

United Nations Office for Project Services

**Financial Statements
for the biennium 2006–2007**

STATEMENT I

UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

***Statement of income and expenditure and changes in reserves and fund balances
for the biennium ended 31 December 2007, with comparative figures
for the biennium ended 31 December 2005***

(U.S. \$'000s)

		<u>2006 - 07</u>	<u>2004 - 05</u>
INCOME			
Support costs and fees:			
UNDP - Core and Trust Funds		25,901	45,631
Projects on behalf of other UN Organizations		60,716	40,139
Management Services Agreements (MSAs)		<u>11,821</u>	<u>9,704</u>
Total support costs and fees	(schedule 1)	98,438	95,474
Advisory and Reimbursable Services Income	(note 3)	18,903	18,575
Miscellaneous income	(note 4)	<u>8,587</u>	<u>4,622</u>
TOTAL INCOME		125,928	118,671
TOTAL EXPENDITURE	(schedule 2)	<u>89,607</u>	<u>115,939</u>
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE		36,321	2,732
Provision and write-off of receivables	(note 13)	-16,238	-10,182
Prior Period Adjustments	(note 5)	<u>-</u>	<u>-14,498</u>
NET (SHORTFALL)/EXCESS OF INCOME OVER EXPENDITURE		20,083	-21,948
Savings on or cancellation of prior periods' obligations	(note 5)	622	3,158
OPERATING RESERVE BEGINNING OF PERIOD		<u>4,362</u>	<u>23,152</u>
OPERATING RESERVE END OF PERIOD	(statement II)	<u><u>25,067</u></u>	<u><u>4,362</u></u>

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

STATEMENT II

UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

*Statement of assets, liabilities, and reserves
as at 31 December 2007, with comparative figures
as at 31 December 2005*

(U.S. \$'000s)

		<u>2007</u>	<u>2005</u>
ASSETS			
Cash and Term Deposits	(note 6)	50,118	47,872
Accounts Receivable	(note 7)	55,074	11,895
Interfund Accounts	(note 8)	<u>280,922</u>	<u>158,742</u>
TOTAL ASSETS		<u><u>386,114</u></u>	<u><u>218,509</u></u>
LIABILITIES			
Contributions Received in Advance	(note 2)	116,856	60,410
Unliquidated Obligations	(note 9)	197,861	129,311
Accounts Payable	(note 10)	6,713	852
Post Retirement and End of Service Benefits	(note 11)	13,634	14,218
Provision for Write-off of Receivables	(note 13)	<u>25,984</u>	<u>9,356</u>
TOTAL LIABILITIES		<u>361,047</u>	<u>214,147</u>
RESERVES			
Operating Reserve	(note 12)	<u>25,067</u>	<u>4,362</u>
TOTAL RESERVES		<u>25,067</u>	<u>4,362</u>
TOTAL LIABILITIES AND RESERVES		<u><u>386,114</u></u>	<u><u>218,509</u></u>

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

STATEMENT III

UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

*Statement of cash flows for the biennium ended 31 December 2007, with
comparative figures for the biennium ended 31 December 2005*

(U.S.\$'000s)

	<u>2006 - 07</u>	<u>2004 - 05</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net excess (shortfall) of income over expenditure (Statement I)	20,083	-21,948
(Increase) decrease in account receivable	-43,179	-5,628
(Increase) decrease in inter-fund balances receivable	-122,181	-96,514
Increase (decrease) in contributions or payments received in advance	56,446	30,401
Increase (decrease) in unliquidated obligations	68,551	95,272
Increase (decrease) in accounts payable	5,861	131
Increase (decrease) in other liabilities	16,044	23,017
Less: Interest income	<u>-1,199</u>	<u>-913</u>
Net cash flows from operating activities	425	23,818
 CASH FLOWS FROM INVESTING ACTIVITIES		
Plus: Interest income	<u>1,199</u>	<u>913</u>
Net cash flows from investing activities	1,199	913
 CASH FLOWS FROM FINANCING ACTIVITIES		
Savings on or cancellation of prior periods' obligations	<u>622</u>	<u>3,158</u>
Net cash flows from financing activities	622	3,158
 NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	<u>2,246</u>	<u>27,889</u>
 CASH AND TERM DEPOSITS, BEGINNING OF PERIOD	47,872	19,983
 CASH AND TERM DEPOSITS, END OF PERIOD	<u><u>50,118</u></u>	<u><u>47,872</u></u>

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

SCHEDULE 1

UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

*Project expenditure and support costs and fees
for the year ended 31 December 2007, with comparative figures
for the biennium ended 31 December 2005*

(U.S.\$'000)

