United Nations

United Nations Institute for Training and Research

Financial report and audited financial statements

for the year ended 31 December 2023

and

Report of the Board of Auditors

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

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A/79/5/Add.5

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Report of the Board of Auditors

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Note

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

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Contents

Letters of transmittal

Letter dated 25 March 2024 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 2023 annual financial statements of the United Nations Institute for Training and Research as at 31 December 2023, 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 24 July 2024 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors, together with the financial report and audited financial statements of the United Nations Institute for Training and Research for the year ended 31 December 2023.

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

Chapter I

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

Opinion

We have audited the financial statements of the United Nations Institute for Training and Research (UNITAR), which comprise the statement of financial position (statement I) as at 31 December 2023 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 2023 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

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

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

Management is responsible for the other information, which comprises the financial report for the year ended 31 December 2023, contained in chapter IV below, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

In our opinion, the transactions of UNITAR that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

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

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

(*Signed*) Dorothy **Pérez Gutiérrez**
Acting Comptroller General of the Republic of Chile
(Lead Auditor)

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

24 July 2024

Chapter II
Long-form report of the Board of Auditors

Summary

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

The Board of Auditors has audited the financial statements and reviewed the operations of UNITAR for the year ended 31 December 2023. The interim audit was carried out at UNITAR headquarters in Geneva from 12 February to 8 March 2024 and the final audit of the financial statements was carried out at headquarters in Geneva from 2 April to 2 May 2024.

Scope of the report

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

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNITAR as at 31 December 2023 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 under regulation 7.5 of the Financial Regulations and Rules 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 also reviewed a detailed follow-up of action taken in response to recommendations made in previous years.

Audit opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UNITAR as at 31 December 2023 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 the financial records of UNITAR for the year ended 31 December 2023. However, the Board identified scope for improvements in the areas of human resources management, project management and implementing partners.

The financial performance of UNITAR as at 31 December 2023 showed a deficit of $4.61 million, which represents a decrease compared with the surplus of $2.51 million recorded in the previous year. This deficit is due mainly to a significant

increase in expenses, which, for 2023, was $8.12 million greater than the total expenses recorded in 2022. Some of the most significant line items that influenced that result were grants and other transfers, as well as other operating expenses. Total revenue increased by only $0.99 million in 2023 compared with 2022. The most relevant line items that affect the revenue result are voluntary contributions from Member States and others, as well as revenue from services rendered.

Key findings

The Board's key findings are as follows:

Overuse of same individual contractors

The Board found that several individual contractors had been providing services to UNITAR since 2020, concluding that there was an extensive use of those contractors over the years. Further analysis revealed that 52 per cent of them had been granted at least four short-term contracts in the past 12 months, with some having been contracted up to 10 times. In addition, when the terms of reference for those cases were reviewed, they were almost identical or the same.

Non-compliance with donor reporting obligations

The Board reviewed the level of compliance with reporting obligations to the Institute´s donors and observed that several narrative reports had been delivered with delays ranging from five days to seven months, in addition to financial reports also delivered tardily, with delays ranging from two days to six months.

Avoidance of implementing partner competitive selection procedures

The Board identified various implementing partners that, in order to engage with the Institute, should have gone through a competitive selection process; however, that process was avoided through the indication that the relevant implementing partner was selected by the donor. The Board's review found no explicit evidence of the donor's identification or selection of the implementing partner, nor of the programme manager's submission of proof of the donor's implementing partner selection process.

Deficient implementing partner performance evaluations

The Board noticed shortcomings in the performance of implementing partners such as the programme manager not taking into consideration delayed or pending outputs when undertaking an evaluation, the absence of substantial assessments over the quality of work performed by the implementing partner, and failure to align the assessment of the overall performance rating with the existing criteria and descriptors. The Board also noticed the absence of clear deadlines to conduct the implementing partners' performance evaluations.

Main recommendations

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

Overuse of same individual contractors

(a) **Assess and adopt measures regarding the current practice of rehiring individual contractors for extended periods to avoid inappropriate prolonged use of non-staff personnel;**

(b) **Strengthen its planning processes when engaging individual contractors in order to avoid the excessive and repetitive issuance of their contracts;**

Non-compliance with donor reporting obligations

(c) **Evaluate the strength and effectiveness of the current reporting structure, mechanisms and practices in place and develop a formal corrective action plan to reduce the risk of late reporting;**

(d) **Ensure that reports are submitted to donors in accordance with the deadlines established in the signed agreements;**

Avoidance of implementing partner competitive selection procedures

(e) **Conduct a competitive selection process, as applicable, and duly document the required information for the direct awarding procedure, thereby ensuring compliance with the implementing partner selection process in accordance with the relevant guidelines;**

Deficient implementing partner performance evaluations

(f) **Ensure that the assessments required in the performance evaluations of implementing partners are conducted objectively and accurately, based on evidence and sufficiently substantiated;**

(g) **Meet the criteria and descriptors for performance ratings of implementing partners by taking into consideration deadlines and outputs under the grants agreement;**

(h) **Establish specific deadlines for the completion of performance evaluations of implementing partners and establish procedures when the required outputs are not delivered by implementing partners.**

Follow-up of previous recommendations

The Board analysed the implementation status of 27 recommendations that were outstanding up to the year ended 31 December 2022, of which 52 per cent (14) had been fully implemented, 33 per cent (9) were under implementation and 15 per cent (4) were considered as not implemented. The Board considers that a 52 per cent implementation rate achieved in this audit cycle indicates a noticeable decrease compared with the average historical implementation rate of 72 per cent of UNITAR during the past six years. This decline suggests potential shortcomings in the current approach to implement audit findings or a change in the Institute's priorities. Therefore, the Board encourages UNITAR to improve its management of recommendations arising from future audit processes.

Key facts

$44.87 million	Total revenue in 2023, including $34.99 million in voluntary contributions, $7.19 million for services rendered and $1.54 million for investment revenue
$75.74 million	Total assets in 2023
$29.73 million	Total liabilities in 2023
$49.48 million	Total expenses in 2023
$4.61 million	Deficit in 2023
$46.01 million	Accumulated surpluses as at 31 December 2023
99	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 2023, 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, the International Standards on Auditing and the International Standards of Supreme Audit Institutions. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNITAR as at 31 December 2023 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether the revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations.

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

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

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

B. Findings and recommendations

1. Follow-up of previous recommendations

7. The Board verified the status of implementation of previous years' recommendations for the period ended 31 December 2022. Of the 27 outstanding recommendations, the Institute implemented 14 (52 per cent), 9 (33 per cent) were under implementation and 4 (15 per cent) were not implemented (see table II.1). The detailed status and progress of all previous outstanding recommendations are given in the annex to chapter II.

Table II.1
Status of implementation of recommendations, by report

Report and audit year	*Recommendations pending as at 31 December 2022*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Recommendations pending as at 31 December 2023*
A/77/5/Add.5, chap. II (2021)	2	–	2	–	–	2
A/76/5/Add.5, chap. II (2022)	25	14	7	4	–	11
Total number of recommendations	**27**	**14**	**9**	**4**	–	**13**
Percentage	**100**	**52**	**33**	**15**	–	

8. The 52 per cent implementation rate represents a 17 per cent decrease from the 69 per cent implementation rate reached in 2022. Given the slowdown observed in implementing the Board's recommendations, it is expected that the Institute will expedite its efforts on this matter, especially regarding the recommendations dating from 2021, which have been outstanding for more than two years. These recommendations refer to improving the levels of compliance with the mandatory training courses and the implementation of monitoring and control mechanisms for completion of these courses.

Recommendations issued over the six audit periods

9. As a result of the audits performed from 2018 to 2023, the Board issued 80 recommendations and conducted 87 assessments on previous years' recommendations. A breakdown of recommendations submitted in the indicated audit periods is detailed in table II.2.

Table II.2
Implementation rates of issued recommendations (2018–2023), by report

Report and audit year	Number of audit recommendations issued each audited period	Number of audit outstanding recommendations in each audited period	Audit recommendations fully implemented as at the end of each audited period (Number)	(Percentage)
A/73/5/Add.5, chap. II (2018)	7	10	8	80
A/75/5/Add.5, chap. II (2019)	15	9	7	78
A/76/5/Add.5, chap. II (2020)	8	17	14	82
A/77/5/Add.5, chap. II (2021)	11	11	8	73
A/78/5/Add.5, chap. II (2022)	25	13	9	69
A/79/5/Add.5, chap. II (2023)	14	27	14	52
Total/average percentage	**80**	**87**	**60**	**72**

10. Most of the 80 recommendations issued in the past six audited periods were related to programme management, project management and human resources management. Other recommendations were focused on, among others, finance and budget management, and consultants and individual contractors' management.

11. With regard to the 87 outstanding recommendations assessed over the past six years, it was observed that the implementation rate trend remained at approximately 70 per cent, except for the last audit cycle, in which that rate dropped to 52 per cent.

2. Financial overview

Financial performance

12. The total revenue reported in 2023 amounted to $44.87 million, increasing by $0.99 million (2.26 per cent), compared with the $43.87 million reported in 2022. The total revenue reported in 2023 is disaggregated as follows: $34.99 million (77.99 per cent) in voluntary contributions; $7.19 million (16.03 per cent) in revenue from services rendered; $1.54 million (3.44 per cent) in investment revenue; and $1.14 million (2.54 per cent) in other revenue.

13. Voluntary contributions from Member States increased from $18.37 million reported in 2022 to $26.46 million in 2023 owing to the increase in financing in the agreements, highlighting a significant increase in the contribution from the Government of Germany. The other voluntary contributions decreased from $15.88 million in 2022 to $8.53 million in 2023.

14. Revenue from services rendered decreased by $1.88 million (20.70 per cent), totalling $7.19 million in 2023 compared with $9.07 million reported in 2022. This decrease is due mainly to the fewer funding agreements for services rendered to United Nations agencies by the United Nations Satellite Centre.

15. Investment revenue in 2023 amounted to $1.54 million, increasing by $0.98 million compared with $0.56 million reported in 2022. The increase in investment revenue was a result of the liquidity position and the increase in the average annual yield of 3.08 per cent in 2023 (2022: 1.20 per cent), owing to the increase in average annual profitability during 2023, with a significant increase in interest rates.

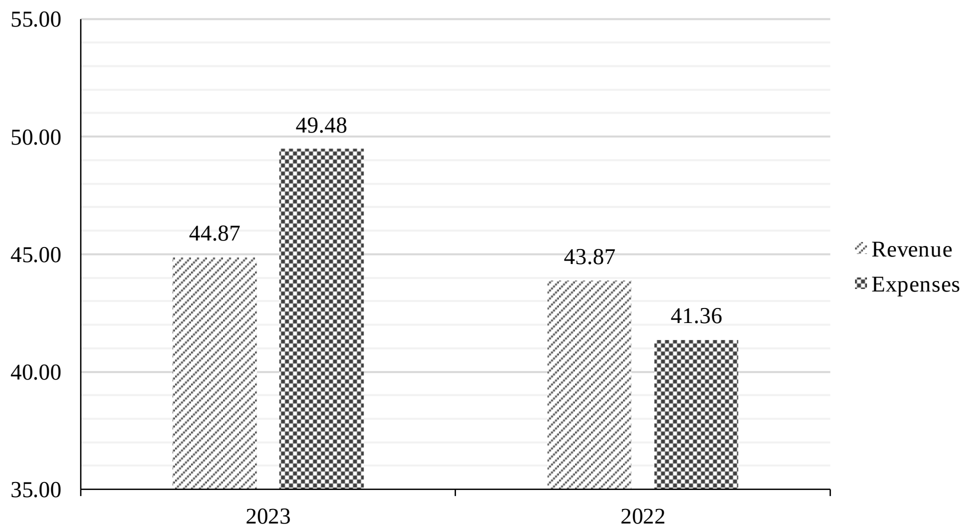
16. Other revenue in 2023 amounted to $1.14 million in virtue of the net gains on foreign exchange transactions.

