Special Fund for Compensation |
|---|---|---|---|
| **RECONCILIATION OF FUNDED STATUS - 141 (f)** | | | |
| Defined Benefit Obligation (DBO) | | | |
| Inactive | 9 706 613 | | |
| Active | 67 473 908 | 13 813 773 | 561 942 |
| Total | 77 180 521 | | 561 942 |
| Plan Assets | | | |
| (Gross Plan Assets) | (37 034 154) | | |
| Offset for WHO 470.1 Reserve | 1 121 091 | | |
| (Net Plan Assets) | (35 913 063) | | |
| (Surplus)/Deficit | 41 267 458 | 13 813 773 | 561 942 |
| Reimbursement Right for 470.1 Reserve | | | |
| Unrecognized Gain/(Loss) | (2 515 944) | | 177 701 |
| Unrecognized Prior Service Credit/(Cost) | | | |
| Net (Asset)/Liability Recognized in Statement of Financial Position | 38 751 514 | 13 813 773 | 739 643 |
| Current (Asset)/Liability | | 1 219 344 | 2 183 |
| Non-current (Asset)/Liability | 38 751 514 | 12 594 429 | 737 460 |

## ASHI Medical Sensitivity Analysis

| | |
|---|---|
| Medical Sensitivity Analysis - 141(o) | |
| 2012 Service Cost plus Interest Cost | |
| Current Medical Inflation Assumption Minus 1% | 6 343 000 |
| Current Medical Inflation Assumption | 10 676 395 |
| Current Medical Inflation Assumption Plus 1% | 16 714 000 |
| 31-Dec-2012 Defined Benefit Obligation | |
| Current Medical Inflation Assumption Minus 1% | 48 909 000 |
| Current Medical Inflation Assumption | 77 180 521 |
| Current Medical Inflation Assumption Plus 1% | 115 562 000 |

## Annual Expense for various employee benefits calculated by the actuaries for the calendar year 2012

| | After Service Health Insurance | Terminal Payments excluding Accrued Annual Leave | Special Fund for Compensation |
|---|---|---|---|
| **Annual Expense for 2012--141(g)** | | | |
| Service Cost | 8 719 564 | 1 662 238 | 119 763 |
| Interest Cost | 1 956 831 | 371 936 | 16 911 |
| (Expected Return on Assets) | (1 616 820) | | |
| (Expected Return on Reimbursemen Right | | | |
| Recognition of (Gain)/Loss | | (1 549 460) | |
| Amortization of Prior Service Cost | | | |
| Expense before One-Time Events | 9 059 575 | 484 714 | 136 674 |
| Curtailments | | | |
| Settlements | | | |
| Special Termination Benefits | | | |
| Total Expense Recognized in Statement of Financial Performance | 9 059 575 | 484 714 | 136 674 |

## Expected accounting contributions to the Staff Health Insurance for 2013

**Expected Accounting Contributions during 2013--141(q)**

| | |
|---|---|
| Expected Organization Contributions during 2013 | |
| Contributions by UNAIDS | 3 399 125 |
| Contributions by Participants | 1 582 323 |
| | 4 981 448 |

## Assumptions and methods adopted for Staff Health Insurance actuarial studies in 2012

| | |
|---|---|
| Measurement Date | 31 December 2012 |
| Discount Rate | Europe 2.6% (decrease from 3.1% in prior valuation). The Americas 4.1% (decrease from 4.7% in prior valuation), Other Countries 4.5% (decrease from 4.7% in prior valuation). 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 2.05% rate from the SIX Swiss Exchange curve and the 3.79% rate |

| | |
|---|---|
| | from iBoxx Euro Zone curve, with a two-thirds weight on the former. The resulting rate is rounded to the nearest 0.1%.<br><br>For Americas and Other Countries, the rate used the same methodology as the 31 December 2012, PAHO valuation of ASHI. Beginning with the 31 December 2012 PAHO adopted a yield curve approach using the AON Hewitt AA Bond Universe Curve. Thus, the rates for The Americas and Other Countries can differ due to different patterns of expected cash flows from those regions. |
| Regional Groupings for All purposes Except Claims Costs | Based on regional offices of Europe, WHO HQ, UNAIDS, ICC, IARC and UNITAID which are grouped as Europe, AM constitutes America, and the rest of the world are classified as Other Countries. |
| Annual General Inflation | Europe 1.6%, The Americas 2.5%, Other Countries 2.5%. |
| Annual Salary Scale | General inflation, plus 0.5% per year productivity increases, plus merit increases are set equal to those from the 31 December 2011 valuation of the UNJSPF. |

Further assumptions have been made on the value of assets which is at market value of assets, net of 470.1reserves for UNAIDS for staff health insurance.[5]

#### *4.10e 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 (currently at 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

[5] Staff Health Insurance rule 470 A stipulates that a reserve is maintained in the Trust Fund, equal to:

470.1 an amount corresponding to one-third of the previous year's reimbursements, for settlement of outstanding claims should the Insurance have to be liquidated; plus

470.2 an amount which the Headquarters Surveillance Committee estimates to be required based on actuarial projections to cover the projected costs of benefits to current retirees (former staff insured under paragraphs 60 and 90.3), to the extent that such estimated costs will not be met by contributions received in respect of such persons.

470.3 an amount which the Headquarters Surveillance Committee estimates to be required based on actuarial projections to cover the projected costs of benefits to future retirees (staff members insured under paragraphs 30 and 50), to the extent that such estimated costs will not be met by contributions received in respect of such persons.

470.4 to meet the requirements of para. 470.2, a given percentage of the first-tier contributions made by active staff and the Organization in each region shall be kept as part of the reserve; with effect from 1 January 1990 this percentage has been fixed at 25%.
Accordingly the 470.1 reserve is for incurred-but-not paid claims and UNAIDS paid administrative expenses for all active and inactive participants. It is assumed to be four months of in-service and after-service claims and administrative expenses during the prior year.

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 at the time of 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 current deficit of 1.87%. In December 2012, the General Assembly authorized the United Nations Joint Staff Pension Board to increase the normal retirement age to 65 for new participants of the Fund, with effect not later than from 1 January 2014, unless the General Assembly has not decided on a corresponding increase in the mandatory age of separation. During 2012, contributions paid to UNJSPF amounted to US $ 21.7 million (US$ 21.8 million was contributions in 2011). Contributions due in 2013 are expected to amount to US$ 22 million.

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.

***4.10f 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. All gains and losses are immediately recognized upon adoption of the standard. Thereafter, gains and losses (unexpected changes in surplus or deficit) are recognized over time via the Corridor Method. Under this method, amounts up to 10% of the DBO are not recognized in expense, so as to allow gains and losses the reasonable possibility of offsetting over time. The total liability stood at US $ 739 643 and the amount of US$ 134 539 which is the increase in the liability has been recognized through the Statement of Financial Performance.

The actuarial assumptions were made for a discount rate of 3% which was based on combined projected benefit payments for both plans and 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 2012. The resulting discount rate is rounded off the nearest 0.1%. The last year discount rate was on a weighted average of Bloomberg indices in the United States and Switzerland. The annual general inflation rate was 2.2%, based on a weighted average of inflation rate 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%.

***4.11 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 the UNAIDS Secretariat 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$ 21.1 million has been amortized using the effective interest rate of 1.16% (Swiss Libor rate for 30 years).

### *4.12 Other current liabilities*

The total balance for other current liabilities as at 31 December 2012 was US$ 0.2 million (US$ 0.9 million as at 31 December 2011). These amounts relate to various short-term liabilities.

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

During the period 1 January 2012 to 31 December 2012, there were no administrative waivers, amounts written off or ex-gratia payments. Furthermore, there were no cases of fraud reported during the financial period 1 January 2012 to 31 December 2012.

### *4.14 Contingent liabilities and commitments*

<u>Contingent Liabilities</u>

As at 31 December 2012, there was one outstanding personnel matter before the WHO headquarters Board of Appeal which is expected to be passed to the International Labour Office Administrative Tribunal. The legal proceedings have not progressed sufficiently to determine the extent of any liability of the Programme with any degree of certainty. 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 2012 |
|---|---|
| Within one year | 3 271 920 |
| Later than one year but not later than five years | 3 708 789 |
| Later than five years | 542 700 |
| Total Operating Lease Commitments | 7 523 408 |

### *4.15 Changes in net assets/equity*

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.

#### *4.16 Operating reserve fund*

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

#### *4.17 Equity in capital assets*

During the financial period ended 31 December 2012, the Programme had an overall deficit of US$ 26.3 million, out of which US $ 24.1 million related to Unified Budget, Results and Accountability Framework funds and US$ 2.2 million under non-core funds.

The Programme Coordinating Board during its 30$^{th}$ meeting held from 5 to 7 June 2012 authorized and approved the initial funding of US$ 20 million from the Unified Budget, Results and Accountability Framework fund balance to partially cover the unfunded staff-related liabilities and US$ 2.6 million was also authorized towards the Building Renovation Fund.

The unfunded staff-related liabilities, stood at US$ 31.7 million as at 31 December 2012 (US $ 49.6 million as at 1 January 2012 (restated)). The net reduction of US$ 17.9 million was due to the transfer of US$ 20 million from the fund balance as approved by the Programme Coordinating Board, and a net increase of US$ 2.1 million due to the movements in the actuarial liabilities.

The transfer of US$ 22.6 million from the Unified Budget, Results and Accountability Framework fund balance, together with the 2012 deficit of US$ 24.1 million, resulted in a fund balance of US$ 164.9 million as at 31 December 2012.

