United Nations

United Nations Institute for Training and Research

Financial report and audited financial statements

for the year ended 31 December 2019

and

Report of the Board of Auditors

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

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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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Letters of transmittal

Letter dated 31 March 2020 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 2019 annual financial statements of the United Nations Institute for Training and Research as at 31 December 2019, 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 21 July 2020 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 on the financial statements of the United Nations Institute for Training and Research for the year ended 31 December 2019.

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors
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 2019 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 2019 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. 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 auditor's report thereon

Management is responsible for the other information, which comprises the financial report for the year ended 31 December 2019, 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:

- 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.

- 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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.

- 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 with regard to, 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*) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

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

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India

21 July 2020

Chapter II
Long-form report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Institute for Training and Research (UNITAR) for the year ended 31 December 2019. The audit was carried out at headquarters in Geneva.

From 30 March 2020 onwards, the Board conducted the audit remotely owing to the coronavirus disease (COVID-19) pandemic, including the final audit of the financial statements.

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 the 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 2019 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. The Board examined six main areas of UNITAR activities (financial and programme management; the overall procurement process; information and communications technology; the implementation of UNITAR hosting agreements for agencies and conflict of interest prevention mechanisms), as well as a detailed follow up of actions taken in response to recommendations made in previous years.

Opinion

In the Board’s opinion, the financial statements present fairly, in all material respects, the financial position of UNITAR as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with IPSAS.

Overall conclusion

The Board did not identify significant errors, omissions or misstatements from the review of financial records of UNITAR for the year ended 31 December 2019. However, the Board identified scope for improvement in the areas of financial management and internal controls.

Key findings

(a) *Full cost recovery implementation*

The Board of Auditors found deficiencies in the approval process for exceptions to standard full cost recovery rates.

(b) Use of the revolving loan fund

During the visit, the Board of Auditors noted that loans issued to UNITAR programmes did not follow the criteria and conditions established in administrative circular AC/UNITAR/2016/12. In addition, UNITAR had to write off non-recoverable loans amounting to $235,575.20 overdue from the Institute's public finance and trade programme with an average ageing of 679 days.

(c) Automation of the procurement process

The Board of Auditors observed that the request-for-purchase process was made manually. In addition, it was noted that the receipt of goods and/or services was performed by staff not related to the procurement process.

(d) Implementation of hosting agreements

The Institute signed an operations agreement with the Defeat Non-communicable Diseases Partnership without a proper risk assessment. The Board of Auditors further noted that there was no regulatory framework regarding the implementation of UNITAR hosting agreements for agencies.

(e) Risk assessment for conflicts of interest

The Board of Auditors noted that no follow-up was given to the risk assessment regarding conflicts of interest at the Institute.

Recommendations

In the light of the findings mentioned above, the main recommendations of the Board are that UNITAR:

(a) **Strengthen the criteria for the approval of exceptions to standard full cost recovery, and consider the analysis, with financial implications, carried out by the Finance and Budget Unit of UNITAR prior to the signature of the agreements, in order to avoid future negative cost-recovery gaps;**

(b) **Reinforce the compliance of the criteria for the authorization of the revolving loan fund with the criteria established in administrative circular AC/UNITAR/2016/12;**

(c) **Evaluate the feasibility of automating the request for the purchase of goods and services through the Atlas system or another alternative tool;**

(d) **Improve the receipt-of-goods-and/or-services process by including the requisitioners in the Atlas system;**

(e) **Undertake a proper risk assessment before signing new hosting agreements for agencies;**

(f) **Develop a policy or guidelines in which the requirements, conditions and obligations are specified for the hosting agreements;**

(g) **Follow up on the risk assessment related to conflicts of interest, and review and monitor the mitigation measures identified in the UNITAR risk register.**

Key facts	
$44.9 million	Total revenue in 2019, including $37.4 million in voluntary contributions and $6.9 million for services rendered
$16 million	Surplus shown in 2019
$32 million	Accumulated surpluses as at 31 December 2019
95	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 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 2019, 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. 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 2019 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards. This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the Board of Trustees 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. From 30 March 2020 onward, the Board conducted the audit remotely owing to the coronavirus disease (COVID-19) pandemic, including the final audit of the financial statements.

6. The Board has taken up six audit topics for UNITAR in 2019: financial and programme management; the overall procurement process; information and communications technology; the implementation of UNITAR hosting agreement for agencies and conflict of interest prevention mechanisms. The Board also reviewed

the follow-up actions taken by UNITAR on the recommendations of the previous audits.

7. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly.

8. 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

9. The Board noted that there were nine outstanding recommendations up to the year ended 31 December 2018, of which seven (77.8 per cent) have been fully implemented and two (22.2 per cent) are under implementation, as shown in the table below. 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

	Fully implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
Total	7	2	–	–
Percentage	77.8	22.2	–	–

Source: Board of Auditors.

10. One recommendation from 2017 has remained pending, although positive progress has been made. That recommendation relates to the establishment of a roster that links consultants' performance evaluations to their respective fields of expertise. The Board believes that the Executive Director of UNITAR will make the amendment shortly.

2. Financial overview

11. In 2019, UNITAR reported a surplus of $16.0 million and actuarial loss on employee benefits liabilities of $7.5 million. Its net assets increased from $23.5 million to $31.9 million. Total revenue for 2019 of $44.9 million increased by $18.9 million from $25.9 million in the previous year. This includes voluntary contributions of $37.4 million (83.3 per cent) and revenue from services rendered of $6.9 million (15.3 per cent). Voluntary contributions from Member States increased from $11.7 million in 2018 to $23.6 million in 2019. Other voluntary contributions increased from $8.6 million in 2018 to $13.8 million in 2019. Expenditure increased by 1.3 per cent, from $28.6 million to $28.9 million.

12. In 2019, expenditure included $10 million for staff expenditure (2018: $10.7 million), $6.3 million for consultants, interns and trainees (2018: $5.6 million) and $3.3 million for grants and other transfers (2018: $3.8 million).

13. The total assets of UNITAR decreased from $37.1 million as at 31 December 2017 to $36 million as at 31 December 2018, and increased to $52.8 million at the end of the reporting period. Liabilities rose from $11.5 million as at 31 December 2017 to $12.5 million as at 31 December 2018 and further to $20.8 million as at 31 December 2019.

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

Table II.2
Capital structure ratios

Ratio	*31 December 2019*	*31 December 2018*	*31 December 2017*
Total assets: total liabilities[a]			
Total assets: total liabilities	2.54	2.88	3.23
Current ratio[b]			
Current assets: current liabilities	18.49	11.93	22.68
Quick ratio[c]			
(Cash + short-term investments + accounts receivable): current liabilities	15.60	11.63	20.04
Cash ratio[d]			
(Cash + short-term investments): current liabilities	10.78	7.30	12.22

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.

15. The Institute's current assets cover its current liabilities. Ratios have increased because current assets have increased. The increase of current, quick and cash ratios has been driven by a 1.6 per cent increase in current accounts payable and accrued liabilities.

16. UNITAR carried out a case-by-case review of voluntary contributions receivables as at 31 December 2019 and consequently made accounting adjustments of $0.5 million, with a corresponding reduction to voluntary contributions receivable.[1]

3. Financial management

Full cost recovery implementation

17. On 5 January 2018, UNITAR issued administrative circular AC/UNITAR/2018/01, the purpose of which was to provide further clarity as to the recovery of direct and indirect support costs through the cost recovery formula approved by the Board of Trustees at its fifty-third session, in 2013. The circular states a rate of 7 per cent, to be applied to all funds for activities and/or projects, to cover indirect programme support costs. In addition, a direct service cost recovery percentage of 11 per cent shall be applied to all activities and projects administered by the Institute.

18. The Board of Trustees also approved a reduced direct service cost rate that varies between 6 per cent for pass-through funds and 11 per cent for projects managed entirely by UNITAR. However, projects that are designed to be implemented through a combination of direct execution by the Institute and grants provided to implementing partners do not lessen the accountability and administrative burden of the Institute. In such cases, the projects would be considered as managed entirely by UNITAR and, therefore, not eligible for the reduced direct service cost percentage of 6 per cent.

[1] See note 7 to the financial statements for the year ended 31 December 2019.

19. In addition, in administrative circular AC/UNITAR/2019/18, issued on 8 November 2019, UNITAR established the categories of exceptions to cost recovery and non-standard cost recovery arrangements. The administrative circular also established that a memorandum should be issued giving details about and documenting the approval given by the Executive Director for exceptions to standard full cost recovery for discussing and agreeing upon the details of the exceptions, non-standard cost recovery and reporting agreements, before the formal signing of the agreement between the donors and UNITAR.

20. UNITAR works with the Junior Professional Officers programme, i.e., with professionals who are recruited under bilateral agreements between the United Nations and donor countries. Junior professional officers are generally nationals of donor countries; however, some donors also finance nationals of developing countries. Those types of agreements do not come under the category of standard cost recovery.

21. During the internal control visit, the Board of Auditors reviewed the voluntary contributions agreements signed by UNITAR in 2019 and noted that the contract referenced as C2019.TARPH006.NGAGov had a direct service cost rate of 6 per cent. However, that project was implemented through a combination of direct execution by the Institute and grants to implementing partners, and therefore did not qualify for the reduced direct service cost of 6 per cent, as observed by the Finance and Budget Unit of UNITAR on 30 April 2019. Despite the observations made, the memorandum of exception was approved by the Executive Director on 20 November 2019, six months after the signature of the agreement (23 May 2019).

22. The Board noted that the latest administrative circular for the application of full cost recovery (AC/UNITAR/2019/18) did not stipulate the conditions for the junior professional officers where, according to the agreements signed by UNITAR for these types of programmes, the direct service cost was 0 per cent and the programme support cost was 12 per cent.

23. Finally, the Board reviewed the cost recovery gaps between the total costs and total earned for the years 2016, 2017, 2018 and 2019, and noted that negative cost recovery gaps had been registered for the years 2016, 2017 and 2018, and, only for 2019, a positive recovery gap had been recorded. The negative cost recovery gaps were due to the fact that for the years 2016, 2017, 2018 and 2019, the average cost recovery rate earned was 15.45 per cent against an approved rate of 18 per cent,[2] leaving an accumulated cost recovery gap of $1,484 as at 31 December 2019.

24. The Board is of the opinion that no agreement should be signed without proper consideration of the analysis and recommendations issued by the Finance and Budget Unit in order to ensure that exceptions to the standard full cost recovery rate are in accordance with the rates approved by the Board of Trustees of UNITAR. The above might be a useful tool to reduce the negative cost recovery gaps and thereby increase the Institute’s operational reserve.

25. The Board considers that the absence of a procedure related to the agreements for junior professional officers from administrative circular AC/UNITAR/2019/18 might result in a lack of traceability in the process for the collection of full cost recovery, and difficulties to cover the direct and indirect costs.

26. **The Board recommends that UNITAR strengthen the criteria for the approval of exceptions to the standard full cost recovery and consider the analysis with the financial implications carried out by the Finance and Budget Unit prior to the signature of the agreements, in order to avoid future negative cost recovery gaps.**

[2] Including 7 per cent for indirect programme support costs and 11 per cent for direct service cost.

27. **The Board further recommends that UNITAR modify administrative circular AC/UNITAR/2019/18 to include the procedures related to the management of Junior Professional Officers programmes.**

28. UNITAR agreed to consider incorporating the recommendations in the development of its new cost recovery model, which will be discussed in 2020.

Use of the revolving loan fund

29. At its fifty-sixth session, held on 19 and 20 November 2015, the Board of Trustees authorized the establishment of a revolving loan fund of $1 million from non-earmarked reserves in the general fund and used by the Executive Director of UNITAR to lend funds in exceptional circumstances to special purpose grants projects when project funds from donors are delayed.

30. Following the above-mentioned approval by the Board of Trustees, UNITAR issued administrative circular AC/UNITAR/2016/12, dated 26 December 2016, promulgating the procedures applying to the use of the revolving loan fund. The administrative circular sets out several criteria and conditions to determine the use of the revolving loan fund. Among the conditions are the following:

(a) The maximum limit of the revolving loan fund set up by the Board of Trustees is $1 million only;

(b) No project will be provided with a new loan without the recovery of at least 75 per cent of the previously outstanding loan;

(c) The maximum tolerable age for an outstanding loan will be 90 days;

(d) The purpose of the revolving loan fund should be to implement activities. Ideally, no more than 25 per cent should be used for salaries;

(e) Loans must be used against contributions receivable expected to be received within no more than 45 days from the date of the loan application by the programme;

(f) No programme will be allowed to have loans outstanding in excess of $300,000 at any point in time.

31. Loan applications should be made to the Finance and Budget Unit of UNITAR, which will review the application forms and inform the programme managers and the Executive Director of UNITAR which applications are not recommended for approval. However, programme managers may seek to obtain exceptional approvals from the Executive Director, who may use his or her discretion based on a very strong, well-established track record of funding the project or activity in question by the donor.

32. As a result of the review of the loans issued by UNITAR in 2019 and their respective ageing analysis, the Board noted the following situations:

(a) In April 2019, total outstanding loans amounted to $1,016,271.96, against an amount of $1 million approved by the Board of Trustees;

(b) On 17 January 2019, a loan of $91,563.41 was granted to the UNITAR Operational Satellite Applications Programme (UNOSAT), even though, at that date, a previous loan of $121,951.22 was still outstanding under the same programme and had not been recovered by UNITAR. The earlier loan was 253 days old;

(c) As at 31 December 2019, a total of 9 loans were outstanding with an average ageing of 594 days;

(d) According to the details contained in the loan forms requested from UNITAR programmes, nine loans had been issued, of which more than 25 per cent was for covering salaries;

(e) Ten loans had been approved with an expected receivable date in excess of the 45-day rule;

(f) In 2019, two programmes (the Public Finance and Trade Programme Unit and UNOSAT) had outstanding loans in excess of $300,000.

33. As a result of the above, and taking into consideration that, as at 31 December 2019, the Public Finance and Trade Programme Unit had outstanding loans amounting to $235,575.20 with an average ageing of 679 days, UNITAR had to write off that amount as the programme was unable to refund the money. However, despite the analysis and negative recommendations issued in 2017 and 2018, in which the Finance and Budget Unit of UNITAR had recommended not to issue further loans to the Public Finance and Trade Programme Unit, new loans were approved based on executive decisions.

