United Nations

United Nations Institute for Training and Research

Financial report and audited financial statements

for the year ended 31 December 2022

and

Report of the Board of Auditors

General Assembly
Official Records
Seventy-eighth Session
Supplement No. 5E

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A/78/5/Add.5

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Report of the Board of Auditors

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Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Contents

Letters of transmittal

Letter dated 31 March 2023 from the Executive Director of the United Nations Institute for Training and Research addressed to the Chair of the Board of Auditors

Pursuant to regulation 6.2 of the Financial Regulations and Rules of the United Nations, I have the honour to submit the 2022 annual financial statements of the United Nations Institute for Training and Research as at 31 December 2022, which I hereby approve.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) Nikhil **Seth**
Assistant Secretary-General of the United Nations
Executive Director
United Nations Institute for Training and Research

Letter dated 26 July 2023 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors, together with the financial report and the audited financial statements of the United Nations Institute for Training and Research for the year ended 31 December 2022.

(*Signed*) **Hou** Kai
Auditor General of the People's Republic of China
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Opinion

We have audited the financial statements of the United Nations Institute for Training and Research (UNITAR), which comprise the statement of financial position (statement I) as at 31 December 2022 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UNITAR as at 31 December 2022 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing and the International Standards of Supreme Audit Institutions. Our responsibilities under those standards are described in the section below entitled "Auditor's responsibilities for the audit of the financial statements". We are independent of UNITAR, in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and the auditor's report thereon

Management is responsible for the other information, which comprises the financial report for the year ended 31 December 2022, contained in chapter IV below, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

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

Those charged with governance are responsible for overseeing the financial reporting process of UNITAR.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control;

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of UNITAR;

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

(d) Draw conclusions as to the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of UNITAR to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause UNITAR to cease to continue as a going concern;

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

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

Report on other legal and regulatory requirements

In our opinion, the transactions of UNITAR 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 UNITAR.

(*Signed*) **Hou** Kai
Auditor General of the People's Republic of China
Chair of the Board of Auditors

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
(Lead auditor)

(*Signed*) Pierre **Moscovici**
First President of the French Cour des comptes

26 July 2023

Chapter II
Long-form report of the Board of Auditors

Summary

The United Nations Institute for Training and Research (UNITAR) is an autonomous United Nations body established in 1965 with the mandate to enhance the effectiveness of the United Nations through diplomatic training, and to increase the impact of national actions through public awareness-raising, education and training of public policy officials.

The Board of Auditors has completed its audit of UNITAR for the financial year ended 31 December 2022. The internal control and management audit was carried out from 27 February to 24 March 2023, and the final audit of the financial statements was performed immediately thereafter, from 27 March to 28 April 2023, both on site at headquarters in Geneva.

Scope of the report

The report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly and have been discussed with UNITAR management, whose views have been appropriately reflected.

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UNITAR as at 31 December 2022 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

The Board also reviewed UNITAR operations in accordance with financial regulation 7.5 of the United Nations, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations.

Opinion

In the Board’s opinion, the financial statements present fairly, in all material respects, the financial position of UNITAR as at 31 December 2022 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Overall conclusion

The Board identified no significant errors, omissions or misstatements from the review of financial records of UNITAR for the year ended 31 December 2022. However, the Board identified scope for improvement in the areas of financial management, budget management, programme management, project management, human resources management, management of the International Training Centre for Authorities and Leaders network and property and inventory management.

The overall financial position of the Institute as at 31 December 2022 remains sound, with high levels of capital structure ratios, which indicates that the assets are sufficient to meet the Institute's short-term and long-term liabilities.

The financial performance of UNITAR as at 31 December 2022 showed a surplus of $2.51 million, which represents a decrease compared with the surplus of $16.68 million reported in the previous year. Total revenue decreased by $12.94 million in 2022 as compared with 2021.

Key findings

The Board's key findings are as follows:

Non-recognition of implementing partners expenditures

The Board observed that advance transfers to implementing partners during 2022 had not been recognized as expenditures, amounting to $2.87 million in the corresponding financial period, even though the implementing partners had previously provided the related financial reports to the Institute and these had been certified by the programme manager. This non-recognition was due to an absence of proper communication between the parties involved.

Lack of clarity on assurance activity criteria for grant transfers to implementing partners

The Institute has not proactively requested any audit reports related to grants transferred from UNITAR to implementing partners during 2021 and 2022 as the responsibility for reporting on these matters was delegated to the implementing partners themselves. In addition, as at the date of the present review, the Institute had not yet developed key criteria that would allow management to determine what kind of assurance activities are to be conducted, or when, how and under what circumstances.

Decreasing levels of completion rates for events with objective assessment of learning

After analysing programme performance reports issued between the bienniums 2016–2017 and 2020–2021 and information extracted from the events management system in 2022, it was verified that only 25 per cent of participants in the Institute's learning programmes had been awarded completion certificates. This denotes a decreasing trend in the number of completion certificates awarded, from 42 per cent in the biennium 2016–2017 to 21 per cent in the biennium 2020–2021, running counter to the increasing number of participants at learning events during these periods. This is especially relevant for an organization such as UNITAR, one of whose main objectives is to provide and facilitate knowledge, skills and attitudes to its beneficiaries.

Main recommendations

On the basis of the audit findings, the Board recommends that UNITAR:

Non-recognition of implementing partners expenditures

(a) **Develop effective controls to ensure that the expenditures reported by the implementing partners are recognized and recorded in a timely manner;**

(b) **Improve project management by requesting and monitoring all overdue financial reports of the implementing partners in accordance with their grant-out agreement provisions;**

Lack of clarity on assurance activity criteria for grant transfers to implementing partners

(c) **Develop clear guidance on assurance activities, including but not limited to the $200,000 threshold, clear definitions and comprehensive guidance on when an assurance activity should be applied for the expenditure reported by the implementing partners, as well as establish specific criteria on when activities are to be performed internally or externally and clear guidelines for its staff to correctly perform the assurance activities when applicable;**

(d) **Define a schedule for assurance activities that allows implementing partners to be reviewed within a reasonable time frame;**

Decreasing levels of completion rates for events with objective assessment of learning

(e) **Undertake an evaluation of learning-related programming, with a view to better understanding factors driving completion and action that can be taken to further improve overall completion certificate rates in the future;**

(f) **Establish a realistic target for completion certificate rates for 2023 based on work undertaken and measure performance with the aim of increasing rates in the future.**

Follow-up of previous recommendations

The Board analysed the implementation status of 13 recommendations that were outstanding up to the year ended 31 December 2021, of which 70 per cent (9), had been fully implemented, 15 per cent (2) were under implementation and 15 per cent (2) had been overtaken by events. The Board considers that a 70 per cent implementation rate achieved in this cycle indicates the firm commitment of UNITAR to managing the recommendations arising from the audit process.

Key facts	
$43.87 million	Total revenue in 2022, including $34.25 million in voluntary contributions, $9.07 million for services rendered and $0.56 million for investment revenue.
$41.36 million	Total expenses in 2022
$2.51 million	Surplus in 2022
$54.95 million	Accumulated surpluses as at 31 December 2022
91	Staff members

A. Mandate, scope and methodology

1. The United Nations Institute for Training and Research (UNITAR) was established in 1965 as an autonomous body within the United Nations system with the purpose of enhancing the effectiveness of the United Nations through appropriate training and research. UNITAR is governed by a Board of Trustees and it is headed by an Executive Director. It does not receive contributions from the United Nations regular budget. The Institute is supported by voluntary contributions from Governments, intergovernmental organizations, foundations and other non-governmental sources.

2. The Board of Auditors audited the financial statements of UNITAR and reviewed its activities for the year ended 31 December 2022, in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations as well as the International Standards on Auditing and the International Standards of Supreme Audit Institutions. Those 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 to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNITAR as at 31 December 2022 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether the revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations.

4. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

5. The Board also reviewed UNITAR operations under financial regulation 7.5 of the Financial Regulations and Rules of the United Nations. This requires that the Board make observations with respect to the efficiency of the financial procedures, the accounting systems and the internal financial controls and, in general, the administration and management of UNITAR operations.

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

B. Findings and recommendations

1. Follow-up of previous recommendations

7. The Board analysed the implementation status of 13 recommendations that were outstanding up to the year ended 31 December 2021. As shown in table II.1, of the recommendations analysed, 70 per cent (9), had been fully implemented, 15 per cent (2) were under implementation and 15 per cent (2) had been overtaken by events. Details of the status of implementation of the recommendations from previous years are provided in the annex to chapter II.

Table II.1
Status of implementation of recommendations

Report and audit year	*Number of recommendations*	*Recommendations pending as at 31 December 2021*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Recommendations pending as at 31 December 2022*
A/73/5/Add.5, chap. II (2017)	7	1	1	–	–	–	–
A/74/5/Add.5, chap. II (2018)	7	–	–	–	–	–	–
A/75/5/Add.5, chap. II (2019)	15	–	–	–	–	–	–
A/76/5/Add.5, chap. II (2020)	8	1	1	–	–	–	–
A/77/5/Add.5, chap. II (2021)	11	11	7	2	–	2	2
Total	**48**	**13**	**9**	**2**	**–**	**2**	**2**

8. The Board considers that the 70 per cent implementation rate achieved in this cycle indicates the firm commitment of UNITAR to managing the recommendations arising from the audit process. Likewise, the Board highlights the implementation of the outstanding recommendation from 2017, which was dependent on the transition to the new Quantum enterprise resource planning system.

2. Financial overview

Financial performance

9. The total revenue reported in 2022 amounted to $43.87 million, decreasing by $12.94 million (22.78 per cent), compared with $56.81 million in 2021. The total revenue reported in 2022 is disaggregated as follows: $34.25 million (78.06 per cent) in voluntary contributions, $9.07 million (20.66 per cent) in revenue from services rendered and $0.56 million (1.27 per cent) in investment revenue.

10. Voluntary contributions from Member States decreased from $38.87 million reported in 2021 to $18.37 million in 2022 owing to lower multi-year contributions received during this period. The other voluntary contributions increased from $9.58 million in 2021 to $15.88 million in 2022.

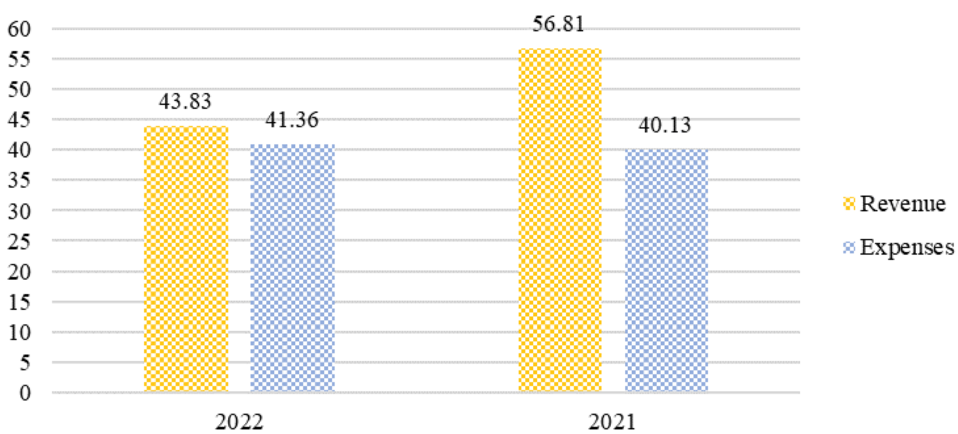
11. The revenue from services rendered increased by 0.83 million (10.07 per cent), totalling $9.07 million in 2022 compared with $8.24 million reported in 2021. This increase is due mainly to increased services to United Nations agencies related to the United Nations Satellite Centre.

12. Investment revenue in 2022 amounted to $0.56 million, increasing by $0.43 million compared with $0.13 million reported in 2021. The increase in investment revenue was due to the liquidity position and the increase in the average annual yield of 1.20 per cent in 2022 (2021: 0.32 per cent), owing to the increase in average annual profitability during 2022, with a significant increase in interest rates.

13. Total expenses increased slightly by $1.23 million (3.07 per cent), from $40.13 million in 2021 to $41.36 million in 2022. This rise is owing primarily to an increase in grants and other transfers to implementing partners for a total of $7.97 million in 2022 (2021: 6.95 million), an increase in employee salaries of a total of $14.09 million in 2022 (2021: $13.35 million) due to an increase in salary scales and post adjustment, and finally an increase in travel expenses of a total of $1.09 million (2021: 0.69 million). Increases in expenditures related to grants and other transfers were influenced mainly by the reactivation of projects after the easing of the coronavirus disease (COVID-19) pandemic restrictions, as well as the resumption of travel due to the lifting of restrictions.

14. The net surplus in revenue over expenses amounted to $2.51 million in 2022, reflecting a significant decrease of $14.17 million (85 per cent) compared with $16.68 million recorded in 2021. This difference was due mainly to differences in timing with respect to recognizing revenue and related expenditure in line with IPSAS provisions. A comparison of revenue and expenses for 2022 and 2021 is shown in figure II.I.

Figure II.I
Revenue and expenses
(Millions of United States dollars)



Source: UNITAR financial statements for 2022 and 2021.

Financial position

15. In 2022, UNITAR recorded total assets of $76.92 million, representing an increase of 4.25 per cent from $73.78 million recorded in 2021. This is due to the impact of the UNITAR investment strategy, which increased its cash and cash equivalents held in bank accounts and its investment portfolio in the money market. Likewise, other assets increased from $3.70 million in 2021 to $6.23 million in 2022, owing to a significant increase in the receivables from UNDP out of the interfund settlement of the cash pool.

16. Total liabilities amounted to $21.97 million in 2022, showing a decrease of 18.18 per cent, compared with $26.85 million in 2021. This decrease was due mainly to an actuarial gain of $5.51 million (2021: $0.58 million loss) arising from an

increase in discount rates, hence reducing the employee benefits liabilities, which is the main component of the Institute's liabilities for 2022.

17. The Institute's total net assets stood at $54.95 million in 2022, reflecting an increase of 17.08 per cent from $46.94 million reported in 2021. The increase was due mainly to the surplus for the year ($2.51 million) and the actuarial gains on employee benefits liabilities ($5.51 million).

Ratio analysis

18. The Board has reviewed the financial situation of UNITAR in accordance with the capital structure ratios, as shown in table II.2 below. The ratios indicate that assets are sufficient to meet the Institute's short-term and long-term liabilities.

Table II.2
Ratio analysis

Ratio	*31 December 2022*	*31 December 2021*	*31 December 2020*
Total assets: total liabilities[a]			
Total assets: total liabilities	3.50	2.75	2.19
Current ratio[b]			
Current assets: current liabilities	10.20	8.54	8.33
Quick ratio[c]			
(Cash + short-term investments + accounts receivable): current liabilities	8.90	7.83	7.98
Cash ratio[d]			
(Cash + short-term investments): current liabilities	5.81	4.37	5.70

Source: UNITAR financial statements.

[a] A high ratio indicates an entity's ability to meet its overall obligations.

[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; it measures the amount of cash, cash equivalents or invested funds that are in current assets to cover current liabilities.

19. The Institute's key financial indicators remain robust, as evidenced by the high ratios between current assets and current liabilities and total assets compared with total liabilities. The quick and cash ratios have increased slightly as compared with 2021, owing mainly to the increase in the cash and cash equivalents from $2.91 million in 2021 to $9.51 million in 2022. This increase is due to the investment strategy, whereby money market investments and its balance of bank accounts were mainly increased. The Institute maintains high ratios, which indicates a high level of liquidity and capacity to cover current liabilities.

3. Implementation of the new enterprise resource planning system

Migration from Atlas to Quantum

20. In 2020, a multi-year project, led by UNDP, was launched to replace the Atlas enterprise resource planning system with the Quantum cloud-based digital platform. Since 2020, the implementation of Quantum has undergone delays, owing to issues associated with data quality and preparedness and ongoing tests, inter alia.

21. During 2022, a number of processes were carried out to prepare for the launch of the enterprise resource planning system, including data conversion and payroll

testing. From March to November 2022, the Institute also participated in a user acceptance test stage.

22. It is important to highlight that Quantum went live in January 2023 with the human resources, procurement and finance modules, meaning that the accounting system that supported the preparation of the financial statements for the period ended 31 December 2022 was Atlas.

23. Considering that operations in Quantum started in 2023, the Board wishes to emphasize that the key operational processes and opening balances will be part of the scope for its audit for the year ending 31 December 2023.

4. Various corrections in the draft financial statements

24. In the audit of the draft financial statements submitted by UNITAR, various adjustments were proposed by the Board to the line items for voluntary contributions, revenue from services rendered, grants and other transfers, inter alia, which were fully addressed and amended and corrected by UNITAR in the financial statements attached to the present long-form report.

5. Financial management

Non-recognition of implementing partners expenditures

25. Administrative circular AC/UNITAR/2021/09, on policy guidelines for grant agreements to implementing partners (“grants-out”), provides in paragraph 2 that UNITAR transfers funds and entrusts the implementation of project outputs specified in a signed grant-out agreement to implementing partners. In paragraph 4, it is further specified that grants are cash transfers to support the costed activities to achieve planned results.

26. Upon conclusion of these activities, the implementing partners must provide an interim and/or final financial report based on expenditures against the agreed budgets. Consequently, programme managers’ acceptance and approval of the implementing partners financial report is required for the Finance and Budget Unit to settle advances and/or release any pending payment.

27. Harmonization of accounting between the above processes and the accrual basis, under significant accounting policies (note 3 of the financial statements), it is stated that advance transfers related to cash transferred to executing agencies and/or implementing partners are initially recognized as assets; later expenses are recognized when goods are delivered, or services are rendered by the executing agencies/ implementing partners and confirmed by receipt of certified expense reports.

28. Likewise, financial closure instructions for 2022 state that the expenditures reported by the implementing partners were to be recorded until 6 January 2023.

29. In the analysis of the draft financial statements as at 31 December 2022 submitted by UNITAR to the Board, it was noted that the advance transfers made to 16 implementing partners in 2022, amounting to $2.87 million, had not been recognized as expenditures even though these implementing partners had already provided the related financial reports to the Institute and these had also been certified by the programme manager.

30. The Board observed that the non-recognition of expenditures in the accounting records occurred owing to delayed or absence of communication between the programme manager and the Finance and Budget Unit, which must be informed of all expenditures reported by implementing partners, in order to record these in the accounting books properly.

31. In addition, the same review showed that four other implementing partners had not provided their expenditures reports in a timely manner, as required in their grant-out agreements, amounting to a total of $0.21 million.

32. Even though UNITAR proceeded to recognize the $2.87 million expenditures observed in the audit and adjusted these in the financial statements, the Board deems that the effectiveness of the relevant controls is questionable since they did not contribute to the accurate, complete and timely report of the expenditures incurred by the implementing partners or other financial records, which led to the exposed misstatements. The absence of adequate controls limits the Institute's capacity to track and monitor information with negative financial implications promptly.

33. In cases related to delayed submission of the financial reports, the Board is also of the view that more robust and proactive action needs to be taken on the overdue interim or final financial reports of the implementing partners to avoid delay in recognition of expenditures and foster adequate project management.

34. **The Board recommends that UNITAR develop effective controls to ensure that expenditures reported by the implementing partners are recognized and recorded in a timely manner.**

35. **The Board recommends that UNITAR improve project management by requesting and monitoring all overdue financial reports of the implementing partners in accordance with their grant-out agreement provisions.**

36. UNITAR accepted both recommendations.

Shortcomings in the management of the revolving loan fund

37. In accordance with article III of the UNITAR statute, which indicates that the Board of Trustees shall establish conditions and procedures for the utilization of funds from the General Fund and the Reserve Fund for the functions of the Institute, during its fifty-sixth session, in 2015, the Board approved a revolving fund of $1 million that would be ring-fenced from the non-earmarked funds and used by the Executive Director to lend funds for special purpose grant projects.

38. The procedures and provisions applying to the use of the revolving loan fund were promulgated through administrative circular AC/UNITAR/2016/12. Paragraph 4 provides that applications for the revolving loan fund need to consider for their approval the following principles and conditions, inter alia:

(a) The maximum tolerable age for an outstanding loan will be 90 days. Inability to collect receivables and repay a loan for more than 90 days will disqualify the programme area from seeking additional loans, even if there is room available in the ceiling per project and the fund;

(b) Loan requests from the revolving loan fund can also be considered in situations where the signed agreements require UNITAR to deliver results and reports, before the last tranche is paid (in the interest of the UNITAR liquidity position, such clauses should be avoided while signing agreements which require UNITAR to pre-finance the activities);

(c) The use of loans must be against "contributions receivables" (as evidenced from the signed agreements), expected to be received within no more than 45 days from the date of a loan application by the programme.

39. The Board reviewed 20 loans granted by the Executive Director that were settled or pending to be settled during 2022 under the revolving loan fund, adding up to a total amount of $887,518, and the following issues were noted:

(a) Of the 20 loans analysed, 8 (40 per cent) were repaid after the maximum tolerable age of 90 days. These cases were related to the programme areas of Chemical and Waste Management and the United Nations Satellite Centre Programme (UNOSAT), whose repayments were made between 106 and 237 days after granting;

(b) In five of the eight cases mentioned above, the delays in the loan settlement resulted from the review process for the financial report by UNITAR and the revisions made by the donors;

(c) The loan related to a project with the European Commission had an outstanding reimbursement amounting to $20,755 since January 2022. This situation was associated with long discussions regarding some of the clauses of the agreement which resulted in a delay to the formal closure of the project.

40. The Board considers that the delays in reimbursements to the revolving loan fund may indicate that the expectations for the receipt of contributions receivable are not being realistically assessed by the programme areas, thereby impacting their obligation to reimburse their loans. Likewise, the Board is of the view that compliance with procedures for the application and approval of a revolving loan fund needs to be strictly fulfilled before the loans are granted.

41. Since the revolving loan fund has limited financial resources, any delay or failure in returning these granted resources would restrict access to this financial aid to those projects that may also require it.

42. **The Board recommends that UNITAR evaluate the effectiveness of the authorization process of the revolving loan fund and ensure that all requirements for granting loans are met prior to granting pre-financing to programme areas.**

43. **The Board recommends that UNITAR ensure that all revolving loan funds be returned in accordance with the provisions established in AC/UNITAR/2016/12.**

44. UNITAR accepted both recommendations.

6. Budget management

45. Pursuant to IPSAS 24, paragraph 8, "an approved budget is not a forward estimate, or a projection based on assumptions about future events and possible management actions that are not necessarily expected to take place".

46. Likewise, IPSAS 24 paragraph 9 provides that "whatever the approval process, the critical feature of approved budgets is that the authority to withdraw funds from the government treasury or similar body for agreed and identified purposes is provided by a higher legislative body or other appropriate authority. The approved budget establishes the expenditure authority for the specified items".

47. In the case of UNITAR, the Board of Trustees is the Institute's governing body, which considers and approves the work programme and adopts the programme and general fund budget based on proposals submitted by the Executive Director. It should be noted that the general fund budget approved by the Board of Trustees is allocated in the entity's enterprise resource planning system at the beginning of the year.

48. In the same vein, the Financial Regulations and Rules of the United Nations, in rules 5.2 and 5.3, provide that appropriations should be available for commitment during the budget period to which they relate and remain available for the following 12 months. Outstanding commitments must be reviewed periodically by the certifying officer(s) responsible, and a commitment must be based on a formal contract, agreement, purchase order or other form of undertaking, or on a liability recognized by the United Nations. The expired balance of the appropriations shall be surrendered.

Absence of programme budget appropriations and allocations as approved by the Board of Trustees

49. The Board reviewed the execution of the programme budget 2022–2023 and noted that the appropriation adopted by the Board of Trustees, for a total amount of $34.2 million for programme expenditure in 2022, was not allocated in the enterprise resource planning system or any other system after its adoption by the governing body.

50. Subsequently, it was detected that the Finance and Budget Unit solely allocated the funds upon the programme units' request for allocation for each project, which occurred after a new donor agreement was signed. This means that the Institute did not allocate nor control its budget based on the period programme budget biennium 2022–2023 and considered the project implementation as an open budget period. In this regard, it should be noted that each project has a different time frame and could differ from the budget periods reported, meaning that they may not be aligned with the programme budget itself.

51. Likewise, UNITAR did not record the allocation of the programmatic budget within the period of availability to incur obligations during the financial year to which they relate; this was evidenced, for instance, in the programmes A2030, Knowledge Systems Innovations Unit, Peace-making and Conflict prevention and Strategic Framework Fund,[1] since they had a negative variation in 2022, due to unspent funds and available balances carried forward from years prior to 2022.

52. It was verified that, even though the Finance and Budget Unit monitored budget execution to ensure that there was no overutilization of the budget at the project level, there was no overall monitoring or control over the appropriations and ceilings of the programme budget adopted by the Board of Trustees.

53. It was also noted that there were open commitments which had been committed for a long-term period of five years, exceeding two programme budget periods, not yet approved by the Board of Trustees. This situation was adjusted at the request of the Board.

