

UNIFIED BUDGET, RESULTS AND ACCOUNTABILITY FRAMEWORK (UBRAF) FINANCIAL REPORTING

Additional documents for this item: Interim Financial Management Update for the period 1 January 2018 to 31 March 2019 (UNAIDS/PCB(44)/19.16).

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 2018

Cost implications for implementation of decisions: none

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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 UNAIDS Secretariat is submitting the financial report for the year ended 31 December 2018 to the Programme Coordinating Board (PCB) for review, as per established procedures which require the 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 the International Public Sector Accounting Standards (IPSAS) and in accordance with the Financial Regulations and Rules of the World Health Organization (WHO).
3. This is the seventh year that UNAIDS financial statements have been prepared based on IPSAS, which continues to enhance transparency, increase accountability and improve the financial reporting of UNAIDS.
4. The implementation of IPSAS does not currently impact the preparation of the Unified Budget, Results and Accountability Framework (UBRAF), which continues to be prepared 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.
5. Highlights of revenue, expense, net assets/equity, assets and liabilities of the Programme are supplied, as is information on cash flow, liquidity and equity. This is done to provide a complete picture of the financial position of UNAIDS, as at 31 December 2018.

Approved budget and work plan

6. The 2016–2021 UBRAF is the Joint Programme’s instrument to operationalize the UNAIDS Strategy for 2016–2021, which the PCB adopted at its 37th meeting in October 2015. It aims to advance progress towards reaching UNAIDS’ long-term vision of zero new HIV infections, zero discrimination, zero AIDS-related deaths.
7. At its 37th meeting in October 2015, the Programme Coordinating Board approved the 2016–2021 Unified Budget, Results and Accountability Framework with a core budget of US\$ 484.8 million for the 2016–2017 biennium (the same level as for the previous four biennia), and distribution of US\$ 310.2 million managed by the Secretariat and US\$ 174.6 million to be allocated among the eleven Cosponsors. The Board also requested the submission of a revised and more prioritized Unified Budget, Results and Accountability Framework for approval at the 38th meeting of the Programme Coordinating Board.
8. At its 38th meeting in June 2016, the PCB approved the final, prioritized and more detailed 2016–2021 UBRAF based on the recommendations of the PCB Working Group to review and further develop the Results and Accountability Framework of the 2016–2021 UBRAF.
9. At its 40th meeting in June 2017, the Programme Coordinating Board approved the 2018–2019 budget and the revised resource mobilization and allocation model. It approved an annual core budget of US\$ 184 million and distribution of US\$ 140 million to adequately resource the UNAIDS Secretariat; allocation of US\$ 22 million with US\$ 2 million to each Cosponsor allocated centrally and a further allocation of US\$ 22 million to Cosponsors at country level in the form of country envelopes to leverage joint action in the Fast-Track countries and in support of populations in greatest need in other countries.

10. It also approved the allocation of additional resources in the form of supplemental funds totaling US\$ 58 million (US\$ 43 million for the Cosponsors and US\$ 15 million for the Secretariat) to address particular epidemic and country contexts, thus bringing the total resources to the level of a fully funded Unified Budget, Results and Accountability Framework (US\$ 484 million in 2018-2019 biennium).

Revenue

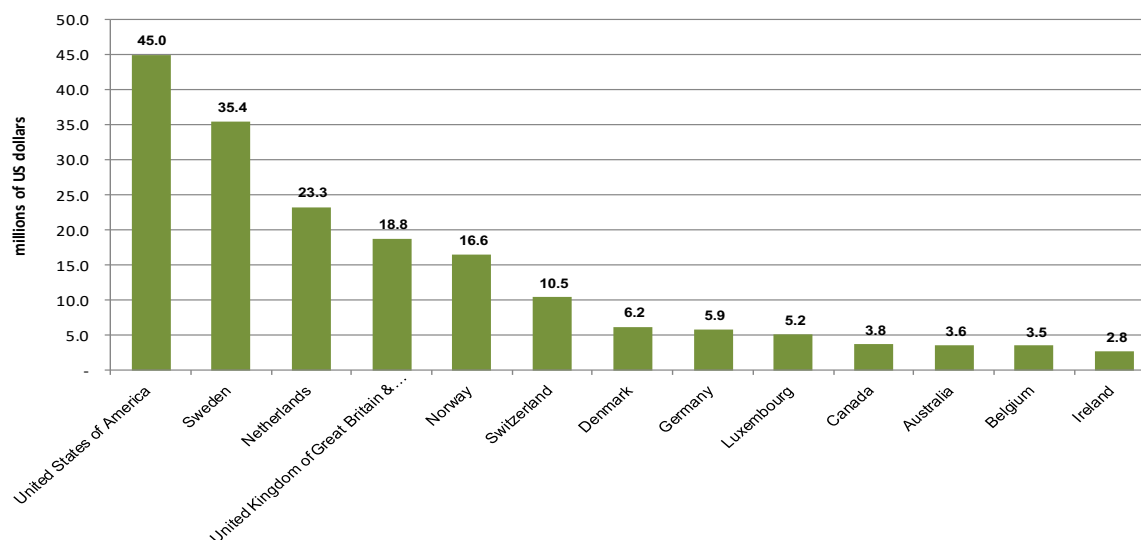
11. Total revenue for the year ended 2018 for both core and non-core funds was US\$ 219.7 million (compared to US\$ 232.9 million for 2017). Of this amount, US\$ 188.8 million was made available towards the UBRAF and US\$ 30.9 million to non-core funds. Of the non-core funds, US\$ 29.8 million was made available to UNAIDS to provide support to a number of global, regional and country activities that are designated for specific countries or purposes. The balance of US\$ 1.1 million represented mainly actuarial gains under the Terminal Payments Fund. Table 1 provides details of revenue for 2018 and 2017.

Table 1
Details of revenue: all funds (in US dollars)

Revenue	UBRAF Core Funds		Non-Core Funds		TOTAL	
	2018	2017	2018	2017	2018	2017
Governments	184 535 955	172 402 332	21 025 549	46 717 440	205 561 504	219 119 772
Cosponsoring organizations	-		3 688 920	975 728	3 688 920	975 728
Others	226 958	481 497	5 128 403	4 320 221	5 355 361	4 801 718
Finance revenue	4 021 575	3 978 772	1 108 910	4 061 922	5 130 485	8 040 694
Grand Total	188 784 488	176 862 601	30 951 782	56 075 311	219 736 270	232 937 912

12. As summarized in Table 1 above, revenue totaling US\$ 188.8 million was mobilized and made available towards the UBRAF. This represented 78% of the Secretariat resource mobilization target of US\$ 242 million for the year 2018 (compared to US\$ 176.9 million or 73% for 2017; US\$ 180.3 million or 75% for 2016 and US\$ 200.9 million or 83% in 2015), which resulted in a shortfall of US\$ 53.2 million against the PCB-approved budget. The 2018 shortfall of US\$ 53.2 million is lower than the US\$ 65.5 million and US\$ 62 million shortfall in 2017 and 2016, respectively.
13. Notwithstanding that the Secretariat did not fully mobilize the total core budget of US\$ 242 million, it mobilized US\$ 11.9 million more in 2018 compared to 2017 (i.e US\$ 188.8 million in 2018 compared to US\$ 176.9 million in 2017). Figure 1 (below) provides details of revenue received from UNAIDS main donors towards the UBRAF for the year 2018.

Figure 1
Details of revenue received from main donors towards the Unified Budget, Results and Accountability Framework for the year 2018 (in millions of US dollars)



Expense

14. Total expenses for the year ended 31 December 2018 amounted to US\$ 209.3 million (compared to US\$ 225.2 million for 2017 and US\$ 227 million for 2016)), of which US\$ 171.8 million related to expenses against year 2018 of the UBRAF for 2018–2019; US\$ 30.4 million represented expenses under the non-core funds; US\$3.8 million related to prior period expenses and US\$ 3.3 million represented finance costs. Table 2 provides details of expense by fund type for 2018 and 2017.

Table 2
Details of expense: all funds (in US dollars)

Expense	2018	2017
UBRAF core funds	171 798 677	172 134 662
Non-core funds	30 397 337	50 602 101
Prior period expense	3 789 629	-
Finance costs	3 341 700	2 470 891
Total Expense	209 327 343	225 207 654

15. Through the strategic repositioning completed in 2016 and together with initiatives and measures put in place to reduce costs and increase cost-effectiveness and efficiency the Secretariat achieved a reduction of its approved share of the UBRAF expense by 6% or US\$ 8.3 million (i.e. to US\$ 131.7 million against US\$ 140 million in the approved budget). The 2018 Secretariat UBRAF expense and encumbrances of US\$ 131.7 million is the same as for 2017.

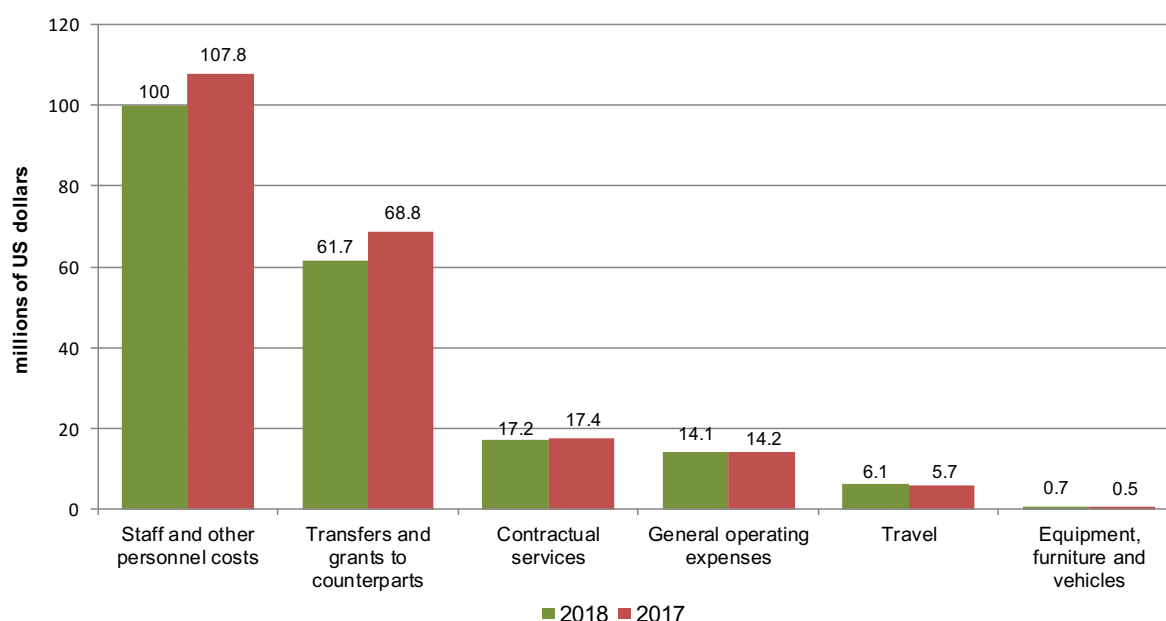
16. In addition, the total 2018 expense of US\$ 209.3 million represented a reduction of US\$ 15.9 million or 7% compared to the total expense for the year ended 2017 which amounted to US\$ 225.2 million. This is reflected in Table 3 and Figure 2 (below), which also show a reduction of costs of 8% or US\$ 7.8 million under the staff expense category and 10% under the transfers and grants to counterparts expense category and consistent expense under the other major expense categories (when compared to 2017 and 2016).

Table 3
Details of expense by category (in US dollars)

Expense	2018	2017
Staff and other personnel costs ^{a/}	105 616 408	115 435 334
Transfers and grants to counterparts	61 676 308	68 754 908
Contractual services	17 185 877	17 440 269
General operating expenses	14 087 766	14 181 316
Travel	6 149 310	5 712 605
Equipment, furniture and vehicles	659 234	541 989
Depreciation	610 740	670 342
Finance costs	3 341 700	2 470 891
Total Expense	209 327 343	225 207 654

^{a/} Includes US\$ 5.6 million for 2018 and US\$7.6 million for 2017 related to expense against the Staff Health Insurance due to movement in the actuarial liability.

Figure 2
Details of expense by major category for year 2018 and 2017
(in millions of US dollars)



Fund balance

17. The nature of UNAIDS as a voluntary funded programme requires a fund balance that serves as working capital to initiate and implement activities pending receipt of firm pledges/contributions. To ensure continuity of activities from one year to the next, including the transfer of funds to Cosponsors, a sufficient fund balance at the end of each year is necessary to ensure the smooth start up and implementation of the UBRAF in the following year/biennium.
18. At its 26th meeting, held in Geneva from 22–24 June 2010, the PCB approved a maximum level for the UBRAF net fund balance equivalent to 35% (i.e. US\$ 170.0 million) of the UNAIDS biennial budget. Furthermore, at its 36th meeting, held in Geneva from 30 June to 2 July 2015, the Board approved the minimum level for UNAIDS net fund balance equivalent to 22% (i.e. US\$ 107 million) of the UNAIDS biennial budget.
19. As of 31 December 2018, the net fund balance of the UBRAF stood at US\$ 95.6 million or 19.7% of the biennial budget¹ (compared to US\$ 81.7 million or 16.8% as at 31 December 2017 and US\$ 79.8 million or 16.5% as at 31 December 2016). This is below the minimum level of 22% (or US\$ 107 million) of the biennial budget as approved by the Board in June 2015.
20. Although the net fund balance of the UBRAF is lower than the approved minimum level, it should be noted that the Secretariat through the initiatives and measures put in place to reduce costs and increase cost-effectiveness and efficiency has managed to increase the fund balance by US\$ 13.9 million during 2018.
21. As highlighted under paragraph 15, the fund balance of the UBRAF is the Joint Programme's working capital. It enables the transfer of funds to the Cosponsors at the beginning of each year and enables the Joint Programme to operate without interruption. However, given that the level of the fund balance as of 31 December 2018 remains below the minimum balance established by the PCB, the Secretariat will continue monitor the fund balance closely and intensify the mobilization of resources to ensure the fund balance is maintained at a level that enables the effective implementation of the UBRAF.

¹ In addition to the expense of US\$ 172.1 million in 2018 under the 2018–2019 UBRAF, US\$ 3.6 million was encumbered during 2018 (representing firm commitments of goods and services to be delivered in 2019). As a result, the net fund balance as at 31 December 2018 under the UBRAF to cover 2019 UBRAF activities was US\$ 95.6 million (US\$ 99.2 million less US\$ 3.6 million reserved for 2018 encumbrances).

PART II

FINANCIAL STATEMENTS, SCHEDULES AND NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2018

This section of the financial report presents the overall financial position of UNAIDS as of and for the year ended 31 December 2018. 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 2018.

Certification of Financial Statements for the year ended 31 December 2018

The financial statements, accounting policies and notes to the financial statements have been prepared in compliance with International Public Sector Accounting Standards (IPSAS). The financial statements are also prepared 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 financial statements for the year ended 31 December 2018, together with the notes to the statements and supporting schedules are approved.



George Farhat
Director, Planning, Finance
and Accountability a.i.

Geneva, 15 March 2019



Michel Sidibe
Executive Director
UNAIDS



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

LETTER OF TRANSMITTAL

1 April 2019

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 2018.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Michael G. Aguinaldo".

Michael G. Aguinaldo
Chairperson, Commission on Audit
Republic of the Philippines
External Auditor

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





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

INDEPENDENT AUDITOR'S REPORT

To the Programme Coordinating Board

Opinion

We have audited the financial statements of the Joint United Nations Programme on HIV/AIDS (UNAIDS), which comprise the statement of financial position as at 31 December 2018, and the statement of financial performance, statement of changes in net assets/equity, statement of cash flow, and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the UNAIDS as at 31 December 2018, and its financial performance, changes in net assets/equity, cash flow, and comparison of budget and actual amounts for the year then ended, in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the UNAIDS in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the **Financial report and audited financial statements for the year ended 31 December 2018**, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent

with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the UNAIDS's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the UNAIDS or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the UNAIDS's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economics decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 UNAIDS's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the UNAIDS's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.