## 5. SUPPORTING INFORMATION TO THE STATEMENT OF FINANCIAL PERFORMANCE

### 5.1 *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.

### *5.2 Voluntary contributions*

Voluntary contributions to the Programme totalled US$ 247.8 million (US$ 234.7 million from governments; US$ 4.2 million from UNAIDS Cosponsors; and a net of US$ 8.9 million from other operating revenue received from intergovernmental organizations, institutions, other United Nations Organizations, as well as the private sector). Where an in-kind contribution is recognized as revenue, a corresponding expense is also recognized. The value of in-kind contributions is based on market rate. The effective interest rate which has been applied on the borrowings from the Swiss Confederation for the amortization of the loan repayable has also been considered as an in-kind contribution. 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 | 213 657 059 | 14 094 030 | 6 944 024 | 234 695 113 |
| Cosponsors | 3 500 000 | 389 549 | 322 218 | 4 211 767 |
| Others | 24 840 | 7 811 006 | 1 671 780 | 9 507 626 |
| Less Allowance for non-recovery | | | ( 85 010) | ( 85 010) |
| Less refunds made to donors and other adjustments | | | ( 849 341) | ( 849 341) |
| **Other Operating Revenue** | 237 613 | | 155 747 | 393 360 |
| **Total - Voluntary Contributions** | 217 419 512 | 22 294 585 | 8 159 418 | 247 873 514 |

### *5.3 Financial revenue*

The total interest earnings were US$ 2.6 million for the financial period 1 January 2012 to 31 December 2012 and the net realized gains on hedging and exchange transactions were US$ 1.5 million for the same period. The actuarial gains of US$ 1.6 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$ 5.6 million as financial revenue as at 31 December 2012. Interest revenue is recognized as it accrues and is allocated by WHO.

| **Financial Revenue** (in US dollars) | **31 December 2012** |
|---|---|
| Interest | 2 588 022 |
| Hedging and exchange gains | 1 533 028 |
| Actuarial Gains | 1 549 460 |
| **Total - Financial Revenue** | 5 670 510 |

### *5.4 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.

### *5.4.1 Staff and other personnel costs*

Represents the total cost of employing staff at all locations, including remuneration of base salary, post adjustment and any other type of entitlements (e.g., pension and insurance) paid by the Programme. Cost for special service agreements and fellowships are also considered to be staff costs. Staff costs also include the increase in the SHI actuarial liability which is recognized as expense in the Statement of Financial Performance.

### *5.4.2 Transfers and grants to counterparts*

Represents 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 2012.

### *5.4.3 Contractual services*

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

### *5.4.4 General operating expenses*

Represents expenses related to general operations in support of Headquarters, regional and country offices. This includes costs such as utilities, telecommunication and rent expenses.

### *5.4.5 Travel*

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

### *5.4.6 Equipment vehicles and furniture*

Equipment, vehicles and furniture are charged as expense at the point of delivery. PP&E purchased during 2012 have been recognized and capitalized in accordance with IPSAS.

### *5.4.7 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 have been estimated at 3 years.

### *5.4.8 Finance costs*

These include realized foreign exchange losses resulting from treatment of transactions in currencies as well as losses from realized gains on accounts receivable and payables and other management fees paid.

# 6. SEGMENT REPORTING

***Schedule 1***
**Segment Reporting by funds**
**All sources of funds for the year ended 31 December 2012**
(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 | 213 657 059 | 14 094 030 | 6 944 024 | | | | | | | 21 038 054 | 234 695 113 |
| Cosponsoring organizations | 3 500 000 | 389 549 | 322 218 | | | | | | | 711 767 | 4 211 767 |
| Others | 262 453 | 7 811 006 | 893 176 | | | | | | | 8 704 182 | 8 966 635 |
| Finance Revenue | 2 828 966 | 45 584 | 739 263 | 2 056 697 | | | | | | 2 841 544 | 5 670 510 |
| Total Operating Revenue | 220 248 478 | 22 340 169 | 8 898 681 | 2 056 697 | | | | | | 33 295 547 | 253 544 025 |
| Programme Support Costs | | | 886 551 | | | | | | (886 551) | | |
| Payroll transfers to accrual funds | | | | 2 798 538 | 8 421 456 | | | | (11 219 994) | | |
| Total Revenue | 220 248 478 | 22 340 169 | 9 785 232 | 4 855 235 | 8 421 456 | | | | (12 106 545) | 33 295 547 | 253 544 025 |
| Expense | | | | | | | | | | | |
| Salary and other personnel costs | 117 006 106 | 39 747 | 7 521 619 | 1 694 480 | 10 026 411 | 117 628 | 4 746 897 | | (11 219 994) | 12 926 788 | 129 932 894 |
| Transfers and grants to counterparts | 89 181 409 | 1 268 657 | 4 492 541 | | | | | | | 5 761 198 | 94 942 607 |
| Contractual services | 14 874 373 | 2 112 951 | 11 315 396 | | | | | | | 13 428 347 | 28 302 720 |
| General operating expenses | 12 937 334 | 67 557 | 953 600 | 16 700 | 39 982 | | | | | 1 077 839 | 14 015 173 |
| Travel | 6 157 444 | 218 054 | 1 101 631 | | | | | | | 1 319 685 | 7 477 129 |
| Equipment, Furniture, Vehicles | 1 207 911 | 1 549 | 176 304 | | | | | | | 177 853 | 1 385 764 |
| Programme Support Costs | | 150 330 | 736 221 | | | | | | (886 551) | | |
| Depreciation | | | | | | | | 499 621 | | 499 621 | 499 621 |
| Finance Costs | 2 966 804 | | | 373 868 | | 16 911 | | | | 390 779 | 3 357 583 |
| Total Expense | 244 331 381 | 3 858 845 | 26 297 312 | 2 085 048 | 10 066 393 | 134 539 | 4 746 897 | 499 621 | (12 106 545) | 35 582 110 | 279 913 491 |
| Surplus/(Deficit) by fund | (24 082 903) | 18 481 325 | (16 512 080) | 2 770 187 | (1 644 937) | (134 539) | (4 746 897) | (499 621) | | (2 286 563) | (26 369 466) |

***Schedule 1 (A) Reconciliation of Budget Utilization between expense relating to 2010-2011 and 2012***

| Expense | UBRAF Core Funds | UBRAF 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2012 | 231 994 813 | 3 858 845 | 16 435 734 | 2 085 048 | 10 066 393 | 134 539 | 4 746 897 | 499 621 | (12 106 545) | 25 720 532 | 257 715 345 |
| 2010-2011 | 12 336 568 | | 9 861 578 | | | | | | | 9 861 578 | 22 198 146 |
| Total | 244 331 381 | 3 858 845 | 26 297 312 | 2 085 048 | 10 066 393 | 134 539 | 4 746 897 | 499 621 | (12 106 545) | 35 582 110 | 279 913 491 |

## 7. RECONCILIATION BETWEEN STATEMENT OF BUDGETARY COMPARISON (Statement V) AND STATEMENT OF FINANCIAL PERFROMANCE (Statement II)

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 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 of assets, full recognition of provisions and other non-core funds. Depreciation of assets and repayment of principal on outstanding loans have been reflected in Statement I. These have not been reflected under the Unified Budget, Results and Accountability Framework and therefore no adjustments or reconciliations arise for the same.

Timing difference - the budget utilization includes expenses incurred in the current year relating to encumbrances which were firm commitments made by the Programme during the previous periods relating to the budget implementation of the prior period. These expenses do not relate to the implementation of the current approved budget. Under IPSAS, expense is recognized only at the point of delivery of the goods and services. No commitments are included in the Statement of Financial Performance unless the commitment has been received or deemed to be received by UNAIDS.

Entity differences include the treatment of acquisition, full recognition of liabilities on account of staff health insurance and terminal payments. The non-core funds, staff benefits funds (Staff Health Insurance, Terminal Payments, Non payroll entitlements) in the financial accounts are financed from other sources including reserves, which are not included in the Unified Budget, Results and Accountability Framework approved by the Programme Coordinating Board. The differences also include the treatment of acquisitions of equipment as investing activities since these acquisitions were from the Unified Budget, Results and Accountability Framework budget, and the in-kind contribution received from the Canton de Genève on account of the interest which have been adjusted against the Unified Budget, Results and Accountability Framework budget implementation.