Variances between the final and actual programme budget

54. The Board carried out a variance analysis of the performance of programme budget implementation and noted that, over the past six years, UNITAR had significant variances between the final and actual programme budget amounts. Such overall variations range from negative 13.02 per cent to 13.04 per cent in the past six years, as shown in table II.3 below.

[1] Strategic Implementation of Agenda 2030 (A2030); Multilateral Diplomacy Programme (formerly Knowledge Systems Innovations Unit); Peacemaking and Conflict Prevention; Strategic Framework Fund.

Table II.3
Analysis of comparison of final and actual programme budget amounts, 2017–2022
(Millions of United States dollars)

Year	*Original*	*Final*	*Actual*	*Actual vs final*	*Variance (percentage)*
2022	31 105	34 184	36 159	1 975	5.80
2021	39 025	29 696	33 454	3 758	12.65
2020	36 347	27 474	30 250	2 776	10.10
2019	21 748	24 819	21 588	(3 231)	(13.02)
2018	25 841	21 715	24 062	2.347	10.81
2017	19 260	20 972	23 706	2.734	13.04
Average variations[a] over the six years					**11.00**

Source: Information extracted from the financial statement.
[a] The average variation was calculated on the basis of absolute values.

55. In this context, the Board is of the opinion that the current manner of managing and appropriating the programme budget approved by the Board of Trustees is not aligned with IPSAS 24 or the Financial Regulations and Rules of the United Nations, especially considering that appropriations should be available for commitments during the budget period.

56. The Board is also concerned about the fact that programme budget allocations adopted by the Board of Trustees do not appear in the enterprise resource planning system, which may affect UNITAR oversight and effective monitoring and control over the global programme budget appropriations, ceilings and commitments; and restrict the role and the purpose of the programme budget adopted by the Board of Trustees, as well as the usefulness of this management tool in strategic decision-making.

57. The significant variances observed in the programme budget over the past six years denote that the budgetary estimate made by UNITAR would not be realistic or effective, as evidenced through the comparison of the final[2] with the actual[3] programme budget amounts or, alternatively, the fact that approved ceiling allocations adopted by the Board of Trustees do not appear in the system, thereby not allowing budgetary control from the programme perspective, as the case may be.

58. The Board considers that more accurate estimates could help the Board of Trustees and UNITAR management to better understand all resources needed for the implementation of the mandate of the Institute and contribute to a more informed decision-making process.

59. **The Board recommends that UNITAR set up in the enterprise resource planning system the approved appropriations of the programme budget to control and monitor the allocations, commitments and ceilings as adopted by the Board of Trustees.**

60. **The Board recommends that UNITAR analyse the programme budget variances and the variables from which these originate, thus improving the formulation budgetary process.**

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[2] In IPSAS 24 "final budget" is defined as the original budget, adjusted for all reserves, carry-over amounts, transfers, allocations, supplemental appropriations and other authorized legislative or similar authority, changes applicable to the budget period.
[3] In IPSAS 24 "actual amount" is used to describe the amounts that result from execution of the budget.

61. UNITAR did not accept the first recommendation, explaining that, in the absence of an assessed budget, the programme budget is the sum of all project budgets which materialize during the budget cycle and that the allocations, commitments and ceilings which apply to an assessed budget cannot apply to the Institute.

62. The Board is of the view that the approved programme budget should be allocated regardless of how it is built, just as is done for the general fund. Therefore, the first recommendation is upheld.

63. UNITAR agreed with the second recommendation and indicated that it would continue to analyse the issue of variances.

7. Programme management

Decreasing levels of completion rates for events with objective assessment of learning

64. In accordance with the 2022–2025 strategic framework, the Institute’s mission is to develop the individual, institutional and organizational capacities of countries and other United Nations entities through high-quality learning solutions and related knowledge products and services to enhance decision-making and support country-level action to overcome global challenges. Its objectives are therefore focused on providing a wide range of training programmes.

65. Among the learning solutions, events with learning objectives clearly specify the outcome of the course, and some of these events include objective learning assessments, which helps to identify the level of knowledge or performance achieved as a result of the learning activity. Participants at the events are awarded completion certificates.

66. Administrative circular AC/UNITAR/2021/04, on certification policy, published on 8 July 2021, contains the definition of the eligibility criteria and requirements to grant certificates to its participants. The Institute awards different types of recognition to certify participants’ accomplishments in its learning-related events, which include completion certificates, inter alia. For these certificates, the administrative circular provides that these are to be awarded to “participants having successfully fulfilled all requirements of a learning-related event, including successfully passing a criterion-referenced test(s) or another knowledge-based test(s)”.

67. It is important to bear in mind that, when registering these events in the events management system,[4] the project manager must indicate whether the event has a learning outcome and an objective assessment of the learning associated. An objective learning assessment refers to the application of any evaluation(s)/test (s) with a passing criterion. When an event is classified in the system as having an objective learning assessment, the manager is responsible for informing the participants who received the completion certificates.

68. The Board analysed the number of completion certificates awarded by the Institute for its learning-related events that included an objective learning assessment. This analysis considered information included in the programme performance reports issued between the 2016–2017 and the 2020–2021 biennium, as well as information extracted from the events management system for the single year 2022.

69. In that way, it was verified that, of 251,536 participants in events recorded on the events management system as having an objective learning assessment in 2022, only 62,479 (25 per cent) were awarded completion certificates.

[4] The event management system is the official tool utilized by UNITAR to register and report the events held and the beneficiaries, their participation and certification (if appropriate).

70. It was observed that the number of beneficiaries participating in learning events had increased significantly as compared with the 2016–2017 biennium, from 35,693 participants to 453,671 in the 2020–2021 biennium. However, during the same period, the number of completion certificates awarded to the beneficiaries showed a downward trend, decreasing from 42 per cent in the 2016–2017 biennium to 21 per cent in the 2020–2021 biennium.

71. The Board considers it imperative that the Institute identify the reasons for the low percentage of completion of courses over time and take appropriate remedial actions to improve the certification rate. This is especially relevant for an organization such as UNITAR, one of whose main objectives is to provide and facilitate knowledge, skills and attitudes to its beneficiaries; thus, it does not seem consistent to increase the number of beneficiaries without taking into consideration whether they are even completing the courses.

72. **The Board recommends that UNITAR undertake an evaluation of learning-related programming, with a view to better understanding factors driving completion and action that can be taken to further improve overall certificate of completion rates in the future.**

73. **The Board recommends that UNITAR establish a realistic target for certificate of completion rates for 2023 based on work undertaken and measure performance with the aim of increasing rates in the future.**

74. UNITAR accepted both recommendations.

Unmeasured reporting of results

75. UNITAR adopted a results-based management approach to programme management. For this, the Institute maintains guidelines titled “Results-based management at UNITAR – planning, programming, budgeting and performance reporting”, last revised in November 2016.

76. These guidelines define results-based management as a life-cycle approach to management that integrates strategy, people, resources, processes and measurements, with the goal of improving decision-making, transparency and accountability.

77. In the guidelines, the Institute indicates that the main elements in the results-based management chain are: (a) inputs; (b) activities; (c) outputs; (d) outcomes; and (e) impact.

78. The latter three components are the results of the first two. Outputs comprise measurable services and products to be delivered at the project level, expected to serve as factors that foster a desired outcome and impact.

79. The results-based management process begins at UNITAR with the preparation of the strategic framework and programme budget. The budget is aligned with the programme and functional objectives defined in the framework and the relevant ongoing and planned projects. In preparing the budget, all division and programme managers identify their expected results, including the expected outcomes and planned outputs, together with the resources needed.

80. In accordance with the guidelines on results-based management at UNITAR, performance reporting, monitoring and evaluation occur at two levels, one of them being the programme or division level, where managers review planned programme results against the defined targets and report performance by the end of the biennium.

81. The Board analysed the results areas defined in the programme budget for the 2022–2023 biennium, together with the results areas measured in the programme performance report for the bienniums 2018–2019 and 2020–2021.

82. In this regard, the review of the programme performance report for the biennium 2020–2021 showed that 9 out of 13 indicators (69.2 per cent), defined by the Social Development Programme Division for its nine result areas, were not measured in the biennium 2020–2021.

83. Further to management consultations regarding result area indicators that remained unmeasured, it was observed that the Social Development Programme Division provided no explanation to the Planning, Performance Monitoring and Evaluation Unit on the unmeasured results. This was recorded in the management report, annex II, “Sampled result areas and performance measures for accuracy”.

84. The Board also enquired about the above situation with the Social Development Programme Division, which stated that some of the reasons for not measuring the indicators were: (a) re-assignation of personnel in charge of the projects; (b) failure to submit the evaluation information; (c) lack of funding and personnel to complete evaluations; and (d) partner failure to share evaluations with UNITAR.

85. A similar situation was also observed with regard to the programme performance report for the biennium 2018–2019, for which 9 of the 16 indicators (56.2 per cent) defined in the 15 results areas for that period were not measured.

86. Given that the adoption of the results-based management approach is based on a shift of focus from the carrying out of activities to the contribution that they make to the desired changes, the Board considers it paramount for UNITAR to have an effective outcome-measuring mechanism for the results areas defined and its indicators. The lack of measurement for the results could lead to the implementation of projects that would not ultimately contribute to the objectives pursued by the Institute.

87. The Board considers the input of information given by the different divisions as imperative for the adoption of the results-based management approach, taking into account that reporting is one of the key elements of the Institute’s accountability framework and the main input used for learning and decision-making.

88. **The Board recommends that UNITAR undertake an analysis of all outcomes that could not be measured during the prior bienniums and have been included in the biennium 2022–2023 with the purpose of understanding the reasons for failure in its measurement and developing strategies to ensure its measurement by the end of 2023.**

89. **The Board recommends that UNITAR ensure that all the outcomes established in its specific results components of the programme budget for the 2022–2023 biennium are measured.**

90. UNITAR accepted the first recommendation

91. UNITAR did not agree with the second recommendation and stated that, while management should aim to measure all result areas, the recommendation was excessive as the nature of some result areas changed during the course of the budget cycle and could make measurement against the initial indicators difficult or impossible.

92. The Board acknowledges that, like any entity, UNITAR can face changes and situations over its budget cycle which involve adjustments in its strategic management mechanisms; however, its extensive understanding of its own business and the lessons learned from prior strategic processes provide it with the key elements for establishing the outcomes of specific results components of the programme budget. Therefore, the recommendation is upheld.

8. Project management

Suspension of the agreement review process

93. The policy guidelines for agreements on the acceptance of contributions for specific purposes "grants-in" (AC/UNITAR/2021/08) and for agreements with implementing partners "grants-out" (AC/UNITAR/2021/09), approved by the Board of Trustees at its sixty-second session in November 2021, indicate that all the agreements for which review is required [5] by the Partnership and Resource Mobilization Unit and the Finance and Budget Unit must be carried out in the "tracking tool review" (agreement review) system.[6]

94. The administrative circular on revision to procedures for the review, clearance and signature of financial and non-financial agreements (AC/UNITAR/2021/01) provides step-by-step details on the review of agreements according to their type and amounts, specifying in its section (b): "that the Finance and Budget Unit and the Partnership and Resource Mobilization Unit review the draft agreement and make observations and/or recommendations online in track mode. Afterwards, the Manager shall carefully review the observations or recommendations and finalize the agreement".

95. In addition, it should be noted that, from the enterprise risk management perspective applied by UNITAR, the most recent risk register included losing trained and highly motivated employees as a risk in the operations category.

96. The Board reviewed the endorsement process of the grants-in and/or grants-out agreements carried out on the tracking tool review system and noted that no project had gone through the reviewing due diligence process of the Finance and Budget Unit in the past four months. Thus, from November 2022 to March 2023, 41 agreements in 2022 and 57 in 2023 were not reviewed by the Finance and Budget Unit.

97. In this regard, the Institute indicated that there was no formal review at that moment given the departure of key staff of the process and that the recruitment of the P-5 and P-4 staff in the Finance and Budget Unit had been pending, in addition to managers being requested to pay particular attention to their responsibilities and the delegations of authority granted during the transition period when clearing the agreements.

98. The Board deems the lack of review and insights from the Finance and Budget Unit as increasing the risk of not having all financial aspects of the agreements mapped when entering into contractual relationships with donors and/or implementers. This would undermine the Institute's capacity to detect and/or anticipate potential financial or even operational risks.

99. The Board is of the opinion that the continuity of operations in form and quality must prevail at all times. In this respect, having a succession plan for the staff would prevent further difficulties in continuing operations and/or UNITAR relying on personnel with lack of expertise.

100. **The Board recommends that UNITAR resume as soon as possible the Finance and Budget Unit's review process as required by "grants-in" and "grants-out" policies.**

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[5] Grants-In above $100,000, all Grants-Out and all amendments with cost implications.

[6] From April 2023 the tracking tool review system was replaced by "agreement review" integrated in the project tracking tool system.

101. **The Board recommends that UNITAR develop a formal succession plan, with the aim of smoothing transition or minimizing disruptions in case of the unexpected departure of staff.**

102. UNITAR accepted both recommendations and stated that the reviewing process had been already resumed.

Lack of clarity on assurance activity criteria for grant transfers to implementing partners

103. Administrative circular policy guidelines for grant agreements to implementing partners (grants-out) (AC/UNITAR/2021/09) dated 2021, provides in paragraph 35 that the implementing partner should be subject to its own audit procedures, provided that the procedures included annual audits conducted by an external auditing body or, in the case of government agency implementing partners, the relevant independent government audit department. Should the results of any audit conducted during or after the project contain observations or recommendations related to the grant, the implementing partner shall submit a copy of the report to UNITAR.

104. Subsequently, at its sixty-third session, in November 2022, the Board of Trustees approved the revised policy guidelines for grants to implementing partners, through administrative circular AC/UNITAR/2023/02, whereby management formalized the changes as approved by the governing body.

105. AC/UNITAR/2023/02, which entered into force in January 2023, introduced new procedures, whereby, inter alia, UNITAR reserves the right to undertake spot checks, expenditure verifications and an audit, if required by the donor. The spot checks and audits may be carried out either by the UNITAR staff or by any outside body authorized to do so on its behalf.

106. All grants above $200,000 shall be subject to an expenditure verification to be carried out by an independent auditor unless the project donor expresses otherwise. Grants below this threshold may be subject to an expenditure verification on the basis of risk and/or a donor request.

107. The Board noted that, in the past three years, the Institute has granted $20.10 million or 20 per cent of their total programme expenditures to implementing partners. Likewise, through programme budget for the biennium 2022–2023, management projected that 18 per cent of the total programme expenditures would be granted to implementing partners in 2023.

108. In the following table, it can be observed that grants to implementing partners will increase by 26 per cent in 2023 when compared with the initial baseline.

Table II.4
Grants to implementing partners 2020–2023
(Millions of United States dollars)

Transaction type	*2020*	*2021*	*2022*	*(Projected) 2023*
Grants to implementing partners	5.78	6.95	7.37	7.85
Total programme expenditures	27.13	36.71	39.90	43.41
Baseline	Base	17%	22%	26%

Source: Review of the programme budget for the biennium 2022–2023.

109. In view of the fact that grants to implementing partners have been steadily increasing over the years, the Board analysed the related assurance activities and the new procedures adopted by management and noted the following shortcomings:

(a) From 2021 to 2022, UNITAR did not proactively request any audit reports from implementing partners or decide to perform assurance activities for the expenditures reported by them;

(b) Although the new policy provides that UNITAR reserves the right to undertake assurance activities, the Institute has not yet developed an overall risk matrix and/or ranking that guides the decision-making process as to when spot checks, verifications or audits should be undertaken;

(c) Despite the fact that, in the new policy, $200,000 is defined as a threshold for expenditure verifications, UNITAR has not mapped or planned assurance activities for grants transferred to implementing partners during 2023;

(d) UNITAR has not yet developed a criterion or methodology that determines the circumstances under which spot checks and verifications expenditures will be carried out, either by its own staff or by an outside body.

110. The Board considers that the lack of assurance activities for the grant transfers to implementing partners limits the capacity of UNITAR to ensure that the funds transferred to implementing partners were used for their intended purposes and in accordance with the agreements.

111. It is the Board's opinion that improvements and clear definitions for assurance activities need to be put in place, given that transfers of grants to implementing partners have been increasing over the years. Then, it becomes fundamental that UNITAR builds up its capacity and define an overall risk matrix, plan the assurance activities to be conducted, and establish clear criteria and methodology as to when assurance activities will be conducted, either internally or externally, in addition to guidelines that establish the time its own staff will be performing these activities, otherwise strengthening the management, monitoring and oversight of implementing partners would not be possible.

112. Lastly, the Board concurs with the Finance Committee of the Board of Trustees, which states in its report (UNITAR/BT/63/FC/15/4/COR) that the Executive Director noted an increase in volumes of grants to implementing partners, as well as the requirements to put in place adequate controls to ensure compliance.

113. **The Board recommends that UNITAR develop, including but not limited to the $200,000 threshold, clear definitions and comprehensive guidance on when an assurance activity should be applied over the expenditure reported by the implementing partners, as well as establish specific criteria on when activities are to be performed internally or externally and clear guidelines for its staff to correctly perform the assurance activities when applicable.**

114. **The Board recommends that UNITAR define a schedule for assurance activities that allows implementing partners to be revised within a reasonable time frame.**

115. UNITAR disagrees with the first recommendation, as it states that there is no breach of the policy since this new regulation only took effect in January 2023.

116. The Board is of the view that, when establishing regulations or ruling on specific elements of a process, a clear definition of how the norm will be applied and implemented must be in place; otherwise, its enforcement becomes impracticable and unrealistic. Therefore, the recommendation is upheld.

117. UNITAR did not agree with the second recommendation, stating that, as at 25 April 2023, only two transfers below $200,000 had been made to implementing partners.

118. The Board considers that the implementation of the assurance activities is different from the disbursement of resources; therefore, mapping and planning of these activities should be established upon signature of the grant-out agreement, where targets, amounts and payments schedules of this agreement are set rather than when the disbursement of the resources is made. Therefore, the recommendation is upheld.

9. Human resources management

High percentage of exceptional extensions to temporary appointments

119. The administrative circular on administration of temporary appointments (AC/UNITAR/2022/10), effective since November 2022, promulgates the terms and conditions pertaining to the use and administration of temporary appointments in accordance with the Staff Regulations and Rules of the United Nations.

120. Paragraph 4 indicates that a temporary appointment may be granted for a single or cumulative period of less than one year to meet seasonal or peak workloads and specific short-term requirements and shall have an expiration date specified in the letter of appointment.

121. Conversely, paragraph 7 provides that, subsequent to the initial temporary appointment, new and successive temporary appointments may be granted, for any duration, provided that the length of service does not exceed the period of 364 calendar days. Paragraph 9 also provides that, upon reaching the limit of service under one or several successive temporary appointments as set out in the present section, or, exceptionally, 729 days as permitted under paragraphs 42, 43 and 44, the staff member will be required to separate from the Institute.

122. In compliance with paragraph 42, a temporary appointment may exceptionally be extended beyond 364 days, up to a maximum of 729 days, under the following circumstances: (a) where a special project continues for more than one year; and (b) where operational needs related to field operations, including special political missions, unexpectedly continue for more than the initial period of 364 days.

123. Lastly, paragraph 43 provides that under no circumstances shall the period of a temporary appointment exceed 729 days.

124. In terms of the procedure, paragraph 44 provides that a recommendation for an exceptional extension of a temporary appointment leading to service of one year or more shall be sent by the Programme Manager to the Executive Director. It shall be accompanied by a written justification, which must be consistent with the provisions of the administrative circular. The Executive Director shall decide whether or not the recommendation will be approved.

125. The Board reviewed the letters of appointment of all UNITAR staff working under the temporary appointment modality during 2022 and noted that, of 17 staff under this modality, 13 (76 per cent) were granted extensions, on an exceptional basis, of more than 364 days. It was also noted that, in four of the 13 cases, the absolute limit of 729 days of service was exceeded.

126. It should be noted that all cases had written justifications to support the exceptional extensions; nevertheless, the Board observed that the entity's actual process for addressing this kind of exception does not seem to be aligned with the provisions of the administrative circular. Currently, the Human Resources Unit sent an email to the Programme Manager for information several months before the

termination of the temporary appointment, emphasizing that, by extending these appointments, UNITAR would be exceeding the deadlines stipulated in the policy. Nonetheless, the Programme Manager sent the exception request to the Executive Director, who approved it, evidencing the gap between the staff member requesting the extension, the monitoring conducted by the Human Resources Unit and the final approver.

127. The Board considers that non-compliance with the policy undermines effective management of the staffing resources and deviates from the purpose and nature of the temporary appointment modality, which is to enable the Institute to manage its short-term staffing needs effectively and expeditiously by surge requirements and operational demands related to field operations and special projects with finite mandates.

128. The Board is also concerned about the high percentage of exceptional extensions granted (76 per cent), which suggests this is becoming a common practice at the Institute rather than this modality being used on exceptional basis. Likewise, an extended service period in the Institute may indicate that temporary appointments are performing regular or even core functions, being them an integral part of the workforce at UNITAR.

129. **The Board recommends that UNITAR establish a control mechanism to ensure that the nature and duration of the temporary appointments are in line with the provisions of administrative circular AC/UNITAR/2022/10.**

130. **The Board recommends that UNITAR assess the root cause of the high percentage of exceptional extensions granted and take the necessary steps to reduce them.**

131. UNITAR accepted both recommendations.

Inadequate monitoring of flexible working arrangements – telecommuting

132. In accordance with administrative circular AC/UNITAR/2008/13 on flexible working arrangements – work/life balance policy, issued in September 2008, work away from the office (telecommuting) is available to staff where consistent with the nature of the work involved, staff members may spend up to two days a week working from an alternative workplace, provided that they have access to the necessary equipment and can be contacted by phone or email.

133. All telecommuting arrangements are approved by direct supervisors who are expected to exercise their managerial discretion and judgement in a reasonable manner, taking into account the needs of the service, including the needs of partners or users and the needs of other staff members. In any case, these arrangements require a specific agreement and are purely voluntary for all concerned. They may be suspended for imperatives of the service or non-observance of the principles contained in AC/UNITAR/2008/13. No extra costs may be incurred by the Organization as a result of flexible working arrangements.

134. Such agreements cannot be permanent and need to be reviewed periodically and, at any time, must be renewed, as appropriate, at least every two months. In that regard, any flexible arrangement not authorized in advance will be considered an unauthorized absence.

135. Upon authorization by the direct supervisor, the Human Resources Unit shall be informed in writing in order to ensure efficient monitoring of the time and attendance records.

136. The Board assessed the setup of telecommuting controls at UNITAR, finding gaps in its design and how the authorizations and records have been granted and generated. In this regard, it was observed:

(a) Absence of specific agreements or any similar form of approval: The common practice at the Institute is an email between the staff member requesting telecommuting and the supervisor giving authorization;

(b) Information: once authorization is given by the supervisor, the Human Resources Unit will be aware only if the beneficiary sends them an email;

(c) Lack of systems: The process of authorization, recording and subsequent monitoring of telecommuting is not supported by any system other than eventual email communications.

137. To further assess these weaknesses, the Board requested the authorizations and records of telecommuted days to a sample of 11 staff members during the year 2022. Results are presented below:

(a) The Institute was only able to partially provide information for five staff members, based on the emails provided to the Human Resources Unit;

(b) For the remaining six staff no information was provided at all;

(c) In one case, telecommuting was requested and approved to be performed at a duty station other than that in their contract, a scenario that was not envisaged in AC/UNITAR/2008/13.

138. When the Human Resources Unit was consulted as to the reasons for partial and no provision of information it indicated that, while telecommuting was a common practice at the Institute, the Unit did not always receive written notification of days to be telecommuted upon the direct supervisor’s authorization, and it was therefore not possible to confirm with certainty whether all staff requested indeed did telecommute during 2022 or to keep accurate records on the number of times and for how long staff had engaged in this practice.

139. The above details confirm the absence of an effective control, meaning that the information on telecommuting cannot be guaranteed to be accurate, complete and reliable.

140. The Board considers that not improving the design and implementation of the controls in place to monitor the telecommuting carried out by its staff would not allow UNITAR to meet the provisions established in the policy in this matter. Thus, the restricted access to reliable attendance records of the personnel using this alternative working and the lack of a clear mechanism to request it could affect, for instance, the entity’s ability to detect unauthorized absences and the management of the workforce according to the organizational needs.

141. It is of the utmost importance to have a clear understanding and guidelines on the applicability of this flexible working arrangement option as to whether it can be carried out in a location other than that indicated in the staff contract. For instance, if some staff are performing their work outside their contracted duty station and need additional insurance coverage, this could incur extra costs for the Organization, which is contrary to the current regulation.

142. **The Board recommends that UNITAR review the design of the telecommuting authorization and recording process and establish effective controls in order to enable its monitoring.**

143. **The Board recommends that UNITAR review and update the current flexible working arrangements – work/life balance policy, taking special**

consideration to the gap between the practice at the Institute and the absence of guidance on duty stations.

144. UNITAR accepted both recommendations.

Non-compliance with gender parity

145. The gender equality and women's empowerment mandate is universally approved by Member States and encompasses all areas of peace, development and human rights. The mandates on gender equality derive from the Charter of the United Nations, in which the equal rights of men and women are unequivocally affirmed.