	2006		2007		2006 - 2007		2004+2005	
	Project expenditure	Support costs and fees	Total project expenditure support costs and fees	Project expenditure	Support costs and fees	Total project expenditure support costs and fees	Total project expenditure and support costs and fees	Total project expenditure and support costs and fees
UNDP Funded and UNDP Trust Fund Projects (including UNIFEM and UNCDF)	200,589	14,179	214,768	167,260	11,722	178,982	393,750	699,238
<i>Projects on behalf of other UN Organizations</i>								
World Bank Agreements	153,219	9,305	162,524	110,968	6,614	117,582	280,106	184,088
UN Development Group	9,676	490	10,165	16,834	1,017	17,851	28,016	127,986
UNDPKO	88,579	7,300	95,879	125,072	8,665	133,737	229,616	92,113
Recipient Government Agreements	54,298	4,275	58,573	153,814	8,215	162,029	220,602	64,902
UNICEF	46,231	2,741	48,972	53,164	3,205	56,369	105,341	18,944
UNFPA	4,444	307	4,751	2,446	146	2,592	7,343	5,072
UN Office on Drugs and Crime	13,061	995	14,055	9,631	706	10,337	24,392	22,968
IFAD	5,149	338	5,487	5,855	360	6,215	11,702	9,762
OHCHR	8,460	755	9,215	9,670	707	10,377	19,592	28,081
UNEP	10,789	870	11,658	7,373	561	7,934	19,592	18,821
UNESCO	2,233	154	2,387	2,001	132	2,133	4,520	13,233
UNHCR	1,092	104	1,196	5,289	385	5,674	6,870	10,763
Other	17,653	1,343	18,996	13,740	1,026	14,766	33,762	16,446
Sub-total	414,883	28,977	443,860	515,857	31,739	547,596	991,456	613,179
<i>UNDP Management Services Agreements (MSAs)</i>								
Lending Institutions	11,917	310	12,227	48,192	1,549	49,741	61,968	62,011
Bilateral Donors	36,344	1,994	38,338	21,465	1,450	22,915	61,253	56,205
Government Financed	40,337	2,132	42,469	96,106	4,086	100,192	142,661	56,813
Other MSAs	1,888	157	2,045	2,223	144	2,367	4,412	6,698
Sub-total	90,487	4,592	95,079	167,986	7,229	175,215	270,294	181,727
<i>Project expenditure and support costs and fees</i>	705,959	47,748	753,707	851,103	50,690	901,793	1,655,500	1,494,144
					(statement 1)			

SCHEDULE 2

UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

*Administrative budget and expenditure
for the biennium ended 31 December 2007, with comparative figures
for the biennium ended 31 December 2005*

(U.S. \$'000s)

Description	2006 - 2007	2007	2006	2006 - 2007	2004 - 2005
	Revised budget	Admin expenditure	Admin expenditure	Total Admin expenditure	Total expenditure
<i>Salaries and wages</i>	33,358	15,360	15,525	30,885	35,105
<i>Common staff costs</i>	19,138	-765	12,137	11,372	24,050
<i>Official travel</i>	2,785	2,708	2,503	5,211	4,423
<i>Contractual services</i>	10,747	9,880	11,138	21,018	14,414
<i>General operating expenses</i>	19,035	5,255	7,762	13,017	16,209
<i>Supplies</i>	907	433	518	951	1,521
<i>Furniture and equipment</i>	1,551	463	2,290	2,753	7,786
<i>Reimbursement of cost of services provided by UNDP and other UN agencies</i>	16,208	1,702	2,697	4,399	12,430
GRAND TOTAL	103,729	35,036	54,571	89,607 (statement I)	115,939 (statement I)

Notes to the financial statements

I. Note 1: objectives of the United Nations Office for Project Services

1. The United Nations Office for Project Services (UNOPS) was established on 1 January 1995. Since 1 July 2006 UNOPS headquarters have been located in Copenhagen, Denmark, having previously been situated in New York, United States of America. UNOPS provides services to its clients while upholding the impartiality and fairness embodied in the Charter of the United Nations.

2. UNOPS activities and its biennial budget are set by its Executive Board. UNOPS is a self-financing entity that relies solely on income earned from its activities. The objective of UNOPS is to provide high quality, timely and cost-effective services for the successful implementation of projects. UNOPS offers broad range of services that include:

- (a) Comprehensive project management including contracting for technical expertise and backstopping;
- (b) Implementation of projects under execution by other United Nations organizations or by national institutions;
- (c) Project supervision and loan administration on behalf of international financial institutions;
- (d) Project management services for projects financed by multilateral and bilateral donors, international financial institutions and beneficiary Governments;
- (e) Project management services for non-governmental organizations.

II. Note 2: summary of significant accounting policies

3. The UNOPS financial period is biennial. The present financial statements cover the period from 1 January 2006 to 31 December 2007. The financial statements reflect the application of the accounting policies set out below.