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) for the period ended 31 December 2012 is presented below:

***Reconciliation of Budget Utilization (Statement V) with Statement of Financial Performance ( Statement II) as at 31 December 2012***

| 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 | 229 672 384 | | | | 229 672 384 |
| Expense incurred against prior period budget Implementation ( 2010-2011) | 12 336 568 | | | | 12 336 568 |
| Expense against extrabudgetary funds and supplementary funds | | 30 156 157 | | (12 106 545) | 18 049 612 |
| Depreciation, amortization and impairment | | 499 621 | | | 499 621 |
| Changes in employee benefit liability | | 16 642 098 | | | 16 642 098 |
| Equipment purchased | ( 387 717) | | 387 717 | ( 387 717) | ( 387 717) |
| In-kind contribution of Interest | ( 256 658) | 256 658 | | ( 256 658) | ( 256 658) |
| Finance costs | 2 966 804 | 390 779 | | | 3 357 583 |
| Actual amount in Statement of Financial Performance | 244 331 381 | 47 945 313 | 387 717 | (12 750 920) | 279 913 491 |

| | 2012 | | | |
|---|---|---|---|---|
| | Operating | Investing | Financing | Total |
| Actual amount on budget implementation (Statement V) | 229 672 384 | | | 229 672 384 |
| Basis Difference | 12 336 568 | | | 12 336 568 |
| Presentation Difference | | 387 717 | | 387 717 |
| Entity Difference | 37 516 822 | | | 37 516 822 |
| Actual amount in Statement of Financial Performance | 279 525 774 | 387 717 | | 279 913 491 |

## 8. 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

**Amount in US Dollars**

| | 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Number of individuals** | **Compensation and post adjustment** | **Entitlements** | **Pension and Health Plans** | **Total remuneration 2012** | **Outstanding advances against entitlements** | **Outstanding loans (in addition to normal entitlements if any)** |
| Key Management Personnel | 13 | 2 839 150 | 167 010 | 694 009 | 3 700 169 | 57 671 | |

## 9. EVENTS AFTER THE REPORTING DATE

The Programme's reporting date is 31 December 2012. On the date of the certifying of these accounts by the Executive Director and submitted 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**

(in US dollars)

| Voluntary contributions | Funds made available towards the 2012 Unified Budget, Results and Accountability |
|---|---|
| **Governments** | |
| Andorra | 37 313 |
| Australia | 5 749 150 |
| Canada | 5 400 000 |
| China | 150 000 |
| Czech Republic | 51 219 |
| Denmark | 6 956 522 |
| Finland | 11 940 299 |
| Flemish Government | 1 111 111 |
| France | 796 813 |
| Germany | 3 474 867 |
| Ireland | 4 254 305 |
| Israel | 62 500 |
| Japan | 3 006 325 |
| Liechtenstein | 26 882 |
| Luxembourg | 4 847 277 |
| Monaco | 186 794 |
| Netherlands | 24 875 622 |
| New Zealand | 2 938 950 |
| Norway | 29 400 279 |
| Poland | 264 436 |
| Portugal | 129 870 |
| Russian Federation | 500 000 |
| Sweden | 41 122 677 |
| Switzerland | 5 376 344 |
| Thailand | 98 917 |
| The Republic of Korea | 100 000 |
| Turkey | 100 000 |
| United Kingdom of Great Britain and Northern Ireland | 15 698 587 |
| United States of America | 45 000 000 |
| **Sub-total** | **213 657 059** |
| **Cosponsoring organizations** | |
| World Bank | 3 500 000 |
| **Sub-total** | **3 500 000** |
| **Other** | |
| United Nations Federal Credit Union | 12 840 |
| Miscellaneous | 249 613 |
| **Sub-total** | **262 453** |
| ***Total operating revenue*** | **217 419 512** |
| **Financial revenue** | |
| Interest | 2 828 966 |
| **Sub-total** | **2 828 966** |
| **TOTAL** | **220 248 478** |

*Schedule 3*

**Supplementary funds - details of revenue**
**for the year ended 31 December 2012**
(US dollars)

| Voluntary contributions | Funds made available towards Supplementary Specified funds 31 December 2012 |
|---|---|
| **Governments** | |
| Australia | 3 658 550 |
| Canada | 32 500 |
| Ireland | 96 525 |
| Luxembourg | 1 328 021 |
| New Zealand | 55 000 |
| Norway | 49 019 |
| Russian Federation | 2 416 802 |
| Switzerland | 96 559 |
| Sweden | 399 072 |
| United Kingdom of Great Britain & Northern Ireland | 590 062 |
| United States of America (CDC) | 378 420 |
| United States of America (USAID) | 4 993 500 |
| **Sub-total** | **14 094 030** |
| **Cosponsoring Organizations** | |
| UNFPA | 40 194 |
| UNICEF | 191 485 |
| UNDP | 118 270 |
| WHO | 39 600 |
| **Sub-total** | **389 549** |
| **Other** | |
| Bill and Melinda Gates Foundation | 120 000 |
| Drosos Foundation | 200 000 |
| European Commission | 378 809 |
| Ford Foundation | 350 000 |
| Global Fund | 30 000 |
| Japanese Foundation for AIDS Prevention | 152 975 |
| Korean Green Foundation | 308 751 |
| MDTF Office | 4 011 308 |
| M.A.C. AIDS Fund | 64 662 |
| OCHA | 99 516 |
| OPEC Fund for International Development | 1 500 000 |
| Public Institution Coordination Implementation | 60 000 |
| UNCERF | 534 985 |
| **Sub-total** | **7 811 006** |
| **Financial revenue** | |
| Interest | 45 584 |
| **Sub-total** | **45 584** |
| **TOTAL** | **22 340 169** |

*Schedule 4*

**Extra-budgetary funds - details of revenue**
**for the year ended 31 December 2012**
(US dollars)

| Voluntary contributions | Funds made available towards Extra-budgetary funds 31 December 2012 | | |
|---|---|---|---|
| | In Cash | In- Kind and In-service | Total |
| **Governments** | | | |
| Australia | 23 046 (1) | | 23 046 |
| Belgium | | 337 900 | 337 900 |
| Finland | | 159 818 | 159 818 |
| France | | 160 935 | 160 935 |
| Germany | | 319 635 | 319 635 |
| Japan | 400 000 | | 400 000 |
| Netherlands | | 520 548 | 520 548 |
| Russian Federation | 3 283 199 | | 3 283 199 |
| Sweden | | 349 772 | 349 772 |
| United States of America (CDC) | 732 513 | | 732 513 |
| United States of America (USAID) | 400 000 | | 400 000 |
| Canton de Geneve, Switzerland | | 256 658 (2) | 256 658 |
| **Sub-total** | **4 838 758** | **2 105 266** | **6 944 024** |
| **Cosponsoring Organizations** | | | |
| UNDP | 25 528 | | 25 528 |
| UNODC | 9 690 | | 9 690 |
| WHO | 287 000 | | 287 000 |
| **Sub-total** | **322 218** | | **322 218** |
| **Other** | | | |
| AIDS Life | 10 814 | | 10 814 |
| European Commission | 1 130 368 | | 1 130 368 |
| Germany GIZ | 245 098 | | 245 098 |
| MDTF Office | 222 600 | | 222 600 |
| Red Cross Australia | | 50 900 | 50 900 |
| United Nations Foundation | 12 000 | | 12 000 |
| Miscellaneous | 155 746 | | 155 746 |
| Allowance for non-recovery | ( 85 010) | | ( 85 010) |
| Refund to donors and others | ( 849 340) | | ( 849 340) |
| **Sub-total** | **842 276** | **50 900** | **893 176** |
| **Financial revenue** | | | |
| Interest | 739 263 | | 739 263 |
| **Sub-total** | **739 263** | | **739 263** |
| **TOTAL** | **6 742 515** | **2 156 166** | **8 898 681** |

(1) Represents net income for 2012 of US$ 974 081 less pass through funds of US$ 951 035

(2) Represents the value of interest on the building loan from FIPOI

## PART III

### MANAGEMENT INFORMATION

### I. Funds made available for the financial period ended 31 December 2012

During the period under review, revenue totalling US$ 220.2 million was made available towards the Unified Budget, Results and Accountability Framework. Twenty nine governments contributed 97% of this amount, and the World Bank contributed 1.6% of this amount. 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, miscellaneous donations and honoraria received. Schedule 2 on page 51 provides the details of this revenue.

Furthermore, non-core resources amounting to US$ 31.2 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, financial revenue (primarily interest earnings) of US$ 1.9 million received and apportioned during the reporting period. Details on the sources of these funds are detailed in Schedules 3 and 4 on pages 52 and 53.

### II. Funds expended for the financial period ended 31 December 2012

The total expense for the financial period ended 31 December 2012 amounted to US$ 279.9 million. Out of this total amount, US$ 229.7 million related to expenses under the 2012-2013 Unified Budget, Results and Accountability Framework; US$ 12.3 million related to expenses against 2010-2011 Unified Budget and Workplan encumbrances, and the remaining amount of US$ 37.9 million represents expense under the non-core funds.[6]

### *A. Unified Budget, Results and Accountability Framework*

During the year ended 31 December 2012, a total amount of US$ 229.7 was expended for the implementation of AIDS activities contained in the 2012–2013 Unified Budget, Results and Accountability Framework and were distributed as follows:

(a) US$ 82.3 million was expended to Cosponsors;

(b) US$ 147.4 million was expended for the Secretariat.

In addition to the above expended amount, US$ 10.1 million was encumbered during the same financial year which together represents a financial implementation rate of 49.5% (summarized in statement V on page 18).

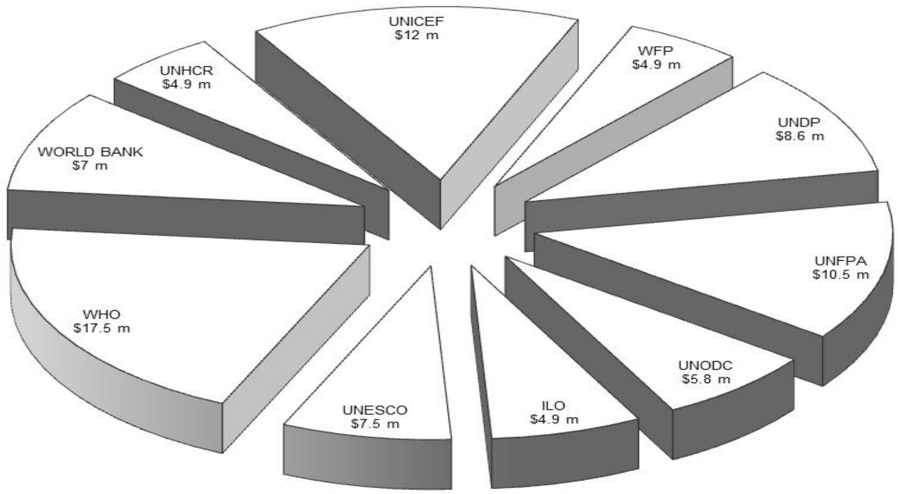
### *i) Funds transferred to Cosponsors*

As at 31 December 2012, financial transfers made to Cosponsors amounted to US$ 82.3 million. These transfers represent 50% of the 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.

