

United Nations  Nations Unies


BOARD OF AUDITORS
NEW YORK
FAX: (212) 963.3684

26 July 2013

Dear Ms. Clark,

Please find the audited financial statements of the United Nations Development Programme – Trust Fund for the Global Environment Facility (UNDP-GEF) for the period ended 31 December 2012, along with the re-issued report of the Board of Auditors dated 26 July 2013 thereon.

Yours sincerely,



Anjana Das
Executive Secretary

Ms. Helen Clark
Administrator
United Nations Development Programme (UNDP)
Room DC1-2118
One United Nations Plaza
New York, NY 10017

cc: Mr. Yannick Glemarec
Mr. Jonathan Ng

United Nations  Nations Unies

BOARD OF AUDITORS

NEW YORK

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**Report of the Board of Auditors on the financial statements financial statements of the
United Nations Development Programme - Trust Fund for the Global Environment
Facility for the year ended 31 December 2012**

Report on the financial statements

We have audited the accompanying financial statements of the United Nations Development Programme Trust Fund for the Global Environment Facility (UNDP-GEF) which comprise the statement of financial position as at 31 December 2012, and the statement of financial performance, the statement of cash flow for the year then ended, and the supporting statements and explanatory notes. These special purpose financial statements were derived from IPSAS compliant financial statements of UNDP which are for the period ended 31 December 2012.

Administrator's responsibility for the Financial Statements

The Administrator is responsible for the preparation and fair presentation of these financial statements in accordance with financial statements in accordance with the with the format agreed to with GEF Trustee as provided for in the Financial Procedures Agreement and for such internal control as is deemed necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material

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

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

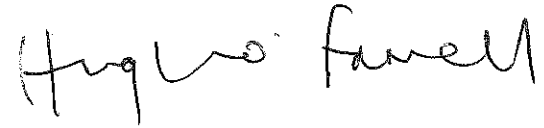
Audit opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the UNDP-GEF as at 31 December 2012 and its financial performance and cash flows for the year then ended, in accordance with the format and contents as agreed in the Financial Procedures Agreement.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the UNDP-GEF that have come to our notice, or which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Rules of the United Nations Development Programme and with the Instrument for the establishment of the Trust Fund.

For and on behalf of the
United Nations Board of Auditors



Hugh O'Farrell
Director of External Audit
United Kingdom of Great Britain and Northern Ireland
(Chairman of the Audit Operations Committee)



Francis A. C. Kitauli
Director of External Audit
United Republic of Tanzania
(Lead auditor)



Zhang Long
Director of External Audit
People's Republic of China

26 July 2013



*Empowered lives.
Resilient nations.*

Re: UNDP GEF Trust Fund 2012

20 June 2013

Dear Mr. Kitauli,

I have the honour to submit to you the special purpose financial statements of the UNDP Global Environment Facility (GEF) Trust Fund for the year ended 31 December 2012. These special purpose financial statements are an extract of the UNDP financial statements. For the first time in 2012, UNDP prepared its financial statements in accordance with International Public Sector Accounting Standards.

I certify that, to the best of my knowledge, the information contained in these special purpose financial statements properly reflects the activities for the UNDP GEF Trust Fund financed from contributions received from The International Bank for Reconstruction and Development, the Trustee of the GEF Trust Fund.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Darshak Shah', is written over a light blue horizontal line.

Darshak Shah
Deputy Assistant Administrator,
Deputy Director and Chief Finance Officer
Bureau of Management
United Nations Development Programme

Mr. Fransis A. C. Kitauli
Director of External Audit (Tanzania)
United Nation Board of Auditors



*Empowered lives.
Resilient nations.*

**UNDP Trust Fund for the
Global Environment Facility (GEF)
Regular Resources**

**Financial Statements
31 December 2012**

www.undp.org

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**UNDP Trust Fund for the Global Environment Facility
STATEMENT I - STATEMENT OF FINANCIAL POSITION**

As at 31 December 2012

(thousands of United States dollars)

