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Item 15(b) of the provisional agenda
Administrative, financial and institutional matters
Audit report and financial statements for 2014

Financial report and audited financial statements for the year 2014 and report of the United Nations Board of Auditors

Note by the Executive Secretary

1. The financial procedures for the Conference of the Parties, its subsidiary bodies and the secretariat require that a final audited statement of accounts for the full financial period be provided to the Conference of the Parties as soon as possible after the accounts for the financial period are closed. They also stipulate that the accounts and financial management of all funds governed by these financial procedures shall be subject to the internal and external audit process of the United Nations.[1]

2. The United Nations Board of Auditors has audited the financial statements for the year 2014. The full text of the Board's report is included in the annex and reproduced as received, without formal editing and with the original pagination. The secretariat's response to the audit recommendations has been issued as addendum 1 to this document.

3. The Subsidiary Body for Implementation is invited to take note of the information contained in the audited financial statements and the report of the Board. It may also wish to propose appropriate actions, which may be included in draft decisions on administrative and financial matters for adoption by the Conference of the Parties at its twenty-first session and the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its eleventh session.

[1] Decision 15/CP.1, annex I, paragraphs 18 and 19.

GE.15-17909(E)

Annex

United Nations

Report of the United Nations Board of Auditors

on the financial statements of the

United Nations Framework Convention on Climate Change

for the year ended 31 December 2014

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Chapter I

Report of the United Nations Board of Auditors on the financial statements: Audit opinion

Report on the financial statements

We have audited the accompanying financial statements of the United Nations Framework Convention on Climate Change (UNFCCC) as at 31 December 2014 which comprise the statement of financial position (Statement I), the statement of financial performance (Statement II), the statement of changes in net assets (Statement III), the cash flow statement (Statement IV), the statements of comparison of budgets to actual amounts (Statements V) for the year then ended and the notes to the financial statements.

Management's responsibility for the financial statements

The Executive Secretary of the UNFCCC is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and for such internal control as management deems necessary to permit the preparation of financial statements that are free from material misstatement, whether due to fraud and error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. 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 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 controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations Framework Convention on Climate Change as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Report on other Legal and Regulatory Requirements

Further to our opinion, the transactions of the United Nations Framework Convention on Climate Change that have come to our notice or that 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 and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of the United Nations Framework Convention on Climate Change.

Mussa Juma **Assad**
Controller and Auditor-General of the
United Republic of Tanzania
(Chair of the United Nations Board of Auditors)

Shashi Kant **Sharma**
Comptroller and Auditor-General
of India (Lead Auditor)

Sir Amyas C. E. **Morse**
Comptroller and Auditor-General
United Kingdom of Great Britain and Northern Ireland

30 June 2015

Chapter II

Long form Report of the Board of Auditors

Summary

The Board of Auditors (the Board) has audited the financial statements and reviewed the operations of the United Nations Framework Convention on Climate Change (UNFCCC) for the year ended 31 December 2014. The audit was carried out at UNFCCC's headquarters in Bonn, Germany.

Audit opinion

The Board issued an unqualified opinion on the financial statements for the period under review.

Overall conclusion

While UNFCCC had accumulated surplus and reserves of $152.96 million, there was deterioration in the financial ratios of assets to liabilities, current ratio and cash ratio that was attributable to the deficit of $37.52 million for the year ended 31 December 2014. The Board highlights the need for funding the significant liabilities under post-employment benefits in order to ensure long term financial stability of UNFCCC.

UNFCCC continued its efforts to maintain sound internal control, enhance accountabilities and promote good governance structures as well as address the concerns raised by the Board in its previous reports. However, the Board identified some deficiencies in the areas of procurement practices and travel management that merited attention.

Key findings

Strengthening process of financial reporting

There were significant errors related to cash and cash equivalents, accruals in respect of goods and services, computation of depreciation, grants received from the European Commission, liabilities relating to the Clean Development Mechanism/Joint Inspection Withdrawals and expense items in the financial statements necessitating their rectification. These point to the need to strengthen the internal processes of compilation of the financial statements to ensure their accuracy.

Procurement practices

UNFCCC waived the requirement of formal method of solicitation for a purchase order for development of a data warehouse platform citing Rule 105.16 of the United Nations Financial Rules and Regulations (UNFRRs) that permits such waiver when a proposed procurement contract is awarded to a

vendor that had been hired by an other UN organization or agency. However, the contract of the other United Nations agency with the same vendor was substantially different in scope and skill sets required of the vendors and hence the waiver did not fall within the ambit of the exceptions permitted under the UNFRRs.

Travel Management

There was widespread non-adherence to the policy for advance purchase of tickets for travel raising the risk of avoidable expenditure. The Board also observed instances of outstanding travel claims pending for long periods due to non-compliance with instructions on prompt submissions of travel claims on conclusion of official travel.

Recommendations

We recommend that UNFCCC:

(a) Strengthen its internal processes of compilation of financial statements to eliminate the possibility of errors and to enhance their accuracy;

(b) Ensure greater adherence to the policy for advance purchase of tickets to reduce travel costs; and

(c) Ensure timely recovery of outstanding travel claims as prescribed in the UN Staff Rules and its own travel policy.

Key Facts

UNFCCC is an international environmental convention aimed at stabilizing greenhouse emissions into the atmosphere.

195:	**Countries party to the Convention**
$80.95 million:	**Revenues**
$118.47 million:	**Expenses**
$37.52 million:	**Deficit for the year**
$152.96 million:	**Accumulated Surpluses and Reserves as at 31 December 2014**

A. Mandate, scope and methodology

1. The United Nations Framework Convention on Climate Change (UNFCCC) is the parent treaty of the 1997 Kyoto Protocol which aims at stabilizing greenhouse gas concentrations in the atmosphere at a level that will prevent dangerous human interference with the climate system. It has currently 195 member countries. The work of UNFCCC is facilitated by its Secretariat located in Bonn, Germany. The Secretariat is institutionally linked to the United Nations without being integrated in any programme and is administered under the United Nations Regulations and Rules.

2. The Board of Auditors (the Board) has audited the financial statements of the UNFCCC and reviewed its operations for the year ended 31 December 2014 in accordance with General Assembly (GA) resolution 74(I) of 1946. The audit was conducted in conformity with Article VII of the Financial Regulations and Rules of the United Nations (UNFRR) and the annex thereto and in accordance with the International Standards on Auditing. These standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNFCCC as at 31 December 2014 and the results of its operations, changes in net assets and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards. This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the bodies and whether revenue and expenses had been properly classified and recorded in accordance with the United Nations Regulations and Rules and financial procedures approved by the Conference of Parties (COP) in Decision 15/CP.1. The audit included a general review of the financial systems and

internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

4. In addition to audit of accounts and financial transactions, the Board carried out reviews of the UNFCCC operations under UN financial regulation 7.5. This allows the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, internal financial controls and, in general, the administration and management of UNFCCC operations. The Board also followed up on its previous recommendations and these matters are addressed in the relevant sections of this report.

5. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the COP. The Board's observations and conclusions were discussed with UNFCCC management, whose views have been appropriately reflected in the report.

B. Findings and recommendations

1. Follow-up of previous recommendations

6. Of the six recommendations made for the biennium 2012-2013, five recommendations were implemented (83 per cent) and one recommendation (17 per cent) was under implementation. The recommendation under implementation was related to expediting the settlement of the outstanding balance of the accounts in respect of COP 16 and COP 17. The implementation rate shows an improvement compared to the previous year when 56 percent were fully implemented and 33 percent were under implementation. Details of the implementation status are presented in the Annex.

2. Financial overview and management

7. The total revenue of UNFCCC for the year ended 31 December 2014 was $80.95 million while total expenses amounted to $118.47 million resulting in a deficit of $37.52 million. The assets totaled $272.17 million while the total liabilities were $119.21 million as on 31 December 2014 leaving an accumulated surplus and reserves balance of $152.96 million. Accumulated surplus has declined from $161.73 million at 1 January 2014 to $104.24 million at 31 December 2014 whereas reserves declined from $54.13 million to $48.72 million during this period. The important financial ratios are presented in the table below.

Table II.1: Ratio analysis

Ratio	31 December 2014	1 January 2014
Total assets: total liabilities[a] Assets: liabilities	2.28	3.68
Current ratio[b] Current assets: current liabilities	8.59	11.39
Quick ratio[c] (Cash + short term investments + accounts receivable) : current liabilities	8.13	10.74
Cash ratio[d] (Cash + short term investments) : current liabilities	7.77	10.30

Source: UNFCCC's financial statements 2014

Note:

[a]A high ratio is a good indicator of solvency.
[b]A high ratio indicates an entity's ability to pay off its current liabilities.
[c]The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.
[d]The cash ratio is an indicator of an entity's liquidity by measuring the amount of cash, cash equivalents or invested funds there are in current assets to cover current liabilities.

8. There was a decrease in all the above financial ratios as at 31 December 2014. The deterioration in the ratios is attributable to the deficit which in turn is attributable to the decline in activities under the sustainable development mechanisms as well as an increase in the employee benefits liabilities during 2014 as stated in the financial report prepared by UNFCCC.

9. Of the total assets, $61.73 million consisted of cash or cash equivalents deposited in the United Nations Office at Geneva (UNOG) cash pool which was in turn invested by the UN treasury in New York. Of the $61.73 million of cash assets, $0.23 million were held as funds-in-trust on behalf of the Green Climate Fund.

10. The post- employment long term benefits granted to an employee of UNFCCC include After Service Health Insurance (ASHI), repatriation grant, annual leave and death benefit apart from pension benefits paid through the United Nations Joint Staff Pension Fund (UNJSPF). While UNJSPF is a funded, multi-employer defined benefit plan, the remaining long term employee benefits are financed through 'Pay as You Go' system. Employee benefit liabilities in respect of the following post-employment benefits calculated on the basis of an actuarial valuation carried out in December 2014 are as under:

Table II.2: Employee benefit liabilities

(Figures in million US Dollars)

Particulars	Current	Non-Current	Total
After Service Health Insurance	0.15	78.57	78.72
Repatriation grant	0.83	10.64	11.47
Annual Leave	0.43	6.02	6.45
Death benefit	0.01	0.18	0.19
Grand Total			**96.83**

Source: UNFCCC

11. These liabilities were unfunded and there were no plan assets earmarked for these liabilities. Absence of earmarked assets to fund these liabilities raises a risk as to the financial ability of UNFCCC to liquidate these pay-as-you-go liabilities as and when they arise in future.

12. UNFCCC stated that a working group is already exploring possibilities for funding these long term liabilities and that the suggestions of the group regarding funding alternatives will be presented to the member countries.

3. Strengthening process of financial reporting

13. The financial statements for the year ended 31 December 2014 received by the Board had to be revised consequent upon certain misstatements detected during the course of the audit. The significant revisions related to cash and cash equivalents, accruals in respect of goods and services, computation of depreciation, grants received from the European Commission, liabilities relating to the Clean Development Mechanism/Joint Inspection Withdrawals and expense items. The net financial implication of the revision is as given below:

Table II.3: Financial implication of revisions

Sl No.	Particulars	Amount (million US Dollars)
1	Total Assets decreased by *	1.36
2	Total Liabilities increased by #	1.28
3	Net Assets decreased by **	2.64
4	Total revenue decreased by ##	2.19
5	Total expenses increased by	0.45
6	Deficit for the year increased by	2.64

Source: Audit computation

* Current Assets decrease $1.35 million plus Non-Current Assets decrease $11 thousand

Current liabilities increase $1.28 million

** Accumulated surplus decrease $2.64 million

Voluntary Contributions decrease by $2.19 million

14. The occurrence of such errors pointed to the need to strengthen the process of compilation and preparation of financial statements in accordance with IPSAS.

15. The Board recommends that UNFCCC strengthens its internal mechanisms to eliminate the possibility of such errors in its future financial statements and ensure their accuracy.

4. Waiver of formal methods of solicitation in procurement

16. The UNFCCC procurement policy and procedures aims at securing cost-efficient, high-quality and environmentally sustainable goods and services required to effectively carry out the activities mandated under the Convention and its Protocol apart from ensuring that all such goods and services are of best value, obtained at competitive prices and in a fair and transparent manner. The UNFCCC policy is based on the United Nations Regulations, Rules and Practices, as well as standard procurement guidelines contained in the United Nations Procurement Manual. Rule 105.14 of the UN Financial Regulations and Rules (UNFRRs) stipulates that procurement contracts shall be awarded on the basis of effective competition that included formal methods of solicitation. Rule 105.16(iii) of the UNFRRs empowers the Under-Secretary-General for Management to dispense with formal methods of solicitation when the proposed procurement contract is the result of cooperation with other organizations of the United Nations system. This is pursuant to Rule 105.17 which authorizes entering into a contract relying on a procurement decision of another United Nations organization.