146. In order to systematically integrate internationally agreed development objectives into UNITAR priorities, programmes and functions, including the goals and targets of the 2030 Agenda for Sustainable Development, UNITAR developed annex 1 to "UNITAR gender mainstreaming, gender equality and the empowerment of women policy" (AC/UNITAR/2016/09), published in November 2016, which builds on actions already taken by UNITAR to incorporate gender equality and the empowerment of women into its programming and operations, as well as guidance provided by the United Nations system entities, including the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) to establish an overarching policy on gender mainstreaming and gender equality and the empowerment of women in this field.

147. In this regard, since 2018, UNITAR has reported under the United Nations System-wide Action Plan on Gender Equality and the Empowerment of Women accountability framework for mainstreaming gender equality and the empowerment of women in United Nations entities, which incorporates, inter alia, the Secretary-General's system-wide strategy on gender parity of 2017, setting the parity target to be considered within the 47–53 per cent margin.

148. Specifically, under section 4.5 of the policy, UNITAR commits to ensuring the implementation of human resources policies to facilitate gender parity in staffing and creating an enabling work environment. To achieve this, UNITAR will, inter alia, update and implement policies and processes ensuring that equal opportunities for women and men are secured at all levels of administration, recruitment and promotion.

149. Lastly, under section 5, it is stated that the policy will be formally reviewed and updated every five years.

150. The Board reviewed the gender parity of the UNITAR staff as at 31 December 2022 and noted the following shortcomings:

(a) While the gender distribution at UNITAR is equitable, 51 per cent female and 49 per cent male, when narrowing down the analysis to the higher positions (grades D-1 and P-5), the average representation level of women is only 21 per cent compared with 79 per cent for men. The same trend can be observed under the performance indicator "equal representation of women"[7] under the subject: institutional strengthening to support achievement of results/human and financial resources, where the average representation of women at those levels has been only 23 per cent compared with 77 per cent of men during the past five years;

[7] This indicator, built upon gender parity, or the equal representation of women, is considered under the strategy, and for the purposes of reporting for United Nations System-wide Action Plan on Gender Equality and the Empowerment of Women, to be within the 47 per cent to 53 per cent margin.

(b) However, in grades P-4, P-3, P-2, P-1, G-6 and G-5, the female representation tends to increase and go above the 50 per cent top margin for gender parity.

151. Regarding regulations, when inquiring about the gender mainstreaming policy, the Board met with the Chair of the working group on gender, who confirmed that the policy had not been formally reviewed and updated five years after publication owing to the workload and lack of time of its members, in view of the need to incorporate the mobilization of adequate human and financial resources for the execution of correct implementation, monitoring and review.

152. The Board is of the view that UNITAR needs to review and establish its target and margin for gender parity, considering in particular higher grades such as P-5 and D-1, as there is a negative correlation between representation of women and seniority. As grade levels increase, the proportion of women decreases, as indicated in the system-wide strategy on gender parity, and such decreases may indicate blockages in the pipeline hindering the career advancement of women within the United Nations.

153. The Board considers it necessary for there to be periodic updates of the policy to allow the establishment of achievable goals, taking into consideration adequate mobilization of human and financial resources and the institutional particularities of UNITAR.

154. **The Board recommends that UNITAR update its "Gender mainstreaming, gender equality and the empowerment of women policy" and include specific targets and margin of gender parity in its analysis, which aims at accomplishing the United Nations system-wide strategy on gender parity.**

155. UNITAR accepted the recommendation.

10. Management of the International Training Centre for Authorities and Leaders network

Discrepancies in management of International Training Centre for Authorities and Leaders

156. The International Training Centre for Authorities and Leaders (CIFAL) is a hub for capacity-building and knowledge sharing between local and regional authorities, international organizations, the private sector and civil society. The International Training Centre for Authorities and Leaders assist local actors in achieving sustainable development in the context of increasing responsibilities at local level.

157. To regulate the above, UNITAR issued an administrative circular on "CIFAL Global Network's Governance and Decentralized Cooperation Programme Role" (AC/UNITAR/2015/06), in force since July 2015, indicating, inter alia, the following:

(a) All International Training Centre for Authorities and Leaders centres cover their own operating expenses and pay UNITAR an annual affiliation fee of $30,000. The International Training Centre for Authorities and Leaders Global Network guidelines 2022 state that the contribution affiliation fee is set and mandatory;

(b) The centres are jointly established between UNITAR and a host institution (a government ministry, a local government entity, a university or a non-governmental organization) through a partnership agreement.

158. The International Training Centre for Authorities and Leaders Global Network 2022 guidelines indicate that, among the basic conditions for the establishment of new International Training Centre for Authorities and Leaders centres, there should be a commitment of regional or local authorities to support the International Training Centre for Authorities and Leaders centre financially for a minimum of three years by

providing centrally based premises, administrative support, programme funds and legal autonomy.

159. In the guidelines, the note on related parties to UNITAR financial statements indicates that “UNITAR does not invest in the activities of the training centres or participate in sharing the profits or losses of the centres”.

160. The Board reviewed 26[8] International Training Centre for Authorities and Leaders partnership agreements in force during 2022 and the following issues were detected:

(a) Four International Training Centre for Authorities and Leaders partnership agreements had an affiliation fee higher than the $30,000 established in the current regulations;

(b) Three International Training Centre for Authorities and Leaders partnership agreements established no affiliation fee at all, and two International Training Centre for Authorities and Leaders partnership agreements had a fee exemption. In this regard fee exemptions were not regulated by the policy in force at the time of the audit;

(c) Since 2005, the International Training Centre for Authorities and Leaders Shanghai has been operating under an expired pilot phase agreement[9] with no fee stipulated; however, the centre has been paying an annual affiliation fee of $60,000.

161. In the same review, it was observed that two International Training Centres for Authorities and Leaders centres did not pay UNITAR their annual affiliation fees during 2022 despite it being stipulated in their partnership agreements and being mandatory. Furthermore, the fees were not recognized as revenue during this period.

162. In addition, in reviewing two International Training Centre for Authorities and Leaders centres that were created in 2022 within the framework of the UNITAR strategic framework fund, the Board noted that through an interdivisional project, “Market monitoring and forecasting of the essential medicines and supplies”, which is aimed at improving access to essential medicines and supplies, UNITAR provided economic resources amounting to $87,800, to support the creation of the International Training Centre for Authorities and Leaders and participated in the implementation of the project for one year, falling outside the framework of responsibility and guidelines established between UNITAR and the International Training Centre for Authorities and Leaders Global Network.

163. The Board considers that discrepancies in annual affiliation fees and exceptions not provided for under the policy in force may imply that partnership agreements are based upon personal criteria and unassessed scenarios, instead of coming under the umbrella of clear and transparent governance. In addition, it is important to maintain current agreements with each International Training Centre for Authorities and Leaders centre, thereby complying with the established basic criteria.

164. Failure to pay the annual affiliation fee may hinder the Institute’s ability to cover costs related to the coordination, monitoring and evaluation, branding, methodology development, quality assurance and promotion of synergies with other parts of UNITAR.

165. The Board is also concerned that UNITAR would allocate funds to activities to operationalize and establish the two new International Training Centre for Authorities and Leaders centres, which may be outside the responsibilities of the Institute and the purpose of this strategic alliance. These activities could put UNITAR at risk by

[8] Corresponds to 25 CIFAL agreements in force and 1 expired during the 2022 period.

[9] The agreement signed in 2004 indicated that it was valid for one year only, corresponding to the pilot phase period, which does not establish financial arrangements.

establishing alliances with entities that do not meet basic criteria regarding financial support or capabilities.

166. **The Board recommends that UNITAR comply with fee criteria under the current International Training Centre for Authorities and Leaders policy when entering into partnership agreements with International Training Centre for Authorities and Leaders centres or update and formalize the regulations if specific fee criteria should be established.**

167. **The Board recommends that UNITAR recognize the affiliation fee revenue in the correct period and collect from each International Training Centre for Authorities and Leaders the annual affiliation fee and evaluate actions to be taken over outstanding fees.**

168. **The Board recommends that UNITAR remain within the limits of its responsibilities, not allocating funds to activities of the training centres.**

169. **The Board recommends that UNITAR always maintain duly signed and valid agreements with the host institution at all International Training Centre for Authorities and Leaders centres.**

170. UNITAR accepted all four recommendations.

11. Property and inventory management

Limited non-expendable property records and inventory control system

171. The administrative circular on "Property management and inventory control" (AC/UNITAR/2017/10), effective since June 2017, promulgates the procedures and guidelines for the maintenance of property records and inventory control at UNITAR. Through the policy, the roles of managers, the property records custodian, the Administration and Procurement Section and the Communication and Information Technology Support Section have been defined.

172. Among the various responsibilities assigned to these roles will be to create, maintain and update the property and inventory control records. In addition, they will conduct periodic physical inventories during the year.

173. To this end and to improve the maintenance of property records and custodial control over property items, the Communication and Information Technology Support Section and the Administration and Procurement Section developed a computerized property and inventory control system (UNITAR inventory tool), where all information on non-expendable property[10] shall be maintained.

174. The Board reviewed the property records and inventory control system information related to 1,238 non-expendable items recorded in the UNITAR inventory tool as at March 2023 and observed the following shortcomings:

(a) Forty-nine items were still assigned to members separated from UNITAR, meaning that the process for property final clearance to staff members has not been duly reflected in the system;

[10] There are three categories of non-expendable properties: (a) Property or equipment valued at $1,500 or more per unit at the time of purchase and have a service life of at least five years; (b) Special items, which are property items considered to be of an attractive nature and easily removable from the premises because of their size, costing $500 or more per unit at the time of purchase and with a serviceable life of three years or more (e.g., computers, cameras, televisions, facsimile machines and tape recorders); (c) Group inventory items with a serviceable life of five years or more, irrespective of the value.

(b) One hundred and forty-two active items had no serial number information, which is essential to allow traceability of the item;

(c) One hundred and fifty-four items, active and in use, have been assigned to unknown users, classified as; “n/a”, “no user” or “not current user”, impeding identification of who was actually responsible for the item;

(d) Fifteen items classified as “disposed” properties (written off from the inventory) were currently assigned to staff despite being “disposed”;

(e) Seven items classified as “inactive” (items waiting to be assigned) were actually in use by staff members, two of the seven items were ready to be disposed of, and the rest of the items were being located;

(f) There were 52 staff members to whom two or more similar properties were assigned (the review was focused on laptops and desktops);

(g) Several fields of relevant information in the inventory tool were missing; the details are presented as follows:

(i) There were 893 items which were missing information on the receipt date;

(ii) There were 487 items which were missing purchase order number information;

(iii) There were 65 items, which were missing information on the category that should be classified;

(iv) There were 12 items, which were missing price information, some were purchased by credit or donated, however no distinction and/or information was noted in the system;

(h) There were similar items classified under different category names;

(i) There were 15 staff members with different user accounts, hindering traceability regarding who had actually been assigned the items.

175. The Board considers that the issues observed in the inventory tool database put deficiencies in evidence in the processes of recording, controlling, and monitoring the non-expendable property, increasing the risk of losing control over these items and putting data reliability at question.

176. The Board considers it essential to keep effective control and monitor the non-expendable property to improve the operational efficiency and reliability of the property management.

177. **The Board recommends that UNITAR review, update and complete all data associated with non-expendable property in the UNITAR inventory tool.**

178. **The Board recommends that UNITAR take measures to ensure proper recording and data updates in the inventory tool and implement them to control and monitor the process for property management.**

179. UNITAR accepted both recommendations and indicated that it would update and complete all data associated with non-expendable property purchased after 2018 in the UNITAR inventory tool.

C. Transmissions of information by management

1. Write-off of losses of cash, receivables and property

180. UNITAR reported that there were no write-offs of cash, receivables or losses of property for 2022.

2. Ex gratia payments

181. UNITAR reported to the Board that there were no ex-gratia payments in 2022.

3. Cases of fraud and presumptive fraud

182. In accordance with the 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 irregularities (including those resulting from fraud). The audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

183. During the audit, the Board made enquiries of management regarding its oversight responsibility for assessing the risks of material misstatements due to fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks of fraud that management had identified or that had been brought to its attention. The Board also enquired as to whether management had knowledge of any actual, suspected or alleged fraud.

184. UNITAR reported to the Board that there were no cases of fraud or presumptive cases of fraud during 2022.

D. Acknowledgement

185. The Board expresses its sincere appreciation and gratitude to the management and staff of UNITAR for the assistance and cooperation extended during the conduct of the audit.

(*Signed*) **Hou** Kai
Auditor General of the People's Republic of China
Chair of the Board of Auditors

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
(Lead auditor)

(*Signed*) Pierre **Moscovici**
First President of the French Cour des comptes

26 July 2023

Annex

Status of implementation of recommendations up to the financial year ended 31 December 2021

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
1.	2017	A/73/5/Add.5, chap. II, para. 44	The Board of Auditors recommended that UNITAR establish a roster that links consultants' performance evaluations to their respective fields of expertise.	Following the migration to Quantum, the evaluation of consultants has been integrated into the new enterprise resource planning system. Managers are requested to complete the evaluation form in the system before the final payment is released. This will automatically result in a roster which links the performance of the contractors to their respective fields of expertise.	The Board confirmed that a new module was developed in Quantum to address this issue, in which a roster of consultants and individual contractors can be generated, along with their areas of expertise and performance evaluations. Therefore, this recommendation is considered as implemented.	X			
2.	2020	A/76/5/Add.5, chap. II, para. 23	The Board also recommends that UNITAR maintain a version history of the agreement documents in the tracking tool review, to ensure the tracking of changes and/or modifications that have been made during the review process by the Partnership and Resource Mobilization Unit, the Finance and Budget Unit and the programme manager.	Management has developed an information technology solution to implement the recommendation. The solution will be undergoing testing in the week of 20 February 2023. Pending successful completion of the testing, management will consider the recommendation as implemented and request its closure.	The Board reviewed the measures regarding maintaining a version history of the agreement documents in the tracking tool review, noting that UNITAR has strengthened the process, and it is now possible to track the changes and/or modifications made during the reviewing process. On that basis, the Board of concludes that this recommendation has been implemented.	X			
3.	2021	A/77/5/Add.5, chap. II, para. 34	The Board recommends that UNITAR establish a formal policy for projects involving the sale of data, taking into consideration aspects such as the regulatory instruments and templates to be used and	It is acknowledged that the Board of Auditors recommendation revealed the need for UNITAR to issue a policy statement on the sharing and use of data. The policy statement was developed after review of the	The Board confirmed the issuance of administrative circular AC/UNITAR/2023/09 on principles and instructions on the sharing and use of data, which indicates that the sale of data will no longer be allowed at UNITAR. For that reason,				X

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			accounting standards to be followed and how they fit operationally into the Institute's model.	Data Strategy of the Secretary-General and aligned UNITAR with the principle of full, responsible open data. The policy stipulates that, while data may be shared, it may not be sold. Based on the foregoing, management considers the recommendation as overtaken by events.	the recommendation is considered as overtaken by events.				
4.	2021	A/77/5/Add.5, chap. II, para. 35	The Board recommends that UNITAR improve its budget formulation for submitting proposals for projects involving the sale of data, taking into consideration aspects such as the formal valuation of data and the information to be disclosed in the budget to clearly indicate the donor what pays for.	The policy statement on the sharing and use of data prohibits the sale of data. It is recognized in the statement that the formulation of budgets related to work that may entail the processing or generation of data shall include a distinct budget line, but in no circumstance shall the budgeting of data-related work be interpreted as a sale. Based on the foregoing, management considers the recommendation as overtaken by events.	Given the decision by UNITAR to prohibit the sale of data in any form, formalized through an administrative circular, the Board assesses this recommendation as overtaken by events.				X
5.	2021	A/77/5/Add.5, chap. II, para. 36	The Board recommends that UNITAR proceed in accordance with the policy guidelines for agreements on the acceptance of contributions for specific purposes ("grants-in") regarding the existing unspent balances for such projects, taking into consideration the principle of transparency with donors.	All the projects described in the Board's report have been financially closed, after having been subjected to the provisions of the policies regarding unspent balances.	In the analysis carried out by the Board, it was noted that UNITAR had been in compliance with the Board's recommendation and that there were no unspent funds from the agreements signed in 2022, therefore this recommendation is considered as implemented.	X			

						Status after verification			
No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management's response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
6.	2021	A/77/5/Add.5, chap. II, para. 48	The Board recommends that UNITAR develop measures to prevent and correct issues in the events management system that are causing problems such as beneficiary repetition, non-assignment of gender, unreported nationalities and lack of certification for learning-related events.	The Executive Director issued a memorandum to prevent and correct issues in the events management system on 21 June 2022. The memorandum contains operational guidance to directors and managers to ensure that events management system records are complete and accurate. After the time of the 2021 external audit, additional information technology controls were made to the system. In addition, on 25 April 2022, a lock feature was deployed to enable the Administrator to lock data and prevent further changes that event managers may introduce subsequent to data reporting.	The Board noted that the information obtained from the event management system for the period 2022 indicated considerable improvement in the areas where issues were identified, with a decrease of 85.8 per cent from the deficiencies detected in 2021. Therefore, the recommendation is considered as implemented.	X			
7.	2021	A/77/5/Add.5, chap. II, para. 49	The Board recommends that UNITAR ensure that programme units and/or divisions register the event information in a complete, accurate and timely manner by certifying that a review process of the quarterly reporting data was conducted.	A memorandum was issued by the Executive Director to prevent and correct issues in the event management system on 21 June 2022. The memorandum contains operational guidance for directors and managers to ensure that the event management system records are complete and accurate.	It is noted that UNITAR has issued a memorandum on "Operational guidance on the event and beneficiary reporting, and programme performance reporting", in which it provides, in paragraphs 25a and 25d, further measures to strengthen the quarterly reporting data process to ensure the accuracy of event and beneficiary reporting. On that basis, it is concluded that this recommendation has been implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
8.	2021	A/77/5/Add.5, chap. II, para. 50	The Board recommends that UNITAR add a formal centralized control instance of the information in order to improve the reliability of data and metrics of the indicators presented by the Institute.	The Executive Director issued a memorandum to prevent and correct issues in the event management system on 21 June 2022. The memorandum contains operational guidance to Directors and Managers to ensure that the event management system's records are complete and accurate.	The Board noted an additional layer of control exercised by the Planning, Performance Monitoring, and Evaluation Unit to evaluate the accuracy of the information and bring irregularities to the attention of division directors or programme/functional unit managers, prior to the issuance of the report. On that basis, this recommendation is considered as implemented.	X			
9.	2021	A/77/5/Add.5, chap. II, para. 58	The Board recommends that UNITAR operationalize a downloadable and consolidated database containing relevant information about implementing partners, such as: assigned projects and amounts, historical results of the overall performance rating and risk rate, among other things.	The project tracking tool's functionality was revised to provide a downloadable and consolidated database containing relevant implementing partner information such as assigned projects and amounts, historical results of performance rating and risk rate. Such information is recorded in the project tracking tool as of June 2022.	The Board noted that UNITAR has operationalized a downloadable and consolidated database that contains relevant implementing partner information in the project tracking tool system. Therefore, this recommendation is considered as implemented.	X			
10.	2021	A/77/5/Add.5, chap. II, para. 69	The Board recommends that UNITAR generate formal records about how fee levels are determined and keep them for consultation and transparency purposes.	Following the issuance of administrative circular AC/UNITAR/2023/06 on 20 February 2023, for all special service agreement contract requests submitted to the Human Resources Unit after 20 February 2023, the Unit ensures that the fee determination form is included in each special service agreement contract request package.	Upon review of the template on fee determination all consultants and individual contractors hired after issuance of the new policy, the Board confirmed that the Institute is generating records on how the fee to be paid to the consultant and/or individual contractor is determined. Therefore the recommendation is considered as implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
11.	2021	A/77/5/Add.5, chap. II, para. 70	The Board recommends that UNITAR implement a formal control, such as a requirement for a note or form signed by the hiring manager explaining how the fee was determined, to be submitted to the Human Resources Unit together with the request for outside expertise or a professional special service agreement.	Administrative circular AC/UNITAR/2023/06 has been amended to include a specific form on the "Determination of fee" (annex VI of the circular). The form contains the conditions to be considered for the hiring of special service agreement holders, the levels of remuneration and the criteria to be used by the programme managers to determine the fees such as level of education, years of experience and language skills. The form requires certification by the Hiring Manager and is included in the list of mandatory documentation to be provided by the Hiring Manager to Human Resources Unit for contract issuance.	The Board verified that the Institute has implemented a control which includes a template on how the rate to be paid to the consultants was determined and to be presented to the Human Resources Unit together with the request for hiring external experience or a special professional service agreement. Therefore, this recommendation is assessed as implemented.	X			
12.	2021	A/77/5/Add.5, chap. II, para. 82	The Board recommends that UNITAR improve the level of compliance with regard to the completion of mandatory training courses.	Information related to the completion of mandatory courses has been uploaded to SharePoint.	The Board verified that, despite the Institute's efforts to improve the level of compliance with the mandatory courses, there were still a large number of staff and non-staff that had not completed their courses and had not uploaded certificates of completion. Therefore, this recommendation is considered as under implementation.		X		

No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management's response*	*Board's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
13.	2021	A/77/5/Add.5, chap. II, para. 83	The Board recommends that UNITAR implement a monitoring and control mechanism on completion of mandatory training courses in order to mitigate risks of non-compliance with these personnel obligations in a preventive manner, encouraging the engagement of all levels of governance.	In early 2023, the Human Resources Unit requested the Communications and Information Technology Support Unit to develop an information technology solution that would respond to the recommendation for developing a monitoring mechanism on completion of mandatory training courses. Possible information technology solutions have been discussed, and the development of a solution is in the Unit's workplan for 2023 and will be developed, tested and implemented before the end of 2023.	The Board verified that the Institute has defined a plan whose purpose is to develop a tool for the UNITAR SharePoint database in order to improve the recording, control and monitoring of compliance with mandatory courses. These improvements would be completed at the end of the year 2023. Therefore, this recommendation is considered as under implementation.		X		
Total number of recommendations					**13**	**9**	**2**	–	**2**
Percentage of the total number of recommendations					**100**	**70**	**15**	–	**15**

Chapter III
Certification of the financial statements

Letter dated 30 March 2023 from the Assistant Secretary-General, Controller, addressed to the Chair of the Board of Auditors

The financial statements of the United Nations Institute for Training and Research for the year ended 31 December 2022 have been prepared in accordance with financial regulation 6.1 of the Financial Regulations and Rules of the United Nations.

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. The notes provide additional information on and clarifications of the financial activities undertaken by the Institute during the period covered by these statements for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the United Nations Institute for Training and Research, numbered I to V, are correct in all material respects.

(*Signed*) Chandramouli **Ramanathan**
Assistant Secretary-General
Controller

Chapter IV
Financial report for the year ended 31 December 2022

A. Introduction

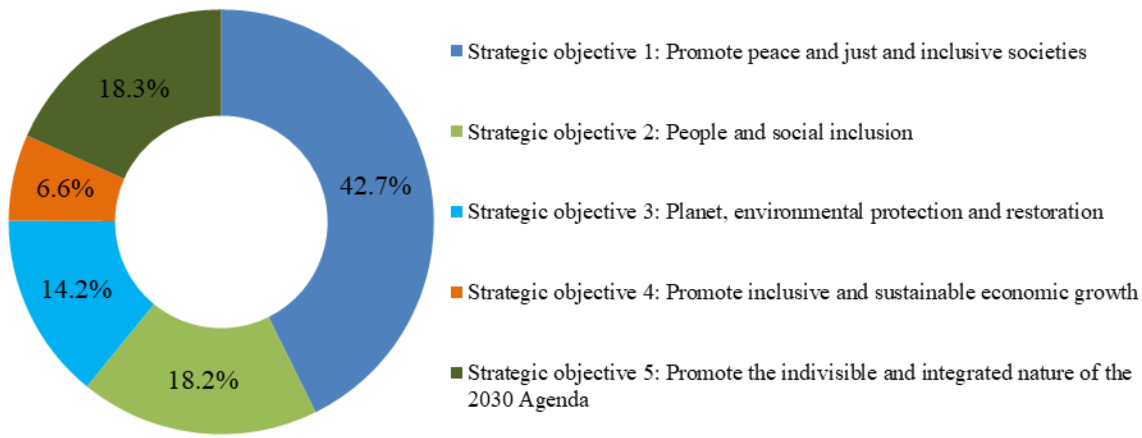
1. The Executive Director has the honour to submit the financial report on the financial statements of the United Nations Institute for Training and Research (UNITAR) for the year ended 31 December 2022.

2. The present report is designed to be read in conjunction with the financial statements for UNITAR for the year ended 31 December 2022. The report provides an overview of the position and performance of UNITAR, highlighting trends and significant movements. The annex to the present report provides supplementary information that is required to be reported to the Board of Auditors under the Financial Regulations and Rules of the United Nations.