A. General framework

4. UNOPS activities are accounted for in accordance with:

- (a) The Financial Regulations formulated by its Executive Board and rules established by the Executive Director under those regulations;
- (b) The United Nations System Accounting Standards (UNSAS), as adopted by the Administrative Committee on Coordination, which are based to a large extent on relevant accounting standards issued by the International Accounting Standards Committee; where differences from the International Accounting Standards exist, it is mainly because of the essentially non-commercial nature of United Nations activities.

5. The standards are based on various main principles and assumptions, as follows:

- (a) Going concern, consistency and accrual of fundamental accounting assumptions. Where fundamental accounting assumptions are followed in the financial statements, disclosure of such assumptions is not required. If these fundamental accounting assumptions are not followed, that fact should be disclosed together with a reason.
- (b) Prudence, substance over form and materiality should govern the selection and application of accounting policies.
- (c) Financial statements should include clear and concise disclosure of all significant accounting policies that have been used.
- (d) The disclosure of the significant accounting policies used is an integral part of the financial statements.

(e) Unusual items or prior period items should be disclosed if they have material effect on the financial statements or schedules.

(f) If there is a change in accounting policy that has a material effect in the current period or may have a material effect in subsequent periods, the effect of such change should be disclosed and quantified together with reason for the change.

B. Income

6. UNOPS recognizes revenue in accordance with the United Nations System Accounting Standards (UNSAS). However, where UNSAS does not prescribe a particular revenue recognition method in relation to certain transaction types, UNOPS applies the relevant International Public Sector Accounting Standards (IPSAS). UNOPS revenue recognition principles aim to ensure that there is proper matching of revenue and cost (the matching principle).

7. On cost-plus-fixed-fee contracts, revenue is recognized as costs are incurred, factoring in the direct cost and an allocable portion of the Administrative and Operational Services (AOS). With respect to fixed price contracts, revenue is recognized based on the percentage-of-completion method, with estimated overheads included in contract revenue as the work is performed. In relation to time-and-materials contracts, revenue is recognized as costs are incurred in proportion to agreed billable amounts.

C. Expenditure

8. All UNOPS expenditure is accounted for on an accrual basis, except for costs relating to staff entitlements, which are recorded on a cash basis. (Costs related to early separation programme and after-service health insurance are, however, recorded on an accrual basis.) All purchase orders that are supported by legally binding commitments entered into on or before 31 December 2007 for goods and services are accrued and recorded as expenses.

D. Equipment, furniture and vehicles expenditure

9. The cost of equipment, furniture and vehicles is fully expensed in the year of purchase.

E. Contributions received in advance

10. The excess of cash received over expenditure incurred on cash-based projects is treated as contributions received in advance.

11. As part of the year-end closing procedure, all contributions received and expenses incurred on cash-based projects are closed to this account.

F. Reporting currency

12. The financial statements are expressed in United States dollars, the functional currency of UNOPS.

G. Rounding policy

13. The financial statements are expressed in thousands of United States dollars.

H. Other currencies

14. The base currency for all accounting transactions and for maintenance of financial records is United States dollars. All other currencies are translated to United States dollars at the United Nations operational rate of exchange for the date of the transaction. The only exception to this is the Japanese Procurement Programme.

15. For activities financed under the Japanese Procurement Programme, expenditure incurred in other currencies is fixed at the United Nations operational rate of exchange in effect at the date of the establishment of the related obligation in order to protect against significant fluctuations in exchange rates. These arrangements are managed by UNDP.

16. All assets and liabilities in currencies other than United States dollars, including cash and term deposits, are translated at the United Nations operational rate of exchange in effect on 31 December 2007. Exchange differences (gains and losses) are transferred to the United Nations Development Programme (UNDP), which provides cash management services on behalf of UNOPS.

I. After-service health benefits

17. The after-service health benefits, expenses and liabilities are determined by actuarial valuation. Current service costs are charged to expenditure on an accrual basis.

J. Operational reserve

18. At its second regular session in 2003, the Executive Board decided "to change the basis for the calculation of the level of the operational reserve of the United Nations Office for Project Services to 4 per cent of the rolling average of the combined administrative and project expenditures for the previous three years". The continued validity of this formula was confirmed by an independent review conducted in 2006.

III. Note 3: advisory and reimbursable services income

19. Advisory and reimbursable services income for the biennia 2006–2007 and 2004–2005 is as follows:

	<u>2006–2007</u> <i>(US\$ thousands)</i>	<u>2004–2005</u> <i>(US\$ thousands)</i>
International Fund for Agricultural Development (IFAD)	15,396	14,914
Global Fund to Fight Aids, Tuberculosis and Malaria (GFATM)	2,715	1,661
United Nations Population Fund (UNFPA)	792	1,086
Other	<u>-</u>	<u>914</u>
	<u>18,903</u>	<u>18,575</u>

IV. Note 4: miscellaneous income

20. Miscellaneous income for the biennia 2006–2007 and 2004–2005 is as follows:

	<u>2006–2007</u> <i>(US\$ thousands)</i>	<u>2004–2005</u> <i>(US\$ thousands)</i>
Interest income	1,199	913
Rental income	3,049	3,186
Other miscellaneous income	<u>4,339</u>	<u>523</u>
	<u>8,587</u>	<u>4,622</u>

21. The increase in other miscellaneous income arose mainly from the activities of leasing of office equipment and vehicles to other projects, mainly in Afghanistan.