---

[6] Excludes finance costs of US$ 3 million and includes costs of equipment of US$ 0.4 million and in-kind contribution of interest of US$ 0.3 million resulting in net expenditure of US$ 232 million as reflected under schedule I.

**Figure 1: Cosponsors' share of funds transferred as of 31 December 2012**




### *ii) Expense incurred against the Secretariat budget*

UNAIDS Secretariat expense amounted to US$ 147.4 million during the year ended 31 December 2012. In addition to the above expenditure a total of US$ 10.1 million had been encumbered during the financial period which together represents a financial implementation rate of 49.2%. Further details on the funds expended and encumbered by the Secretariat broken down by strategic functions are shown in Table 1.

**Table 1: Secretariat approved allocations, expense, and encumbrance for the year ended 31 December 2012** (in US dollars)

| Strategic Functions | Approved allocations | Expense | Encumbrance [a/] | Total | Balance | Percentage implementation |
|---|---|---|---|---|---|---|
| | (a) | (b) | ( c) | (d) = (b + c) | (e) = (a - d) | (f) = (d / a) |
| Leadership and advocacy | 128 686 800 | 63 105 512 | 5 536 676 | 68 642 188 | 60 044 612 | 53.3% |
| Coordination, coherence and partnerships | 99 273 800 | 39 064 095 | 2 867 143 | 41 931 238 | 57 342 562 | 42.2% |
| Mutual accountability | 92 359 400 | 45 252 776 | 1 723 844 | 46 976 620 | 45 382 780 | 50.9% |
| **Total** | **320 320 000** | **147 422 383** | **10 127 663** | **157 550 046** | **162 769 954** | **49.2%** |

a/ Encumbrance equals a 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 2012, a total amount of US$ 30.1 million was expended against non-core funds (US$ 3.8 million was expended against supplemental funds and US$ 26.3 million was expended against extra-budgetary funds). In addition to the above, US$ 3.6 million was encumbered against the non-core resources as indicated in Table 2 and Table 3 on pages 57 and 58.

### *C. Country and regional expense against all sources of funds*

As recommended by the Programme Coordinating Board at its 22nd meeting held in Chiang Mai, Thailand from 23-25 April 2008, the report in Table 4 on pages 59 to 61, 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$ 100.4 million for the financial period ended 31 December 2012. In addition to the above expense, a total of US$ 8.5 million was encumbered during the same period which together totalled US$ 109 million for the financial period ended 31 December 2012.

*Table 2*

**Supplementary funds**
**Funds available, expense and encumbrance summary by source of revenue**
**for the year ended 31 December 2012**
(in US dollars)

| Source of revenue | Funds made available in 2012 | Expense | Encumbrance [b/] | Total | Percentage Implementation |
|---|---|---|---|---|---|
| | (a) | (b) | (c) | (d) = (b + c) | (e) = (d / a) |
| ***Voluntary contributions and other revenue*** | | | | | |
| Australia | 3 658 550 | 5 586 | 22 203 | 27 789 | 0.8% |
| Canada | 32 500 | 32 500 | | 32 500 | 100.0% |
| Ireland | 96 525 | | | | |
| Luxembourg | 1 328 021 | 24 441 | 195 338 | 219 780 | 16.5% |
| New Zealand | 55 000 | | | | |
| Norway | 49 019 | 32 507 | | 32 507 | 66.3% |
| Russian Federation | 2 416 802 | | | | |
| Sweden | 399 072 | 29 852 | | 29 852 | 7.5% |
| Switzerland | 96 559 | 17 192 | 18 258 | 35 450 | 36.7% |
| United Kingdom of Great Britain & Northern Ireland | 590 062 | 193 094 | 53 419 | 246 513 | 41.8% |
| United States of America *(CDC)* | 378 420 | | | | |
| United States of America *(USAID)* | 4 993 500 | 1 616 724 | 560 418 | 2 177 143 | 43.6% |
| Bill & Melinda Gates Foundation | 120 000 | 33 925 | 1 107 | 35 032 | 29.2% |
| Drosos Foundation | 200 000 | | | | |
| European Commission | 378 809 | | | | |
| Ford Foundation | 350 000 | 33 490 | 50 025 | 83 515 | 23.9% |
| Global Fund | 30 000 | | | | |
| Japnese Foundation for AIDS Prevention | 152 975 | | | | |
| Korean Green Foundation | 308 751 | 202 838 | | 202 838 | 65.7% |
| MDTF Office | 4 011 308 | 1 309 338 | 755 544 | 2 064 882 | 51.5% |
| M.A.C. AIDS Fund | 64 662 | 64 662 | | 64 662 | 100.0% |
| Organization of Petroleum Exporting Countries | 1 500 000 | 91 772 | 128 392 | 220 165 | 14.7% |
| Public Institution ' Coordination Implementation | 60 000 | 39 818 | | 39 818 | 66.4% |
| UNCERF | 534 985 | 70 601 | 29 177 | 99 778 | 18.7% |
| UNDP | 118 270 | | 118 269 | 118 269 | 100.0% |
| UNOCHA | 99 516 | | 44 500 | 44 500 | 44.7% |
| UNICEF | 191 485 | 22 747 | 37 426 | 60 173 | 31.4% |
| UNFPA | 40 194 | 31 157 | 5 416 | 36 572 | 91.0% |
| WHO | 39 600 | 6 600 | 33 000 | 39 600 | 100.0% |
| Interest and other | 45 584 | | | | |
| Programme support costs (PSC) | | ( 150 330) [a/] | | ( 150 330) | |
| ***Total*** | **22 340 169** | **3 708 515** | **2 052 492** | **5 761 007** | **25.8%** |

[a/] PSC received for Non-core Funds for 2012

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

***Table 3***

**Extra-budgetary funds**
**Funds available, expense and encumbrance summary by source of revenue**
**for the year ended 31 December 2012**
(in US dollars)