Michael G. Aguinaldo
Chairperson, Commission on Audit
Republic of the Philippines
External Auditor

Quezon City, Philippines
29 March 2019



Statement I

Statement of Financial Position

All sources of funds as at 31 December 2018

(in US dollars)

	Note	31 December 2018	31 December 2017
ASSETS			
Current assets			
Cash and cash equivalents held by WHO	4.1	162 792 418	145 527 017
Accounts receivable - current	4.2	93 685 803	110 541 452
Staff receivables	4.3	2 404 950	1 927 433
Prepayments	4.4	582 600	496 699
Other current receivables	4.5	90 586	56 745
Total current assets		259 556 357	258 549 346
Non-current assets			
Accounts receivable - non-current	4.2	12 766 323	26 740 517
Property, plant and equipment	4.8	20 693 087	21 231 816
Total non-current assets		33 459 410	47 972 333
TOTAL ASSETS		293 015 767	306 521 679
LIABILITIES			
Current liabilities			
Accounts payable	4.9	3 908 216	7 456 834
Staff payable	4.10	161 212	99 170
Accrued staff benefits - current	4.11	8 415 177	8 831 138
Deferred revenue - current	4.12	13 974 194	24 944 173
Long-term borrowings - current	4.13	605 876	611 452
Total current liabilities		27 064 675	41 942 767
Non-current liabilities			
Accrued staff benefits - non-current	4.11	66 031 388	87 354 408
Deferred revenue - non-current	4.12	12 709 339	26 683 533
Long-term borrowings - non-current	4.13	20 922 307	21 679 554
Total non-current liabilities		99 663 034	135 717 495
TOTAL LIABILITIES		126 727 709	177 660 262
NET ASSETS/EQUITY			
Net assets/reserves			
Operating Reserve Fund	4.14	35 000 000	35 000 000
Equity in capital assets	4.15	7 803 613	7 197 737
Common Fund		(12 099 709)	(8 846 120)
Non-restricted funds		99 183 390	84 658 898
Restricted funds		53 484 158	55 583 168
Building Renovation Fund	4.16	5 373 127	4 868 300
Staff Benefits		(24 478 012)	(47 700 657)
Non-payroll staff entitlements Fund		2 021 491	(1 899 909)
TOTAL NET ASSETS/EQUITY		166 288 058	128 861 417
TOTAL LIABILITIES AND NET ASSETS/EQUITY		293 015 767	306 521 679

The statement of significant accounting policies and the accompanying notes form part of the financial statements.

Statement II
Statement of Financial Performance
All sources of funds for the year ended 31 December 2018
(in US dollars)

	Notes	31 December 2018	31 December 2017
Revenue			
Voluntary contributions	5.2		
Governments		205 561 504	219 119 772
Cosponsoring organizations		3 688 920	975 728
Others		5 355 361	4 801 718
Finance revenue	5.3	5 130 485	8 040 694
Total revenue		219 736 270	232 937 912
Expense			
	5.4		
Staff and other personnel costs		105 616 408	115 435 334
Transfers and grants to counterparts		61 676 308	68 754 908
Contractual services		17 185 877	17 440 269
General operating expenses		14 087 766	14 181 316
Travel		6 149 310	5 712 605
Equipment, vehicles and furniture		659 234	541 989
Depreciation		610 740	670 342
Finance costs		3 341 700	2 470 891
Total expense		209 327 343	225 207 654
Total surplus/(deficit) for the year		10 408 927	7 730 258

The statement of significant accounting policies and the accompanying notes form part of the financial statements.

Statement III

Statement of Changes in Net Assets/Equity

All sources of funds for the year ended 31 December 2018

(in US dollars)

	Notes	31 December 2018	2018 Movements	2018 Adjustments	31 December 2017
Net assets/reserves	4.14				
Operating Reserve Fund	4.15	35 000 000			35 000 000
Equity in capital assets		4 458 270			4 458 270
Loan adjustments		3 345 343	605 876		2 739 467
Total Equity in capital assets		7 803 613	605 876	-	7 197 737
Common Fund					
Depreciation on property, plant and equipment		(6 700 608)	(610 740)		(6 089 868)
Revaluation reserve		(5 399 101)	(2 642 849)		(2 756 252)
Total Common Fund		(12 099 709)	(3 253 589)	-	(8 846 120)
Non-restricted funds					
UBRAF Core unrestricted		99 183 390	14 954 492	(430 000)	84 658 898
Restricted funds					
Supplementary restricted		35 535 047	(1 758 063)		37 293 110
Extra-budgetary funds		17 949 111	(340 947)		18 290 058
Total Restricted		53 484 158	(2 099 010)	-	55 583 168
Other Funds					
Building Renovation Fund	4.16	5 373 127	74 827	430 000	4 868 300
Staff Benefits Fund					
Terminal Payments		6 600 728	2 028 834		4 571 894
Staff Health Insurance		(30 512 595)	(5 612 989)	26 999 188	(51 898 794)
Special Fund for Compensation		(566 145)	(210 914)	18 526	(373 757)
Total Staff Benefits Fund		(24 478 012)	(3 795 069)	27 017 714	(47 700 657)
Non-payroll staff entitlements Fund		2 021 491	3 921 400		(1 899 909)
Net assets/equity		166 288 058	10 408 927	27 017 714	128 861 417

The statement of significant accounting policies and the accompanying notes form part of the financial statements.

Statement IV
Statement of Cash Flow
All sources of funds for the year ended 31 December 2018
(in US dollars)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Surplus/(deficit) for the year	10 408 927	7 730 258
Depreciation	610 740	670 342
(Increase)/decrease in accounts receivables - current	16 855 649	(31 770 956)
(Increase)/decrease in accounts receivables - non-current	13 974 194	5 836 883
(Increase)/decrease in staff receivables	(477 517)	(154 416)
(Increase)/decrease in prepayments	(85 901)	2 914 865
(Increase)/decrease in other current receivables	(33 841)	(40 640)
Increase/(decrease) in contributions received in advance	-	(97 666)
Increase/(decrease) in accounts payables	(3 548 618)	2 993 982
Increase/(decrease) in staff payables	62 042	(200 878)
Increase/(decrease) in accrued staff benefits - current	(415 961)	(11 008)
Increase/(decrease) in deferred revenue - current	(10 969 979)	3 010 508
Increase/(decrease) in deferred revenue - non-current	(13 974 194)	(5 836 883)
Increase/(decrease) in accrued staff benefits - non-current	(21 323 020)	23 712 130
<i>Net cash flow from operating activities</i>	<u>(8 917 479)</u>	<u>8 756 521</u>
Cash flows from investing activities		
(Increase)/decrease in purchase of property, plant and equipment	(72 011)	(65 062)
<i>Net cash flow from investing activities</i>	<u>(72 011)</u>	<u>(65 062)</u>
Cash flows from financing activities		
Increase/(decrease) in long-term borrowings - current	(5 576)	28 037
Increase/(decrease) in long-term borrowings -non-current	(757 247)	445 638
Direct adjustments to net assets/equity	27 017 714	(17 324 835)
<i>Net cash flow from financing activities</i>	<u>26 254 891</u>	<u>(16 851 160)</u>
Net Increase/(decrease) in cash and cash equivalents	<u>17 265 401</u>	<u>(8 159 701)</u>
Cash and cash equivalents at beginning of year	<u>145 527 017</u>	<u>153 686 718</u>
Cash and cash equivalents at end of year	<u>162 792 418</u>	<u>145 527 017</u>

The statement of significant accounting policies and the accompanying notes form part of the financial statements.

Statement V

**Statement of Comparison of Budget and Actual Amount
2018-2019 Unified Budget, Results and Accountability Framework
for the period ended 31 December 2018**

(in US dollars)

	2018-2019 Approved core budget	Expense 2018	Balance	Percentage implementation	
	(a)	(b)	(c) = (a-b)	(d) = (c / a)	
I. Result Areas					
1	HIV testing and treatment	24 170 732	12 085 366	12 085 366	50.0%
2	Elimination of Mother To Child Transmission	7 788 396	3 894 198	3 894 198	50.0%
3	HIV prevention among young people	14 372 834	7 186 417	7 186 417	50.0%
4	HIV prevention among key populations	14 370 888	7 185 444	7 185 444	50.0%
5	Gender inequality and GBV	9 473 078	4 736 539	4 736 539	50.0%
6	Human rights, stigma and discrimination	7 520 198	3 760 099	3 760 099	50.0%
7	Investment and efficiency	4 207 992	2 103 996	2 103 996	50.0%
8	HIV and health services integration	6 095 882	3 047 941	3 047 941	50.0%
Total Cosponsors		88 000 000	44 000 000	44 000 000	50.0%
II. Core Functions					
1	Leadership, advocacy and communication	67 661 000	31 248 875	36 412 125	46.2%
2	Partnerships, mobilization and innovation	60 158 000	27 259 179	32 898 821	45.3%
3	Strategic information	31 775 000	13 551 591	18 223 409	42.6%
4	Coordination, convening & country implementation support	64 844 000	29 329 522	35 514 478	45.2%
5	Governance and mutual accountability	55 562 000	26 743 517	28 818 483	48.1%
Total Secretariat		280 000 000	128 132 684	151 867 316	45.8%
Grand Total		368 000 000	172 132 684	195 867 316	46.8%
Basis differences					
	Capitalization of assets		(72 011)		
	Loan repayment		(605 876)		
	Total basis differences		(677 887)		
Timing differences					
	Expenses incurred in prior period against all funds		3 789 629		
Entity differences					
	Expenses under other funds		34 082 917		
Total expense as per the Statement of Financial Performance (Statement II)			209 327 343		

The statement of significant accounting policies and the accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF OBJECTIVES

The Joint United Nations Programme on HIV/AIDS (UNAIDS) was established through the Economic and Social Council (ECOSOC) resolution 1994/24 of 26 July 1994 to “undertake a joint and co-sponsored United Nations Programme on HIV/AIDS on the basis of co-ownership, collaborative planning and execution, and an equitable sharing of responsibility”. UNAIDS currently consists of eleven United Nations organizations referred to as Cosponsors.²

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

The objectives of UNAIDS, are contained in the Memorandum of Understanding among Cosponsors establishing UNAIDS and in the Economic and Social Council of the United Nations (ECOSOC) resolutions 1994/24 and 1995/2.

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

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

2. BASIS OF PREPARATION AND PRESENTATION

The accounts of UNAIDS are maintained in accordance with the Financial Regulations and Financial Rules of WHO, which provides administration in support of UNAIDS as per ECOSOC resolution 1994/24, and Article XI of the Memorandum of Understanding among Cosponsors establishing UNAIDS. The accounting policies and financial reporting practices applied by UNAIDS are therefore based upon the WHO Financial Regulations and Financial Rules.

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

Financial period

The Programme’s financial period for budgetary purposes is a biennium consisting of two consecutive years. The financial statements are prepared annually.

² When UNAIDS was established in 1994 the Joint 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.

Functional currency and translation of foreign currencies

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

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

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

Materiality and the use of judgements and estimates

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

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

Financial Statements

In accordance with IPSAS 1, a complete set of financial statements have been prepared as follows:

- Statement of Financial Position
- Statement of Financial Performance
- Statement of Changes in Net Assets/Equity
- Statement of Cash Flow
- Statement of Comparison of Budget and Actual Amounts: and
- Notes to the financial statements, comprising a summary of significant accounting policies and other relevant information.

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Cash and cash equivalents held by WHO on behalf of UNAIDS

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

Financial instruments are recognized when WHO/UNAIDS becomes a party to the contractual provisions of the instrument until such time when the rights to receive cash flows from those assets have expired or have been transferred and WHO/UNAIDS 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 and

bank deposits and other receivables. All purchases and sales of investments are recognized on the basis of their trade date.

Financial assets or financial liabilities at fair value through surplus or deficit are financial instruments that meet either of the following conditions: (i) they are held for trading; or (ii) they are designated by the entity upon initial recognition at fair value through surplus or deficit. Financial instruments that belong to this category are measured at fair value and any gains and losses arising from changes in the fair value are accounted for through surplus or deficit and included within the Statement of Financial Performance of WHO/UNAIDS 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. Financial assets in the externally managed portfolios designated upon initial recognition as at fair value through surplus or deficit, are classified as current assets or non-current assets according to the time horizon of the investment objectives of each portfolio. If the time horizon is less than or equal to one year, they are classified as current assets.

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

Available-for-sale investments are classified as being available-for-sale where WHO has not designated them either as held for trading or as held-to-maturity. Available-for-sale items are stated at fair value (including transaction costs that are directly attributable to the acquisition of the financial asset) with value changes recognized in net assets/equity. Impairment charges and interest calculated using the effective interest rate method are recognized in the Statement of Financial Performance of WHO. As at 31 December 2018, no available-for-sale financial assets were held by WHO.

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

3.2 Accounts receivables

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

An allowance for doubtful accounts receivable is recognized when there is a risk that the receivable may be impaired. Changes in allowance for doubtful accounts receivable are recognized in the Statement of Financial Performance.

3.3 Inventories

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

3.4 Prepayments

Prepayments relate to amounts paid to suppliers for goods and services not yet received. Advances are made to UNDP to cover payments made on behalf of UNAIDS in accordance with the “Working Arrangement between the United Nations Development Programme (UNDP) and the Joint United Nations Programme on HIV/AIDS (UNAIDS) covering the provision of administrative support services by UNDP” signed in April 1996 and updated in June 2008. Advances are made to UNAIDS Cosponsors to enable them to carry out their mandates under the UNAIDS 2016-2021 Unified Budget, Results and Accountability Framework when necessary.

3.5 Property, plant and equipment (PP&E)

Property, plant and equipment (PP&E) with a value of US\$ 5 000 and above 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. Heritage assets have not been valued and are not considered in the financial statements.

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.

Depreciation is calculated on a straight-line basis over the asset’s useful life except for land, which is not subject to depreciation. Property, plant and equipment are reviewed annually for impairment to ensure that the carrying amount is still considered to be recoverable. The estimated useful lives of the asset classes that make up property, plant and equipment are provided in the table below.

Asset Class	Estimated Useful Life (in 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

Improvements are capitalized over the remaining life of the asset when the improvement results in an increase in the useful life of the asset or adds usable space. The residual value of the asset and the cost of the improvement will be amortized over the adjusted useful life (remaining life). Normal repair and maintenance costs are expensed in the year when the costs are incurred.

3.6 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. Intangible assets are amortized over their estimated useful lives using the straight-line method. The estimated useful life of 'software acquired externally' is between two to six years.

Intangible assets are assumed to have a residual value of zero as intangible assets are not sold or transferred at the end of their useful life. Intangible assets are reviewed annually for impairment.

3.7 Leases

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

3.8 Contributions received in advance

Contributions received in advance arise from legally binding agreements between UNAIDS and its donors whereby the funds are received in advance of the amounts concerned falling due to the Organization.

3.9 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. Accounts payable and accrued liabilities are recognized at cost due to the discounting being considered not to be material.

3.10 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

3.10a Short-term employee benefits

Liabilities are established for short-term employee benefits including items such as wages, salaries and social security contributions, paid annual leave and paid sick leave, and non-monetary benefits (such as medical care) for current employees. Actuarial assumptions and valuations 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.

3.10b Post-employment benefits

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

United Nations Joint Staff Pension Fund

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

The plan exposes participating organizations to actuarial risks associated with the current and former staff of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. UNAIDS and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify UNAIDS's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence UNAIDS has treated this plan as if it was a defined contribution plan in line with the requirements of IPSAS 39 (Employee Benefits). UNAIDS contributions to the plan during the financial period are recognized as expenses in the Statement of Financial Performance.

3.11 Borrowing costs

UNAIDS has taken an interest free loan from the Swiss Government and Canton de Genève jointly with WHO for the construction of the UNAIDS/WHO building in Geneva. There are no borrowing costs associated with this loan. Borrowings are currently stated at amortized cost; any difference between the proceeds and the redemption value is recognized in the Statement of Financial Performance over the period of the borrowings using the effective interest method. As 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.

3.12 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) are 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.

3.13 Provisions and contingent liabilities

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

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

3.14 Contingent assets

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

3.15 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. Where there are no payment terms specified by the contributor or payment terms are in the current accounting year, revenue is recognized immediately.

Agreements which are subject to conditions such as performance and/or receipt of funds are conditional on a certain future date, such agreements are established recognizing a receivable and a corresponding deferred revenue as a liability. Revenue is recognized when the condition is discharged.

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

3.16 Expense recognition

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

3.17 Segment reporting-fund accounting

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

3.18 Statement of cash flow

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

3.19 Budget comparison

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

approval of the Unified Budget, Results and Accountability Framework and the UNAIDS financial statements encompass all activities of the Programme.

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

4. SUPPORTING INFORMATION TO THE STATEMENT OF FINANCIAL POSITION

4.1 Cash and cash equivalents held by WHO on behalf of UNAIDS

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. Cash and cash equivalents are held for meeting short-term cash commitments rather than for investment or other purposes. The balance also reflects cash and cash equivalents held in the portfolios managed by investment managers.

The cash and cash equivalents held on behalf of UNAIDS stood at US\$ 162 792 418 as at 31 December 2018 (US\$ 145 527 017 as at 31 December 2017).

	31 December 2018	31 December 2017
	(in US dollars)	(in US dollars)
Cash on hand and at bank (imprest accounts)	97 776	104 965
Cash held on behalf of UNAIDS by WHO	162 694 642	145 422 052
Total cash and cash equivalents held by WHO	162 792 418	145 527 017

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.