34. The Board considers that those loans may not have been exceptional in nature as required under administrative circular AC/UNITAR/2016/12, as from a total of 20 loans requested in 2019, all had been approved by the Executive Director, despite the analysis and negative recommendations issued, in some cases, by the Finance and Budget Unit. In that regard, it is essential to follow the rules and conditions agreed and approved by the Board of Trustees and contained in the administrative circular.

35. **The Board recommends that UNITAR reinforce the compliance of the criteria for authorization relating to the revolving loan fund with the criteria established in administrative circular AC/UNITAR/2016/12, taking into consideration the exceptional nature of that fund, and consider the financial analysis and recommendations prior to the loan approval in order to avoid future loans not being recovered and to ensure the financial sustainability of the operations of the Institute.**

36. UNITAR agreed with the recommendations. UNITAR further stated that it would review the criteria and workflow processes for providing loans and present them to the Board of Trustees for agreement at its sixty-first session, to be held in November 2020.

4. Procurement management

Annual procurement planning

37. In accordance with section 8.1 of the United Nations Procurement Manual dated 1 July 2013, procurement planning is essential for the effective and timely solicitation of bids and proposals, award of contracts and delivery of the goods, services and works required by the United Nations. Consequently, the acquisition plan shall contain: (a) item number; (b) types of goods, services or works; (c) estimated quantity; (d) estimated value in United States dollars; (e) delivery date; and (f) any other relevant information.

38. In order to verify compliance with the above-mentioned rules, the Board requested to UNITAR the annual acquisition plan for 2019 and noted the following situations:

(a) The description of the types of goods or services did not allow for an appropriate classification of the category of goods and/or services required. For instance, some items were classified as “Disarmament”; “Syria”; “Sahel”; “Nikhil’s visit in Tokyo”; “SSFP 2019 WSII Entebbe”; “SSFP 2019 WSIII Hiroshima”; “DRR 2019”;

(b) There was no standard unit of measurement registered under the heading “Quantity”. As an example, the quantity for hotel accommodation requirements was registered by nights, guests, or “1”;

(c) Some requests were valued in Swiss francs or euros instead of United States dollars;

(d) No standard delivery date was recorded in the annual planning, as some requests were planned on a quarterly, monthly or daily basis.

39. The Board considers that the procurement plan should contain more detailed, measurable and accurate specifications of goods, services and works required, and that the estimated value should be expressed in no other currency than United States dollars in order to ensure effective procurement planning and strengthen the contribution of the procurement function at UNITAR.

40. **The Board recommends that UNITAR improve its annual procurement plan by demanding more standard information and enhancing data such as types of goods or services, quantity, estimated value and delivery date.**

41. UNITAR agreed with the recommendation to improve its annual procurement plan.

Procurement processes compliance

42. On 7 January 2019, UNITAR issued administrative circular AC/UNITAR/2019/01 on the delegation of procurement authority, the purpose of which was to reflect changes in the composition of the Committee on Contracts, the minimum number of quotations and the procurement process in conjunction with the delegation of authority granted to the Executive Director of UNITAR. Paragraph 10 states that for every procurement process, a duly completed request for purchase of goods and services must be prepared for processing.

43. Moreover, UNITAR guidelines on procurement, issued in April 2019, establish that managers assume procurement responsibilities as requisitioners, as they are involved in the identification of procurement requirements and the signature of the request for purchase form to be send to Administration and Procurement Unit of UNITAR.

44. The Board reviewed a sample of 30 purchase orders issued by UNITAR from 1 January to 31 December 2019 and noted the following situations:

(a) Eight purchase orders were classified as complete in Atlas, but no payment vouchers were found in the system. According to the information provided by the Administration and Procurement Unit, all were cancelled and therefore none should have been classified as completed in Atlas;

(b) Regarding the contract process associated with purchase order No. 8232, Eko Hotels and Suites in Nigeria was discarded from the selection process as the hotel was not recommended by the Department of Safety and Security. Nevertheless, the Department did include the hotel in the list of recommended hotels after a review of its supporting documentation.

45. The Board considers it necessary to keep an accurate, updated and timely record in Atlas of purchase orders in order to ensure adequate monitoring and control of the information available in the system. In addition, rejected quotations without proper justifications might result in a lack of transparency in the procurement process.

46. In response, UNITAR stated that, once a purchase order is closed, Atlas shows the status as complete. It also stated that the purchase orders were closed when they were no longer required. Nevertheless, a purchase order should be classified as complete only when it has been fully processed and closed. Thus, if a purchase order is fully cancelled, as in this instance, it should be classified as cancelled in Atlas.

47. Regarding the hotel discarded from the selection process, UNITAR stated that, after a subsequent revised comparison of quotations, Eko Hotels and Suites was not discarded from the selection process. However, despite the new comparison of

quotations dated 8 March 2019 provided by the Institute, in which the hotel's quotation was accepted, the minutes of the 100th meeting of the Committee on Contracts, held on 21 March 2019, also indicated that Eko Hotels and Suites had not been cleared by the Department of Safety and Security.

48. **The Board recommends that UNITAR keep an accurate and up-to-date record in Atlas regarding purchase orders and improve the monitoring and control of the information available in the system and its related reportability.**

49. UNITAR took note of the recommendation.

Outdated guidelines on procurement

50. Chapter 6.3 of the United Nations Procurement Manual, issued on 30 September 2019, establishes a threshold of $50,000 for a formal method of solicitation.

51. In April 2019, UNITAR issued brief guidelines on procurement intended as a quick reference guide and a summary of the procurement process for the Institute. Among other topics, the guidelines specify the number of vendors and documents required for each procurement threshold.

52. The Board of Auditors noted that the current thresholds included in the guidelines on procurement were not in accordance with the United Nations Procurement Manual, as UNITAR guidelines established that all procurement to cost more than $40,000 up to and including $100,000 should be invited through formal methods of solicitation.

53. On the other hand, the Board of Auditors noted that the guidelines on procurement were not an official document, as it had not been approved by the Executive Director.

54. The Board considers that all instructions, guidelines or procedures issued by UNITAR should be in accordance with the current thresholds specified in the United Nations Procurement Manual and should be properly approved by the Executive Director.

55. **The Board recommends that UNITAR update and align the guidelines on procurement with the United Nations Procurement Manual, formalize them in the appropriate administrative circular and make them available to all staff.**

56. UNITAR accepted the recommendation.

Automation of the procurement process

57. As part of the UNITAR procurement process, managers assume procurement responsibilities as requisitioners, as they are involved in the identification of procurement requirements, the signing of the request for purchase form and the certification of the receipt of goods and/or services.

58. The Board assessed the overall procurement process at UNITAR and noted that the request-for-purchase process was made manually, using a request for purchase form to initiate the procurement actions, signed by the managers concerned and sent to the Administration and Procurement Unit for approval. The reason was that UNITAR did not have the requisitioning function available in Atlas. As a monitoring and reporting tool, UNITAR used Excel spreadsheets.

59. On the other hand, the Board noted that the receipt-of-goods-and/or-services process was handled through Atlas, by the information technology specialist (who is not involved in the procurement process) and not by the managers concerned. After the receipt of goods and/or services by the managers, the Administration and Procurement Unit sent the related documentation to the information technology specialist, who finally registered the receipt in Atlas.

60. The Board is of the opinion that UNITAR should evaluate the feasibility of implementing an automated control mechanism in Atlas (or other mechanism) in order to mitigate the risk of errors in the manual recording of requests and/or loss of information. That also might help to improve the traceability of the request-for-purchase process.

61. In addition, the Board considers that involving staff not related to the procurement process could result in registration errors and may hinder a proper segregation of duties for the entity, considering that, currently, the person who performs that function in Atlas does not have any accountability that would guarantee an adequate reception of goods and/or services.

62. **The Board recommends that UNITAR evaluate the feasibility of automating the request for the purchase of goods and services through Atlas or an alternative tool.**

63. **In addition, the Board recommends that UNITAR improve the receipt-of-goods-and/or-services process by including the requisitioners in Atlas, taking into consideration that they are responsible for carrying out that part of the process. Alternatively, UNITAR could consider adding the receipt process in Atlas to the functions of the information technology specialist and assigning to that specialist the proper role and accountability for that part of the procurement process.**

64. In its response, UNITAR stated that an automation of requisitions in Atlas would not be beneficial to the Institute, considering the size and nature of its workflow process. As the procurement approvals were centralized, UNITAR would have to buy the Atlas procurement module from United Nations Development Programme and pay for it as a recurring cost. The costs might outpace the efficiencies. However, UNITAR stated that it would assess alternate ways to automatize the requisitioning process.

65. Regarding the receipt-of-goods-and/or-services process, UNITAR stated that the information technology specialist had obtained the required procurement certifications from the United Nations and had been included in the list of personnel required to provide financial disclosure. Nonetheless, the Institute stated that UNITAR would review the current Atlas receipt process and explore alternatives with the aim of ensuring the efficiency and accountability of the process.

5. Programme management

Project tracking tool

66. Paragraph 28 of the revised Policy Guidelines for Agreements on the Acceptance of Contributions for Specific Purposes ("grants in"), approved by the Board of Trustees in November 2019, states that programme managers are responsible for submitting all signed agreements, amendments, financial and narrative reports to the Partnership and Resource Mobilization Unit for recording in the project tracking tool on the UNITAR intranet (available at ptt.unitar.org).

67. Likewise, paragraph 27 of the Policy Guidelines for Agreements with Implementing Partners ("grants out"), approved by the Board of Trustees in November 2018, establishes that all documents relating to implementing partners, including terms of reference, agreements, evaluations and due diligence assessments, shall be recorded with any other relevant documents using said project tracking tool.

68. The Board requested from UNITAR the list of programmes/projects as at 31 December 2019 and noted that 117 projects had not been recorded in the project tracking tool.

69. The Board considers it necessary to keep an updated and timely record of projects in the project tracking tool in order to ensure adequate monitoring and control of the projects and the related documentation. Moreover, the manager responsible must oversee

the compliance of the maintenance of the records related to implementing partners in the project tracking tool, as they are accountable for monitoring the implementation of grant-out agreements from the substantive and financial angles.

70. **The Board recommends that UNITAR ensure that all the documentation related to the projects is registered in the project tracking tool in a timely manner, in accordance with the policy guidelines for agreements with implementing partners and the policy guidelines for agreements on the acceptance of contributions for specific purposes.**

71. UNITAR accepted the recommendation.

Maintenance of the Institute's official documents

72. In order to keep all official documents related to the operations of UNITAR available, the Institute maintains on its intranet (unitarnet.unitar.org) a list of current policies, guidelines and administrative circulars, as well as a document repository (unitarnet.unitar.org/documents) in which all the above-mentioned documents are available to UNITAR staff.

73. Based on the information available in the document repository, the Board of Auditors noted that a large number of policies, guidelines and administrative circulars were no longer in force. Nonetheless, they were available on the UNITAR intranet, with no proper identification to determine if they were outdated.

74. The Board considers that the absence of a proper identification of current and outdated policies might lead to confusion among UNITAR staff and that the relevant section of the intranet could lose its effectiveness. Among other measures, UNITAR could consider the use of an identification stamp for all outdated documents in order to maintain proper identification.

75. UNITAR stated that the entity had performed a review of its intranet site as part of which missing administrative circulars were included and others had been removed from the document repository.

76. **The Board recommends that UNITAR develop guidelines aimed at keeping its intranet permanently updated.**

77. UNITAR accepted the recommendation.

6. Removal of separated staff accounts

78. On 6 March 2017, UNITAR issued its information and communications technology policy in administrative circular AC/UNITAR/2017/04. This policy states that an email account provides access to many information and communications technology resources that offer various resources and software licences, and describes the process for requesting an email account for a new UNITAR employee.

79. Furthermore, the policy establishes indications for UNITAR personnel and the actions to be applied depending on the contractual type. It stipulates that user accounts are set up specifically for the purpose of performing UNITAR business and that the closing of an account shall apply to all UNITAR domains.

80. During an internal control audit visit, the Board performed a revision of UNITAR user accounts and noted that 61 accounts had not been not locked and/or deleted. It is important to mention that the comparison was performed using the UNITAR list of staff and non-staff (as at 31 December 2019) provided by the Human Resources Unit and the active email account list provided by the Communication and Information Technology Support Unit.

81. On the other hand, the Board noted that the current information and communications technology policy had not established a formal procedure related to

requests for the elimination of email accounts following the separation of a staff member or of non-staff from UNITAR.

82. The Board considers that keeping active the user accounts of separated staff and non-staff increases the risk of unauthorized access to the information systems. In addition, the absence of a procedure related to requests for the elimination of email accounts hinders the identification of staff members responsible for that process, the frequency with which such requests should be made, and the points in time at which modifications of the UNITAR user profiles should be made.

83. Regarding the user accounts list, UNITAR stated that trainees and employees whose contracts were renewed after their expirations on 31 December 2019 had not been taken into consideration in the review performed. However, the Institute did not provide additional information showing which cases were in that situation.

84. **The Board recommends that UNITAR identify and take the necessary measures to perform, in a timely manner, the removal of user accounts in agreement with the information and communications technology policy.**

85. **In addition, the Board recommends that UNITAR include in its information and communications technology policy a formal procedure related to requests for the elimination of email accounts.**

86. UNITAR accepted the recommendations.

7. Implementation of hosting agreements

87. On 23 July 2019, UNITAR entered an operational agreement with the Defeat Non-communicable Diseases Partnership, under which the Institute agreed to integrate the Partnership into its operations and to provide administrative and programmatic support so that the Partnership secretariat can transact and operate legally as UNITAR with third parties. The Partnership secretariat consists of personnel assigned by UNITAR under a programme or project to manage the activities of the Partnership.

88. The Board of Auditors reviewed the documentation related to the signed operations agreement between UNITAR and the Defeat Non-communicable Diseases Partnership and noted the following situations:

(a) Article 3 of the operations agreement established that the Partnership is governed in accordance with the governance mechanism, the terms of the agreement and the Board of Trustees of UNITAR. The same provision was included in the annex I to the agreement, in which it was stated that the Partnership is overseen by a governance mechanism that has three components: a high-level council, a consultative group and an executive committee. Nevertheless, in accordance with article III of the UNITAR statute, the Board of Trustees is the sole UNITAR governing body that formulates principles and policies to govern the activities and operations of the Institute;

(b) On 24 July 2019, additional revisions to the operations agreement were requested from the Executive Director of UNITAR, even though the agreement had already been approved and signed on 23 July 2019;

(c) No risk assessment was performed prior to the signature of the operations agreement, as the Finance Committee of the Board of Trustees observed at its twelfth session, held on 26 November 2019. As a result, after the Finance Committee had issued a recommendation, UNITAR presented a risk assessment to the Board of Trustees at its sixtieth session, held on 28 and 29 November 2019.