V. Note 5: prior period adjustments

A. Refund of Oil-for-Food costs and correction of old balances

	<u>2006–2007</u> (US\$ thousands)	<u>2004–2005</u> (US\$ thousands)
Refund of Oil-for-Food costs	-	(14,485)
Adjustments to correct old balances	-	(13)
	<u>-</u>	<u>14,498</u>

22. There were no refunds relating to the Oil-for-Food contracts during the biennium 2006–2007. The matter is now considered closed.

B. Savings on or cancellation of prior period obligations

	<u>2006–2007</u> (US\$ thousands)	<u>2004–2005</u> (US\$ thousands)
Savings on or cancellation of prior period obligations	<u>622</u>	<u>3,158</u>
	<u>622</u>	<u>3,158</u>

23. Savings due to cancellation of prior period obligations against administrative funds accrued in the previous biennium, which were over estimated or no longer required are credited to reserves in the current biennium.

VI. Note 6: cash and term deposits

24. UNDP provides cash management services on behalf of UNOPS. Cash balances mainly represent UNOPS bank accounts maintained by UNDP, and UNOPS bank accounts at project sites.

	<u>2006–2007</u> (US\$ thousands)	<u>2004–2005</u> (US\$ thousands)
Cash	18,131	33,763
Term Deposits	<u>31,987</u>	<u>14,109</u>
	<u>50,118</u>	<u>47,872</u>

VII. Note 7: accounts receivable

	<u>2006–2007</u> (US\$ thousands)	<u>2004–2005</u> (US\$ thousands)
Advisory and reimbursable services receivables	50,186	5,247
Rental receivables	1,685	1,978
Staff advances and other staff receivables	3,187	3,506

Other miscellaneous receivables	<u>16</u>	<u>1,164</u>
	<u>55,074</u>	<u>11,895</u>

25. Rental receivables represent amounts owed by tenants who sub-lease UNOPS office space at the Chrysler building in New York.

VIII. Note 8: interfund accounts

26. Interfund accounts represent amounts due to or from other United Nations agencies. These transactions result mainly from expenditures incurred by UNOPS in the implementation of projects on behalf of other United Nations agencies and amounts owed by UNOPS to other United Nations agencies for services provided.

	<u>2006–2007</u> (US\$ thousands)	<u>2004–2005</u> (US\$ thousands)
UNDP	277,148	142,817
UNFPA	1,524	12,265
Other United Nations agencies	<u>2,250</u>	<u>3,660</u>
	<u>280,922</u>	<u>158,742</u>

27. The interfund balance between UNOPS and UNFPA as of 31 December 2006 has been reconciled and settled in full. The above balance of US\$1,524,000 is related only to 2007 transactions.

IX. Note 9: unliquidated obligations

28. Unliquidated obligations include liabilities relating to the cost of personnel services incurred and contracts and purchase orders entered into as of 31 December 2007.

X. Note 10: accounts payable

	<u>2006–2007</u> (US\$ thousands)	<u>2004–2005</u> (US\$ thousands)
Salaries, wages and other staff entitlements	3,100	412
Other payables	<u>3,613</u>	<u>440</u>
	<u>6,713</u>	<u>852</u>

XI. Note 11: post-retirement and end-of-service benefits

29. End of service payments relate to the cost of accrued annual leave, repatriation grant, repatriation travel and the removal of household goods, in respect of all eligible staff. The accumulated annual leave as of 31 December 2007 of US\$2,409,000 was fully accrued and calculated based on actual leave balances of all staff members funded from administrative budget, as at 31 December 2007.

30. Staff end-of-service benefits consist of repatriation, relocation and travel entitlements at the time of separation from the organization. The respective accrual was made for the first time in the biennium ending 31 December 2007 and covers the liability relating to all active and eligible staff funded from the administrative budget. The cost of repatriation grant is accrued in full to cover the entitlement payable to eligible staff based on their entire period of service in the UN system up to 31 December 2007. The cost of repatriation grant and the travel cost for eligible staff are also provided for in full, taking into account each staff member's dependency status as of 31 December 2007. The termination indemnity payments are calculated based on attrition rate estimates which are informed by organization's experience over the last few biennia.