3. UNITAR is a dedicated training arm of the United Nations. With the aim of strengthening the effectiveness of the United Nations, the mission of UNITAR is to develop the individual, institutional and organizational capacities of countries and other United Nations stakeholders through high-quality learning solutions and related knowledge products and services to enhance decision-making and to support country-level action for overcoming global challenges. The strategic framework organizes the Institute's programming under the peace, people, planet and prosperity pillars of the 2030 Agenda for Sustainable Development, in addition to one that reflects cross-fertilization of knowledge, incorporating strategic implementation of the 2030 Agenda and satellite imagery analysis for evidence-based decision-making, as well as multilateral diplomacy. Since August 2019, UNITAR has hosted the Defeat Non-Communicable Diseases Partnership through an operations agreement. The Institute has also integrated the Sustainable Cycles Programme, formerly with the United Nations University, under the programme of work of the Division for Planet.

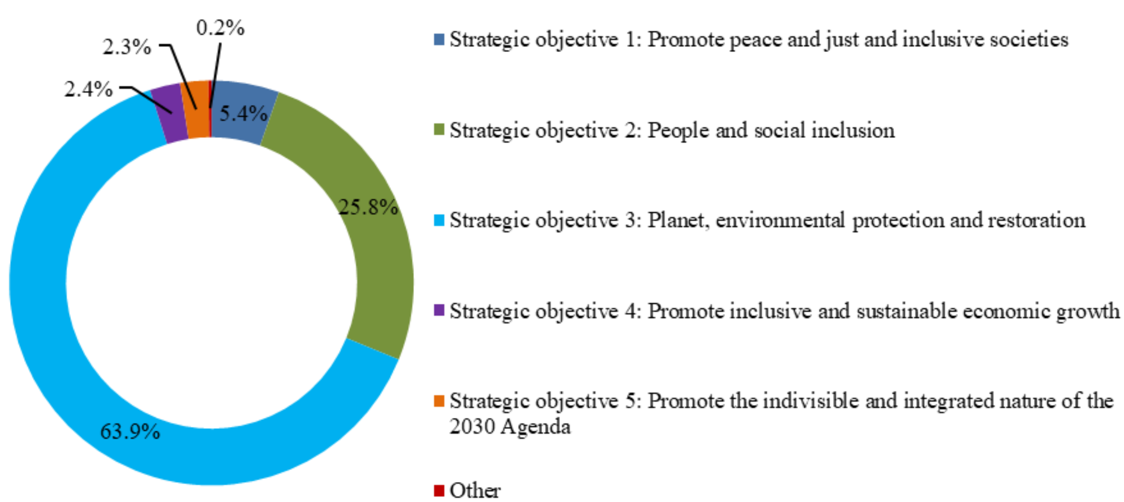
4. While the UNITAR revised programme budget for the biennium 2022–2023 contributes to 15 of the 17 Sustainable Development Goals, most results areas are aligned to Goals 16 (peace, justice and strong institutions), 8 (decent work and economic growth) and 12 (sustainable consumption and production patterns). The proportion of the 2022–2023 budget corresponding to each of the five strategic objectives is shown in figure IV.I.

Figure IV.I
2022–2023 programme budget by strategic objective



5. During 2022, UNITAR made progress towards the achievement of its objectives through the provision of training, learning and knowledge-sharing services to 391,339 beneficiaries (representing an increase of 5.7 per cent from the 2021 figure of 370,139) and the highest number of total beneficiaries in the Institute's history.[11] As shown in figure IV.II, 95.0 per cent of beneficiaries were associated with programming related to the peace, people and planet strategic objectives. A total of 63.9 per cent of UNITAR beneficiaries took part in events with specific learning outcomes in 2022. The number of such beneficiaries increased by 14.0 per cent, from 243,790 in 2021 to 278,017 in 2022. This increase is attributed largely to the continued delivery of the introductory e-learning course on climate change and climate-related specialized courses, administered in partnership with agencies of the One United Nations Climate Change Learning Partnership.

Figure IV.II
Beneficiaries by strategic objective/pillar



[11] Beneficiary statistics are reported on the basis of participation in UNITAR events and do not represent unique beneficiaries.

6. The 2022 outputs were produced with a revised budget of $39.904 million (2021: $35.583 million) and actual expenditure of $41.397 million (2021: $38.171 million) on a budget basis and the delivery of 1,383 events (2021: 991 events). In 2022, UNITAR maintained in large part the male-female gender ratio of 2020 and 2021, with a male-to-female gender ratio of learning beneficiaries of 43:55 (with 2.1 per cent indicating "other"[12]) (2021: 45:49 and 6.0 per cent "other"[2]).

7. UNITAR serves a broad-based group of constituencies, with 6.4 per cent (2021: 9.0 per cent) of its learning-related beneficiaries coming from government; 53.9 per cent (2021: 49.0 per cent) from non-State sectors, including non-governmental organizations (NGOs), academia and businesses; 2.8 per cent (2021: 8.0 per cent) from the United Nations and other international organizations; and 36.9 per cent (2021: 34.0 per cent) from other sectors.

8. UNITAR uses a strong partnership strategy to deliver high-quality training, combining the substantive expertise of United Nations entities and other institutions with its own expertise in programming, instructional design and adult learning. Some 95.0 per cent of beneficiaries participated in learning-related events in partnership. Partners have included organizations as diverse as other United Nations entities, regional organizations, national training institutes, foundations, universities, NGOs and the private sector.

B. Overview of the financial statements for the year ended 31 December 2022

9. Financial statements I, II, III, IV and V show the financial results of the activities of UNITAR and its financial position as at 31 December 2022. The notes to the financial statements explain the Institute's accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

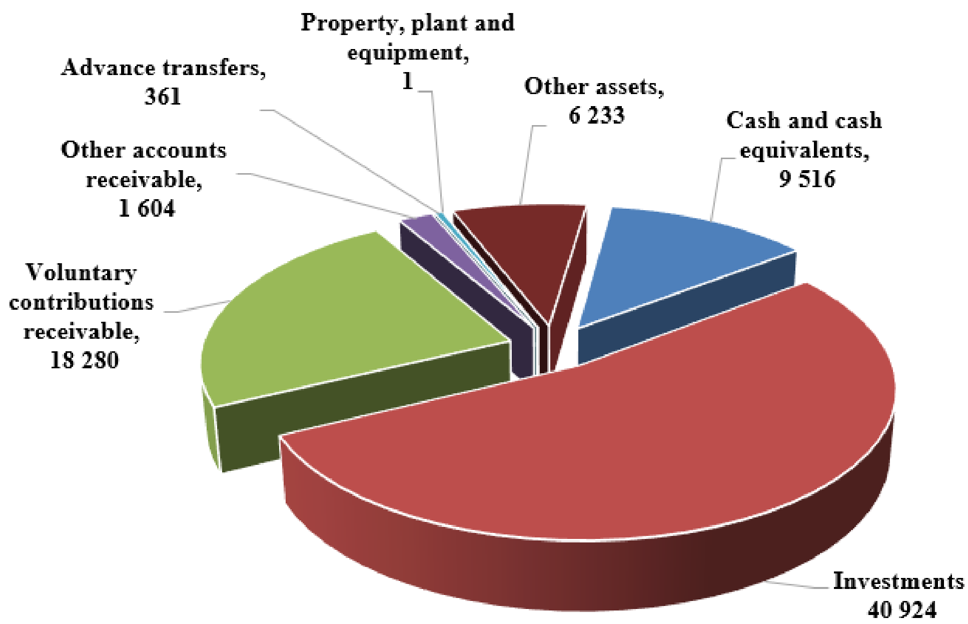
Financial position

Assets

10. UNITAR reports an increase in total assets of $3.135 million as at 31 December 2022 from $73.784 million reported as at 31 December 2021, to the current $76.919 million. Figure IV.III sets out the structure of the Institute's assets as at 31 December 2022.

[12] Other may be non-binary or not specified.

Figure IV.III
Total assets as at 31 December 2022
(Thousands of United States dollars)



11. As shown in figure IV.III, the Institute's assets largely comprised investments reported at $40.924 million, or 53.2 per cent (2021: $41.347 million, or 56.0 per cent), voluntary contributions receivable from donors of $18.280 million, or 23.8 per cent (2021: $24.244 million, or 32.8 per cent) and cash and cash equivalents totalling $9.516 million, or 12.4 per cent (2021: $2.915 million, or 4.0 per cent). The remainder comprised 10.6 per cent (2021: 7.2 per cent) as advances transferred to implementing partners of $0.361 million (2021: $0.178 million), other accounts receivable of $1.604 million (2021: $1.411 million), other assets of $6.233 million (2021: $3.706 million) and property, plant and equipment of $0.001 million (2021: $0.003 million).

12. Cash and cash equivalents and investments as at 31 December 2022 were reported at $50.440 million (2021: $44.262 million), comprising $36.424 million (2021: $25.851 million) invested in short-term and long-term bonds, $4.500 million in other money market instruments (2021: $15.496 million), $8.198 million in money market funds (2021: $2.669 million), $1.318 million (2021: $0.246 million) in cash and cash equivalents that are internally managed. The overall cash, cash equivalents and investments balance represents an increase of $6.178 million (14.0 per cent) compared with the balance held at the end of 2021.

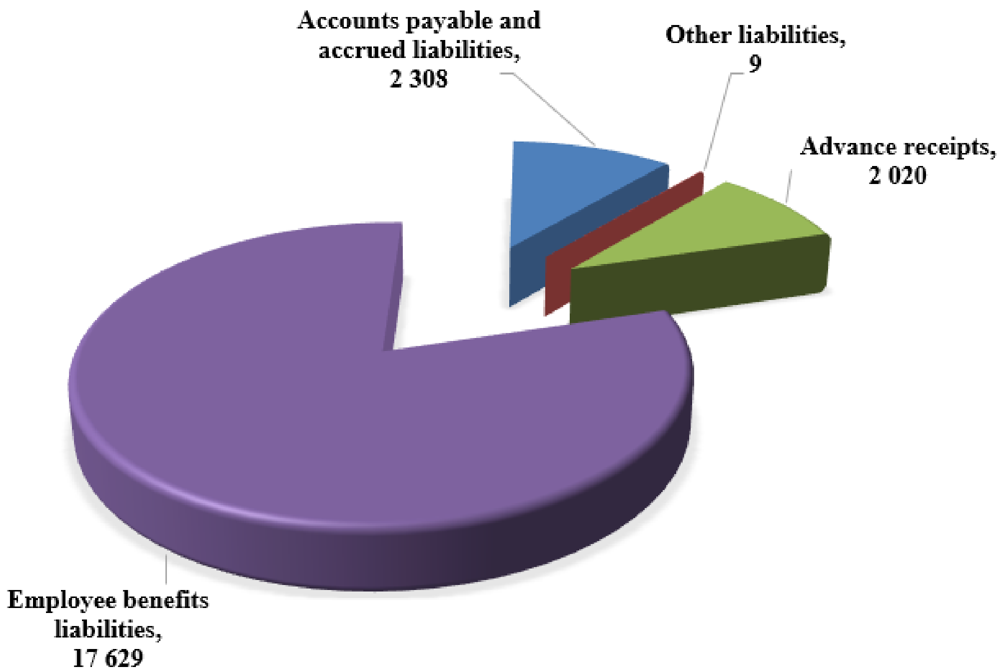
13. From the total voluntary and other accounts receivable value of $19.697 million as at 31 December 2022, $15.515 million is expected to be received in 2023, and the balance of $4.182 million is expected after 2023. The receivables above include $5.682 million that are subject to general stipulations in the agreements, but which did not meet the conditions that would require them to be specified under International Public Sector Accounting Standard (IPSAS) 23.

Liabilities

14. Liabilities as at 31 December 2022 totalled $21.966 million, compared with the liabilities of $26.848 million as at 31 December 2021.

15. Figure IV.IV sets out the structure of the Institute's liabilities as at 31 December 2022.

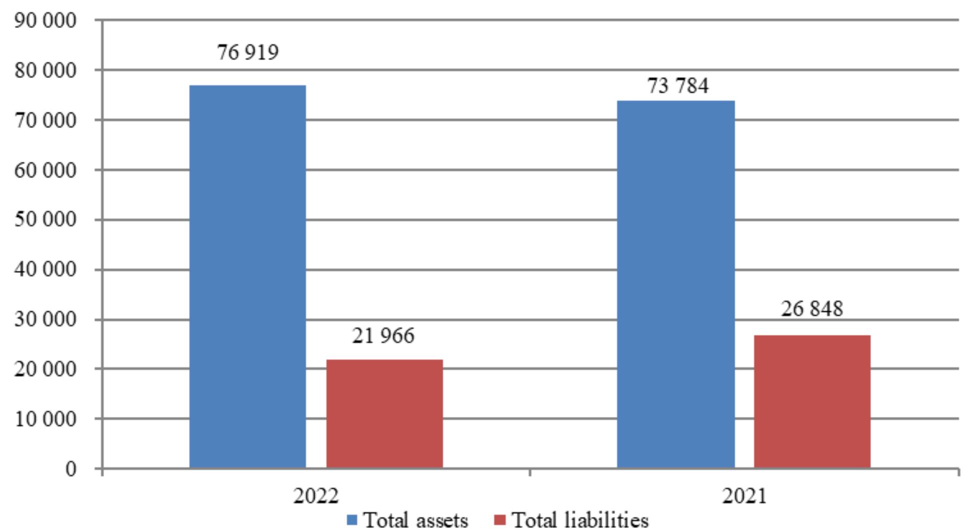
Figure IV.IV
Total liabilities as at 31 December 2022
(Thousands of United States dollars)



16. The main component of the Institute's liabilities was the employee benefits earned by staff members and retirees but not paid at the reporting date; primarily, these were liabilities for after-service health insurance. Employee benefits liabilities accounted for $17.629 million, representing 80.3 per cent of the Institute's total liabilities, and are explained in detail in note 16 to the financial statements. The decrease in employee benefits liabilities by $4.655 million from the $22.284 million reported in 2021 (83.0 per cent of total liabilities) was mainly the result of an actuarial gain of $5.505 million (2021: $0.579 million loss) that arose from an increase in discount rates, partially offset by the increase in the health-care trend rates, and recognizing interest and service costs of $1.358 million (2021: $1.222 million).

17. Advance receipts amounted to $2.020 million (2021: $1.679 million). In addition, accounts payable and accrued liabilities stood at $2.308 million (2021: $2.885 million); this relates primarily to amounts payable to vendors of $1.720 million, accruals for goods and services of $0.435 million and $0.153 million in other liabilities such as payables to university partnerships. Other liabilities relate to unapplied deposits amounting to $0.009 million (2021: none).

Figure IV.V
Movement in assets and liabilities as at 31 December 2022
(Thousands of United States dollars)



18. Figure IV.V shows an increase of 4.2 per cent in the assets held, from $73.784 million reported for 2021 to $76.919 million reported for 2022, and a decrease of 18.2 per cent in liabilities, from $26.848 million reported for 2021 to $21.966 million reported for 2022. The liability/asset ratio at 2022 year end was 28.6 per cent, compared with 36.4 per cent reported for 2021.

Net assets

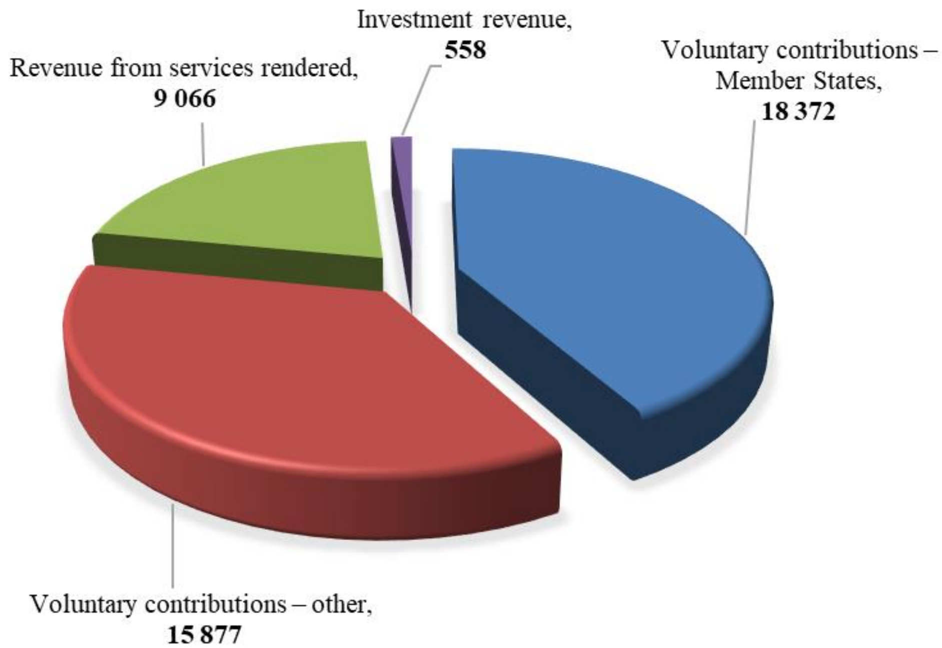
19. The movement in net assets during the year shows an increase of $8.017 million from the net assets of $46.936 million at the end of 2021, reflecting an operating surplus of $2.512 million and an actuarial gain of $5.505 million.

Financial performance

Revenues

20. In 2022, total revenue amounted to $43.873 million and was structured as shown in figure IV.VI.

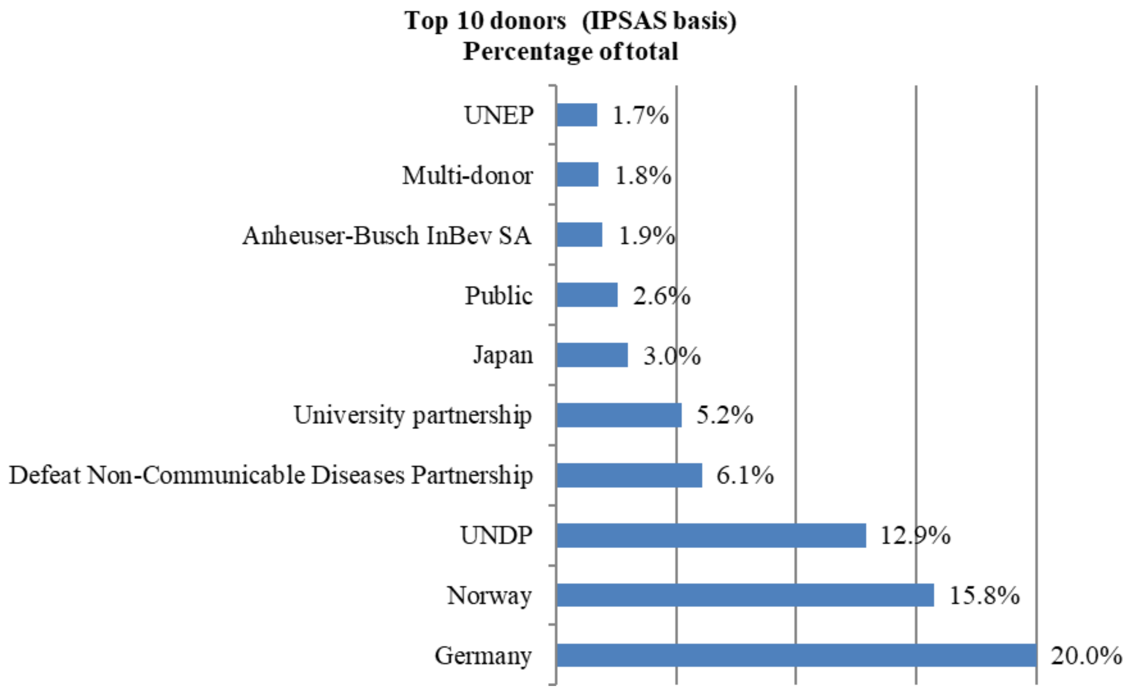
Figure IV.VI
Total revenue as at 31 December 2022
(Thousands of United States dollars)



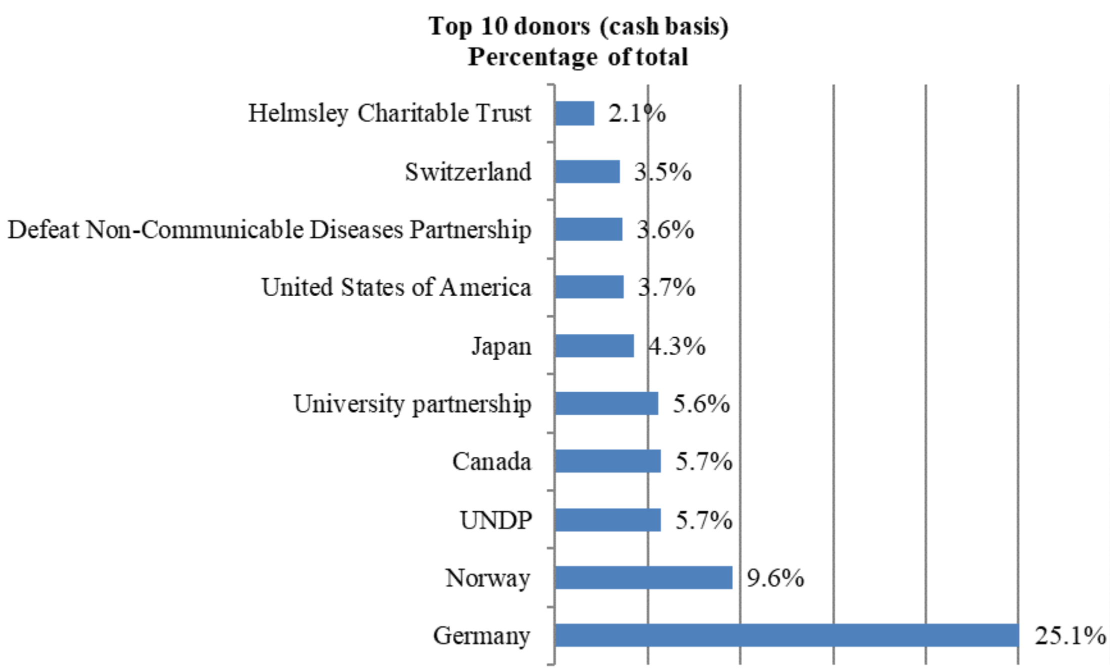
21. As shown in figure IV.VI, the main sources of revenue were: (a) voluntary contributions of $18.372 million received from Member States, or 41.9 per cent of total revenue (2021: $38.865 million, or 68.4 per cent); (b) other voluntary contributions from non-Member States of $15.877 million, or 36.2 per cent (2021: $9.576 million, or 16.9 per cent), comprising (i) voluntary contributions of $13.727 million received from donors other than Member States and (ii) contributions in kind of $2.150 million; and (c) revenue from services rendered of $9.066 million, or 20.7 per cent (2021: $8.240 million, or 14.5 per cent). In-kind contributions recorded consist of a rental subsidy of $0.452 million (2021: $0.475 million for the year (representing the difference between the market value and the actual amount paid for the rental of the buildings occupied by UNITAR)) and the satellite images received from the Government of the United States of America valued at $1.699 million. The revenue for rendering services includes fees collected for a range of face-to-face and e-learning training courses, sales of satellite imagery analysis and affiliations fees. Investment revenue, which represented 1.27 per cent of total revenue, increased to $0.558 million from the $0.132 million reported in 2021.

22. UNITAR is heavily reliant on a small number of donors; it was noted that the top 10 donors contributed 71 per cent of the total donor contributions for the year. Figure IV.VII shows the top 10 donors on an IPSAS basis and cash basis. The contributions include revenue received for services rendered whose donors were also the beneficiaries of the services rendered.

Figure IV.VII
Contributions of top 10 donors (excludes in-kind contributions)



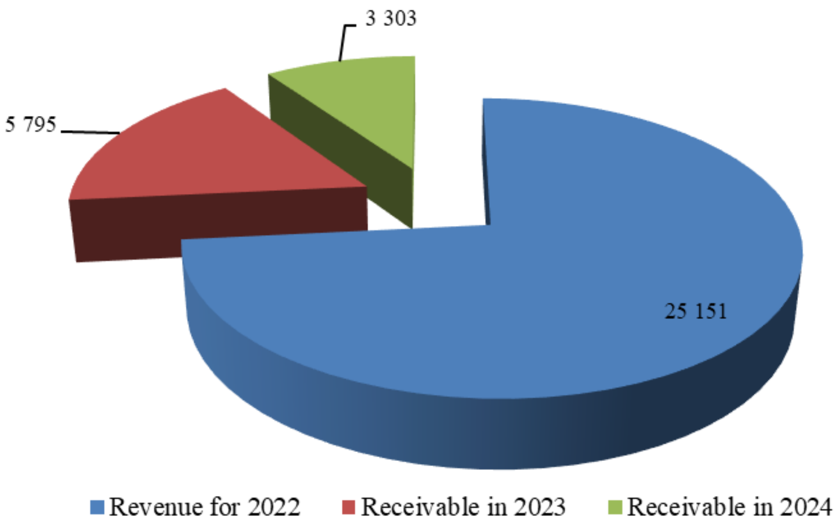
Abbreviations: UNDP, United Nations Development Programme; UNEP, United Nations Environment Programme.



Abbreviations: UNDP, United Nations Development Programme; NCD, Non-Communicable Disease.