	Note	31 December 2012	1 January 2012 (restated)
ASSETS			
Current assets			
Cash and cash equivalents	5	27,518	13,885
Investments	6	56,282	41,575
Receivables – exchange transactions	7	93	117
Advances issued	8	12,065	14,175
Inventories	9	48	22
Total current assets		96,006	69,774
Non-current assets			
Investments	6	75,973	40,356
Property, plant and equipment	10	169	22
Total non-current assets		76,142	40,378
Total assets		172,148	110,152
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	11	4,635	625
Advances payable	12	770	1,586
Other current liabilities	13	61	80
Total current liabilities		5,466	2,291
Total liabilities		5,466	2,291
NET ASSETS/EQUITY			
Accumulated surpluses	14	166,682	107,861
Total net assets/equity		166,682	107,861
Total liabilities and net assets/equity		172,148	110,152

The accompanying notes are an integral part of these financial statements

UNDP Trust Fund for the Global Environment Facility
STATEMENT II - STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 December 2012

(thousands of United States dollars)

	Note	31 December 2012
Revenue		
Voluntary contributions, net	15	291,394
Investment revenue	16	1,930
Other revenue	17	115
Total revenue		293,439
Expenses		
Contractual services	18	118,151
Staff costs	18	10,903
Supplies and consumables used	18	15,692
General operating expenses	18	34,117
Grants and other transfers	18	47,734
Other expenses	18	8,003
Depreciation	18	18
Total expenses		234,618
Surplus for the year		58,821

The accompanying notes are an integral part of these financial statements

UNDP Trust Fund for the Global Environment Facility
STATEMENT III - CASH FLOW STATEMENT
For the year ended 31 December 2012
(thousands of United States dollars)

	Note	31 December 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year		58,821
<i>Adjustments to reconcile surplus to net cash flows:</i>		
Depreciation		18
(Gains)/losses on disposal of property, plant and equipment		1
<i>Changes in assets</i>		
(Increase)/decrease in apportionment to cash and cash equivalents and investments		(50,324)
(Increase)/decrease in receivables - exchange transactions		24
(Increase)/decrease in advances issued		2,110
(Increase)/decrease in inventories		(26)
<i>Changes in liabilities</i>		
Increase/(decrease) in accounts payable and accrued liabilities		4,010
Increase/(decrease) in advances payable		(816)
Increase/(decrease) in other liabilities		(19)
Net cash flows from operating activities		13,799
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment		(169)
Disposals of property, plant and equipment		3
Net cash flows (used in) investing activities		(166)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash flows from/(used in) financing activities		-
Net increase in cash and cash equivalents		13,633
Cash and cash equivalents - beginning of the year		13,885
Cash and cash equivalents - end of the year	5	27,518

The accompanying notes are an integral part of these financial statements

UNDP Trust Fund for the Global Environment Facility
NOTES TO FINANCIAL STATEMENTS
2012

1. Mandate and goals

The UNDP Trust Fund for the Global Environment Facility (UNDP-GEF Trust Fund) was established for the receipt and administration of funds to finance UNDP pre-investment studies, technical assistance and training for global environment policies, programmes and projects. The agreement between UNDP and the World Bank, as trustee for The Global Environment Facility (GEF), was signed on 29 April 1991 and further revised on 19 November 2010 to reflect certain revisions in the procedures and policies for the administration, commitment, and transfer of GEF funds.

In accordance with the *Instrument for the Establishment of the Restructured Global Environment Facility* (GEF Instrument), GEF operates on the basis of collaboration and partnership among the three GEF implementing agencies (and an additional seven GEF executing agencies), as a mechanism for international cooperation for the purpose of providing new and additional grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits in the following focal areas:

- (a) Biological diversity;
- (b) Climate change;
- (c) International waters;
- (d) Land degradation;
- (e) Ozone layer depletion; and
- (f) Persistent organic pollutants.

The GEF serves as a financing mechanism for the Convention on Biological Diversity (CBD), the United Nations Framework Convention on Climate Change (UNFCCC), the Stockholm Convention on Persistent Organic Pollutants, and the United Nations Convention to Combat Desertification (UNCCD). The GEF has also provided resources for economies in transition under the Montreal Protocol dealing with ozone depleting substances.

GEF ensures the cost-effectiveness of its activities in addressing the targeted global environmental issues, funds programs and projects that are country-driven and based on national priorities designed to support sustainable development and maintains sufficient flexibility to respond to changing circumstances in order to achieve its purposes.