| Source of revenue | 2010-2011 Carry-over | Funds made available in 2012 | Total Available Funds | Expense [a] | Encumbrance [b] | Total | Percentage Implementation |
|---|---|---|---|---|---|---|---|
| | (a) | (b) | ( c) = (a+b) | (d) | (e) | (f) = (d + e) | (g) = (f / c) |
| ***Voluntary contributions and other revenue*** | | | | | | | |
| Australia | 6 306 481 | 23 046 | 6 329 527 | 3 110 882 | 457 936 | 3 568 818 | 56.4% |
| Belgium | 178 368 | 337 900 [c] | 516 268 [c] | 337 900 [c] | | 337 900 | 65.5% |
| Canada | 14 298 | | 14 298 | 7 049 | | 7 049 | 49.3% |
| Denmark | 771 594 | | 771 594 | 202 010 | | 202 010 | 26.2% |
| Finland | 29 592 | 159 818 [c] | 189 410 [c] | 185 463 [c] | | 185 463 | 97.9% |
| France | 588 912 | 160 935 [c] | 749 847 [c] | 665 683 [c] | 40 858 | 706 541 | 94.2% |
| Germany including GTZ | 1 155 126 | 564 733 [c] | 1 719 859 [c] | 1 454 843 [c] | 74 535 | 1 529 378 | 88.9% |
| Ireland | 2 854 062 | | 2 854 062 | 808 685 | 121 907 | 930 592 | 32.6% |
| Japan | 318 752 | 400 000 | 718 752 | 533 314 | 68 250 | 601 564 | 83.7% |
| Luxembourg | 2 977 629 | | 2 977 629 | 2 659 966 | 21 615 | 2 681 580 | 90.1% |
| Ministry of the Flemish Community, *Belgium* | 30 887 | | 30 887 | | | | |
| Netherlands | 513 858 | 520 548 [c] | 1 034 406 [c] | 550 326 [c] | | 550 326 | 53.2% |
| New Zealand | 44 817 | | 44 817 | | | | |
| Norway | 457 797 | | 457 797 | 162 852 | | 162 852 | 35.6% |
| Russian Federation | 8 366 | 3 283 199 | 3 291 565 | | | | |
| Spain | 429 896 | | 429 896 | 212 913 | ( 9 554) | 203 359 | 47.3% |
| Sweden | 613 690 | 349 772 [c] | 963 462 [c] | 707 476 [c] | | 707 476 | 73.4% |
| Switzerland | | 256 658 | 256 658 | 256 658 | | 256 658 | 100.0% |
| United Kingdom of Great Britain & Northern Ireland | 2 077 480 | | 2 077 480 | 672 836 | 19 645 | 692 482 | 33.3% |
| United States of America *(CDC)* | 1 295 207 | 732 513 | 2 027 720 | 433 014 | 19 803 | 452 817 | 22.3% |
| United States of America *(NHI)* | 16 807 | | 16 807 | | | | |
| United States of America *(USAID)* | 3 327 817 | 400 000 | 3 727 817 | 2 246 870 | 237 711 | 2 484 581 | 66.6% |
| AIDS Life | 139 780 | 10 814 | 150 594 | 87 270 | | 87 270 | 58.0% |
| ASEAN Foundation | 131 848 | | 131 848 | 120 931 | 10 000 | 130 931 | 99.3% |
| Australian Red Cross | | 50 900 [c] | 50 900 [c] | 50 900 [c] | | 50 900 | 100.0% |
| AWARE | 30 009 | | 30 009 | | | | |
| Bill & Melinda Gates Foundation | 76 900 | | 76 900 | 76 900 | | 76 900 | 100.0% |
| CARICOM | 4 779 | | 4 779 | | | | |
| Commission of the European Communities | 27 117 | | 27 117 | | | | |
| European Commission | 903 150 | 1 130 368 | 2 033 518 | 581 198 | 90 626 | 671 825 | 33.0% |
| Ford Foundation | 475 190 | | 475 190 | 362 292 | 3 768 | 366 059 | 77.0% |
| Geneva Global Inc. | 26 549 | | 26 549 | | | | |
| Global Fund | 144 606 | ( 60 000) | 84 606 | | | | |
| Imperial College London | 13 808 | | 13 808 | | | | |
| International Labour Organization | 5 112 | | 5 112 | | | | |
| MDTF Office | 3 573 970 | 222 600 | 3 796 570 | 2 496 267 | 127 830 | 2 624 098 | 69.1% |
| National Agency for AIDS Research | 10 589 | | 10 589 | | | | |
| Organization of Petroleum Exporting Countries | 29 375 | | 29 375 | 29 160 | | 29 160 | 99.3% |
| Public Health Foundation in India | 71 262 | | 71 262 | | | | |
| Southern African Development Community | 43 555 | | 43 555 | | | | |
| Stanford Univeristy | 10 000 | | 10 000 | | | | |
| UNCERF | 156 966 | | 156 966 | 152 548 | | 152 548 | 97.2% |
| UNDP | 354 123 | 25 528 | 379 651 | 379 651 | | 379 651 | 100.0% |
| UNESCO | 116 000 | | 116 000 | | | | |
| UNHCR | 83 562 | | 83 562 | | | | |
| UNICEF | 36 767 | | 36 767 | | | | |
| UNIFEM | 22 145 | | 22 145 | | | | |
| United Nations | 20 000 | | 20 000 | | | | |
| United Nations Foundation | | 12 000 | 12 000 | 12 000 | | 12 000 | |
| UNODC | 13 825 | 9 690 | 23 515 | | | | |
| UNOPS | 65 808 | ( 52 494) | 13 314 | | | | |
| WFP | 8 377 | | 8 377 | | | | |
| WHO | 251 534 | 287 000 | 538 534 | 9 612 | | 9 612 | 1.8% |
| World Bank | 7 275 | | 7 275 | | | | |
| Special PCB allocations | 1 594 739 | | 1 594 739 | 1 214 041 | 14 387 | 1 228 428 | 77.0% |
| Miscellaneous | 2 001 624 | 155 747 | 2 157 371 | 2 155 880 | | 2 155 880 | 99.9% |
| Interest and other | 9 813 612 | 739 263 | 10 552 875 | 3 359 920 | 193 590 | 3 553 510 | 33.7% |
| Refund to donors | | ( 821 857) | ( 821 857) | | | ( 821 857) | 100.0% |
| Programme support costs (PSC) | | | | ( 736 221) [d] | | ( 736 221) | |
| ***Total*** | **44 275 392** | **8 898 681** | **53 174 073** | **25 561 091** | **1 492 905** | **26 232 140** | **49.3%** |

[a] Represents total expense against 2012 budget and 2010-2011 encumbrances, as reflected in schedule 1 on page 47.
[b] Encumbrance equals a firm commitment for goods and/or services which have not yet been delivered.
[c] Represents in-service contributions received in 2012
[d] PSC received for Non-core Funds for 2012

**Table 4**

**Country and Regional expense and encumbrance against all sources of funds**
**for the year ended 31 December 2012**
(in US dollar)

| Region | Countries | Unified Budget, Results and Accountability Framework | | | Non -core funds | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Expense a/ | Encumbrance b/ | Total | Expense a/ | Encumbrance b/ | Total | Expense a/ | Encumbrance b/ | Total |
| Asia and Pacific | Regional Support Team, Asia and Pacific | 3 977 777 | 172 904 | 4 150 681 | 2 108 561 | 605 039 | 2 713 601 | 6 086 338 | 777 944 | 6 864 282 |
| | Bangladesh | 391 469 | 10 828 | 402 296 | 75 661 | 7 366 | 83 027 | 467 130 | 18 193 | 485 323 |
| | Bhutan | 10 000 | | 10 000 | 25 411 | | 25 411 | 35 411 | | 35 411 |
| | Cambodia | 850 839 | 50 106 | 900 945 | 84 852 | 33 000 | 117 852 | 935 691 | 83 106 | 1 018 797 |
| | China | 1 478 771 | 132 358 | 1 611 129 | 442 324 | | 442 324 | 1 921 095 | 132 374 | 2 053 469 |
| | Fiji | 718 882 | 52 717 | 771 599 | 102 271 | | 102 271 | 821 153 | 52 717 | 873 870 |
| | India | 1 276 462 | 26 538 | 1 302 999 | 878 317 | 250 994 | 1 129 311 | 2 154 779 | 277 531 | 2 432 310 |
| | Indonesia | 731 012 | 13 124 | 744 135 | 47 110 | | 47 110 | 778 121 | 13 124 | 791 245 |
| | Lao People's Democratic Republic | 491 307 | 2 920 | 494 227 | 6 409 | | 6 409 | 497 716 | 2 920 | 500 636 |
| | Malaysia | 1 331 | | 1 331 | | | | 1 331 | | 1 331 |
| | Maldives | | | | 6 630 | | 6 630 | 6 630 | | 6 630 |
| | Mongolia | 20 509 | 21 559 | 42 068 | 20 928 | 6 737 | 27 664 | 41 437 | 28 296 | 69 732 |
| | Myanmar | 847 975 | 227 848 | 1 075 823 | 123 290 | | 123 290 | 971 265 | 227 848 | 1 199 113 |
| | Nepal | 608 410 | 16 830 | 625 240 | 106 970 | 4 839 | 111 809 | 715 380 | 21 669 | 737 049 |
| | Pakistan | 914 199 | 35 948 | 950 147 | 108 727 | | 108 727 | 1 022 926 | 35 948 | 1 058 874 |
| | Papua New Guinea | 1 021 733 | 45 250 | 1 066 983 | 385 392 | 121 823 | 507 215 | 1 407 125 | 167 073 | 1 574 198 |
| | Philippines | 406 783 | 8 508 | 415 291 | 9 557 | | 9 557 | 416 340 | 8 508 | 424 848 |
| | Sri Lanka | 264 611 | 5 385 | 269 996 | 576 | 8 972 | 9 547 | 265 187 | 14 357 | 279 544 |
| | Thailand | 888 838 | 67 619 | 956 457 | 70 437 | | 70 437 | 959 276 | 67 619 | 1 026 894 |
| | Viet Nam | 911 338 | 20 677 | 932 014 | 1 068 732 | 12 278 | 1 081 010 | 1 980 070 | 32 955 | 2 013 024 |
| **Total Asia and Pacific** | | 15 812 245 | 911 118 | 16 723 363 | 5 672 156 | 1 051 047 | 6 723 203 | 21 484 401 | 1 962 180 | 23 446 581 |
| Caribbean | Regional Support Team, Caribbean | 1 766 131 | 80 365 | 1 846 496 | | | | 1 743 458 | 80 365 | 1 823 824 |
| | Bahamas | 106 185 | 145 | 106 330 | | | | 106 185 | 145 | 106 330 |
| | Barbados | 85 128 | 19 507 | 104 635 | 671 | | 671 | 85 799 | 19 507 | 105 306 |
| | Belize | 73 727 | 11 870 | 85 597 | 35 383 | | 35 383 | 109 110 | 11 870 | 120 979 |
| | Cuba | 15 299 | | 15 299 | | | | 15 299 | | 15 299 |
| | Dominican Republic | 650 347 | 10 311 | 660 658 | 115 993 | 10 488 | 126 481 | 766 340 | 20 799 | 787 139 |
| | Guyana | 604 925 | 9 559 | 614 483 | 29 698 | | 29 698 | 634 622 | 9 559 | 644 181 |
| | Haiti | 1 042 645 | 33 625 | 1 076 270 | 69 685 | | 69 685 | 1 112 330 | 33 625 | 1 145 955 |
| | Jamaica | 574 786 | 119 101 | 693 887 | 79 210 | 5 988 | 85 198 | 653 996 | 125 089 | 779 085 |
| | Trinidad and Tobago | 233 259 | 5 054 | 238 313 | | | | 233 259 | 5 054 | 238 313 |
| **Total Caribbean** | | 5 152 432 | 289 536 | 5 441 967 | 330 639 | 16 476 | 347 115 | 5 460 399 | 306 011 | 5 766 410 |
| East and South Africa | Regional Support Team, East and South Africa | 4 947 941 | 260 580 | 5 208 521 | 1 782 723 | 326 517 | 2 109 240 | 6 730 664 | 587 097 | 7 317 761 |
| | Angola | 506 786 | 1 961 | 508 747 | 52 893 | | 52 893 | 559 679 | 1 961 | 561 640 |
| | Botswana | 735 705 | 51 309 | 787 014 | 77 021 | | 77 021 | 812 726 | 51 309 | 864 035 |
| | Eritrea | 330 369 | 28 832 | 359 201 | 33 043 | 12 978 | 46 020 | 363 411 | 41 810 | 405 222 |
| | Ethiopia | 1 770 872 | 270 441 | 2 041 314 | 356 488 | 12 231 | 368 720 | 2 127 361 | 282 673 | 2 410 033 |
| | Kenya | 1 017 165 | 106 199 | 1 123 363 | 1 686 306 | 373 284 | 2 059 590 | 2 703 471 | 479 482 | 3 182 953 |
| | Lesotho | 889 882 | 228 889 | 1 118 771 | 115 489 | 1 972 | 117 461 | 1 005 370 | 230 861 | 1 236 231 |
| | Madagascar (covering Seychelles, Comores, Mauritius) | 619 148 | 30 704 | 649 851 | 68 936 | | 68 936 | 688 084 | 30 704 | 718 787 |
| | Malawi | 1 098 217 | 226 627 | 1 324 844 | 931 209 | 35 406 | 966 615 | 2 029 426 | 262 032 | 2 291 459 |
| | Mozambique | 1 143 291 | 113 873 | 1 257 165 | 72 875 | | 72 875 | 1 216 166 | 113 873 | 1 330 039 |
| | Namibia | 839 737 | 27 631 | 867 369 | 71 073 | | 71 073 | 910 810 | 27 631 | 938 442 |
| | Rwanda | 814 592 | 52 545 | 867 137 | 322 212 | 23 907 | 346 119 | 1 136 804 | 76 452 | 1 213 256 |
| | South Africa | 3 427 712 | 159 905 | 3 587 617 | 214 444 | | 214 444 | 3 642 156 | 159 905 | 3 802 061 |
| | South Sudan | 455 186 | 243 342 | 698 528 | 15 627 | 2 196 | 17 822 | 470 812 | 245 538 | 716 350 |
| | Swaziland | 553 643 | 199 229 | 752 872 | 153 002 | 17 346 | 170 348 | 706 645 | 216 575 | 923 220 |
| | Tanzania, United Republic of | 1 123 600 | 127 958 | 1 251 558 | 544 087 | 56 997 | 601 084 | 1 667 687 | 184 955 | 1 852 642 |
| | Uganda | 961 119 | 87 149 | 1 048 268 | 579 318 | 58 075 | 637 393 | 1 540 437 | 145 224 | 1 685 661 |
| | Zambia | 1 326 626 | 85 661 | 1 412 287 | 359 016 | 19 645 | 378 661 | 1 685 643 | 105 306 | 1 790 949 |
| | Zimbabwe | 1 144 014 | 23 245 | 1 167 259 | 191 870 | | 191 870 | 1 335 883 | 23 245 | 1 359 129 |
| **Total East and South Africa** | | 23 705 606 | 2 326 081 | 26 031 686 | 7 627 630 | 940 553 | 8 568 183 | 31 333 235 | 3 266 634 | 34 599 870 |