23. Voluntary contributions recognized in 2022 on an IPSAS basis include a few high-value multi-year donor agreements with contributions balances receivable during the period 2023 to 2024. The revenues from such multi-year agreements that are recognized in 2022 with receivables in future years are shown in figure IV.VIII.

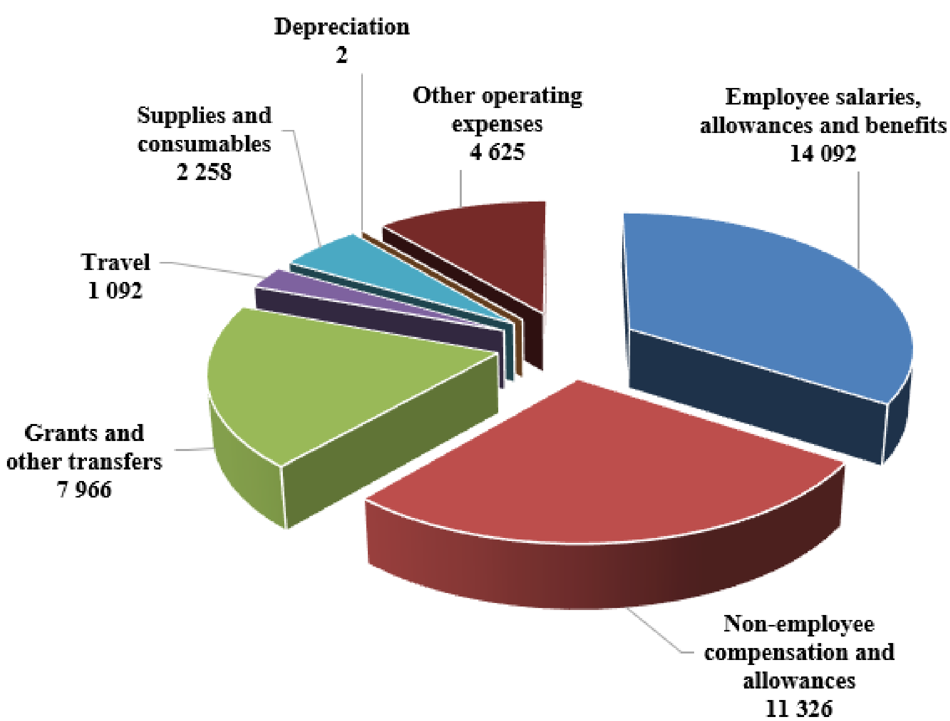
Figure IV.VIII
Voluntary contributions for 2022 showing current-year and future-year portions
(Thousands of United States dollars)



Expenses

24. For the year ended 31 December 2022, expenses totalled $41.361 million. The various categories of expenditure are shown in figure IV.IX.

Figure IV.IX
Total expenses as at 31 December 2022
(Thousands of United States dollars)

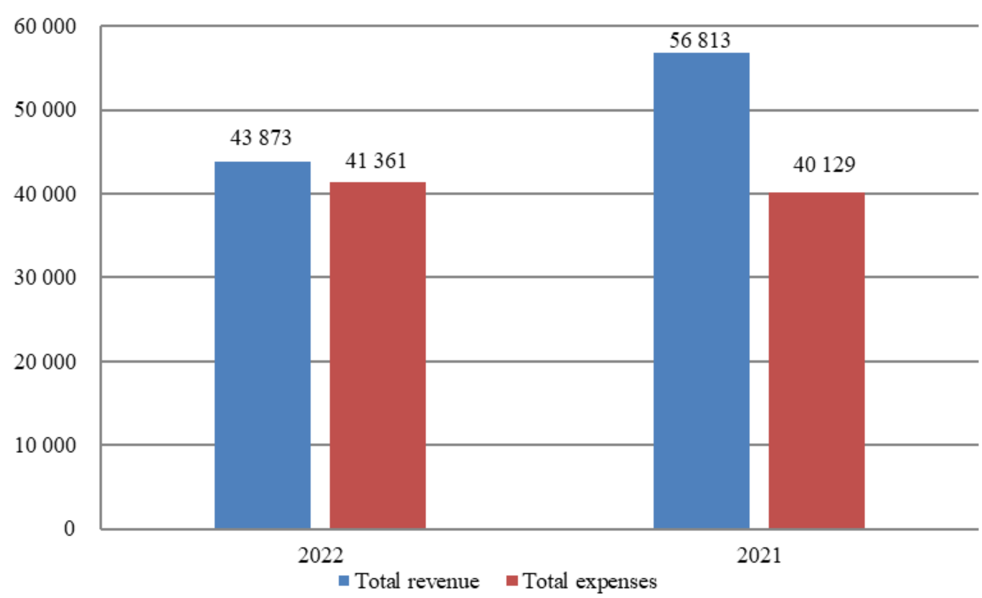


25. The total expenses amount of $ 41.361 million reported for 2022 at represent an increase of 3.1 per cent compared with the total expense amount of $40.129 million reported in 2021 (see figure IV.X). The main expense categories were staff costs of $14.092 million, or 34.1 per cent (2021: $13.346 million, or 33.3 per cent), non-employee compensation and allowances of $11.326 million, or 27.4 per cent (2021: $11.437 million, or 28.5 per cent), grants and other transfers of $7.966 million, or 19.3 per cent (2021: $6.947 million, or 17.3 per cent) and travel of $1.092 million, or 2.6 per cent (2021: $0.689 million, or 1.7 per cent). Other operating expenses of $4.625 million (2021: $4.826 million) and supplies and consumables of $2.258 million (2021: $2.642 million) make up the majority of the remaining 16.6 per cent of total expenses (2021: 19.2 per cent).

26. Other operating costs exclude $3.045 million in programme support costs, as well as $5.305 million in direct service costs generated by the implementation of project activities. As set by the UNITAR Board of Trustees, all special purpose grants income is assessed at an aggregate rate of 18 or 13 per cent, depending on expected expenditure structure, to provide for programme support costs and direct service costs generated by the implementation of project activities. Programme support costs and direct service costs are included in the project expenses and constitute revenue for the operations/support services segment but are eliminated for financial statement reporting purposes. Details of the elimination are included in paragraphs 75 (note 3) and 86 (note 4) of the notes to the financial statements.

27. Total personnel costs, which include employee and non-employee compensation and allowances, amounted to $25.418 million (2021: $24.783 million). Total personnel costs represent 57.9 per cent of the total revenue, which was reported at $43.873 million for the year.

Figure IV.X
Movement in revenue and expenses
(Thousands of United States dollars)



28. There was an overall decrease of $12.940 million (22.8 per cent) in total revenue compared with the revenue reported in 2021, as shown in figure IV.X. The decrease in revenue is due mainly to high value multi-year contributions received from member

State donors in 2021 and recognized in 2021 in accordance with the non-exchange revenue recognition principle as set out in IPSAS 23: Revenue from non-exchange transactions (taxes and transfers).

29. The overall expenses showed an increase of $1.232 million (3.1 per cent) compared with 2021. The sources of significant increases were: $1.019 million in grants and other transfers (14.7 per cent) due to more grants to implementing partner activities in 2022; $0.746 million in employee salaries (5.6 per cent) due to increases in salary scales and post adjustment; and $0.403 million in cost of travel (58.5 per cent) due to resumption of travel after the lifting of restrictions post COVID. Decreases in expenses are shown in $0.111 million in non-employee compensation and allowances (1.0 per cent), $0.384 million in supplies and consumables (14.5 per cent) and $0.201 million in other operating expenses (4.2 per cent).

Operating results

30. The net surplus in revenue over expense in 2022 is reported at $2.512 million compared with the surplus of $16.684 million in 2021. Fluctuations in operating results are attributed to the timing difference in respect of recognizing revenue and related expenditure in line with provisions of IPSAS, whereby revenue from non-exchange transactions can be recognized in one financial year and the related expenses recorded in another, in particular where agreements are signed late in the financial year and span a multi-year period.

Liquidity position

31. As at 31 December 2022, the liquidity position of UNITAR had improved compared with 2021; the entity had sufficient liquid assets to settle its obligations. Liquid funds showed an increase of $2.320 million from the level of $42.908 million reported as at 31 December 2021 to $45.228 million in 2022. The total liquid funds comprise cash and cash equivalents of $9.516 million, or 21.0 per cent (2021: $2.915 million, or 6.8 per cent), short-term investments of $20.010 million, or 44.2 per cent (2021: $21.031 million, or 49.0 per cent) and accounts receivable of $14.098 million, or 31.2 per cent (2021: $17.551 million, or 40.9 per cent) and other accounts receivable and interest receivable of $1.604 million in 2022, or 3.5 per cent ($1.411 million in 2021, or 3.3 per cent). UNITAR invested its funds in short-term and long-term time deposits, bonds and other money market instruments and funds. Total current liabilities amounted to $5.080 million (2021: $5.477 million) and total liabilities amounted to $21.966 million (2021: $26.848 million).

32. The table below summarizes four key liquidity indicators for the financial year ended 31 December 2022 with comparatives for the year ended 31 December 2021.

	Year ended 31 December	
Liquidity indicator	*2022*	*2021*
Ratio of liquid assets to current liabilities	8.9:1	7.8:1
Ratio of liquid assets less accounts receivable to current liabilities	5.8:1	4.4:1
Ratio of liquid assets to total assets	0.59:1	0.58:1
Average months of liquid assets less accounts receivable on hand	8.6	7.2

33. The ratio of liquid assets to current liabilities indicates the ability of UNITAR to pay its short-term obligations from its liquid resources. The ratio of 8.9:1 indicates that current liabilities are covered 8.9 times by liquid assets and therefore there are sufficient liquid assets available to fully pay current liabilities should the need arise.

When accounts receivables are excluded from the analysis, the coverage of current obligations is at 5.8 for the current year, compared with 4.4 for the previous year.

34. As at 31 December 2022, the Institute's liquid assets were about 59.1 per cent of its total assets and it held sufficient cash and cash equivalents and short-term investments to cover its estimated average monthly expenses of $3.447 million for 8.6 months, compared with 7.2 months at the end of 2021.

35. As at the reporting date, UNITAR had employee benefits liabilities of $17.629 million, of which $17.213 million relates to defined-benefit liabilities. With total cash and cash equivalents and investments of $50.440 million, the employee benefits liability is covered by 286 per cent. Furthermore, 31.0 per cent of the defined-benefit liability is funded up to $5.386 million included in cash and cash equivalents.

C. Future outlook

36. In November 2022, at its sixty-third session, the UNITAR Board of Trustees adopted the revised programme budget for 2022–2023 of $83.311 million, following a discussion on the state of UNITAR, including opportunities and challenges faced during 2022, as well as a review of the full costs of staffing, other personnel, operational support, and institutional costs for the biennium 2022–2023. The revised programme budget (2022–2023) is $10.816 million higher than the approved original budget for the biennium 2022–2023 ($72.495 million).

37. Noting that 2023 would mark 60 years since the establishment of UNITAR, the Board of Trustees also reflected on the Institute's role in the contemporary world, which is defined by conflict, insecurity and an environmental crisis with a range of interconnected impacts. The Board acknowledged that the strategic framework was serving its purpose, but emphasized that more efforts needed to be made towards meeting the needs of beneficiaries located in the distressed countries and that mobilizing support for flexible funding would be instrumental given the earmarked character of UNITAR.

38. The Board of Trustees welcomed the communications strategy for the period 2022–2027 and the plans for marking the Institute's sixtieth anniversary at various locations, including Geneva, New York and the other cities where UNITAR maintains a presence, including through the International Training Centres for Authorities and Leaders Global Network.

Chapter V

Financial statements for the year ended 31 December 2022

United Nations Institute for Training and Research

I. Statement of financial position as at 31 December 2022

(Thousands of United States dollars)

	Note	*31 December 2022*	*31 December 2021*
Assets			
Current assets			
Cash and cash equivalents	6	9 516	2 915
Investments	21	20 010	21 031
Voluntary contributions receivable	7	14 098	17 551
Other accounts receivable	8	1 417	1 301
Advance transfers	9	361	178
Interest receivable	8	187	110
Other assets	10	6 233	3 706
Total current assets		**51 822**	**46 792**
Non-current assets			
Investments	21	20 914	20 316
Voluntary contributions receivable	7	4 182	6 673
Intangible assets	12	–	–
Property, plant and equipment	11	1	3
Total non-current assets		**25 097**	**26 992**
Total assets		**76 919**	**73 784**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	13	2 308	2 885
Other liabilities	14	9	–
Advance receipts	15	2 020	1 679
Employee benefits liabilities	16	743	913
Total current liabilities		**5 080**	**5 477**
Non-current liabilities			
Employee benefits liabilities	16	16 886	21 371
Total non-current liabilities		**16 886**	**21 371**
Total liabilities		**21 966**	**26 848**
Net of total assets and total liabilities		**54 953**	**46 936**
Net assets			
Accumulated surpluses	17	54 953	46 936
Total net assets		**54 953**	**46 936**

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

United Nations Institute for Training and Research

II. Statement of financial performance for the year ended 31 December 2022

(Thousands of United States dollars)

	Note	*2022*	*2021*
Revenue			
Voluntary contributions – Member States	18	18 372	38 865
Voluntary contributions – other	18	15 877	9 576
Revenue from services rendered	19	9 066	8 240
Investment revenue	21	558	132
Total revenue		**43 873**	**56 813**
Expenses			
Employee salaries, allowances and benefits	20	14 092	13 346
Non-employee compensation and allowances	20	11 326	11 437
Grants and other transfers	20	7 966	6 947
Travel	20	1 092	689
Supplies and consumables	20	2 258	2 642
Depreciation	11	2	3
Amortization	12	–	239
Other operating expenses	20	4 625	4 826
Total expenses		**41 361**	**40 129**
Surplus for the year		**2 512**	**16 684**

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

United Nations Institute for Training and Research

III. Statement of changes in net assets for the year ended 31 December 2022

(Thousands of United States dollars)

Net assets as at 1 January 2021	**30 831**
Change in net assets	
Actuarial loss on employee benefits liabilities (note 16)	(579)
Surplus for the year	16 684
Total changes in net assets	**16 105**
Net assets as at 31 December 2021	**46 936**
Change in net assets	
Actuarial gain on employee benefits liabilities (note 16)	5 505
Surplus for the year	2 512
Total changes in net assets	**8 017**
Net assets as at 31 December 2022	**54 953**

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

United Nations Institute for Training and Research

IV. Statement of cash flows for the year ended 31 December 2022

(Thousands of United States dollars)

	Note	*2022*	*2021*
Cash flows from operating activities			
Surplus for the year		2 512	16 684
Non-cash movements			
Depreciation	11	2	3
Amortization of premiums/discount on investments	21	65	117
Amortization of intangible assets (in-kind contribution)	12	–	239
Actuarial gains/(losses)	17	5 505	(579)
Changes in assets			
Decrease/(increase) in voluntary contributions receivable	7	5 944	(9 511)
Decrease/(increase) in other receivables	8	(116)	202
Decrease/(increase) in interest receivables	8	(77)	7
Decrease/(increase) in advance transfers	9	(183)	885
Decrease/(increase) in other assets	10	(2 527)	(2 716)
Changes in liabilities			
Increase/(decrease) in other accounts payable and accrued liabilities	13	(577)	(989)
Increase/(decrease) in transfers payable	14	9	–
Increase/(decrease) in advance receipts	15	341	126
Increase/(decrease) in employee benefits liabilities	16	(4 655)	1 910
Investment revenue presented as investing activities	21	(558)	(132)
Net cash flows from operating activities		**5 685**	**6 246**
Cash flows from investing activities			
Purchases of investments	21	(25 665)	(67 954)
Proceeds from investments	21	26 023	53 310
Investment revenue presented as investing activities	21	558	132
Net cash flows (used in)/from investing activities		**916**	**(14 512)**
Net (decrease)/increase in cash and cash equivalents		**6 601**	**(8 266)**
Cash and cash equivalents – beginning of year	6	2 915	11 181
Cash and cash equivalents – end of year	**6**	**9 516**	**2 915**

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

United Nations Institute for Training and Research

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2022

(Thousands of United States dollars)

	Publicly available budget[a]						
	Original biennial	*Revised biennial*	*Original annual*	*Final annual*	*Actual annual revenue and expenditure (budget basis)*	*Difference between original and final budget (percentage)*	*Difference between final budget and actual revenue/ expenditure (percentage)*[b]
Income							
Programme contributions	73 580	86 002	37 930	41 651	46 312	9.8	11.2
Non-earmarked							
Voluntary contributions	450	450	225	225	333	–	48
Other/miscellaneous income	–	–	–	–	481	–	>100.0
Total income	**74 030**	**86 452**	**38 155**	**41 876**	**47 126**	**9.8**	**12.5**
Expenditure							
Office of Executive Director	5 077	5 447	2 505	2 287	2 173	(8.7)	(5)
Operations/support services	7 081	7 275	3 552	3 433	3 065	(3.4)	(10.7)
Programmes	60 338	70 590	31 105	34 184	36 159	9.9	5.8
Total expenditure	**72 496**	**83 312**	**37 162**	**39 904**	**41 397**	**7.4**	**3.7**
Net total	**1 534**	**3 140**	**993**	**1 972**	**5 729**	**–**	**–**

[a] The annual budget amounts relate to the current-year proportion of publicly available budgets which are approved for a two-year budget period (2022–2023) pursuant to document UNITAR/BT/63/3. Material differences between the original and final budgets are explained in note 5.

[b] Represents actual expenditure and income (budget basis) less final annual budget. Differences greater than 10 per cent are considered in note 5.

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

United Nations Institute for Training and Research
Notes to the 2022 financial statements

Note 1
Reporting entity

The United Nations and its activities

1. The United Nations is an international organization founded in 1945 after the Second World War. The Charter of the United Nations was signed on 26 June 1945 and became effective on 24 October 1945. The Organization's primary objectives are as follows:

(a) The maintenance of international peace and security;

(b) The promotion of international economic and social progress and development programmes;

(c) The universal observance of human rights;

(d) The administration of international justice and law.

2. These objectives are implemented through the four major organs of the United Nations, as follows:

(a) The General Assembly focuses on a wide range of political, economic and social issues, as well as financial and administrative aspects of the United Nations;

(b) The Security Council is responsible for various aspects of peacekeeping and peacemaking, including efforts to resolve conflicts, restore democracy, promote disarmament, provide electoral assistance, facilitate post-conflict peacebuilding, engage in humanitarian activities to ensure the survival of groups deprived of basic needs and oversee the prosecution of persons responsible for serious violations of international humanitarian law;

(c) The Economic and Social Council plays a particular role in economic and social development, including a major oversight role in the efforts of other organizations of the United Nations system to address international economic, social and health problems;

(d) The International Court of Justice has jurisdiction over disputes between Member States brought before it for advisory opinions or binding resolutions.

3. The United Nations is headquartered in New York and has major offices in Geneva, Vienna and Nairobi and peacekeeping and political missions, economic commissions, tribunals, training institutes and information and other centres around the world.

United Nations Institute for Training and Research

4. The present financial statements relate to the operations of the United Nations Institute for Training and Research (UNITAR). The Institute was established by the General Assembly in 1963 with the purpose of enhancing the effectiveness of the United Nations in achieving the major objectives of the United Nations. Since its establishment, UNITAR has grown to become not only a recognized and respected service provider in professional, executive-type training, but also in the broader realm of capacity development, with priority placed on developing countries. UNITAR is governed by a Board of Trustees and is headed by an Executive Director. The Executive Director and the members of the Board of Trustees are appointed by the United Nations Secretary-General. The Executive Director reports directly to the Economic and Social Council, one of the organs of the United Nations. UNITAR is

funded by voluntary contributions from Governments, intergovernmental organizations, foundations, the private sector and other non-governmental sources as well as by individuals paying for their training participation.

5. The mission of UNITAR is to develop the individual, institutional and organizational capacities of countries and other United Nations stakeholders through high-quality learning solutions and related knowledge products and services to enhance decision-making and to support country-level action for overcoming global challenges. The Institute's core functions are to provide high-quality learning solutions to address the capacity-development needs of individuals, organizations and institutions; to advise and support Governments, the United Nations and other partners with knowledge services, including those that are technology-based; to facilitate knowledge- and experience-sharing through networked and innovative processes; and to integrate innovative strategies, approaches and methodologies into learning and related knowledge projects and services. Under the 2022–2025 strategic framework, the UNITAR training programmes and research activities are organized under six thematic pillars: (a) peace; (b) people; (c) planet; (d) prosperity; (e) multilateral diplomacy; and (f) satellite analysis and applied research.

6. UNITAR is regarded as an autonomous financial reporting entity, which neither controls nor is controlled by any other United Nations reporting entity. Owing to the uniqueness of the governance and budgetary process of each of the United Nations reporting entities, the entities are not deemed to be subject to common control. UNITAR has no interests in associates or joint ventures. Therefore, these statements relate only to the operations of UNITAR.

7. UNITAR is headquartered in Geneva, and its activities are supported by outposted offices in New York and Hiroshima, Japan, and a project office in Port Harcourt, Nigeria. In addition: (a) the Satellite Operations Unit rented two office spaces: one in Nairobi (from the United Nations Office at Nairobi) for 2020–2022 and the other in Bangkok (from the Economic and Social Commission for Asia and the Pacific) for 2020–2023; (b) the Peacekeeping Training Programme Unit has rented offices from the United Nations Development Programme (UNDP) in Bamako, Addis Ababa, Dakar and Niamey for indefinite periods; and (c) the New York Office rented an apartment for 2022 to house the participants of the President of the General Assembly fellowship programme. These office spaces are rented for the implementation of specific project activities. The work of the UNITAR Bonn Office is focused largely on Sustainable Cycle programming, with the Global e-Waste Monitor its flagship deliverable, and peacekeeping training activities.

Note 2
Basis of preparation and authorization for issue

Basis of preparation

8. In accordance with the Financial Regulations and Rules of the United Nations, these financial statements have been prepared on an accrual basis in accordance with the International Public Sector Accounting Standards (IPSAS). They have been prepared on a going-concern basis and the accounting policies have been applied consistently in their preparation and presentation. In accordance with the requirements of IPSAS, the financial statements, which present fairly the assets, liabilities, revenue and expenses of the Institute, consist of the following:

(a) Statement of financial position (statement I);

(b) Statement of financial performance (statement II);

(c) Statement of changes in net assets (statement III);

(d) Statement of cash flows (using the indirect method) (statement IV);

(e) Statement of comparison of budget and actual amounts (statement V);

(f) Notes to the financial statements comprising a summary of significant accounting policies and other explanatory notes;

(g) Comparative information in respect of all amounts presented in the financial statements indicated in (a) to (e) above and, where relevant, comparative information for narrative and descriptive information presented in the notes to these financial statements.

Going concern

9. The going-concern assertion is based on the approval by the UNITAR Board of Trustees of the work programme and budget estimates for the biennium 2022–2023, its net assets position, the stable historical trend of collection of voluntary contributions and the fact that the General Assembly has made no decision to cease the operations of UNITAR.

Authorization for issue

10. These financial statements are certified by the Controller of the United Nations and approved by the Executive Director of UNITAR. In accordance with financial regulation 6.2, the Executive Director had transmitted the financial statements as at 31 December 2022 to the Board of Auditors by 31 March 2023. In accordance with financial regulation 7.12, the reports of the Board of Auditors are to be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements.

Measurement basis

11. These financial statements are prepared using the historical-cost convention, except for financial assets recorded at fair value through surplus or deficit.

Functional and presentation currency

12. The functional and presentation currency of UNITAR is the United States dollar. The financial statements are expressed in thousands of United States dollars unless otherwise stated.

13. Transactions in currencies other than the functional currency (foreign currencies) are translated into United States dollars at the United Nations operational rate of exchange at the date of the transaction. The United Nations operational rates of exchange approximate the spot rates prevailing at the dates of the transactions. At year end, monetary assets and liabilities denominated in foreign currencies are translated at the United Nations operational rates of exchange. Non-monetary foreign currency-denominated items that are measured at fair value are translated at the United Nations operational rate of exchange at the date on which the fair value was determined. Non-monetary items measured at historical cost in a foreign currency are not translated at year end.

14. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the statement of financial performance on a net basis.

Materiality and use of judgment and estimation

15. Materiality is central to the preparation and presentation of the Institute's financial statements and its materiality framework provides a systematic method in guiding accounting decisions relating to presentation, disclosure, aggregation, offsetting and retrospective versus prospective application of changes in accounting policies. In general, an item is considered material if its omission or its aggregation would have an impact on the conclusions or decisions of the users of the financial statements.

16. Preparing financial statements in accordance with IPSAS requires use of estimates, judgments and assumptions in the selection and application of accounting policies and in the reported amounts of certain assets, liabilities, revenues and expenses.

17. Accounting estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: actuarial measurement of employee benefits; selection of useful lives and the depreciation/amortization methods for property, plant and equipment/intangible assets; impairment of assets; classification of financial instruments; valuation of inventory; inflation and discount rates used in the calculation of the present value of provisions; and classification of contingent assets/liabilities.