17. UNFCCC placed a purchase order on a firm on 19 November 2014 for an amount of Euro 238,999 ($297,633) for a data warehouse platform project. The purchase order was issued on acceptance of the statement of work submitted by the vendor to implement the data warehouse platform in three phases at a total cost of Euro 988,500 ($1.23 million). The purchase order for Phase I of the contract valued at Euro 45,815 ($52,309) had earlier been issued on 24 July 2014.

18. Both the above mentioned purchase orders were issued after waiving the necessity of formal methods of solicitation under Rule 105.16 of UNFRRs citing a contract of July 2012 entered into by the World Intellectual Property Organization (WIPO) with the same vendor. The justification for the waiver was stated to be the urgent need to ensure that the data management and reporting capacity of the existing data warehouse of UNFCCC was modified to report on the greenhouse gas emissions in tune with the 2006 Guidelines developed by the Inter-Governmental Panel on Climate Change (IPCC) and approved by the Contributing Parties to the Convention in Decision 24/CP in place of the existing 1996 Guidelines with effect from April 2015.

19. The Board noted that the scope of the two contracts was fundamentally different and hence the waiver did not fall within the ambit of the exceptions provided for in Rule 105.16(iii) read with Rule 105.17 of the UNFRRRs. While the contract of WIPO with the vendor was to make available human resources that would provide standard support services for its Administration Information Management System (AIMS), the contract of UNFCCC related to development of back end data management capability of data warehouse. The skill sets required of the vendor was different under both the contracts and therefore not comparable.

20. UNFCCC informed the Board that while there were differences in scope between the two contracts, such differences were not fundamental and that both the contracts had common first and second level functional and technical support and expert-level consulting requirements, knowledge transfer to the client, service delivery, project management, systems development, documentation and user training. They added that while some of the individuals deployed may have different areas of expertise in terms of specific software, both the IT applications being software platforms for database and workflow management were analogous. However, UNFCCC agreed that waiver provision under Rule 105.16 (a)(iii) will be interpreted more conservatively in future.

21. The Board observed that there were fundamental differences in scope and functions between the two contracts and invoking of the UNFRRs for waiver from formal methods of solicitation was not appropriate. Adhering to the formal methods of solicitation as envisaged in the UNFRRs would have provided the necessary assurance as to the cost effectiveness of the procurement action.

22. **The Board recommends that UNFCCC ensure adherence to the formal method of solicitation for procurement actions and they resort to waiver only when the proposed procurement falls clearly within the ambit of the exceptions provided for in the UNFRRs.**

5. Travel management

Adherence to advance purchase policy

23. Travel expenses constituted over ten percent of the total expenses of UNFCCC for the year ending 31 December 2014. Paragraph 32 of UNFCCC travel policy and procedures states that the heads of programmes shall ensure that all certified requests to purchase a ticket for individuals travelling on official business are finalized at least 16 calendar days in advance of commencement of any official travel. Any request for purchase of a ticket that is made after the 16-day mark must be accompanied by a written justification by the head of the programme. The explanatory notes state that fares go up exponentially as the departure date approaches with the steepest increase starting

approximately 14 days prior to departure. Advance purchase of tickets is therefore one of the most effective ways to optimize expenses on travel.

24. The Board examined 527 travel reports and found that 476 tickets (90 per cent) were booked less than 16 days in advance. No justifications for not adhering to the 16 day rule were found in 25 percent of the sampled cases.

25. UNFCCC informed the Board that it would strive to increase cost efficiency by ensuring that the maximum number of tickets for travel by air are purchased at least 16 days in advance of the planned journey.

26. The Board noted that improved adherence to the policy for advance purchase of tickets has the clear potential of effecting savings on travel expenditure. The extent of non-adherence to the policy points to the need to ascertain the reasons for such widespread non-adherence to the policy and for effective measures to ensure that the policy is followed as a matter of course and exceptions were rare and fully justified.

27. The Board recommends that UNFCCC ascertain the reasons for non-adherence to the advance purchase policy and take effective measures to improve adherence.

Delay in settlement of travel advances

28. The Administrative Guidelines of UNFCCC on Travel Policy 2014 does not prescribe any deadline for submission of travel claims. However, para 3 of the guidelines states that insofar as not specifically provided under the provisions of this guideline, chapter VII of Secretary-General's bulletin ST/SGB/2013/3 and Amend.1 (Staff Rules and Regulations), administrative instructions ST/AI/2013/3 (Official Travel) and ST/AI/2014/2 (System of daily subsistence allowance), as well as other pertinent UN regulations and rules and UNFCCC policies and guidelines shall apply. As per section 13.1 of Staff Rules and Regulations of UN, staff members shall, within two calendar weeks after completion of travel other than under the lump-sum option, submit a completed travel reimbursement claim to their executive or administrative office in the prescribed form. Further, recovery of travel advances through payroll deduction shall be initiated if a staff member fails to submit a duly completed form, together with the supporting documentation, within two calendar weeks after completion of travel.

29. An examination of 310 cases of outstanding travel advances as on 31 December 2014 with a value of $687,832.41 revealed that 33 cases with a value of $33,228 were overdue for settlement due to absence of submission of travel claim by the concerned individual. The delays in submission of travel claim and settlement of travel advances as on 31 December 2014 was up to six months in 18 cases,

between six months to two years in five cases and between two years to six years in 10 cases. Recovery of overdue travel advances through payroll deduction was not made as provided for in the Staff Rules cited above.

30. UNFCCC, while agreeing with the observation relating to compliance with the provisions regarding recovery of travel advances, stated that the travel advances outstanding for long periods of time related to non-staff travelers where recovery is only possible with the person actually refunding the excess amount paid and that they were being reminded regularly about the refund. As regards advances to staff, UNFCCC stated that reminders are sent upon expiry of the prescribed deadline.

31. While the non-recovery was in only about eleven per cent of the 310 cases checked in audit, the Board is concerned that the provision enabling deduction from payroll in the event of non-submission of travel claim was not implemented and this merited attention given the extent of expenditure on travel. Prolonged delay in settling claims or recovering travel advances carries the risk of non-recovery of excess advances where the person moves on from the organization or where it is relates to non-staff members.

32. The Board recommends that UNFCCC develop a monitoring and recovery mechanism to ensure recovery of outstanding travel claims.

C. Disclosures by management

33. In accordance with International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularity (including those resulting from fraud). Our audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

34. During the audit, the Board makes enquiries of management regarding their oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that management has identified or brought to their attention. We also inquire whether management has any knowledge of any actual, suspected or alleged fraud, and this includes enquiries of the Office of Internal Oversight. The additional terms of reference governing external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in its report.

35. Management reported to the Board that there were no write-off of cash and receivables and losses of property; cases of fraud or presumptive fraud; and ex gratia payments during the year ended 31 December 2014.

D. Acknowledgement

36. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Secretary and staff of UNFCCC.

Mussa Juma **Assad**
Controller and Auditor-General of the
United Republic of Tanzania
(Chair of the United Nations Board of Auditors)

Shashi Kant **Sharma**
Comptroller and Auditor-General of India
(Lead Auditor)

Sir Amyas C. E. **Morse**
Comptroller and Auditor-General,
The United Kingdom of Great Britain and Northern Ireland

30 June 2015

Annex I

Status of implementation of recommendations for the biennium ended 31 December 2013

Sl. No	Reference to Report and Financial Period	Recommendations	Action Reported by the Management	Status after Verification				
				Board's Assessment	**Implemented**	**Under Implementation**	**Not implemented**	**Overtaken by events**
1	Para 22 of Board Report 2010/2011	Conduct the disposal of ICT equipment on a more frequent and regular basis to maximize the values obtained from its disposals.	ICT hard and software is being written off on regular basis in accordance with SOPs. In 2013, $1 million worth of obsolete ICT equipment was written off. In 2014, $2.6 million worth of obsolete software was written off. For 2015, a schedule for disposal of obsolete hardware has been prepared.	The corrective actions taken are satisfactory.	X			
2	Para 26 (a) of Board Report 2010/2011	Ensure any new purchased software to be in alignment with its information technology strategy	The mechanism was established through Enterprise Architecture review and approval of procurement guideline	The action taken is found to be sufficient.	X			
	Para 26 (b) of Board Report 2010/2011	Establish a mechanism to regularly identify and write off the obsolete software to ensure the accuracy of its NEP	The mechanism was established through the SOP for ICT Property Management (ICT PP&E) which took effect on 01 Jan 2015	The mechanism established through the SOP is adequate.				
3	Para 13, BoA Report 2012-2013	Expedite the settlement of the outstanding balance	COP 16 was followed-up on several occasions with the government of	Further follow up on regular basis is		X		

		of the accounts in respect of COP 16 and COP 17.	Mexico concerning the return of funding. Options have been provided to Mexico for use of remaining funding at Mexico's request. No decision has been reached. This has been escalated to Deputy Executive Secretary level whose latest communication with Mexico was on 16 April 2015.	required to achieve full and final settlement of the matter.				
4	Para 22 of Board Report 2012/2013	Enhance assets management through completing the records of assets and expediting verifications and reconciliations of inventory records.	Full physical inventory of all assets was conducted by external surveyors in December 2013, records have been updated and maintained on ongoing basis, and verified through annual physical inventories (for non-ICT PP&E), last in Feb/March 2015.SOPs for PP&E Management (ICT and non-ICT) took effect on 1 January 2015.	The efforts taken and activities carried out are appropriate.	X			
5	Para 26 of Board Report 2012/2013	Link the expected results and required resources closely and set SMART targets for all indicators to achieve the objectives of Results based budgeting.	Instructions were issued on 3 July 2014.Draft proposed work programme for 2016-2017 also prepared	The actions taken are adequate.	X			
6	Para 31 of Board Report 2012/2013	Adhere to the improved SOP to ensure all recruitments are conducted in a transparent and fair manner and the recruitment process is properly documented.	New SOP have been implemented. We have taken note of the audit findings on documentation for elimination of candidates from the recruitment process and we are now documenting the reasons for selection and/or elimination of all short-listed candidates for the recommendation of appointment	The requisite systems and documentation of recruitment process are proper.	X			

			(recruitment consideration).					
	Total	6			5	1		
	Percentage	100			83	17		

Annex II

Audited Financial Statements for the year ending 31 December 2014

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United Nations

Framework Convention on Climate Change

I. Certification of the Financial Statements

1. The financial statements of the United Nations Framework Convention on Climate Change (UNFCCC) for the year ending 31 December 2014 have been prepared in accordance with financial rule 106.1. They include all trust funds and special accounts operated by UNFCCC.

2. A summary of significant accounting policies applied in the preparation of these statements is included as a note to the financial statements. The notes to the financial statements provide additional information and clarification on the financial activities undertaken by UNFCCC during the period covered by the statements, for which the Executive Secretary had administrative responsibility.

3. I certify that the appended financial statements of the United Nations Framework Convention on Climate Change for the year ending 31 December 2014 are correct.

(Signed)

Christiana Figueres
Executive Secretary
24 April 2015

II. Narrative financial report

Financial report on the 2014 accounts

Introduction

1. The financial statements of the United Nations Framework Convention on Climate Change (UNFCCC) are prepared and submitted to the Conference of Parties in accordance with the financial procedures. The financial statements include all of the operations under the direct authority of the Executive Secretary including the regular budget, extra-budgetary financed activities and under the Sustainable Development Mechanisms.

2. The 2014 financial statements are for the first time prepared based upon the International Public Sector Accounting Standards (IPSAS) in accordance with the decision of the United Nations General Assembly, provide increased information on actual assets and liabilities enabling in improved internal control and enhanced management of UNFCCC's total resources. The statements include additional information on revenue and expense to senior management to support decision-making and enhance strategic planning.

3. The financial statements prepared under IPSAS use full accrual-based accounting which is a significant change from the modified cash basis of accounting applied under the United Nations System Accounting Standards (UNSAS) previously in use. Accrual based accounting requires the recognition of transactions and events when they occur. Under IPSAS:

- Revenue from voluntary contributions to technical cooperation is recognized when the contract with the donor becomes binding (i.e. at the time of signature of both parties, rather than when cash is received.

- In the case of contributions that impose conditions requiring return of funds not utilized in accordance with the terms of the agreement, revenue is not recognized until UNFCCC delivers the services specified in the agreement with the donor.

- Fees received are recorded as income at the time all related services are completed rather than at the receipt of the cash.

- Expenses are recognized when services or goods are received or delivered rather than when a commitment is recognized.