17. Total expenses increased by $8.11 million (19.62 per cent), from $41.36 million in 2022 to $49.48 million in 2023. This rise in expenditure is due primarily to greater amounts of grants and other transfers made to implementing partners in 2023, for a total of $10.42 million (2022: $7.97 million), larger employee salaries expenses for a total of $15.22 million in 2023 (2022: $14.09 million) as a result of the increment in salary scales and post adjustment, and an increase in other operating expenses for a total of $6.24 million (2022: $4.63 million). Expenses relating to grants and other transfers were influenced mainly by the implementation of programmes, while overhead expenses were affected by the rise in rent for various offices occupied by UNITAR staff.

18. A deficit of $4.61 million is recorded in 2023, with a surplus of $2.51 million recorded in 2022. The deficit was a result of the increase in all types of expenses during the period, such as employee salaries, non-employee compensation, programme expenses and operating expenses. A comparison of revenue and expenses for 2023 and 2022 is shown in the figure below.

Revenue and expenses

(Millions of United States dollars)



Source: UNITAR financial statements for 2023 and 2022.

Financial position

19. In 2023, UNITAR recorded total assets for $75.74 million, representing a slight decrease of 1.53 per cent compared with $76.92 million recorded in 2022. This is due to the impact of the UNITAR investment strategy, which decreased its cash and cash equivalents held in bank accounts and its investment portfolio in the money market.

20. Total liabilities amounted to $29.73 million in 2023, showing an increase of 35.36 per cent, compared with $21.97 million recorded in 2022. This increase was due mainly to an actuarial loss of $4.37 million (2022: gain of $5.51 million) arising from a decrease in discount rates, thereby increasing employee benefits liabilities, which was the main component of the Institute's liabilities for 2023.

21. The Institute's total net assets stood at $46.01 million in 2023, reflecting a decrease of 16.28 per cent compared with $54.95 million reported in 2022. The decrease was due mainly to the deficit for the year ($4.61 million) and the actuarial loss on employee benefits liabilities ($4.37 million).

Ratio analysis

22. The Board has reviewed the financial situation of UNITAR in accordance with the capital structure ratios, as shown in table II.3. The ratios indicate that assets are sufficient to meet the Institute's short-term and long-term liabilities.

Table II.3
Ratio analysis

Ratio	*31 December 2023*	*31 December 2022*	*31 December 2021*
Total assets: total liabilities[a]			
Total assets: total liabilities	2.55	3.50	2.75
Current ratio[b]			
Current assets: current liabilities	6.73	10.20	8.54
Quick ratio[c]			
(Cash + short-term investments + accounts receivable): current liabilities	5.70	8.90	7.83
Cash ratio[d]			
(Cash + short-term investments): current liabilities	3.15	5.81	4.37

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.

23. While the Institute's key financial indicators have decreased, they remain robust, as evidenced by the high ratios between current assets and current liabilities and total assets compared with total liabilities. The quick and cash ratios decreased compared with 2022, owing mainly to the decrease in cash and cash equivalents from $9.52 million in 2022 to $4.81 million in 2023. This decrease is due to the investment strategy, whereby money market investment and its balance of bank accounts decreased for the most part. The Institute maintains high ratios, which indicates a high level of liquidity and capacity to cover current liabilities.

3. Human resources management

Shortcomings in annual leave authorization

24. It is stated in rule 5.3 (c) of the Staff Regulations and Rules of the United Nations that staff members' annual leave may be taken in units of days and half-days and may be taken only when authorized. Moreover, in line with rule 5.3 (e) if a staff member is absent from work without authorization, payment of salary and allowances shall cease for the period of unauthorized absence.

25. Since January 2023, annual leave requests have been processed through the new enterprise resource system Quantum. Staff members submit their requests for absence (annual leave) to their direct manager, who must check the request and approve it, if considered appropriate.

26. The Board analysed all the 529 annual leave requests made in Quantum by UNITAR staff members during 2023 and found the following issues:

(a) A total of 100 (19 per cent) annual leave requests had not been approved by the direct manager as at the date of the Board's review;

(b) A total of 87 (16 per cent) annual leave requests had been approved by the direct managers after the commencement date of the annual leave;

(c) A total of 61 (12 per cent) annual leave requests had been created in Quantum after the commencement date of the annual leave.

27. When the Board consulted with the human resources unit on the above-mentioned 248 (47 per cent) cases that exhibited shortcomings, it was observed that the unit did not have any Quantum access to the annual leave report and could not therefore enforce any monitoring mechanism or control in that regard. It should also be noted that reports on annual leave had to be requested from the United Nations Development Programme (UNDP) at the time of the review.

28. Given that situation, the Board considers that the process for the granting of UNITAR annual leave is not aligned with the provisions stated in the Staff Regulations and Rules of the United Nations, in which it is clearly indicated that annual leaves can be taken only when such entitlements are authorized.

29. The Board recalls that the Institute is responsible for ensuring that the overall information relating to its staff members' entitlements is adequately authorized and recorded in the system made available for this purpose.

30. The Board deems that monitoring the personnel annual leave is essential to managing authorized absences properly, considering all the consequences associated with them, especially when salary deductions might be applicable.

31. **The Board recommends that UNITAR ensure that annual leave requests are created, submitted, approved and recorded in Quantum in a timely manner.**

32. **The Board recommends that UNITAR request access from UNDP Quantum administrators to all the features and reports necessary to carry out the monitoring role and establish adequate controls over annual leave processes.**

33. UNITAR accepted the recommendations.

Overuse of the same individual contractors

34. In accordance with the administrative circular AC/UNITAR/2023/06 on consultants and individual contractors, issued in February 2023, an individual contractor is an individual engaged by the Institute from time to time under a temporary contract to provide expertise, skills or knowledge for the performance of a specific task or piece of work, which would be short term by nature, against the payment of an all-inclusive fee.

35. It is also stated in the circular that the authority to engage individual contractors is delegated to programme unit managers of programme units and heads of the outposted offices for their relevant programme units (hiring managers), who are responsible for ensuring that the terms of reference include the outputs to be delivered and functions to be performed that shall be specific, measurable, achievable, results-based and time-bound.

36. The duration of the contract shall be linked directly to the terms of reference as set out in the individual contractor's contract. The services shall be limited to 11 working months in any period of 12 consecutive months, irrespective of the cumulative months of actual work.

37. The Board reviewed all individual contractors whose agreements were valid in February 2024 and identified that, of the 201 individual contractors reported by UNITAR, 54 had been providing consecutive services to the Institute since 2020.

38. While no breach of the 11-month rule was found, the Board detected the overall extensive use of those individual contractors through the years. That situation led to a further analysis of the issues relating to the 54 cases identified. Of those contracts, it was observed that 28 (52 per cent) of individual contractors had been granted at least four short-term contracts or more during the past 12 months and that some of the cases had had from 7 to 10 agreements.

39. In addition, when the Board was reviewing the established outputs to be delivered and the functions to be performed outlined in the terms of reference associated with all 54 cases, it was found that those outputs and functions were almost indistinguishable from one other, if not identical.

40. The Board is of the opinion that retaining individual contractors working for consecutive and extended periods is not aligned with the nature of this type of hiring, which is to perform a specific task within a short period of time. This practice may also indicate that these contractors performed regular functions of the entity and were an essential part of the UNITAR workforce. The extended overuse of non-staff can negatively affect the daily operations of UNITAR by having regular functions and know-how/experience delegated to temporary personnel who are not part of the formal staff.

41. Moreover, the Board deems that the high number and frequency of annual terms of reference of agreements used to extend individual contractor engagements reflect inadequate planning, especially regarding the time required to fulfil the deliverables and duties, resulting in increased costs, such as visa processing and work permits required by local authorities, and an additional workload for UNITAR simply to process multiple contractual agreements.

42. **The Board recommends that UNITAR assess and adopt measures regarding the current practice of rehiring individual contractors for extended periods to avoid inappropriate prolonged use of non-staff personnel.**

43. **The Board recommends that UNITAR strengthen its planning processes when engaging individual contractors in order to avoid the excessive and repetitive issuance of their contracts.**

44. UNITAR accepted the recommendations.

4. Project management

Non-compliance with donor reporting obligations

45. In accordance with paragraph 25 of the UNITAR administrative circular AC/UNITAR/2021/06 on managing for results policy, issued in November 2021, reporting is the recording of the results of monitoring exercises executed at various levels, for internal and/or external purposes/audiences, such as donors. In the same paragraph, it is mentioned that the Institute presents various reporting formats, including “narrative project reporting”.

46. In paragraph 25 (c) of the same administrative circular, it is stated that personnel who are part of programme units and hosted partnerships in charge of the projects shall ensure that project narrative reports (including interim and final reports required) are submitted in a timely manner and in accordance with the provisions in the relevant project agreement or project document.

47. Furthermore, in paragraph 30 (d) of the same policy, it is indicated that it is the programme management’s responsibility to appoint focal points in the division or programme unit to coordinate and ensure that reporting exercises are undertaken in a timely manner.

48. Elsewhere, pursuant to paragraph 20 of the policy guidelines for agreements on the acceptance of contributions for specific purposes (“grants-in”), issued in November 2021, programme managers are the ones responsible for ensuring that all reporting (financial and/or narrative) is submitted to donors as specified in the agreements.

49. In the 2023 risk report,[1] UNITAR recognized late financial reports as a compliance risk, which was identified in 2019 and defined it as “failure for UNITAR to submit financial reports to donors and to comply with legal obligations”.

50. The Board reviewed a sample of 25 ongoing projects provided by UNITAR for 2023, from which 18 were identified with submitted and uploaded reports in the project tracking tool,[2] and proceeded to compare the dates of the aforementioned submissions and the dates stated in the agreements with the donors. A total of 35 narratives and 20 financial reports were identified in the aforementioned 18 projects, with the following issues detected:

(a) A total of 19 (58 per cent) narrative reports were delivered with delays ranging from 5 days to seven months, with a median 31-day delay;

(b) A total of 15 (75 per cent) financial reports were delivered with delays ranging from 2 days to six months, with a median 23-day delay.

51. The Board observed that the Institute had implemented measures such as multiple automatic notifications in the project tracking tool each time a deadline ran out, in addition to sending communications on missing reports issued by the Partnerships and Grants Oversight Unit to the programme units in the last quarter of each year. However, it was confirmed that those reports continued to be submitted to donors in a delayed fashion.

52. Given the verified situations, the Board considers that UNITAR is not in compliance with managing the results policy´s provisions regarding the reporting submission to donors. In this regard, it should be stressed that, from the moment an agreement with a donor is signed, all the provisions established in the document become mandatory and an obligation for UNITAR. Therefore, fulfilling its acquired commitments is considered a cornerstone for UNITAR to avoid a potential reputational or legal risk.

53. In addition, the Board is concerned about the negotiation and formulation of the agreements, given that the UNITAR negotiating agent might not be considering or providing a comprehensive assessment of the capacities of the Institute to meet the reporting requirements agreed with the donor.