89. Furthermore, the Board noted that there was no regulatory framework regarding the implementation of hosting agreements at UNITAR.

90. The Board of Auditors is of the view that no agreement should be approved without a proper financial and operational review prior to its signature in order to ensure that all the clauses are in accordance with the UNITAR statute.

91. In addition, the Board considers it necessary to carry out a risk assessment before signing a hosted agency agreement to identify, assess, mitigate, monitor and report on risks that may adversely affect UNITAR in order to provide reasonable assurances that objectives and results can be achieved.

92. Moreover, taking into consideration that UNITAR might add new hosting agreements in the short term, it is necessary to create a related policy or guidelines to provide instructions related to the entering into and implementation of hosting agreements.

93. **The Board recommends that UNITAR undertake a proper risk assessment before signing a new hosting agreement, in order to identify and assess possible risks that could affect the operations of UNITAR.**

94. **In addition, the Board recommends that UNITAR develop a policy or guidelines in which the requirements, conditions and obligations for hosted agencies agreements are specified.**

95. UNITAR accepted the recommendations.

8. Risk assessment regarding conflicts of interest

96. On 24 April 2012, UNITAR issued guidelines applying to preliminary administrative fact-finding investigations reported to the Integrity and Ethics Oversight Committee of the Institute. In these guidelines, misconduct is classified into two broad categories: serious and routine matters, according to the relative seriousness of the contravention and the risk to the Institute. Conflicts of interest are classified under the category of serious matters.

97. On 25 October 2018, UNITAR issued its Enterprise Risk Management Policy in administrative circular AC/UNITAR/2018/04. Enterprise risk management includes a risk universe currently composed of five categories: strategic, governance, operations, compliance and financial. Each of those five categories includes several subcategories; conflicts of interest are a sub-item under the ethics and integrity subcategory (compliance category).

98. For the purposes of recording UNITAR risk management information, the Institute has developed a risk register database as the principal tool for risk assessment and monitoring, which contains the risk universe and information regarding risk ratings, contributing risk factors and risk mitigation.

99. In that regard, for the purpose of verifying the implementation of the measures taken by UNITAR to prevent conflicts of interest, the Institute provided its latest risk register, in which conflicts of interest are defined as the "lack of segregation of duties for functions with approving/certifying functions and/or actions taken by staff for personal interest which impede the Institute's ability to sustain operations and operate effectively".

100. Nevertheless, after consultation with UNITAR staff, the Board of Auditors noted that, even though conflicts of interest with a critical impact were addressed in the Institute's risk register database, no follow-up was given to the risk assessment. Furthermore, according to the Institute's risk register database, an initial assessment should be issued by the first quarter of 2019 and reviewed by management in the second quarter. However, no measures have been taken by UNITAR to follow up this initial assessment.

101. The Board considers that, despite the relevance accorded by UNITAR to the issue of conflicts of interest, the absence of an appropriate risk assessment might not

enable the Institute to identify the functions for which a conflict of interest could exist. Clarity on all possible conflicts of interest might give the Institute an understanding of the real risk to UNITAR.

102. **The Board recommends that UNITAR follow up on the risk assessment related to conflicts of interest and review and monitor the mitigation measures identified in the risk register, in accordance with the Enterprise Risk Management Policy of UNITAR.**

103. UNITAR accepted the recommendation.

C. Disclosures by management

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

104. UNITAR reported that there were write-offs of cash and receivables amounting to $0.237 million in 2019 (none in 2018), and no write-off of dysfunctional, non-expendable property in 2019 (no write-off in 2018).

2. Ex gratia payments

105. UNITAR reported to the Board that there were no ex gratia payments in 2019.

3. Cases of fraud and presumptive fraud

106. 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.

107. 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 has identified or that have been brought to their attention. The Board also enquired whether management had knowledge of any actual, suspected or alleged fraud. No cases of fraud were brought to the Board's attention.

D. Acknowledgement

108. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director of UNITAR and the members of his staff.

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

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

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India

21 July 2020

Annex

Status of implementation of recommendations up to the year ended 31 December 2018

No.	*Report reference and financial period in which first made*	*Summary of recommendation*	*UNITAR response*	*Board's assessment*	*Status after verification*			
					Implemented	*Under implementation*	*Overtaken by events*	*Not implemented*
1.	A/73/5/Add.5, chap. II, para. 43	The Board recommended that UNITAR define criteria for awarding ratings to ensure comparability among consultants.	The criteria for awarding ratings in the evaluations of special service agreement contractors was included in an administrative circular issued by UNITAR in May 2019.	Annex VI of administrative circular AC/UNITAR/2019/11 established criteria and a description for determining the overall performance ratings for consultants and individual contractors. Therefore, the Board considers this recommendation as implemented.	X			
2.	A/73/5/Add.5, chap. II, para. 44	The Board recommended that UNITAR establish a roster that links consultants' performance evaluations to their respective fields of expertise.	UNITAR has contacted other entities in connection with the development of an appropriate e-recruitment system with a roster that links consultants' performance evaluations to their fields of expertise. Management considers this recommendation to be in progress and expected that the system would be developed in the following months.	The Board acknowledges the progress that has been made. However, it considers implementation to be in progress.		X		
3.	A/74/5/Add.5, chap. II, para. 21	The Board of Auditors recommended that UNITAR review and update its current administrative circular regarding the use of consultants and individual contractors and evaluate, considering the limitations issued by the United Nations Secretariat.	In May 2019, UNITAR issued a reviewed and updated administrative circular regarding the use of consultants and individual contractors.	UNITAR has included the limitations issued by the United Nations Secretariat as a guideline in the reviewed administrative circular, AC/UNITAR/2019/11, issued on 8 May 2019. Therefore, the Board considers this recommendation as implemented.	X			
4.	A/74/5/Add.5, chap. II, para. 22	The Board recommended that UNITAR revise and update, if necessary, the workflow for contract processing indicated in administrative circular AC/UNITAR/2016/11, taking into consideration the current	An updated administrative circular regarding workflows for contract renewal was issued by the Executive Director of UNITAR in June 2019. It supersedes administrative circular AC/UNITAR/2016/11. The	The administrative circular issued by UNITAR is aligned with the current organizational structure of the Institute. Therefore, the Board considers this recommendation to have been implemented.	X			

No.	Report reference and financial period in which first made	Summary of recommendation	UNITAR response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
		organizational structure of the Institute.	workflows were updated taking into consideration the current organizational structure of the Institute.					
5.	A/74/5/Add.5, chap. II, para. 28	The Board of Auditors recommended that UNITAR improve the managers' controls by checking the availability of funds before initiating a recruitment process for consultants and individual contractors, to ensure effective project management and transparency in the utilization of resources.	UNITAR indicated that the review of the controls had been completed and that the workflows had been updated. A revised administrative circular on the workflows for contracts was issued by the Executive Director of UNITAR in June 2019. Furthermore, the delegation of authority schedules was revised and published as an administrative circular by the Executive Director in July 2019.	The Board acknowledges the actions taken in order to improve the managers' controls by checking the availability of funds before initiating a recruitment process and concluded that the recommendation had been implemented.	X			
6.	A/74/5/Add.5, chap. II, para. 35	The Board of Auditors recommended that UNITAR keep the Policy Guidelines for Agreements with Financial Implications for the Acceptance of Voluntary Contributions under review, in order to include revision by the Planning, Performance and Results Section and the Finance and Budget Unit of agreements that are also below $100,000 in the context of managing the workload.	Management has developed a number of scenarios and alternatives and is deliberating the pros and cons for each, along with the risks of excluding or delegating agreements over $100,000 against the internal capacity to review all agreements. At present, while the review is ongoing, the Institute continues to apply the existing policy for review.	The Board acknowledges the progress that has been made. However, it considers implementation to be in progress.		X		
7.	A/74/5/Add.5, chap. II, para. 41	The Board of Auditors recommended that UNITAR align the administrative circular on delegations of authority with the current organizational chart in order to ensure clarity in functions.	UNITAR has updated the delegation of authority schedules, which were published as an administrative circular by the Executive Director in July 2019.	The Board has noted that the updated administrative circular regarding delegations of authority is aligned with the current organizational chart of UNITAR and the responsibilities and functions contained therein. Therefore, the Board considers this recommendation as implemented.	X			

No.	Report reference and financial period in which first made	Summary of recommendation	UNITAR response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
8.	A/74/5/Add.5, chap. II, para. 48	The Board of Auditors recommended that UNITAR make the necessary efforts to comply with the established travel policy controls, ensuring the full compliance of the mission authorization form.	Since May 2019, UNITAR management has ensured that the date and the name and title of the approvers are indicated on all incoming mission authorization forms and has started stamping the date of receipt on mission authorization forms.	The Board reviewed the efforts made by Finance and Budget Unit of UNITAR in order as evidence for full compliance regarding the mission authorization forms. The Board took note of the progress made and concluded that the recommendation had been implemented.	X			
9.	A/74/5/Add.5, chap. II, para. 49	The Board of Auditors recommended that UNITAR take the necessary measures in order to include a designated approver for the official travels of the Executive Director	UNITAR determined a designated approver for the official travels of the Executive Director, formalized in the updated travel policy issued in May 2019.	In administrative circular AC/UNITAR/2019/10, dated 2 May 2019, UNITAR assigned the Director of the Division for Operations as the designated approver for the official travels of the Executive Director. Therefore, the Board considers this recommendation to have been implemented.	X			
	Total				**7**	**2**	–	–
	Percentage				**77.8**	**22.2**	–	–

Chapter III
Certification of the financial statements

Letter dated 25 March 2020 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 2019 have been prepared in accordance with financial rule 106.1 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. These notes provide additional information 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 2019

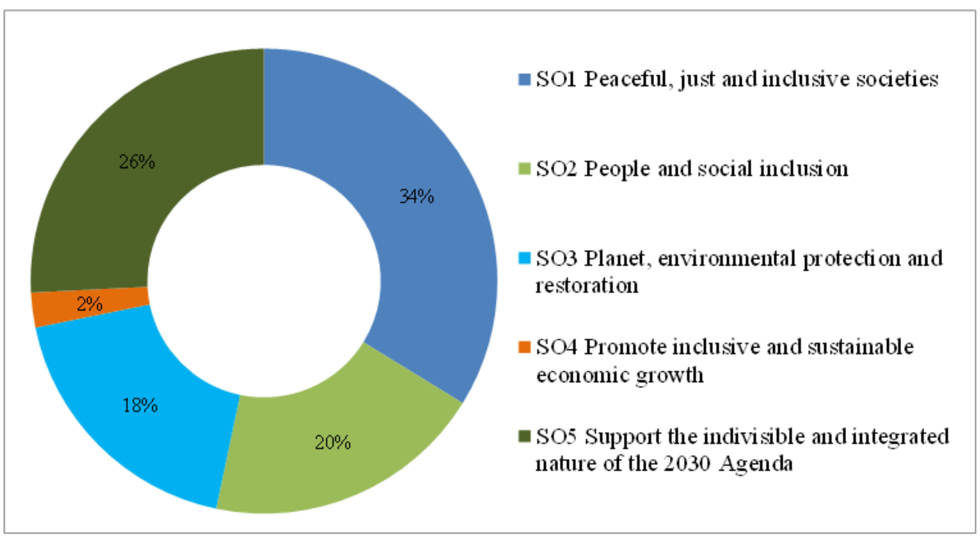
A. Introduction

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 2019.

2. The present report is designed to be read in conjunction with the financial statements for UNITAR for the year ended 31 December 2019. 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 for 2018–2021 organizes the Institute's programming under the peace, people, planet and prosperity pillars of the 2030 Agenda, 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. While UNITAR 2018–2019 programming contributes to 12 of the 17 Sustainable Development Goals, two thirds of UNITAR results areas are aligned to Sustainable Development Goals 12 (responsible production and consumption), 13 (climate action) and 16 (peace, justice and strong institutions). The proportion of the 2018–2019 budget corresponding to each of the five strategic objectives is shown in figure IV.I.

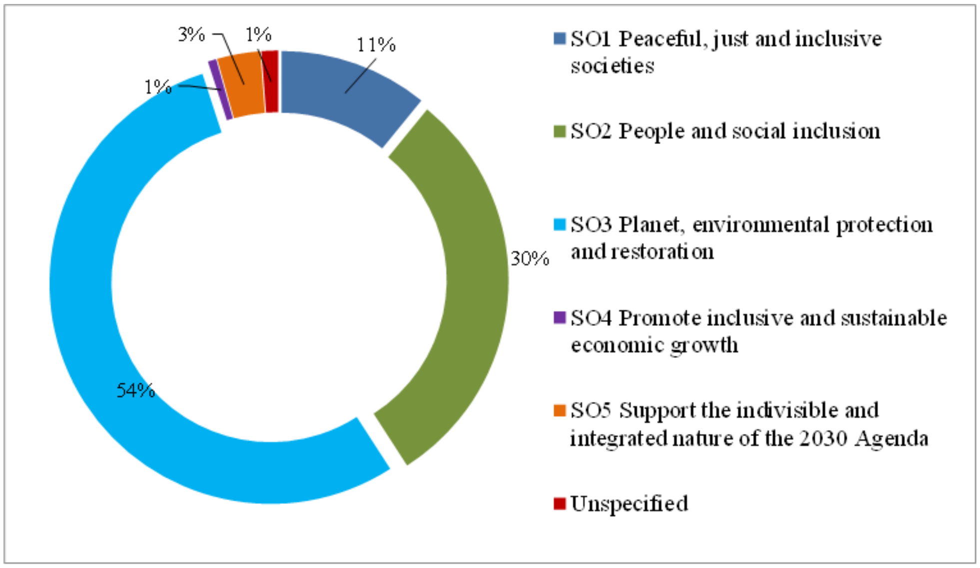
Figure IV.I
2018–2019 programme budget by strategic objective



4. During 2019, UNITAR made progress towards the achievement of its objectives through the provision of training, learning and knowledge-sharing services to 133,039 beneficiaries (representing an increase of 57 per cent from the 2018 figure of 84,904),

the highest number of total beneficiaries in the Institute's history. As shown in figure IV.II, 84 per cent of beneficiaries were associated with programming related to people and the planet. The majority of UNITAR beneficiaries (69 per cent) were associated with specific learning outcomes in 2019. The number of such beneficiaries increased by 52 per cent, from 60,901 in 2018 to 92,378 in 2019. This marked increase is largely attributed 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 UN Climate Change Learning Partnership, and to the increase in the number of beneficiaries from activities of the International Training Centres for Authorities and Leaders Global Network.