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

lengthen temporarily the average duration of these portfolios to slightly longer than one year. This will not change the short-term classification of these financial assets unless the investment time horizon objective of the portfolio and the duration of its benchmark have been changed to more than one year. The investments in the 'held-to-maturity' portfolio with a duration of less than one year are classified as current assets in the category 'financial assets at amortized costs'.

Long-term investments are for funds managed under the Terminal Payments Account as defined in the approved Investment Policy and are invested in high-quality, medium-dated and long-dated, government, agency and corporate bonds. The financial assets at fair value through surplus or deficit upon initial recognition in the Terminal Payments Fund investment portfolio are classified as long-term investments in accordance with the investment time horizon objective of the portfolio and the duration of its benchmark which are both greater than one year.

Risk exposure

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

Credit risk

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

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

Interest rate risk

UNAIDS is exposed to interest rate risk through short-term and long-term fixed income investments. The investment duration is a measure of sensitivity to changes in market interest rates, and the effective average duration of WHO's investment as at 31 December 2018 was 0.7 years for short-term investments and 6.7 years for the long-term investments. The duration of the long-term investments was lengthened by purchasing longer term fixed income products to better match the duration of the liabilities which are funded by these investments.

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

Foreign exchange currency risk

UNAIDS receives voluntary contributions and makes payments in currencies other than US dollars and it is exposed to foreign exchange currency risk arising from fluctuations in the currency exchange rates.

Exchange gains and losses on the purchase and sale of currencies, revaluation of cash book balances and all other exchange differences are adjusted against the funds and accounts eligible to receive interest under the interest apportionment programme. Translation into US dollars of transactions expressed in other currencies is performed at the United Nations Operational Rates of Exchange prevailing at the date of transaction. Assets and liabilities that are denominated in foreign currencies are translated at the United Nations Operational Rates of Exchange year end closing rate. Forward foreign exchange contracts are transacted to hedge foreign currency exposures and to manage short-term cash flows. Realized and unrealized gains and losses resulting from settlement and revaluation of foreign currency transactions are recognized in the Statement of Financial Performance.

Hedging foreign exchange exposures on future payroll costs

The value of non-dollar (i.e. Swiss Franc) payroll expenditures in 2019 has been protected from the impact of movements in foreign exchange rates against the US dollar. Protection has been affected through the transaction of forward currency contracts during 2018. As at 31 December 2018 the forward foreign currency exchange hedging contracts were CHF 17.3 million. Unrealized net loss on these contracts amounted to US\$ 0.2 million as at 31 December 2018 (US\$ 0.1 million net losses as at 31 December 2017). Realized gains or losses on these contracts will be recorded on maturity of the contracts and applied during 2019.

Hedging foreign exchange exposures on receivables and payables

Currency exchange risk arises as a result of differences in the exchange rates at which foreign currency receivables or payables are recorded, and the exchange rates at which the cash receipt or payment is subsequently recorded. A monthly programme of currency hedging is in place to protect against this foreign currency risk. On a monthly basis the exposures in respect of accounts receivable and accounts payable exposures are netted by currency and each significant net foreign currency exposure is bought or sold forward using a forward foreign exchange contract equal and opposite to the net currency exposure.

These exposures are re-balanced at each month end to coincide with the settings of the monthly United Nations Operational Rates of Exchange. Through this process the exchange gains or losses realized on the forward foreign currency contracts match the corresponding unrealized exchange losses and gains on the movements in the net accounts receivable and accounts payable. As at 31 December 2018 the total forward foreign currency hedging contracts by currency for UNAIDS were as follows:

Currency forward sold	Sum amount sold	Sum amount bought	Net unrealized gain/(loss)
		(US dollars)	(US dollars)
Euro	6 400 000	7 314 211	(51 563)
Pounds Sterling	15 000 000	18 988 383	(143 767)
Total		26 302 594	(195 330)

4.2 Accounts receivable

As at 31 December 2018, US\$ 106.5 million in contributions receivable was outstanding (US\$ 137.3 million as at 31 December 2017). A total of US\$ 73.8 million of this receivable is due to

letters of credit outstanding with the Government of the United States of America; and US\$ 32.7 million represents receivables due in future financial periods (broken down between current, 2020 and beyond). An allowance for doubtful debts has been established after review of all the outstanding receivables for US\$ 0.2 million.

	31 December 2018	31 December 2017
	(in US dollars)	(in US dollars)
Accounts receivable - current		
Unified Budget, Results and Accountability Framework	64 799 095	68 152 472
Supplementary Funds	26 316 709	37 622 888
Extra-budgetary Funds	2 816 590	5 012 683
Allowance for doubtful debt against Extra-budgetary Funds	(246 591)	(246 591)
Total accounts receivable - current	93 685 803	110 541 452
Accounts receivable - non-current		
Unified Budget, Results and Accountability Framework	12 709 339	25 892 612
Supplementary Funds	-	790 921
Extra-budgetary Funds	-	-
Others	56 984	56 984
Total accounts receivable - non current	12 766 323	26 740 517
Total accounts receivable	106 452 126	137 281 969

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. International staff members are eligible to receive an advance equal to the estimated amount of education grant for each child at the beginning of the scholastic year and are settled at the end of the scholastic year.

As at 31 December 2018, US\$ 2.4 million in staff receivables was outstanding including salary advances, rental advances, travel advances and education grant advances (US\$ 1.9 million as at 31 December 2017). The education grant advances represent the advances made to staff members for the scholastic year 2018-2019.

	31 December 2018	31 December 2017
	(in US dollars)	(in US dollars)
Staff receivables		
Salary advances	36 427	38 968
Rental advances	317 898	428 383
Education Grant advances	1 758 615	1 227 934
Travel advances	9 099	15 712
Expected Sick Leave Insurance Contribution	105 703	54 184
Other staff receivables	177 208	162 252
Total staff receivables	2 404 950	1 927 433

4.4 Prepayments

The total value of prepayments as at 31 December 2018 was US\$ 0.6 million (US\$ 0.5 million as at 31 December 2017). Out of this amount US\$ 0.2 million represents payments to suppliers in advance of receipt of goods or services which will be charged to expense in 2019. The remaining amount of US\$ 0.3 million relates to advances made to UNDP to cover payments made on behalf of UNAIDS.

	31 December 2018	31 December 2017
	(in US dollars)	(in US dollars)
Prepayments		
Advances to UNDP	344 631	146 048
Advances to Suppliers	237 969	350 651
Total prepayments	582 600	496 699

4.5 Other current receivables

As at 31 December 2018, US\$ 0.1 million in other receivables was outstanding representing mainly value added tax (VAT) receivables.

4.6 Inventories

The Secretariat only held publication for distribution with no realizable value. The cost of publications expensed during 2018 amounted to US\$ 28 846.

4.7 Intangibles

The Secretariat has no intangible assets to report.

4.8 Property, plant and equipment (PP&E)

Building

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

Plant and equipment

UNAIDS has capitalized all plant and equipment purchased in 2018 with a value of US\$ 5 000 or above.

The assets value purchased during 2018 has been depreciated over the estimated useful life using the straight-line method. Equipment with original cost value totalling US\$ 1.2 million has been fully depreciated and are still in use by the Secretariat.

	Building	Furniture and Fixtures	Vehicles	Communications and IT Equipment	Other Equipment	Total
	(in US dollars)	(in US dollars)	(in US dollars)	(in US dollars)	(in US dollars)	(in US dollars)
Cost or fair value	25 613 445	11 298	1 023 828	327 184	345 929	27 321 684
Accumulated depreciation	(4 695 801)	(11 298)	(752 777)	(317 510)	(312 482)	(6 089 868)
Total carrying cost as at 31 December 2017	20 917 644	-	271 051	9 674	33 447	21 231 816
Movements 1 January to 31 December 2018						
Additions	-	-	27 090	10 550	34 371	72 011
Disposals						
Depreciation	(426 891)	-	(143 454)	(5 870)	(34 525)	(610 740)
Total property, plant and equipment	20 490 753	-	154 687	14 354	33 293	20 693 087

4.9 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 2018 was US\$ 3.9 million (US\$ 7.5 million as at 31 December 2017).

	31 December 2018	31 December 2017
	(in US dollars)	(in US dollars)
Accounts payable		
Payables to suppliers	1 577 664	1 992 505
Non-staff meeting participants payable	28 550	69 616
Accrual of goods and services	2 302 002	5 361 204
Other payables	-	33 509
Total - accounts payable	3 908 216	7 456 834

4.10 Staff payable

The total balance for staff payable as at 31 December 2018 was US\$ 0.2 million (US\$ 0.1 million as at 31 December 2017). These amounts relate to salaries payable and other staff liabilities.

	31 December 2018	31 December 2017
	(in US dollars)	(in US dollars)
Staff payables		
Salaries payable	101 765	61 864
Other staff payables	59 447	37 306
Total - staff payables	161 212	99 170

4.11 Accrued staff benefits

UNAIDS staff benefits liabilities are determined by professional actuaries. The actuarial studies commissioned determined various liabilities to be established to cover different staff benefits in accordance with IPSAS for WHO, UNAIDS and the other non-consolidated entities as at 31 December 2018. The professional actuarial studies were calculated based on personnel data and past payment experience. As per the actuarial studies as at 31 December 2018, the total liability for staff benefits stood at US\$ 143.1 million (out of which US\$ 74.4 million is reflected in our accounts).

	31 December 2018	31 December 2017
	(in US dollars)	(in US dollars)
Accrued staff benefits - current		
Terminal Payments	8 402 400	8 823 843
Special fund for compensation	12 777	7 295
Total accrued staff benefits - current	8 415 177	8 831 138
Accrued staff benefits -non-current		
Terminal payments	9 551 273	9 671 800
After-service health insurance	55 645 511	77 031 710
Special fund for compensation	834 604	650 898
Total accrued staff benefits - non-current	66 031 388	87 354 408
Accrued staff benefits		
Terminal payments	17 953 673	18 495 643
After-service health insurance	55 645 511	77 031 710
Special fund for compensation	847 381	658 193
Total accrued staff benefits	74 446 565	96 185 546

Terminal Payments

The Terminal Payments Fund was established to finance the terminal emoluments of staff members, including repatriation grants, accrued annual leave, repatriation travel and removal on repatriation. It is funded by a salary and post adjustment budgetary provision set for 2016–2019.

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

The actuarial study as at 31 December 2018 has estimated the total liability for terminal payments (excluding annual leave) to be US\$ 10.8 million (US\$ 10.9 million as at 31 December 2017). This calculation did not include cost of end of service grant and separation by mutual agreement.

The annual leave entitlements stood at US\$ 7.1 million as at 31 December 2018. The liability has been reduced by US\$ 0.5 million from US\$ 7.6 million in 2017.

After Service Health Insurance

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

UNAIDS has recognized staff health insurance liabilities as a Post-Employment Benefit. Actuarial gains and losses are recognized in the net assets / equity in accordance with IPSAS 39 (Employee Benefits).

The defined benefit obligations as at 31 December 2018 determined by professional actuaries based on personnel data and past payments experience provided by WHO stood at US\$ 124.3 million (US\$ 143.7 million as at 31 December 2017) of which US\$ 68.7 million is funded resulting in net unfunded liability of US\$ 55.6 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.

In accordance with IPSAS 39 (Employee Benefits), the actuarial gain of US\$ 27 million was transferred directly to net assets / equity in 2018 and an additional accrual of US\$ 5.6 million was charged to staff costs in the Statement of Financial Performance.

It should be noted that whilst the ASHI actuarial study reflects an unfunded liability of US\$ 55.6 million as at 31 December 2018, following the Programme Coordinating Board decision at its 30th meeting (held in June 2012) to fully fund the organizational staff-related liabilities from the fund balance, a total of US\$ 25.1 million has so far been attributed towards funding the ASHI liability. Therefore, the unfunded ASHI liability as at 31 December 2018 stood at US\$ 30.5 million (i.e. US\$ 55.6 million as per actuarial study less the funding of US\$ 25.1 million).

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. Actuarial gains and losses are recognized in the net assets / equity in accordance with IPSAS 39 (Employee Benefits).

As per the actuarial study, the total liability was US\$ 0.85 million at 31 December 2018 (US\$ 0.66 million as at 31 December 2017). In accordance with IPSAS 39, the actuarial loss of US\$ 0.02 million was transferred directly to net assets / equity in 2018 and an additional accrual of US\$ 0.2 million has been recognized by nature of expenses in the Statement of Financial Performance.

Actuarial calculations

Description	After Service Health Insurance	Terminal Payments excluding Accrued Annual Leave	Special Fund for Compensation
	(in US dollars)	(in US dollars)	(in US dollars)
RECONCILIATION OF DEFINED BENEFIT OBLIGATIONS			
Defined Benefit Obligation at 31-Dec-2017	143 712 635	10 920 452	658 193
Service cost for 2018	11 932 711	800 044	72 067
Interest on Defined Benefit Obligation for 2018	3 301 585	360 176	20 290
(Actual After Service Gross Benefit Payments in 2018)	(456 883)	(881 974)	(3 200)
(Actual After Service Administrative Expenses in 2018)	(29 044)		
Actual Contributions by After Service Participants in 2018	226 494		
Plan Amendments	(2 971 320)		118 557
Annual Expenses			
(Gain)/Loss on DBO Due to Financial Assumption Changes	(15 202 958)	(531 324)	(81 852)
(Gain)/Loss on DBO Due to Other Assumption Changes	(16 178 716)	124 886	63 326
Defined Benefit Obligation at 31-Dec-2018	124 334 504	10 792 260	847 381
RECONCILIATION OF ASSETS			
Assets at 31-Dec-2017, for SHI Net of 470.1 Reserve	68 101 925		
(Actual Total Gross Benefit Payments for 2018)	(4 242 712)	(881 974)	(3 200)
(Actual Total SHI Administrative Expenses in 2018)	(269 710)		
(Actual Total SHI Aetna Administrative Expenses in 2018)			
Actual Total SHI Participant Contributions during 2018	3 148 212		
Actual Total Organization Contributions during 2018	6 162 984	881 974	3 200
Actual Aetna Expenses (Directly Paid by PAHO) during 2018			
(increase)/Decrease in 470.1 Reserve in 2018			
Interest on Net WHO-Administered SHI Assets for 2018	1 624 463		
Expected return on Assets for 2018			
Gain/(Loss) on Plan Assets during 2018	(4 332 169)		
Assets at 31-Dec-2018, for SHI Net of 470.1 Reserve	70 192 993	-	-
RECONCILIATION of Incurred-But-Not-Paid Reserve, Offset to Assets			
Incurred-But-Not-Paid Reserve at 31-12-2017	1 421 000		
Interest On Incurred-but-Not-Paid Reserve for 2018	32 683		
(Gain)/Loss on Incurred-But-Not-Paid Reserve	50 317		
Incurred-But-Not-Paid Reserve at 31-12-2018	1 504 000		
Net Assets (Gross Assets Minus Incurred-but-Not-Paid Reserve at 31-12-2018)	68 688 993		
RECONCILIATION OF FUNDED STATUS			
Defined Benefit Obligation (DBO)			
Active	102 264 732	10 792 260	545 292
Inactive	22 069 772		302 089
Total DBO	124 334 504	10 792 260	847 381
Plan Assets			
(Gross Plan Assets)	(70 192 993)		
Offset for WHO 470.1 Reserve	1 504 000		
(Net Plan Assets)	(68 688 993)	-	
Net (Surplus)/Deficit	55 645 511	10 792 260	847 381
Current (Asset)/Liability		1 240 987	12 777
Noncurrent (Asset)/Liability	55 645 511	9 551 273	834 604
Unrecognized Gain/(Loss)		(406 438)	
Net (Asset)/Liability Recognized in Statement of Financial Position	55 645 511	10 385 822	847 381
(Gain)/Loss on Defined Benefit Obligation	(26 999 188)		(18 526)
Current (Asset)/Liability		1 240 987	12 777
Non-current (Asset)/Liability	55 645 511	9 551 273	834 604
Net (Asset)/Liability Recognized in Statement of Financial Position	55 645 511	10 792 260	847 381
Annual Expense for 2018			
Service cost	11 932 711	800 044	72 067
Interest cost	1 709 805	360 176	20 290
Remeasurements		(406 438)	
Past Service (Credit)/Cost	(2 971 320)		118 557
Total Expense Recognized in Statement of Financial Performance	10 671 196	753 782	210 914
Expected Accounting Contributions during 2019			
Expected Organization Contributions during 2019			
Contributions by UNAIDS for Active Staff	4 940 000	1 266 172	13 005
Contributions by UNAIDS for Inactives	815 000		
Total Expected Contributions for 2019	5 755 000	1 266 172	13 005
Sensitivity Analysis			
31 December 2018 Defined Benefit Obligation			
Current Medical Inflation Assumption Minus 1%	96 794 189		
Current Medical Inflation Assumption	124 334 504		
Current Medical Inflation Assumption Plus 1%	162 135 547		
Current Discount Rate Assumption Minus 1%	164 157 964	11 687 353	1 054 553
Current Discount Rate Assumption	124 334 504	10 792 260	847 381
Current Discount Rate Assumption Plus 1%	95 860 242	10 010 311	694 491

Actuarial methods and assumptions

Each year, the Programme identifies and selects assumptions and methods that will be used by actuaries in the year-end valuation to determine the expense and contribution requirements for the Programme's staff benefits. Actuarial assumptions are required to be disclosed in the financial statements in accordance with IPSAS 39. In addition, each actuarial assumption is required to be disclosed in absolute terms.