54. **The Board recommends that UNITAR evaluate the strength and effectiveness of the current reporting structure, mechanisms and practices in place and develop a formal corrective action plan to reduce the risk of late reporting.**

55. **The Board recommends that UNITAR ensure that reports are submitted to donors in accordance with the deadlines established in the signed agreements.**

56. UNITAR accepted the recommendations.

[1] The present report provides a summary of the status of risk events in the UNITAR risk register.

[2] The system does not indicate the date in which the reports were provided to the donor. In the light of this, the Board considered the date of the last signature of the report or the date on which the report was issued and compared it with the dates on which the agreements state the reports should have been delivered.

5. Implementing partners

Avoidance of implementing partner's competitive selection procedure

57. In paragraph 9 of the UNITAR administrative circular on policy guidelines for agreements with implementing partners, it is established, regarding the selection process of implementing partners, that direct awarding and competitive selection are the two procedures through which grants may be awarded to implementing partners.

58. In addition, in paragraphs 10 and 11 of the same policy, the circumstances under which direct grant awards (without a call for proposals) may be issued to implementing partners that meet the eligibility criteria are indicated and the direct grant award implementing partner selection form is defined.

59. In paragraphs 12 and 13 of the same policy, it is established that competitive selection of an implementing partner is required for all grants that do not fall under the direct award procedure, while the steps to be followed for competitive selection procedures are outlined.

60. The Board reviewed all projects relating to implementing partners (grant-out) carried out during 2023 and observed that, of 49 projects, no implementing partner had been selected through a competitive selection procedure. The Board analysed the entire list of projects on the basis of the requirements established in the direct awarding procedure and found six cases that did not meet the criteria of the aforementioned procedure.

61. Furthermore, the Board noted that the six direct grant awards had been given to implementing partners by invoking only the criteria in paragraph 10 (d) of the administrative circular, in which it is stated that implementing partners:

> are identified in the relevant project document (or other relevant donor agreement documents) forming an integral part of the main donor agreement in which IPs are identified by the donor following the donor's selection/tender process and in which a due diligence assessment has been performed, if applicable, with a low-risk score. Programme Managers shall ensure that the IP identified by the donor or in the project document does not represent a reputational risk to UNITAR.

62. However, the Board's analysis of all the aforementioned documents revealed no explicit evidence of the donor's identification or selection of the implementing partner, the programme manager's submission of proof of the donor's implementing partner selection process, or the written confirmation of the implementing partner selection following any internal procedure relating to the donor.

63. Given that UNITAR relies heavily on implementing partners to deliver its mandate, the Board considers it paramount that the implementing partner selection process be aligned strictly with its guidelines on these matters. Failure to adhere to these selection procedures may pose several risks and problems for the entity during project implementation. The lack of compliance with processes and avoidance of competitive selection could create the perception of favouritism, eroding trust in the organization and the project itself. The situation also raises the question that the selected implementing partners may not be the most qualified or competent to perform the required work, thereby creating a risk of the quality of services or products delivered being compromised.

64. The Board considers that non-compliance with the adequate selection processes may raise questions about the transparency of the implementing partner selection process.

65. **The Board recommends that UNITAR conduct a competitive selection process, as applicable, and duly document the required information for the direct awarding procedure, thereby ensuring compliance with the implementing partner selection process in accordance with the relevant guidelines.**

66. UNITAR accepted the recommendation.

Weakness in the implementing partner due diligence process

67. In paragraph 7 (c) of the UNITAR policy guidelines for agreements with implementing partners, concerning eligibility and exclusion criteria of implementing partners, it is stated that, for non-governmental organizations (NGOs), academic institutions and foundations, among others, the implementing partner should share the overall objectives of the main agreement, have demonstrated experience and expertise in the subject matter and be positioned to deliver results effectively and efficiently. The guidelines also establish that NGOs and foundations shall be assessed with a low-risk score in the areas relevant to the project through a due diligence exercise.

68. For NGOs, the same guidelines indicate that a due diligence assessment exercise shall be performed prior to selecting the implementing partner for grants to be awarded at or above $30,000. With respect to approval, the due diligence assessment shall have a low-risk score and be subject to an independent review by the Partnerships and Grants Oversight Unit.

69. For the above purpose, the formal exercise of the due diligence assessment is carried out using the due diligence assessment for implementing partners template, by which it is required that the programme manager complete various mandatory fields such as implementing partner information, overall risk rating and recommendations to the implementing partners.

70. The Board extracted a sample of 12 “grants-out” projects of the 49 that commenced between 1 January and 31 December 2023 and identified the situations described below.

71. The review revealed a deviation from established guidelines, given that the due diligence assessment was not conducted on an implementing partner and/or NGO to which UNITAR wanted to entrust an amount exceeding $30,000.

72. In order to enter into such an agreement without meeting the due diligence assessment requirement, for one of the 12 projects the programme manager requested a waiver from the Executive Director using the explanation of “short time to perform the exercise and that the donor was already ok with it”. The waiver was granted by the Executive Director, granting approval of the initial payment to the implementing partner, on the condition that the transfer of the second instalment would be authorized only upon successful completion of the due diligence exercise. However, it was observed that the agreed due diligence assessment had not been carried out on the implementing partner and that UNITAR had terminated the agreement unilaterally. It should be emphasized that the initial payment, which reached 63 per cent of the total project, had been transferred to the implementing partner without conclusive evidence that it met the eligibility criteria to be entrusted with funds by UNITAR.

73. With regard to the due diligence assessments corresponding to the remaining 11 projects’ implementing partners, the programme managers did not make any recommendations in the overall section as a result of the filling in of the various fields and areas of the aforementioned document across all pillars of assessment. This contrasts with the due diligence assessment carried out independently by the Partnerships and Grants Oversight Unit, which made several recommendations as a result of the review conducted throughout all the pillars.

74. Given that the primary purpose of the due diligence assessment is to evaluate the eligibility or exclusion of implementing partners when entrusted with funds from donors, the Board is of the view that this is a critical tool that serves UNITAR so that it can make well-informed decisions on the basis of risks and evidence in order to provide a proper level of assurance that funds will be utilized effectively and efficiently and achieve the intended results. Failure to do so would expose UNITAR to operational, strategic, legal and reputational risks during project implementation.

75. Given the relevance of the due diligence assessment for the implementing partner eligibility process, the Board has concerns about whether the Executive Director would have sufficient and adequate information to grant a waiver for the selection of an implementing partner without conducting an assessment in advance.

76. The Board also considers that the recommendations resulting from the due diligence assessment are one of the most important contributions to enhancing the working relation and risk approach between UNITAR and its partners. The recommendations commit implementing partners to strengthening their own procedures and increasing their reliability towards UNITAR.

77. **The Board recommends that UNITAR ensure that due diligence assessments on implementing partners that meet the criteria always be conducted, thus ensuring that the Executive Director can make a more well-informed decision when granting a waiver.**

78. **The Board recommends that UNITAR ensure that programme managers expressly state in the due diligence assessment whether they have any recommendations for the implementing partners.**

79. UNITAR accepted the recommendations.

Inadequate monitoring and reporting by implementing partners

80. In paragraph 49 of the policy guidelines for agreements with implementing partners, on monitoring the compliance of implementing partners, it is established that programme managers are responsible for monitoring the implementation of grant agreements from substantive and financial angles, as well as monitoring workplans, quality of work, delivery schedules, compliance and validity of agreements and any other agreement conditions with the implementing partner.

81. It is also indicated that, for any reporting requirement under the main agreement, programme managers should be responsible for ensuring that implementing partners submit financial and narrative reports as follows: (a) interim financial reports; (b) final financial reports; (c) final narrative reports; and (d) grant closure reports.

82. Of the 19 "grants-out" projects that were completed as at 31 December 2023, the Board reviewed a sample of 8, identifying 24 mandatory reports to be submitted by the implementing partner throughout the life cycle of the project's implementation.

83. It was observed that, of the 24 implementing partner reports reviewed, 8 (33 per cent) had not been submitted as at the date of the review and 12 (50 per cent) had been delivered late, 1 had ended owing to early project cancellation, while only 3 (13 per cent) were developed and submitted on time. Details of the observed issues are as follows:

(a) Reports not submitted: two narrative reports, four grant closure reports and two financial reports;

(b) Reports submitted late: five narrative reports, with an average delay of 48 days; three grant closure reports, with an average delay of 83 days; and four financial reports, with an average delay of 45 days.

84. The Board considers that having pending and/or delayed reports by the implementing partner throughout the life cycle of the entrusted project indicates that UNITAR has not implemented adequate control and monitoring mechanisms over the implementing partners' obligations.

85. In addition, such delays prevent UNITAR from having accurate and timely information to determine whether a project is progressing as expected or agreed, leading to concerns about the fulfilment of the expected project outcomes and possible poor performance by the implementing partner not being addressed. This is especially relevant in view of UNITAR being a project-based organization.

86. **The Board recommends that UNITAR conduct a review of its current control and monitoring mechanisms, identify the root causes of late and pending reports from implementing partners and develop an action plan to address these issues.**

87. **The Board recommends that UNITAR ensure that implementing partners meet their reporting obligations in line with their grants-out agreements.**

88. UNITAR accepted the recommendations.

Deficient performance evaluation of implementing partners

89. In paragraph 47 of the policy guidelines for agreements with implementing partners, on the evaluation of implementing partners, it is indicated that implementing grant projects costed at or above $30,000 and any implementing partner whose grant agreement has been terminated unilaterally by UNITAR shall be subject to a performance evaluation using the evaluation form for implementing partners. This evaluation shall be signed by the relevant programme manager.

90. On the basis of the above, programme managers are responsible for developing an evaluation of the delivery and quality of implementing partners' work, rating their performance through the same evaluation form for implementing partners, which outlines the criteria and descriptors for determining performance ratings.

91. Of the 19 "grants-out" projects completed as at 31 December 2023, the Board extracted a sample of 8, noticing shortcomings in the implementing partner evaluations and their adherence to the guidelines. The instances outlined below were observed.

a. Assessment of delivery and quality of work

92. In six evaluations, the programme managers stated that the outputs under the grant had been delivered and that the deadlines established under the grant had been met. However, all six implementing partners under that review presented delays and/or had pending outputs submitted. Furthermore, in one case, it was observed that the programme manager had stated that the outputs under the grant had been delivered and that the deadlines established under the grant had been met, in addition to rating the implementing partner overall as "excellent". However, the implementing partner had not delivered any document required under its expected deliverables in accordance with its agreement.

93. In five evaluations, the programme managers did not provide a substantial assessment of the quality of the work performed by the implementing partner, a substantial description of the results achieved, or a rationale for the skills, strengths and/or weaknesses of the implementing partners regarding their deliverables.

94. The Board is concerned about the identified shortcomings in performance evaluations of implementing partners because these could deprive UNITAR from having a reliable tool to assess the performance and compliance of implementing partners in project execution. Consequently, it would expose the entity to several risks, such as a decrease in the quality of deliverables and the potential lack of

incentives for implementing partners to maintain high standards if their performance is not reviewed properly. Inadequate management of performance appraisals could damage the entity's reputation, leading to a loss of trust from donors, stakeholders and beneficiaries.