Figure IV.II
Beneficiaries by strategic objective



Note: Beneficiaries under SO2 include Multilateral Diplomacy Programme, beneficiaries recorded as cross-cutting

5. The 2019 outputs were produced with a revised budget of $29.489 million (2018: $26.073 million) and actual expenditure of $25.866 million (2018: $28.219 million) on a budget basis and the delivery of 671 events (2018: 638 events). The overall male-to-female gender ratio of beneficiaries is 57:42 (with 1 per cent indicated "other" in 2019 (2018: 56:36). This ratio reflected the high proportion of male military and related personnel enrolled in peacekeeping training courses. Without peacekeeping training, the ratio for 2019 was 54:45 ("other", 1 per cent).

6. UNITAR serves a broad-based group of constituencies, with 22 per cent (2018: 34 per cent) of its learning-related beneficiaries coming from government; 47 per cent (2018: 45 per cent) from non-State sectors, including non-governmental organizations, academia and businesses; 9 per cent (2018: 6 per cent) from the United Nations and other international organizations; and 22 per cent (2018: 15 per cent) from other sectors.

7. 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 93 per cent of beneficiaries participated in learning-related events implemented with partners. Partners have included organizations as diverse as other United Nations

entities, regional organizations, national training institutes, foundations, universities, non-governmental organizations and the private sector.

B. Overview of the financial statements for the year ended 31 December 2019

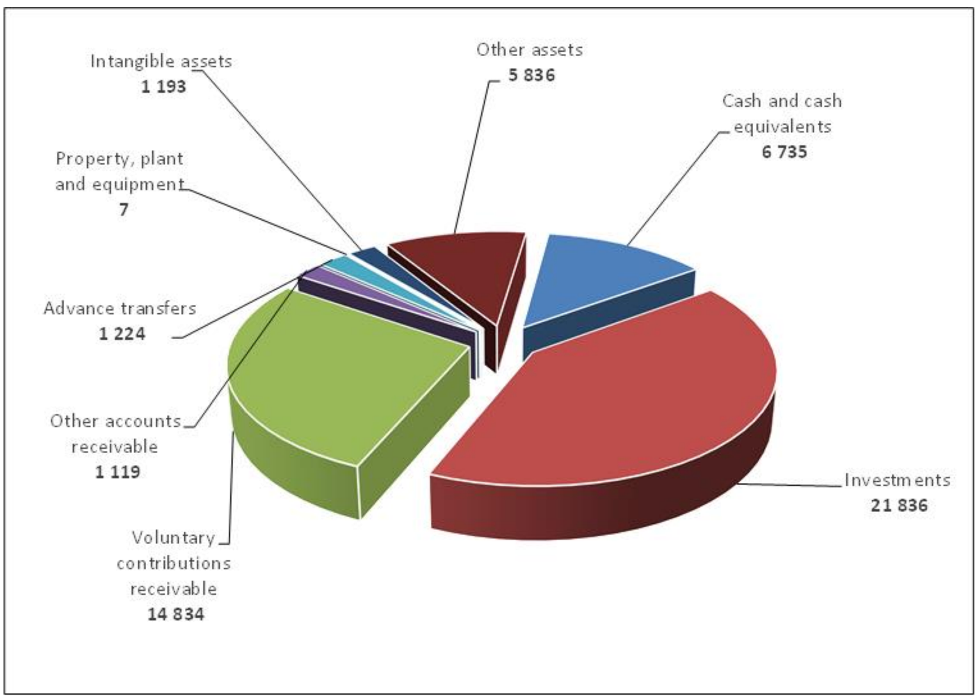
8. Financial statements I, II, III, IV and V show the financial results of the activities of UNITAR and its financial position as at 31 December 2019. The notes to the financial statements explain the Institute's accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

Financial position

Assets

9. UNITAR reports an increase in total assets of $16.780 million as at 31 December 2019 from the balance of $36.004 million reported as at 31 December 2018, to the current $52.784 million. Figure IV.III sets out the structure of the Institute's assets as at 31 December 2019.

Figure IV.III
Total assets as at 31 December 2019
(Thousands of United States dollars)



10. As shown in figure IV.III, the Institute's assets largely comprised voluntary contributions receivable from donors of $14.834 million, or 28.1 per cent (2018: $11.275 million, or 31.3 per cent), investments reported at $21.836 million, or 41.4 per cent (2018: $21.424 million, or 59.5 per cent) and cash and cash equivalents totalling $6.735 million, or 12.8 per cent (2018: $2.381 million, or 6.6 per cent). The remainder comprised 2.3 per cent (2018: 1.6 per cent) advances transferred to implementing partners of $1.224 million (2018: $0.580 million), other accounts receivable of $1.119 million (2018: $0.233 million), other assets of $5.836 million

(2018: $0.104 million) and property, plant and equipment of $0.007 million (2018: $0.007 million).

11. Cash and cash equivalents and investments as at 31 December 2019 were reported at $28.571 million (2018: $23.804 million), comprising $4.500 million (2018: $5.200 million) invested in time deposits, $14.672 million invested in non-call bonds, $7.164 million in long-term bonds, $1.496 million in other money market instruments and $0.739 million (2018: $0.381 million) in cash. The overall cash, cash equivalents and investments balance represent an increase of $4.766 million (20.0 per cent) compared with the balance held at the end of 2018.

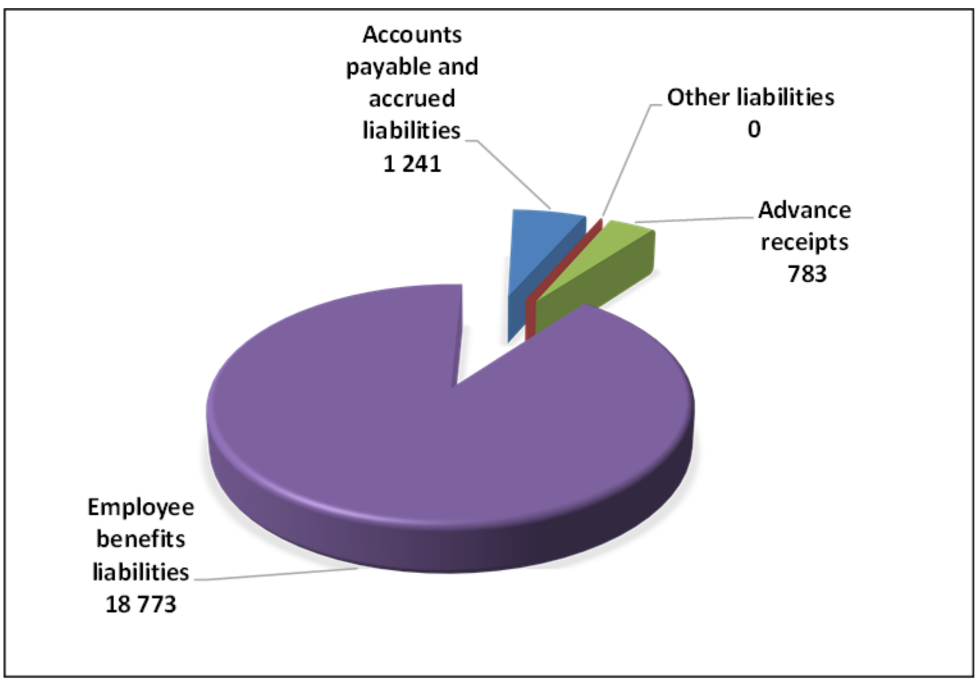
12. From the total accounts receivable value of $15.953 million as at 31 December 2019, $11.821 million is expected to be received in 2020 and the balance of $4.132 million is expected after 2020. The receivables above include $14.447 million that are subject to general stipulations in the agreements, but which did not meet the conditions that would require them to be specified under International Public Sector Accounting Standard (IPSAS) 23.

Liabilities

13. Liabilities as at 31 December 2019 totalled $20.797 million, compared with the balance of $12.506 million as at 31 December 2018.

14. Figure IV.IV sets out the structure of the Institute's liabilities as at 31 December 2019.

Figure IV.IV
Total liabilities as at 31 December 2019
(Thousands of United States dollars)

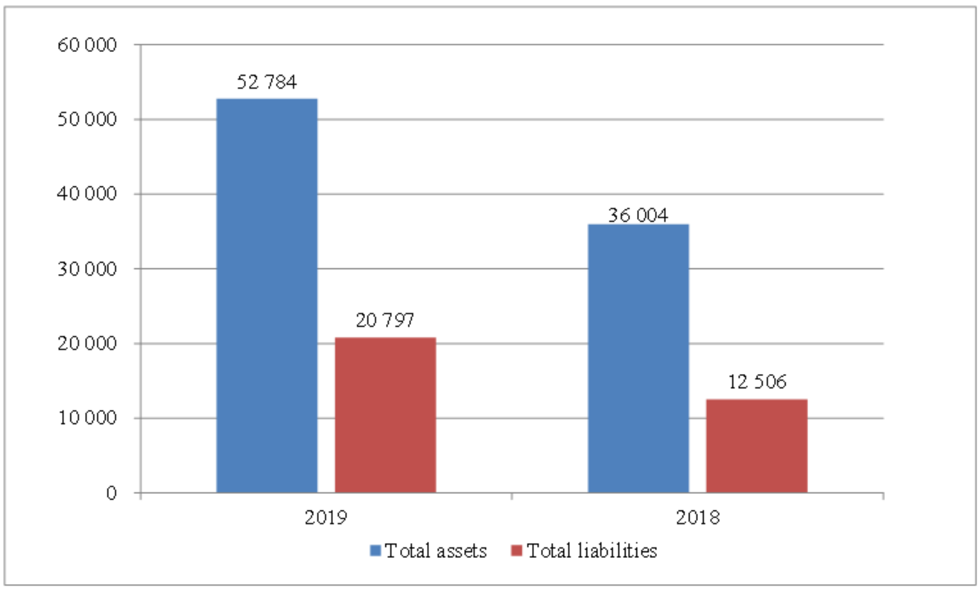


15. The main component of the Institute's liabilities was the employee benefits earned by staff members and retirees but not paid at the reporting date; primarily, these were liabilities for after-service health insurance. Employee benefits liabilities accounted for $18.773 million, representing 90.3 per cent of the Institute's total liabilities, and are explained in detail in note 15 to the financial statements. The

increase in employee benefits liabilities by $8.217 million from the $10.556 million reported in 2018 (84.4 per cent of total liabilities) was mainly the result of recognizing interest and service costs of $0.843 million. There was an actuarial loss of $7.515 million (2018: $0.466 million gain) that arose from changes in discount rates, contribution rates for United Nations medical insurance, medical inflations and assumptions in per capita claims. Interest and service costs were $0.843 million (2018: $0.797 million).

16. Advance receipts amounted to $0.783 million (2018: $0.597 million). In addition, accounts payable and accrued liabilities stood at $1.241 million (2018: $1.221 million); this amount relates primarily to payables to vendors in the amount of $0.661million, payables to other university partnerships of $0.086 million, accruals for goods and services of $0.478 million and $0.15 million in other liabilities such as pending refunds to donors.

Figure IV.V
Movement in assets and liabilities as at 31 December 2019
(Thousands of United States dollars)



17. Figure IV.V shows an increase of 46.6 per cent in the assets held, from $36.004 million reported in 2018 to $52.784 million reported for 2019, and a 66.3 per cent increase in liabilities, from $12.506 million reported for 2018 to $20.797 million reported for 2019. The liability/asset ratio remained steady in 2019 at 39.4 per cent, compared with 34.7 per cent reported for 2018.

Net assets

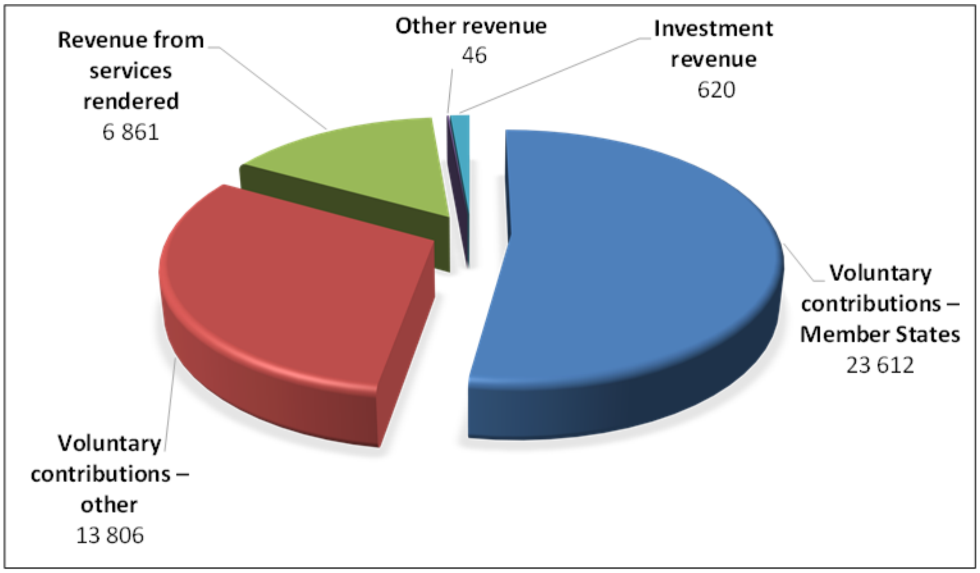
18. The movement in net assets during the year shows an increase of $8.489 million from the net assets of $23.498 million at the end of 2018, reflecting an operating surplus of $16.004 million offset by actuarial loss of $7.515 million.