**a/ Represents total expense against 2012 budget and 2010-2011 encumbrances**

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

Table 4 continued

| Region | Countries | Unified Budget, Results and Accountability Framework | | | Non -core funds | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Expense a/ | Encumbrance b/ | Total | Expense a/ | Encumbrance b/ | Total | Expense a/ | Encumbrance b/ | Total |
| Europe | Regional Support Team, Europe | 2 683 688 | 86 502 | 2 770 190 | 691 616 | 49 917 | 741 533 | 3 375 304 | 136 419 | 3 511 723 |
| | Armenia | 371 763 | | 371 763 | 12 474 | | 12 474 | 384 237 | | 384 237 |
| | Azerbaijan | 234 610 | 3 399 | 238 009 | 29 947 | | 29 947 | 264 557 | 3 399 | 267 956 |
| | Belarus | 198 293 | 22 492 | 220 785 | 5 994 | | 5 994 | 204 287 | 22 492 | 226 780 |
| | Georgia | 228 773 | 400 | 229 174 | | | | 228 773 | 400 | 229 174 |
| | Kazakhstan | 685 869 | 10 894 | 696 763 | 11 710 | | 11 710 | 697 580 | 10 894 | 708 474 |
| | Kyrgyzstan | 120 978 | 3 190 | 124 168 | 16 311 | | 16 311 | 137 289 | 3 190 | 140 479 |
| | Moldova, Republic of | 268 822 | 14 400 | 283 222 | 37 884 | | 37 884 | 306 706 | 14 400 | 321 106 |
| | Romania | | | | 6 384 | | 6 384 | 6 384 | | 6 384 |
| | Russian Federation | 34 868 | | 34 868 | 6 947 | | 6 947 | 41 816 | | 41 816 |
| | Serbia | 40 000 | | 40 000 | | | | 40 000 | | 40 000 |
| | Tajikistan | 231 024 | 5 946 | 236 970 | 134 | | 134 | 231 158 | 5 946 | 237 103 |
| | Ukraine | 1 045 172 | 76 948 | 1 122 120 | 5 847 | | 5 847 | 1 051 019 | 76 948 | 1 127 968 |
| | Uzbekistan | 471 902 | 14 554 | 486 457 | | | | 471 902 | 14 554 | 486 457 |
| **Total Europe** | | 6 615 763 | 238 726 | 6 854 488 | 825 249 | 49 917 | 875 166 | 7 441 011 | 288 642 | 7 729 654 |
| Latin America | Regional Support Team, Latin America | 2 628 537 | 152 643 | 2 781 180 | 242 541 | 6 800 | 249 341 | 2 871 078 | 159 443 | 3 030 521 |
| | Argentina | 653 108 | 67 719 | 720 827 | 1 162 | | 1 162 | 654 269 | 67 719 | 721 988 |
| | Bolivia | | | | 7 350 | 7 350 | 14 700 | 7 350 | 7 350 | 14 700 |
| | Brazil | 852 346 | 18 954 | 871 300 | 9 767 | | 9 767 | 862 113 | 18 954 | 881 067 |
| | Chile | 120 052 | 5 225 | 125 277 | | | | 120 052 | 5 225 | 125 277 |
| | Colombia | 352 421 | 11 952 | 364 373 | | | | 352 421 | 11 952 | 364 373 |
| | Costa Rica | 9 996 | | 9 996 | | | | 9 996 | | 9 996 |
| | Ecuador | 312 632 | 3 621 | 316 253 | 13 084 | | 13 084 | 325 716 | 3 621 | 329 337 |
| | El Salvador | 188 726 | 10 525 | 199 251 | 25 059 | | 25 059 | 213 785 | 10 525 | 224 311 |
| | Guatemala | 679 385 | 28 194 | 707 579 | 78 478 | | 78 478 | 757 863 | 28 194 | 786 057 |
| | Honduras | 742 012 | 19 300 | 761 312 | 4 060 | | 4 060 | 746 071 | 19 300 | 765 371 |
| | Mexico | 5 681 | 14 173 | 19 854 | | | | 5 681 | 4 618 | 10 299 |
| | Panama | 399 795 | 5 029 | 404 824 | 34 731 | | 34 731 | 434 525 | 5 029 | 439 554 |
| | Paraguay | 9 969 | | 9 969 | 1 522 | | 1 522 | 11 491 | | 11 491 |
| | Peru | 641 509 | 9 220 | 650 729 | 9 970 | | 9 970 | 651 479 | 9 220 | 660 699 |
| | Uruguay | 39 197 | 2 435 | 41 632 | 23 670 | | 23 670 | 62 867 | 2 435 | 65 303 |
| | Venezuela | 258 833 | 7 953 | 266 786 | | | | 258 833 | 7 953 | 266 786 |
| **Total Latin America** | | 7 894 197 | 356 944 | 8 251 140 | 451 394 | 14 150 | 465 544 | 8 345 590 | 361 539 | 8 707 130 |
| Middle East & North Africa | Regional Support Team, Middle East and North Africa | 2 494 760 | 94 652 | 2 589 412 | 318 563 | 252 640 | 571 203 | 2 813 323 | 347 292 | 3 160 616 |
| | Algeria | 233 244 | 4 959 | 238 202 | 87 878 | 709 | 88 587 | 321 122 | 5 667 | 326 789 |
| | Djibouti | 348 255 | 23 972 | 372 227 | 58 108 | | 58 108 | 406 363 | 23 972 | 430 335 |
| | Egypt | 227 874 | 18 333 | 246 207 | 165 197 | 3 768 | 168 965 | 393 071 | 22 101 | 415 172 |
| | Iran | 361 588 | 27 521 | 389 109 | | | | 361 588 | 27 521 | 389 109 |
| | Morocco | 454 012 | 9 866 | 463 879 | 67 933 | 18 258 | 86 192 | 521 946 | 28 125 | 550 071 |
| | Somalia | 234 948 | 12 115 | 247 063 | 14 247 | 37 426 | 51 673 | 249 194 | 49 541 | 298 736 |
| | Sudan | 1 041 366 | 27 824 | 1 069 190 | 8 012 | | 8 012 | 1 049 378 | 27 824 | 1 077 202 |
| | Tunisia | 50 543 | 669 | 51 213 | 106 245 | | 106 245 | 156 788 | 669 | 157 458 |
| | Yemen | 230 861 | 9 701 | 240 562 | 5 089 | 44 500 | 49 589 | 235 950 | 54 201 | 290 151 |
| **Total Middle East and North Africa** | | 5 677 451 | 229 613 | 5 907 064 | 831 272 | 357 301 | 1 188 573 | 6 508 723 | 586 914 | 7 095 637 |