95. **The Board recommends that UNITAR ensure that the assessments required in the performance evaluations of implementing partners are conducted objectively and accurately, based on evidence and sufficiently substantiated.**

96. UNITAR accepted the recommendation.

b. Overall performance ratings

97. In seven cases, the programme managers did not consider all the established criteria and descriptors for determining overall performance ratings in their assessment, given that all the implementing partners were evaluated as either "excellent" or "good". However, it should be noted that these overall ratings are reserved only for when implementing partners submit their deliverables ahead of schedule or on schedule, whereas the implementing partners for the seven case submitted late reports.

98. In the same vein, the Board is concerned that programme managers may not be taking into consideration the rating descriptors, which could result in them not assigning a correct rating, thereby preventing the identification and implementation of timely corrective action. Performing adequate evaluations of correctly qualified implementing partners is essential to guarantee effectiveness and accountability in the execution of projects, as well to have effective comparison tools for the future selection of implementing partners.

99. **The Board recommends that UNITAR meet the criteria and descriptors for performance ratings of implementing partners by taking into consideration deadlines and outputs under the grants agreement.**

100. UNITAR accepted the recommendation.

c. Absence of clear deadlines to conduct the performance evaluation of implementing partners

101. Seven cases presented delayed periods ranging from 22 to 209 days from the point[3] when the programme manager could have conducted the performance evaluation. In one case, the performance evaluation remained pending as at the date of the review.

102. The Board, upon comparing these delays to the existing guidelines, observed that the guidelines did not set a specific date or deadline on when the programme manager must conduct the performance evaluation of the implementing partners.

103. The Board deems that the absence of clear and concrete deadlines affects the evaluation process of the implementing partners and the opportunity in which they should be developed. It is therefore important that procedures to be performed be established when the required products are not delivered by the implementing partners.

104. **The Board recommends that UNITAR establish specific deadlines for the completion of performance evaluations of implementing partners and establish procedures when the required outputs are not delivered by implementing partners.**

105. UNITAR accepted the recommendation.

[3] This point is considered the delivery date of the last reportable product outlined in the agreement.

C. Transmissions of information by management

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

106. UNITAR reported that there were no write-offs of cash and receivables or of losses of property for 2023.

2. Ex gratia payment

107. UNITAR reported to the Board that there were no ex-gratia payments in 2023.

3. Cases of fraud and presumptive fraud

108. 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.

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

110. UNITAR reported to the Board that there were no cases of fraud or presumptive cases of fraud during 2023.

D. Acknowledgement

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

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

(*Signed*) Dorothy **Pérez Gutiérrez**
Acting Comptroller General of the Republic of Chile
(Lead Auditor)

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

24 July 2024

Annex

Status of implementation of recommendations up to the financial year ended 31 December 2022

No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management's response*	*Board's assessment*	*Status after verification: Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1.	2021	A/77/5/Add.5, chap. II, para. 82	The Board recommends that UNITAR improve the level of compliance with regard to the completion of mandatory training courses.	UNITAR stated that it would take action to urge staff members to complete the mandatory training courses. Furthermore, UNITAR will make the mandatory training part of the onboarding procedure for new staff members.	The review of the current course registration platform (SharePoint) and the information provided by UNITAR revealed that, as at the date of the review in March 2024, a high percentage (some 80 per cent) of staff members and non-staff members had not completed one or more of the eight mandatory courses established by UNITAR. For this reason, this recommendation remains under implementation.		X		
2.	2021	A/77/5/Add.5, chap. II, para. 83	The Board recommends that UNITAR implement a monitoring and control mechanism on completion of mandatory training courses in order to mitigate risks of non-compliance with these personnel obligations in a preventive manner, encouraging the engagement of all levels of governance.	In the second quarter of 2023, UNITAR assessed various options for the information technology solution, including a new platform developed in-house and existing solutions that were already used by other organizations. Consequently, it was decided that the learning module in the Quantum enterprise resource planning system would be a suitable solution for monitoring the completion of mandatory courses for all UNITAR personnel owing to its availability, there being no cost for development and the ease of use of the platform. The United Nations Development Programme Quantum team has been working closely with UNITAR to set up the module and install the mandatory courses in Quantum. The test environment has been created,	It was confirmed that UNITAR had held various activities with the purpose of finding a tool that met the entity's needs, for which it has evaluated various alternatives; however, this solution remains at that evaluation process stage. In addition, it was observed that UNITAR was in the process of formulating an internal circular on mandatory training courses, aiming to align the new tool with the existing policy. Although the entity has made achievements, its work remains in progress and, therefore, this recommendation remains under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				course files are being uploaded and the roll-out is expected by the end of March 2024.					
3.	2022	A/78/5/Add.5, chap. II, para. 34	The Board recommends that UNITAR develop effective controls to ensure that expenditures reported by the implementing partners are recognized and recorded in a timely manner.	UNITAR has already acted by adding periodic reviewing and monitoring of the outstanding advances to the implementing partners to the Finance and Budget Unit workplan, starting from 2023. The reviewing and checking of accounts balances and notifying programmes of ageing grant-outs are already part of the year-end activities conducted by the Unit when reviewing the accounts for financial statements. Furthermore, the Unit sends personalized emails to managers on delinquent reports, including implementing partner financial reports to programme managers responsible for overseeing the implementing partners regarding the missing financial reports.	It was verified that UNITAR had implemented controls regarding periodic reviewing and monitoring of the outstanding advances to implementing partners, such as the Finance and Budget Unit sending reminders to the managers in charge of overseeing the implementing partners' missing financial reports, reviewing and checking accounts balances and notifying on ageing grants as part of the year-end activities for the financial statements, ensuring that all expenditure was recorded in a timely manner. Consequently, this recommendation is considered implemented.	X			
4.	2022	A/78/5/Add.5, chap. II, para. 35	The Board recommends that UNITAR improve project management by requesting and monitoring all overdue financial reports of the implementing partners in accordance with their grant-out agreement provisions.	The project tracking tool already sends multiple automated notifications to project management on financial reporting requirements with the Finance and Budget Unit in copy, including an escalation action with a reminder of past due financial reports also copied to the Executive Director. UNITAR is of the view that sufficient monitoring controls are in place. The controls are also particularly critical, given the migration to a new enterprise resource planning system. With the Unit's change in management,	The Board acknowledges the efforts made by the Finance and Budget Unit to review and monitor outstanding advances to the implementing partners and to obtain all missing financial reports from the implementing partners for the last fiscal period. Consequently, the recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				the Unit now uses the project tracking tool regularly. As at 31 December 2023, outstanding advances to implementing partners amounted less than $500,000, and a list has been circulated to programme focal points for validation of the balance and for any pending and/or unprocessed implementing partner financial reports.					
5.	2022	A/78/5/Add.5, chap. II, para. 42	The Board recommends that UNITAR evaluate the effectiveness of the authorization process of the revolving loan fund and ensure that all requirements for granting loans are met prior to granting pre-financing to programme areas.	All requests for revolving loan funds sent by programme units are reviewed by the Finance and Budget Unit for their compliance with the policy. The Unit's recommendation is provided to the Executive Director for a decision on whether to grant a loan.	It was observed that, while the Finance and Budget Unit conducted a review of the loan request, instances were detected in which loans were awarded to programmes without the minimum requirement of 75 per cent repayment of the previous loan being settled. It was also found that, in some cases, the Unit did not provide a recommendation to the Executive Director for loan requests in which 75 per cent of the settlement was not repaid. Therefore, this recommendation is considered not implemented.			X	
6.	2022	A/78/5/Add.5, chap. II, para. 43	The Board recommends that UNITAR ensure that all revolving loan funds be returned in accordance with the provisions established in AC/UNITAR/2016/12.	A periodic review of the revolving loan fund is performed by the Finance Budget Unit by running a report on outstanding loans per project and the reason some old revolving loan funds have not yet been reimbursed.	The Board reviewed all the loans awarded to the projects from various programmes during 2023 and compared them against the revolving fund payments made as at the day of the review, concluding that, of the 19 loans recorded, 9 (47 per cent) had been payments outstanding for more than 90 days. Furthermore, the average number of days outstanding for those late payments was 267. Therefore, notwithstanding the		X		

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
					fact that a periodic review of the revolving loan fund is performed by the Finance and Budget Unit, this recommendation remains under implementation.				
7.	2022	A/78/5/Add.5, chap. II, para. 59	The Board recommends that UNITAR set up in the enterprise resource planning system the approved appropriations of the programme budget to control and monitor the allocations, commitments and ceilings as adopted by the Board of Trustees.	UNITAR cannot accept this recommendation because it will not be able to fully implement it, given how the Institute is funded. While UNITAR is already setting up the general funds budget for executive management, functional supports, institutional operating expenses and other direct operating expenses in the enterprise resource planning system, in accordance with the UNITAR business model, which is entirely project-based, there is no assessed budget, no appropriation and no allocation of funds at the institutional level. In the absence of an assessed budget, UNITAR does not withdraw any funds from any existing budget. The UNITAR Board of Trustees approves the projected budget, which is prepared on the basis of signed agreements and project proposals that are expected to materialize. Funds are raised directly by the programme managers, who are entirely responsible for fundraising in their programme units. The allocation of funds is made at the project level, in accordance with the project budget agreed with the donor and is reflected in the agreement. Managers cannot spend more than what they are able to fundraise. Furthermore, to	The Board maintains that the manner of managing and appropriating the programme budgets approved by the Board of Trustees is not aligned with IPSAS 24 or the Financial Regulations and Rules of the United Nations, considering that the appropriations should be available for commitments during the budget period. It is also concerned that the programme budget allocations adopted by the Board of Trustees and not appropriated in Quantum may affect UNITAR oversight and effective monitoring and control over the global programme budget appropriations, ceilings and commitments, and restrict the role and the purpose of the programme budget adopted by the Board of Trustees, as well as the usefulness of this managerial tool in strategic decision-making. Therefore, this recommendation is considered not implemented.			X	