	<u>2006–2007</u> (US\$ thousands)	<u>2004–2005</u> (US\$ thousands)
Reserve against End-of-service benefits		
After-service health benefits	5,990	11,848
Annual Leave	2,409	2,370
Repatriation grant	2,582	-
Relocation allowance	1,470	-
Travel cost relating to separation	590	-
Staff separation costs (relating to staff under separation process as at 31.12.2007)	367	-
Termination indemnity	226	-
	<u>13,634</u>	<u>14,218</u>

31. Both annual leave and end-of-service-related liabilities are very conservative and precise, fully covering the hypothetical worst-case scenario, such as all eligible staff separating at the same time. No discounts were made on the assumption that some of the current UNOPS staff may at some point move on to other UN agencies.

32. In accordance with the United Nations common system, UNOPS provides employees that have met certain eligibility requirements with health care benefits after they retire. UNOPS financial statements are prepared following UNSAS, which generally require expenditures to be recorded on an accrual basis.

33. With respect to after-service health insurance (ASHI), UNSAS requires that related expenditure either be accrued or, if not, that amounts not accrued be disclosed in the notes to the financial statements. Following the United Nations endorsement of the change in the accounting standards from UNSAS to International Public Sector Accounting Standards (IPSAS), effective 1 January 2010, the accrual of all expenditures including after service health benefits will be mandatory.

34. The United Nations engaged an independent consulting actuary to carry out an actuarial valuation of the after-service health benefits as of 31 December 2007 for participating United Nations agencies. The result of the valuation showed that the value of expected claims for retirees and active staff (both national and international, funded from the administrative budget) on 31 December 2007 was US\$ 5.99 million.

	<i>(US\$ thousands)</i>
After-service health insurance liability on 31 December 2005	11,848
Accrual for 2006 and 2007	(5,858)
	<u>5,990</u>
Total accrual as of 31 December 2007	<u>5,990</u>

35. UNOPS is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined benefit plan. The financial obligation of the organization to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly,

together with its share of any actuarial deficiency payments under Article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the value date.

36. At the time of drafting the present report, the General Assembly has not invoked this provision.

XII. Note 12: operational reserve

37. The formula for calculating operational reserve requirement was approved by the Executive Board in 2003 and stipulated that the operational reserve should be equivalent to four percent of the rolling average of the combined administrative and project expenditures for the last three years of operations. Based on this formula, for the biennium ending 31 December 2007 the required operational reserves should have stood at US\$34.78 million. The actual UNOPS operational reserves for the year ended 31 December 2007 amounted to some US\$25.1 million which is 72.1% of the mandatory reserve balance. This represents a significant improvement in the financial position of UNOPS. For comparison purposes, as at 31 December 2005 the accumulated reserve balance was US\$4.4 million which was only 16% of the mandatory reserve balance. It also bears mention that had UNOPS not proactively made full accruals for accumulated annual leave, various end-of-service liabilities and ASHI and provisions for bad debts relating to prior periods, UNOPS would have already exceeded the mandatory level of reserves by 31 December 2007. As full accruals for all liabilities have been made in the biennium ending 31 December 2007 and given that (before write-offs relating to prior periods) in the 2006-2007 biennium UNOPS generated a surplus of some \$36 million, the objective of fully replenishing the mandatory level of reserves by the end of 2009 is well within reach, given that the current shortfall is about \$9.71 million or 27.9%.

XIII. Note 13: provision and write-off of receivables

38. The changes in the provision and write-offs during the biennia 2006–2007 and 2004–2005 are as follows:

	2006–2007 (US\$ thousands)	2004–2005 (US\$ thousands)
Opening balance on 1 January 2007	9,356	557
Used during the period (net)	390	-557
Increase during the period	16,238	9,356
Closing balance on 31 December 2007	25,984	9,356

39. The total write-offs of receivables and payables amounted to credit of US\$ 390,000. Of the amount written off, US\$1,500,000 was provided for in the previous biennium. During the current biennium the total increase in the provision amounted to US\$16,628,000, of which US\$16,238,000 was provided for in the current biennium.