**a/ Represents total expense against 2012 budget and 2010-2011 encumbrances**

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

Table 4 continued

| Region | Countries | Unified Budget, Results and Accountability Framework | | | Non -core funds | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Expense a/ | Encumbrance b/ | Total | Expense a/ | Encumbrance b/ | Total | Expense a/ | Encumbrance b/ | Total |
| **West and Central Africa** | Regional Support Team, West and Central Africa | 3 863 483 | 258 294 | 4 121 777 | 1 396 193 | 130 153 | 1 526 346 | 5 259 675 | 388 447 | 5 648 123 |
| | Benin | 385 795 | 10 772 | 396 567 | 48 674 | 6 649 | 55 323 | 434 469 | 17 421 | 451 890 |
| | Burkina Faso | 667 576 | 7 236 | 674 812 | 55 105 | | 55 105 | 722 681 | 7 236 | 729 917 |
| | Burundi | 439 215 | 22 906 | 462 122 | 50 930 | | 50 930 | 490 145 | 22 906 | 513 051 |
| | Cameroon | 719 205 | 45 218 | 764 423 | 14 686 | | 14 686 | 733 890 | 45 218 | 779 109 |
| | Central African Republic | 483 951 | 23 585 | 507 536 | 10 158 | | 10 158 | 494 109 | 23 585 | 517 694 |
| | Chad | 722 667 | 159 490 | 882 157 | 367 052 | 33 142 | 400 193 | 1 089 719 | 192 631 | 1 282 350 |
| | Congo | 687 665 | 27 638 | 715 303 | 29 116 | | 29 116 | 716 781 | 27 638 | 744 419 |
| | Democratic Republic of Congo | 911 683 | 66 434 | 978 117 | 264 033 | 82 125 | 346 158 | 1 175 716 | 148 559 | 1 324 275 |
| | Côte d'Ivoire | 851 291 | 94 761 | 946 051 | 25 216 | | 25 216 | 876 507 | 94 761 | 971 268 |
| | Gabon | 539 868 | 35 935 | 575 802 | 9 500 | | 9 500 | 549 368 | 35 935 | 585 302 |
| | Gambia | 143 551 | 10 297 | 153 848 | 2 449 | | 2 449 | 146 001 | 10 297 | 156 297 |
| | Ghana | 588 505 | 24 604 | 613 109 | 320 903 | 54 000 | 374 903 | 909 408 | 78 604 | 988 012 |
| | Guinea | 513 160 | 17 730 | 530 890 | 32 016 | | 32 016 | 545 175 | 17 730 | 562 905 |
| | Guinea-Bissau | 34 611 | | 34 611 | 28 333 | | 28 333 | 62 944 | | 62 944 |
| | Liberia | 505 475 | 5 177 | 510 652 | 141 997 | 34 711 | 176 708 | 647 472 | 39 888 | 687 360 |
| | Mali | 413 838 | 43 047 | 456 886 | 36 108 | | 36 108 | 449 947 | 43 047 | 492 994 |
| | Mauritania | 157 915 | 8 537 | 166 452 | 38 064 | | 38 064 | 195 980 | 8 550 | 204 529 |
| | Niger | 427 499 | 23 756 | 451 255 | 6 566 | 121 906 | 128 472 | 434 065 | 145 662 | 579 727 |
| | Nigeria | 1 781 878 | 79 491 | 1 861 370 | 546 860 | | 546 860 | 2 328 739 | 79 491 | 2 408 230 |
| | Senegal | 133 901 | 13 512 | 147 413 | 223 127 | | 223 127 | 357 028 | 13 512 | 370 540 |
| | Sierra Leone | 455 543 | 29 470 | 485 013 | 391 662 | 278 677 | 670 339 | 847 205 | 308 147 | 1 155 352 |
| | Togo | 348 039 | 5 221 | 353 260 | 50 712 | | 50 712 | 398 751 | 5 221 | 403 972 |
| **Total West & Central Africa** | | 15 776 314 | 1 013 111 | 16 789 425 | 4 089 460 | 741 363 | 4 830 823 | 19 865 775 | 1 754 486 | 21 620 261 |
| ***Grand Total*** | | 80 634 008 | 5 365 126 | 85 999 134 | 19 827 800 | 3 170 806 | 22 998 606 | 100 439 135 | 8 526 408 | 108 965 543 |

**a/ Represents total expense against 2012 budget and 2010-2011 encumbrances**

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

**PART IV**

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

**12 April 2013**

**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 2012**

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 co-operation 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**

**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 2012**

Contents Page

## EXECUTIVE SUMMARY

### Introduction

1. This Report of the External Auditor on the audit of the financial statements and operations of UNAIDS is issued pursuant to Regulation XIV of the Financial Regulations of the World Health Organization.

2. This is the first 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 Sixtieth World Health Assembly as the External Auditor of the World Health Organization (WHO) for the financial periods 2012-2013 and 2014-2015. The terms of reference are contained in the engagement letter signed between the Chairperson and the Director-General of the WHO in March 2012.

### Audit Scope and Objective

3. The scope of the audit is defined in Regulation XIV of the Financial Regulations and the Additional Terms of Reference Governing the External Audit appended thereto, and in the engagement letter. The audit focused on the review of financial statements, the compliance with regulations and rules, and the review of selected management and governance areas.

4. The objective of the audit is to provide independent assurance to Members, to add value to the UNAIDS' financial management and governance, and to support the objectives of the UNAIDS' work through the external audit process.

5. During the financial year 2012, the audit was performed at the Headquarters of the UNAIDS in Geneva, Switzerland. This is the first year of implementation of IPSAS in UNAIDS, and the audit resources were focused primarily on the review of its implementation to enable Management to prepare IPSAS-compliant financial statements.

**Overall Result of the Audit**

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

7. Our audit of the financial statements revealed findings requiring adjustments 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 2012. 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 2012, the results of its financial performance, changes in net assets/equity, cash flows and the comparison of budget and actual amounts in accordance with the International Public Sector Accounting Standards (IPSAS).

8. 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. We have recommended to Management value-adding measures to improve the financial management and governance in UNAIDS.

**Summary of Recommendations**

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

a. **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;**

b. **Draft a policy or guidelines on Fixed Assets Disposal to ensure uniformity in application and in their eventual recording, reporting and monitoring;**

c. **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;**

d. **Strengthen collaborative efforts with donors and sponsors through unified goals and strategies to attain efficient implementation and timely completion of projects; and**

e. **Develop Risk Management Policy taking off from the initial advice of Deloitte Consulting, and pursue the implementation of a structured Enterprise Risk Management to effectively manage risks.**

## MANDATE, SCOPE AND METHODOLOGY

10. The External Auditor has audited the financial statements of the UNAIDS for the financial year ended 31 December 2012 in accordance with Regulation XIV of the WHO Financial Regulations.

11. 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 internal control.

12. The audit was conducted in conformity with Financial Regulations 14.1 to 14.9 of the WHO and the additional Terms of Reference governing External Audit which was appended to said Financial Regulations and the International Standards on Auditing. Those standards require that the External Auditor comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

13. The audit was conducted primarily to enable the External Auditor to form an opinion as to whether the financial statements presented fairly the financial position of UNAIDS as at 31 December 2012, the results of its financial performance, changes in net equity/assets, cash flows, and comparison of actual amounts and budget for the financial year ended 31 December 2012 in accordance with IPSAS. This included an assessment as to whether the expenditures recorded in the financial statements were incurred for the purposes approved by

the Programme Coordinating Board, and whether income and expenditures were properly classified and recorded in accordance with the WHO Financial Regulations. The audit included a general review of financial systems and internal controls, and a test examination of the accounting records and other supporting evidence to the extent that the External Auditor considered necessary to form an opinion on the financial statements.

14. The audit included examining, on a test basis, evidences supporting the amounts and disclosures in the financial statements. It also included the assessment of the accounting principles used and the significant estimates made by the Agency as well as the overall presentation of the financial statements.

15. We also carried out a review of UNAIDS operations under Financial Regulation XIV 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 operations. These matters are addressed in the relevant sections of this report.

16. 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. The present report covers matters that, in the opinion of the External Auditor, should be brought to the attention of the Programme Coordinating Board of the UNAIDS.

## RESULTS OF AUDIT

### FINANCIAL MATTERS

#### Implementation of IPSAS

17. This is the first set of accounts prepared by UNAIDS under the IPSAS financial reporting framework which incorporates the latest methods and practices in accountancy. This is in compliance with the approved adoption of IPSAS in the UN system during the UN General Assembly in August 2006.

18. As WHO's External Auditor, we continuously provided guidance to UNAIDS Management throughout the process of implementing IPSAS to ensure effective compliance. Among the key activities we undertook were: a) the review of the WHO IPSAS Accounting Policies in November 2011 upon the request of Management; b) the review of opening balances in July 2012 to check on the mapping and restatements of accounts; and c) the review of the financial statements as at 31 July 2012. A full review of the IPSAS financial statements as at 31 December 2012 was undertaken from 04 March to 15 March 2013.

19. Our year-end audit processes included the review of the draft annual financial statements to ensure that there were no material errors in the amounts, and that the requirements of IPSAS had been met. This review led to certain adjustments and amendments to the classification and disclosure of information in the accounts in accordance with the requirements of IPSAS, and in support of better governance and management of funds. We recognized the commitment and professionalism of the UNAIDS Management and Finance staff in the pursuit of producing IPSAS-compliant financial statements. While Management is successful in the initial implementation of IPSAS, there is a need to confirm the benefits realized.