Financial performance

Revenue

19. In 2019, total revenue amounted to $44.945 million and was structured as shown in figure IV.VI.

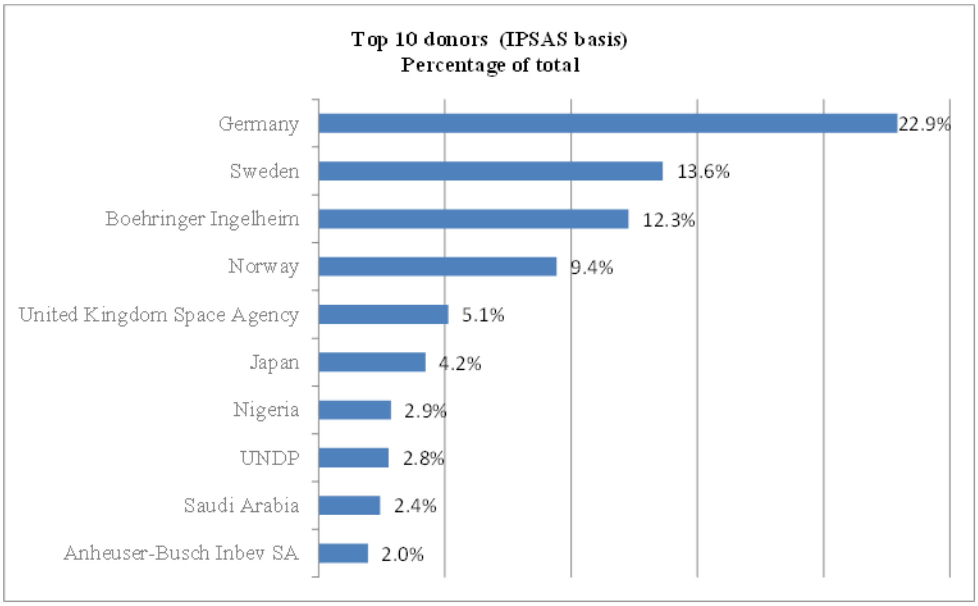
Figure IV.VI
Total revenue as at 31 December 2019
(Thousands of United States dollars)



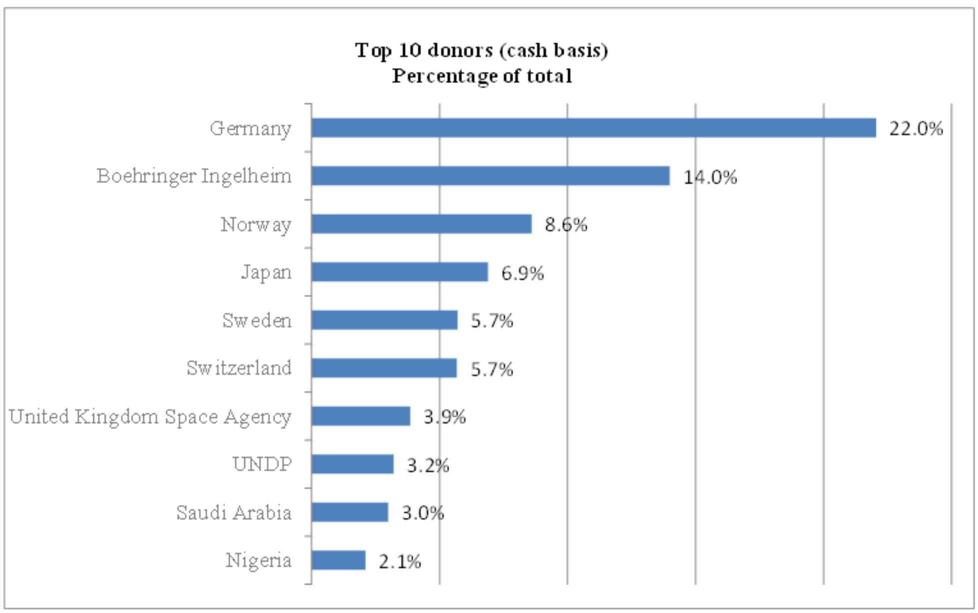
20. As shown in figure IV.VI, the main sources of revenue were: (a) voluntary contributions of $23.612 million received from Member States, or 52.5 per cent of total revenue (2018: $11.660 million, or 44.9 per cent); (b) other voluntary contributions of $13.806 million, or 30.7 per cent (2018: $8.639 million, or 33.2 per cent), comprising (i) contributions of $10.299 million received from other donors and (ii) contributions in kind of $3.507 million, consisting of a rental subsidy of $0.604 million (2018: $0.613 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 United States Government valued at $2.903 million; and (c) revenue from services rendered of $6.861 million, or 15.3 per cent (2018: $5.283 million, or 20.3 per cent). 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 1.38 per cent of total revenue, increased to $0.620 million from the $0.411 million reported in 2018.

21. UNITAR is heavily reliant on a small number of donors; it was noted that the top 10 donors contributed 76.6 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
Top 10 donors of voluntary contributions (excludes in-kind contributions)



Abbreviations: UNDP, United Nations Development Programme.

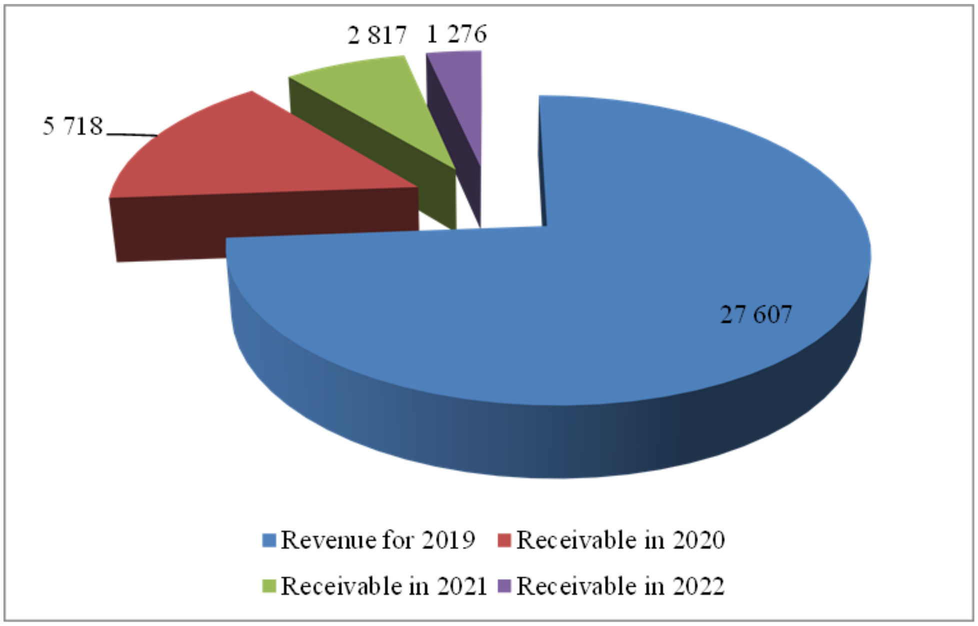


Abbreviations: UNDP, United Nations Development Programme.

22. Voluntary contributions recognized in 2019 on an IPSAS basis include a few high-value multi-year donor agreements with contributions balances receivable during the period 2019–2022. The revenues from such multi-year agreements that are recognized in 2019 with receivables in future years are shown in figure IV.VIII.

Figure IV.VIII
Voluntary contributions for 2019 showing current-year and future-year portions

(Thousands of United States dollars)

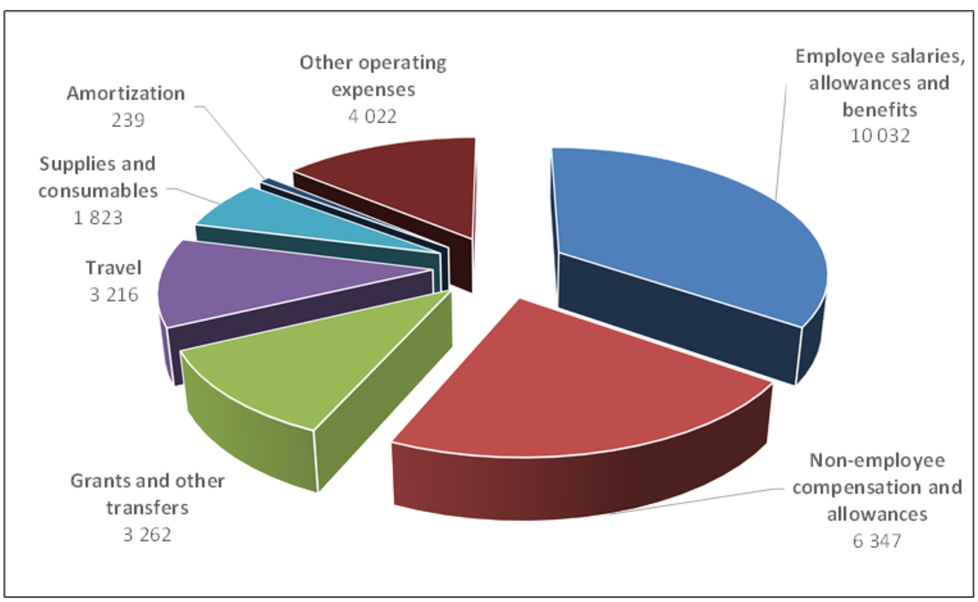


Expenses

23. For the year ended 31 December 2019, expenses totalled $28.941 million. The various categories of expenditure are shown in figure IV.IX.

Figure IV.IX
Total expenses as at 31 December 2019

(Thousands of United States dollars)



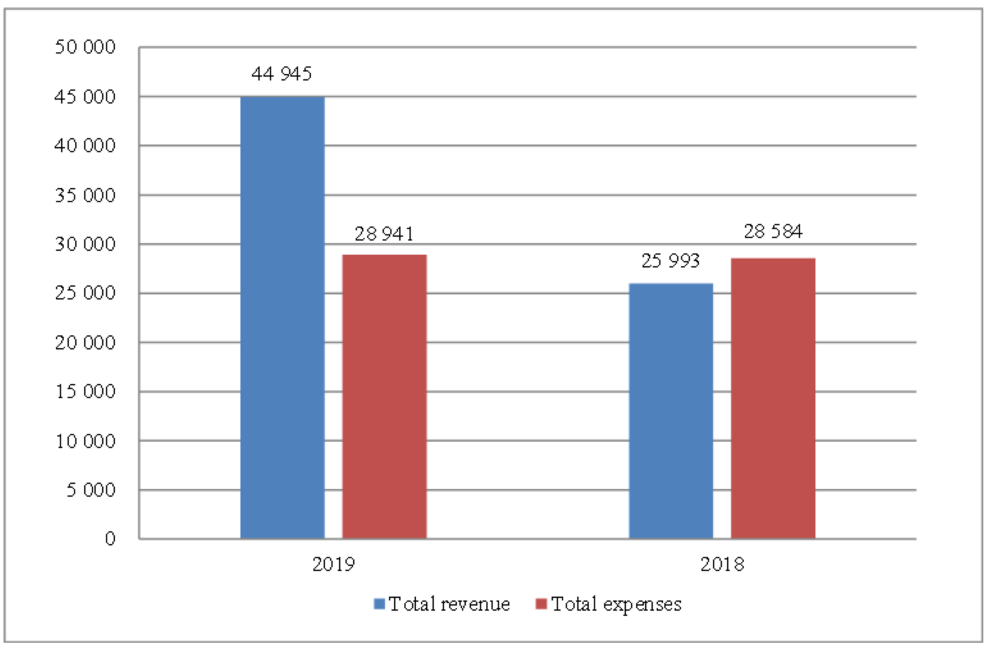
24. An increase of 1.2 per cent in total expenses was reported from the total expense amount of $28.584 million reported in 2018 (see fig. IV.X). The main expense

categories were staff costs of $10.032 million, or 34.7 per cent (2018: $10.678 million, or 37.4 per cent), non-employee compensation and allowances of $6.347 million, or 21.9 per cent (2018: $5.553 million, or 19.4 per cent), grants and other transfers of $3.262 million, or 11.3 per cent (2018: $3.786 million, or 13.2 per cent), and travel of $3.216 million, or 11.1 per cent (2018: $2.964 million, or 10.4 per cent). Other operating expenses of $4.022 million (2018: $4.530 million), supplies and consumables of $1.823 million (2018: $1.065 million), amortization of intangible in-kind assets of $0.239 million (2018: $0.00 million) make up the remaining 21.0 per cent of total expenses (2018: 19.6 per cent).

25. Other operating costs exclude $1.802 million in programme support costs, as well as $2.980 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 paragraph 74 (note 3) and paragraphs 86 (note 4) of the notes to the financial statements.

26. Total personnel costs, which include employee and non-employee compensation and allowances, amounted to $16.380 million (2018: $16.231 million). Total personnel costs represent 36.4 per cent of the total revenue, which was reported at $44.945 million for the year.

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



27. There was an overall increase of $18.952 million (72.9 per cent) in total revenue compared with the revenue reported in 2018, as shown in figure IV.X. The net voluntary contributions include $0.496 million in accounting adjustments to revenues, which were impaired, arising out of a case-by-case assessment of the contributions receivable. The main reasons for making this accounting adjustment

was the premature termination of agreements by one donor. On the other hand, the overall expenses showed an increase of $0.357 million (1.2 per cent) over 2018. The sources of significant increases were $0.794 million in expenses for non-employee compensation and allowances (14.3 per cent), travel, which increased by $0.252 million (8.5 per cent), and supplies and consumables, which increased by $0.758 million (71.2 per cent), reflecting the in-kind contribution of satellite imagery expensed under IPSAS. These increases were offset by decreases in costs of employee salaries, allowances and benefits by $0.646 million (-6.0 per cent), by a decrease in grants and other transfers by $0.524 million (13.8 per cent), and by a decrease in other operating expenses by $0.508 million (-11.2 per cent).

Operating results

28. The net surplus in revenue over expense in 2019 is reported at $16.004 million, compared with the deficit of $2.591 million in 2018. The large voluntary contributions receivable balance relates to a few high-value multi-year donor agreements with contributions balances receivable during the period from 2020 to 2022. 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

29. As at 31 December 2019, the liquidity position of UNITAR was stable; the entity had sufficient liquid assets to settle its obligations. Liquid funds showed an increase of $11.504 million from the level of $26.725 million reported as at 31 December 2018. The total liquid funds of $38.229 million comprise cash and cash equivalents of $6.735 million, or 17.6 per cent (2018: $2.381 million, or 8.9 per cent), short-term investments of $19.673 million, or 51.5 per cent (2018: $14.397 million, or 53.9 per cent), and accounts receivables of $11.821 million, or 30.9 per cent (2018: $9.947 million, or 37.2 per cent). UNITAR invested its funds in short-term and long-term time deposits and non-call bonds. Total current liabilities amounted to $2.450 million (2018: $2.298 million) and total liabilities amounted to $20.787 million (2018: $12.506 million).