Description	Amount (thousands of United States dollars)
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<p>Interfund balances relating to the period 1998–2005</p> <p>In early 2006 the unreconciled balance with UNDP stood at US\$69.6 million. In July 2006, when a massive clean-up exercise commenced, the unreconciled difference was approximately US\$59.4 million, of which US\$33.4 million was subsequently accepted to be adjusted by UNDP and US\$15.7 million by UNOPS. The remaining items amounting to US\$10.3 million date back to the 1998-2005 period.</p> <p>UNOPS has exhausted a sizable portion of its resources in order to investigate and resolve this matter expeditiously. Moreover, UNOPS feels that it will not be cost beneficial to commit further resources to investigating this matter. Accordingly, pending resolution of this difference between UNOPS and UNDP, UNOPS management decided to take very conservative approach and fully accrue for the liability. Moreover, since some of the difference dates back to 1998 and 1999, UNOPS management feels that due to the seven year document retention policy, applicable for both UNDP and UNOPS, it will not be possible to retrieve documents relating to periods prior to 2001.</p> <p>On this basis, UNOPS management will continue its discussions with UNDP counterparts, aimed at settling these old outstanding balances. UNOPS is making a provision of US\$5.3 million in addition to the provision of US\$5.0 million made in its 2004–2005 financial statements. Consequently, the entire unreconciled balance of US\$10.3 million is now provided for.</p>	US\$10,300
<p>Afghanistan elections projects</p> <p>Following the 2005 elections in Afghanistan, UNOPS incurred expenditure in excess of available funding. Consultations have taken place with UNDP (trust fund manager) and the donor consortium to obtain additional funds, which will be used to cover the shortfall.</p> <p>Having reduced the outstanding balance following negotiations with UNDP, new received and pledged funds from donors and sale of remaining assets, the best estimate is that the current shortfall amounts to US\$2,529 million. While additional pledges from donors are possible, UNOPS management decided to err on the side of caution and made an additional provision of US\$0.19 million, on top of US\$2.344 million provided for in the 2004–2005 financial statements.</p>	US\$2,529
<p>Support to the Judicial Reform in Guatemala project</p> <p>This UNDP project was financed by the World Bank with UNOPS implementation of infrastructure (works and goods). The Government of Guatemala queried the cost of three elevators for disabled people, whose technical specifications had been cleared by UNOPS. The lifts were delivered to the premises and the provider is claiming payments. UNOPS undertook the responsibility to settle this issue and take appropriate measures to meet the requirements of the Government by, if necessary, making adaptations to the lifts or any other appropriate measures. Estimated costs are US\$60,000.</p>	US\$60
<p>Mozambique Police Project (2000–2004) (MOZ/00/007)</p> <p>This UNDP/UNOPS project showed an over-expenditure of some US\$419,000. The matter is currently under review and until completed UNOPS made a provision for the full amount of the over-expenditure.</p>	US\$419
<p>Guatemala Imprest Account</p> <p>UNOPS received a communication from Price Waterhouse Coopers to the effect that the outstanding amount will be settled by the Central Bank of Guatemala. By the date of drafting the balance sheet, UNOPS had not received the funds.</p>	US\$93

Sudan <p>At the request of UNOPS management, 13 projects were audited that showed over-expenditures in 2004/2005. On the basis of those investigations, which were confirmed by independent review, the latest amount to be provided for is US\$1,302,266.24. The bulk of this over-expenditure belongs to six United Nations Children's Fund (UNICEF) projects for a total of US\$946,050. Negotiations are ongoing with UNICEF with a view to recovering the balance.</p>	US\$1,302
Afghanistan Women's Dormitory Project <p>The over-expenditure for the women's dormitory stands at US\$836,188.41. The majority of the expenditure relates to old staff payments (erroneously charged at the time to this project) for a total amount of US\$814,124.41.</p>	US\$836
Congo Brazzaville roads project <p>UNOPS has been in dispute with UNDP for five years regarding a European Commission-funded project. UNOPS paid a contractor in advance to build 200 km of road but the contractor failed to build the last 3.2 km. UNDP missed the deadline for claiming funds under the funding agreement and by the time it did so, the default had come to light and the European Commission invoked a contractual provision that would allow it to avoid making the last payment. The amount withheld by the European Commission is at least five times greater than the estimated cost of building the remaining 3.2 km. UNOPS offered to finish the road using its administrative budget at a cost of about US\$94,000 but UNDP would like UNOPS to settle the entire amount of some US\$533,000 that the European Commission withheld from them.</p>	US\$533
Afghanistan Emergency Customs Modernization Project (38222) <p>A sum of US\$723,496.25 may have to be returned to the donor (the World Bank), which does not agree to accept some expenditures. A significant portion of this amount pertains to Administrative and Operational Services (AOS) charged on the funds that had been transferred to the United Nations Industrial Development Organization (UNIDO) and the United Nations Conference on Trade and Development, which were not subject to Administrative and Operational Services charge, as per the management service agreement with the clients. The remainder consists of expenditures that were incorrectly charged to the project, including the purchase of galvanized steel (US\$172,067) used for warehouse construction that was charged to this project due to oversight.</p>	US\$723
Afghanistan Secondary Roads Project <p>These charges represent the expenditures that were incorrectly charged to the United States Agency for International Development (USAID) project in prior periods due to a series of oversights. The main errors relate to charging the cost of purchase of galvanized steel (US\$308,075) that was used in the construction of warehouses at the United Nations compound, usage of an aircraft (US\$242,975) by personnel belonging to the project and salaries of security guards erroneously charged to the project (US\$438,777.38).</p>	US\$2,002
Sri Lanka – Employment Generating Community Development Project <p>The project showed an over-expenditure of US\$69,582 due to unplanned increase in the scope of the work required to ensure the sustainability of the road being rehabilitated under the project. When approached, the client indicated that they did not have sufficient funding to cover these additional expenditures.</p>	US\$70
APO – potential over-expenditure relating to project number 51878	US\$2.0
EUO – potential over-expenditure relating to miscellaneous projects	US\$596