**20. We recommended that Management 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.**

**Audit of the Financial Statements**

21. In the audit of the UNAIDS for the financial year 2012, a number of recommendations were made to improve the presentation and disclosure requirements in compliance with IPSAS. Management agreed with our recommendations and accordingly amended the Financial Statements including the accompanying notes of UNAIDS as at 31 December 2012. We have issued an unqualified opinion on the fair presentation of UNAIDS's financial statements. 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 2012, the results of its financial performance, changes in net assets/equity, cash flows, and the comparison of budget and actual amounts in accordance with IPSAS.

**Key Financial Indicators**

22. We noted that the total revenue for 2012 was US$ 253.5 million, with US$ 234.7 million from governments; US$ 4.2 million from co-sponsoring organizations; US$ 8.9 million from other contributors; and US$ 5.7 million from financial revenue. On the other hand, total expenses for the same financial period amounted to US$ 279.9 million of which US$ 129.9 million or 46% represents salaries and personal cost. Hence, a deficit of US$ 26.4 million was incurred in 2012.

23. The net asset/equity, or fund balance as at 31 December 2012 amounted to US$222.4 million, representing a 10% decrease from US$ 248.2 million as at 31 December 2011. The total budget approved for 2012-2013 amounted to US$ 484.8 million of which US$ 239.8 million is utilized as at 31 December 2012, thus, the balance of US$ 245.0 million or 50.5% of total budget remains unutilized.

**GOVERNANCE MATTERS**

**Asset Management**

24. We reviewed relevant UNAIDS documentation on asset disposal. We noted some procedures on asset disposal which were not considered. These were validated and

confirmed with some representatives of the Property Disposal Committee (PDC) through inquiries.

25. In the case of Fixed Assets recording, we noted that there were proposals submitted for validation and evaluation that lack important information such as purchase date and value, physical location, asset number, and such other information essential for asset management including disposal. We noted, too, that there were assets being proposed to be disposed of which were actually not included or recorded in the asset register. Also, some equipment which had already been retired, stolen and/or obsolete for as long as four years had been proposed for disposal only recently.

26. On the other hand, on the function of Fixed Assets Disposal particularly in cases of proposals for donation, we observed that there were no details or criteria provided for the selection of the final recipient of such donations. We also observed that there were no clear sanctions to be imposed on persons responsible for the disposal of assets without the required approval of the covering request for such disposal. Furthermore, a list of documents regarding the disposal, particularly proof of payment, is not provided. These documents could have served as basis for the proper recording in the financial records/books.

27. The above findings raise the need for proper and timely accounting of fixed assets disposal in order to ensure the accuracy fixed assets reporting which are essential to the preparation of accurate and reliable Financial Reports. PDC therefore plays a vital role in this regard since their prompt and appropriate decision can result in the write-off of these fixed assets from the asset register, and thereafter, excluding them from the Statement of Financial Position (Statement I).

28. Another essential function of fixed asset management is ensuring that fixed assets acquired/purchased are properly recorded and entered in the asset register regardless of its manner of acquisition. Fixed assets which have been lost, stolen, misplaced, and retired are written off the fixed asset register as disposals with nil value. Up until report date, such assets are still included in the register at book value.

29. Management needs to respond efficiently and effectively to PDC decisions since it will redound to actual compliance with the requirements of WHO-IPSAS in the a) recognition and de-recognition of the fixed assets in a timely basis and with emphasis on proper accounting cutoff dates, b) the determination of their carrying amounts, c) the

depreciation charges and impairment losses to be recognized in relation to them; and d) in the recording of income/loss on its sale. Thus, an effective and sustainable policy on Asset Disposal must be present.

**30. We recommended that Management, through the PDC, draft a policy or guidelines on Fixed Assets Disposal for application across the Programme to ensure uniformity in its application and eventual recording, reporting and monitoring.**

**Project Performance - Outstanding Accounts Receivable**

31. Among the more plausible avenues for funds augmentation and sustenance of UNAIDS is intensified monitoring and collection of its receivables. UNAIDS receives only voluntary contributions from donors that are accrued regularly. 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, and once such agreements are established, a receivable and the corresponding deferred revenue as a liability are recognized. Revenue is recognized when the condition is discharged.

32. The Financial Report of UNAIDS as at 31 December 2012 showed a total of US$ 84.9 in accounts receivable (net of revaluation amount of US$ 133 960.60 and provision for bad debts of US$ 85 010). This is approximately 25% of the total assets of the Programme. A more detailed analysis of the composition of the Accounts Receivable as of year-end disclosed that of the total receivables, US$ 3.66 million, or about 4%, are aged 361 to 720 days, while US$ 1.87 million, or approximately 2 %, are aged over 720 days. Total receivable along the range of 361 to more than 720 days is US$ 5 533 259.60.

33. Based on management representation, we emphasized that of the US$ 5.53 million in long outstanding receivables; about 76% are receivables from USAID and CDC. The process for the release of their contributions takes longer than usual due mainly to certain policies and modalities unique only to these agencies. As such, USAID and CDC accounts are essentially current and up-to-date.

34. We noted that of the 56 projects/activities presently being financed by these receivable funds, 23 projects are already past their award end dates as of the end of calendar year 2012. This is an indication that timelines are not being met, and that projects are not completed within the initially intended timeframe. These delays in project completion could be attributed to various factors and causes but nonetheless, should be promptly addressed by UNAIDS and its partners.

35. Given the existing practice and the manner in which the programmes of UNAIDS are carried out, voluntary donations are not released outright to UNAIDS, but are instead initially treated in the accounting system as accounts receivable. The actual releases of these donations are usually on a staggered basis, and depend largely on the status and extent of implementation and performance of the projects covered by these donations as presented in the financial and related accomplishment reports. In short, delayed implementation of projects subsequently results in delays in succeeding releases of funds.

36. We commended Management for the efforts that have so far been put forward towards sustaining continued inflow of resources, most of all the collection of receivables to the extent that it has managed to keep its large accounts up to date. However, its performance can be further improved in so far as its receivable portfolio is concerned by unwavering efforts towards regularly monitoring all its receivable accounts.

**37. We recommended that Management 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; and**

**38. We also recommended that Management continues to strengthen collaborative efforts with its donors and sponsors through unified goals and strategies to attain efficient implementation and timely completion of projects.**

**Enterprise Risk Management**

39. For its part, as early as 2009, the UNAIDS had already made some inroads into recognition of risks as important strategic drivers with the creation of the Office of Organization Performance and Ethics (OPE) with a specific mandate *"to identify, follow and communicate organizational change, commitments and risks to ensure that UNAIDS has the*

*intelligence required to execute its strategy in the most efficient and effective manner"* among others. The creation of the OPE was a result of the prioritization of accountability enhancement and the improvement of UNAIDS risk management practices initiated by the Executive Director.

40. However, UNAIDS Management realized that *"despite the progress made and in order to avoid risk response silos, there is a need for a more comprehensive and holistic approach. This entails the development of a more formal risk management strategy and framework for UNAIDS taking into account the changing environment as it impacts on the risk landscape of the Organization..xxx"*.

41. On April 26, 2011, Deloitte Consulting signed an APW costing US$ 96,360 with UNAIDS agreeing to deliver several works including the corporate-wide risk management framework and a clear roadmap on or before 21 July 2011. In the development of a risk management framework, Deloitte Consulting proposed that the ERM framework starts with a top-down direction to support the consistent and effective risk management across the organization. The ERM framework includes such elements as Policy, Strategy, Repeatable Processes and Sustainment Requirements. The development of ERM framework in UNAIDS by the Consultant was planned along the proposed timeline running from 14 March to 17 June 17 2011 with programmed deliverables such a draft ERM framework, Business case of ERM at UNAIDS, Risk Management training materials and finalized Risk Management Framework and Strategy among others.

42. Management informed us that the Deloitte project was put on hold in 2011. According to them, "*the next phase is to modify the Risk Universe (which has already been prepared by Deloitte) to meet UNAIDS requirements and build on the work already conducted by Deloitte. It will be necessary to thoroughly assess what has already been achieved which will enable us to produce a policy paper for submission to Senior Management. Once the policy paper is approved by Senior Management, we will be in a position to take further steps towards achieving the final goal of having a finalized ERM framework and strategy in place.*"

43. We reviewed the existing Risk Universe prepared by Deloitte. We also analyzed the nature of the risks in the Risk Universe and their corresponding defined Risk Events and Risk Factors, and we identified inconsistencies and unclear definitions of risks.

44. After considering the accomplishments and the plans for the implementation of ERM, we believe that this has to be pursued along the line of Management's objectives. Management has to mitigate its exposure to risk of tarnishing its reputation and losing some support from Donors.

**45. We recommended that Management develop Risk Management Policy taking off from the initial advice of Deloitte Consulting, and pursue the implementation of a structured ERM to effectively manage risks.**

## DISCLOSURES BY MANAGEMENT

***Write-offs, Administrative Waivers, Ex gratia Payments, and Cases of Fraud***

46. No Write-off of Cash, Receivables and Property, Administrative Waivers, ex gratia payments and Cases of Fraud and Presumptive Fraud were noted during the financial period 1 January 2012 to 31 December 2012. This fact is emphasized under Note 4.13 of the Notes to the Financial Statements.

## ACKNOWLEDGEMENT

**47.** The External Auditor wishes 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, Financial Services, Risk Management, and Compliance, and the members of their respective staff.

**COMMISSION ON AUDIT**
Republic of the Philippines
External Auditor
8 April 2013

[End of document]