No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management's response*	*Board's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
				mitigate the risks inherent in its business model, the UNITAR ledger has been changed to be cash-controlled rather than allocation-controlled. UNITAR is using open budget periods to increase efficiencies and reduce the need for massive budget revisions between the budget period and the year end.					
8.	2022	A/78/5/Add.5, chap. II, para. 60	The Board recommends that UNITAR analyse the programme budget variances and the variables from which these originate, thus improving the formulation budgetary process.	Budget variances were already studied and discussed to improve the preparation of the 2024–2025 biennium budget. Instructions were sent by the Executive Director to the programme managers.	The review of the documents provided by UNITAR for the preparation of the 2024–2025 biennium budget showed that those documents were not an actual analysis of the programme budget variances and the underlying issues from which those variances originated. Instead, they are regarded as part of the regular process of budget formulation for the upcoming biennium. Furthermore, the provided documents lacked several and relevant components of an analysis, such as identification of trends, findings, conclusions or explicit indications on how to improve significant variances. In addition, and in alignment with the report of the Advisory Committee on Advisory and Budgetary Questions report on UNITAR for the biennium 2024–2025, the Board concurs with the Committee's assessment that it is crucial for UNITAR to enhance its budget assumptions. Consequently, this recommendation remains under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	*Status after verification* Implemented	Under implementation	Not implemented	Overtaken by events
9.	2022	A/78/5/Add.5, chap. II, para. 72	The Board recommends that UNITAR undertake an evaluation of learning-related programming, with a view to better understanding factors driving completion and action that can be taken to further improve overall certificate of completion rates in the future.	The evaluation was initiated in the fourth quarter of 2023, with the terms of reference and data collection discussed with the Evaluation Advisory Board and consulted with management. Feedback on the draft report was received, and a briefing on the results was conducted on 12 March 2024. Lastly the evaluation of learning-related event certifications was finalized and issued on 22 March 2024.	The Board reviewed the evaluation provided by UNITAR and recognizes the extensive analysis carried out by the Institute in matters relating to better understanding of the factors driving completion and action that can be taken to further improve the overall certificate of completion. Therefore, the recommendation is considered implemented.	X			
10.	2022	A/78/5/Add.5, chap. II, para. 73	The Board recommends that UNITAR establish a realistic target for certificate of completion rates for 2023 based on work undertaken and measure performance with the aim of increasing rates in the future.	A presentation was made at the management meeting held on 31 August 2023. Following discussions, it was agreed that the key performance indicators' targets following the results of the evaluation would be set. Management submitted a briefing to the Board of Trustees at its sixty-fourth session, held in November 2023, and the Board of Trustees took note of the new key performance indicators, including certification rates. Following the presentation of the results of the evaluation on certificates of completion discussions, the Executive Director suggested 2024 targets for the indicators.	The Board has reviewed the information provided by UNITAR on the establishment of realistic target rates for certificates of completion and acknowledges that the Institute has established key performance indicators relating to certification completion rates after proper evaluation and discussions among relevant parties. Therefore, the Board considers this recommendation to be implemented.	X			
11.	2022	A/78/5/Add.5, chap. II, para. 88	The Board recommends that UNITAR undertake an analysis of all outcomes that could not be measured during the prior bienniums and have been included in the biennium 2022–2023 with the purpose of understanding the reasons for	UNITAR has undertaken an analysis of result areas (outcomes) that were not measured in the 2018–2019 and 2020–2021 bienniums. UNITAR notes that some outcome areas that were not measured in the biennium 2018–2019 were also	It was confirmed that UNITAR had performed an analysis of factors contributing to the non-measurement of results and, therefore, to the ensuing recommendations to enhance performance reporting exercises through its document on the	X			

No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management's response*	*Board's assessment*	*Status after verification: Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
			failure in its measurement and developing strategies to ensure its measurement by the end of 2023.	not measured in the biennium 2020–2021. Reasons for non-measurement include not having the means of verification for the outcome indicator identified at the time of the indicator specification, a lack of attention to monitoring outcomes at the programme and functional unit levels, and changes in the staffing of one unit that accounted for most non-measured outcomes in the 2020–2021 report. Management has already communicated the outcome measurement requirement for the end of the biennium 2022–2023 to ensure that the programme and functional units are prepared for this exercise.	analysis of unmeasured result areas in programme performance reporting, produced by the Planning, Performance Monitoring and Evaluation Unit. Thus, the Board considers this recommendation implemented.				
12.	2022	A/78/5/Add.5, chap. II, para. 89	The Board recommends that UNITAR ensure that all the outcomes established in its specific results components of the programme budget for the 2022–2023 biennium are measured.	During the third quarter of 2023, the programme and functional units were notified of the performance measurement policy requirement that UNITAR will implement for the present biennium cycle and the 2022–2023 performance report during the first half of 2024. The exercise is ongoing, and the report is scheduled for submission to the Board of Trustees at its November 2024 session. While the report is yet to be issued, most programme and functional units have completed their reporting exercises. However, some reporting is ongoing owing to competing priorities.	The exercise remains ongoing, and the final report is scheduled for submission to the Board of Trustees in November 2024. In addition, some reports have already been provided and others are under development owing to competing priorities. The Board concludes that efforts are needed to ensure that the outcomes established for the biennium 2022–2023 are to be measured. Therefore, the recommendation is considered under implementation.		X		

No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management's response*	*Board's assessment*	*Status after verification*: *Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
13.	2022	A/78/5/Add.5, chap. II, para. 100	The Board recommends that UNITAR resume as soon as possible the Finance and Budget Unit's review process as required by "grants-in" and "grants-out" policies.	The review of grants-in and grants-out agreements by the Finance and Budget Unit has been resumed with the appointment of the new Chief of Finance and Budget.	It was verified that UNITAR had resumed having the Finance and Budget Unit's review process of agreements be in accordance with the provisions outlined in the "grants-in" and "grants-out" policies. Therefore, this recommendation is considered implemented.	X			
14.	2022	A/78/5/Add.5, chap. II, para. 101	The Board recommends that UNITAR develop a formal succession plan, with the aim of smoothing transition or minimizing disruptions in case of the unexpected departure of staff.	UNITAR will work on developing and implementing a succession strategy at the institutional level by the third quarter of 2024.	Given that no action nor progress has been observed regarding the development of a formal succession plan, the Board considers this recommendation not implemented.			X	
15.	2022	A/78/5/Add.5, chap. II, para. 113	The Board recommends that UNITAR develop, including but not limited to the $200,000 threshold, clear definitions and comprehensive guidance on when an assurance activity should be applied over the expenditure reported by the implementing partners, as well as establish specific criteria on when activities are to be performed internally or externally and clear guidelines for its staff to correctly perform the assurance activities when applicable.	UNITAR initiated work to develop clear definitions, guidance and criteria on assurance activities, taking into consideration the particularities of UNITAR grants to implementing partners and its headquarters-based organizational structures, as well as to utilize best practices from the other United Nations organizations. The results of this work were discussed with management and then presented to the Board of Trustees, which endorsed it.	On the basis of the Board's review, it was confirmed that UNITAR had formally developed specific guidance on assurance activities, which provides clear definitions and specific criteria on when activities are to be performed and when these should be applied over the expenditure reported by the implementing partners. Therefore, this recommendation is considered implemented.	X			
16.	2022	A/78/5/Add.5, chap. II, para. 114	The Board recommends that UNITAR define a schedule for assurance activities that allows implementing partners to be revised within a reasonable time frame.	The guidelines on assurance activities for grants awarded to implementing partners foresee a schedule for assurance activities by the end of the first quarter.	It was noted that UNITAR had already included in its guidelines the provisions for the annual assurance plan. In line with this, it also defined and made available to all UNITAR staff a schedule for assurance workplan through the Partnerships and Grants Oversight Unit´s intranet.	X			

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
					Furthermore, the Board confirmed that a timeline had been clearly defined and that the first assurance activities were either in progress or had been carried out. Therefore, this recommendation is considered implemented.				
17.	2022	A/78/5/Add.5, chap. II, para. 129	The Board recommends that UNITAR establish a control mechanism to ensure that the nature and duration of the temporary appointments are in line with the provisions of administrative circular AC/UNITAR/2022/10.	The UNITAR Division for Operations has reinforced its control mechanism to comply with the provisions of administrative circular AC/UNITAR/2022/10. Programme managers and division directors have had their awareness raised on the importance of complying with the policy document.	The Board's review confirmed that UNITAR had taken measures to improve management of the duration of temporary appointments, situations that, in 2023, were in line with the provisions of administrative circular AC/UNITAR/2022/10. Therefore, this recommendation is considered implemented.	X			
18.	2022	A/78/5/Add.5, chap. II, para. 130	The Board recommends that UNITAR assess the root cause of the high percentage of exceptional extensions granted and take the necessary steps to reduce them.	The UNITAR Division for Operations analysed the root cause of the high percentage of exceptions and, on the basis of its analysis, took action to reduce the number of exceptions in 2023.	From the review of all the staff under temporary appointments, it was verified that UNITAR had had made improvements by reducing the high percentage of exceptional extensions granted to staff under temporary appointments during 2023. Thus, this recommendation is considered implemented.	X			
19.	2022	A/78/5/Add.5, chap. II, para. 142	The Board recommends that UNITAR review the design of the telecommuting authorization and recording process and establish effective controls in order to enable its monitoring.	The UNITAR Division of Operations plans to develop an information technology solution that would allow for the processing, recording, controlling and monitoring of requests and approvals for flexible working arrangements, including telecommuting authorization.	Given that the enhancements to telecommuting authorization and recording process would be addressed by a new information technology solution that UNITAR intends to develop in the future, in addition to the evidence that the Institute provided to support those statements, discussions and plans, this recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
20.	2022	A/78/5/Add.5, chap. II, para. 143	The Board recommends that UNITAR review and update the current flexible working arrangements – work/life balance policy, taking special consideration to the gap between the practice at the Institute and the absence of guidance on duty stations.	The policy document has been drafted and circulated to UNITAR managers for consultation. Implementation is targeted for the first quarter of 2024.	The Board acknowledges UNITAR efforts in establishing a new administrative circular on flexible working arrangements. However, it is worth noting that this policy remains in draft stage and that internal conversations are necessary to generate agreements between stakeholders to improve and finalize it. In addition, it has been noted that UNITAR plans to implement a new information technology solution from the Division of Operations to control flexible working arrangements. This solution will enable the processing, recording and monitoring of requests and approvals for flexible working arrangements, which will need to be aligned with this new policy. Therefore, this recommendation is considered under implementation.		X		
21.	2022	A/78/5/Add.5, chap. II, para. 154	The Board recommends that UNITAR update its "Gender mainstreaming, gender equality and the empowerment of women policy" and include specific targets and margin of gender parity in its analysis, which aims at accomplishing the United Nations system-wide strategy on gender parity.	The policy on gender mainstreaming, gender equality and the empowerment of women policy (AC/UNITAR/2016/09) has been updated and the new gender policy (AC/UNITAR/2024/01) has been issued.	The Board reviewed the updated policy on gender mainstreaming, gender equality and the empowerment of women (for the period 2024–2028), verifying the incorporation of specific targets and action that UNITAR should follow to achieve the objectives and systematically integrate internationally agreed development objectives into the Institute's priorities, programmes and functions. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
22.	2022	A/78/5/Add.5, chap. II, para. 166	The Board recommends that UNITAR comply with fee criteria under the current International Training Centre for Authorities and Leaders policy when entering into partnership agreements with International Training Centre for Authorities and Leaders centres or update and formalize the regulations if specific fee criteria should be established.	UNITAR has updated the existing administrative circular that was first issued in 2015. In the amendment, host organizations of the International Training Centres for Authorities and Leaders located in the least developed countries, landlocked developing countries and small island developing States are exempted from paying an annual affiliation fee to UNITAR.	It has been confirmed that the relevant updated circular issued by UNITAR includes specific fee criteria for International Training Centres for Authorities and Leaders. In addition, the Board, upon reviewing all agreements between UNITAR and International Training Centres for Authorities and Leaders, verified that they all adhered to the criteria outlined in the new policy. Consequently, the recommendation is considered implemented.	X			
23.	2022	A/78/5/Add.5, chap. II, para. 167	The Board recommends that UNITAR recognize the affiliation fee revenue in the correct period and collect from each International Training Centre for Authorities and Leaders the annual affiliation fee and evaluate actions to be taken over outstanding fees.	As from 2023, International Training Centres for Authorities and Leaders affiliation fees have been recognized, in line with IPSAS criteria, once the agreement is signed. The review and monitoring of outstanding fees are included in the Finance and Budget Unit's workplan for 2023.	While UNITAR has committed itself to recognizing the affiliation fees of the International Training Centres for Authorities and Leaders, in accordance with IPSAS criteria, and to monitoring the fees pending collection, the current review brought to light inconsistencies in revenue recognition and the collection of outstanding fees for 2023. Therefore, the recommendation is considered not implemented.			X	
24.	2022	A/78/5/Add.5, chap. II, para. 168	The Board recommends that UNITAR remain within the limits of its responsibilities, not allocating funds to activities of the training centres.	UNITAR would like to point out that the cases identified were unique and approved in special circumstances, adding that, during 2023, UNITAR did not subsidize any International Training Centres for Authorities and Leaders.	The review confirmed that all new International Training Centres for Authorities and Leaders institutions engaging with UNITAR during 2023 had established financial agreements without UNITAR allocating any funds for the establishment or activities of those training centres. Consequently, the recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
25.	2022	A/78/5/Add.5, chap. II, para. 169	The Board recommends that UNITAR always maintain duly signed and valid agreements with the host institution at all International Training Centre for Authorities and Leaders centres.	UNITAR confirms that all agreements with the International Training Centres for Authorities and Leaders were duly signed and validated by all host institutions.	The Board reviewed and confirmed that, in 2023, UNITAR held valid and duly signed agreements with all International Training Centres for Authorities and Leaders engaged with the Institute. Consequently, the recommendation is considered implemented.	X			
26.	2022	A/78/5/Add.5, chap. II, para. 177	The Board recommends that UNITAR review, update and complete all data associated with non-expendable property in the UNITAR inventory tool.	UNITAR will update and complete data associated with non-expendable property purchased after 2018 in the inventory tool, in accordance with the existing delegation of authority given to managers for creating, maintaining and updating property and inventory control records. For items purchased before 2018, UNITAR has determined that it is not feasible to provide missing information owing to the unavailability of supporting documents for old items. UNITAR will also review fields required in the inventory tool to ensure adequate accountability and efficiency in creating and monitoring inventory records.	Through the Board's analysis of the inventory tool and the inspection of the supporting documentation sent by the Institute, it was confirmed that UNITAR had carried out a regularization process of the current information by making corrections to previous findings and conducted an inventory exercise during 2023. However, 10 pieces of equipment are pending verification, in addition to 9 items that could not be located, resulting in them not being able to undergo the verification process. Therefore, this recommendation is considered under implementation.		X		
27.	2022	A/78/5/Add.5, chap. II, para. 178	The Board recommends that UNITAR take measures to ensure proper recording and data updates in the inventory tool and implement them to control and monitor the process for property management.	UNITAR took action to record and update data in the inventory tool and use the data to control and monitor the process for property management by the end of 2023.	The Board acknowledges the progress made by UNITAR in implementing this recommendation, through various activities aimed at improving the monitoring and control processes of the inventory of information technology equipment belonging to UNITAR.		X		