- The annual changes in employee defined benefit obligations (other than those caused by adjustments in actuarial assumptions) are now recognized as expenses rather than in fund balance.

- The value of equipment purchased and software acquired has been capitalized rather than expensed. Included in expense for 2014 is the depreciation of equipment and amortization of software capitalized.

2014 Financial Highlights

2014 Financial Results (in thousands of USD)

Total revenue:

4. Revenue in 2014 totaled $81 million as follows:

- The indicative contributions to the core budget. The indicative contributions for 2014 totaled $$38 million
- Voluntary contributions from donors totaled $32 million.
- Fees for the CDM and JI mechanisms $10 million

Comparative information for 2013 is not included since revenue in 2013 was computed on an UNSAS (modified cash) rather than based on full accrual accounting.

5. **Total expenses:** Expenses in 2014 totaled $118 million mainly consisting:

- Personnel expenses amounting to $72 million
- Travel $12 million
- Contractual services for $10 million
- Exchange loss of $8 million resulting mainly form the loss of value of assets held in the United Nations Treasury cash pool

6. Information for 2013 is not presented since these were prepared on an UNSAS (commitment) basis which is not comparable.

7. **Operating result:** The net deficit of expense over revenue in 2014, as measured under IPSAS, is $37.5 million. The main reasons for this deficit are the strong decline in activities under the Sustainable Development mechanisms as well as the increase in the employee benefits liabilities during 2014.

8. **Assets:** Assets as of 31 December 2014 totaled $272 million compared to the balance at 1 January 2014 (adjusted to be IPSAS compliant) of $296 million. The major components of UNFCCC's assets are as follows (in thousands of USD):

Summary of assets at 31 December

(in US Dollars)	2014	1 January 2014 (IPSAS)
Cash and cash equivalents	61 728	61 734
Investments	188 741	214 968
Indicative contributions receivable	6 713	5 501
Otheraccountsreceivable	2 029	2 139
Otherassets	10 814	10 761
Property, plant &equipment	923	1 220
Intangible assets	1 224	
Total Assets	**272 172**	**296 323**

9. The major assets at 31 December 2014 are cash, cash equivalents and investments totaling $252 million representing 92 % of the total assets and indicative contributions from signatories to the convention receivable of $6.7 million, or 2.5 per cent. The remaining assets consist of other accounts receivable, other assets (primarily advances), equipment and software.

10. **Cash, cash equivalents and investments:** Cash and cash equivalents of $62 million are primarily held in the UN Treasury Euro and $Pool. The amounts for short- and long-term investments reduced by $26 million which is due to the deficit incurred mainly in the CDM trust fund.

11. **Accounts receivable**: Under IPSAS, accounts receivable from indicative contributions are recognized net of a provision of 50% for all amounts receivable for three years and 100% for all amounts receivable for four or more years.

12.**Liabilities:** Liabilities as of 31 December 2014 totaled $119 million ($80 million as at 1 January 2014) as follows:

Summary of liabilities at 31 December

(in thousands of US Dollars)	2014	1 January 2014 (IPSAS)
Accounts payable and accruals	5 429	7 422
Advance receipts	8 836	8 337
Employee benefit liabilities	98 003	64 509
Other liabilities	6 945	197
Total Liabilities	**119 213**	**80 465**

13. The most significant liability is the employee benefits earned by staff members and retirees but not paid at the reporting date, primarily the liability for ASHI. These liabilities total $98 million, represent 82% of UNFCCC's total liabilities and are explained in detail in the respective note to the financial statements. The increase of $33.5 million is caused primarily by the reduction of the discount rate utilized to convert the outstanding obligation to net present value in accordance with the requirements of IPSAS.

14. The other significant liability, advance receipts which covers indicative contributions received in advance of the start of the year to which they are related, voluntary contribution provided by donors that contain conditions requiring the return of funds not spent in accordance with the terms of the agreement as well as fees received but not yet earned. The balance represents the portion of the contribution at 31 December that has not been recognized as revenue since it has not been earned by UNFCCC by performing the services covered by the agreement.

15. **Net assets:** The movement in net assets during the year reflects a decrease of $63 million from $216 million in 2013 to $153 million at the end of 2014 due to the negative actuarial change of 25 million and an operating loss of $37.5 million. Net assets include the operating reserves which amount to $49 million at the reporting date.

Core budgets

16. The Conference of the Parties approved a Core expenditure budget for the 2014–15 financial period, amounting to EUR 54.6 million of which EUR 26.7 million was programmed for 2014. The approved budget for the International Transaction Log for the 2014–15 financial period amounted to EUR 5.5 million of which EUR2.75 million was programmed for 2014.

17. As at 31 Dec 2014, the core budget showed an almost ideal expenditure rate of 95.7%. While some programmes showed minor over- or under-expenditure, the expenses are in line with the approved budget.

18. The regular budget as well as the budget for the international transaction log continues to be prepared on a modified cash basis in accordance with the UN Financial Regulations. The overall budgetary results for the first 12 months of the 2014–15 financial period are summarized in Statement V-A to V-C. The differences between the net results on the IPSAS (full accrual) basis and those in accordance with the adopted budget are explained in the respective note to the financial statements.

I. Financial statements for the year 2014

A. Statement I: Statement of Financial Position as at 31 December 2014 (in thousands of USD)

	Note	31 December 2014	1 January 2014 (IPSAS)
ASSETS			
Current Assets			
Cash and cash equivalents	6	61 728	61 734
Short-term investments	6	120 649	108 583
Indicative contributions receivable	7	6 713	5 501
Other receivables	7	1 782	1 739
Other current assets	8	10 814	10 761
Total Current Assets		201 686	188 318
Non-current assets			
Other receivables	8	247	400
Long-term investements	6	68 092	106 385
Propery, plant and equipment	9	923	1 220
Intangible assets	10	1 224	
Total non-current assets		70 486	108 005
TOTAL ASSETS		**272 172**	**296 323**
LIABILITIES			
Current Liabilities			
Payables and accruals	11	5 429	7 422
Advance receipts	12	8 589	7 937
Employee benefits	13	2 521	972
Provisions		0	0
Other current liabilities	15	6 945	197
Total Current Liabilities		23 484	16 528
Non-current liabilities			
Employee benefits	13	95 482	63 537
Advance receipts	12	247	400
Total non-current liabilities		95 729	63 937
TOTAL LIABILITIES		119 213	80 465
NET ASSETS			
Accumulated surpluses/(deficits)		104 238	161 732
Reserves	18	48 721	54 126
TOTAL NET ASSETS		152 959	215 858

Note: The accompanying notes form an integral part of these financial statements.

B. Statement II: Statement of Financial Performance for the year ended 31 December 2014

(in thousands of USD)

REVENUE	Note	2014
Indicative contributions	16	37 605
Voluntary contributions		31 714
CDM and JI service fees		9 707
Interest Revenue		1 446
Other/miscellaneous revenue		480
TOTAL REVENUE		80 952
EXPENSES	17	
Personnel expenditure		71 935
Travel		12 074
Contractual services		9 929
Operating expenses		12 322
Other expenses		2 251
Depreciation of equipment		483
Amorization of intangible assets		8
Return of donor funding		1 378
Loss on foreign exchange		8 089
TOTAL EXPENSES		118 468
DEFICIT FOR THE PERIOD		(37 516)

Note: The accompanying notes form an integral part of these financial statements.

C. Statement III: Statement of Changes in Net Assets for the year ended 31 December 2014

(in thousands of USD)

	Note	Accumulated Surplus	Reserves	Total Net Assets
Balance as at 31 December 2013 (UNSAS Basis)	4	164 574	53 451	218 025
Changes in accounting policy and other adjustments to net equity				
Adjustment for the recognition of receivables	4	800		800
Adjustment for the accrual of unliquidated obligations	4	7 168		7 168
Reclassification of deferred payable to reserves	4		675	675
Adjustment for deferral or unearned voluntary contribution revenue	4	(2 570)		(2 570)
Adjustment for deferral or unearned CDM/JI fee revenue	4	(2 505)		(2 505)
Adjustment to recognize amounts payable to donors	4	(658)		(658)
Adjustment to recognize funds in trust	4	(197)		(197)
Adjustment for the recognition of provisions for doubtful accounts	4	(631)		(631)
Adjustment for the recognition of employee benefits	4	(5 469)		(5 469)
Adjustment for the recognition of equipment	4	1 220		1 220
Subtotal IPSAS adjustments		**(2 842)**	**675**	**(2 167)**
Balance as at 1 Jan 2014 (IPSAS Basis)		**161 732**	**54 126**	**215 858**
Surplus/(Deficit) for the current period		(37 516)		(37 516)
Adjustment Appendix D reserve			85	85
Actuarial gains (losses) on employee benefits liabilities		(25 471)		(25 471)
Adjustment to reverse amount against accumulated surplus		5 490	(5 490)	0
Balance as at 31 December 2014		**104 238**	**48 721**	**152 959**

Note: The accompanying notes form an integral part of these financial statements.

D. Statement IV: Cash Flow Statement for the year ended 31 December 2014

(in thousands of USD)

Cash flows from operating activities	2014
Surplus/(deficit) for the period	(37 516)
Depreciation expense	483
Amortization of intangible assets	8
(Increase)/decrease in accounts receivable	(1 102)
(Increase)/decrease in other assets	(53)
Increase/(decrease) in payables and accruals	(1 993)
Increase/(decrease) in advance receipts	500
Increase/(decrease) in employee benefit liabilities	8 107
Increase/(decrease) in other liabilities	6 748
Net cash flows from operating activities	**(24 817)**
Cash flows from investing activities	
(Increase)/decrease in equipment	(185)
(Increase)/decrease in intangible assets	(1 232)
(Increase)/Decrease in short-term investments	(12 066)
(Increase)/Decrease in long-term investments	38 293
Net cash flows from investing activities	**24 811**
Cash flows from financing activities	nil
Net increase/(decrease) in cash and cash equivalents	**(6)**
Cash and cash equivalents at the beginning of the year	61 734
Cash and cash equivalents at the end of the year	61 728
Overall increase	(6)

Note: The accompanying notes form an integral part of these financial statements.

E. Statements V: Statements of Comparison of Budgets to Actual Amounts

1. Budget to Actual Comparison Core Budget for the year 2014

	Original and Final Budget (EUR)	Actual (EUR)	Difference (EUR)	Original and Final Budget (USD)	Actual (USD)	Difference (USD)
Executive Direction and Management	2 188 267	2 111 633	76 634	3 018 299	2 816 678	201 621
Mitigation, Data and Analysis	6 566 815	5 999 471	567 344	9 057 676	7 927 450	1 130 226
Finance, Technology and Capacity-building	2 665 551	2 706 823	(41 272)	3 676 622	3 597 944	78 678
Adaptation	2 404 096	2 187 416	216 680	3 315 994	2 893 938	422 057
Sustainable Development Mechanisms	535 609	534 200	1 409	738 771	712 320	26 451
Legal Affairs	1 311 450	1 101 901	209 549	1 808 897	1 467 128	341 769
Conference Affairs Services	1 660 282	1 920 558	(260 276)	2 290 044	2 551 511	(261 467)
Communication and Outreach	1 015 049	939 402	75 647	1 400 068	1 247 173	152 895
Administrative Services (SWC)	1 701 190	1 481 687	219 503	2 346 469	1 905 974	440 495
Information Technology Services	2 860 769	2 888 148	(27 379)	3 945 888	3 822 368	123 520
Knowledge Management	547 709	574 863	(27 154)	755 461	766 034	(10 573)
TOTAL	**23 456 787**	**22 446 102**	**1 010 685**	**32 354 189**	**29 708 519**	**2 645 670**
Programme support costs (overheads)	3 049 387	**2 917 993**	131 394	4 206 051	**3 862 107**	343 944
Adjustment to working capital reserve	182 852		182 852	252 210		252 210
Grant TOTAL	**26 689 026**	**25 364 095**	**1 324 931**	**36 812 450**	**33 570 626**	**3 241 824**
Income from Indicative Contributions	24 522 088				33 823 570	
Net result (budgetary)					**252 943**	