Measurement Date

All plans	31 December 2018
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Discount rate

Terminal Payments (other than accrued leave)	The discount rate used is 4.1% (increase from 3.5% in the prior valuation). Based on the projected benefit payments with weights of 100% on the Aon AA Above Median Curve outside of Switzerland. The resulting discount rate is rounded to the nearest 0.1%.									
After Service Health Insurance	<p>Europe—2.7% (decrease from 2.3% in prior valuation).</p> <p>The Americas—4.5% (decrease from 3.8% in prior valuation).</p> <p>Other Countries—4.7% (decrease from 4.0% in prior valuation).</p> <p>The discount rates are based on the yields on high grade corporate bonds. The yield curve approach is used to reflect the expected cash flows and assumed currency exposure-specific to ASHI.</p> <p>The liability is assumed to be incurred in Swiss Francs, euros and US dollars, based on approximate liability mix for UNAIDS and the following yield curves:.</p> <p>Switzerland - SIX - Swiss Exchange curve Euro Zone - iBoxx Euro Zone curve United States - Aon Hewitt AA Bond Universe</p> <p>The discount rates for the 31 December 2018 valuation are based on the geographic locations of the UNAIDS offices. The resulting rates which are rounded to the nearest 0.1% are shown in the table below:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="3">% of Rate for 2018</th> </tr> <tr> <th>Switzerland</th> <th>Euro Zone</th> <th>United States</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">40%</td> <td style="text-align: center;">20%</td> <td style="text-align: center;">40%</td> </tr> </tbody> </table>	% of Rate for 2018			Switzerland	Euro Zone	United States	40%	20%	40%
% of Rate for 2018										
Switzerland	Euro Zone	United States								
40%	20%	40%								
Special Fund for Compensation	The discount rate used is 3.6% (decrease from 3.1% in the prior valuation). Based on the combined projected benefit payments from the prior valuation with weights of 75% on the Aon Hewitt AA Bond Universe yield curve and 25% on the SIX Swiss Exchange yield curve as of 31 December 2018. The resulting discount rate is rounded to the nearest 0.1%.									

Annual General Inflation

Terminal Payments (other than accrued leave)	The weighted-average inflation rate used is 2.2%. The regional weightings used are 100% on non-Swiss rate. Rounding of the resulting weighted-average inflation rates for each plan to the nearest 0.1%.
After Service Health Insurance	<p>Europe—1.4% (no change from prior valuation).</p> <p>The Americas and Other Countries—2.2%. (no change from prior valuation)</p> <p>The inflation rates are based on a weighted average of the United Nations common assumptions (for long-duration plans) of 1.2% Switzerland, 1.8% Euro Zone and 2.2% for the United States as directed by the United Nations System Task Force on Accounting Standards using the same weighted average methodology as the discount rate.</p>
Special Fund for Compensation	The weighted-average inflation rate used is 2%. The regional weightings used are 75% on non-Swiss rate and 25% on Swiss rate. Rounding of the resulting weighted-average inflation rates for each plan to the nearest 0.1%.

Annual Salary Scale

All Plans	Includes merit/promotional increases, plus 3.5% static increases for general inflation, plus productivity growth.
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Actuarial Method

Repatriation Travel and Removal on Repatriation	Calculated using projected unit credit with service prorate, with an attribution period from the "entry on duty date" to separation. Plus 2% increase is applied for incurred but not yet paid benefits (IBNP)
Repatriation Grant, Termination Indemnity, and Grant in Case of Death	Calculated using the projected unit credit method with accrual rate proration. Plus 2% increase is applied for incurred but not yet paid benefits (IBNP)
Accrued Leave	The liability is set equal to the walk-away liability as if all staff separated immediately. Plus 2% increase is applied for incurred but not yet paid benefits (IBNP)
Abolition of Post, End-of-Service Grant, and Separation by Mutual Agreement	These benefits are considered termination benefits under IPSAS 39 and, therefore, excluded from the valuation.
Special Fund for Compensation	Calculated using projected unit credit, with an attribution period from the "entry on duty date" to separation.
After- Service Health Insurance	Liabilities are attributed using the projected unit credit method linearly from the "entry on duty date" to the earlier of the full eligibility date (the latest of age 55, 10 years of service, and five years of continuous service) and retirement date.

United Nations Joint Staff Pension Fund

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

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

During 2017, the Fund identified that there were anomalies in the census data utilized in the actuarial valuation performed as of 31 December 2015. As such, as an exception to the normal biennial cycle, a roll forward of the participation data as of 31 December 2013 to 31 December 2016 was used by the Fund for its 2016 financial statements.

The actuarial valuation as of 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2% (150.1% in the 2016 roll forward). The funded ratio was 102.7% (101.4% in the 2016 roll forward) 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 2017, 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 plan. 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.

Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the UNJSPF pension plan, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the UNJSPF during the preceding three years (2015, 2016 and 2017) amounted to USD 6,931.39 million, of which 0.95% was contributed by the Agency.

During 2018, contributions paid to UNJSPF amounted to US\$ 19.5 million (2017 US\$ 20 million). Expected contributions due in 2019 are approximately US\$ 19.3 million.

Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

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

4.12 *Deferred revenue*

As at 31 December 2018 deferred revenue amounted to US\$ 26.7 million (US\$ 51.6 million as at 31 December 2017). This represents multi-year pledges made in 2018 for which the revenue recognition has been deferred to future financial periods. Out of this amount, US\$ 12.7 million represents non-current deferred revenue for 2020 and future financial periods.

	31 December 2018	31 December 2017
	(in US dollars)	(in US dollars)
Deferred revenue - current		
Unified Budget, Results and Accountability Framework	13 183 273	19 442 151
Supplementary Funds	790 921	4 066 567
Extra-budgetary Funds	-	1 435 455
Total deferrred revenue - current	<u>13 974 194</u>	<u>24 944 173</u>
Deferred revenue - non-current		
Unified Budget,Results and Accountability Framework	12 709 339	25 892 612
Supplementary Funds	-	790 921
Extra-budgetary Funds	-	-
Total deferred revenue - non-current	<u>12 709 339</u>	<u>26 683 533</u>
Total deferred revenue	<u>26 683 533</u>	<u>51 627 706</u>

4.13 Long-term borrowings

At its 12th meeting in May 2004, the Programme Coordinating Board endorsed UNAIDS' negotiation of a direct loan with the Swiss Confederation for the construction of a new building in Geneva for UNAIDS and WHO at an estimated cost of CHF 66 million, of which UNAIDS' share was estimated at CHF 33 million. In December 2003, the Swiss Confederation agreed to provide an interest-free loan of CHF 59.8 million, of which UNAIDS' share is CHF 29.9 million. The repayment over a 50-year period of UNAIDS' share of the interest-free loan provided by the Swiss Confederation is made through the reallocation of funds otherwise expended on the rental of office space with effect from the first year of the completion of the building. The building was completed in November 2006. The amount under Buildings includes US\$ 25.6 million which represents the 50% share of UNAIDS' expense incurred on the building up to 31 December 2007.

The outstanding amount for the UNAIDS building loan of US\$ 21.5 million is reflected at an amortized cost using the effective interest rate of 0.37% (0.36% for 2017) applicable for Swiss Confederation 30-year bond rate. Out of the total outstanding loan, US\$ 0.6 million will be due in the next 12 months and is shown as current liability.

4.14 Changes in net assets/equity

For the financial year ended 31 December 2018, the net assets/equity increased by US\$ 37.4 million, out of which US\$ 10.4 million related to a surplus during 2018 (compared to a surplus of US\$ 7.7 million in 2017) and US\$ 27 million related to actuarial gains under ASHI and SFFC which was transferred directly to net assets/equity in accordance with IPSAS 39 (Employee benefits).

In line with the Programme Coordinating Board's approval to fund the annual replenishment of the Building Renovation Fund, in 2018 the Executive Director authorized the transfer of a total of US\$ 0.43 million from the fund balance towards the Building Renovation Fund. The Programme Coordinating Board during its 42th meeting held from 26 - 28 June 2018 took note of the Executive Director's decision.

The unfunded staff-related liabilities, stood at US\$ 24.5 million as at 31 December 2018 (US\$ 47.7 million as at 31 December 2017), a net decrease of US\$ 23.2 million. Of this amount, US\$ 3.8 million was due to the movements in the actuarial liabilities of ASHI, Special Fund for Compensation and Terminal Payments Fund and actuarial gain of US\$ 27 million under ASHI and Special Fund for Compensation).

4.15 Operating Reserve Fund

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

4.16 Building Renovation Fund

The Building Renovation Fund was established by the Programme Coordinating Board at its 30th meeting in June 2012. This fund has been set up to meet the future costs of major repairs of, alterations to, and investments in, the UNAIDS office building.

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\$ 214.6 million (US\$ 224.9 million for 2017). Out of which US\$ 205.6 million from governments; US\$ 3.7 million from UNAIDS Cosponsors; and a net of US\$ 5.3 million from other operating revenue received from intergovernmental organizations, other United Nations Organizations, institutions, as well as the private sector. Included in this figure is an amount of US\$ 2.2 million representing in-service contributions and US\$ 0.1 million as in-kind contributions. There has been no revenue received on account of exchange transactions.

	2018				Total 2017 (in US dollars)
	UBRAF Core Funds (in US dollars)	Supplementary Funds (in US dollars)	Extra budgetary Funds (in US dollars)	Total 2018 (in US dollars)	
Voluntary contributions					
Governments	184 535 955	15 935 657	5 089 892	205 561 504	219 119 773
Cosponsors	-	3 588 148	100,772	3 688 920	975 728
Others	226 958	5 117 403	11 000	5 355 361	4 801 718
Total voluntary contributions	184 762 913	24 641 208	5 201 664	214 605 785	224 897 219

5.3 Finance revenue

The total interest earnings were US\$ 3.7 million for the financial period ended 31 December 2018; the net realized foreign exchange gains were US\$ 1 million and actuarial revaluation gains on the terminal payment fund of US\$ 0.4 million for the same period. This has resulted in a total amount of US\$ 5.1 million as financial revenue as at 31 December 2018 (US\$ 8 million as at 31 December 2017). Interest revenue is recognized as it accrues and is allocated by WHO to UNAIDS.

	31 December 2018 (in US dollars)	31 December 2017 (in US dollars)
Finance revenue		
Interest	3 744 768	2 470 084
Net realized foreign exchange gains	979 278	2 491 872
Net unrealized foreign exchange gains on revaluation	-	2 471 633
Actuarial revaluation gains on Terminal Payments Funds	406 438	607 105
Total finance revenue	5 130 484	8 040 694

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

Staff and other personnel costs represent the total cost of employing staff at all locations, including remuneration of base salary, post adjustment and any other type of entitlements (e.g., pension and insurance) paid by the Programme. 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

Transfers and grants to counterparts represent agreements signed with UNAIDS' Cosponsors, other UN entities, non-profit non-governmental organizations and academic institutions to perform activities to help achieve specific objectives of the UNAIDS Secretariat and transfers to UNAIDS Cosponsors for their share of the Unified Budget, Results and Accountability Framework for 2016.

5.4.3 Contractual services

Contractual services represent expenses for service providers. The main components are Agreements for Performance of Work (APWs), consulting contracts given to individuals to perform activities on behalf of the Programme.

5.4.4 General operating expenses

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

5.4.5 Travel

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

5.4.6 Equipment vehicles and furniture

Equipment, vehicles and furniture are charged as expense at the point of delivery. PP&E purchased during 2018 have been recognized and capitalized in accordance with IPSAS 17.

5.4.7 Depreciation

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

5.4.8 Finance costs

These include realized exchange losses on hedging and exchange and also includes actuarial interest cost related to valuation of Terminal Payments and Special Fund for Compensation. Net unrealized foreign exchange losses on revaluation of the accounts receivables and Swiss loan adjustments amounted to US\$ 2.6 million.

Finance Costs	31 December 2018 (in US dollars)	31 December 2017 (in US dollars)
Bank charges and investment management fees	1 654	1 682
Net realized foreign exchange losses	53 051	-
Net unrealized foreign exchange losses on revaluation	2 642 849	-
Realised foreign exchange losses on balance sheet hedging	262 695	2 127 527
Actuarial interest cost related to valuation of Terminal Payments Fund and Special Fund for Compensation	381 451	341 682
Total finance costs	3 341 700	2 470 891

6. SEGMENT REPORTING

Schedule 1

Statement of Financial Performance by Segments

All sources of funds for the year ended 31 December 2018

(in US dollars)

	UBRAF Core Funds	Non-Core Funds							Sub-total non-core funds	TOTAL
		Supplementary Funds	Extra-budgetary Funds	Terminal Payments	Non-payroll Entitlements	Special Fund for Compensation	Staff Health Insurance	Common Fund		
Revenue										
Governments	184 535 955	15 935 657	5 089 892						21 025 549	205 561 504
Cosponsoring organizations	-	3 588 148	100 772						3 688 920	3 688 920
Others	226 958	5 117 403	11 000						5 128 403	5 355 361
Finance revenue	4 021 575			1 034 083				74 827	1 108 910	5 130 485
Total	188 784 488	24 641 208	5 201 664	1 034 083	-	-	-	74 827	-	219 736 270
Programme Support Costs			2 187 358						(2 187 358)	-
Payroll transfers to accrual funds				2 268 839	11 841 420				(14 110 259)	-
Total revenue	188 784 488	24 641 208	7 389 022	3 302 922	11 841 420	-	-	74,827	(16 297 617)	219 736 270
Expense										
Staff and other personnel costs	100 775 317	2 845 378	2 219 085	678 733	7 404 541	190 624	5 612 989		(14 110 259)	105 616 408
Transfers and grants to counterparts	47 495 861	9 329 815	4 850 632							61 676 308
Contractual services	6 608 801	9 886 650	175 301		515 125					17 185 877
General operating expenses	13 003 867	757 229	112 746	213 690	234					14 087 766
Travel	4 443 558	1 684 199	929	20 504	120					6 149 310
Equipment, vehicles and furniture	1 183 729	81 381	-					(605 876)	(524 495)	659 234
Programme Support Costs	1 463	1 814 619	371 276						(2 187 358)	-
Depreciation								610 740		610 740
Finance costs	317 400			361 161		20 290		2 642 849		3 341 700
Total expense	173 829 996	26 399 271	7 729 969	1 274 088	7 920 020	210 914	5 612 989	2 647 713	(16 297 617)	209 327 343
Total Surplus/(Deficit) by fund	14 954 492	(1 758 063)	(340 947)	2 028 834	3 921 400	(210 914)	(5 612 989)	(2 572 886)	-	10 408 927

Schedule 1 (A)

Reconciliation of total expense between 2016-2017 and 2018-2019 incurred in 2018

Expense	UBRAF Core Funds	Supplementary Funds	Extra-budgetary Funds	Terminal Payments	Non-payroll Entitlements	Special Fund for Compensation	Staff Health Insurance	Common Fund	Eliminations	Sub-total non-core funds	Grand Total
2 018	172 116 077	24 378 332	7 670 349	1 274 088	7 924 869	210 914	5 612 989	2 647 713	(16 297 617)	33 421 637	205 537 714
2 017	1 713 919	2 020 939	59 620		(4 849)					2 075 710	3 789 629
Total	173 829 996	26 399 271	7 729 969	1 274 088	7 920 020	210 914	5 612 989	2 647 713	(16 297 617)	35 497 347	209 327 343

7. COMPARISON OF BUDGET AND ACTUAL AMOUNTS

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

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

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

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

Timing differences - occur when the budget period differs from the reporting period reflected in the financial statements.

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

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

Reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement V) and the actual amounts in the Statement of Financial Performance (Statement II) and Statement of Cash Flow (Statement IV) for the year ended 31 December 2018 are presented below.