In its role as a GEF implementing agency, UNDP plays a primary role in ensuring the development and management of capacity building programs and technical assistance projects. Through its global network of Country Offices, UNDP will draw upon its experience in human resources development, institutional strengthening and non-governmental and community participation to assist countries in promoting, designing and implementing activities consistent with the purpose of GEF and national sustainable development strategies. Also drawing on its inter-country programming experience, UNDP will contribute to the development of regional and global projects within the GEF work program in co-operation with other GEF partners.

2. Basis of measurement

The UNDP-GEF Trust Fund is not a separate entity and is a Trust Fund of UNDP. The UNDP-GEF Trust Fund's financial statements are an extract of UNDP's financial statements. The UNDP-GEF Trust Fund's financial statements are special purpose financial statements and have been prepared in accordance with the format and agreement with the GEF Trustee as provided for in the Financial Procedures Agreement between UNDP and the GEF Trustee.

These financial statements apply the historical cost principle except where stated in Note 3. The financial year is from January to December.

UNDP's functional and presentation currency is the United States dollar (USD). These financial statements are expressed in thousands of USD unless otherwise stated.

3. Significant Accounting Policies

(a) Reporting period

The financial period is annual. The financial statements are prepared only for Regular Resources and reflect the application of the following significant accounting policies:

(b) Cash and cash equivalents

Cash and cash equivalents include cash, short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, net of impairment for restricted-use currencies. Financial instruments classified as cash equivalents include investments with a maturity of 3 months or less from the date of acquisition.

Except for petty cash, the cash and cash equivalents balance on the UNDP-GEF Trust Fund *Statement of Financial Position* reflects an apportionment of the UNDP GEF Regular Resources comingled investment portfolio.

(c) Investments

Investments on behalf of GEF, including bonds and notes, were transferred to UNDP comingled funds during 2010. Due to this change, undertaken to improve the potential revenue on GEF investments. The current and non-current investments on the UNDP-GEF Trust Fund *Statement of Financial Position* reflect an apportionment of the UNDP GEF Regular Resources comingled investment portfolio. Unexpended resource balances attributable to GEF are invested with interest revenue apportioned annually.

Investments are carried at cost.

(d) Advances issued

In fulfilling its mandate, UNDP transfers cash to executing entities/implementing partners as a cash advance. Advances issued are recognised as assets and converted to expense when the goods are delivered or the services are rendered by the executing entities/implementing partners and confirmed by receipt by UNDP of certified expense reports as applicable i.e. financial reports (FRs), Funding Authorisation and Certification of Expense (FACE) forms or project delivery reports (PDRs). Once these certified expense reports are received, UNDP recognises expenses in its *Statement of Financial Performance*. Data may be obtained from the entities' audited statements or, when such statements are not available at the reporting period, either from the entities' statements as submitted for audit or from the entities' unaudited statements.

Prepayments are issued where agreements with UNDP and the executing entity/implementing partner/supplier require upfront payment. Prepayments are recorded as a current asset until goods/services associated with the prepayment are delivered, at which point the expense is recognised and the prepaid advance is reduced by a corresponding amount.

(e) Inventories

Inventories held for distribution at no charge or for a nominal charge are stated at the lower of cost or current replacement cost. Inventories held for sale are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost is determined using the first-in, first-out (FIFO) inventory valuation method. The cost of inventories includes costs incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. For inventories acquired through a non-exchange transaction (e.g. donations in-kind), the fair value as at the date of acquisition is deemed to be its cost.

(f) Property, plant and equipment

All property, plant and equipment (PPE) is stated at historical cost less accumulated depreciation and accumulated impairment losses. This includes costs that are directly attributable to the acquisition of the asset and the initial estimate of dismantling and site restoration costs. Where an asset is acquired for nil or nominal consideration, the fair value as at the date of acquisition is deemed to be its cost. The threshold for recognition of PPE as an asset is USD 500 or more per unit, and for leasehold improvements is USD 50 thousand.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to UNDP and the cost of the item can be measured reliably. Repairs and maintenance are charged to surplus or deficit in the year in which they are incurred.

Project assets that are not controlled by UNDP are expensed as incurred. UNDP is deemed to control an asset if it can use or otherwise benefit from the asset in pursuit of its objectives and if UNDP can exclude or regulate the access of third parties to this asset. This can exceptionally be the case when UNDP is implementing the project directly.

Depreciation on property, plant and equipment is calculated using the straight-line basis over the estimated useful lives, except for land, which is not subject to depreciation. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Assets under construction are not depreciated as these assets are not yet available for use.