2. Budget to Actual Comparison International Transaction Log Budget for the year 2014

	Original and Final Budget (EUR)	Actual (EUR)	Difference (EUR)	Original and Final Budget (USD)	Actual (USD)	Difference (USD)
Object of expenditure						
Staff costs	733 730	588 761	144 969	1 012 041	783 985	228 056
Consultants and contractors	1 516 403	1 719 718	(203 315)	2 091 590	2 232 619	
Experts	10 000	17 480	(7 480)	13 793	22 918	
Travel	25 000	2 125	22 875	34 483	2 679	31 803
Training	10 000	5 078	4 922	13 793	6 279	7 514
General operating expenses	52 000	4 869	47 131	71 724	6 347	65 377
Supplies and materials/equipment		16 544	(16 544)	-	20 511	
Contributions to common services	83 500	61 868	21 632	115 172	76 690	38 483
Subtotal	**2 430 633**	**2 416 443**	**14 190**	**3 352 596**	**3 152 029**	**200 568**
Programme support costs	315 982			435 837	409 423	26 415
Adjustment to working capital reserve	(5 855)			(8 076)		(8 076)
Total	**2 740 760**	**2 416 443**	**14 190**	**3 780 357**	**3 561 452**	**218 907**

3. Budget to Actual Comparison Conference Services Contingency Budget for the year 2014

	Original and final budget (EUR)	*Actual (EUR)*	*Difference (EUR)*	*Original and final budget (USD)*	*Actual (USD)*	*Difference (USD)*
Object of expenditure						
Interpretation	953 700		(953 700)	1 315 448		(1 315 448)
Documentation						
Translation	1 762 100		(1 762 100)	2 430 483		(2 430 483)
Reproduction and distribution	596 300		(596 300)	822 483		(822 483)
Meeting services support	194 100		(194 100)	267 724		(267 724)
Subtotal	**3 506 200**		**(3 506 200)**	**4 836 138**		**(4 836 138)**
Programme support costs	455 800		(455 800)	628 690		(628 690)
Working capital reserve	328 800		(328 800)	453 517		(453 517)
Total	**4 290 800**		**(4 290 800)**	**5 918 345**		**(5 918 345)**

F. Notes to the Financial Statements

Note 1: The Reporting Entity

4. The permanent secretariat of the United Nations Convention on Climate Change (UNFCCC) was established in January 1996 for the following purposes:

- To make arrangements for sessions of the Conference of the Parties and its subsidiary bodies established under the Convention and the Kyoto Protocol and to provide them with services as required;
- To compile and transmit reports submitted to it;
- To facilitate assistance to Parties particularly developing country Parties on request in the compilation and communication of information required in accordance with the provisions of the Convention and the Kyoto Protocol;
- To prepare reports on its activities and present them to the Conference of the Parties;
- To ensure the necessary coordination with the secretariats of other relevant international bodies;
- To enter, under the overall guidance of the Conference of the Parties, into such administrative and contractual arrangements as may be required for the effective discharge of its functions;
- To perform other secretariat functions specified in the Convention and in any of its protocols; and
- To undertake any other functions as may be determined by the Conference of the Parties.

5. UNFCCC is governed by the following constituent bodies:

The **Conference of the Parties (COP)** is the supreme decision-making body of the Convention. All States that are Parties to the Convention are represented at the COP, at which they review the implementation of the Convention and any other legal instruments that the COP adopts and take decisions necessary to promote the effective implementation of the Convention, including institutional and administrative arrangements

The **Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP):** All States that are Parties to the Kyoto Protocol are represented at the CMP, while States that are not Parties participate as observers. The CMP reviews the implementation of the Kyoto Protocol and takes decisions to promote its effective implementation.

The **Subsidiary Body for Implementation (SBI)** is one of two permanent subsidiary bodies to the Convention established by the COP/CMP. It supports the work of the COP and the CMP through the assessment and review of the effective implementation of the Convention and its Kyoto Protocol. A particularly important task in this respect is to examine the information in the national communications and emission inventories submitted by Parties in order to assess the Convention's overall effectiveness. The SBI reviews the financial assistance given to non-Annex I Parties to help them implement their Convention commitments, and provides advice to the COP on guidance to the financial mechanism (operated by the GEF). The SBI also advises the COP on budgetary and administrative matters.

The **Bureau of the COP and CMP** supports the COP and the CMP through the provision of advice and guidance regarding the on-going work under the Convention and its Kyoto Protocol, the organization of their sessions and the operation of the secretariat, especially at times when the COP and the CMP are not in session. The Bureau is elected from representatives of Parties nominated by each of the five United Nations regional groups and small island developing States. The Bureau is mainly responsible for questions of process management. It assists the President in the performance of his or her duties by providing advice and by helping with various tasks (e.g. members undertake consultations on behalf of the President). The Bureau is responsible for examining the credentials of Parties, reviewing the list of IGOs and NGOs, seeking accreditation and submitting a report thereon to the Conference.

6. UNFCCC is financed by assessed contributions paid by Parties to the Convention, fees derived from services provided by the Organization and voluntary contributions from Parties to the Convention and the Kyoto Protocol and other donors.

7. The Organization enjoys privileges and immunities as granted under the 1947 Convention on Privileges and immunities of the United Nations and the 1996 Headquarters agreement with the Federal Government of Germany, notably being exempt from most forms of direct and indirect taxation.

Note 2: Basis of Preparation

8. The financial statements of the UNFCCC have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) using the historic cost convention. The statements are prepared on a going concern basis given the approval by the Conference of Parties of the Programme Budget appropriations for the Biennium 2014–2015, the historical trend of collection of indicative and voluntary contributions over the past years and that the Conference of Parties has not made any decision to cease operation of UNFCCC.

9. There is the first set of financial statements to be prepared in accordance with IPSAS. The adoption of IPSAS has required changes to be made to the accounting policies previously followed by UNFCCC, including the preparation of a single set of financial statements covering both the core budgets as well as extra-budgetary activates which are presented in United States Dollars (USD) unless otherwise indicated.

10. In accordance with IPSAS, the 2014 financial statements are presented on an annual basis covering the period 1 January 2014 to 31 December 2014. These financial statements are certified by the Executive Secretary. The financial statements are submitted to the United Nations Board of Auditors on 24 April 2015. Sequentially, the reports of the Board of Auditors together with the audited financial statements are submitted to the Conference of Parties.

11. The audited financial statements for the period ending 31 December 2013 were originally presented on an annual basis covering the period 1 Jan 2012 to 31 December 2013. The adoption of the new accounting policies has resulted in changes to the assets and liabilities recognized in the Statements of Financial Position. Accordingly, the last audited Statement of Financial Position, dated 31 December 2013, has been restated and the resulting changes are reported in the Statement of Changes in Net Assets and Note 4.

12. The net effect of the change brought about by the adoption of IPSAS in the Statement of Financial Position amounted to a decrease in total net assets of $2.2 million on 1 January 2014. In addition to this effect, IPSAS requires a single report on all assets and liabilities controlled by the organization and consequently the previous presentation on a fund account basis has been integrated into a single overall position.

13. As permitted on the initial adoption of IPSAS, transitional provisions have been applied whereby comparative information has not been provided in the statements of Financial Performance and Cash Flow (IPSAS 1) and the application of IPSAS 31, Intangible Assets has been applied prospectively beginning 1 Jan 2014.

14. The Cash Flow Statement is prepared using the indirect method.

15. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

2.1 Functional and Presentation Currency

16. The financial statements are presented in United States Dollars (USD), which is the functional and presentation currency of UNFCCC.

2.2 Foreign Currency Translation

17. Transactions in currencies other than $are translated into $at the prevailing United Nations Operations Rates of Exchange (UNORE) which represents the prevailing rate at the time of transaction. Assets and liabilities in currencies other than $are translated into $at the UNORE year-end closing rate. Resulting gains and losses are accounted for in the Statements of Financial Performance.

18. The Core budget and the budget for the International Transaction Log are approved and assessed in euros. The contingency budget for conference services of UNFCCC is approved by the Conference of the Parties (COP). However, funds are not assessed unless required. Information on the Statements of Budget to Actual Comparisons for each budget are presented on both euros and USD.

2.3 Materiality and the use of judgement and estimates

19. Materiality is central to the UNFCCC financial statements. The financial statements necessarily include amounts based on judgements, estimates and assumptions by management. Actual results may differ from these estimates. Changes in estimates are reflected in the period in which they become known. Accruals, equipment depreciation and employee benefit liabilities are the most significant items for which estimates are utilized.

Note 3: Significant Accounting Policies

3.1 Cash and Cash Equivalents

20. Cash and Cash equivalents are held at fair value and comprise cash on hand, cash at banks, money market and short-term deposits. Investment revenue is recognized as it accrues taking into account the effective yield.

3.2 Financial Instruments

21. Financial instruments are initially measured at fair value. Subsequent measurement of all financial instruments is at fair value except for accounts receivable and accounts payable, which are measured at amortized cost using the effective interest method except for assessed and voluntary contributions balances which are recognized at nominal value (proxy to fair value at the time of recognition).

22. Financial instruments are recognized when UNFCCC becomes a party to the contractual provisions of the instrument until the rights to receive cash flows from those assets have expired or have been transferred and UNFCCC has transferred substantially all the risks and rewards of ownership.

23. The Main cash pool comprises participating entity shares of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed by the UN Treasury. UNFCCC's share of the cash pool is disclosed in the notes to the financial statements and on the Statement of Financial Position categorized as cash and cash equivalents, short-term and long-term investments.

24. Gains or losses arising from changes in the fair value of financial instruments are included within the statement of financial performance in the period in which they arise. Gains or losses arising from a change in the fair value of the financial assets held in the Main Cash Pool are presented in the Statement of Financial Performance in the period in which they arise as finance costs if net loss or investment revenue if net gain.

25. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. UNFCCC's receivables comprise indicative contributions receivable from member countries and other accounts receivable recognized on the Statement of Financial Position. Receivables are measured at amortized cost taking into account a provision for impairment.

3.3 Inventories

26. UNFCCC does not maintain an inventory of tangible assets that are held for resale or consumed in the distribution in rendering of services. Should inventories be recognized in future financial statements, these inventories would be recognized at the lower of cost and net realizable value or at the lower of cost and current replacement cost.

3.4 Property, Plant and Equipment

27. Equipment with a cost above US$5,000 is stated at historical cost less accumulated depreciation and any impairment losses. UNFCCC is deemed to control

equipment if it can use or otherwise benefit from the asset in the pursuit of its objectives and if UNFCCC can exclude or regulate the access of third parties to the asset.

28. Depreciation is calculated over their estimated useful life of equipment using the straight-line method. The estimated useful life for equipment classes are as follows:

Class of equipment	*Estimated useful live (in years)*
Computer equipment	5
Communication and audio equipment	5
Furniture and fittings	10
Vehicles	10
Leasehold improvements	10 (or lease term, whichever is shorter)

3.5 Intangible Assets

29. Intangible assets are valued at historical cost less accumulated amortization and any impairment losses. Intangible assets acquired externally are capitalised if their costs exceeds the threshold of US$5,000. Internally developed software is capitalized if its cost exceeded a threshold of USD$100,000 excluding research and maintenance costs and including directly attributable costs such as staff assigned full time to a development projects, subcontractors and consultants.

30. Amortization is provided over the estimated useful life using the straight line method. The estimated useful lives for intangible asset classes are as follows:

Class of intangible assets	*Estimated useful life (in years)*
Software acquired externally	3
Internally developed software	3-5
Copyrights	Set 8 years or period of copyright, whichever is shorter

31. Impairment is assessed at each reporting date for all intangible assets based on indications that an asset may be impaired and any impairment losses are recognized in the Statement of Financial Performance.

3.6 Employee Benefits

32. UNFCCC provides the following employee benefits:

- Short Term employee benefits comprise first-time employee benefits (assignment grants), regular monthly benefits (wages, salaries, allowances), compensated absences (paid sick leave, maternity/paternity leave) and other short-term benefits (education grant, reimbursement of taxes)which fall due wholly within twelve months after the end of the accounting period in which employees render the related service;
- Post Employment benefits including ASHI, repatriation grant, separation related travel and shipping costs and death benefit;

- Other Long Term employee benefits including accumulated leave payable on separation; and
- Termination benefits include indemnities for voluntary redundancy payable once a plan has been formally approved.

33. The liability recognized for post-employment benefits is the present value of the defined benefit obligations at the reporting date. An independent actuary using the projected unit credit method calculates the defined benefit obligations. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high grade corporate bonds with maturity dates approximating those of the individual plans.

34. Employee benefits including payments to staff members on separation from service such as repatriation grant, accrued annual leave, repatriation travel and removal on repatriation are expensed on an accrual basis.

35. Actuarial gains and losses related to post-employment benefits for after service health insurance are recognised in the period in which they occur on the statement of changes in net assets as a separate item in net assets/equity.

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

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

3.7 Provisions

38. Provision are made for future liabilities and charges where UNFCCC has a present legal or constructive obligation as a result of past events and is probable that UNFCCC will be required to settle the obligation, and the value can be reliably measured.