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
					However, on the basis of the facts and background information collected, it was noted that those activities had not been sufficient to maintain an updated inventory of the equipment in the designated tool for that purpose, given that there remained equipment that required verification and some that could not be found. Therefore, this recommendation remains under implementation.				
	Total number of recommendations				**27**	**14**	**9**	**4**	**–**
	Percentage of the total number of recommendations				**100**	**52**	**33**	**15**	**–**

Chapter III
Certification of the financial statements

Letter dated 31 March 2024 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 2023 have been prepared in accordance with financial regulation 6.1 of the Financial Regulations and Rules of the United Nations.

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

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

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

Chapter IV
Financial report for the year ended 31 December 2023

A. Introduction

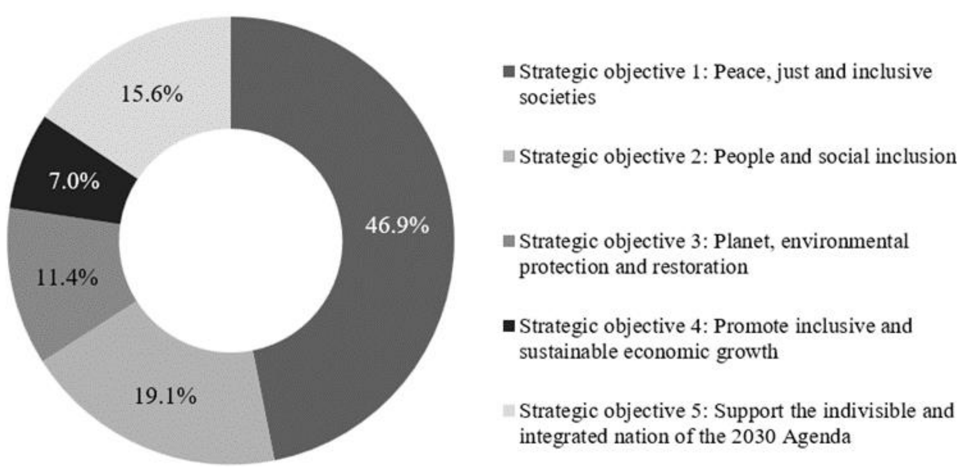
1. The Executive Director has the honour to submit the financial report on the financial statements of the United Nations Institute for Training and Research (UNITAR) for the year ended 31 December 2023.

2. The present report is designed to be read in conjunction with the financial statements for UNITAR for the year ended 31 December 2023. The report provides an overview of the position and performance of UNITAR, highlighting trends and significant movements. The annex to the present report provides supplementary information that is required to be reported to the Board of Auditors under the Financial Regulations and Rules of the United Nations.

3. UNITAR is a dedicated training arm of the United Nations. With the aim of strengthening the effectiveness of the United Nations, the mission of UNITAR is to develop the individual, institutional and organizational capacities of countries and other United Nations stakeholders through high-quality learning solutions and related knowledge products and services to enhance decision-making and to support country-level action for overcoming global challenges. The strategic framework organizes the Institute's programming under the peace, people, planet and prosperity pillars of the 2030 Agenda for Sustainable Development, in addition to one that reflects cross-fertilization of knowledge, incorporating strategic implementation of the 2030 Agenda and satellite imagery analysis for evidence-based decision-making, as well as multilateral diplomacy.

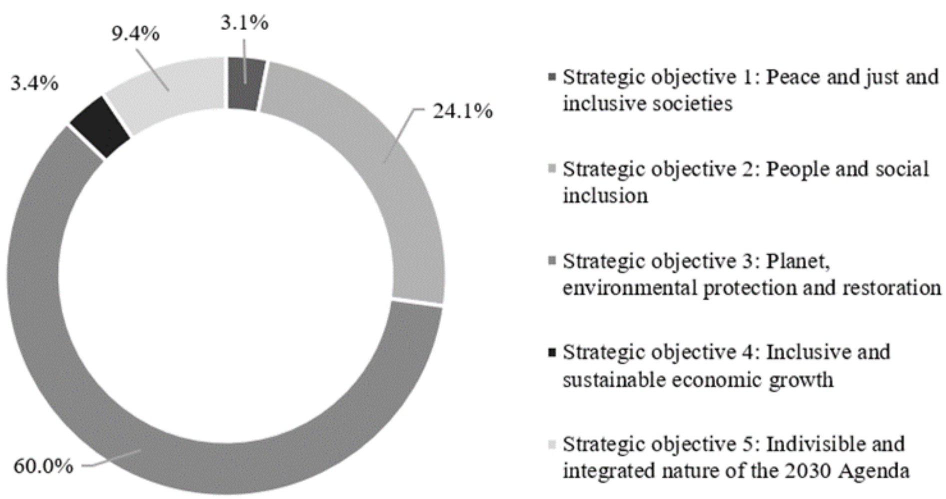
4. While the UNITAR revised programme budget for the biennium 2022–2023 contributes to 13 of the 17 Sustainable Development Goals, most results areas are aligned to Goals 16 (peace, justice and strong institutions), 8 (decent work and economic growth) and 12 (sustainable consumption and production patterns). The proportion of the 2023 budget corresponding to each of the five strategic objectives is shown in figure IV.I.

Figure IV.I
2023 programme budget by strategic objective



5. During 2023, UNITAR made progress towards the achievement of its objectives through the provision of training, learning and knowledge-sharing services to 544,785 beneficiaries (representing an increase of 39.2 per cent from the 2022 figure of 391,339) and the highest number of total beneficiaries in the Institute's history.[4] As shown in figure IV.II, 87.2 per cent of beneficiaries were associated with programming related to the people and planet strategic objectives (objectives 1 to 3). A total of 73.6 per cent of UNITAR beneficiaries took part in events with specific learning outcomes in 2023. The number of such beneficiaries increased by 44.2 per cent, from 278,017 in 2022 to 400,985 in 2023. This increase is attributable mainly to the continued delivery of the introductory e-learning course on climate change and climate-related specialized courses, administered in partnership with agencies of the One United Nations Climate Change Learning Partnership.

Figure IV.II
Beneficiaries by strategic objective/pillar



6. The 2023 outputs were produced with a revised budget of $43.408 million (2022: $39.904 million) and actual expenditure of $48.550 million (2022: $41.937 million) on a budget basis and the delivery of 1,473 events (2022: 1,383 events). In 2023, UNITAR maintained in large part, the male-female gender ratio from 2021 and 2022, with a male-to-female gender ratio of learning beneficiaries of 45:54 (with 1.3 per cent indicating "other"[5]) (2022: 43:55 and 2.1 per cent "other"[2]).

7. UNITAR serves a broad-based group of constituencies, with 11.3 per cent (2022: 6.4 per cent) of its learning-related beneficiaries coming from government; 57.1 per cent (2022: 53.9 per cent) from non-State sectors, including non-governmental organizations (NGOs), academia and businesses; 4.8 per cent (2022: 2.8 per cent) from the United Nations and other international organizations; and 26.8 per cent (2022: 36.9 per cent) from other sectors.

8. UNITAR uses a strong partnership strategy to deliver high-quality training, combining the substantive expertise of United Nations entities and other institutions with its own expertise in programming, instructional design and adult learning. Some 91.7 per cent of beneficiaries participated in learning-related events in partnership. Partners have included organizations as diverse as other United Nations entities,

[4] Beneficiary statistics are reported on the basis of participation in UNITAR events and do not represent unique beneficiaries.
[5] Other may be non-binary or not specified.

regional organizations, national training institutes, foundations, universities, NGOs and the private sector.

B. Overview of the financial statements for the year ended 31 December 2023

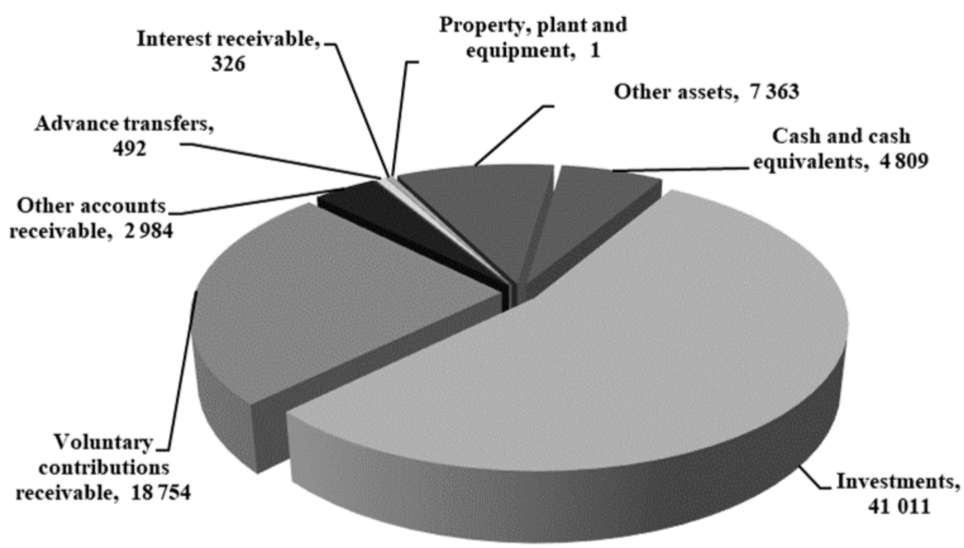
9. Financial statements I, II, III, IV and V show the financial results of the activities of UNITAR and its financial position as at 31 December 2023. The notes to the financial statements explain the Institute's accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

Financial position

Assets

10. UNITAR reports a decrease in total assets of ($1.179) million as at 31 December 2023 from $76.919 million reported as at 31 December 2022, to the current $75.740 million. Figure IV.III sets out the structure of the Institute's assets as at 31 December 2023.