The estimated useful lives are as follows:

<i>Class</i>	<i>Estimated useful life (in years)</i>
Buildings	40
Vehicles	5-12
Communication and IT equipment	4-20
Furniture and fixtures	8-15
Heavy machinery and other equipment	10-20
Leasehold improvements	Shorter of lease term or life of applicable asset

A gain or loss from disposal of property, plant and equipment arises where proceeds from disposal differ to its carrying amount. These gains or losses are recognised in surplus or deficit.

(g) Revenue

Voluntary Contributions are non-exchange transactions which are recognised as revenue when contribution agreements become enforceable. Enforceability occurs upon signature and receipt of deposit. For GEF, revenue is recognised following the submission of each Cash Transfer Request and receipt of the associated funds.

Interest revenue is recognised on a time proportion basis using the effective interest rate method on the respective financial asset

(h) Expenses

Expenses are recognised when goods are delivered or the services are rendered or as specified in this Note 3.

For National Implementation or NGO Implementation, expenses are recognised when funds are disbursed by the executing entities/implementing partner and reported to UNDP.

Advances transferred to executing agencies are recognised as expenses when the goods are delivered or the services are rendered by the executing agencies and confirmed by receipt by UNDP of certified expense reports as applicable i.e. financial reports (FRs), Funding Authorisation and Certification of Expenditures (FACE) forms or project delivery reports (PDRs). Once these expense reports are received, UNDP recognises expenses in the UNDP-GEF Trust Fund *Statement of Financial Performance*.

4. Opening balances

The following table shows the adjustments made from UNDP-GEF Trust Fund audited UNSAS *Statement of Financial Position* as of December 2011 to the UNDP-GEF Trust Fund's IPSAS opening *Statement of Financial Position* as of 1 January 2012:

<i>(thousands of United States dollars)</i>	UNSAS closing balances (restated)	Effect of transition to IPSAS	IPSAS opening balances
ASSETS			
Current Assets			
Cash and cash equivalents	13,885	-	13,885
Investments	41,575	-	41,575
Receivables – exchange transactions	120	(3)	117
Advances issued	14,152	23	14,175
Inventories	-	22	22
Total current assets	69,732	42	69,774
Non-current Assets			
Investments	40,356	-	40,356
Property, plant and equipment	-	22	22
Total non-current assets	40,356	22	40,378
Total assets	110,088	64	110,152
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	13,618	(12,993)	625
Advances payable	1,586	-	1,586
Other current liabilities	80	-	80
Total current liabilities	15,284	(12,993)	2,291
Total liabilities	15,284	(12,993)	2,291
NET ASSETS/EQUITY			
Accumulated surpluses	94,804	13,057	107,861
Total net assets/equity	94,804	13,057	107,861
Total liabilities and net assets/equity	110,088	64	110,152

5. Cash and cash equivalents

<i>(thousands of United States dollars)</i>	31 December 2012
Petty cash and project cash	3
Apportioned cash and cash equivalents	27,515
Total cash and cash equivalents	27,518

Except for petty cash, the cash and cash equivalents balance on the UNDP-GEF Trust Fund *Statement of Financial Position* reflects an apportionment of the UNDP GEF Regular Resources comingled investment portfolio.

6. Investments

<i>(thousands of United States dollars)</i>	31 December 2012
Current investments	
Apportioned investments, current	56,282
Total current investments	56,282
Non-current investments	
Apportioned investments, non-current	75,973
Total non-current investments	75,973

7. Receivables - exchange transactions

<i>(thousands of United States dollars)</i>	31 December 2012
Non-staff receivables	93
Total receivables - exchange transactions	93

8. Advances issued

<i>(thousands of United States dollars)</i>	31 December 2012
Operating funds provided to governments and NGOs	7,784
Operating funds provided to executing entities/implementing partners	4,273
Advances issued - non-exchange transactions	12,057
Prepaid advances	8
Advances issued - exchange transactions	8
Total advances issued	12,065

9. Inventories

<i>(thousands of United States dollars)</i>	31 December 2012
Information Technology supplies and consumables	11
Office supplies	22
Publications	4
Other project related inventories	11
Total inventories	48