30. The table below summarizes four key liquidity indicators for the financial year ended 31 December 2019 with comparatives for the year ended 31 December 2018.

	Year ended 31 December	
Liquidity indicator	*2019*	*2018*
Ratio of liquid assets to current liabilities	15.6:1	11.63:1
Ratio of liquid assets less accounts receivable to current liabilities	10.8:1	7.30:1
Ratio of liquid assets to total assets	0.72:1	0.74:1
Average months of liquid assets less accounts receivable on hand	11.0	7.0

31. 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 15.6:1 indicates that current liabilities are covered 15 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 10.8 for the current year, compared with 7.30 for the previous year.

32. As at 31 December 2019, the Institute's liquid assets were about 72 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 $2.392 million for 11.0 months, compared with 7.0 months at the end of 2018.

33. As at the reporting date, UNITAR had employee benefits liabilities of $18.773 million, of which $18.582 million relates to defined-benefit liabilities. With total cash and cash equivalents and investments of $28.571 million, the employee benefits liability is covered by 152 per cent. Furthermore, 18.1 per cent of the defined-benefit liability is funded up to $3.357 million included in cash and cash equivalents.

C. Future outlook

34. In November 2019, at its sixtieth session, the UNITAR Board of Trustees adopted the programme budget for 2020–2021 of $88.283 million, a 59 per cent increase over the programme budget for 2018–2019. This growth is secular and results largely from the integration of the Defeat Non-communicable Diseases Partnership, a unique public-private partnership aimed at assisting the most distressed countries in combatting non-communicable diseases and achieving target 3.4 of the 2030 Agenda for Sustainable Development. Other noteworthy areas of growth include the Division for Peace and the Division for Planet, as well as the UNITAR Operational Satellite Applications Programme.

35. The Board of Trustees reviewed the first two years of the 2018–2021 strategic framework, welcomed progress made and encouraged consistent and further efforts to strengthen capacity in developing countries as well as to continue to work on priority actions contained in the report of the Secretary-General's High-level Panel on Digital Cooperation entitled "The age of digital interdependence".

36. The Board of Trustees took note of efforts to mobilize resources for the Strategic Framework Fund and expressed sincere gratitude to its donors. The Fund is a useful mechanism to leverage support from donors to help to achieve the UNITAR strategic objectives and, in particular, to meet the learning and broader capacity needs of beneficiaries from countries in special situations, including the least developed countries, landlocked developing countries, small island developing States and countries in and emerging from conflict. As non-earmarked contributions to the General Fund have continued to be low and unpredictable, UNITAR is optimistic that the Fund will prove to be a fruitful means to leverage further support from the donor community and provide an opportunity for programme growth and impact. The Board of Trustees also reviewed plans to develop new income streams for future growth, including new services though e-learning and innovative partnership arrangements.

Chapter V

Financial statements for the year ended 31 December 2019

United Nations Institute for Training and Research

I. Statement of financial position as at 31 December 2019

(Thousands of United States dollars)

	Note	*31 December 2019*	*31 December 2018*
Assets			
Current assets			
Cash and cash equivalents	6	6 735	2 381
Investments	20	19 673	14 397
Voluntary contributions receivable	7	10 702	9 714
Other accounts receivable	8	939	233
Advance transfers	9	1 224	580
Interest receivable	8	180	–
Other assets	10	5 836	104
Total current assets		**45 289**	**27 409**
Non-current assets			
Investments	20	2 163	7 027
Voluntary contributions receivable	7	4 132	1 561
Intangible assets	12	1 193	–
Property, plant and equipment	11	7	7
Total non-current assets		**7 495**	**8 595**
Total assets		**52 784**	**36 004**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	13	1 241	1 221
Advance receipts	14	783	597
Employee benefits liabilities	15	426	348
Other liabilities	25	–	132
Total current liabilities		**2 450**	**2 298**
Non-current liabilities			
Employee benefits liabilities	15	18 347	10 208
Total non-current liabilities		**18 347**	**10 208**
Total liabilities		**20 797**	**12 506**
Net of total assets and total liabilities		**31 987**	**23 498**
Net assets			
Accumulated surpluses	16	31 987	23 498
Total net assets		**31 987**	**23 498**

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 2019

(Thousands of United States dollars)

	Note	*2019*	*2018*
Revenue			
Voluntary contributions – Member States	17	23 612	11 660
Voluntary contributions – other	17	13 806	8 639
Revenue from services rendered	18	6 861	5 283
Investment revenue	20	620	411
Other revenue	21	46	–
Total revenue		**44 945**	**25 993**
Expenses			
Employee salaries, allowances and benefits	19	10 032	10 678
Non-employee compensation and allowances	19	6 347	5 553
Grants and other transfers	19	3 262	3 786
Travel	19	3 216	2 964
Supplies and consumables	19	1 823	1 065
Depreciation	11	–	8
Amortization	12	239	–
Other operating expenses	19	4 022	4 530
Total expenses		**28 941**	**28 584**
Surplus/(deficit) for the year		**16 004**	**(2 591)**

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 2019

(Thousands of United States dollars)

Net assets as at 1 January 2018	25 623
Change in net assets	
Actuarial gain on employee benefits liabilities (note 15)	466
Deficit for the year	(2 591)
Total changes in net assets	**(2 125)**
Net assets as at 31 December 2018	**23 498**
Change in net assets	
Actuarial loss on employee benefits liabilities (note 15)	(7 515)
Surplus for the year	16 004
Total changes in net assets	**8 489**
Net assets as at 31 December 2019	**31 987**

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 2019

(Thousands of United States dollars)

	Note	*2019*	*2018*
Cash flows from operating activities			
Surplus/(deficit) for the year		16 004	(2 591)
Non-cash movements			
Depreciation	11	–	8
Amortization of premiums/discount on investments	20	(33)	(50)
Amortization of Intangible assets (in-kind contribution)	12	239	–
Actuarial gains/(losses)	16	(7 515)	466
Changes in assets			
Decrease/(increase) in voluntary contributions receivable	7	(3 559)	4 376
Decrease/(increase) in other receivables	8	(706)	82
Decrease/(increase) in interest receivables	8	(180)	–
Decrease/(increase) in advance transfers	9	(643)	544
Decrease/(increase) in intangible assets	12	(1 432)	–
Decrease/(increase) in other assets	10	(5 732)	2 529
Changes in liabilities			
Increase/(decrease) in other accounts payable and accrued liabilities	13	20	100
Increase/(decrease) in other liabilities	25	(132)	132
Increase/(decrease) in advance receipts	14	185	477
Increase/(decrease) in employee benefits liabilities	15	8 217	296
Investment revenue presented as investing activities	20	(620)	(411)
Net cash flows used in operating activities		**4 113**	**5 958**
Cash flows from investing activities			
Purchases of investments	20	(20 851)	(26 177)
Proceeds from investments	20	20 472	17 865
Investment revenue presented as investing activities	20	620	411
Net cash flows (used in)/from investing activities		**241**	**(7 901)**
Net (decrease)/increase in cash and cash equivalents		**4 354**	**(1 943)**
Cash and cash equivalents – beginning of year	6	2 381	4 324
Cash and cash equivalents – end of year	**6**	**6 735**	**2 381**

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 2019

(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 expenditure (percentage)*[b]
Income							
Programme contributions	57 145	54 745	26 074	29 198	35 443	12.0	21.4
Non-earmarked							
Voluntary contributions	700	504	400	250	304	(37.5)	21.6
Other/miscellaneous income	240	240	120	120	440	–	266.7
Total income	**58 085**	**55 489**	**26 594**	**29 568**	**36 187**	**11.2**	**22.4**
Expenditure							
Office of Executive Director	3 376	2 683	1 625	1 411	1 203	(13.2)	(14.7)
Operations/support services	6 373	6 345	3 181	3 260	3 075	2.5	(5.7)
Programmes	47 589	46 533	21 748	24 819	21 588	14.1	(13.0)
Total expenditure	**57 338**	**55 561**	**26 554**	**29 489**	**25 866**	**11.1**	**(12.3)**
Net total	**747**	**(72)**	**40**	**79**	**10 321**	**–**	**–**

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

[a] The annual budget amounts relate to the current-year proportion of publicly available budgets which are approved for a two-year budget period (2018–2019) pursuant to document UNITAR/BT/59/4. 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.

United Nations Institute for Training and Research
Notes to the 2019 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, United States of America, 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 2018–2021 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. In addition to these divisions, the Institute has integrated, in late 2019, the Defeat Non-communicable Diseases Partnership into its programming.

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, there is one office space rented out by the Hiroshima office in South Sudan from the United Nations Development Programme for 2019. The Satellite Operations Unit has rented two offices spaces: one in Nairobi (from the United Nations Office at Nairobi) for 2018 and 2019 and the other in Bangkok (from the Economic and Social Commission for Asia and the Pacific). These office spaces are rented for the implementation of specific project 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 organization, 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 2018–2019, 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 2019 to the Board of Auditors by 31 March 2020. 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 authorized for issue on 30 July 2020.

Measurement basis

11. These financial statements are prepared using the historical-cost convention.

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 organization's financial statements continues to be monitored:

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

(b) 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;

(c) 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);

(d) Leases: the objective of the project is to develop revised requirements for lease accounting covering both lessees and lessors in order to maintain alignment with the underlying International Financial Reporting Standard.

(e) Public sector measurement: the objectives of the project are to: (i) issue amended IPSAS standards that include revised requirements for measurement at initial recognition, subsequent measurement and measurement-related disclosure; (ii) 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) address transaction costs, including the specific issue of the capitalizing or expensing of borrowing costs;

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

Recent and future requirements of the International Public Sector Accounting Standards

19. The IPSAS Board issued the following standards: IPSAS 40, in 2017, effective 1 January 2019; IPSAS 41, issued August 2018, effective 1 January 2022; and IPSAS 42, issued January 2019, effective 1 January 2022. The impact of these standards on

the organization's financial statements and the comparative period therein has been evaluated to be as follows.

Standard	*Anticipated impact in the year of adoption*
IPSAS 40	There is currently no impact on the organization from the application of IPSAS 40, as to date there are no public sector combinations which fall under UNITAR.
IPSAS 41	IPSAS 41 substantially improves the relevance of information for financial assets and financial liabilities. It will replace 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. IPSAS 41 will be effective from 1 January 2022. Its impact on the financial statements will be assessed prior to that date, and the organization will be ready for its implementation by the time it becomes effective.
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. IPSAS 42 will be effective from 1 January 2022. Currently, there are no such social benefits in UNITAR operations.

Note 3
Significant accounting policies

Financial assets: classification

20. 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.

21. 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

22. 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.

23. 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.

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

Cash and cash equivalents

25. 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

26. "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 calculated using the effective interest method.

Financial assets: receivables from exchange transactions – other receivables

27. 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.

28. 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

29. Advance transfers relate to cash transferred to the United Nations Development Programme (UNDP) for service to be rendered on behalf of UNITAR and 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

30. 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

31. 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

32. 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.

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

34. 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.

35. 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

36. 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.

37. The organization 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.

38. 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.

39. 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

40. 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 $20,000 per unit for externally acquired intangible assets.

41. 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 organization 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

42. 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

43. Financial liabilities are classified as "other financial liabilities". They include accounts payable, transfers 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

44. 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.

Transfers payable

45. Transfers payable relate to amounts owed to executing entities/implementing agencies and partners and residual balances due to be returned to donors.

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: UNITAR 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 organization (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 organization 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 2019, 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 organization. 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 organization. The accumulated annual leave benefit reflecting the outflow of economic resources from the organization 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 by 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. These liabilities are valued by actuaries.

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. Contingent liabilities represent 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. 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. 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 organization.

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. Voluntary pledges and other promised donations are recognized as revenue when the arrangement becomes binding. Unused funds returned to the donors are netted against revenue.

73. Revenue received under inter-organizational arrangements represents allocations of funding from agencies to enable the organization 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 $5,000 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 organization 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, non-governmental organizations 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 programme budget for the biennium 2018–2019 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: (a) Peace (comprising the Peacemaking and Conflict Prevention Programme Unit, and the Peacekeeping Training Programme Unit); (b) People (comprising the Social Development Programme Unit and the Nigeria Project Office in Port Harcourt, Nigeria); (c) Planet (comprising the Green Development and Climate Change Programme Unit and the Chemicals and Waste Management Programme Unit); (d) Prosperity (comprising the Public Finance and Trade Programme Unit and the Hiroshima Office); (e) Multilateral Diplomacy (comprising the Multilateral Diplomacy Programme Unit and the New York Office); and (f) Satellite Analysis and Applied Research (comprising the UNITAR Operational Satellite Applications Programme Unit and the Strategic Implementation of the 2030 Agenda Unit);

(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 74 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 $1.801 million and direct service costs of $2.980 million.