Reconciliation of Budget Utilization (Statement V) with Statement of Cash Flow (Statement IV) as at 31 December 2018

	2018			
	Operating	Investing	Financing	Total
	(in US dollars)	(in US dollars)	(in US dollars)	(in US dollars)
Actual amount on budget implementation (Statement V)	(172 132 684)			(172 132 684)
Basis Difference	(605 876)	(72 011)	26 254 891	25 577 004
Timing Difference	3 789 629			3 789 629
Presentation Difference	125 948 535			125 948 535
Entity Difference	34 082 917			34 082 917
Actual Amount in Statement of Cash Flow (Statement IV)	(8 917 479)	(72 011)	26 254 891	17 265 401

8. ADMINISTRATIVE WAIVERS, AMOUNTS WRITTEN OFF AND, EX-GRATIA PAYMENTS

During the financial year ended 31 December 2018, there were no administrative waivers, amounts written off or ex-gratia payments.

9. RELATED PARTY AND SENIOR MANAGEMENT DISCLOSURE

Key management personnel of UNAIDS consists of all staff members graded at the D1 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 Staff 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.

During the year, no loans were granted to key management personnel beyond those available to staff outside this group.

Key Management Personnel

(in US dollars)

Number of individuals	22
Compensation and post adjustment	4 592 905
Entitlements	342 905
Pension and Health Plans	1 290 916
Total remuneration 2018	6 226 726
Outstanding advances against entitlements	181 681
Outstanding loans (in addition to normal entitlements if any)	-

10. EVENTS AFTER THE REPORTING DATE

The Programme's reporting date is 31 December 2018. On the date of the certifying of these accounts, no material events, favorable or unfavorable, occurred between the balance sheet date and the date when the financial statements have been authorized for issue that would have impacted these statements.

11. CONTINGENT LIABILITIES, COMMITMENTS AND CONTINGENT ASSETS

Contingent Liabilities

As at 31 December 2018, there were five outstanding personnel matters (appeal) before the WHO Global Board of Appeal (GBA), of which three are joined by the GBA into one proceeding. The respective recommendations from the WHO Global Board of Appeal (GBA) for decision by the UNAIDS Executive Director are expected during 2019. There were four outstanding personnel matters (complaint) pending with the ILO Administrative Tribunal. In addition, there is one collective appeal concerning pay cut matters before the ILO Administrative Tribunal, which could have significant financial implications as a judgment in favor of the complainants would likely have to be extended to all international professional and higher category staff assigned to Geneva and serving on 1 February 2018. The judgment in this case is expected during the first half of 2019. The Secretariat has no material unrecognized contractual commitments.

In addition, international professional and higher category staff based in Geneva filed a joint complaint before the Administrative Tribunal of ILO against the pay cut resulting from the implementation of decisions of the International Civil Service Commission regarding post adjustment and other compensation matters. If the complaint is successful, UNAIDS may have to pay the difference retroactively from February 2018.

Operating leases

The Secretariat enters into operating lease arrangements for the use of country, regional and liaison offices premises. Some of the operating lease agreements contain renewal clauses which enable the Secretariat to extend the terms of the leases at the end of the original lease terms and escalation clauses that may increase annual rent payments based on increases in the relevant market price indexes in the respective countries where country, regional and liaison offices are located. Future minimum lease rental payments for the following periods are:

	31 December 2018	31 December 2017
	(in US dollars)	(in US dollars)
Operating leases		
Within one year	3 780 448	1 719 277
Later than one year but not later than five years	4 181 731	5 250 722
Later than five years	103 528	643 281
Total operating leases	8 065 707	7 613 280

Contingent Assets

In accordance with IPSAS 19, contingent assets will be disclosed for cases where an event will give rise to a probable inflow of economic benefits. As at 31 December 2018, there were no material contingent assets to disclose.

Schedule 2

**Unified Budget, Results and Accountability Framework - details of revenue
for the year ended 31 December 2018**

(in US dollars)

Voluntary contributions	Funds made available towards year 2018 of the Unified Budget, Results and Accountability Framework
Governments	
Andorra	71 532
Australia	3 640 777
Belgium	3 529 412
Belgium Flanders	843 644
Canada	3 770 739
China	250 000
Denmark	6 243 172
France	490 798
Germany	5 889 167
Ireland	2 777 778
Japan	600 000
Kazakhstan	50 000
Liechtenstein	25 075
Luxembourg	5 194 139
Monaco	185 415
Netherlands	23 310 023
New Zealand	708 717
Norway	16 579 518
Poland	39 270
Portugal	116 550
Russian Federation	500 000
Sweden	35 388 374
Switzerland	10 471 204
Thailand	102 180
United Kingdom of Great Britain & Northern Ireland	18 758 471
United States of America	45 000 000
Sub-total	184 535 955
Other	
Miscellaneous	226 958
Sub-total	226 958
Total operating revenue	184 762 913
Finance revenue	4 021 575
TOTAL	188 784 488

Schedule 3

**Supplementary - details of revenue
for the year ended 31 December 2018**

(US dollars)

Voluntary contributions	Funds made available towards Supplementary funds 2018
Governments	
Australia	967 242
China	750 000
Ireland	227 273
Japan	250 000
Russian Federation	2 628 845
Switzerland	154 321
United States of America (CDC)	2 779 700
United States of America (USAID)	8 178 276
<i>Sub-total Governments</i>	<u>15 935 657</u>
Cosponsoring Organizations	
WHO	50 000
UNDP	262 628
UNFPA	3 235 320
UNICEF	40 200
<i>Sub-total Cosponsors</i>	<u>3 588 148</u>
Other	
Bill and Melinda Gates Foundation	1 334 487
Children's Investment Fund Foundation (CIFF)	200 000
China Social Assistance Foundation (CSAF)	91 609
Ford Foundation	200 000
Global Fund	456 000
MAC AIDS Fund	651 803
MPTF Office	1 378 812
The Regents of the University of California	30 469
UN DESA	337 888
UNOPS	488 444
Miscellaneous	8 387
Refund to donors	(60 496)
<i>Sub-total</i>	<u>5 117 403</u>
TOTAL	<u><u>24 641 208</u></u>

Schedule 4

Extra-budgetary funds - details of revenue
for the year ended 31 December 2018
(US dollars)

Voluntary contributions	Funds made available towards Extra-budgetary funds 31 December 2018		
	In Cash	In- Kind and In-service	Total
Governments			
Belgium		38 295	38 295
Denmark		22 303	22 303
Finland		153 180	153 180
France		169 318	169 318
Germany		370 185	370 185
Italy		174 915	174 915
Luxembourg		170 680	170 680
Netherlands		357 471	357 471
Russian Federation	1 435 455		1 435 455
Sweden		171 356	171 356
Switzerland		159 480	159 480
United States of America (CDC)		290 260	290 260
United States of America (USAID)	1 500 000		1 500 000
Canton de Genève, Switzerland		76 994 ⁽¹⁾	76 994
Sub-total	2 935 455	2 154 437	5 089 892
Cosponsoring Organizations			
UNDP	100 772		100 772
Sub-total	100 772	-	100 772
Other			
Miscellaneous	11 000		11 000
Sub-total	11 000	-	11 000
TOTAL	3 047 227	2 154 437	5 201 664

(1) Represents the value of interest on the interest free building loan

PART III

MANAGEMENT INFORMATION

I. Funds made available for the financial period ended 31 December 2018

During the period under review, revenue totalling US\$ 188.8 million was made available towards the UBRAF. Twenty-six governments contributed 97.7% of this amount. The remaining 2.3% was made up of financial revenue (primarily interest earnings) received and apportioned during the reporting period as well as miscellaneous income, including funds received from private contributors and public institutions other than governments, as well as miscellaneous donations and honoraria. Schedule 2 on page 47 provides the details of this revenue.

Furthermore, non-core resources amounting to US\$ 29.8 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. Details on the sources of these funds are detailed in Schedules 3 and 4 on pages 48 and 49.

II. Funds expended for the financial period ended 31 December 2018

The total expense for the financial period ended 31 December 2018 against the UBRAF for 2018–2019 amounted to US\$ 172.1 million and expenses against the non-core funds amounted to US\$ 34.1 million (excluding encumbrances).

A. Unified Budget, Results and Accountability Framework

During the year ended 31 December 2018, expense and encumbrance (including transfers to Cosponsors) totalling US\$ 175.7 million were incurred against the core budget of US\$ 184 million approved for the 2018–2019 UBRAF which corresponded to a financial implementation of 47.7%.

The total expense and encumbrance for the implementation of the activities contained in the Unified Budget, Results and Accountability Framework were distributed as follows:

- US\$ 44 million was transferred to the Cosponsors and
- US\$ 128.1 million was expended and US\$ 3.6 million encumbered for Secretariat activities and staff costs.

Table 4 provides details on year 2018 of the 2018–2019 Unified Budget, Results and Accountability Framework approved core budget, expense and encumbrances, broken down by result areas and the Secretariat core functions for the financial year ended 31 December 2018 and for the biennium 2018–2019.

Table 4
Year 2018 of the 2018–2019 Unified Budget, Results and Accountability Framework approved core budget, expense and encumbrances for the period ended 31 December 2018 (in US dollars)

		2018-2019 Approved core budget	Expense 2018	Encumbrances ^{a/}	Total	Balance
		(a)	(b)	(c)	(d) = (b + c)	(e) = (a-d)
I. Result Areas						
1	HIV testing and treatment	24 170 732	12 085 366		12 085 366	12 085 366
2	Elimination of Mother To Child Transmission	7 788 396	3 894 198		3 894 198	3 894 198
3	HIV prevention among young people	14 372 834	7 186 417		7 186 417	7 186 417
4	HIV prevention among key populations	14 370 888	7 185 444		7 185 444	7 185 444
5	Gender inequality and GBV	9 473 078	4 736 539		4 736 539	4 736 539
6	Human rights, stigma and discrimination	7 520 198	3 760 099		3 760 099	3 760 099
7	Investment and efficiency	4 207 992	2 103 996		2 103 996	2 103 996
8	HIV and health services integration	6 095 882	3 047 941		3 047 941	3 047 941
Total Cosponsors		88 000 000	44 000 000	-	44 000 000	44 000 000
II. Core Functions						
1	Leadership, advocacy and communication	67 661 000	31 248 875	746 070	31 994 945	35 666 055
2	Partnerships, mobilization and innovation	60 158 000	27 259 179	622 369	27 881 548	32 276 452
3	Strategic information	31 775 000	13 551 591	640 953	14 192 544	17 582 456
4	Coordination, convening & country implementation support	64 844 000	29 329 522	723 816	30 053 338	34 790 662
5	Governance and mutual accountability	55 562 000	26 743 517	839 924	27 583 441	27 978 559
Total Secretariat		280 000 000	128 132 684	3 573 132	131 705 816	148 294 184
Grand Total		368 000 000	172 132 684	3 573 132	175 705 816	192 294 184

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

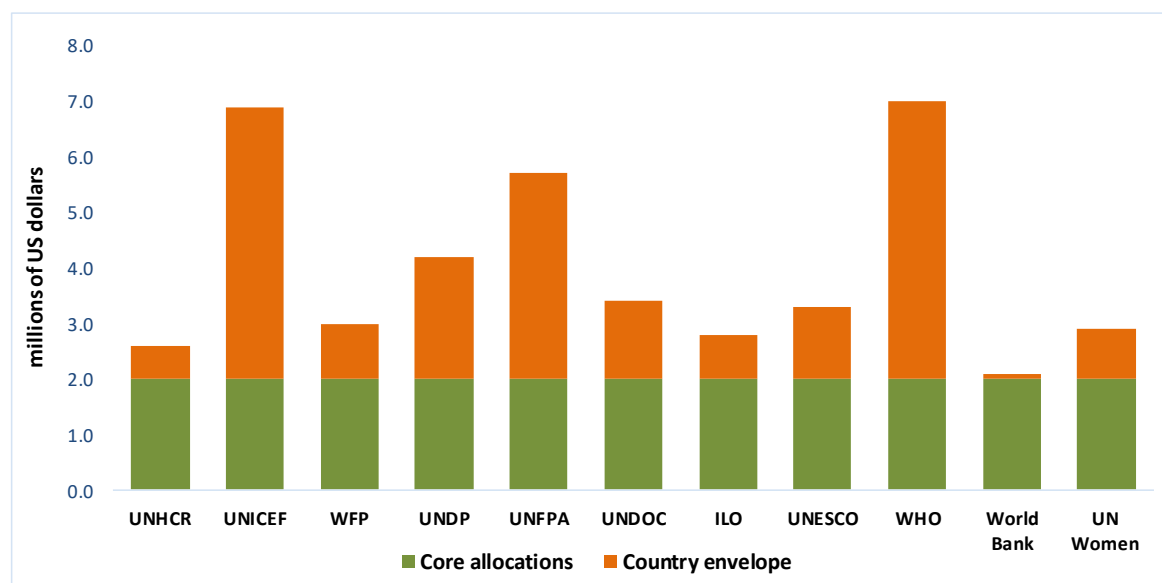
i) Funds transferred to Cosponsors

A total amount of US\$ 44 million has been transferred to the Cosponsors. This represents 100% of the Cosponsors' share for year 2018 of the 2018-2019 biennium core budget. US\$ 2 million has been transferred to each of the eleven Cosponsors to cover their core activities and a further US\$ 22 million has been transferred to Cosponsors at country level in the form of country envelopes.

The country envelopes were established for seventy-one countries through a process which entailed engagement of the Cosponsor at all levels to reach consensus on the formula, process, deliverables and allocations. (Table 8 on pages 58 to 59 provides details of funds transferred to Cosponsors at country level).

Figure 3 illustrates the new, dynamic and differentiated resource allocation model and provides information on the proportion of funds transferred to each individual Cosponsor).

Figure 3
Funds transferred to the Cosponsors as at 31 December 2018



ii) Funds expended and encumbered against the Secretariat budget

During the year ended on 31 December 2018, a total amount of US\$ 128.1 million was expended and US\$ 3.6 million encumbered for Secretariat activities and staff costs against the Secretariat 2018 core budget of US\$ 140 million which together represent a financial implementation rate of 47% of the Secretariat part of the 2018 core budget.

B. Expense incurred against the non-core funds

During the year ended 31 December 2018, a total amount of US\$ 34.1 million was expended by the Secretariat against non-core funds (US\$ 26.4 million was expended against supplemental funds and US\$ 7.7 million was expended against extra-budgetary funds). In addition to the above, US\$ 7.2 million and US\$ 0.7 million was encumbered against supplemental and extra-budgetary funds, respectively, as indicated in Table 5 and Table 6 on pages 54 and 55.

C. Country and regional expense against all sources of funds

As recommended by the PCB at its 22nd meeting, held in Chiang Mai, Thailand from 23–25 April 2008, the report in Table 7 on pages 56 to 57 presents a breakdown of expense and encumbrances of the Secretariat by country and region for both the UBRAF and non-core funds. Country and regional expense amounted to US\$ 82.9 million for the financial period ended 31 December 2018. In addition to the above expense, a total of US\$ 4.5 million was encumbered during the same period, which together totalled US\$ 87.4 million for the financial period ended 31 December 2018.