Figure IV.III
Total assets as at 31 December 2023
(Thousands of United States dollars)



11. As shown in figure IV.III, the Institute's assets comprised mainly investments reported at $41.011 million, or 54.1 per cent (2022: $40.924 million, or 53.2 per cent), voluntary contributions receivable from donors of $18.754 million, or 24.8 per cent (2022: $18.280 million, or 23.8 per cent), and cash and cash equivalents totalling $4.809 million, or 6.3 per cent (2022: $9.516 million, or 12.4 per cent). The remainder comprised 14.8 per cent (2022: 10.6 per cent) as advances transferred to implementing partners of $0.492 million (2022: $0.361 million), other accounts receivable of $2.984 million (2022: $1.417 million), interest receivable of $0.326 million (2022: $0.187 million), other assets of $7.363 million (2022: $6.233 million) and property, plant and equipment of $0.001 million (2022: $0.001 million).

12. Cash and cash equivalents and investments as at 31 December 2023 were reported at $45.820 million (2022: $50.440 million), comprising $41.011 million (2022: $40.924 million) invested in short-term and long-term bonds, $4.809 million in cash and cash equivalents mostly in the money market funds (2022: $9.516 million). The overall cash, cash equivalents and investments balance represent a decrease of ($4.620) million (9.2 per cent) compared with the balance held at the end of 2022.

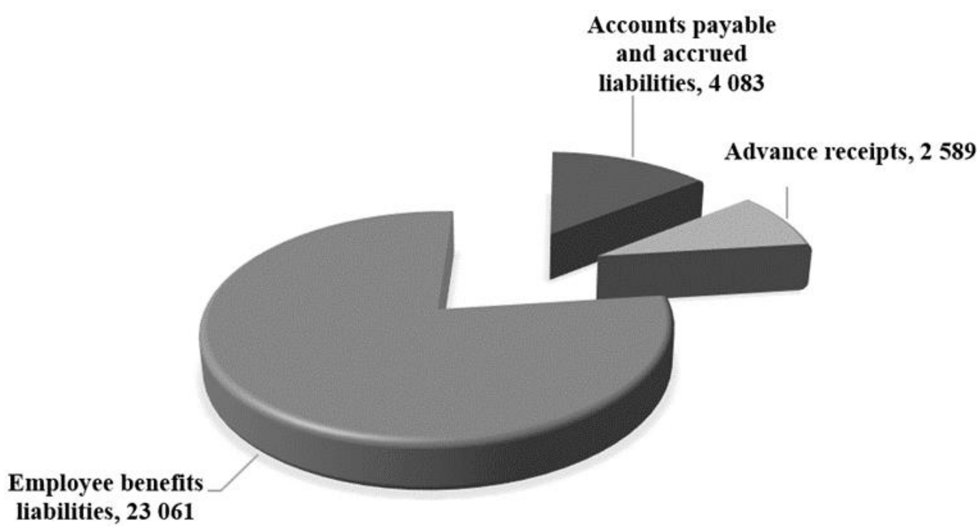
13. From the total voluntary and other accounts receivable value of $21.738 million as at 31 December 2023, $19.029 million is expected to be received in 2024 and the balance of $2.709 million is expected after 2024. The receivables above include $3.199 million that are subject to general stipulations in the agreements, but which did not meet the conditions that would require them to be specified under International Public Sector Accounting Standard (IPSAS) 23.

Liabilities

14. Liabilities as at 31 December 2023 totalled $29.733 million, compared with the balance of $21.966 million as at 31 December 2022.

15. Figure IV.IV sets out the structure of the Institute's liabilities as at 31 December 2023.

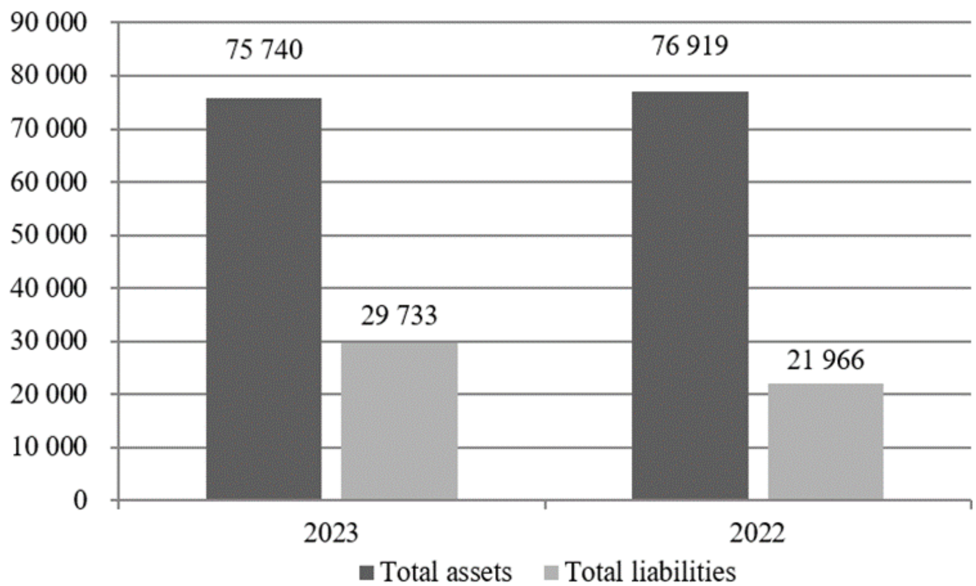
Figure IV.IV
Total liabilities as at 31 December 2023
(Thousands of United States dollars)



16. The main component of the Institute's liabilities was the employee benefits earned by staff members and retirees but not paid as at the reporting date; primarily, these were liabilities for after-service health insurance. Employee benefits liabilities accounted for $23.061 million, representing 77.6 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 $5.432 million from the $17.629 million reported in 2022 (80.3 per cent of total liabilities) was mainly the result of an actuarial loss of $4.336 million (2022: $5.505 million gain) that arose from losses due to changes in financial assumptions of $1.265 million and losses due to experience adjustments of $3.495 million, offset in part by gains due to changes in demographic assumptions amounting to $0.424 million.

17. Advance receipts amounted to $2.589 million (2022: $2.020 million). In addition, accounts payable and accrued liabilities stood at $4.083 million (2022: $2.308 million); this relates primarily to amounts payable to vendors (mainly for implementing partners and consultants) of $3.502 million, accruals for goods and services of $0.548 million and $0.033 million refunds to donors.

Figure IV.V
Movement in assets and liabilities as at 31 December 2023
(Thousands of United States dollars)



18. Figure IV.V shows a decrease of 1.5 per cent in the assets held, from $76.919 million reported for 2022 to $75.740 million reported for 2023, and an increase of 35.4 per cent in liabilities, from $21.966 million reported for 2022 to $29.733 million reported for 2023. The liability/asset ratio at the end of 2023 was 39.3 per cent, compared with 28.6 per cent reported for 2022.

Net assets

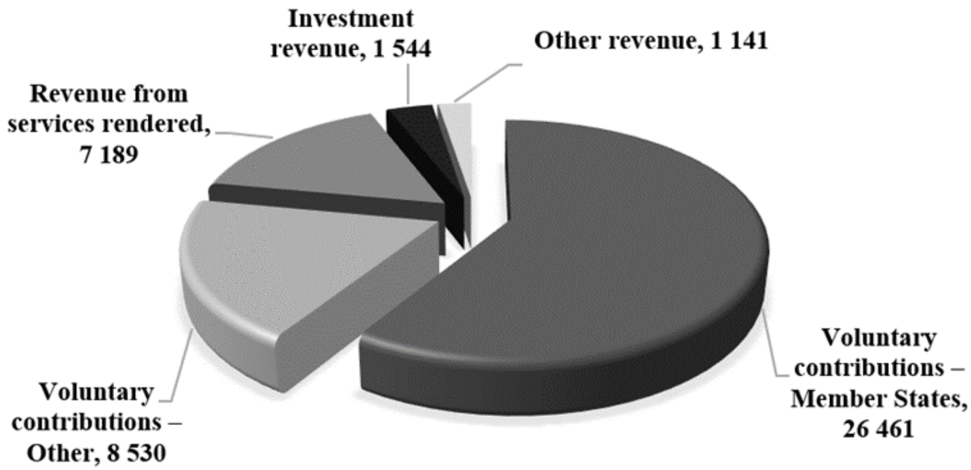
19. The movement in net assets during the year shows a decrease of $8.946 million from the net assets of $54.953 million at the end of 2022, reflecting an operating deficit of $4.610 million and an actuarial loss of $4.336 million.

Financial performance

Revenue

20. In 2023, total revenue amounted to $44.865 million and was structured as shown in figure IV.VI.

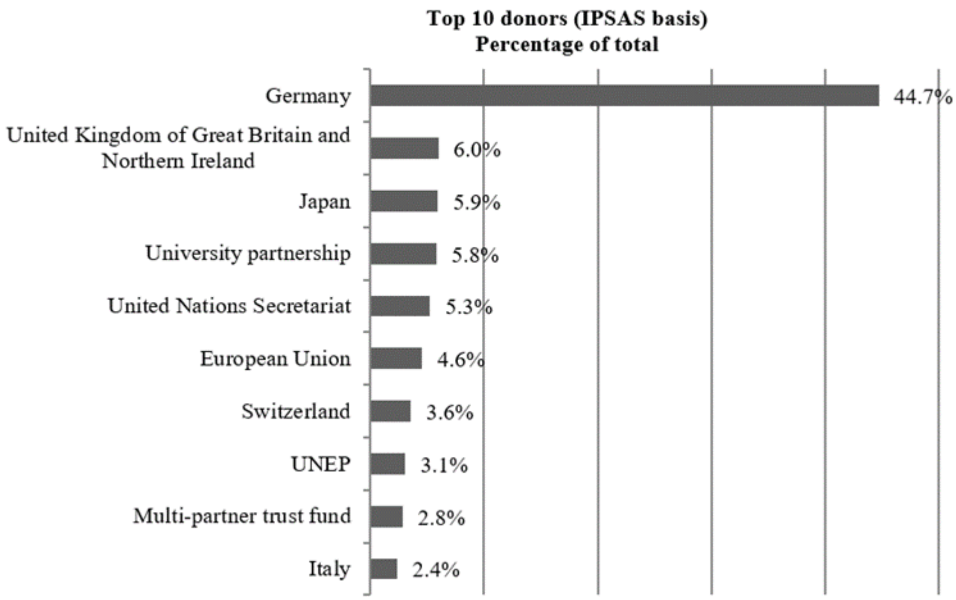
Figure IV.VI
Total revenue as at 31 December 2023
(Thousands of United States dollars)