Future accounting pronouncements

18. The progress and impact of the following significant future IPSAS Board accounting pronouncements on the Institute's financial statements continues to be monitored:

(a) Heritage assets: the objective of the project is to develop accounting requirements for heritage assets;

(b) Infrastructure assets: the objective of the project is to research and identify issues that preparers encounter when applying IPSAS 17: Property, plant and equipment, to infrastructure assets. Informed by this research, the aim is to provide additional guidance on accounting for infrastructure assets;

(c) The IPSAS Board plans to issue a new standard on property, plant and equipment replacing IPSAS 17: Property, plant and equipment, adding public sector guidance on heritage and infrastructure assets and aligning with the new measurement principles. The standard is expected to be issued in the first half of 2023, together with the measurement-related guidance;

(d) Public sector measurement: the objectives of the project are (i) to issue amended IPSAS standards that include revised requirements for measurement at initial recognition, subsequent measurement and measurement-related disclosure; (ii) to provide more detailed guidance on the implementation of replacement cost and cost of fulfilment and the circumstances under which these measurement bases will be used; and (iii) to address transaction costs, including the specific issue of the capitalizing or expensing of borrowing costs. The IPSAS Board expects to approve and issue the standard on measurement in the first half of 2023. The related section of the Conceptual Framework, Chapter 7 on Measurement of Assets and Liabilities, will also be updated in line with the developing of the new standard;

(e) Non-exchange expenses: the aim of the project is to develop a standard or standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits. The new standard would result in a change in accounting policy for the recognition of expenses whereby the transfer provider will recognize an expense as the transfer recipient satisfies an obligation by transferring goods or service to a third-party beneficiary. The draft standard is in the final review phase by the IPSAS Board and is expected to be issued in the first half of 2023;

(f) Revenue: the scope of the project is to develop new standard-level requirements and guidance on revenue to amend or supersede that currently located in IPSAS 9: Revenue from exchange transactions, IPSAS 11: Construction contracts, and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers). The IPSAS Board finished discussing principled-related issues and plans to issue the standard in the first half of 2023;

(g) Accounting and reporting by Retirement Benefit Plans is a new project of the IPSAS Board and an adaptation from International Accounting Standards (IAS) 26. The objective of developing the exposure draft is to prescribe the accounting and reporting requirements for public sector retirement benefit plans, which primarily provide benefits to retired public sector employees. The guidance will be applied to retirement benefit plans for which financial statements are prepared and presented under the accrual basis of accounting;

(h) Other lease-type arrangements is another new project of the Board, with the aim of developing additional guidance identifying and addressing lease-related accounting issues associated with lease-type arrangements. The exposure draft was published for comments in January 2023 and contains proposed amendments to IPSAS 43: Leases, on accounting for concessionary leases, as well as new guidance on right-of-use assets in-kind and consequential amendments to IPSAS 23: Revenue from Non-Exchange Transactions.

Recent and future requirements of the International Public Sector Accounting Standards

19. The IPSAS Board issued the following standards:

(a) IPSAS 41: Financial instruments, issued August 2018 and effective 1 January 2023;

(b) IPSAS 42: Social benefits, issued January 2019 and effective 1 January 2023;

(c) IPSAS 43: Leases, issued January 2022 and effective 1 January 2025;

(d) IPSAS 44: Non-current assets held for sale and discontinued operations, issued May 2022 and effective 1 January 2025.

20. The impact of these standards on the Institute's financial statements and the comparative period therein has been evaluated to be as follows:

Standard	*Anticipated impact in the year of adoption*
IPSAS 41	IPSAS 41: Financial instruments, substantially improves the relevance of information for financial assets and financial liabilities. It replaces IPSAS 29: Financial instruments: recognition and measurement, and improves that standard's requirements by introducing: (a) Simplified classification and measurement requirements for financial assets; (b) A forward-looking impairment model; (c) A flexible hedge accounting model. Compliance with IPSAS 41: Financial instruments is mandatory for UNITAR in the financial year ending 31 December 2023. The Institute is in the process of assessing the new requirements for recording, valuation and reporting of the investment cash pool in line with IPSAS 41: Financial instruments.

Standard	*Anticipated impact in the year of adoption*
IPSAS 42	IPSAS 42: Social benefits, provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include state retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment. Currently, there are no such social benefits in UNITAR operations, and hence the standard has no impact on UNITAR financial reporting.
IPSAS 43	IPSAS 43: Leases, will replace IPSAS 13: Leases, aligning guidance with International Financial Reporting Standard 16. The newly issued standard introduces new contract and lease definitions and prescribes a right-of-use recognition and measurement model for all leases apart from those meeting short term and low-value exemption categories. IPSAS 43 also provides additional guidance on application of the risks and rewards model for lessor accounting. Adoption of the standard is mandatory for the financial year ending 31 December 2025. The impact of IPSAS 43 is being assessed during the 2023 and 2024 calendar years prior to the effective date of 1 January 2025. It is estimated that the broadened leases definition will result in the recognition of more binding arrangements as leases, with a corresponding increase in lease liabilities and right-of-use assets.
IPSAS 44	IPSAS 44: Non-current assets held for sale and discontinued operations, promulgates accounting for assets held for sale and the presentation and disclosure requirements of discontinued operations, in alignment with International Financial Reporting Standard 5. Adoption of the standard is mandatory for the financial year ending 31 December 2025. The impact of IPSAS 44 will be assessed to prepare the Institute for its implementation prior to the 1 January 2025 effective date. Given the definitions and scope of non-current assets held for sale, the recognition and measurement impacts are preliminarily estimated as not significant for the Institute as the presentation and disclosure changes will depend on the identification of discontinued operations, if any, in the future, as of 1 January 2025.

Note 3
Significant accounting policies

Financial assets: classification

21. UNITAR classifies financial assets into the following categories: held-to-maturity, available-for-sale, loans and receivables, and fair value through surplus or deficit in the statement of financial performance. The classification depends primarily on the purpose for which the financial assets are acquired and is determined at initial recognition and re-evaluated at each reporting date. All financial assets are initially measured at fair value. UNITAR initially recognizes loans and receivables on the date that they originated. All other financial assets are recognized initially on the trade date, which is the date on which UNITAR becomes party to the contractual provisions of the instrument.

22. Financial assets with maturities in excess of 12 months at the reporting date are categorized as non-current assets in the financial statements, and assets denominated in foreign currency are translated into United States dollars at the United Nations operational rates of exchange prevailing at the reporting date, with net gains or losses recognized in surplus or deficit in the statement of financial performance.

Classification	*Financial assets*
Held-to-maturity	Investments: time deposit, non-callable bonds
Loans and receivables	Cash and cash equivalents and receivables (non-exchange and exchange)

Held-to-maturity investments

23. These are non-derivative financial assets that have fixed or determinable payments and that UNITAR has a positive intention and ability to hold to maturity. Held-to-maturity investments are investments other than:

(a) Instruments initially designated as fair value through surplus or deficit;

(b) Instruments that meet the definition of loans and receivables;

(c) Instruments classified as available-for-sale.

24. Held-to-maturity investments are initially recorded at fair value plus transaction costs and subsequently recognized at amortized cost calculated using the effective interest method.

25. UNITAR classified its investment portfolio as held-to-maturity assets.

Cash and cash equivalents

26. Cash and cash equivalents comprise cash at bank and on hand and short-term, highly liquid investments with a maturity of three months or less from the date of acquisition.

Receivables from non-exchange transactions – contributions receivable

27. Contributions receivable represents uncollected revenue from voluntary contributions committed to UNITAR by Member States, non-member States and other donors on the basis of enforceable agreements. These non-exchange receivables are stated at nominal value, except for voluntary contributions receivable that will mature in more than 12 months, less impairment for estimated irrecoverable amounts (i.e., the allowance for doubtful receivables). If deemed material, these long-term voluntary contribution receivables are reported at a discounted value.

Financial assets: receivables from exchange transactions – other receivables

28. Other receivables include primarily amounts receivable for goods or services provided to other entities, amounts receivable for operating lease arrangements, interest receivable and receivables from staff. Receivables from other United Nations reporting entities are also included in this category.

29. Material balances of other receivables and voluntary contributions receivable are subject to specific review and an allowance for doubtful receivables assessed on the basis of recoverability and ageing accordingly.

Advance transfers

30. Advance transfers relate to cash transferred to executing agencies/implementing partners. Advances issued to executing agencies/implementing partners are initially recognized as assets; expenses are recognized when goods are delivered, or services are rendered by the executing agencies/implementing partners and confirmed by receipt of certified expense reports, as applicable. In instances where the partner has not provided financial reports as expected, programme managers make an informed

assessment as to whether an accrual is needed. Balances due for a refund are transferred to other receivables and, where necessary, are subject to an allowance for doubtful receivables. Transfers up to $30,000 qualify to be considered as transfers to end beneficiaries and are expensed at the time of issue.

Other assets

31. Other assets include inter-fund balance receivables, advances to staff members and prepayments that are recorded as an asset until goods are delivered or services are rendered by the other party, at which point the expense is recognized. Inter-fund balance receivables from UNDP result from treasury, investment and payroll transactions entered into by UNDP on behalf of UNITAR under contractual arrangement for the provision of support services.

Property, plant and equipment

32. Property, plant and equipment are classified into different groupings on the basis of their nature, functions, useful lives and valuation methodologies. The groupings include vehicles, communications and information technology equipment, machinery and equipment, furniture and fixtures, and real estate assets (land, buildings, leasehold improvements, infrastructure and assets under construction). Currently, the Institute's property, plant and equipment comprise vehicles and communications and information technology equipment.

Recognition of property, plant and equipment

33. All property, plant and equipment are stated at historical cost, less accumulated depreciation and accumulated impairment losses. Historical cost comprises the purchase price, any costs directly attributable to bringing the asset to its location and condition, and the initial estimate of dismantling and site restoration costs.

34. Property, plant and equipment are capitalized when their cost is greater than or equal to the threshold of $5,000.

35. With respect to property, plant and equipment acquired at nil or nominal cost, including donated assets, the fair value at the date of acquisition is deemed to be the cost of acquiring equivalent assets.

36. Property, plant and equipment are depreciated over their estimated useful lives using the straight-line method up to their residual value. Depreciation commences in the month in which UNITAR gains control over an asset in accordance with international commercial terms, and no depreciation is charged in the month of the retirement or disposal of the property, plant and equipment. Given the expected pattern of usage of property, plant and equipment, the residual value is deemed to be nil unless residual value is likely to be significant. The estimated useful lives of property, plant and equipment classes are:

Class of property, plant and equipment	*Range of estimated useful life*
Communications and information technology equipment	4–7 years
Vehicles	6–12 years

37. Where there is a material cost value of fully depreciated assets that are still in use, adjustments to accumulated depreciation are incorporated into the financial statements to reflect a residual value of 10 per cent of historical cost based on an analysis of the classes and useful lives of fully depreciated assets.

38. The Institute chose the cost model for measurement of property, plant and equipment after initial recognition instead of the revaluation model. Costs incurred after initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to UNITAR and the subsequent cost exceeds the threshold for initial recognition. Repairs and maintenance are expensed in the statement of financial performance in the year in which they are incurred.

39. A gain or loss resulting from the disposal or transfer of an item of property, plant and equipment arises where proceeds from disposal or transfer differ from its carrying amount. Those gains or losses are recognized in the statement of financial performance within other revenue or other expenses.

40. Impairment assessments are conducted during the annual physical verification process and when events or changes in circumstance indicate that carrying amounts may not be recoverable. The impairment review threshold for vehicles and communications and information technology equipment is a period-end net-book-value greater than $25,000.

Intangible assets

41. Intangible assets are carried at cost, less accumulated amortization and accumulated impairment loss. For intangible assets acquired at nil or nominal cost, including donated assets, the fair value at the date of acquisition is deemed to be the cost of the asset. The thresholds for recognition are $100,000 per unit for internally generated intangible assets and $5,000 per unit for externally acquired intangible assets.

42. Acquired computer software licences are capitalized on the basis of costs incurred to acquire and bring into use the specific software. Development costs that are directly associated with the development of software for use by the Institute are capitalized as an intangible asset. Directly associated costs include software development employee costs, consultant costs and other applicable overhead costs. Intangible assets with finite useful lives are amortized on a straight-line method, starting from the month of acquisition or when they become operational. The useful lives of major classes of intangible assets have been estimated as shown below.

Class	*Range of estimated useful life*
Licences and rights	2–6 years (period of licence/right)
Software acquired externally	3–10 years
Software developed internally	3–10 years
Copyrights	3–10 years
Assets under development	Not amortized

43. Annual impairment reviews of intangible assets are conducted where assets are under development or have an indefinite useful life. Other intangible assets are subject to impairment review only when indicators of impairment are identified.

Financial liabilities: classification

44. Financial liabilities are classified as “other financial liabilities”. They include accounts payable, employee benefits payable, unspent funds held for future refunds, provisions and other liabilities such as inter-fund balances payable to other United

Nations system reporting entities. Financial liabilities classified as other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities with a duration of less than 12 months are recognized at their nominal value. UNITAR re-evaluates the classification of financial liabilities at each reporting date and derecognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

Accounts payable and accrued liabilities

45. Accounts payable and accrued expenses arise from the purchase of goods and services that have been received but not paid for as at the reporting date. They are stated at invoice amounts, less discounts at the reporting date. Payables are recognized and subsequently measured at their nominal value, as they are generally due within 12 months.

Advance receipts and other liabilities

46. Advance receipts and other liabilities consist of payments received in advance relating to exchange transactions, liabilities for conditional funding arrangements and other deferred revenue.

Leases: the Institute as a lessee

47. Leases of property, plant and equipment where UNITAR has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the start of the lease at the lower of fair value or the present value of the minimum lease payments. The rental obligation, net of finance charges, is reported as a liability in the statement of financial position. Assets acquired under finance leases are depreciated in accordance with property, plant and equipment policies. The interest element of the lease payment is charged to the statement of financial performance as an expense over the lease term on the basis of the effective interest rate method.

48. Leases where all of the risks and rewards of ownership are not substantially transferred to UNITAR are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance as an expense on a straight-line basis over the period of the lease.

Donated right-to-use arrangements

49. UNITAR occupies land and buildings and uses infrastructure assets, machinery and equipment through donated right-to-use agreements granted primarily by host Governments at nil or nominal cost. On the basis of the terms of the agreement and the clauses on transfer of control and termination contained in the agreement, the donated right-to-use arrangement is accounted for as an operating lease or finance lease.

50. In the case of operating leases, an expense and a corresponding revenue equal to the annual market rent of similar property are recognized in the financial statements.

51. The threshold for the recognition of revenue and expense is the yearly rental value equivalent of $5,000 for each item of donated right-to-use premises, land, infrastructure, machinery and equipment.

Employee benefits

52. Employees comprise staff members, as described under Article 97 of the Charter of the United Nations, whose employment and contractual relationship is defined by a letter of appointment subject to regulations promulgated by the General

Assembly pursuant to Article 101, paragraph 1, of the Charter. Employee benefits are classified into short-term benefits, long-term benefits, post-employment benefits and termination benefits.

Short-term employee benefits

53. Short-term employee benefits are employee benefits (other than termination benefits) that are payable within 12 months after the end of the year in which the employee renders the related services. Short-term employee benefits comprise first-time employee benefits (assignment grants), regular daily/weekly/monthly benefits (wages, salaries and allowances) and other short-term benefits (education grant, reimbursement of taxes and home leave travel) provided to current employees on the basis of services rendered. All such benefits that are accrued but not paid are recognized as current liabilities within the statement of financial position.

54. Home leave travel is available to eligible staff and dependants serving in qualifying countries. The liability represents the expected travel cost of the next home leave entitlement for qualifying staff, adjusted for the proportion of service yet to be performed until the benefit is vested. As home leave travel entitlements are claimed within relatively short periods of time, the effect of discounting for the time value of money is not material.

Post-employment benefits

55. Post-employment benefits comprise after-service health insurance, end-of-service repatriation benefits and a pension provided through the United Nations Joint Staff Pension Fund.

Defined-benefit plans

56. The following benefits are accounted for as defined-benefit plans: after-service health insurance, repatriation benefits (post-employment benefits) and accumulated annual leave that is commuted to cash upon separation from the Institute (other long-term benefits). Defined-benefit plans are those where the obligation of UNITAR is to provide agreed benefits and UNITAR therefore bears the actuarial risks. The liability for defined-benefit plans is measured at the present value of the defined-benefit obligation. Changes in the liability for defined-benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The Institute has chosen to recognize changes in the liability for defined-benefit plans from actuarial gains and losses directly through the statement of changes in net assets. As at 31 December 2022, UNITAR did not hold any plan assets as defined by IPSAS 39: Employee benefits.

57. The defined-benefit obligations are calculated by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds with maturity dates approximating those of the individual plans.

58. **After-service health insurance**. After-service health insurance provides worldwide coverage for medical expenses of eligible former staff members and their dependants. Upon end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007 and 5 years for those who were recruited prior to that date. The after-service health insurance liability represents the present value of the share of the Institute’s medical insurance costs for retirees and the post-retirement benefit accrued to date by active

staff. A factor in the after-service health insurance valuation is to consider contributions by all plan participants in determining the Institute's residual liability. Contributions from retirees are deducted from the gross liability and a portion of the contributions from active staff is also deducted to arrive at the Institute's residual liability in accordance with the cost-sharing ratios authorized by the General Assembly in its resolutions 38/235, 1095 A (XI) and 41/209.

59. **Repatriation benefits**. Upon end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based upon length of service, and travel and removal expenses. A liability is recognized from when the staff member joins UNITAR and is measured as the present value of the estimated liability for settling these entitlements.

60. **Accumulated annual leave**. The liabilities for annual leave represent unused accumulated leave days that are projected to be settled by means of a monetary payment to employees upon their separation from the Institute. UNITAR recognizes as a liability the actuarial value of the total accumulated unused leave days of all staff members, up to a maximum of 60 days (18 days for temporary staff) as at the date of the statement of financial position. The methodology applies a last-in-first-out assumption in the determination of the annual leave liabilities whereby staff members access current-period leave entitlements before they access accumulated annual leave balances relating to prior periods. Effectively, the accumulated annual leave benefit is accessed more than 12 months after the end of the reporting period in which the benefit arose, and overall, there is an increase in the level of accumulated annual leave days, pointing to the commutation of accumulated annual leave to a cash settlement at end of service as the true liability of the Institute. The accumulated annual leave benefit reflecting the outflow of economic resources from the Institute at end of service is therefore classified as "other long-term benefit". It should be noted that the portion of the accumulated annual leave benefit that is expected to be settled by means of monetary payment within 12 months after the reporting date is classified as a current liability. In line with IPSAS 39: Employee benefits, other long-term benefits must be valued similarly as post-employment benefits; UNITAR therefore values its accumulated annual leave benefit liability as a defined-benefit plan that is actuarially valued.

Pension plan: United Nations Joint Staff Pension Fund

61. UNITAR is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined-benefit plan. As specified in article 3 (b) of the Regulations of the Fund, membership of 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.

62. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligations, plan assets and costs to individual organizations participating in the plan. The Pension Fund and UNITAR, in line with other participating organizations, are not in a position to identify the Institute's proportionate share of the defined-benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNITAR has treated this plan as if it were a defined-contribution plan in line with the requirements of IPSAS 39. The Institute's contributions to the Pension Fund during the financial period are recognized as expenses in the statement of financial performance.

Termination benefits

63. Termination benefits are recognized as an expense only when UNITAR is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted if the impact of discounting is material.

Other long-term benefits

64. Other long-term employee benefit obligations are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in which employees provide the related service. Accumulated annual leave is an example of "other long-term benefit".

65. **Appendix D benefits**. Appendix D to the Staff Rules governs compensation in the event of death, injury or illness attributable to the performance of official duties on behalf of the United Nations.

Provisions

66. Provisions are liabilities recognized for future expenditure of uncertain amount or timing. A provision is recognized if, as a result of a past event, UNITAR has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is measured as the best estimate of the amount required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the provision is the present value of the amount required to settle the obligation.

Contingent liabilities

67. Any possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of UNITAR are disclosed as contingent liabilities. Contingent liabilities are also disclosed where present obligations that arise from past events cannot be recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations, or the amount of the obligations cannot be reliably measured.

68. Provisions and contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become more or less probable. If it becomes more probable that such an outflow will be required, a provision is recognized in the financial statements of the year in which the change of probability occurs. Similarly, where it becomes less probable that such an outflow will be required, a contingent liability is disclosed in the notes to the financial statements. An indicative threshold of $10,000 applies in recognizing provisions and/or disclosing contingent liabilities in the notes to the financial statements.

Contingent assets

69. Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of UNITAR. Contingent

assets are disclosed in the notes when it is more likely than not that economic benefits will flow to the Institute.

Commitments

70. Commitments are future expenses that are to be incurred by UNITAR on contracts entered into by the reporting date and that UNITAR has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (number of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that will be delivered to UNITAR in future periods, non-cancellable minimum lease payments and other non-cancellable commitments.

Non-exchange revenue: voluntary contributions

71. Voluntary contributions and other transfers, which are supported by legally enforceable agreements, are recognized as revenue at the time the agreement becomes binding, which is the point when UNITAR is deemed to acquire control of the asset. Where cash is received subject to specific conditions, however, recognition of revenue is deferred until those conditions have been satisfied.

72. The full amounts relating to unconditional multi-year voluntary contribution agreements, pledges and other promised donations are recognized as revenue when the arrangement becomes binding. Unused funds returned to the donors are netted against voluntary contributions.

73. Revenue received under inter-organizational arrangements represents allocations of funding from agencies to enable the Institute to administer projects or other programmes on their behalf.

74. In-kind contributions of goods above the recognition threshold of $5,000 are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to UNITAR and the fair value of those assets can be measured reliably. UNITAR has elected not to recognize in-kind contributions of services but to disclose in-kind contributions of services above the threshold of $20,000 per discrete contribution in the notes to the financial statements. Contributions in kind are initially measured at their fair value at the date of receipt, determined by reference to observable market values or by independent appraisals.

75. An indirect cost recovery of 7 per cent, designated as “programme support cost”, is charged to trust funds and other activities that are funded from voluntary contributions to ensure that the additional costs of supporting activities from voluntary contributions are not borne by unearmarked funds and/or other core resources of UNITAR. In addition, a direct cost recovery of 6 to 11 per cent, designated as “direct support cost”, is charged to ensure that the implementation support costs incurred are not borne by the unearmarked funds and other core resources. In line with the full cost recovery policy approved by the Board of Trustees, the programme support cost charges and direct support costs are included as part of voluntary contributions. Programme support costs are expressed as a percentage of expenses, and direct support costs are expressed as a percentage of contribution. The programme support costs and the direct support costs are eliminated for the purposes of financial statement preparation, as disclosed in note 4: Segment reporting.

Exchange revenue

76. Exchange transactions are those in which UNITAR sells services in exchange for compensation. Revenue comprises the fair value of consideration received or receivable for the sale of services. Revenue is recognized when it can be reliably

measured, when the inflow of future economic benefits is probable and when specific criteria have been met. Revenue from commissions and fees for technical, training, administrative and other services rendered to Governments, United Nations entities, individuals and other partners is recognized when the service is performed.

Investment revenue

77. Investment revenue (interest revenue) is earned on individual financial instruments and is recognized on a time proportion basis using the effective interest rate method on the respective financial asset.

Expenses

78. Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets and are recognized on an accrual basis when goods are delivered, and services are rendered, regardless of the terms of payment.

79. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. The allowances and benefits include other staff entitlements, including pension and insurance, staff assignment, repatriation, hardship and other allowances. Non-employee compensation and allowances consist of consultant and contractor fees.

80. Grants and other transfers include outright grants and transfers to implementing agencies, partners and other entities as well as quick-impact projects. For outright grants, an expense is recognized at the point at which the Institute has a binding obligation to pay.

81. Supplies and consumables relates to expenditure incurred for office supplies and consumables.

82. Other operating expenses include acquisition of goods and intangible assets below capitalization thresholds (capitalization thresholds for intangible assets are $5,000 per unit for externally acquired assets and $100,000 per unit for internally developed assets), maintenance, utilities, contracted services, training, security services, shared services, rent, insurance and allowance for bad debts. Other expenses relate to hospitality and official functions, foreign exchange losses, donation/transfer of assets and losses on disposal of property, plant and equipment.

83. Certain programme activities, distinct from commercial or other arrangements where UNITAR expects to receive equal value for funds transferred, are implemented by executing entities/implementing partners. Executing entities/implementing partners typically include Governments, NGOs and United Nations agencies. UNITAR advances funds to these implementing partners on the basis of cash projections. Advances to implementing partners that are not expensed during the year remain outstanding at the end of the year and are reported in the statement of financial position. These executing entities/implementing partners provide UNITAR with certified expense reports documenting their use of resources, which are the basis for recording expenses in the statement of financial performance. In instances where the partner has not provided financial reports as expected, programme managers make an informed assessment as to whether an accrual or an impairment should be recorded against the advance and submit the accounting adjustment. The support costs incurred by and paid to implementing partners are reported as expenses in the statement of financial performance. Binding agreements to fund executing entities/implementing partners not paid out by the end of the reporting period are shown as commitments in the notes to the financial statements.