Statement of financial performance by segment as at 31 December 2019

(Thousands of United States dollars)

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Eliminations*	*Total*
Segment revenue					
Voluntary contributions	165	37 062	191	–	37 418
Revenue from services rendered	1 801	6 861	2 980	(4 781)	6 861
Other revenue	–	46	–	–	46
Investment revenue	321	–	299	–	620
Total revenue	**2 287**	**43 969**	**3 470**	**(4 781)**	**44 945**
Segment expenses					
Employee salaries, allowances and benefits	1 099	6 883	2 050	–	10 032
Non-employee compensation and allowances	14	6 087	246	–	6 347
Grants and other transfers	–	3 262	–	–	3 262
Travel	86	3 116	14	–	3 216
Supplies and consumables	4	1 797	22	–	1 823
Depreciation	1	(1)	–	–	–
Amortization	–	239	–	–	239
Other operating expenses	196	7 632	975	(4 781)	4 022
Total segment expense	**1 400**	**29 015**	**3 307**	**(4 781)**	**28 941**
Surplus/(deficit) for the year	**887**	**14 954**	**163**	**–**	**16 004**

Statement of financial performance by segment as at 31 December 2018

(Thousands of United States dollars)

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Eliminations*	*Total*
Segment revenue					
Voluntary contributions	510	19 489	300	–	20 299
Revenue from services rendered	1 696	5 276	2 866	(4 555)	5 283
Other revenue	–	–	–	–	–
Investment revenue	82	288	41	–	411
Total revenue	**2 288**	**25 053**	**3 207**	**(4 555)**	**25 993**
Segment expenses					
Employee salaries, allowances and benefits	1 199	7 623	1 856	–	10 678
Non-employee compensation and allowances	56	5 297	200	–	5 553
Grants and other transfers	–	3 786	–	–	3 786
Travel	137	2 838	(11)	–	2 964
Supplies and consumables	2	1 046	17	–	1 065
Depreciation	–	7	1	–	8
Other operating expenses	47	7 931	1 107	(4 555)	4 530
Total segment expense	**1 441**	**28 528**	**3 170**	**(4 555)**	**28 584**
Surplus/(deficit) for the year	**847**	**(3 475)**	**37**	**–**	**(2 591)**

Statement of financial position by segment as at 31 December 2019

(Thousands of United States dollars)

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Total*
Assets				
Current assets				
Cash and cash equivalents	–	6 735	–	6 735
Investments	10 184	–	9 489	19 673
Voluntary contributions receivable	50	10 652	–	10 702
Other accounts receivable	–	939	–	939
Interest receivable	93	–	87	180
Advance transfers	–	1 224	–	1 224
Other assets	1	5 828	7	5 836
Total current assets	**10 328**	**25 378**	**9 583**	**45 289**
Non-current assets				
Investments	1 120	–	1 043	2 163
Voluntary contributions receivable	–	4 132	–	4 132
Property, plant and equipment	1	6	–	7
Intangible assets	–	1 193	–	1 193
Total non-current assets	**1 121**	**5 331**	**1 043**	**7 495**
Total assets	**11 449**	**30 709**	**10 626**	**52 784**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	13	1 132	96	1 241
Other liabilities	–	–	–	–
Advance receipts	–	783	–	783
Employee benefits liabilities	47	292	87	426
Total current liabilities	**60**	**2 207**	**183**	**2 450**
Non-current liabilities				
Accounts payable and accrued liabilities	–	–	–	–
Employee benefits liabilities	2 011	12 588	3 748	18 347
Total non-current liabilities	**2 011**	**12 588**	**3 748**	**18 347**
Total liabilities	**2 071**	**14 795**	**3 931**	**20 797**
Net of total assets and total liabilities	**9 378**	**15 914**	**6 695**	**31 987**
Net assets				
Accumulated surplus	9 378	15 914	6 695	31 987
Total net assets	**9 378**	**15 914**	**6 695**	**31 987**

Statement of financial position by segment as at 31 December 2018

(Thousands of United States dollars)

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Total*
Assets				
Current assets				
Cash and cash equivalents	–	2 381	–	2 381
Investments	2 841	10 109	1 447	14 397
Voluntary contributions receivable	200	9 514	–	9 714
Other accounts receivable	–	233	–	233
Advance transfers	–	580	–	580
Other assets	–	103	1	104
Total current assets	**3 041**	**22 920**	**1 448**	**27 409**
Non-current assets				
Investments	1 387	4 934	706	7 027
Voluntary contributions receivable	–	1 561	–	1 561
Property, plant and equipment	–	6	1	7
Total non-current assets	**1 387**	**6 501**	**707**	**8 595**
Total assets	**4 428**	**29 421**	**2 155**	**36 004**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	28	985	208	1 221
Other liabilities	–	–	132	132
Advance receipts	–	597	–	597
Employee benefits liabilities	35	247	66	348
Total current liabilities	**63**	**1 829**	**406**	**2 298**
Non-current liabilities				
Accounts payable and accrued liabilities	–	–	–	–
Employee benefits liabilities	1 009	7 288	1 911	10 208
Total non-current liabilities	**1 009**	**7 288**	**1 911**	**10 208**
Total liabilities	**1 072**	**9 117**	**2 317**	**12 506**
Net of total assets and total liabilities	**3 356**	**20 304**	**(162)**	**23 498**
Net assets				
Accumulated surplus	3 356	20 304	(162)	23 498
Total net assets	**3 356**	**20 304**	**(162)**	**23 498**

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*
Expenditure	
Office of the Executive Director	The final budget is 13.2 per cent lower than original budget. Actual expenditure is 14.7 per cent lower than the final budget. The decrease was due to a combination of a reduction in travel costs and a reduction in salary cost of fellows.
Programmes	The final budget is 14.1 per cent higher than the original budget. Actual expenditure is 13 per cent lower than the final budget. A significant portion of the decrease was due to a decline in the overall programme delivery against plans.
Revenue	
Programme contributions	The final budget is 12 per cent higher than the original budget. Actual revenue is 21.4 per cent higher than the final budget. The increase of $6.245 million reflects an increase in resource mobilization mainly in the areas of peacekeeping training programme and the integration of the Defeat Non-communicable Diseases Partnership into UNITAR towards the end of the year reflecting the growth strategy.
Non-earmarked voluntary contributions	The final budget is 37.5 per cent lower than the original budget. Actual revenue is 21.6 per cent higher than the final budget. The increase reflects increased unearmarked contributions from the Government of China for 2019.
Other/miscellaneous income	Actual revenue is 266.7 per cent higher than the final budget. The increase reflects increased returns from short-term investments and net exchange gains.

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: 2019

(Thousands of United States dollars)

	Operating	*Investing*	*Total*
Actual amount on a comparable basis (statement V)	**(25 866)**	**–**	**(25 866)**
Basis differences	(8 210)	620	(7 590)
Presentation differences	38 189	(379)	37 810
Net cash flows in the statement of cash flows (statement IV)	**4 113**	**241**	**4 354**

Reconciliation of actual amounts on a comparable basis to the statement of cash flows: 2018

(Thousands of United States dollars)

	Operating	*Investing*	*Total*
Actual amount on a comparable basis (statement V)	**(28 219)**	**–**	**(28 219)**
Basis differences	(8 355)	411	(7 944)
Presentation differences	42 532	(8 312)	34 220
Net cash flows in the statement of cash flows (statement IV)	**5 958**	**(7 901)**	**(1 943)**

(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 2019.

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 2019	*31 December 2018*
Budget expenditure as set out in statement V	25 866	28 219
Adjustments:		
Elimination of unliquidated obligations	(1 754)	(1 793)
Accruals of expenses	478	278
After-service health insurance expenses	605	569
Expenses for contributions in kind	3 507	1 303
Depreciation of property, plant and equipment	–	8
Amortization of intangible assets	239	–
Total IPSAS expenses as set out in statement II	**28 941**	**28 584**

Note 6
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Cash held in UNITAR bank accounts	732	375
Investments: time deposits	4 500	2 000
Investments: certificates of deposit/commercial paper	1 496	–
Petty cash and project cash	7	6
Total cash and cash equivalents	**6 735**	**2 381**

94. The Institute's investments are held in short-term time deposits. A case-by-case analysis of all non-exchange revenue agreements was undertaken against the criteria of IPSAS 23.

Note 7
Voluntary contributions receivable: non-exchange transactions

(Thousands of United States dollars)

	31 December 2019			*31 December 2018*		
	Current	*Non-current*	*Total*	*Current*	*Non-current*	*Total*
Voluntary contributions	10 702	4 132	14 834	9 714	1 561	11 275
Allowance for doubtful voluntary contributions receivable	–	–	–	–	–	–
Total voluntary contributions receivable	**10 702**	**4 132**	**14 834**	**9 714**	**1 561**	**11 275**

95. The large voluntary contributions receivable balance relates to a few high-value multi-year donor agreements with contributions balances receivable during the period from 2020 to 2022. A case-by-case analysis of all non-exchange revenue agreements was undertaken against the criteria of IPSAS 23. The receivables above include $14.447 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 year 2019 and consequently accounting adjustments to contribution revenues were made in the amount of $0.496 million, with a corresponding reduction to the voluntary contribution receivable from UN-Women. The main reason for making these accounting adjustments was the premature termination of the project by the donor.

97. In accordance with IPSAS 29, the non-current receivables amounting to $4.219 million have been discounted with a net impact of $0.087 million to the revenue recorded. The discounting rates used are the United States Daily Treasury Yield Curve Rates of 1.58 and 1.62 for years 2 and 3, respectively.

Note 8
Other accounts receivable: exchange transactions

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Exchange		
Receivables from non-governmental entities	107	10
Receivables from other United Nations Secretariat reporting entities	72	–
Receivables from government entities/public entities	760	77
Subtotal	**939**	**87**
Interest receivable	180	146
Total other accounts receivable	**1 119**	**233**

Note 9
Advance transfers

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Implementing partners/executing agencies	1 223	580
Total advance transfers	**1 223**	**580**

Note 10
Other assets

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Vendors	–	1
Staff members	52	57
Prepayments	55	46
Advances to UNDP	5 729	–
Total other assets	**5 836**	**104**

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: 2019

(Thousands of United States dollars)

	Information and communications technology	*Vehicles*	*Total*
Cost as at 1 January 2019	**11**	**40**	**51**
Disposals	–	–	–
Cost as at 31 December 2019	**11**	**40**	**51**
Accumulated depreciation as at 1 January 2019	**9**	**35**	**44**
Disposals	–	–	–
Depreciation for the year *(net of a write-back of 10 per cent on fully depreciated assets)*	1	(1)	–
Accumulated depreciation as at 31 December 2019	**10**	**34**	**44**
Net carrying amount			
1 January 2019	2	5	7
31 December 2019	**1**	**6**	**7**

Property, plant and equipment: 2018

(Thousands of United States dollars)

	Information and communications technology	*Vehicles*	*Total*
Cost as at 1 January 2018	**11**	**40**	**51**
Disposals	–	–	–
Cost as at 31 December 2018	**11**	**40**	**51**
Accumulated depreciation as at 1 January 2018	**7**	**29**	**36**
Disposals	–	–	–
Depreciation for the year	2	6	8
Accumulated depreciation as at 31 December 2018	**9**	**35**	**44**
Net carrying amount			
1 January 2018	4	11	15
31 December 2018	**2**	**5**	**7**

99. During 2019, there were two fully depreciated assets with a net book value of $0.0012 million and $0.0 million, respectively, as at 31 December 2018. An asset value of 10 per cent for a total of $0.00346 million was written back on 31 December 2019 in line with the policy on use of fully depreciated assets.

Note 12
Intangible assets

(Thousands of United States dollars)

	Total
Cost as at 1 January 2019	**–**
In-kind contributions	1 432
Cost as at 31 December 2019	**1 432**
Accumulated amortization as at 1 January 2019	**–**
Disposals	–
Amortization for the year	239
Accumulated amortization as at 31 December 2019	**239**
Net carrying amount	
1 January 2019	–
31 December 2019	**1 193**

100. 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 UNITAR Operational Satellite Applications Programme. The images are expected to benefit the projects until March 2021 and have been capitalized as an intangible asset and amortized for $0.239 million in 2019.

Note 13
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Payables to vendors	661	718
Payables to other United Nations Secretariat reporting entities	0	126
Payable to university partnerships	86	83
Accruals for goods and services	479	278
Other	15	16
Total accounts payable and accrued liabilities	**1 241**	**1 221**

101. UNITAR migrated from the Integrated Management Information System to the Atlas enterprise resource planning system effective 1 July 2015.

Note 14
Advance receipts

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Payments received in advance	782	597
Total advance receipts	**782**	**597**

Note 15
Employee benefits liabilities

(Thousands of United States dollars)

	31 December 2019			*31 December 2018*		
	Current	*Non-current*	*Total*	*Current*	*Non-current*	*Total*
After-service health insurance	48	16 265	16 313	48	8 303	8 351
Repatriation benefits	60	749	809	72	1 205	1 277
Annual leave	127	1 333	1 460	39	700	739
Subtotal, defined-benefit liabilities	**235**	**18 347**	**18 582**	**159**	**10 208**	**10 367**
Home leave	110	–	110	127	–	127
Appendix D/workers' compensation	81	–	81	62	–	62
Total employee benefits liabilities	**426**	**18 347**	**18 773**	**348**	**10 208**	**10 556**

Employee benefits accounted for on a defined-benefit basis

102. 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 2019. The cumulative amount of actuarial gains and losses recognized in net assets is a net loss of $7.515 million (2018: net gain of $0.466 million).

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 2019 and for rolling forward to 31 December 2020 are set out below.

Actuarial assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates, 31 December 2019	0.18%	2.99%	2.50%
Discount rates, 31 December 2018	0.94%	4.15%	4.25%
Inflation, 31 December 2019	2.85%	2.20%	–
Inflation, 31 December 2018	3.05%	2.20%	–

104. Discount rates are based on a weighted blend of three discount rate assumptions: United States dollars (Citigroup pension discount curve), euros (Ernst and Young eurozone corporate yield curve) and Swiss francs (Federation bonds yield curve as published by the Swiss National Bank, plus the spread observed between government rates and high-grade corporate bonds rates published by the Swiss Chamber of Pension Actuaries).

105. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. 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 2019 were updated to include

escalation rates for future years. As at 31 December 2019, these escalation rates were a flat health-care yearly escalation rate of 3.76 per cent (2018: 3.89 per cent) for Swiss medical plans, grading down to 2.85 per cent over eight years (2018: 3.05 per cent over nine years)

106. With regard to the valuation of repatriation benefits as at 31 December 2019, inflation in travel costs was assumed at 2.20 per cent (2018: 2.20 per cent United States inflation assumption) on the basis of the projected inflation rate over the next 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 per cent; four to eight years – 1.0 per cent; nine years and over – 0.1 per cent.

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 2019

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
Net defined-benefit liability as at 1 January 2019	**8 351**	**1 277**	**739**	**10 367**
Current service cost	528	82	73	683
Interest cost	78	52	30	160
Subtotal, costs recognized in the statement of financial performance	**606**	**134**	**103**	**843**
Actuarial (gains)/losses recognized directly in the statement of changes in net assets	7 390	106	19	7 515
Actual benefits paid	(34)	(57)	(52)	(143)
Net recognized liability as at 31 December 2019	**16 313**	**1 460**	**809**	**18 582**

Movement in employee benefits liabilities accounted for as defined-benefit plans: 31 December 2018

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
Net defined-benefit liability as at 1 January 2018	**8 060**	**1 317**	**738**	**10 115**
Current service cost	510	85	73	668
Interest cost	59	44	26	129
Subtotal, costs recognized in the statement of financial performance	**569**	**129**	**99**	**797**
Actuarial (gains)/losses recognized directly in the statement of changes in net assets	(244)	(167)	(55)	(466)
Actual benefits paid	(34)	(2)	(43)	(79)
Net recognized liability as at 31 December 2018	**8 351**	**1 277**	**739**	**10 367**

109. For the year 2019, actuarial losses of $7.515 million are debited directly to the net assets and an amount of $0.797 million towards the current-year service and interest costs is charged to the statement of financial performance.