Table 5
Supplementary Funds
Funds available, expense and encumbrance by source of revenue
For the year ended 31December 2018 (in US dollars)

Source of revenue	2017 carry-over	Funds made available in 2018	Total available funds	Expense	Encumbrance ^{a/}	Total	Percentage implementation
	(a)	(b)	(c) = (a+b)	(d)	(e)	(f) = (d + e)	(g) = (f / c)
Voluntary contributions and other revenue							
Australia		967 242	967 242	32 854	7 408	40 262	4.2%
China	1 938 410	750 000	2 688 410	482 324		482 324	17.9%
Italy	559 910		559 910	203 830	181 586	385 416	68.8%
Ireland		227 273	227 273			-	0.0%
Japan	3 812	250 000	253 812	109 207	126 599	235 806	92.9%
Netherlands	202 391		202 391	87 984		87 984	43.5%
Russian Federation	615 098	2 628 845	3 243 943	2 838 365	181 918	3 020 283	93.1%
Sweden	474 296		474 296	323 052		323 052	68.1%
Switzerland	386 559	154 321	540 880	410 571		410 571	75.9%
United States of America (CDC)	1 615 787	2 779 700	4 395 487	1 957 820	6 222	1 964 042	44.7%
United States of America (USAID)	24 810 636	8 178 276	32 988 912	14 583 869	6 009 118	20 592 987	62.4%
African Society for Laboratory Medicine (ASLM)	75 001		75 001			-	0.0%
Asian Development Bank	765 794		765 794	213 605	45 660	259 265	33.9%
Bill & Melinda Gates Foundation	1 675 167	1 334 487	3 009 654	765 419	34 183	799 602	26.6%
Children's Investment Fund Foundation (CIFF)	411 980	200 000	611 980	227 906	6 417	234 323	38.3%
China Social Assistance Foundation (CSAF)		91 609	91 609	47 378	6 593	53 971	58.9%
Drosos Foundation	72 708		72 708	72 708		72 708	100.0%
Ford Foundation	204 551	200 000	404 551	204 186		204 186	50.5%
Global Fund		456 000	456 000	28 484	553	29 037	6.4%
ICAP North America Inc.	55 000		55 000			-	0.0%
Instituto Humanista De Cooperacion Para el Desarrollo - HIVOS	3 328		3 328	3 328		3 328	100.0%
Islamic Development Bank	45 013		45 013	20 029		20 029	44.5%
MDTF Office	688 686	1 378 812	2 067 498	679 817	115 306	795 123	38.5%
M.A.C. AIDS Fund	749 610	651 803	1 401 413			-	0.0%
The Regents of the University of California		30 469	30 469	27 085		27,085	88.9%
OFID	560 570		560 570	422 494	14 751	437 245	78.0%
WHO		50 000	50 000	50 000		50 000	100.0%
UNDP	184 609	262 628	447 237	264 732	1 578	266 310	59.5%
UNHCR	9 424		9 424			-	0.0%
UNICEF	46 594	40 200	86 794	32 896	9 092	41 988	48.4%
UNFPA	191 752	3 235 320	3 427 072	1 775 217	250 084	2 025 301	59.1%
UNAIDS USA	35 722		35 722			-	0.0%
UNOHCHR	16 000		16 000			-	0.0%
UNOPS	303 048	488 444	791 492	513 338	41 839	555 177	70.1%
UNDESA		337 888	337 888	11 907		11 907	3.5%
WFP	504 298		504 298	6 298		6 298	1.2%
Interest and other	87 354	(52 109)	35 245			-	0.0%
Total	37 293 110	24 641 208	61 934 318	26 399 271	7 038 907	33 438 178	54.0%

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

Table 6
Extra-budgetary funds
Funds available, expense and encumbrance summary by source of revenue
for the year ended 31 December 2018
(in US dollars)

Source of revenue	2017 carry-over	Funds made available in 2018	Total available funds	Expense	Encumbrance ^{a/}	Total	Percentage implementation
	(a)	(b)	(c) = (a+b)	(d)	(e)	(f) = (d + e)	(g) = (f / c)
<i>Voluntary contributions and other revenue</i>							
Belgium	179 354	38 295	217 649	38 295		38 295	17.6%
Denmark		22 303	22 303	22 303		22 303	100.0%
Finland		153 180	153 180	153 180		153 180	100.0%
France		169 318	169 318	169 318		169 318	100.0%
Germany	218 601	370 185	588 786	370 185		370 185	62.9%
Italy		174 915	174 915	174 915		174 915	100.0%
Japan	300 000		300 000			-	0.0%
Luxembourg	27 341	170 680	198 021	170 680		170 680	86.2%
Netherlands	379 910	357 471	737 381	357 471		357 471	48.5%
Norway	294 945		294 945			-	0.0%
Russian Federation	99 397	1 435 455	1 534 852	1 429 161		1 429 161	93.1%
Sweden	0	171 356	171 356	171 356		171 356	100.0%
Switzerland	0	159 480	159 480	159 480		159 480	100.0%
Canton de Genève, Switzerland	0	76 994	76 994	76 994		76 994	100.0%
United States of America (CDC)	99 341	290 260	389 601	290 260		290 260	74.5%
United States of America (USAID)	3 214 928	1 500 000	4 714 928	3 750 001	694 444	4 444 445	94.3%
European Commission	203 761		203 761			-	0.0%
MDTF Office	4 479		4 479			-	0.0%
UNDP	139 911	100 772	240 683	22 144		22,144	9.2%
UNWTO ST-EP Foundation	25 000		25 000		16 665	16,665	66.7%
WHO	528 927		528 927			-	0.0%
Miscellaneous and other	4 615 440		4 615 440			0	0.0%
Programme support costs and other	7 958 723	2 198 358	10 157 081	374 226	14 813	389 039	3.8%
Total	18 290 058	7 389 022	25 679 080	7 729 969	725 922	8 455 891	32.9%

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

Table 7
Country and Regional expense and encumbrance against all sources of funds
for the financial year ended 31 December 2018
(in US dollars)

Region	Countries	Unified Budget, Results and Accountability Framework			Non-core Funds			Total		
		Expense	Encumbrance ^{a1}	Total	Expense	Encumbrance ^{a1}	Total	Expense	Encumbrance ^{a1}	Total
Asia and Pacific	Regional Support Team, Asia and Pacific	3 511 885	122 776	3 634 661	3 809 606	15 540	3 825 146	7 321 491	138 316	7 459 807
	Bangladesh	138 424	17 602	156 027	41 686	9 092	50 778	180 110	26 694	206 805
	China	1 068 846	14 913	1 083 759	173 338	66 461	239 799	1 242 184	81 374	1 323 558
	Fiji	167 954	7 198	175 152	289		289	168 242	7 198	175 440
	Indonesia	659 247	26 272	685 519	499 156	104 191	603 347	1 158 403	130 463	1 288 866
	India	886 983	17 221	904 204	358 045	14 815	372 860	1 245 028	32 036	1 277 064
	Cambodia	612 354	3 479	615 834	17 633	3 439	21 072	629 987	6 918	636 905
	Laos	90 370	3 517	93 887	1 403		1 403	91 773	3 517	95 290
	Myanmar	764 246	7 920	772 166	1 515 362	1 512 322	3 027 684	2 279 609	1 520 242	3 799 850
	Nepal	242 201	7 696	249 897	5 819		5 819	248 020	7 696	255 717
	Pakistan	667 015	15 116	682 130	110 256	19 145	129 401	777 271	34 261	811 532
	Philippines	337 371	18 112	355 483	48 689		48 689	386 060	18 112	404 172
	Papua New Guinea	553 806	39 607	593 413	41 773	2 998	44 771	595 579	42 605	638 184
	Thailand	390 133	5 650	395 783	20 772		20 772	410 905	5 650	416 555
Viet Nam	688 937	9 728	698 665	110 681		110 682	799 618	9 728	809 346	
Total Asia and Pacific		10 779 773	316 807	11 096 580	6 754 507	1 748 002	8 502 510	17 534 280	2 064 810	19 599 090
East and South Africa	Regional Support Team, East and South Africa	3 099 271	91 094	3 190 365	2 586 659	179 691	2 766 349	5 685 930	270 785	5 956 715
	Angola	1 239 288	19 177	1 258 465	38 051		38 051	1 277 339	19 177	1 296 516
	Botswana	786 333	674	787 007	139 580		139 580	925 912	674	926 587
	Eritrea	55 998	4 137	60 135				55 998	4 137	60 135
	Eswatini	548 417	15 510	563 928	20 694		20 694	569 111	15 510	584 621
	Ethiopia	1 008 279	19 701	1 027 980	209 910	187 270	397 181	1 218 189	206 971	1 425 160
	Kenya	1 685 072	30 433	1 715 505	469 690	91 667	561 356	2 154 762	122 100	2 276 862
	Lesotho	689 423	24 450	713 873	73 073	8 010	81 082	762 496	32 460	794 956
	Madagascar	305 169	9 093	314 262	5 293		5 293	310 462	9 093	319 555
	Malawi	797 887	7 157	805 045	89 346	11 935	101 281	887 233	19 093	906 326
	Mozambique	781 685	14 230	795 915	103 817	10 156	113 973	885 503	24 386	909 888
	Namibia	728 474	2 320	730 794	74 042	205	74 247	802 516	2 525	805 041
	Rwanda	467 499	20 698	488 197	59 109	516	59 625	526 608	21 214	547 822
	South Africa	2 044 048	29 718	2 073 766	184 687	12 525	197 212	2 228 736	42 243	2 270 978
	South Sudan	679 144	32 193	711 337	381		381	679 525	32 193	711 718
	U.R. Tanzania	1 657 726	14 796	1 672 522	242 982		242 982	1 900 708	14 796	1 915 504
	Uganda	967 119	45 136	1 012 256	567 410	161 635	729 044	1 534 529	206 771	1 741 300
Zambia	1 248 100	17 069	1 265 169	289 564	31 296	320 860	1 537 664	48 366	1 586 029	
Zimbabwe	1 255 079	29 502	1 284 582	22 135	7 317	29 452	1 277 214	36 819	1 314 034	
Total East and South Africa		20 044 011	427 092	20 471 103	5 176 422	702 221	5 878 643	25 220 433	1 129 313	26 349 746
Europe	Regional Support Team, Europe	2 496 118	50 858	2 546 976	3 457 553	161 961	3 619 514	5 953 671	212 819	6 166 490
	Albania	54		54	54		54	109		109
	Armenia				53 482	632	54 114	53 482	632	54 114
	Belarus	94 311	919	95 230	380 003	25 562	405 565	474 314	26 481	500 795
	Kazakhstan	666 986	16 335	683 320	30 606	798	31 404	697 592	17 133	714 724
	Kyrgyzstan	51 944	1 881	53 825	235 024		235 024	286 969	1 881	288 850
	Moldova	76 847		76 847	28 715		28 715	105 562		105 562
	Russian Federation				272		272	272		272
	Tajikistan	78 168		78 168	155 583		155 583	233 751		233 751
	Ukraine	800 983	14 209	815 192	20 632		20 632	821 615	14 209	835 824
Total Europe		4 265 411	84 202	4 349 613	4 361 924	188 953	4 550 877	8 627 336	273 154	8 900 490

^{a1} Encumbrance equals a firm commitment for goods and/or services which have not yet been delivered.

Table 7 continued

Region	Countries	Unified Budget, Results and Accountability Framework			Non-core Funds			Total		
		Expense	Encumbrance ^{a/}	Total	Expense	Encumbrance ^{a/}	Total	Expense	Encumbrance ^{a/}	Total
Latin America and Caribbean	Regional Support Team, Latin America and Caribbean	2 300 072	92 528	2 392 600	143 420	219	143 639	2 443 492	92 747	2 536 240
	Argentina	616 147	13 354	629 501	20 336		20 336	636 483	13 354	649 837
	Belize	9 000	1 000	10 000				9 000	1 000	10 000
	Bolivia	6 000		6 000				6 000		6 000
	Brazil	667 610	5 282	672 892	226 680	1 571	228 251	894 290	6 853	901 143
	Chile	1 000		1 000				1 000		1 000
	Colombia	1 134	2 271	3 405	11 500	7 500	19 000	12 634	9 771	22 405
	Costa Rica		2 400	2 400	1 213	3 638	4 850	1 213	6 038	7 250
	Dominican Republic	364 605	12 654	377 259	127 867	34 649	162 516	492 472	47 303	539 775
	Ecuador	4 480	2 712	7 192				4 480	2 712	7 192
	Guatemala	656 268	15 779	672 047	13 816		13 816	670 084	15 779	685 863
	Guyana	379 370	6 963	386 333	7 515		6 750	386 885	6 963	393 083
	Honduras	15 428	6 210	21 638	5 928		5 928	21 356	6 210	27 566
	Haiti	782 942	22 017	804 959	30 482	11 250	31 484	813 424	33 267	836 443
	Jamaica	1 411 046	11 763	1 422 324	8 151		7 618	1 419 196	11 763	1 429 942
	Saint Lucia				15 998		15 998	15 998		15 998
	Mexico	4 558		4 558				4 558		4 558
	Nicaragua	9 750	250	10 000				9 750	250	10 000
	Panama				201		201	201		201
	Peru	619 724	6 511	626 234	10 253	7 899	18 152	629 977	14 409	644 386
El Salvador	132 996	1 679	134 675	24 100		24 100	157 096	1 679	158 775	
Suriname	1 560		1 560				1 560		1 560	
Trinidad & Tobago	7 603		7 603				7 603		7 603	
Uruguay	9 500		9 500				9 500		9 500	
Venezuela	148 967	6 437	155 404	208		208	149 175	6 437	155 612	
Total Latin America and Caribbean		8 149 761	209 810	8 359 572	647 667	66 726	714 392	8 797 428	276 536	9 073 964
Middle East and North Africa	Regional Support Team, Middle East and North Africa	889 714	28 895	918 610	428 358	64 163	492 521	1 318 072	93 058	1 411 130
	Djibouti	105 705	8 860	114 564	43 999		43 999	149 703	8 860	158 563
	Algeria	207 300	6 757	214 057	140		140	207 440	6 757	214 197
	Egypt	157 065	3 662	160 726	139 203	428	139 631	296 268	4 090	300 358
	Iran	336 812	20 431	357 243	321		321	337 133	20 431	357 565
	Morocco	511 331	3 460	514 791	53 187	11 822	65 010	564 518	15 282	579 801
	Sudan	195 907	2 367	198 275	97 974	9 514	107 488	293 881	11 882	305 763
	Somalia				68 439	7 604	76 043	68 439	7 604	76 043
	Tunisia	56 969		56 969	40 572	13 287	53 859	97 541	13 287	110 828
	Yemen				17 227		17 227	17 227		17 227
	Total Middle East and North Africa		2 460 803	74 432	2 535 235	889 421	106 819	996 240	3 350 224	181 251
West and Central Africa	Regional Support Team, West and Central Africa	3 757 837	153 187	3 911 023	666 137	14 723	680 860	4 423 973	167 910	4 591 883
	Burundi	443 917	12 736	456 653	5 775		5 775	449 692	12 736	462 429
	Benin	473 028	3 242	476 270	140 094	4 700	144 794	613 122	7 942	621 064
	Burkina faso	529 237	20 539	549 776	384		384	529 621	20 539	550 159
	Central African Republic (the)	949 849	7 120	956 969	16 504	11 723	28 227	966 353	18 843	985 196
	Cote d'Ivoire	969 060	7 044	976 105	142 927	7 495	150 422	1 111 987	14 539	1 126 526
	Cameroon	997 630	11 662	1 009 292	68 428	14 160	82 588	1 066 058	25 822	1 091 880
	D.R. Congo	1 697 593	44 146	1 741 739	82 352	28 446	110 798	1 779 945	72 592	1 852 537
	Congo	429 642	18 627	448 269	16 011		16 011	445 654	18 627	464 280
	Gabon	491 193	15 692	506 884	16 986		16 986	508 178	15 692	523 870
	Ghana	718 040	31 832	749 872	21 766		21 766	739 805	31 832	771 638
	Guinea Conakry	444 984	9 047	454 031	6 164		6 164	451 148	9 047	460 195
	Gambia (the)	85 858	3 477	89 335	198		198	86 057	3 477	89 533
	Equatorial Guinea	252 445	1 040	253 485	41 061		41 061	293 506	1 039	294 546
	Liberia	393 182	8 034	401 216	11 880		11 880	405 062	8 034	413 096
	Mali	822 626	38 377	861 003	11 188		11 188	833 814	38 377	872 190
	Mauritania	158 512	3 971	162 483	336		336	158 848	3 971	162 819
	Niger	357 249	47 969	405 218	8 066		8 066	365 316	47 969	413 285
	Nigeria	2 386 593	27 133	2 413 725	71 230	10 772	82 001	2 457 822	37 904	2 495 727
	Senegal	139 263	1 010	140 272	21 788		21 788	161 050	1 010	162 060
Sierra Leone	460 440	3 257	463 698	39 200		39 200	499 640	3 257	502 898	
Chad	636 557	2 376	638 934	10 132		10 132	646 689	2 376	649 065	
Togo	414 884	2 664	417 548	8 403		8 403	423 286	2 664	425 951	
West and Central Africa Total		18 009 618	474 181	18 483 799	1 407 009	92 019	1 499 028	19 416 627	566 200	19 982 827
Grand Total		63 709 377	1 586 525	65 295 902	19 236 951	2 904 739	22 141 690	82 946 328	4 491 264	87 437 592

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

Table 8
2018 Country Envelopes: Details of funds transferred to Cosponsors at country level
(in US dollars)