Note 4
Segment reporting

84. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and make decisions about the future allocation of resources.

85. As established in the UNITAR revised programme budget for the biennium 2022–2023 by its Board of Trustees, the activities of UNITAR are segregated into three segments:

(a) The Office of the Executive Director includes the Institute's functions of leadership; resource mobilization; planning, monitoring and evaluation, and performance reporting; and quality assurance;

(b) Programming is organized under four thematic divisions and two cross-cutting divisions: (i) Peace (comprising the Peacemaking and Conflict Prevention Programme Unit and the Peacekeeping Training Programme Unit); (ii) People (comprising the Social Development Programme Unit and the Nigeria Project Office in Port Harcourt, Nigeria); (iii) Planet (comprising the Green Development and Climate Change Programme Unit, the Chemicals and Waste Management Programme Unit and the Sustainable Cycles Programme Unit); (iv) Prosperity (comprising the Public Finance and Trade Programme Unit and the Hiroshima Office); (v) Multilateral Diplomacy (comprising the Multilateral Diplomacy Programme Unit and the New York Office); and (vi) Satellite Analysis and Applied Research (comprising the United Nations Satellite Centre and the Strategic Implementation of the 2030 Agenda Unit). In addition, UNITAR programming includes activities undertaken by the Defeat Non-Communicable Diseases Partnership, which is hosted by UNITAR;

(c) Operations/support services include essential support functions such as information and communications technology, human resources, administration and procurement and budget and finance.

86. Inter-segment transactions include internal programme support cost charges and direct implementation support fees between programmes and operations/support costs in line with paragraph 75 in note 3: Significant accounting policies. Inter-segment transactions are priced at cost recovery under normal operating policies and are eliminated for the purposes of segment reporting preparation.

87. Eliminations comprise inter-fund allocations between various segments that are eliminated upon consolidation of funds of UNITAR, that is, the financial reporting entity. Among eliminated values are programme support cost charges and direct support costs between programmes and operational support, which includes the Office of the Executive Director. Current-year eliminations comprise programme support costs of $3.045 million and direct service costs of $5.305 million.

Statement of financial performance by segment as at 31 December 2022

(Thousands of United States dollars)

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Eliminations*	*Total*
Segment revenue					
Voluntary contributions	351	33 862	36	–	34 249
Revenue from services rendered	3 662	9 074	4 680	(8 350)	9 066
Investment revenue	203	–	355	–	558
Total revenue	**4 216**	**42 936**	**5 071**	**(8 350)**	**43 873**
Segment expenses					
Employee salaries, allowances and benefits	1 992	10 451	1 649	–	14 092
Non-employee compensation and allowances	55	10 860	411	–	11 326
Grants and other transfers	–	7 966	–	–	7 966
Travel	73	1 018	1	–	1 092
Supplies and consumables	7	2 235	16	–	2 258
Depreciation	–	2	–	–	2
Other operating expenses	(8)	11 885	1 098	(8 350)	4 625
Total segment expense	**2 119**	**44 417**	**3 175**	**(8 350)**	**41 361**
Surplus for the year	**2 097**	**(1 481)**	**1 896**	**–**	**2 512**

Statement of financial performance by segment as at 31 December 2021

(Thousands of United States dollars)

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Eliminations*	*Total*
Segment revenue					
Voluntary contributions	401	48 001	39	–	48 441
Revenue from services rendered[a]	1 544	8 237	5 826	(7 367)	8 240
Investment revenue	48	–	84	–	132
Total revenue	**1 993**	**56 238**	**5 949**	**(7 367)**	**56 813**
Segment expenses					
Employee salaries, allowances and benefits	1 396	9 686	2 264	–	13 346
Non-employee compensation and allowances	49	11 021	367	–	11 437
Grants and other transfers	–	6 947	–	–	6 947
Travel	24	662	3	–	689
Supplies and consumables	10	2 619	13	–	2 642
Depreciation	–	3	–	–	3
Amortization	–	239	–	–	239
Other operating expenses	123	11 195	875	(7 367)	4 826
Total segment expense	**1 602**	**42 372**	**3 522**	**(7 367)**	**40 129**
Surplus for the year	**391**	**13 866**	**2 427**	**–**	**16 684**

[a] For 2021, $1.14 million in programme support costs recovery is shown under the operations and support segment, to cover the indirect costs of the Institute.

Statement of financial position by segment as at 31 December 2022

(Thousands of United States dollars)

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Total*
Assets				
Current assets				
Cash and cash equivalents	–	9 515	1	9 516
Investments	6 294	–	13 716	20 010
Voluntary contributions receivable	300	13 798	–	14 098
Other accounts receivable	–	1 417	–	1 417
Advance transfers	–	361	–	361
Interest receivable	59	–	128	187
Other assets	1	6 198	34	6 233
Total current assets	**6 654**	**31 289**	**13 879**	**51 822**
Non-current assets				
Investments	6 578	–	14 336	20 914
Voluntary contributions receivable	–	4 182	–	4 182
Property, plant and equipment	1	–	–	1
Total non-current assets	**6 579**	**4 182**	**14 336**	**25 097**
Total assets	**13 233**	**35 471**	**28 215**	**76 919**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	(28)	2 162	174	2 308
Other liabilities	–	9	–	9
Advance receipts	–	2 020	–	2 020
Employee benefits liabilities	109	551	83	743
Total current liabilities	**81**	**4 742**	**257**	**5 080**
Non-current liabilities				
Employee benefits liabilities	2 471	12 523	1 892	16 886
Total non-current liabilities	**2 471**	**12 523**	**1 892**	**16 886**
Total liabilities	**2 552**	**17 265**	**2 149**	**21 966**
Net of total assets and total liabilities	**10 681**	**18 206**	**26 066**	**54 953**
Net assets				
Accumulated surplus	10 681	18 206	26 066	54 953
Total net assets	**10 681**	**18 206**	**26 066**	**54 953**

Statement of financial position by segment as at 31 December 2021

(Thousands of United States dollars)

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Total*
Assets				
Current assets				
Cash and cash equivalents	–	2 915	–	2 915
Investments	6 655	–	14 376	21 031
Voluntary contributions receivable	245	17 306	–	17 551
Other accounts receivable	–	1 301	–	1 301
Interest receivable	35	–	75	110
Advance transfers	–	178	–	178
Other assets	–	3 701	5	3 706
Total current assets	**6 935**	**25 401**	**14 456**	**46 792**
Non-current assets				
Investments	6 429	–	13 887	20 316
Voluntary contributions receivable	–	6 673	–	6 673
Property, plant and equipment	1	2	–	3
Intangible assets	–	–	–	–
Total non-current assets	**6 430**	**6 675**	**13 887**	**26 992**
Total assets	**13 365**	**32 076**	**28 343**	**73 784**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	32	2 686	167	2 885
Other liabilities	–	–	–	–
Advance receipts	–	1 679	–	1 679
Employee benefits liabilities	95	663	155	913
Total current liabilities	**127**	**5 028**	**322**	**5 477**
Non-current liabilities				
Accounts payable and accrued liabilities	–	–	–	–
Employee benefits liabilities	2 235	15 551	3 625	21 371
Total non-current liabilities	**2 235**	**15 551**	**3 625**	**21 371**
Total liabilities	**2 362**	**20 539**	**3 947**	**26 848**
Net of total assets and total liabilities	**11 003**	**11 537**	**24 396**	**46 936**
Net assets				
Accumulated surplus	11 003	11 537	24 396	46 936
Total net assets	**11 003**	**11 537**	**24 396**	**46 936**

Note 5
Comparison to budget

88. UNITAR prepares its budgets on the modified cash basis as opposed to the IPSAS full accrual basis as presented in the statement of financial performance. Statement V (statement of comparison of budget and actual amounts) presents the difference between budget amounts and actual income and expense on a comparable basis.

89. The final budget is the revised programme budget for a biennium as approved by the UNITAR Board of Trustees at the end of the first year of the biennium. While the budget is for a two-year period, UNITAR allocates those budgets into two annual amounts to provide the budget-to-actual comparison for the annual financial statements.

90. Differences between the original and the final budget are attributable to elements that become known during the year, such as final projections of special grant contributions to be received and variances in expense trends.

91. Explanations for material differences between original and final budget amounts, as well as for material differences between the final budget amounts and actual revenue and expenditures on a modified cash basis which are deemed to be greater than 10 per cent, are given below.

Budget area	*Explanation of material differences*
Revenue	
Programme contribution	The positive deviation of 11.2 per cent reflects an increase in resource mobilization as compared with the anticipatory budgets
Non-earmarked voluntary contributions	The positive deviation of 48 per cent reflects an increase in resource mobilization to the General Fund, notably a new contribution from Switzerland, as compared with what was anticipated in the budget revision exercise
Other/miscellaneous income	The final budget did not include the investment revenue, as part of a conservative approach to forecasting investment markets. Actual revenue reflects investment revenue at an average annual yield of 1.20 per cent
Expenses	
Operations/support services	The majority of downward trend in expenses (10.7 per cent) reflects the postponement of budgeted recruitment of staff in Finance and Budget and Human Resources Units

Reconciliation between actual amounts on a comparable basis and the statement of cash flows

92. The reconciliation between the actual amounts on a comparable basis in the comparison of budget and actual amounts and the actual amounts in the statement of cash flow is set out below.

Reconciliation of actual amounts on a comparable basis to the statement of cash flows: 2022

(Thousands of United States dollars)

	Operating	*Investing*	*Total*
Actual amount on a comparable basis (statement V)	**(41 397)**	**–**	**(41 397)**
Basis differences	870	558	1 428
Presentation differences	46 212	358	46 570
Net cash flows in the statement of cash flows (statement IV)	**5 685**	**916**	**6 601**

Reconciliation of actual amounts on a comparable basis to the statement of cash flows: 2021

(Thousands of United States dollars)

	Operating	*Investing*	*Total*
Actual amount on a comparable basis (statement V)	**(38 171)**	**–**	**(38 171)**
Basis differences	(14 694)	132	(14 562)
Presentation differences	59 111	(14 644)	44 467
Net cash flows in the statement of cash flows (statement IV)	**6 246**	**(14 512)**	**(8 266)**

(a) Basis differences arise as the budget is prepared on a modified cash basis as opposed to the IPSAS accounting basis used to prepare the financial statements. Basis differences comprise operating adjustments in relation to accrual accounting, the elimination of obligations and net cash flows from investing activities;

(b) Presentation differences are differences in the format and classification schemes in the statement of cash flows and the statement of comparison of budget and actual amounts. The former reflects the net impacts of receipts and disbursements and the latter presents actual expenditure authorized through appropriations. Revenue and expenses that do not form part of the statement of comparison of budget and actual amounts are presentation differences;

(c) Timing differences occur when the budget period differs from the financial reporting period reflected in the financial statements. UNITAR has no timing differences;

(d) Entity differences represent cash flows to/from fund groups or agencies which do not relate to UNITAR but are reported in the financial statements or the UNITAR budget. There were no entity differences in 2022.

93. The following table reconciles the actual expenditures on a comparable basis as reported in the statement of comparison of budget and actual amounts to the total expenses reported in the statement of financial performance:

Reconciliation of budget expenditures in statement V to IPSAS expenses in statement II

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Budget expenditure as set out in statement V	41 397	38 171
Adjustments		
Elimination of unliquidated obligations	(3 715)	(2 114)
Accruals of expenses	442	525
After-service health insurance expenses	1 085	1 023
Expenses for contributions in kind	2 150	2 282
Depreciation of property, plant and equipment	2	3
Amortization of intangible assets	–	239
Total IPSAS expenses as set out in statement II	**41 361**	**40 129**

Note 6
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Cash held in UNITAR bank accounts	1 316	243
Money market funds	8 198	2 669
Petty cash and project cash	2	3
Total cash and cash equivalents	**9 516**	**2 915**

94. The Institute's investments are held in short-term time deposits.

Note 7
Voluntary contributions receivable: non-exchange transactions

(Thousands of United States dollars)

	31 December 2022			*31 December 2021*		
	Current	*Non-current*	*Total*	*Current*	*Non-current*	*Total*
Voluntary contributions	14 118	4 182	18 300	17 622	6 673	24 295
Allowance for doubtful voluntary contributions receivable	20	–	20	71	–	71
Total voluntary contributions receivable	**14 098**	**4 182**	**18 280**	**17 551**	**6 673**	**24 224**

95. The large voluntary contributions receivable balance relates to a few high-value multi-year donor agreements with contributions balances receivable during the period 2022–2026. A case-by-case analysis of all non-exchange revenue agreements was undertaken against the criteria of IPSAS 23. The receivables above include $5.682 million that are subject to general stipulations in the agreements which did not meet the requirements to be conditions under IPSAS 23. Historically, UNITAR has had positive experiences with regard to receiving the payment tranches from donors in

accordance with the agreements and has never been in breach of stipulations that would prompt donors to demand refunds or reimbursements.

96. A detailed case-by-case review of the voluntary contributions receivable was undertaken at the end of 2022.

97. In accordance with IPSAS 29, the non-current receivables amounting to $4.182 million have been discounted with a net impact of $0.271 million to the revenue recorded. The discounting rates used are from the Federal Reserve (Treasury constant maturities) as at 31 December 2022: 4.41 per cent, 4.22 per cent, 3.99 per cent, 3.96 per cent and 3.88 per cent for years 2, 3, 5, 7 and 10 respectively.

Note 8
Other accounts receivable: exchange transactions

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Exchange		
Receivables from non-governmental entities	469	826
Receivables from other United Nations Secretariat reporting entities	671	15
Receivables from government entities/public entities	277	460
Subtotal	**1 417**	**1 301**
Interest receivable	187	110
Total other accounts receivable	**1 604**	**1 411**

Note 9
Advance transfers

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Implementing partners/executing agencies	361	178
Total advance transfers	**361**	**178**

Note 10
Other assets

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Vendors	3	10
Staff members	48	47
Prepayments	189	80
Advances to UNDP	5 993	3 569
Total other assets	**6 233**	**3 706**

98. Advances to UNDP arise as a result of treasury, investment and payroll transactions entered into by UNDP on behalf of UNITAR under contractual arrangement for the provision of support services. Outstanding advances or payables between UNITAR and UNDP are settled on a quarterly basis.

Note 11
Property, plant and equipment: 2022

(Thousands of United States dollars)

	Information and communications technology	*Vehicles*	*Total*
Cost as at 1 January 2022	**11**	**10**	**21**
Disposals	–	(10)	(10)
Cost as at 31 December 2022	**11**	**–**	**11**
Accumulated depreciation as at 1 January 2022	**10**	**8**	**18**
Disposals	–	(10)	(10)
Depreciation for the year	–	2	2
Accumulated depreciation as at 31 December 2022	**10**	**–**	**10**
Net carrying amount			
1 January 2022	1	2	3
31 December 2022	**1**	**–**	**1**

Property, plant and equipment: 2021

(Thousands of United States dollars)

	Information and communications technology	*Vehicles*	*Total*
Cost as at 1 January 2021	**11**	**40**	**51**
Disposals	–	(30)	(30)
Cost as at 31 December 2021	**11**	**10**	**21**
Accumulated depreciation as at 1 January 2021	**10**	**35**	**45**
Disposals	–	(30)	(30)
Depreciation for the year	–	3	3
Accumulated depreciation as at 31 December 2021	**10**	**8**	**18**
Net carrying amount			
1 January 2021	1	6	7
31 December 2021	**1**	**2**	**3**

99. During 2022, there was a disposal due to obsolescence of a fully depreciated asset (vehicle) with a cost of $0.0108 million.

Note 12
Intangible assets

100. No intangible assets are reported as at 31 December 2022. During 2019, digital satellite images valued at $1.432 million were received from the United States Government as in-kind contributions and were used for the implementation of the United Nations Satellite Centre. The images were used for the projects until March 2021 and were capitalized as an intangible asset and amortized for $0.239 million in 2019 and $0.954 million in 2020 and for a further amount of $0.239 million in 2021. This intangible asset was fully amortized as at 31st December 2021.

Note 13
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Payables to vendors	1 720	1 242
Payables to university partnerships	9	–
Accruals for goods and services	435	522
Other	144	1 121
Total accounts payable and accrued liabilities	**2 308**	**2 885**

Note 14
Other liabilities

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Unapplied deposits	9	–
Total other liabilities	**9**	**–**

Note 15
Advance receipts

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Payments received in advance	2 020	1 679
Total advance receipts	**2 020**	**1 679**

Note 16
Employee benefits liabilities

(Thousands of United States dollars)

	31 December 2022			31 December 2021		
	Current	*Non-current*	*Total*	*Current*	*Non-current*	*Total*
After-service health insurance	101	14 906	15 007	87	18 812	18 899
Repatriation benefits	148	1 101	1 249	238	1 510	1 748
Annual leave	78	879	957	152	1 049	1 201
Subtotal, defined-benefit liabilities	**327**	**16 886**	**17 213**	**477**	**21 371**	**21 848**
Home leave	271	–	271	318	–	318
Appendix D/workers' compensation	145	–	145	118	–	118
Total employee benefits liabilities	**743**	**16 886**	**17 629**	**913**	**21 371**	**22 284**

Employee benefits accounted for on a defined-benefit basis

101. UNITAR provides its staff and former staff with after-service health insurance and repatriation benefits that are actuarially valued defined-benefit plans. Annual leave benefits are actuarially valued on the same basis. The liabilities are determined on the basis of an independent actuarial valuation, which is usually undertaken every two years. The most recent full after-service health insurance valuation was conducted as at 31 December 2021, while actuarially valued balances as at 31 December 2022 represent the results of the roll-forward exercise using participation data from the prior year with a partial update of actuarial assumptions. The cumulative amount of actuarial gains and losses recognized in net assets is a net gain of $5.505 million (2021: net loss of $0.579 million), owing mainly to the increase in discount rates, partially offset by the increase in the health-care trend rates.

102. The after-service health insurance programme is funded on a pay-as-you-go basis as medical benefits are accessed by retirees, with increasing cost attributable notably to, changing demographics, improved life expectancy and increased cost of health-care services. To address the growing costs of health insurance, the Institute has over the years adopted cost containment initiatives while ensuring that participants continue to have access to appropriate insurance coverage to meet their health-care needs. Health insurance costs are controlled by the manner in which the plans are structured and through ongoing reviews of plan provisions and benefits offered. To manage the inherent risks related to funding, the Institute periodically carries out a funding study of the after-service health insurance programme in order to analyse and explore options for the improvement of efficiency and the containment of costs and liabilities associated with the Institute's health insurance obligations.

Actuarial valuation: assumptions

103. UNITAR reviews and selects assumptions and methods used by the actuaries in the year-end valuation to determine the expense and contribution requirements for the employee benefits. The principal actuarial assumptions used to determine the employee benefit obligations as at 31 December 2022 are shown below. Discount rates and health-care cost trend rates were updated as at 31 December 2022. Demographic and salary increase assumptions were updated as at 31 December 2021 with all other assumptions being retained from the previous valuation. The estimated duration of the after-service health insurance liability is 25 years as at 31 December 2022.

Actuarial assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates, 31 December 2022	1.99%	5.20%	5.12%
Discount rates, 31 December 2021	0.12%	2.64%	2.76%

104. In accordance with IPSAS 39, UNITAR has decided to use the yield curves issued by Aon Hewitt for (a) the United States dollar: Aon AA median curve (b) the eurozone; Aon Hewitt corporate yield curve; (c)the Swiss franc (SwF); and the Aon Hewitt Swiss AA corporate (excl. regional) yield curve.

105. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The per capita claims cost assumption at 65 years of age is $0.007 million (2021: $0.006 million). The health-care cost trend rate assumption reflects the current short-term expectations of the after-service health insurance plan cost increases and the economic environment. Medical cost trend assumptions used for the valuation as at 31 December 2022 were updated to include escalation rates for future years. As at 31 December 2022, these escalation rates were a flat health-care yearly escalation rate of 4.25 per cent (2021: 3.44 per cent) for Swiss medical plans, grading down to 2.55 per cent during a period of six years (2021: 2.25 per cent during a period of seven years).

106. With regard to the valuation of repatriation benefits as at 31 December 2022, inflation in travel costs was assumed at 2.50 per cent based on the Aon Hewitt reference for 2021 on the basis of the projected consumer price index during the coming 20 years.

107. Annual leave balances were assumed to increase at the following annual rates during the staff member’s projected years of service: one to three years – 9.1 days; four to eight years – 1.0 day; and nine years and over – 0.1 days.

108. Assumptions regarding future mortality are based on published statistics and mortality tables. Salary increases, retirement, withdrawal and mortality assumptions are consistent with those used by the United Nations Joint Staff Pension Fund in making its actuarial valuation.

Movement in employee benefits liabilities accounted for as defined-benefit plans: 31 December 2022

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
Net defined-benefit liability as at 1 January 2022	**18 899**	**1 748**	**1 201**	**21 848**
Current service cost	1 092	75	95	1 262
Interest cost	22	43	31	96
Subtotal, costs recognized in the statement of financial performance	**1 114**	**118**	**126**	**1 358**
Actuarial (gains)/losses recognized directly in the statement of changes in net assets	(4 919)	(373)	(213)	(5 505)
Actual benefits paid	(87)	(244)	(157)	(488)
Net recognized liability as at 31 December 2022	**15 007**	**1 249**	**957**	**17 213**

Movement in employee benefits liabilities accounted for as defined-benefit plans: 31 December 2021

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
Net defined-benefit liability as at 1 January 2021	**17 724**	**1 582**	**839**	**20 145**
Current service cost	1 020	94	54	1 168
Interest cost	3	33	18	54
Subtotal, costs recognized in the statement of financial performance	**1 023**	**127**	**72**	**1 222**
Actuarial (gains)/losses recognized directly in the statement of changes in net assets	199	39	341	579
Actual benefits paid	(47)	–	(51)	(98)
Net recognized liability as at 31 December 2021	**18 899**	**1 748**	**1 201**	**21 848**

109. For the year 2022, actuarial gains of $5.505 million are credited directly to the net assets and an amount of $1.358 million towards the current-year service, and interest costs is charged to the statement of financial performance. The benefits paid are estimates of what would have been paid to separating staff and/or retirees during the year based on the pattern of rights acquisition under each scheme: after-service health insurance, repatriation and commutation of accrued annual leave.

Medical cost sensitivity analysis

110. The principal assumption in the valuation of the after-service health insurance is the rate at which medical costs are expected to increase in the future. The sensitivity analysis looks at the change in liability owing to changes in the medical cost rates while holding other assumptions constant, such as the discount rate. Should the medical cost trend assumption vary by 0.5 per cent, it would impact the measurement of the defined-benefit obligations, as shown below.

Medical cost sensitivity analysis: 0.5 per cent movement in the assumed medical cost trend rates

(Thousands of United States dollars)

	31 December 2022		*31 December 2021*	
	Increase	*Decrease*	*Increase*	*Decrease*
Effect on the defined-benefit obligation	2 602	(2 178)	3 123	(2 618)
Effect on the aggregate of the current service cost and interest cost	254	(208)	238	(194)

Discount rate sensitivity to end-of-year liability

111. The changes in discount rates are driven by the discount curve, which is calculated on the basis of corporate bonds. The bonds markets were volatile over the reporting period, and that volatility impacts the discount rate assumption. Should the discount rate assumption vary by 0.5 per cent, its impact on the liabilities would be as shown below.

Discount rate sensitivity analysis: year-end employee benefits liabilities

(Thousands of United States dollars)

31 December 2022	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 0.5 per cent[a]	(1 716)	(58)	(39)
As a percentage of end-of-year liability	(11%)	(5%)	(4%)
Decrease of discount rate by 0.5 per cent	1 948	61	41
As a percentage of end-of-year liability	13%	5%	4%

[a] The sensitivity analyses above are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, as changes in some of the assumptions may be correlated.

31 December 2021	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 0.5 per cent[a]	(2 701)	(59)	(47)
As a percentage of end-of-year liability	(14%)	(3%)	(4%)
Decrease of discount rate by 0.5 per cent	3 275	63	52
As a percentage of end-of-year liability	17%	4%	4%

[a] The sensitivity analyses above are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, as changes in some of the assumptions may be correlated.

112. The claims cost sensitivity analysis, at 65 years of age, is presented below.

Claims cost sensitivity analysis: year-end employee benefits liabilities

(Thousands of United States dollars)

Sensitivity to per capita claims at 65 years old	*Defined-benefit obligation as at 31 December 2022*	*Impact on defined-benefit obligation*
2022 assumption	15 007	–
2022 assumption + 1%	15 157	150
2022 assumption - 1%	14 857	(150)

113. The sensitivity analysis for changes in life expectancy is summarized below.

Claims cost sensitivity analysis: year-end employee benefits liabilities

(Thousands of United States dollars)

Sensitivity to life expectancy	*Defined-benefit obligation as at 31 December 2022*	*Impact on defined-benefit obligation*
2022 assumption	15 007	–
2022 assumption + 1 year	15 884	878
2022 assumption - 1 year	14 161	(845)

Historical information: total liability after-service health insurance, repatriation benefits and annual leave as at 31 December

(Thousands of United States dollars)

Present value of the defined-benefit obligations valued by actuaries	*2022*	*2021*	*2020*	*2019*	*2018*
After-service health insurance	15 007	18 899	17 724	16 313	8 351
Repatriation benefits	1 249	1 748	1 582	1 460	1 277
Annual leave	957	1 201	839	809	739
Total present value of defined-benefit obligation	**17 213**	**21 848**	**20 145**	**18 582**	**10 367**

Funded liabilities

114. UNITAR has commenced funding plans for the defined-benefit liabilities. The balance of liability funded as at 31 December 2022 is shown in the table below.