AFO – Sierra Leone health service project number 31083 (2001–2005) UNOPS was engaged by the African Development Bank to provide a variety of activities under this project. Based on the latest financial statement, an over-expenditure of US\$152,000 had been incurred. UNOPS is in contact with the African Development Bank regarding this matter.	US\$152
AFO – miscellaneous project over expenditure	US\$42
Imprest accounts This write-off provision represents multi-year total discrepancy between the UNOPS General Ledger account 11020 (Imprest) and local project Imprest bank accounts for the period up to 31 December 2006. While the discrepancy is being investigated further, UNOPS has made a provision for the full amount.	US\$835
2004/2005 rental receivables at the Chrysler building in New York The balance relates to the uncollected rental income arising from the sublease of office space at the Chrysler Building in 2004/2005. Steps have been already taken to collect these past due amounts from the tenants who are mostly other UN agencies. However, UNOPS has taken a conservative approach and reserved for these uncollected amounts.	US\$1,800
UN Agencies: Interfund balances relating to the period 1998–2005 In 2006, a massive clean up exercise was undertaken to clear the balances outstanding through the old IOV modality of settling inter agency transactions. Following the outcome of this exercise, balances with some agencies have been followed up and settled. Considering the age of the remaining balance and the cost of such collection process, a provision has been made.	US\$3,690
Total	US\$25,984

XIV. Note 14: equipment, furniture and vehicles

40. The historical cost of fully expended equipment, furniture and vehicles at the end of the biennium was as follows:

	<u>2006-07</u> (US\$ thousands)	(US\$ thousands)	<u>2004-05</u> (US\$ thousands)
UNOPS headquarters (Copenhagen/New York)			
Opening balance	5,522		
Adjustment to the opening balance	84		
Additions during 2006-2007	857		
Disposals during 2006-2007	<u>-2,653</u>		
Closing balance		3,810	5,522
UNOPS regional offices and operations centers			
Opening balance	6,850		
Adjustment to the opening balance	387		
Additions during 2006-2007	2,606		

Disposals during 2006-2007	<u>-3,334</u>	
Closing balance	<u>6,509</u>	6,850
Total	<u>10,319</u>	<u>12,372</u>

41. Assets capitalized are neither amortized nor depreciated.

XV. Note 15: contingent liabilities

42. Contingent liabilities are potential obligations that may be incurred depending upon the occurrence and outcome of future events. The contingent liabilities as at 31 December 2007 amounted to US\$ 10,193 million which represents management's estimate of the upper limit of the financial exposure inclusive of costs and disbursements in relation to currently-pending litigations and claims.

Litigation and Claims				
<i>S/N</i>	<i>Name of entity</i>	<i>Management's description of matter (including current status and amount claimed as well as attorney's reference if known)</i>	<i>Management's estimate of the financial exposure (inclusive of costs and disbursements)</i>	<i>Attorney's remarks</i>
1	UNOPS - Cukurova Construction Industry & Trade Inc.	Description: claim by Cukurova Construction Industry & Trade Inc. (Turkey) for reimbursement for escalation in the price of base construction materials. Status: notice of intent to commence arbitration served to UNOPS. Amount claimed: US\$ 573,895.72.	Potential financial exposure: US\$ 573,895.72 (subject to the final ruling of the arbitral tribunal) + arbitration-related expenditure to be determined.	Current assessment is that no money is due to the claimant from UNOPS under the contract.
2	UNOPS - Kolin Construction Co. Inc.	Description: claim by Kolin Construction Co. Inc. (Turkey) for reimbursement for escalation in the price of base construction materials. Status: notice of intent to commence arbitration served to UNOPS. Amount claimed: US\$ 767,448.44.	Potential financial exposure: US\$ 767,448.44 (subject to the final ruling of the arbitral tribunal) + arbitration-related expenditure to be determined.	Current assessment is that no money is due to the claimant from UNOPS under the contract.
3	UNOPS - Entes Industrial Plants Construction and Erection Contracting Co.	Description: claim by Entes Industrial Plants Construction and Erection Contracting Co. (Turkey) for reimbursement for escalation in the price of base construction materials. Status: notice of intent to commence arbitration served to UNOPS. Amount	Potential financial exposure: US\$ 1,495,147 (subject to the final ruling of the arbitral tribunal) + arbitration-related expenditure to be determined.	Current assessment is that no money is due to the claimant from UNOPS under the contract.