3.8 Contingent liabilities and contingent assets

39. Contingent liabilities where their existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of UNFCCC or where the value cannot be reliably estimated are disclosed in the Notes to the financial statements. Contingent liabilities are assessed continually to determine whether an outflow of resources has become probable. If an outflow becomes probably, a provision is recognized in the financial statements in the period in which probability occurs.

3.9 Leases

40. Leases, where the lessor retains a significant portion of the risks and rewards inherent in ownership, are classified as operating leases. Payments, made under operating leases are charged on the Statement of Financial Performance as an expense on a straight-line basis over the period of the lease.

3.10 Non-exchange revenue and receivables

41. **Indicative contributions** to the Core budget and to the Trust Fund for the International Transaction Log from Parties to the Convention are recognised at the beginning of the year to which the assessment relates. The revenue amount is determined based on the approved budgets and the scale of assessment approved by the General Assembly as adopted by the Conference of the Parties.

42. **Voluntary contributions** are recognised upon the signing of a binding agreement with the donor. Revenue is recognised immediately if no condition is attached. If conditions are attached, including a requirement that funds not utilized in accordance with the agreement must be returned to the contributing entity, revenue is recognised only upon satisfying the conditions. Until such conditions are met a liability (deferred revenue) is recognised. Voluntary contributions such as pledges and other promised donations which are not supported by binding agreements are considered contingent assets and are recognised as revenue when received and disclosed in the Notes to the financial statements if receipt is considered probable.

43. **Multi-year voluntary conditional contributions** due in future financial periods are recognized as receivables on the signing of the agreement along with a liability (deferred revenue) until the conditions are met.

44. **Goods in kind** are recognised at their fair value, measured as of the date the donated assets are acquired.

45. Receivables are stated at amortized cost less allowances for estimated irrecoverable amounts.

3.11 Exchange revenue

46. Revenue from the fees charged in connection with the Clean Development Mechanism (CDM) and the Joint Implementation Determination (JI) is recognised upon completion of the underlying service for which the fee has been charged. A liability is established covering the estimated amount of fees reimbursable to the applicant. Interest

income is recognised on a time proportion basis as it accrues, taking into account the effective yield.

3.12 Expenses

47. Expenses arising from the purchase of goods and services are recognized when the services or goods have been received and accepted by UNFCCC. Service are considered received on the date when the service is certified as rendered. For some service contracts this process may occur in stages.

3.13 Segment reporting

48. UNFCCC is a single purpose entity with a mandate to assist the signatories of the UN Framework Convention on Climate Change to limit average global temperature increases and the resulting climate change, and to cope with whatever impacts are inevitable in part through enforcing the legally binding emission reduction targets established in the Kyoto Protocol. Its, operations, therefore, consist of a single segment. However, to provide additional information for use to senior management and Parties to the Convention and Kyoto Protocol, supplemental disclosures are prepared on a fund accounting basis, showing at the end of the period the consolidated position of all UNFCCC funds. A fund is a self -balancing accounting entity established to account for the transactions of a specified purpose or objective. Fund balances represent the accumulated residual of revenue and expenses.

49. UNFCCC classifies all projects, operations and fund activities into nine funds and special accounts:

- Trust fund for the Core Budget of UNFCCC financed from indicative contributions (or general purpose contributions from donors);
- Trust fund for the Participation in the UNFCCC process financed from voluntary contributions;
- Trust fund for the Clean Development Mechanism financed from fees charged for registration of projects and issuance of certificates;
- Trust fund for the International Transactions Log financed from indicative contributions (or general purpose contributions from donors);
- Trust fund for the Special Annual Contribution from the Government of Germany financed from a voluntary contribution from the government in which the UNFCCC headquarters is located;
- Special account for Programme Support Costs financed from charges made to the activates financed from indicative and voluntary contributions as well as fee financed activities;
- Special account for conferences and other recoverable costs financed from voluntary contributions; and
- End of service and post employee benefits fund not currently funded.

50. Transactions occurring between funds are accounted for at cost and eliminated on consolidation.

51. UNFCCC reports on the transactions of each fund during the financial period, and the balances held at the end of the period.

3.14 Budget comparison

52. UNFCCC's budget is prepared on a modified cash basis and the financial statements are prepared on an accrual basis. The budget is adopted on a biennial basis and presented in annual estimates in the financial statements. Unexpended balances at the end of the first year of the biennium are carried forward and added to the annual budget estimate for the second year of the biennium.

53. Statements V-A to V-C, Comparison of budget and Actual amounts, compare the final budget to actual amounts calculated on the same basis as the corresponding approved budget.

54. As the bases used to prepare the budget and financial statements differ, Note 20 provides a reconciliation between the actual amounts presented in statement V-A to V-C and the actual amounts presented on the Statement of Financial Performance.

55. The COP approves the biennial Core budget and the contingent budget for Conference Services. The CMP approves the budget for the International Transaction Log. Budgets may be subsequently amended by the COP or CMP, as applicable, or through the exercise of delegated authority.

Note 4: First Implementation of IPSAS

56. Opening balances represent the 2013 audited Statement of Assets, Liabilities and Fund Balances which have been restated to incorporate adjustments made due to the adoption of IPSAS effective 1 January 2014.

57. The net financial impact of IPSAS adoption on opening balances amounting to $2.2 million as of 1 January 2014. The recognition of employee benefits on the accrual basis amounting to $4.1 million as at that date is the main factor that caused an increase in net assets.

58. The other main adjustments to opening balances pertain to the adoption of IPSAS are:

- Recognition of employee benefit liabilities not recognized under UNSAS;
- Adjustment of expense accruals to eliminate those pertaining to goods and services not delivered at 31 December 2013;
- Establishment of a provision for a indicative contribution doubtful accounts;
- Deferral of revenue from unearned fees and conditional voluntary contributions;
- Adjustment of capitalisation of equipment;
- Adjustment for recognition of fee income.

	31 Dec 2013 (audited)	Adjustments required by transition to IPSAS	1 January 2014 (restated)
ASSETS			
Current Assets			
Cash and cash equivalents	276 702	(214 968)	61 734
Short-term Investments	-	108 583	108 583
Indicative contributions receivable	6 017	(516)	5 501
Other receivables	12 162	(10 423)	1 739
Inventory	-	-	-
Other current assets	1 144	9 617	10 761
Total current assets	***296 025***	***(107 707)***	***188 318***
Non current assets			
Long-term investments	-	106 385	106 385
Property, plant and equipment	-	1 220	1 220
Intangible assets	-	-	-
Other receivables	-	400	400
Total Non-current assets	-	***108 005***	***108 005***
TOTAL ASSETS	**296 025**	**298**	**296 323**
LIABILITIES			
Current liabilities			
Payables and accruals	13 504	(6 082)	7 422
Advance receipts	3 441	4 496	7 937
Employee benefits	306	666	972
Provisions	-	-	-
Other current liabilities	675	(478)	197
Total current liabilities	***17 926***	***(1 398)***	***16 528***
Non-current liabilities			
Employee benefits payable	60 074	3 463	63 537
Advance receipts	-	400	400
Total Non current liabilities	***60 074***	***3 863***	***63 937***
TOTAL LIABILITIES	**78 000**	**2 465**	**80 465**
NET ASSETS			
Accumulated surpluses/(deficits)	164 574	(2 842)	161 732
Reserves	53 451	675	54 126
TOTAL NET ASSETS	**218 024**	**-2 166**	**215 858**
TOTAL LIABILITIES AND NET ASSETS/EQUITY	**296 025**	**298**	**296 323**

Note 5: Financial Risks

5.1 Financial risk factors

59. UNFCCC's operations may expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

5.2 Market risk

(a) Foreign exchange risk

60. UNFCCC operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro. Foreign exchange risk arises from operating revenue and expenses and recognized assets and liabilities. Management requires that the Organization manage its currency risk against its functional currency by structuring contributions from its owner organizations and its technical cooperation project donors to correspond to the foreign currency needed for operational purposes.

61. As of 31 December 2014, if the US dollar had weakened/strengthened by 5 % against the euro with all other variables held constant, the impact on net assets would have been US$ 0.4 million higher/lower due to the change in the asset value of receivables denominated in euro.

(b) Price risk

62. The Organization may be exposed to price risk because of investments held in the Main cash pool which are classified in the Statement of Financial Position at fair value through surplus or deficit. The share of any realized loss or gain on the Organization's holdings in the Main cash pool is recognized in surplus or deficit.

5.3 Credit risk

63. Credit risk refers to the risk that counterparty to a financial instrument will default on its contractual obligations resulting in a financial loss to the Institute. The carrying value of financial assets equates to the maximum exposure to credit risk as at balance date. The Organization does not hold any collateral as security.

Other credit risk disclosure

64. Voluntary contributions from governments representing the member countries of the Organization comprise the majority of the Organization's voluntary contributions receivable. Credit risk is considered minimal since most of its donors are sovereign entities.

5.4 Liquidity risk

65. Cash flow forecasting is performed by the Organization in conjunction with the United Nations Office at Geneva (UNOG) which monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs. There are no restrictions on the amount that UNFCCC may withdraw at any time after providing the UN Treasury with several days' notice.

5.5 Cash Pools

66. In addition to directly held cash and cash equivalents and investments, the United Nations Framework Convention on Climate Change ("UNFCCC") participates in the United Nations Cash Pools. Pooling the funds has a positive effect on overall investment performance and risk, because of economies of scale, and by the ability to spread yield curve exposures across a range of maturities. The allocation of Cash Pools assets (cash and cash equivalents, short-term investments and long-term investments) and income is based on each participating entity's principal balance.

67. The Organization participates in two UN Treasury managed Cash Pools: The Main Cash Pool which comprises operational bank account balances in a number of currencies and investments in United States dollars; and the Euro Cash Pool which comprises investments in Euro currency; the pool participants are mostly Offices of the United Nations Secretariat away from Headquarters who may have surplus of Euros from their operations.

68. As at 31 December 2014, the Cash Pools held total assets of $9,608.8 million; of this amount $250.4 million was due to the UNFCCC. The net income to the UNFCCC from the Cash Pools was -$4.2 million; the net loss was due to a $5.6 million foreign exchange loss relating to the Euro currency weakening against the United States dollar.

Summary of assets and liabilities of the Cash Pools as at 31 December 2014

(Thousands of United States dollars)	Main Pool	Euro Pool	Total
Fair value through surplus or deficit			
Short-term investments	3,930,497	97,011	4,027,508
Long-term investments	3,482,641	-	3,482,641
Total fair value through surplus or deficit investments	7,413,138	97,011	7,510,149
Loans and receivables			
Cash and cash equivalents	2,034,824	48,819	2,083,643
Accrued investment income	14,842	119	14,961
Total loans and receivables	2,049,666	48,938	2,098,604
Total carrying amount of financial assets	9,462,804	145,949	9,608,753
Cash Pool liabilities			
Payable to UNFCCC	185,012	65,383	250,395
Payable to other Cash Pool participants	9,277,792	80,566	9,358,358
Total liabilities	9,462,804	145,949	9,608,753
Net assets	-	-	-

Summary of net income and expenses of the Cash Pools

(Thousands of United States dollars)	Main Pool	Euro Pool	Total
Investment revenue	62,511	132	62,643
Financial exchange gains/(losses)	(7,064)	(14,396)	(21,460)
Unrealised gains/(losses)	(3,084)	9	(3,075)
Bank fees	(214)	(2)	(216)
Net income from Cash Pools	52,149	(14,257)	37,892

69. United Nations Treasury is responsible for investment and risk management for the Cash Pools including conducting investment activities in accordance with the Guidelines.

70. The investment management objectives are to preserve capital and ensure sufficient liquidity to meet operating cash requirements while attaining a competitive market rate of return on each investment pool. Investment quality, safety and liquidity are emphasised over the market rate of return component of the objectives. An Investment Committee periodically evaluates investment performance and assesses compliance with the Guidelines and makes recommendations for updates thereto.

Financial risk management: credit risk

71. The Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible investments may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The Cash Pools do not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.

72. The Guidelines require that investments not be made in issuers whose credit ratings are below specifications, and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made. The credit ratings used are those determined by major credit-rating agencies; Standard & Poor's, Moody's and Fitch are used to rate bonds and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At the year-end the credit ratings were:

Investments of the Cash Pools by credit ratings as at 31 December 2014

(Thousands of United States dollars)

Main Pool	*Ratings*
Bonds	S&P: 31.2% AAA, 59.8% AA+/AA/AA- and 1.3% A+; 7.7% not rated by S&P; Moody's: 69.3% Aaa and 30.7% Aa1/Aa2/Aa3; Fitch: 52.2% AAA, 21.4% AA+/AA/AA- and 26.4% not rated
Discounted instruments	S&P: 100% A-1+; Moody's: 70.0% P1 and 30.0% not rated; Fitch: 90.0% F1+ and 10.0% not rated
Term deposits	Fitch: 64.1% aa- and 35.9% a+/a/a-
Total investments	

Euro Pool	*Ratings*
Bonds	S&P: 100% AA+; Moody's: 100% Aaa; Fitch: 100% not rated
Term deposits	Fitch: 22.1% aa- and 77.9% a+/a/a-
Total investments	

73. UN Treasury actively monitors credit ratings and given that the Organization has invested only in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations, except for any impaired investments.