(Thousands of United States dollars)

	Funded	*Unfunded*	*Total liability as at 31 December 2022*	*Percentage funded*
After-service health insurance	3 180	11 827	15 007	21.0
Repatriation benefits	1 249	–	1 249	100.0
Annual leave	957	–	957	100.0
Total employee benefits liabilities under defined-benefit plans	**5 386**	**11 827**	**17 213**	**31.0**

115. The funded amount of $5.386 million is included in cash and cash equivalents and investments. This amount does not qualify as a plan asset under IPSAS 39: Employee benefits, because such funds are not held in a trust that is legally separate from UNITAR and that exists solely to pay or fund employee benefits.

United Nations Joint Staff Pension Fund

116. UNITAR is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined-benefit plan. As specified in 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.

117. The Fund 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 Fund. UNITAR and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify the UNITAR proportionate share of the defined-benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNITAR has treated this plan as if it were a defined-contribution plan in line with the requirements of IPSAS 39: Employee benefits. UNITAR contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

118. The Regulations of the Fund 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 Fund will be sufficient to meet its liabilities.

119. The Institute's financial obligation to the Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are payable only if and when the Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date.

120. The most recent actuarial valuation for the Fund was completed as at 31 December 2021, and a roll-forward of the participation data as at 31 December 2021 to 31 December 2022 was used by the Fund for its 2022 financial statements.

121. The actuarial valuation as at 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0 per cent (107.1 per cent in the 2019 valuation). The funded ratio was 158.2 per cent (144.4 per cent in the 2019 valuation) when the current system of pension adjustments was not taken into account.

122. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2021, for deficiency payments under article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time reporting, the General Assembly had not invoked the provision of article 26.

123. Should article 26 be invoked owing to an actuarial deficiency, either during the ongoing operation or owing to the termination of the Fund, deficiency payments required from each member organization would be based on the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2019, 2020 and 2021) amounted to $8,505.270 million, of which 0.048 per cent was contributed by UNITAR.

124. During 2022, contributions paid to the Fund amounted to $1.731 million (2021: $1.553 million). Expected contributions due in 2023 are approximately $1.931 million.

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

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

Note 17
Net assets

(Thousands of United States dollars)

	2022	*2021*
Net assets as at 1 January	**46 936**	**30 831**
Actuarial gains/(losses) on employee benefits liabilities	5 505	(579)
Surplus for the year	2 512	16 684
Net assets as at 31 December	**54 953**	**46 936**

Note 18
Revenue from non-exchange transactions

Voluntary contributions – Member States

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Voluntary contributions – Member States	18 644	40 417
Refunds to Member States	(272)	(1 552)
Total revenue from voluntary contributions – Member States	**18 372**	**38 865**

Voluntary contributions – other

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Voluntary contributions – other	13 906	7 547
Refunds – other	(179)	(253)
Voluntary in-kind contributions	2 150	2 282
Total revenue from voluntary contributions – other	**15 877**	**9 576**

127. The significant variance in the voluntary contributions from Member States is mainly due to multi-year contributions signed with member State donors in 2021, and which were recognized up front under IPSAS. The increase in Voluntary contributions – other is due mainly to the increase in several large-scale, multi-year projects funded by the United Nations system organizations and other non-governmental donors. In addition, UNITAR has engaged in expanded partnerships with business and private sector in the fields of health, peace and road safety; expanded partnerships with universities in conjunction with master’s degree programmes and related qualifications; and the expansion of the International Training Centres for Authorities and Leaders Global Network.

128. The contributions in-kind include a rental subsidy of $0.452 million (2021: $0.475 million) for the year, which represents the difference between the market value and the actual amount paid for the rental of the buildings occupied by UNITAR, and the satellite images received from the Government of the United States valued at $1.699 million that were used for the implementation of the United Nations Satellite Centre. In-kind contributions of technical assistance, experts and other services

received during the year are not recognized as revenue and are therefore not included in the in-kind contributions revenue in the table above. During 2022, in-kind contributions also included services provided by advisers, associate fellows and other resource personnel valued at $0.087 million.

129. Voluntary contributions recognized as revenues in 2022 include the future portion of multi-year agreements and in-kind contributions. Of the contribution revenue recognized, the breakdown of the donors by intended year of contribution is shown below.

(Thousands of United States dollars)

	Member States	*Other*
2022	14 592	10 559
2023	2 315	3 480
2024	1 465	1 838
Gross revenue from voluntary contributions – Member States and other	**18 372**	**15 877**

Note 19
Revenue from services rendered: exchange transactions

130. Exchange revenue from services rendered includes fees collected for a range of face-to-face and e-learning training courses, sales of satellite imagery and affiliations fees. UNITAR designs and delivers capacity development and research activities to address the needs of individuals, organizations and institutions under various thematic areas. Some of the key training courses generating exchange revenue were on-demand training and capacity development activities offered to Member State delegates and diplomats in the area of United Nations intergovernmental machinery and topics relating to multilateral diplomacy.

131. Other training courses driving exchange revenue were the joint international Master's degrees in Conflict, Peace and Security and International Affairs and Diplomacy; tailored face-to-face training offered to the UNITAR target audience; and fee-based courses offered to individuals through face-to-face training, seminars, workshops or e-learning courses.

132. Exchange revenue also includes fees for satellite imagery analysis services. These services provide support to the United Nations system and other organizations in the areas of disaster response, humanitarian operations, human security and the application of international humanitarian law, and human rights.

133. The UNITAR Decentralized Cooperation Programme has established a global network of 25 training centres called the International Training Centres for Authorities and Leaders Global Network. These centres are affiliated with UNITAR and are required to pay a mandatory annual affiliation fee. Located across Africa, the Americas, Asia, Australia and Europe, the centres deliver many training events to the UNITAR target audience, with a special emphasis on the local level.

(Thousands of United States dollars)

	31 December 2022	31 December 2021
Training fees	4 149	4 191
United Nations Satellite Centre activities	2 342	2 320
Affiliation fee from training centres	698	528
Other revenue	1 877	1 201
Total revenue from services rendered	**9 066**	**8 240**

Note 20
Expenses

Employee salaries, allowances and benefits

134. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. Allowances and benefits include other staff entitlements, including pension and health insurance, staff assignment, repatriation, hardship and other allowances.

(Thousands of United States dollars)

	31 December 2022	31 December 2021
Salaries	7 110	6 263
Allowance and benefits	4 027	4 284
Post adjustment	2 955	2 799
Total employee salaries, allowances and benefits	**14 092**	**13 346**

Non-employee compensation and allowances

135. Non-employee compensation and allowances consists of consultant and contractor fees, ad hoc experts and non-UNITAR personnel compensation and allowances.

(Thousands of United States dollars)

	31 December 2022	31 December 2021
Consultant fees, interns and trainees	11 326	11 437
Total non-employee compensation and allowances	**11 326**	**11 437**

Grants and other transfers

136. Grants and other transfers include outright grants and transfers to implementing agencies, partners and other entities, as well as quick-impact projects.

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Contractual services	2 637	1 878
Outright grants	1 822	1 898
Staff and personnel costs	1 105	950
Travel	2 119	1 518
Supplies, commodities and materials	109	382
Programme support costs	11	107
Operational expenses	65	–
Equipment, vehicles and furniture	98	214
Total grants and other transfers	**7 966**	**6 947**

137. During 2022, a total amount of $0.259 million relating to individual grants of $30,000 or below provided to implementing partners was expensed outright, in line with the United Nations accounting policy on advance transfers to implementing partners.

Travel

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Travel of staff, consultants and non-staff	1 092	689
Total travel	**1 092**	**689**

Supplies and consumables

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Operational satellite images (in kind)	1 699	1 807
Acquisition of office equipment and supplies	311	480
Operational maps	136	285
Other supplies	112	70
Total supplies and consumables	**2 258**	**2 642**

Other operating expenses

138. Other operating expenses include loss on currency fluctuations, maintenance, utilities, contracted services, training, security services, shared services, rent, administrative fees and doubtful debt and write-off expenses.

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Training	1 031	670
Rent – office and premises	1 266	1 136
Contracted services	601	545
Communications utilities	629	806
Expense recognized for contributions in kind – premises	452	475
Joint administrative fees	114	134
Other expenses	184	176
Stationery and office supplies	27	8
Shipping/freight services	32	22
Net exchange losses	269	783
Charge for doubtful accounts	20	71
Total other operating expenses	**4 625**	**4 826**

Note 21
Financial instruments and financial risk management

Financial instruments

(Thousands of United States dollars)

	Note	*31 December 2022*	*31 December 2021*
Financial assets			
Held-to-maturity			
Non-callable bonds		38 924	39 347
Callable bonds		2 000	2 000
Subtotal, investments		**40 924**	**41 347**
Loans and receivables			
Cash and cash equivalents: internally managed	6	1 318	246
Cash and cash equivalents: certificates of deposit/ commercial paper	6	8 198	2 669
Subtotal, cash and cash equivalents		**9 516**	**2 915**
Voluntary contributions receivable	7	18 280	24 224
Other receivables and interest receivables	8	1 604	1 411
Other assets (excluding staff advances and prepayments)	10	3	10
Total loans and receivables		**19 887**	**25 645**
Total carrying amount of financial assets		**70 327**	**69 907**
Financial liabilities at amortized cost			
Accounts payable and accrued liabilities	13	2 308	2 885
Total carrying amount of financial liabilities		**2 308**	**2 885**

	Note	*31 December 2022*	*31 December 2021*
Net revenue and expense from financial assets			
Interest income – time deposits and bank accounts		182	38
Interest income on non-call bonds		469	236
Amortized income on non-call bonds		(93)	(142)
Total net revenue from financial assets		**558**	**132**

Movement in investments not classified as cash and cash equivalents: time deposits

(Thousands of United States dollars)

	2022	*2021*
Balance as at 1 January	41 347	26 820
Purchases of investments	25 665	67 954
Sale of investments	(26 023)	(53 310)
Amortization	(65)	(117)
Balance as at 31 December	**40 924**	**41 347**

Financial risk management: overview

139. UNITAR has exposure to the following financial risks:

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk.

140. This note presents information on the Institute's exposure to these risks, the objectives, policies and processes for measuring and managing risk and the management of capital.

Risk management framework

141. The investment activities of UNITAR are carried out by UNDP under a service-level agreement. Under the terms of the agreement, UNDP applies its investment guidelines and governance framework for the benefit of UNITAR. Investments are registered in the Institute's name and marketable securities are held by a custodian appointed by UNDP.

142. The principal objectives of the investment guidelines (listed in order of importance) are:

(a) Safety: preservation of capital, provided through investing in high-quality, fixed-revenue securities emphasizing the creditworthiness of the issuers;

(b) Liquidity: flexibility to meet cash requirements through investments in highly marketable fixed-income securities and by structuring maturities to align with liquidity requirements;

(c) Revenue: maximization of investment revenue within the foregoing safety and liquidity parameters;

(d) Socially responsible investments, selected using negative screens from the designated provider.

143. The UNDP investment committee, comprising senior management, meets quarterly to review investment portfolio performance and ensure that investment decisions have complied with the established investment guidelines. UNITAR receives a detailed monthly investment performance report from UNDP, which shows the composition and performance of the investment portfolio.

144. The risk management practices of UNITAR are in accordance with the UNDP investment management guidelines. An investment committee periodically evaluates investment performance and assesses compliance with the guidelines and makes recommendations for updates thereto. Other than those disclosed, UNITAR has not identified any further risk concentrations arising from financial instruments. There were no significant changes in the UNITAR risk management framework in 2022, as the existing framework was applied to the UNDP service-level agreement arrangement adopted in 2015.

145. UNITAR defines the capital that it manages as the aggregate of its net assets. Its objectives are to safeguard its ability to continue as a going concern, to fund its operations and to fulfil its mandated objectives. UNITAR manages its capital in the light of global economic conditions, the risk characteristics of the underlying assets and its current and future working capital requirements.

Credit risk

146. Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, investments and deposits with financial institutions, and credit exposures to outstanding receivables. The carrying value of financial assets less impairment is the maximum exposure to credit risk.

Credit risk management

147. UNITAR is exposed to credit risk on its outstanding financial asset balances, primarily cash and cash equivalents, financial instruments and receivables (exchange and non-exchange).

148. With regard to its financial instruments, the UNDP investment guidelines limit the amount of credit exposure to any one counterparty and include minimum credit quality requirements. The credit risk mitigation strategies stated in the guidelines include conservative minimum credit criteria of investment grade for all issuers with maturity and counterparty limits by credit rating. The investment guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible investments are limited to fixed-income instruments of sovereign, supranational, governmental or federal agencies, and banks.

149. Investment activities are carried out by UNDP; under normal circumstances, UNITAR offices are not permitted to engage in investing.

150. Credit ratings from the three leading credit rating agencies, Moody's, S&P Global Ratings and Fitch, are used to evaluate the credit risk of financial instruments. As at 31 December 2022, the Institute's financial investments were in investment-grade instruments as shown in the table below (presented using S&P Global Ratings rating convention).

(Thousands of United States dollars)

31 December 2022	*AAA*	*AA+*	*AA*	*AA-*	*A+*	*Total*
Money market instruments	–	–		2 000	2 500	4 500
Bonds	19 244	13 469	997	1 719	995	36 424
Total	**19 244**	**13 469**	**997**	**3 719**	**3 495**	**40 924**

Credit risk: receivables

151. A large proportion of receivables is due from entities that do not have significant credit risk. As at the reporting date, UNITAR did not hold any collateral as security for receivables. UNITAR evaluates the allowance for doubtful receivables at each reporting date. An allowance for doubtful receivables occurs when there is objective evidence that UNITAR will not collect the full amount due. Allowances credited to the allowance for doubtful receivables general ledger account are utilized when management approves write-offs under the Financial Regulations and Rules or are reversed when the previously impaired receivables are received. There is a provision for doubtful receivables for 2022 for an amount of $0.020 million included in the operating expenses. Based on its monitoring of credit risk UNITAR believes that, other than that provision, no additional impairment allowance is necessary in respect of receivables.

Ageing of total receivables

(Thousands of United States dollars)

	31 December 2022		*31 December 2021 (Restated)*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Neither past due nor impaired	16 653	20	19 952	71[a]
Less than one year	3 054	–	5 644	–
One to two years	10	–	–	–
Total	**19 717**	**20**	**25 596**	**71**

[a] Restated to correct allowance amount as previously reported in A/77/5/Add.5.

Credit risk: cash and cash equivalents

152. UNITAR held cash and cash equivalents of $9.516 million as at 31 December 2022, which is the maximum credit exposure on these assets.

Liquidity risk

153. Liquidity risk is the risk that UNITAR might not have adequate funds to meet its obligations as they fall due. The Institute’s approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Institute’s reputation.

154. The Financial Regulations and Rules require that expenses be incurred after receipt of funds from donors, thereby considerably reducing the liquidity risk to UNITAR with regard to contributions, which are a largely stable annual cash flow. Exceptions to incurring expenses prior to the receipt of funds are permitted only if specified risk management criteria are adhered to about the amounts receivable.

155. UNDP, on behalf of UNITAR, performs cash flow forecasting and monitors rolling forecasts of liquidity requirements to ensure that they have sufficient cash to meet operational needs. Investments are made with due consideration to the cash requirements for operating purposes based on cash flow forecasting. UNITAR maintains a large portion of its investments in cash equivalents and short-term investments sufficient to cover its commitments as and when they fall due.

Liquidity risk: financial liabilities

156. The exposure to liquidity risk is based on the notion that the entity may encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely owing to the receivables, cash and investments available to the entity and internal policies and procedures put in place to ensure that there were appropriate resources to meet its financial obligations. At the reporting date, UNITAR had not pledged any collateral for any liabilities or contingent liabilities and in the period, no accounts payable or other liabilities were forgiven by third parties.

Maturities for financial liabilities based on the earliest date at which UNITAR can be required to settle the financial liabilities: as at 31 December 2022, undiscounted

(Thousands of United States dollars)

	On demand	*Within 3 months*	*3–12 months*	*>1 year*	*Total*
Accounts payable and accrued liabilities	–	2 308	–	–	2 308
Total financial liability	**–**	**2 308**	**–**	**–**	**2 308**

Market risk

157. Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices of investment securities, will affect the revenue of UNITAR or the value of its financial assets and liabilities. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the Institute's fiscal position.

Currency risk

158. Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in foreign exchange rates. UNITAR has transactions, assets and liabilities in currencies other than in its functional currency and is exposed to limited currency risk arising from fluctuations in exchange rates. The guidelines require UNITAR to manage its currency risk exposure. Given that the Institute's main cash holdings are denominated in United States dollars, it has limited currency risk and, in conjunction with the low risk for other financial instruments, UNITAR considers currency risk to be low.

Interest rate risk

159. Interest rate risk is the risk of variability in financial instruments' fair values or future cash flows owing to changes in interest rates. In general, as interest rates rise, the price of a fixed rate security falls, and vice versa. Interest rate risk is commonly measured by the fixed rate security's duration, with duration being a number expressed in years. The larger the duration, the greater the interest rate risk.

Accounting classifications and fair value

160. For cash and cash equivalents, receivables and accounts payable, carrying value is a fair approximation of fair value.

Note 22
Related parties

Governance of UNITAR

161. UNITAR is governed by a Board of Trustees, composed of 14 trustees, including the Chair, as at 31 December 2022. The trustees are appointed by the United Nations Secretary-General, in consultation with the Presidents of the General Assembly and the Economic and Social Council. The trustees do not receive any remuneration from the Institute.

162. The members of the Board of Trustees for UNITAR are not considered key management personnel as defined by IPSAS. The Board of Trustees formulates principles and policies to govern the Institute's activities and operations. However, the oversight function of the Board does not include the authority and responsibility for planning, directing and controlling the activities of the entity. The Board approves the work programme as put forward by the Executive Director and Directors, adopts the budget, reviews the structure and composition of staffing and performs other statutory functions, including considering the methods of financing the Institute with a view to ensuring the effectiveness of its future operations, their continuity and the Institute's autonomous character within the framework of the United Nations.

163. UNITAR pays for travel costs, subsistence allowances and office expenses to cover costs incurred by the trustees in the execution of their duties.

Key management personnel

164. Key management personnel are those with authority and responsibility for planning, directing and controlling the activities of UNITAR. The Executive Director, at the Assistant Secretary-General level, and senior managers of the programme pillars and operations, at the D-1 level, have this authority and responsibility.

165. The aggregate remuneration paid to key management personnel includes net salaries, post adjustment and other entitlements such as grants, subsidies and employer pension and health insurance contributions.

166. UNITAR had 10 key management personnel, whose remuneration was $3.008 million over the financial year ended 31 December 2022 (2021: $3.078 million for 10 key management personnel); such payments are in accordance with the Staff Regulations and Rules of the United Nations, the published salary scales of the United Nations and other publicly available documents.

167. No close family member of key management personnel was employed by UNITAR at the management level. Advances made to key management personnel are those made against entitlements in accordance with the Staff Regulations and Rules; such advances against entitlements are widely available to all UNITAR staff.

United Nations Development Programme

168. In 2015, UNITAR contracted UNDP under three service-level agreements for provision of services on a cost-recovery basis for the implementation of UNDP-hosted Atlas enterprise resource planning software, for ongoing management of treasury and UNITAR cash and investment activities and for payroll services. These transactions are consistent with normal operating relationships between the entities, are

undertaken on terms and conditions that are normal for such transactions in these circumstances and are at arm's length. These three service-level agreements remained valid in 2022.

United Nations system

169. UNITAR is engaged in United Nations initiatives such as joint programmes and common services arrangements. Within joint funding mechanisms, United Nations entities work together to implement activities and achieve results.

170. UNITAR, as a part of the United Nations system, has transactions and relationships with other system entities. In accordance with IPSAS 20: Related party disclosures, these financial statements need not disclose transactions with other United Nations system entities, as the transactions are consistent with normal operating relationships between the entities, are undertaken on terms and conditions that are normal for such transactions in these circumstances and are at arm's length.

International Training Centres for Authorities and Leaders Global Network

171. The International Training Centres for Authorities and Leaders Global Network comprises 25 international training centres for authorities and leaders. The Global Network centres are located across Asia, Africa, Australia, Europe, and the Americas. The centres provide innovative training throughout the world and the network serves as a hub for the exchange of knowledge among government officials, the private sector and civil society.

172. Global Network-affiliated training centres are established through partnership agreements between UNITAR and a local host partner, which provides human and financial resources to the centres so that they are able to execute their activities in an autonomous manner and retain local control. The Institute's role in the operation of each Global Network-affiliated training centre is limited to providing academic guidance, support and advice regarding training content and monitoring and evaluation, as well as quality assurance. UNITAR is not involved in the governance of the Global Network and exercises a coordinating role only through an annual steering committee meeting of the Global Network directors. The Global Network centres may use the name and emblem of UNITAR only in direct connection with activities jointly defined and implemented with UNITAR.

173. Global Network-affiliated training centres pay UNITAR an annual affiliation fee in line with the signed partnership agreements or decisions of the Global Network steering committee. UNITAR does not invest in the activities of the training centres or participate in sharing the profits or losses of the centres. UNITAR received $0.698 million (2021: $0.528 million) in affiliation fees, which is included in the revenue from exchange transactions.

Note 23
Leases and commitments

Finance leases

174. UNITAR does not have any finance leases, whether as lessor or lessee.

Operating leases and commitments

175. UNITAR holds two leases in place, one for the use of the Geneva premises and one for its New York Office. For Geneva, UNITAR holds a three-year lease agreement with the World Meteorological Organization for its office space, covering the period 1 April 2020 to 31 March 2023. During the year 2022, a total lease payment of SwF 913,075 was made (at the average exchange rate for 2022: $0.957 million). In

addition: (a) the Satellite Operations Unit has rented two offices spaces: one in Nairobi (from the United Nations Office at Nairobi) for 2020–2022 and the other in Bangkok (from the Economic and Social Commission for Asia and the Pacific) for 2020–2023; (b) the Peacekeeping Training Programme Unit has rented offices from UNDP in Mali, Addis Ababa, Dakar and Niamey for indefinite periods; and (c) the New York Office rented an apartment for 2022 to house the participants of the President of General Assembly fellowship programme. These office spaces are rented for the implementation of specific project activities.

176. The total lease payments recognized in expenses for the period was $1.718 million (2021: $1.619 million). The total operating lease rental expense for the year includes $0.452 million (2021: $0.475 million) towards rental subsidy and in-kind arrangements, for which corresponding revenue is recognized in the statement of financial performance and presented within other revenue. Future minimum lease payments under non-cancellable arrangements are shown below.

Obligations for operating leases

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Due in less than one year	1 299	1 351
Due in one to five years	560	274
Due in more than five years	–	–
Total minimum lease obligations (undiscounted)	**1 859**	**1 625**

177. Individual operating lease agreements for photocopiers at headquarters are generally made under the auspices of the overall long-term supply agreements. The amounts present future obligations for the minimum contractual term, taking into consideration contract annual lease payment increases in accordance with lease agreements. No agreements contain purchase options.

178. At the reporting date, open contractual commitments relating to goods and services contracted but not delivered were $0.297 million (2021: $0.900 million).

179. At the reporting date, the Institute's commitments to transfer funds to implementing partners, based on agreements, amounted to $0.320 million (2021: $0.843 million).

Note 24
Contingent liabilities and contingent assets

180. UNITAR is subject to a variety of claims that arise from time to time in the ordinary course of its operations. These claims can be segregated into two main categories: commercial and administrative law claims. At the reporting date, UNITAR had no contingent liabilities for commercial and administrative law claims.

181. Consistent with IPSAS, contingent liabilities are disclosed for pending claims where the probability of an obligation and the potential outflow of resources cannot be measured with sufficient reliability. As at 31 December 2022, contingent liabilities were estimated at $0.012 million (2021: none).

182. At the reporting date, UNITAR had no contingent assets.

Note 25
Events after the reporting date

183. On 14 April 2023, the Executive Director of UNITAR approved the closure of existing projects funded by one donor for which voluntary contributions receivable of $3.013 million, under agreements signed in 2021 and in 2022, have been cancelled. In line with IPSAS 14, this event has been treated as an adjusting event after the reporting date of 31 December 2022, and an adjustment of $3.013 million to the voluntary contribution receivables and revenues balances has therefore been made in these financial statements.

184. From January 2023, the Defeat Non-Communicable Diseases Partnership programme, which has been hosted by UNITAR since 2019, has been discontinued. As of that date, a new division has been created at UNITAR to take care of the training component of the programme. In line with IPSAS 14, this event has been treated as a non-adjusting event after the reporting date of 31 December 2022, and therefore no adjustments to balances have been made in these financial statements.

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