Region	Country	UNHCR	UNICEF	WFP	UNDP	UNFPA	UNODC	ILO	UNESCO	WHO	World Bank	UN WOMEN	Total
Asia and Pacific	Bangladesh		45 000			40 000				65 000			150 000
	China				55 000			65 000	59 000	61 000		60 000	300 000
	India		240 000		120 000	100 000	150 000	100 000	100 000	190 000			1 000 000
	Indonesia		60 000			40 000	105 000	55 000		165 000		75 000	500 000
	Malaysia	70 000			30 000					50 000			150 000
	Myanmar		50 000	110 000		50 000	30 000		30 000	30 000			300 000
	Pakistan				50 000	75 000	50 000			125 000			300 000
	Papua New Guinea			50 000		25 000				50 000		75 000	200 000
	Philippines			90 000		100 000	100 000	80 000		180 000			550 000
	Thailand			70 000		50 000					30 000		150 000
Viet Nam			33 000				51 000			129 000		87 000	300 000
Total Asia and Pacific		70 000	638 000	110 000	405 000	430 000	466 000	220 000	189 000	1 045 000	30 000	297 000	3 900 000
Europe	Belarus		41 000		29 500	54 500				25 000			150 000
	Kazakhstan		67 000				67 000		16 000				150 000
	Kyrgyzstan		36 000			50 000	40 000		24 000				150 000
	Moldova		50 000			54 000				46 000			150 000
	Tajikistan		65 000			10 000	37 000			38 000			150 000
	Ukraine		100 000			45 000	65 000			90 000			300 000
	Uzbekistan			50 000			100 000						150 000
Total Europe		0	409 000	0	29 500	213 500	309 000	0	40 000	199 000	0	0	1 200 000
East and South Africa	Angola		100 000		90 000	45 000				65 000			300 000
	Botswana		45 000		72 000	50 000			40 000	46 000	25 000	22 000	300 000
	Eswatini			60 000		90 000			50 000	100 000			300 000
	Ethiopia	72 000		28 000		56 000	56 000			112 000		20 000	400 000
	Kenya	51 350	78 200	51 350	79 900	70 000	70 000	60 000	74 900	64 300			600 000
	Lesotho		88 200	30 000	32 600	55 100			36 900	57 200			300 000
	Madagascar		72 000		44 000	45 000		8 000	8 000	43 000			220 000
	Malawi	20 000		60 000	60 000	100 000	20 000		30 000	70 000		90 000	450 000
	Mozambique		220 100		299 800	220 100		77 900		282 100			1 100 000
	Namibia		95 000		40 000	100 000			35 000	30 000			300 000
	Rwanda		92 000			97 000				91 000			280 000
	South Africa		297 000		80 000	131 000	90 000		70 000	297 000	65 000	70 000	1 100 000
	South Sudan	15 000		30 000		53 000			30 000	80 000			208 000
	Tanzania		225 000		30 000	58 000	35 000	155 000	55 000	87 000	20 000	35 000	700 000
	Uganda		120 000	70 000	80 000	100 000		50 000	20 000	80 000		80 000	600 000
Zambia		125 000			95 000	125 000		80 000	125 000			550 000	
Zimbabwe		50 000	45 000	115 000	55 000		40 000	40 000	50 000		55 000	450 000	
Total East and South Africa		158 350	1 607 500	374 350	1 023 300	1 420 200	396 000	390 900	625 800	1 679 600	110 000	372 000	8 158 000
Latin America and Caribbean	Argentina				52 000	41 000				87 000			180 000
	Brazil		90 000		100 000	115 000			95 000				400 000
	Colombia				35 000	60 000				60 000		25 000	180 000
	Cuba		40 000			50 000				60 000			150 000
	Dominican Republic		36 000	28 000	22 000	28 000	28 000			28 000			170 000
	Ecuador		50 000			50 000				50 000			150 000
	Guatemala		26 000	18 000		24 000		10 000	19 000	38 000		17 000	152 000
	Haiti		75 750		41 000	68 000			35 000	80 250			300 000
	Jamaica		65 000		30 000	55 000				100 000		50 000	300 000
	Peru		42 500			51 000			24 000	32 500			150 000
Venezuela	44 000	68 500			52 000				85 500			250 000	
Total Latin America and Caribbean		44 000	493 750	46 000	280 000	594 000	28 000	10 000	173 000	621 250	0	92 000	2 382 000
Middle East and North Africa	Egypt		30 000				100 000			20 000			150 000
	Iran	50 650	54 100			59 150	55 250			80 850			300 000
	Somalia			55 000	40 000	55 000							150 000
	Sudan		48 000							152 000			200 000
Total Middle East and North Africa		50 650	132 100	55 000	40 000	114 150	155 250	0	0	252 850	0	0	800 000

Table 8 continued

Region	Country	UNHCR	UNICEF	WFP	UNDP	UNFPA	UNODC	ILO	UNESCO	WHO	World Bank	UN WOMEN	Total
West and Central Africa	Benin		34 450	28 000	28 000					59 550			150 000
	Burkina Faso	20 000	50 000	30 000	26 000	20 000				30 000			176 000
	Burundi		42 000	15 000			32 000			46 000		15 000	150 000
	Cameroon	20 000	75 000	20 000	20 000	50 000		30 000	30 000	75 000		30 000	350 000
	Central African Republic	35 800	62 600	40 300	17 900	44 700				40 300		22 400	264 000
	Chad	20 000	100 000	20 000			80 000		20 000	60 000			300 000
	Côte d'Ivoire	20 000	60 000	20 000	15 000	85 000		10 000	30 000	60 000			300 000
	Democratic Republic of Congo	50 000	75 000	35 000	35 000	20 000			35 000	50 000			300 000
	Equatorial Guinea		45 000		20 000	45 000				40 000			150 000
	Gabon		37 500			37 500			37 500	37 500			150 000
	Ghana		60 000		60 000	60 000			60 000	60 000			300 000
	Guinea Conakry		65 000	25 000	25 000	75 000				30 000			220 000
	Liberia	20 900	21 400	21 950	22 200	20 500			20 150			22 900	150 000
	Mali		130 000				70 000			100 000			300 000
	Niger	35 000	75 000	40 000									150 000
	Nigeria		300 000		50 000	165 000	50 000	140 000		345 000		50 000	1 100 000
	Republic of Guinea-Bissau		67 000	30 000		35 000				24 000			156 000
	Republic of the Congo	15 000	40 000	20 000	15 000	35 000				51 000			176 000
	Senegal		40 000						40 000	70 000			150 000
	Sierra Leone		199 300	108 700									308 000
Togo		64 500		40 000	45 500							150 000	
Total West and Central Africa		236 700	1 643 750	453 950	374 100	920 200	50 000	180 000	272 650	1 178 350	-	140 300	5 450 000
Grand Total		559 700	4 924 100	1 039 300	2 151 900	3 692 050	1 404 250	800 900	1 300 450	4 976 050	140 000	901 300	21 890 000 ^(a)

^(a) In addition to the above amount, a total of US\$ 110,000 was agreed to be transferred to IOM country offices (Guatemala for US\$ 18,000 and South Sudan for US\$ 92,000) in consultation with the respective UN Country Teams

PART IV

REPORT OF THE EXTERNAL AUDITOR

**Republic of the Philippines
COMMISSION ON AUDIT
Quezon City**



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

**For the Financial Year Ended
31 December 2018**

**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 2018**

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ACRONYMS

ASHI	After Service Health Insurance
BI	Business Intelligence
CO	Country Offices
COSO	Committee of Sponsoring Organizations of the Treadway Commission
DFC	Direct Financial Contribution
ERP	Enterprise Resource Planning
FRM	Financial Services and Risk Management Division
HACT	Harmonized Approach to Cash Transfer
ICF	Internal Control Framework
IP	Implementing Partners
IPSAS	International Public Sector Accounting Standards
ORF	Operating Reserve Fund
PCB	Programme Coordinating Board
PFA	Planning, Finance and Accountability Department
QCC	Quality Control Compliance
RST	Regional Support Team
SIC	Statement on Internal Control
SRA	Strategic Result Areas
TR	Travel Request
UBRAF	Unified Budget, Results and Accountability Framework
UCD	UNAIDS Country Director
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
WHA	World Health Assembly
WHO	World Health Organization

EXECUTIVE SUMMARY

Introduction

1. This Report of the External Auditor on the audit of the financial statements and operations of the Joint United Nations Programme on HIV/AIDS (UNAIDS) is issued pursuant to Regulation XIV of the Financial Regulations of the World Health Organization.
2. This is the third report to the Programme Coordinating Board (PCB) by the Chairperson of the Commission on Audit of the Republic of the Philippines, under a new mandate as External Auditor of the WHO for the financial periods 2016-2019, granted by the Sixty-eighth World Health Assembly (WHA).
3. We have detailed in this Report the financial and governance matters that we believe should be brought to the attention of the PCB of UNAIDS. We have recommended to Management five value-adding measures to improve the financial management and governance in UNAIDS.

Overall result of the audit

4. We have audited the financial statements of UNAIDS in accordance with the Financial Regulations and in conformity with International Standards on Auditing issued by the International Auditing Assurance Board.
5. We commend UNAIDS Management for preparing quality financial statements which warranted the issuance of an unmodified opinion for seven years, since the adoption of the International Public Sector Accounting Standards (IPSAS) in 2012. For 2018, we issued an unmodified audit opinion on the Organization's financial statements for the financial year ended 31 December 2018. 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 ended 31 December 2018, the results of its financial performance, the changes in net assets/equity, the cash flows and the comparison of budget and actual amounts in accordance with the IPSAS.
6. As part of our value-added work, we have identified three areas where mechanisms over UNAIDS's governance could be better improved. UNAIDS could effectively assess its Internal Control Framework (ICF) by integrating and further reinforcing identified internal control principles into its existing self-assessment checklist. UNAIDS could also enhance and improve its policies over Travel Exceptions and Direct Financial Contributions (DFC).
7. We likewise note Management's key achievements on eight Strategic Result Areas.

Summary of recommendations

8. The following audit recommendations which are discussed in detail in this report are provided to Management to further improve financial management and governance:
 - a. **reinforce its ICF self-assessment by integrating in the checklist the specific points of focus for Principles 4 and 12 and to ensure the completion by all heads of offices of an evidence-based self-assessment**

internal control checklist, conduct validation of these completed checklists, and pursue the issuance of a Statement of Internal Control in 2019;

- b. strongly implement effective travel planning in its international staff duty travels to facilitate early travel arrangements, thereby achieving efficiency gains and cost savings in travel expenditures;**
- c. adopt a robust review process by the Travel Exceptions service on the application of policies on exceptional approvals for late travel arrangements before a Travel Request is cleared, to ensure full compliance with travel policies and improve the quality control on travel management;**
- d. develop feedback support to the information provided by the Ageing Report Summary Analysis, by ensuring that a mechanism is available for responsible officers to provide additional information relating to status reporting and monitoring of follow-up actions; and**
- e. develop guidelines that will factor proper segregation of duties, as well as the extent of discretionary inputs, into defining the responsibilities to be performed by the responsible officers for DFC agreements, in order to increase reliability in the assurance processes used to measure acceptable project/activity implementation.**

Implementation of external auditor's recommendations in prior year

9. We reviewed the action taken on the audit recommendations provided in the 2017 External Auditor's Report, and we noted that all of the eight recommendations, or 100 percent, were fully implemented. We commend Management for the immediate action/s on and recognizing the value of the audit recommendations which improved the financial management and governance in the areas covered by our examination.

A. MANDATE, SCOPE AND METHODOLOGY

Mandate

10. The Chairperson of the Commission on Audit of the Republic of the Philippines was appointed by the Sixty-eighth World Health Assembly as the External Auditor of the World Health Organization and its non-consolidated entities for the financial periods 2016-2019.

Scope and Objectives

11. Our audit included an assessment of UNAIDS's compliance with WHO Financial Regulations and legislative authority. The primary objectives of the audit were to provide an independent opinion on whether:

- a. the financial statements presented fairly the financial position of UNAIDS as at 31 December 2018, the results of its financial performance, the changes in net

assets/equity, the cash flows, and the comparison of actual amounts and budget for the financial year ended 31 December 2018 in accordance with IPSAS;

- b. the significant accounting policies set out in Note 3 to the financial statements were applied on a basis consistent with that of the preceding financial period; and
- c. the transactions that have come to our notice or that we have tested as part of the audit, in all significant respects, complied with the Financial Regulations and legislative authority.

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

Methodology and Auditor's Responsibilities

13. We conducted our audit in accordance with the International Standards on Auditing. These standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free from material misstatements.

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

15. The auditor's responsibility is to express an opinion on the financial statements based on an audit. An audit which is performed to obtain reasonable assurance as to whether the financial statements are free from material misstatement including those caused by fraud or error.

16. We also carried out a review of UNAIDS operations with regard to Financial Regulation 14.3 which required the External Auditor to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls, and in general, the administration and management of the entity's operations. We focused on the (a) ICF Self-Assessment Checklist; (b) Travel Exceptions; and (c) Direct Financial Contribution.

17. Further, the objectives of the audit are to provide independent assurance to the Governing Body, to add value to the UNAIDS's financial management and governance, and to support the objectives of UNAIDS's work through the external audit process.

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

B. RESULTS OF AUDIT

19. The present report covers matters that, in the opinion of the External Auditor, should be brought to the attention of the Programme Coordinating Board (PCB) of UNAIDS. The recommendations provided to Management are designed to support the objectives of

UNAIDS's mandate, and to improve and add value to UNAIDS's financial management and governance.

1. Audit of Financial Statements

20. In the audit of UNAIDS for the financial year 2018, we issued an unqualified opinion on the financial statements. As such, we concluded that the financial statements present fairly, in all material respects, the financial position of UNAIDS for the financial year ended 31 December 2018, the results of its financial performance, the changes in net assets/equity, the cash flows, and the comparison of budget and actual amounts in accordance with IPSAS. Management agreed with our recommendations and acted on or committed to act on them accordingly. We recognized the commitment and professionalism of UNAIDS Management and Finance staff to sustain the preparation of IPSAS-compliant financial statements.

2. Overall Financial Performance

21. The audited financial statements of UNAIDS reflect a total surplus of USD 10.41 million for the year, as shown in the Statement of Financial Performance (Statement II). This is a 34.67 percent increase from that of the previous year's total surplus of USD 7.73 million. The continual increase in surplus (USD 2.68 million) could be attributed to the accompanying decrease in total expenses, specifically on staff and other personnel costs and transfers and grants to counterparts (USD 16.9 million).

22. Comparatively, total current assets amounted to USD 259.56 million while total current liabilities reached USD 27.06 million; thus, registering a liquidity ratio of 9.59. Cash and cash equivalents at the beginning of the year amounted to USD 145.53 million, but increased to USD 162.79 million at the end of the year after accounting for a net increase of USD 17.26 million or 11.86 percent from operating, investing and financing activities. UNAIDS, thus, needs to reinforce its financial performance in the coming year to ensure the continued inflow of additional funds into the Joint Programme.

23. On the other hand, net assets/equity as reflected in the Statement of Changes in Net Assets/Equity (Statement III) show an increase of USD 37.43 million or 29.05 percent from USD 128.86 million for the year ended 31 December 2017 to USD 166.29 million for the year ended 31 December 2018. Considering the reported 34.67 percent increase in total surplus and said 29.05 percent increase in net assets/equity, we laud Management's persistent effort to improve UNAIDS's financial performance in the ensuing years.

24. The Operating Reserve Fund (ORF) which was established by the PCB in June 1996 stood at USD 35 million for the year ended 31 December 2018. This fund can be used to finance the implementation of the UBRAF while awaiting the receipt of core contributions. With the ORF, the continued operation of UNAIDS is relatively secure.

3. Key Achievements on Strategic Result Areas (SRAs)

25. We note the Joint Programme's key achievements and progress against the eight Strategy Result Areas, as reflected in the 2016-2017 Performance Monitoring Report are as follows:

- SRA 1: HIV Testing and Treatment. The Joint Programme continues to play a pivotal role in global efforts to rapidly accelerate testing and treatment access.

The 2017 UNAIDS report Ending AIDS: progress towards the 90–90–90 targets shows that in 2017, for the first time, more than half of all people living with HIV (53%) were accessing HIV treatment.