Financial risk management: liquidity risk

74. The Cash Pools are exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. It maintains sufficient cash and marketable securities to meet participants' commitments as and when they fall due. The major portion of cash and cash equivalents and investments are available within one day's notice to support operational requirements. Cash Pool liquidity risk is therefore considered to be low.

Financial risk management: Interest rate risk

75. Fixed-rate cash and cash equivalents and investments are the Organization's interest bearing financial instruments. As at the reporting date, the Cash Pools invested primarily in securities with shorter terms to maturity, with the maximum being less than five years. The average durations of the Main Pool and the Euro Pool were 1.10 years and 0.22 years respectively, which are considered to be an indicator of low risk.

Cash Pool interest rate risk sensitivity analysis

76. This analysis shows how the fair value of the Cash Pools as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. As these investments are accounted for at FVTSD, the change in fair value represents the increase/decrease of the surplus or deficit and Net Assets. The impact of a shift up or down of up to 200 basis points in the yield curve is shown (100 basis points equals one per cent). These basis point shifts are illustrative.

Cash Pools interest rate risk sensitivity analysis as at 31 December 2014

Shift in yield curve

Basis points	-200	-150	-100	-50	0	50	100	150	200
Increase / (decrease) in fair value (Millions of USD):									
Main Pool	205.5	154.1	102.7	51.4	-	(51.3)	(102.7)	(154.0)	(205.3)
Euro Pool	0.6	0.5	0.4	0.1	-	(0.1)	(0.3)	(0.5)	(0.6)
Total	206.1	154.6	103.1	51.5	-	(51.4)	(103.0)	(154.5)	(205.9)

Other market price risk

77. The Cash Pools are not exposed to significant other price risk, as they do not sell short, or borrow securities, or purchase securities on margin, which limits the potential loss of capital.

78. Accounting classifications and fair value – Cash Pool.

79. The carrying value of investments carried at FVTSD is fair value. For cash and cash equivalents, carrying value is a fair approximation of fair value.

Fair value hierarchy

80. The table below presents financial instruments carried at fair value, by the fair value hierarchy levels. The levels are defined as:

81. Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (i.e. derived from prices). Level 3: Inputs for the asset or liabilities that are not based on observable market data (that is, unobservable inputs).

82. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian based on valuation of securities sourced from third-parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held in the Cash Pools is the current bid price.

83. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques which maximise the use of observable market data. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2.

84. The following fair value hierarchy presents the Cash Pool assets that are measured at fair value at the reporting date. There were no Level 3 financial assets nor any liabilities carried at fair value or any significant transfers of financial assets between fair value hierarchy classifications.

Fair value hierarchy
(Thousands of United States dollars)

Financial assets at fair value through surplus or deficit	**Level 1**	**Level 2**	**Total**
Main Pool			
Bonds - Non-US Agencies	2,154,956	-	**2,154,956**
Bonds - Non-US Sovereigns	691,489	-	**691,489**
Bonds - Supranationals	440,169	-	**440,169**
Bonds - United States Treasuries	1,297,290	-	**1,297,290**
Discounted Instruments	999,234	-	**999,234**
Term Deposits	-	1,830,000	**1,830,000**
Sub-total Main Pool	**5,583,138**	**1,830,000**	**7,413,138**
Euro Pool			
Bonds - Non-US Sovereigns	6,157	-	**6,157**
Term Deposits	-	90,854	**90,854**
Sub-total Euro Pool	**6,157**	**90,854**	**97,011**
Total Cash Pools	**5,589,295**	**1,920,854**	**7,510,149**

Summary Financial Instruments

(in thousands of USD)	*31 Dec 2014*
Cash and cash equivalents	61 728
Short-term investments	120 649

Long-term investments	68 092
Accounts receivable	8 742
Accounts payable	-1 409
TOTAL financial instrument	**257 802**

85. The carrying amounts of the contributions receivable are denominated in the following currencies:

(in thousands of USD) as at 31 Dec 2014	*Indicative Contributions*	*Voluntary Contributions*
USD	274	1 267
EUR	7 236	
TOTAL contributions receivable	**7 510**	**1 267**

Receivables past due (in thousands of USD)	*Indicative Contributions*	*Voluntary Contributions*
Up to 1 year	4 739	1 267
1 to 2 year	1 099	
2 to 3 years	609	
Above 3 years	1 064	
TOTAL receivables past due at 31 December 2014	**7 510**	**1 267**

Provision for impaired receivables (in thousands of USD)	*Indicative Contributions*	*Voluntary Contributions*
As at 1 Jan 2014	576	0
Less receivables written off during the year	0	
Increase in provision during 2014	221	
As at 31 Dec 2014	**797**	**0**

Note 6: Cash and cash equivalents, short-term and long-term investments

Cash and cash equivalents (in thousands of USD)	*31 Dec 2014*	*1 Jan 2014 (restated)*
Cash at bank and on hand	74	254
Cash held in cash pools	61 654	61 480
TOTAL Cash and cash equivalents	**61728**	**61734**

(in thousands of USD)	*31 Dec 2014*	*1 Jan 2014 (restated)*
Short-term investments (cash pool)	120 649	108 583
Long-term investments (cash pool)	68 092	106 385
TOTAL Investments	**188 741**	**214 968**

86. Most of UNFCCC cash forms part of a cash pools that are maintained and managed by the UN Treasury. The cash pools comprise UNFCCC's participating share of cash and term deposits, short term and long term investments and accrual of investment income, all of which are managed in the pool. Of the total amount on deposit in the cash pools at the reporting date US$ 230,751 at 31 December 2014 (US$197,024 at 1 January 2014) were held as funds-in-trust on behalf of the Green Climate Fund.

Note 7: Accounts receivable

Accounts receivable (all amounts in thousands of USD)	*31 Dec 2014*	*1 Jan 2014 (restated)*
Indicative contributions due from Parties to the Convention, the Kyoto Protocol and the International Transaction Log		
Current	7 510	6 017
Less provision for doubtful debts	-797	-516
Subtotal for indicative contributions	**6 713**	**5 501**
Voluntary contributions		
Current	1 020	400
Non-current	247	400
Subtotal voluntary contributions	**1 267**	**800**
Other receivables (current)	762	1339
TOTAL Account Receivable	**8 742**	**7 640**

87. Indicative contributions reflects the contributions receivable from Parties to the Convention to fund the Core Budget, contingent budget for Conferences and the International Transactions log in accordance with the Financial Procedures adopted by the COP. Current voluntary contributions receivable are for confirmed contributions that are due within twelve months from the reporting date. Other receivables represent amounts invoiced to member governments, other UN agencies and individuals for services provided. Provisions have been established covering indicative contributions receivables and other receivables equal to 50% of amounts outstanding for more than three but less than four years and 100% of amounts outstanding for more than four years. For the calculation of the IPSAS opening balances, provisions were established for amounts outstanding at 1 January 2014.

Note 8: Other current assets

88. Other current assets consist of the following

	31 Dec 2014	*1 Jan 2014 (restated)*
Prepayments	1 591	4 184
CDM Loan Scheme Advance	6 219	5 272
Project Clearing	1 351	108

Travel Advances	514	40
Education Grant Advances	1 139	1 157
TOTAL	**10 814**	**10 761**

Note 9: Property, plant and equipment

	Vehicles	Communication & IT equipment	Furniture & Machinery	Total
Cost				
At 1 January 2014 (restated)	37	2 621	45	2 703
Additions		186		186
Disposal				
Translation				
At 31 December 2014	**37**	**2 807**	**45**	**2 889**
Accumulated depreciation				
At 1 January 2014 (restated)	30	1 423	30	1 483
Depreciation during the year	1	479	3	483
Disposal				
Translation				
At 31 December 2014	**31**	**1 902**	**33**	**1 966**
Net Book Value				
At 31 December 2014	**6**	**905**	**12**	**923**
At 31 December 2013	7	1 198	15	1 220

89. Opening balances of property, plant and equipment (PP&E) have been initially recognised at cost less accumulated depreciation as of 1 January 2014.

90. Assets are reviewed annually to determine if there is any indication that assets may be impairment in their value. During 2014 there was no indication for any equipment being impaired.

Note 10: Intangibles

(in thousands of USD)	*Internally developed software*
Opening balance 1 Jan 2014	-
Additions	1 232
At 31 Dec 2014	**1 232**
Accumulated Amortization 1 Jan 2014	-
Amortization 2014	8
At 31 Dec 2014	**8**
Net book Value 31 Dec 2014	1 224
Net book Value 01 Jan 2014	-

91. UNFCCC has utilized the transition provision in IPSAS 31 and the value of intangibles assets has been recognized prospectively beginning with costs incurred on or after 1 January 2014.

Note 11: Payables and Accruals

In thousands of USD	*31 Dec 2014*	*1 Jan 2014 (restated)*
Vendor payables	710	1 798
Payables due to funding sources	0	658
CDM/JI withdrawals and rejections	699	331
Accruals for goods and services	3 925	4 328
Repatriation grant payable	95	306
TOTAL payables and accruals	**5 429**	**7 422**

92. Payables to vendors relate to amounts due for goods received and services rendered for which payment has not yet been made.

93. Payables to donors represent unspent contributions for closed projects pending refund.

94. Accruals are liabilities for goods and services that have been received or provided to UNFCCC during the year which have not yet been invoices by suppliers.

Note 12: Advance receipts and deferred revenue

In thousands of USD	*31 Dec 2014*	*1 Jan 2014 (restated)*
Conditional voluntary contributions	3 804	2 170
Indicative contributions received in advance	2 902	3 384
CDM fees received in advance	1 798	2 326
Other advance receipts	85	57
Subtotal Current Advance receipts	***8 589***	***7 937***
Conditional voluntary contributions (long term)	247	400
TOTAL	**8 836**	**8 337**

95. UNFCCC recognizes a liability in cases where conditions are attached to voluntary contributions. Conditions are imposed by donors on the use of contributions, and include both an obligation to use the donation in a specified manner and an obligation to return any amount not expended in accordance with performance specified by the donation. The amount recognised as a liability is the best estimate of the amount that would be required to settle the obligation at the reporting date. As UNFCCC satisfies the conditions on voluntary contributions through performance in the specified manner, the carrying amount of the liability is reduced and an amount of revenue equal to that reduction is recognised.

96. Voluntary contributions received in advance include amounts received before an agreement is reached on the allocation of the contribution.

97. Indicative contributions received in advance include amounts received before the actual due date established by the Financial Procedures.

98. CDM and JI fees unearned represent fees received for which UNFCCC has not completed the delivery of all of the services for which the fee has been charged.

Note 13: Employee Benefits

99. The employee benefit liabilities outstanding at the reporting date are as follows:

(in thousands of USD)	31 Dec 2014	1 Jan 2014 (restated)
Current employee benefit liabilities		
After service health insurance	149	99
Repatriation grant	829	826
Annual leave	431	457
Death benefit	14	13
Home leave travel	659	552
US tax reimbursement	439	407
Total current employee benefit liabilities	**2 521**	**2 354**
After service health insurance	78 575	47571
Repatriation grant	10 644	9439
Annual leave	6 015	4836
Death benefit	172	151
Home leave travel	76	158
Total non-current employee benefit liabilities	**95 482**	**62 155**
Total employee benefit liabilities	**98 003**	**64 509**

100. The methodology for estimating the amounts of each liability is as follows:

101. *Education grant*: Internationally recruited staff members are eligible for partial reimbursement of the amounts paid for the education of dependent children up to maximum allowances established by the International Civil Service Commission (ICSC). The liability relates to the amount earned but not claimed at the reporting date.

102. *Home leave:* Non-locally recruited UNFCCC staff are entitled to reimbursement for the costs of travel to their home country in the second year after their initial appointment and thereafter, every second year. The liability recorded has been calculated proportionately reflecting the number of months relates to the value of home leave entitlements that have been earned by officials since their last entitlement but not taken at the reporting date.

103. *US taxes:* American citizens that are officials of UNFCCC are reimbursed for the amount of income taxes payable on the compensation they earn from the organization.