10. Property, plant and equipment

<i>(thousands of United States dollars)</i>	Communications and IT equipment	Vehicles	Heavy machinery and other equipment	Total
Balance at 1 January 2012				
Cost	24	-	-	24
Accumulated depreciation	(2)	-	-	(2)
Carrying amount at 1 January 2012	22	-	-	22
Year ended 31 December 2012				
Additions	87	88	7	182
Disposals	(4)	-	-	(4)
Adjustments	(13)	-	-	(13)
Depreciation	(13)	(5)	-	(18)
Carrying amount at 31 December 2012	79	83	7	169
Balance at 31 December 2012				
Cost	94	88	7	189
Accumulated depreciation	(15)	(5)	-	(20)
Carrying amount at 31 December 2012	79	83	7	169

11. Accounts payable and accrued liabilities

<i>(thousands of United States dollars)</i>	31 December 2012
Payables to third parties	720
Accruals	3,915
Total accounts payable and accrued liabilities	4,635

12. Advances payable

<i>(thousands of United States dollars)</i>	31 December 2012
Operating funds payable to executing entities/implementing partners	770
Total advances payable	770

13. Other current liabilities

<i>(thousands of United States dollars)</i>	31 December 2012
Unapplied deposits	36
Other payables	25
Total other current liabilities	61

14. Accumulated surpluses

<i>(thousands of United States dollars)</i>	1 January 2012	Movements	31 December 2012
Accumulated surpluses	107,861	58,821	166,682
Total accumulated surpluses	107,861	58,821	166,682

15. Voluntary contributions

<i>(thousands of United States dollars)</i>	31 December 2012
Contributions	293,522
Less: returns to donors of unused contributions	(2,128)
Total voluntary contributions, net	291,394

16. Investment revenue

<i>(thousands of United States dollars)</i>	31 December 2012
Interest revenue	1,930
Total investment revenue	1,930

Interest revenue of USD 1,930 thousand is a non-cash item and reflected as such in *the Cash Flow Statement*.

17. Other revenue

Other revenue of USD 115 thousand results primarily from extinguishing of liabilities resulting from extensive review of aged balances.

18. Expenses

All expenses below are programme expenses.

18.1 Contractual services

<i>(thousands of United States dollars)</i>	31 December 2012
Contractual services with individuals	67,791
Contractual services with companies	50,282
United Nations Volunteers (UNV) expenses for contractual services	78
Total contractual services	118,151

18.2 Staff costs

<i>(thousands of United States dollars)</i>	31 December 2012
Salary and wages	7,657
Pension benefits	1,392
Post-employment and termination	656
Appointment and assignment	158
Leave benefits	459
Other staff benefits	581
Total staff costs	10,903

18.3 Supplies and consumables used

<i>(in thousands of United States dollars)</i>	31 December 2012
Maintenance costs for property, plant and equipment and project related supplies	10,585
Medical, pharmaceutical and agricultural supplies	1,201
Information Technology supplies and software maintenance	683
Information Technology and communication equipment	2,081
Security and office supplies	967
Other consumables used	175
Total supplies and consumables used	15,692

18.4 General operating expenses

<i>(in thousands of United States dollars)</i>	31 December 2012
Travel	14,621
Learning and recruitment	7,822
Rent, leases, utilities	3,088
Communications	5,489
Professional services	2,081
Reimbursement	378
Insurance/warranties	475
Miscellaneous operating expenses	163
Total general operating expenses	34,117

18.5 Grants and other transfers

<i>(in thousands of United States dollars)</i>	31 December 2012
Grants	47,730
Transfers	4
Total grants and transfers	47,734

18.6 Other expenses

<i>(in thousands of United States dollars)</i>	31 December 2012
Sundries	7,671
Foreign exchange losses	331
Losses on sale of fixed assets	1
Total other expenses	8,003

18.7 Depreciation

<i>(in thousands of United States dollars)</i>	31 December 2012
Depreciation	18
Total depreciation	18

Total expenses	234,618
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19. Expenses by Implementing Partner

Implementing partner is the entity that has management responsibility and accountability for project implementation and results. The implementing partner may contract with a responsible party to implement and practically deliver outputs.

<i>(thousands of United States dollars)</i>	31 December 2012
Governments	136,855
UN specialised agencies	88,145
Non-Governmental Organisations	3,874
United Nations Development Programme (UNDP)	5,744
Total expenses by implementing partner	234,618