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 1 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 2019		*31 December 2018*	
	Increase	*Decrease*	*Increase*	*Decrease*
Effect on the defined-benefit obligation	2 663	(2 241)	2 791	(2 002)
Effect on the aggregate of the current service cost and interest cost	203	(165)	246	(168)

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 1 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 2019	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 0.5 per cent[a]	(2 323)	(51)	(34)
As a percentage of end-of-year liability	(14%)	(3%)	(4%)
Decrease of discount rate by 0.5 per cent	2 807	55	37
As a percentage of end-of-year liability	17%	4%	5%

[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 2018	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 0.5 per cent	(1 084)	(112)	(73)
As a percentage of end-of-year liability	(13%)	(9%)	(10%)
Decrease of discount rate by 0.5 per cent	1 295	129	85
As a percentage of end-of-year liability	16%	10%	12%

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	*2019*	*2018*	*2017*	*2016*	*2015*
After-service health insurance	16 313	8 351	8 060	6 692	6 450
Repatriation benefits	1 460	1 277	1 317	1 150	1 100
Annual leave	809	739	738	1 005	914
Total present value of defined-benefit obligation	**18 582**	**10 367**	**10 115**	**8 847**	**8 464**

Funded liabilities

112. UNITAR has commenced funding plans for the defined-benefit liabilities. The balance of liability funded as at 31 December 2019 is shown in the table below.

(Thousands of United States dollars)

	Funded	*Unfunded*	*Total liability as at 31 December 2019*	*Percentage funded*
After-service health insurance	1 088	15 225	16 313	6.7
Repatriation benefits	1 460	–	1 460	100.0
Annual leave	809	–	809	100.0
Total employee benefits liabilities under defined-benefit plans	**3 357**	**15 225**	**18 582**	**18.1**

113. The funded amount of $3.357 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

114. 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.

115. 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.

116. The Fund's Regulations state that the United Nations Joint Staff 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.

117. The UNITAR 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 only payable if and when the General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

118. The latest actuarial valuation for the Fund was completed as of 31 December 2017, and the valuation as of 31 December 2019 is currently being performed. A roll-forward of the participation data as of 31 December 2017 to 31 December 2018 was used by the Fund for its 2018 financial statements.

119. The actuarial valuation as of 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2 per cent. The funded ratio was 102.7 per cent when the current system of pension adjustments was taken into account.

120. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2017, for deficiency payments under article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of reporting, the General Assembly had not invoked the provision of article 26.

121. Should article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2017, 2018 and 2019) amounted to $7,131.56 million, of which 0.048 per cent was contributed by UNITAR.

122. During 2019, contributions paid to the Fund amounted to $1.228 million (2018: $1.093 million). Expected contributions due in 2020 are approximately $1.336 million.

123. 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.

124. 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 Pension

Fund publishes quarterly reports on its investments, and these can be viewed by visiting the Fund's website at www.unjspf.org.

Note 16
Net assets

(Thousands of United States dollars)

	2019	*2018*
Net assets as at 1 January	**23 498**	**25 623**
Actuarial gains/(losses) on employee benefits liabilities	(7 515)	466
(Deficit)/surplus for the year	16 004	(2 591)
Net assets as at 31 December	**31 987**	**23 498**

Note 17
Revenue from non-exchange transactions

Voluntary contributions – Member States

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Voluntary contributions – Member States	23 955	12 336
Refunds to Member States	(343)	(676)
Total revenue from voluntary contributions – Member States	**23 612**	**11 660**

125. The significant increase in voluntary contributions from Member States is due to multi-year contribution revenues recognized as revenues in the current year as required by IPSAS. Significant amounts of these are contributions by the Swedish International Development Cooperation Agency to the Strategic Framework Fund and the integration of the Defeat Non-communicable Diseases Partnership.

Voluntary contributions – other

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Voluntary contributions – other	10 854	7 336
Refunds – other	(555)	–
Voluntary in-kind contributions	3 507	1 303
Total revenue from voluntary contributions – other	**13 806**	**8 639**

126. The contributions in kind include a rental subsidy of $0.604 million (2018: $0.613 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 United States Government valued at $2.903 million that were used for the implementation of the UNITAR Operational Satellite Applications Programme. Of the satellite images received, images valued at $1.432 million that are expected to benefit the projects until March 2021 have been capitalized as an intangible asset and amortized for $0.239 million in 2019. During 2019, in-kind contributions also included services provided by advisers, associate

fellows and other resource personnel valued at $0.654 million, which is not included in the table above.

127. All voluntary contributions recognized as revenues in 2019 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*
2019	15 656	11 951
2020	4 522	1 196
2021	2 294	523
2022	1 140	136
Gross revenue from voluntary contributions – Member States and other	**23 612**	**13 806**

Note 18
Revenue from services rendered: exchange transactions

128. 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.

129. Other training courses driving exchange revenue were the joint international Master’s degrees in Conflictology, 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.

130. 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.

131. The UNITAR Decentralized Cooperation Programme has established a global network of 16 training centres called the International Training Centres for Authorities and Leaders (CIFAL) Global Network. These centres are affiliated with UNITAR and are required to pay a mandatory annual affiliation fee. Located across Asia, Africa, Europe, the Americas and the Caribbean, the centres deliver many training events to the UNITAR target audience.

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Training fees	3 093	3 387
UNITAR Operational Satellite Applications Programme activities	2 767	480
Affiliation fee from training centres	450	468
Other revenue	551	948
Total revenue from services rendered	**6 861**	**5 283**

Note 19
Expenses

Employee salaries, allowances and benefits

132. 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 insurance, staff assignment, repatriation, hardship and other allowances.

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Salaries	4 979	5 798
Allowance and benefits	3 032	2 806
Post adjustment	2 021	2 074
Total employee salaries, allowances and benefits	**10 032**	**10 678**

Non-employee compensation and allowances

133. "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 2019	*31 December 2018*
Consultant fees, interns and trainees	6 347	5 553
Total non-employee compensation and allowances	**6 347**	**5 553**

Grants and other transfers

134. 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 2019	*31 December 2018*
Contractual services	682	946
Outright grants	1 260	1 234
Staff and personnel costs	928	763
Travel	224	750
Supplies, commodities and materials	47	15
Programme support costs	54	30
Equipment, vehicles and furniture	67	48
Total grants and other transfers	**3 262**	**3 786**

135. During 2019, a total amount of $0.385 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 2019	*31 December 2018*
Travel of staff, consultants and non-staff	3 216	2 964
Total travel	**3 216**	**2 964**

Supplies and consumables

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Operational satellite images (in kind)	1 471	689
Acquisition of office equipment and supplies	304	258
Operational maps	46	114
Other supplies	2	4
Total supplies and consumables	**1 823**	**1 065**

Other operating expenses

136. 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 2019	31 December 2018
Training	1 352	1 492
Rent – office and premises	546	602
Contracted services	467	910
Communications utilities	363	464
Expense recognized for contributions in kind – premises	604	613
Joint administrative fees	245	93
Other expenses	166	69
Net exchange loss	–	236
Stationery and office supplies	36	38
Shipping/freight services	6	13
Write-offs	237	–
Total other operating expenses	**4 022**	**4 530**

Note 20
Financial instruments and financial risk management

Financial instruments

(Thousands of United States dollars)

	Note	31 December 2019	31 December 2018
Financial assets			
Held-to-maturity			
Investments – time deposits		–	3 200
Non-call bonds		21 836	18 224
Subtotal, investments		**21 836**	**21 424**
Loans and receivables			
Cash and cash equivalents: internally managed	6	739	381
Cash and cash equivalents: time deposits	6	4 500	2 000
Cash and cash equivalents: certificates of deposit/commercial paper	6	1 496	–
Subtotal, cash and cash equivalents		**6 735**	**2 381**
Voluntary contributions	7	14 834	11 275
Other receivables and interest receivables	8	1 119	233
Other assets (excluding staff advances and prepayments)	10	–	–
Total loans and receivables		**15 953**	**11 508**
Total carrying amount of financial assets		**44 524**	**35 313**
Financial liabilities at amortized cost			
Accounts payable and accrued liabilities	13	1 241	1 221
Total carrying amount of financial liabilities		**1 241**	**1 221**

	Note	*31 December 2019*	*31 December 2018*
Net revenue and expense from financial assets			
Interest income – time deposits and bank accounts		84	94
Interest income on non-call bonds		501	267
Amortized income on non-call bonds		35	50
Total net revenue from financial assets		**620**	**411**

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

(Thousands of United States dollars)

	2019	*2018*
Balance as at 1 January	**21 424**	**13 062**
Purchases of investments	20 851	26 177
Sale of investments	(20 472)	(17 865)
Amortization	33	50
Balance as at 31 December	**21 836**	**21 424**

Financial risk management: overview

137. UNITAR has exposure to the following financial risks:

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk.

138. 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

139. 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.

140. 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.

141. 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.

142. 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 2019, as the existing framework was applied to the UNDP service-level agreement arrangement adopted in 2015.

143. 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

144. 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

145. 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).

146. 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.

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

148. 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 2019, 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 2019	*AAA*	*AA+*	*AA*	*AA-*	*A+*	*A-*	*Total*
Money market instruments	1 496	–	–	4 500	–	–	5 996
Bonds	12 063	2 497	2 001	2 616	2 659	–	21 836
Total	**13 559**	**2 497**	**2 001**	**7 116**	**2 659**	**–**	**27 832**

Credit risk: receivables

149. 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 was no movement in the allowance for doubtful receivables account for 2019. Based on its monitoring of credit risk, UNITAR believes that no impairment allowance is necessary in respect of receivables.

Ageing of total receivables

(Thousands of United States dollars)

	31 December 2019		*31 December2018*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Neither past due nor impaired	14 044	–	10 721	–
Less than one year	1 729	–	787	–
One to two years	–	–	–	–
Two to three years	–	–	–	–
Total	**15 773**	**–**	**11 508**	**–**

Credit risk: cash and cash equivalents

150. UNITAR held cash and cash equivalents of $6.735 million as at 31 December 2019, which is the maximum credit exposure on these assets.

Liquidity risk

151. 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.

152. 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.

153. 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

154. 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 2019, undiscounted

(Thousands of United States dollars)

	On demand	*Within 3 months*	*3–12 months*	*>1 year*	*Total*
Accounts payable and accrued liabilities	–	1 241	–	–	1 241
Total financial liability	**–**	**1 241**	**–**	**–**	**1 241**

Market risk

155. 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

156. 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

157. 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

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

Note 21
Other revenue

159. For 2019, the revenue from foreign exchange transactions was $0.046 million. There were no revenues from foreign exchange transactions in 2018.

Note 22
Related parties

Governance of UNITAR

160. UNITAR is governed by a Board of Trustees, which is composed of 14 trustees, including the Chair. 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 organization.

161. 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.

162. 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

163. 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.

164. 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.

165. UNITAR had 10 key management personnel, whose remuneration was $2.640 million over the financial year ended 31 December 2019 (2018: $2.450 million for nine 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.

166. 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

167. 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 2019.

United Nations system

168. 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.

169. 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

170. The CIFAL Global Network comprises 16 international training centres for authorities and leaders. The CIFAL centres are located across Asia, Africa, Australia, Europe, the Americas and the Caribbean. 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.

171. CIFAL-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 CIFAL-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 CIFAL Network and exercises a coordinating role only through an annual steering committee meeting of the CIFAL directors. The CIFAL centres may use the name and emblem of UNITAR only in direct connection with activities jointly defined and implemented with UNITAR.

172. CIFAL-affiliated training centres pay UNITAR an annual affiliation fee in line with the signed partnership agreements or decisions of the CIFAL 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 $0.450 million (2018: $0.480 million) in affiliation fees, which is included in the revenue from exchange transactions.

Note 23
Leases and commitments

Finance leases

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

Operating leases and commitments

174. UNITAR holds two leases in place for the use of Geneva premises and one lease for its New York office. The leases in Geneva are one one-year short-term lease agreement between the Fondation des immeubles pour les organisations internationales (FIPOI) and UNITAR, whereby FIPOI rents spaces out to UNITAR for an annual payment of SwF 183,680 (at 31 December 2019 rates: $0.188 million)

(2018: SwF 183,680 – at 31 December 2018 rates: $0.186 million); and one five-year lease agreement between FIPOI and UNITAR, whereby FIPOI rents spaces out to UNITAR for an annual payment of SwF 283,484 (at 31 December 2019 rates: $0.290 million) (2018: SwF 283,484 – at 31 December 2018 rates: $0.287 million). The leases with FIPOI can be renewed by a notice given to FIPOI not less than six months before the expiration date.

175. The total lease payments recognized in expenses for the period was $1.151 million (2018: $1.216 million). The total operating lease rental expense for the year includes $0.604 million (2018: $0.613 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 2019	*31 December 2018*
Due in less than one year	1 119	557
Due in one to five years	2 223	68
Due in more than five years	–	–
Total minimum lease obligations (undiscounted)	**3 342**	**625**

176. 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.

177. At the reporting date, open contractual commitments relating to goods and services contracted but not delivered were $1.088 million (2018: $0.588 million).

178. At the reporting date, the Institute’s commitments to transfer funds to implementing partners, based on agreements, amounted to $1.253 million (2018: $0.944 million).

Note 24
Contingent liabilities and contingent assets

179. 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.

180. At the reporting date, there were no legal claims or claims before the United Nations tribunals responsible for hearing claims brought by present and former employees.

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

Note 25
Other liabilities

(Thousands of United States dollars)

As at 31 December 2019

	Current	*Non-current*	*Total*
Payable to United Nations entities	–	–	–
Total other liabilities	**–**	**–**	**–**

As at 31 December 2018

	Current	*Non-current*	*Total*
Payable to United Nations entities	132	–	132
Total other liabilities	**132**	**–**	**132**

Note 26
Events after the reporting date

182. No material events, favourable or unfavourable, that would have had a material impact on these statements occurred between the date of the financial statements and the date when the financial statements were authorized for issue.

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