104. *Annual leave:* In accordance with UN Staff Rules and Staff Regulations, UNFCCC staff may accumulate annual leave of up to 60 working days which is payable on separation from service.

105. *Repatriation grant and travel:* In accordance with UN Staff Rules and Staff Regulations, non-locally recruited UNFCCC staff are entitled to a grant calculated based on length of services and family status on separation from service if they have completed at least one year of service outside their home country. In addition, non-locally recruited UNFCCC staff are entitled to reimbursement of travel and transport of

personal effects on separation for themselves, their spouse and their dependent children.

106. *After Service Health Insurance (ASHI):* Staff members (and their spouses, dependent children and survivors) retiring from service at the age of 55 or later are eligible for ASHI coverage if they have contributory health insurance coverage prior to retirement for at least five years of service for staff hired before 1 July 2007 and ten years of service for staff hired after 1 July 2007. Staff hired before 1 July 2007 who retire with less than ten years but more than 5 years of covered receive unsubsidized coverage until enrolled for 10 years at which time the coverage is subsidized. UNFCCC's liability for ASHI is calculated as the residual liability after deducting contributions from retirees and a portion of the contribution from active staff. For 2014, the gross liability was calculated by the actuary as $78.7 million net of contributions from plan participants.

107. An actuarial valuation at 31 December 2013 was utilized for the calculation of the opening balance liabilities for after-service health insurance, repatriation grants and travel, accumulated leave and death benefits. An actuarial valuation at 31 December 2014 carried out in 2014 has been utilized to determine the UNFCCC's estimated liability and expenses recognized on the Statements of Financial Performance and Financial Position for repatriation grants and travel, death benefit, accumulated leave and after-service health insurance at the reporting date.

108. Each year, the UNFCCC reviews and selects assumptions and methods that will be used by the actuaries in the valuation to determine the expense and contribution requirements for the UNFCCC's after-service medical care plans and separation benefit plans. The discount rate is determined by calculating the expected benefit payments for each future year attributable to past service as of the valuation date and then discounting these benefit payments using spot rates for high quality corporate bonds. A single equivalent discount rate was then determined that resulted in the same past service obligation. The resulting single discount rate was rounded to the nearest 1/2 basis point.

109. The following assumptions and methods have been used to determine the value of after-service medical care liabilities for the UNFCCC at 31 December 2014:

Key financial assumptions	***ASHI***	**Repatriation Grant & Travel**	**Annual Leave**	**Death Benefit**
Discount rate at beginning of period	1.98%	3.77%	4.09%	3.56%
Discount rate at end of period	0.90%	3.10%	3.32%	2.96%
General inflation rate at beginning of period		2.50%		
General inflation rate at end of period		2.25%		
Salary increase rate at beginning and end of period	Based on the age of staff member calculated separately for professional and general service staff			
Healthcare cost trend rate at beginning of period	5.00%			
Healthcare cost trend rate at end of period	5.00%			

110. The effect of a one per cent change in the health trend rate on UNFCCC's defined benefit obligation for ASHI is as follows:

Impact of change in medical trend rate (in thousands of USD)	Change	After service health insurance
On total defined benefit obligation	1%	29 059
	-1%	-20 424
On current service cost and interest cost component of liability	1%	5 059
	-1%	3 637

111. The liabilities established for defined benefit obligations and the net service costs for 2014 are as follows:

(Thousands of United States dollars)	**ASHI**	**Repatriation Grant & Travel**	**Annual Leave**	**Death Benefit**
Reconciliation of defined benefit obligation				
Defined benefit obligation, beginning of year	47 670	10 265	2 139	157
Adjustment to opening balance to reflect change in valuation methodology recognized in net assets			3 154	7
Sub total adjusted opening balance	**47 670**	**10 265**	**5 293**	**164**
Current service cost	6 239	807	765	17
Interest cost	921	439	229	6
Benefits paid (net of participant contribution)	- 101	- 863	- 478	- 14
Liability (gain)/loss due to actuarial assumptions and experience recognised in net assets	23 995	825	637	13
Total liability recognized on Statement of Financial Position	**78 724**	**11 473**	**6 446**	**186**
Annual expense for calendar year				
Current service cost	6 239	807	765	17
Interest cost	921	439	229	6
Benefits paid (net of participant contribution)	- 101	- 863	- 478	- 14
Total charge/(credit) recognized on statement of financial performance	**7 059**	**383**	**516**	**9**
Estimated benefit payments net of participant contributions payable in 2015	148	858	447	15
Cumulative amount of actuarial (gain)/loss recognized in net assets				
Amount at beginning of year				
Adjustment to opening balance to reflect change in valuation methodology recognized in net assets			3 154	7
Liability (gain)/loss due to actuarial assumptions and experience recognised in net assets	23 995	825	637	13
Total portion of cumulative liability recognized in net assets at end of year	**23 995**	**825**	**3 791**	**20**

112. Under IPSAS 25, the liabilities for ASHI, repatriation grant and travel, death benefit and accumulated leave are considered unfunded and, therefore, no fair value of plan assets has been recognized and the entire ASHI liability is recognized as a liability of the UNFCCC.

113. Beginning in 2014 with the adoption of IPSAS, interest cost and current service cost related to the defined benefit obligation for ASHI liability, repatriation grant and travel, death benefits and accumulated leave are recognized on the statement of financial performance as a component of staff costs. Actuarial gains or losses for defined benefits plan results from changes in actuarial assumptions or experience adjustments including experience adjustments are directly recognized in the

consolidated statement of changes in net assets. The balance of each provision is reviewed annually and adjusted to reflect actual experience.

114. Short-term employee benefit liabilities for education grants and home leave are recognized at an undiscounted amount. Short-term compensated absences are recognized, as employees earn their entitlement to future compensated absences through rendering a service to the UNFCCC. For non-accumulating compensating absences an expense is recognized when the absence occurs.

United Nations Joint Staff Pension Fund (UNJSPF)

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

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

117. The latest actuarial valuation was performed as of 31 December 2013. The valuation revealed an actuarial deficit of 0.72% (1.87% in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2013 was 24.42% of pensionable remuneration, compared to the actual contribution rate of 23.7%. The next actuarial valuation will be conducted as of 31 December 2015.

118. At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127% (130% in the 2011 valuation). The funded ratio was 91.2% (86.2% in the 2011 valuation) when the current system of pension adjustments was taken into account.

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

120. In December 2012 and April 2013, the General Assembly authorized an increase to age 65 in the normal retirement age and in the mandatory age of separation respectively for new participants of the Fund, with effect not later than from 1 January 2014. The related change to the Pension Fund's Regulations was approved by the General Assembly in December 2013. The increase in the normal retirement age is reflected in the actuarial valuation of the Fund as of 31 December 2013.

121. During 2014, contributions paid to UNJSPF amounted to $8.1 million ($7.6 million in 2013). Expected contributions due in 2015 are about $7.5 million.

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

Note 14: Provisions

123. Provisions relate to legal claims and claims before the United Nations Tribunals responsible for hearing claims presented by present and former employees. There are no claims currently pending before these tribunals that could impact on UNFCCC.

Note 15: Other current liabilities:

124. Funds held in trust represent a grant from the World Bank covering resources for the Green Climate Fund temporary secretariat. The funds are held in the UN Treasury and included in the cash and cash equivalent balance disclosed in Note 6 above. The Fund is an independent entity not consolidated into the financial statements of UNFCCC.

	31 Dec 2014	*1 Jan 2014 (restated)*
Funds held in trust for the Green Climate fund	231	197
Interfund liability (UNOG)	6 714	
TOTAL	**6 945**	**197**

Note 16: Revenue

125. Indicative contributions are contributions received from Parties to the Convention toward funding the Core Budget the International Transaction Log under the Financial Procedure, based on the United Nations scale of assessment. The contributions are based on a biennium budget adjusted for changes in exchange rates and post adjustments and are recognized as of the first day of the year to which they relate. Indicative contributions are considered to be without conditions.

Indicative Contributions 2014	*in thousands of USD*
Core budget to the convention	33 825
International transaction log	3 780
TOTAL	**37 605**

126. Voluntary contributions are recognised as revenue at the point of signature except where such agreement contains a condition in which case recognition as revenue is deferred until the conditions specified in the donor agreement have been satisfied.

Voluntary Contributions 2014	*in thousands of USD*
Voluntary contribution to the core budget	1 041
Participation trust fund	3 557
Trust fund for supplementary activities	18 532
Clean Development Mechanism	12
Special annual contribution from the host country	2 428
Special account for activities under the host country agreement	6 144
TOTAL	**31 714**

127. Fee income includes charges for the Clean Development Mechanism (CDM) and Joint Implementation (JI).

Fee income	*in thousands of USD*
CDM fees	9 685
JI fees	22
TOTAL	**9 707**

128. Income from the Clean Development Mechanism and Joint Implementation includes fee-based income to finance CDM activities consisting of

(1) accreditation and related fees from commercial bodies to become designated operational entities to validate CDM project activities. The fee is calculated on the basis of the estimated average cost per application. Entities from non-Annex I Parties may have the possibility of paying 50% of the non-reimbursable fee when they apply for accreditation, provided that they state their inability to pay the full fee at application. The remaining 50% of the fee should be paid at a later stage once and if the applicant entity is accredited and designated and starts operation. The non-reimbursable application fee is $15,000 per application. In addition, fees are received to cover the costs for the work provided by CDM accreditation team (daily fee of $400).

(2) registration fees charged for the formal acceptance by the CDM Executive Board of a validated project as CDM project activity. It is based on the expected average annual Certified Emission Reductions for the proposed project activity over its crediting period. No registration fee shall be payable for activities and programmes of activities hosted in least developed countries. No registration fee shall be payable until after the date of the first issuance of CERs in countries with fewer than 10 registered CDM project activities. The registration fee is a) $0.10 per CER issued for the first 15,000 tonnes of CO2 of the expected annual CERs; b) $0.20 per CER issued for any amount in excess of 15,000 tonnes of CO2 equivalent of the expected annual CERs. The maximum registration fee is $350,000.

(3) share of proceeds to cover administrative expenses is a) $0.10 per CER issued for the first 15,000 tonnes of CO2 equivalent for which issuance is requested in a given year; b) $0.20 per CER issued for any amount in excess of 15,000 tonnes of CO2 equivalent for which issuance is requested in a given year; (c) No share of proceeds shall be due for project activities and PoAs hosted in least developed countries. The

registration fee shall be deducted from the share of proceeds due for the issuance of CERs. In effect, the registration fee is an advance payment of the share of proceeds due for the issuance of CERs likely to be achieved during the first year.

(4) methodology fees for the proposal of a new methodology to the Executive Board for consideration and approval. The non-reimbursable methodology fee is $1,000. The fees also include accreditation fees and fees for processing verification reports to cover administrative costs relating to the activities of the Joint Implementation Supervisory Committee (JISC).

129. Programme Support Revenue is charged in line with the UN financial procedures where UNFCCC charges a standard programme support cost rate of 13% on expenditures incurred. For associate experts and EC funded projects, the rate varies from 7% to 13%.

Interest revenue	*in thousands of USD*
Investment income – Interest earned	1 446
TOTAL	**1 446**

130. Services in kind are not recognised in the face of the financial statements

131. Exchange revaluation differences represent gains realized on transactions occurring in currencies other than US dollars and unrealized losses resulting from revaluation of monetary assets.

Note 17: Expenses

(in thousands of USD)	*2014*
Personnel expenditure	71 935
Travel	12 074
Contractual services	9 929
Operating expenses	12 322
Other expenses	2 251
Depreciation of equipment	483
Amortization of intangible assets	8
Return of donor funding	1 377
Loss on foreign exchange	8 089
TOTAL	**118 468**

132. Employee salaries, allowances and benefits are for all International and national staff expenses such as salaries, post adjustments, entitlements, pension and health plan contributions for professional and general service category staff. It also includes temporary staff expenses such as costs relating to the employment of temporaries and supernumeraries.

133. Non-employee compensation and allowances cover the cost of contracting with individual experts and consultants, including insurances and travel expenses.

134. Travel covers the cost of airfare and other transport cost, daily support allowances and terminal allowances.

Breakdown of operating expenses (in thousands of USD)	*2014*
Maintenance	6 554
Joint activities	2 012
Rent	2 939
Communications	434
Other operating expense	383
TOTAL	**12 322**

Note 18: Reserves

135. A reserve is established for the Core Budget and the Budget of the International Transaction log as part of the adoption of the budget by the COP. For the CDM trust fund, a reserve of $45 million has been established. The total reserves at the reporting date amount to $48.0 million.