- SRA 2: Elimination of mother-to-child transmission. The scale-up of eMTCT services is one of the greatest global public health achievements of the last decade. In 2016, 76% of pregnant women living with HIV received effective antiretroviral medicines, up from 74% in 2015 and from a baseline of 36% in 2009.
- SRA 3: HIV prevention among young people. The Joint Programme led several landmark initiatives in 2016–2017 to revitalize the prevention agenda and make it more responsive to the needs of adolescents and young people, with a focus on adolescent girls and young women. Ninety one percent (91%) of Fast-Track countries have supportive adolescent and youth sexual and reproductive health policies in place.
- SRA 4: HIV prevention with and for key populations. : In 2017, 71% of 96 countries with Joint Programme presence, of which 22 are Fast-Track countries have comprehensive packages of services men who have sex with men and sex workers defined and included in national strategies. Furthermore, these countries have size and prevalence estimates for these key populations. The key populations are also engaged in HIV strategy/programming and service delivery.
- SRA 5: Gender inequality and gender-based violence. In 2017, 52% of 96 countries with Joint Programme presence (of which 20 are Fast-Track countries) have national HIV policies and strategies that promote gender equality and transform unequal gender norms. Furthermore, In 2017, 47% of 96 countries with Joint Programme presence, of which 18 are Fast-Track countries have laws and/or policies and services to prevent and address gender-based violence.
- SRA 6: Human rights, stigma and discrimination. : In 2017, 40% of 96 countries with Joint Programme presence (including 15 Fast-Track countries) have shown progress in at least one of the following laws or policies that present barrier to delivery of HIV services.
- SRA 7: Investment and efficiency. In 2017, 42% of 96 countries with Joint Programme presence (of which 19 are Fast-Track countries) have up-to-date HIV Investment cases (or similar assessing allocative efficiency with the following components:
 - A computerized monitoring system that provides district level data on a routinely basis including key HIV service delivery variables (ART and eMTCT);
 - The country tracks and analyses HIV expenditures per funding source and beneficiary population;
 - Country allocations based on epidemic priorities and efficiency analysis (investment case or similar)

- SRA 8: HIV and Health Service integration. : In 2017, 65% of 96 countries with Joint Programme presence (of which 24 are Fast-Track countries) have been delivering services in an integrated manner, i.e., a client can receive services in one facility (in a single visit) for multiple interventions such as:
 - HIV, SRH, and gender-based violence services;
 - HIV and TB;
 - HIV and antenatal care

4. After Service Health Insurance (ASHI)

26. The defined benefit obligations of UNAIDS for ASHI as at 31 December 2018 stood at USD 124.3 million, of which USD 68.7 million is funded, resulting in net unfunded liability of USD 55.6 million. These were determined by professional actuaries based on personnel data and past experience on payments as provided by WHO.

27. In accordance with IPSAS 39 (Employee Benefits), the actuarial gain of USD 27 million was transferred directly to net assets/equity in 2018 and an additional accrual of USD 5.6 million was charged to staff costs in the Statement of Financial Performance.

28. It should be noted that whilst the ASHI actuarial study reflects an unfunded liability of USD 55.6 million as at 31 December 2018, following the PCB decision at its 30th meeting (held in June 2012) to fully fund the organizational staff-related liabilities from the fund balance, a total of USD 25.1 million has so far been attributed towards funding the ASHI liability. Therefore, the unfunded ASHI liability as at 31 December 2018 stood at USD 30.5 million (i.e. USD 55.6 million as per actuarial study less the funding of USD 25.1 million).

5. Internal Control Framework - Self-Assessment

Enhancement of self-assessment to fully integrate in the checklist the specific points of focus for Principles 4 and 12 of the COSO

29. Review of the updated Part 1-Overall Self-Assessment disclosed that some significant COSO points of focus – although considered in the Functional Self-Assessment part of the checklist – were not considered in the Over-All Self-Assessment. These are for Principle 4 (*Points of Focus 13 to 15, COSO*) and Principle 12 (*Point of Focus 63*).

30. During the interview with the focal person from the Financial Services and Risk Management Division (FRM), we emphasized that control activities relating to matters of interest to human resource management (i.e. measuring performance and competence, discipline and succession) under Principle 4 should be included in the checklist. We further suggested the integration of Principle 12 into the component of Control Activities especially that which could show the collaborative effort in the development of policies to support control processes and to take the analysis of the checklist results as a haul of information to identify areas for improvement and to revise policies and guidance for control processes accordingly.

31. The completion of the checklist should be promoted to ensure that it is recognized as having greater purpose other than being a stand-alone analysis of management and internal control compliance.

32. Further, in light of the recent circumstances which could impact the organization's reputational risk, we strongly reiterate the importance of strengthening the evaluation and assessment of the processes through the use of the ICF checklist, in order to pursue the issuance of the Statement of Internal Control (SIC). We believe that such issuance would send a strong message to stakeholders, not only about the effectiveness of the control processes in the organization, but also to demonstrate UNAIDS's commitment to ethical values and accountability.

33. We recommended that UNAIDS reinforce its ICF self-assessment checklist by integrating the specific points of focus for Principles 4 and 12, and to ensure the completion by all heads of offices of an evidence-based self-assessment internal control checklist, conduct validation of these completed checklists, and pursue the issuance of a Statement of Internal Control in 2019.

6. Travel Management

34. The existing UNAIDS travel policy is implemented in a way that travel activities should both be harmonized with the programs of the organization and are achieved through an efficient and cost-effective manner.

35. Thus, the revised Travel Policy provides for: (a) a costed *Travel Plan* as one of the best tools to reduce travel costs, and must be prepared on a quarterly basis (international travel) and semi-annual (in-country travel) basis; (b) *Travel Arrangements*, must be concluded at least 10 working days before departure; and (c) *Travel Exceptions* - should be approved by the Director concerned and addressed to Travel Exceptions service in the Planning, Finance and Accountability (PFA) department in UNAIDS-HQ for processing.

Effective travel planning on international staff duty travels

36. Out of the total of 1,653 international staff duty travels in 2018, we noted 690 Travel Requests (TR) or an equivalent of 41.74 percent of all duty travels, that were approved within less than 10 days prior to departure.

37. Sampling validation in the Enterprise Resource Planning (ERP) facility further revealed that several staff had their Travel Plans approved close to the date when their travels were supposed to begin, with some travel plans approved only two days before the start of their travel period. Based on the validated information, it appeared that the Travel Requests and the Travel Plans which support them were not prepared and approved way ahead of the date of the travels that were to be undertaken.

38. Effective travel planning, in this instance, was not utilized as one of the best tools to reduce travel costs, in as much as the late approval and/or preparation of the TR and Travel Plans would mean that the purchase of tickets is close enough to the date of departure that obtaining the least expensive ticket price may no longer be possible. This runs counter to the robust travel policy of the organization, which seeks to achieve both efficiency gains and cost savings in its travel expenditures.

39. **We recommended that UNAIDS strongly implement effective travel planning in its international staff duty travels to facilitate early travel arrangements, thereby achieving efficiency gains and cost savings in travel expenditures.**

Stronger review process by the Travel Exceptions service over Travel Requests with late travel arrangements

40. The data on the previously mentioned 690 TRs was further re-evaluated to obtain information on the number of instances, if any, that late travel arrangements would occur for those travels. Thus, we noted that for a total of 161 staff members, late travel arrangements were incurred which in some instances ranged between 2 to 16 times for a single staff member in 2018.

41. We further noted two incurrences wherein subject TRs were not processed through the Travel Exceptions service, which means that the concurrence of the unit for statistical and monitoring purposes was not obtained for the exceptional approval of these travels. One TR, which involved the substitution of a staff, was likewise not supported with a Travel Plan.

42. In view of the foregoing gaps noted, we see the need to strengthen the review process by the Travel Exceptions service over Travel Requests with late travel arrangements for an efficient travel quality control management.

43. **We recommended that UNAIDS adopt a robust review process by the Travel Exceptions service on the application of policies on exceptional approvals for late travel arrangements before a Travel Request is cleared, to ensure full compliance with travel policies and improve the quality control on travel management.**

7. Direct Financial Contribution

Status reporting and feedback

44. Reporting on DFC status is presently done through an Ageing Report Summary Analysis which can be generated via the Business Intelligence (BI) function in the ERP. The analysis report is issued *mainly to remind responsible offices of outstanding deliverables.*

45. Therefore, what is at front and center is what extent of information value can be offered by the existing status report in measuring how effective UNAIDS had been in ensuring achievement of the objective to strengthen the technical and implementation capacity, and support the technical cooperation requirements in fighting the spread of HIV/AIDS, at the country level.

46. Of primary importance to effective measurement through the status report is the reliability of the reported information, which comes from being both accurate and complete in all its significant aspects. We measured such accuracy and completeness of the Ageing Report against the DFC transactions (both received and overdue) cleared by the Quality Control Compliance (QCC) procedures in the intranet and noted that the information which supports the Ageing Report does not in all cases, match the one appearing in the approved DFC agreements.

47. Due dates appearing in the signed agreement may be earlier than the default 90-day allowed period from completion date. In this instance, there is a distinct possibility that the flagging of the particular DFC as “overdue” for a certain number of days, for example, may

not accurately reflect the actual number of days that a deliverable under the DFC contract may be over its due date.

48. Supporting the benefits of status reporting is feedback. Gathering it regularly from the responsible officers in the Country Offices (COs) and Regional Support Teams (RST), even just a brief caption on the commonly identified reason/obstacle for the delay, and incorporating it into the analysis report of outstanding DFC deliverables would not only generate valuable insights into the health of the project/activity funded by UNAIDS, but also provide clues on the extent of the required follow-up.

49. In closing, we find that the existing Ageing Report Summary Analysis is incomplete on the aspect that it fails to fully communicate key points about the progress of an activity/project that UNAIDS is funding on the country level. Thus, it should not be enough that it serves only to remind responsible officers of the status of their outstanding receivables. To become an effective tool for status reporting, it should also contain critical inputs on the reason for the delay or non-submission of deliverables, in order to allow Management to take action to address activity/project issues and risks.

50. We recommended that UNAIDS develop feedback support to the information provided by the Ageing Report Summary Analysis, by ensuring that a mechanism is available for responsible officers to provide additional information relating to status reporting and monitoring of follow-up actions.

Clearly defined responsibilities in assurance activities

51. UNAIDS conducts micro-assessment on the Implementing Partner's (IP) financial management capacity (i.e. accounting, procurement, reporting, internal controls, etc.) to determine the overall risk rating and assurance activities, *before it enters into a contractual agreement under a DFC contract*. Assessment is solely a UNAIDS responsibility in the country offices, but it can also rely on a micro-assessment done by the Harmonized Approach to Cash Transfer (HACT) working group or a UN Agency (or an independent party on their behalf) in the country level where the IP is stationed.

52. Meanwhile, assurance activities such as on-site monitoring and spot checks of activities, post-facto reviews and other methods of programme monitoring to provide evidence on the state of programme implementation compared to the workplan, is also a responsibility of the country office.

53. In our review of overdue DFC agreements, we noted that there may be a need for UNAIDS to clearly define the responsibilities to be undertaken by responsible officers in their assurance activities, taking into account proper segregation of duties.

54. In the assurance activities, the responsible officer should be allowed to offer inputs in cases wherein a project/activity had to be changed by the IP, in order to make a determination on the proper measurement of results on the revision. Such input is relevant, considering that the capacity assessment performed by the responsible officer was based on the original activity/project that was the subject of the DFC agreement.

55. We further suggested that proper segregation of duties should be observed, considering that the Country Office personnel is responsible for both micro-assessment activities (for capacity-assessment of IP) and assurance activities (measuring

completion/implementation). Thus, it may be ideal for UNAIDS to issue a guideline clearly defining the role and responsibilities of the responsible officer, UCD (UNAIDS Country Director) and RST (Regional Support Teams) in terms of assessing the results of the checklist and establishing the risk rating during capacity assessments, and during assurance activities on the conduct of on-site monitoring and post-facto reviews, among other methods, to confirm implementation.

56. An efficient and effective monitoring and assurance process is critical in providing stakeholders with the needed confidence that the purpose of the DFC agreement, and the objectives of UNAIDS as the premier organization leading the fight against the global AIDS epidemic in a larger scale, are achieved. Hence, Management has that responsibility to ensure that the over-all health of DFC funded projects/activities is not only sufficiently monitored to assist accurate reporting, but that the assurance processes to measure results are also reliable.

57. **We recommended that UNAIDS develop guidelines that will factor proper segregation of duties, as well as the extent of discretionary inputs, into defining the responsibilities to be performed by the responsible officers for DFC agreements, in order to increase reliability in the assurance processes used to measure acceptable project/activity implementation.**

C. DISCLOSURES BY MANAGEMENT

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

58. During the period 1 January 2018 to 31 December 2018, UNAIDS reported no administrative waivers, amounts written off or ex-gratia payments.

D. IMPLEMENTATION OF EXTERNAL AUDIT RECOMMENDATIONS

59. We validated the implementation of External Audit Recommendations contained in the 2017 audit report. We noted that Management implemented all of the eight recommendations we provided; thereby, registering a 100 percent implementation. We recognize the prompt action by Management on the recommendations. Annex A presents the detailed analysis of the implementation of the recommendations.

E. ACKNOWLEDGEMENT

60. We wish to express our appreciation for the cooperation and assistance extended to our staff by the Executive Director, the Director of Planning, Finance and Accountability, and the members of their team.

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

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

29 March 2019
Quezon City, Philippines

Annex A

Implementation of External Audit Recommendations in Prior Year

No.	Recommendation	External Auditor's Validation
Internal Control: ICF Self-Assessment Checklist		
1.	Enhance existing ICF self-assessment checklist by integrating the internal control principles under its Internal Control Framework, particularly for Principles 4, 5, 11 and 17.	Implemented Inclusion of activities pertaining to the points of focus for Principles 4, 5, 11 and 17 in both Part I (Overall Self-Assessment) and Part II (Functional Self-Assessment) of the checklist. Further, it is also expected that there will be more changes to the subsequent iteration of the ICF checklist in response to the new management action plan issued recently, pending its implementation dates.
2.	Develop a review, feedback, and collaboration mechanism on the Self-Assessment activity to ensure that instructions for its completion have been received and applied appropriately, and that the responses given are relevant to the processes and procedures being assessed to support UNAIDS' Internal Control Framework and the issuance of a Statement of Internal Control.	Implemented In compliance, Management made the decision to move the monitoring of submission of completed ICF self-assessment checklists from Excel worksheets to the online platform in UNAIDS Internal Control Framework. Review, Feedback and Collaboration measures are further shared between the Office/Country Directors in the field and the FRM (Financial Services and Risk Management Division) in UNAIDS-HQ.
Travel Management		
3.	Enhance the Secretariat's travel management system by integrating into its quarterly and semi-annual travel plans, the information on particular staff members with delinquent travel advances, in order to provide additional input to supervisory evaluation and decision making.	Implemented Pursuant to Information Note 6-2018 dated 7 December 2018 new requirement for travel plan – inclusion of outstanding travel claims; coverage is all travel plans starting Q1 2019 and onwards

No.	Recommendation	External Auditor's Validation
4.	Strengthen policy on Travel Exceptions by determining the process in the approval chain wherein lapses can occur and to ensure that all travels with deviations from the UNAIDS Travel Policy should undergo processing through travel exceptions for statistical and monitoring purposes.	<p>Implemented</p> <p>Pursuant to Information Note 6-2018 dated 7 December 2018 which likewise advised on the running of a <i>trip & travel statistics report</i> via Business Intelligence (BI) user responsibility.</p> <p>However, evaluation of the UNAIDS travel exceptions policy itself, which includes the applicable approval workflow, and the actual monitoring and control procedures exercised over these exceptions, is a focus area for the year-end 2018 audit.</p>
Consultancy Services		
5.	Further enhance policies and procedures in its Procurement Manual in order to align with the exceptions noted in this observation, inasmuch as there is a necessity in considering the justifiable conditions in areas where consultants are frequently hired.	<p>Implemented</p> <p>Pursuant to an additional provision in paragraph 4 of Section 10.03.03 on Consultant Contracts in the UNAIDS Procurement Manual. As stated, an exception to the two-year limit may be accepted when specified and provided for in a non-core funding agreement. Revision was done effective January 2019.</p>
6.	Enforce the requirement for completing performance evaluation reports by the responsible Officers on completed contracts to ensure that the required needs and standards of work were achieved satisfactorily. Subsequently, internal control mechanisms such as the evaluation report or justification letter should be instituted prior to the grant of another consultant contract for the same person and purpose, if services are essential to the delivery of UNAIDS programmes and achievement of results.	<p>Implemented</p> <p>The completion of the PT.13.01 form for Contractor Performance is a pre-requisite for QCC clearance, beginning January 2019.</p>

No.	Recommendation	External Auditor's Validation
Direct Financial Contribution		
7.	Enhance policies and procedures applied to DFC Contract agreements by considering the modification of zero-payment values to final deliverables in the template; and the restatement of the Procurement Manual provision authorizing final payment of 10% only upon submission of the final deliverable.	Implemented. Guidance Note 1-2019 dated 10 January 2019 prescribed policy changes to Partner Capacity Assessments, Programme Funding Agreements and Direct Financial Contributions. With respect to DFCs, the final payment installment of a minimum 10 percent must now be linked to the receipt of the mandatory final deliverable.
8.	Institute measures to determine whether the country partners are HACT compliant upon inception of the agreement in order to set expectations on the required deliverables and reports that need to be submitted.	Implemented. Guidance Note 1-2019 dated 10 January 2019 prescribed policy changes in Section 17.04 of the Procurement Manual on Direct Financial Contributions, which included mandatory Implementing Partner (IP) capacity assessments prior to entering contractual agreements, and the outlining of the mandatory documents which must be uploaded into the Enterprise Content Management (ECM) before submission for quality compliance checks and subsequent PR creation.