		claimed: US\$ 1,495,147.		
4	UNOPS - Entes Industrial Plants Construction and Erection Contracting Co.	Description: claim by Entes Industrial Plants Construction and Erection Contracting Co. (Turkey) for disruptive events affecting construction. Status: notice of intent to commence arbitration served to UNOPS. Amount claimed: US\$ 6,256,544.	Potential financial exposure: US\$ 6,256,544 (subject to the final ruling of the arbitral tribunal) + arbitration-related expenditure to be determined.	Current assessment is that no money is due to the claimant from UNOPS under the contract.
5	UNOPS - Mitsu Steel (Pvt) Ltd.	Description: claim by Mitsu Steel (Pvt) Ltd. (Sri Lanka) for wrongful termination of contract. Status: notice of dispute served to appointing authority in accordance with UNCITRAL Arbitration Rules. Amount claimed: US\$ 509,994.43.	Potential financial exposure: US\$ 509,994.43 (subject to the final ruling of the arbitral tribunal) + arbitration-related expenditure to be determined.	Current assessment is that no money is due to the claimant from UNOPS under the contract.
6	UNOPS - Hamid Helmandi Construction Company	Description: claim by Hamid Helmandi Construction Company (Afghanistan) for reimbursement for escalation in the cost of base construction materials. Status: notice of intention to pursue amicable settlement served to UNOPS. Amount claimed: US\$ 264,993.	Potential financial exposure: US\$ 264,993 (subject to the final ruling of an arbitral tribunal) + arbitration-related expenditure to be determined.	Current assessment is that no money is due to the claimant from UNOPS under the contract.
7	UNOPS – ALB Systems	ALB Systems had entered into a contract with an NGO in Albania to supply goods to said NGO. UNOPS had entered into a grant agreement with said NGO under the Small Grants Programme (SGP). UNOPS does not have any agreement with ALB Systems, but the local SGP Coordinator had signed his name on one document between ALB Systems and the NGO.	ALB Systems is claiming from UNOPS the sum of approx US\$55,000 (at present US\$ to EUR exchange rate.) The UNOPS legal officer who analyzed the documents concluded that UNOPS was not liable.	UNOPS, with the concurrence of its client, offered the sum of US\$18,332 to ALB Systems as a settlement. ALB Systems asked UNOPS to increase the figure (but did not make a counteroffer), but UNOPS informed ALB Systems on 19 May 2008 that it was not able to

				do so. Response from ALB Systems is pending.
8	UNOPS vs Rolf Sprauten	<p>Mr. Sprauten is a staff member whose post was abolished. He applied for a particular post but was not selected. However, he filed an appeal with the UN Joint Appeals Board claiming that the selection process for said process was flawed, and “seeking assignment to suitable post and compensation”.</p>	<p>Assuming that the JAB accepts the staff member’s claim in its entirety (notwithstanding UNOPS’ statements to the contrary), and the SG accepts the JAB’s recommendation: up to US\$180,000.</p>	<p>Current assessment is that staff member’s claim is without merit.</p>

9	UNOPS vs Frederick Claus	<p>Mr. Claus served with UNOPS as a staff member in two separate periods (1997-2002, and 2003-2007).</p> <p>Mr. Claus was paid full separation benefits when he was first separated from UNOPS service in 2002. In between those periods, Mr. Claus served as a consultant (rather than as staff member) with the UN.</p> <p>Consequently, only Mr. Claus’ 2003-2007 service was taken into account when he was separated from UNOPS service in April 2007.</p> <p>Mr. Claus filed an appeal with the UN Joint Appeals Board claiming that his separation benefits should have been calculated on the basis of continuous service from 1997 to 2007.</p> <p>Mr. Claus also sought to take home leave shortly before his separation. UNOPS informed Mr. Claus that he was not entitled to home leave</p>	<p>Assuming that the JAB accepts the former staff member’s claim in its entirety (notwithstanding UNOPS’ statements to the contrary), and the SG accepts the JAB’s recommendation: up to US\$90,000</p>	<p>Current assessment is that staff member’s claims are without merit.</p>
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		under UNOPS rules, because he was due to be separated from service shortly thereafter. Mr. Claus also included this claim in his appeal.		
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XVI. Note 16: Chrysler building lease agreement in New York

43. The lease agreement at the Chrysler Building in New York expires on 31 December 2014. On 1 July 2006, UNOPS surrendered one of the two floors it was occupying and hence currently the lease agreement relates to only one floor which is leased at \$1,776 thousands per year until the end of December 2009 and \$1,926 thousands per year for the rest of the lease period.

44. The total outstanding liability relating to this lease agreement as at 31 December 2007 is USD 13,183 thousands. Since the surrender on 1 July 2006 of more than half of the originally-leased office space, the Chrysler Building rental management has been on full cost recovery basis.

XVII. Note 17: contributions in kind

45. Contributions in kind for the biennium 2006–2007 amounted to US\$4,792,000, which includes the estimated market rental value of office and warehouse facilities provided by the Government of United Arab Emirates (US\$2,817,000) and office space provided by the Government of Denmark (US\$1,975,000).