Reserves as at 31 Dec 2014	
Reserves for Core Budget and ITL	2 961
CDM trust fund reserve	45 000
Reserve for appendix D	760
TOTAL Reserves	**48 721**

Note 19: Fund Accounting and Segment Reporting

136. The UNFCCC is a single purpose entity established by the Parties to the Convention and the United Nations as the joint technical cooperation agency for business aspects of trade development. The UNFCCC has one major mandate to assist the signatories of the UN Framework Convention on Climate Change to limit average global temperature increases and the resulting climate change, and to cope with whatever impacts are inevitable in part through enforcing the legally binding emission reduction targets established in the Kyoto Protocol. It, therefore, does not have segments as defined under IPSAS.

137. However, to provide essential information to senior management and owners on the utilization of resources by funding source, separate funds have been established to reflect the major funding sources of UNFCCC as follows:

- Trust fund for the Core Budget of UNFCCC financed from indicative contributions (or general purpose contributions from donors) supports the core functions of the secretariat;

- Trust fund for the Participation in the UNFCCC process financed from voluntary contributions supports participation of representatives from eligible developing country Parties and Parties with economies in transition in the sessions of the Conference of the Parties and its subsidiary bodies;

- Trust fund for Supplementary activities financed from voluntary contributions including both bilateral funds involving the UNFCCC, a donor and often a recipient government and programmes to which multiple donors make voluntary contributions supports mandated activities for which provisions are not made under the Core budget;

- Trust fund for the Clean Development Mechanism financed from fees charged for registration of projects support the administration of the clean development mechanism enabling parties to meet their emission limitation and reduction commitments by using certified emission reductions (CERs) generated from CDM projects;

- Trust fund for the International transactions log (ITL) financed from indicative contributions (or general purpose contributions from donors). The ITL to verify the validity of transactions undertaken by national registries of Parties of Annex B of the Convention and CDM registry. The ITL takes a central role between registries and is an essential component of the settlement infrastructure for emissions trading under the Kyoto Protocol;

- Trust fund for the Special Annual Contribution from the Government of Germany financed from a voluntary contribution from the government in which the UNFCCC headquarters is located. Funds are used to finance the logistical arrangements of events taking place in Germany including workshops and sessions of the subsidiary bodies;

- Special account for Programme Support Costs financed from charges made to the projects financed from voluntary contributions used to manage the overhead charges payable on all trust funds to cover costs relating to administrative services;

- Special account for conferences and other recoverable costs financed from voluntary contributions used to finance costs associated with the hosting of the Conference of the Parties under the host country agreement. Balances in this account are refunded to the host country.

- End of service and post employee benefits fund not currently financed;

138. All funds elimination includes revenue and expense arising from transfers between funds which are accounted for at cost and are eliminated on consolidation.

ASSETS	Trust fund for the Clean development mechanism	Trust fund for the Core Budget of UNFCCC	Trust fund for participation in the UNFCCC process	Trust fund for the Special Annual Contribution from the Government of Germany	Trust fund for Supplementary Activities	Trust fund for the International Transaction Log	Special account for conferences and other recoverable costs	Special account for UNFCCC programme support costs	UNFCCC Employee liabilities fund	TOTAL
Current Assets										
Cash and cash equivalents	36 308	2 119	991	75	14 488	2 155	1 563	4 030		61 728
Short-term investments	70 415	4 066	1 963	148	28 824	4 214	3 096	7 923		120 649
Indicative contributions receivable	0	6 706				7				6 713
Other receivables	140	61	211	1	1 265		86	17		1 782
Other current assets	7 530	909	2	10	1 638	17	334	375		10 814
Total current Assets	114 393	13 862	3 166	233	46 214	6 393	5 080	12 346		201 686
Non-current assets										
Other receivables					247					247
Long-term investements	61 563	93	283	24		2 475	462	3 192		68 092
Propery, plant and equipment	84	114			325		369	31		923
Intangible assets	337	386			501					1 224
Total non-current assets	61 984	593	283	24	1 073	2 475	831	3 222		70 486
TOTAL ASSETS	**176 376**	**14 454**	**3 449**	**257**	**47 288**	**8 868**	**5 910**	**15 568**		**272 172**
LIABILITIES										
Current Liabilities										
Payables and accruals	1 443	863	346	0	1 213	514	535	515		5 429
Advance receipts	1 798	2 341	53		3 804	554	39			8 589
Employee benefits	357	509		16	108	7	3	98	1 423	2 521
Provisions										
Other current liabilities	1 623	930	87	94	3 301	187	123	601		6 945
Total non-current liabilities	5 221	4 643	486	110	8 426	1 262	699	1 214	1 423	23 484
Non-current liabilities										
Employee benefits	39	31			3	0		2	95 406	95 482
Advance receipts					247					247
Total non-current liabilities	39	31			251	0		2	95 406	95 729
TOTAL LIABILITIES	5 259	4 675	486	110	8 677	1 262	699	1 216	96 829	119 213
NET ASSETS										
Accumulated surpluses/(deficits)	126 117	6 337	2 963	147	38 611	7 328	5 211	14 352	(96 829)	104 237
Reserves	45 000	3 443				278		0		48 721
TOTAL NET ASSETS	171 117	9 779	2 963	147	38 611	7 606	5 211	14 352	(96 829)	152 959
TOTAL LIABILITIES AND NET ASSETS/EQUITY	**176 376**	**14 454**	**3 449**	**257**	**47 288**	**8 868**	**5 910**	**15 568**		**272 172**

REVENUE	Trust fund for the Clean development mechanism	Trust fund for the Core Budget of UNFCCC	Trust fund for participation in the UNFCCC process	Trust fund for the Special Annual Contribution from the Government of Germany	Trust fund for Supplementary Activities	Trust fund for the international Transaction Log	Special account for conferences and other recoverable costs	Special account for UNFCCC programme support costss	UNFCCC Employee liabilities fund	Elimination	TOTAL
Indicative contributions		33 824				3 780					37 605
Voluntary contributions	13	1 041	3 557	2 428	18 532		6 144				31 714
CDM and JI service fees	9 685				22						9 707
Interest Revenue	1 105	25	18	2	153	49	13	81			1 446
Other/miscellaneous revenue	(8)	345	(3)		69		(8)	86			480
Programme support income								10 822		(10 822)	
TOTAL REVENUE	10 795	35 235	3 572	2 430	18 775	3 830	6 149	10 988		(10 822)	80 952
EXPENSES											
Personnel expenditure	20 049	24 978		729	8 375	801	450	8 585	7 967		71 935
Travel	1 981	906	5 117	86	569	6	3 384	25			12 074
Contractual services	1 368	2 785		2	2 800	2 072	153	748			9 929
Operating expenses	3 343	1 605	(27)	1 330	3 725	83	648	1 616			12 322
Other expenses	104	631		20	133		4	1 352			2 251
Depreciation of equipment	31	155			138		157	2			483
Amortization of intangible assets					8						8
Return of donor funding	649			29	262		436				1 377
Loss on foreign exchange	398	3 159	107	113	3 294	277	155	586			8 089
Programme support	3 425	3 819	677	283	2 233	390				(10 822)	(0)
Expenditure offsets unallocated				0	0	(0)	(0)	(0)			0
TOTAL EXPENSES	31 349	38 039	5 875	2 593	21 538	3 629	5 387	12 914	7 967	(10 822)	118 468
TOTAL SURPLUS/(DEFICIT)	(20 554)	(2 804)	(2 303)	(163)	(2 762)	201	762	(1 926)	(7 967)	0	(37 516)

Note 20: Budget Comparison and Reconciliation

UNFCCC's budget is prepared on a modified cash accounting basis and the financial statements are prepared on a full accrual basis in accordance with IPSAS. Statements V-A, V-B-V-C. The budgets are adopted on a biennial basis and divided into annual amounts for presentation in the financial statement. Comparison of budget and actual amounts compares the final budget to actual amounts calculated on the same basis as the corresponding budgetary appropriations. The comparison is only made in respect of budgets adopted by the COP and CMP.

The actual amounts presented on a comparable basis to the budget are not prepared on a comparable basis to the Statement of Financial Performance. A reconciliation of the budgetary amounts to the amounts presented on the financial statements, identifying separately any basis, entity differences. There may also be differences in formats and classification schemes adopted for presentation of financial statements and the budget.

Basis differences capture the differences resulting from preparing the budget on a modified cash basis. In order to reconcile the budgetary results to the net results on an IPSAS basis the non-cash elements such as un-liquidated obligations, payments against prior year obligations and outstanding assessed contributions are included as basis differences.

Presentation differences are differences in the format and classification schemes in the Statement of Financial Performance and the Statement of Comparison of Budget and Actual Amounts.

Entity differences represent funds other than Core budget, International Transactions Log and Contingent budget for conference services that are reported in the Statement of Financial Performance.

The reconciliation between the actual amounts presented in statements V-A, V-B and V-C and the actual amounts presented on the Statement of Financial Performance is as follows:

Reconciliation of net result on budgetary and IPSAS basis	
Actual net result on the Statement of budgets to actual comparison	
Statement V-A Core Budget	253
Statement V-B International Transaction Log	219
Statement V-C Contingent budget of conference services	
Actual net result on budgetary basis	472
Presentation differences	
Additional income components under IPSAS	1 523
Exchange losses	(3 436)
Conversion of unliquidated obligations to delivery principle	(1 221)
Capitalization of equipment & intangible assets	298
Changes in provision for doubtful debts	(281)
Changes in employee benefit provisions	43
Sub-total presentation differences	(3 075)
Entity differences on IPSAS Basis	
Participation in UNFCCC process	(2 303)
Supplementary activities	(2 762)
Clean development mechanism	(20 554)
Special contribution from Germany	(163)
Special account for converences	762
Programme support costs	(1 926)
End of service and post-employment benefits	(7 967)
Sub-total entity differences	(34 913)
Actual net result on the Statement of Financial Performance	(37 516)

Note 21: Budget to Actual variance analysis

139. Explanations of material differences between the original budget and final budget and, final budget and the actual amounts are presented in the financial report from the Executive Secretary accompanying these statements.

Note 22: Related Parties

140. Except otherwise noted in these statements for revenue from non-exchange transactions including contributions in kind, all transactions made with 3rd parties occur within a normal supplier or client/recipient relationship or at arm's length terms and conditions.

141. The Organization reimburses the United Nations for the cost of all services provided at such rates as may from time to time be agreed upon for that purpose by both organizations.

142. The charges paid to the United Nations (UN Office at Geneva – UNOG) of $1.2 million for services related to security, payroll, treasury and other services are considered to be provided on a normal supplier basis. The United Nations Secretariat also provides support services on a normal supplier basis such as translation and editing of documents related to the meetings of the Conference of Parties to the Organization from its Regular Budget at a value of EUR 4.3 million in 2014.

143. The authority to establish funds is vested in the Secretary General of the United Nations with the approval of the Conference of the Parties. All

such funds must be consistent with the objectives of the UN Convention on Climate Change. The termination of any existing fund by the Conference of the Parties and the distribution of any remaining fund balance is subject to consultation with the Secretary General of the United Nations.

Number of individuals [a]	*Aggregate remuneration (in thousands of USD)*	*Outstanding advances at 31 Dec 2014 (in thousands of USD)*
11	3,156	292

[a] During 2014, one member of key management personnel retired and was replaced.

144. The key management personnel of UNFCCC are the Executive Secretary, Deputy Executive Secretary and Coordinators of programmes, who have the authority and responsibility for planning, directing and controlling the activities of UNFCCC and influencing its strategic direction.

145. Advances are those made against entitlements in accordance with the staff rules and regulations. There were no loans granted to key management personnel.

Note 23: Leases and commitments and Contingencies

146. There are no contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to UNFCCC.

147. There are no contingent assets of which relate to official pledges made by donors to UNFCCC for future contributions at the reporting date.

Note 24: Events after the reporting date

148. UNFCCC's reporting date is 31 December 2014. The financial statements were authorized for issue on 31 March 2015, the date at which they were submitted to the External Auditor by the Executive Secretary. On the date of signing these accounts, there have been no material events, favourable or unfavourable, incurred between the reporting date and the date when the financial statements were authorized for issue that would have impacted these statements.

Note 25: In-kind contributions of services

149. The UNFCCC receives in-kind contributions from the government of the Federal Republic of Germany of the right to use land, office space and other facilities in its operations. The Organization has not received title to these properties which remain with the government. The facilities are provided to UNFCCC without charge. The agreement under which the facilities are provided does not entail formal cancellation policies or timelines. UNFCCC does not recognize the value of in-kind contributions of services including the financial value of the donated right to use the facilities provided by the Federal Republic of Germany on the financial statements.