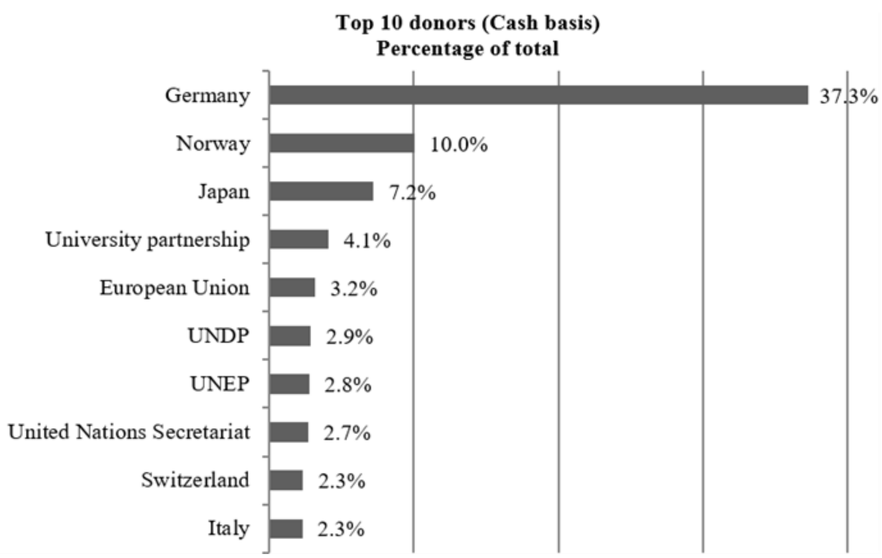
21. As shown in figure IV.VI, the main sources of revenue were: (a) voluntary contributions of $26.461 million received from Member States, or 59.0 per cent of total revenue (2022: $18.372 million, or 41.9 per cent); (b) other voluntary contributions from non-Member States of $8.530 million, or 19.0 per cent (2022: $15.877 million, or 36.2 per cent), comprising (i) voluntary contributions of $12.441 million received from donors other than Member States and (ii) contributions in kind of $3.221 million, and reduced by refunds of $7.132 million to donors other than Member States; and (c) revenue from services rendered of $7.189 million, or 16.0 per cent (2022: $9.066 million, or 20.7 per cent). In-kind contributions recorded consists of a rental subsidy of $0.481 million (2022: $0.452 million for the year (representing the difference between the market value and the actual amount paid for the rental of the buildings occupied by UNITAR) and the satellite images received from the Government of the United States of America valued at $2.740 million; The revenue for rendering services includes fees collected for a range of face-to-face and e-learning training courses, sales of satellite imagery analysis and affiliations fees. Investment revenue, which represented 3.4 per cent of total revenue, increased to $1.544 million from the $0.558 million reported in 2022. For 2023, under other revenue, UNITAR reported a net gain of $1.141 on foreign exchange transactions (2022: net loss of $0.269 million).

22. UNITAR relies heavily on a small number of donors; it was noted that the top 10 donors contributed 75 per cent of the total cash contributions from donors for the year. Figure IV.VII shows the top 10 donors on an IPSAS basis and cash basis. The contributions include revenue received for services rendered whose donors were also the beneficiaries of the services rendered.

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



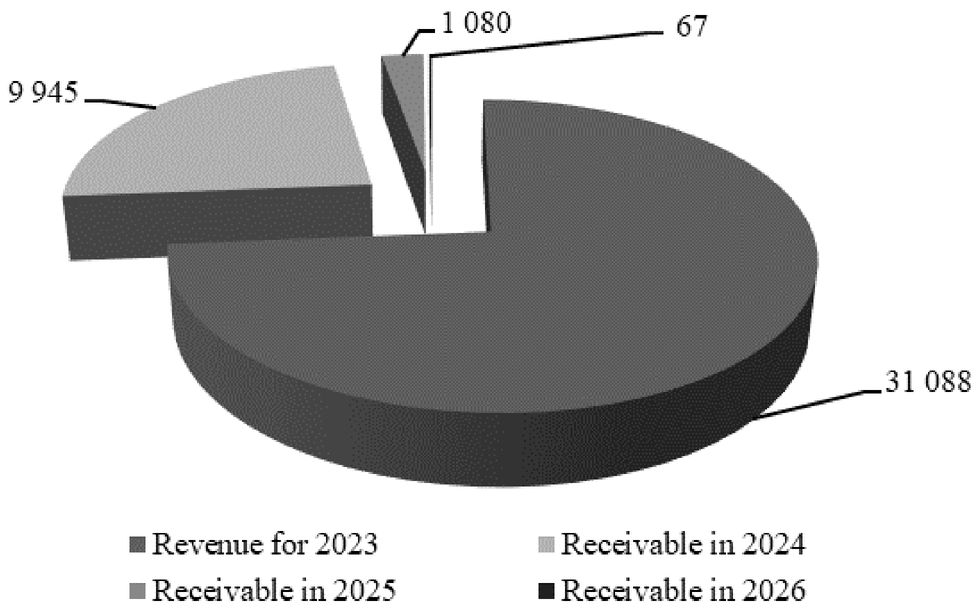
Abbreviation: UNEP, United Nations Environment Programme.



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

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

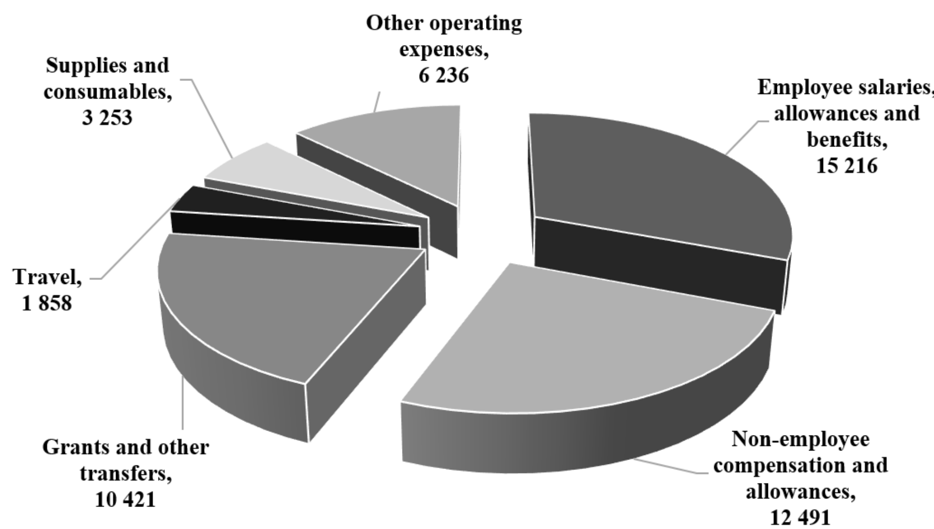
Figure IV.VIII
Voluntary contributions for 2023 showing current-year and future-year portions
(Thousands of United States dollars)



Expenses

24. For the year ended 31 December 2023, expenses totalled $49.475 million. The various categories of expenditure are shown in figure IV.IX.

Figure IV.IX
Total expenses as at 31 December 2023
(Thousands of United States dollars)



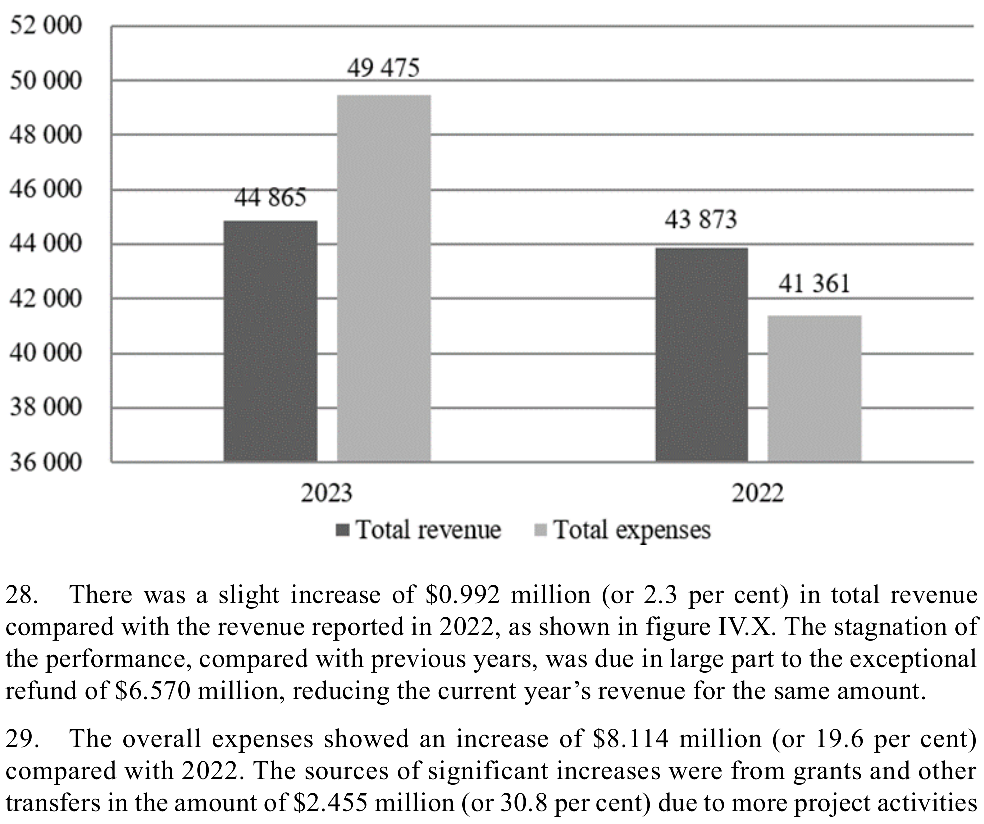
25. The total expenses for 2023 at $49.475 million represent an increase of 19.6 per cent over the total expense amount of $41.361 million reported in 2022 (see figure IV.X). The main expense categories were staff costs of $15.216 million, or 30.8 per cent (2022: $14.092 million, or 34.1 per cent), non-employee compensation and allowances of $12.491 million, or 25.2 per cent (2022: $11.326 million, or 27.4 per cent), grants and

other transfers of $10.421 million, or 21.1 per cent (2022: $7.966 million, or 19.3 per cent). Other operating expenses of $6.236 million (2022: $4.625 million), supplies and consumables of $3.253 million (2022: $2.258 million) and travel of $1.858 million (2022: $1.092 million) make up the remaining 22.9 per cent of total expenses (2022: 19.2 per cent).

26. Other operating costs exclude $3.442 million in programme support costs, as well as $5.246 million in direct service costs generated by the implementation of project activities. As set by the UNITAR Board of Trustees, all special purpose grants income is assessed at an aggregate rate of 18 or 13 per cent, depending on expected expenditure structure, to provide for programme support costs and direct service costs generated by the implementation of project activities. Programme support costs and direct service costs are included in the project expenses and constitute revenue for the operations/support services segment but are eliminated for financial statement reporting purposes. Details of the elimination are included in paragraphs 84 (note 3) and 96 (note 4) of the notes to the financial statements.

27. Total personnel costs, which include employee and non-employee compensation and allowances, amounted to $27.707 million (2022: $25.418 million). Total personnel costs represent 61.76 per cent of the total revenue, which was reported at $44.865 million for the year.

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



28. There was a slight increase of $0.992 million (or 2.3 per cent) in total revenue compared with the revenue reported in 2022, as shown in figure IV.X. The stagnation of the performance, compared with previous years, was due in large part to the exceptional refund of $6.570 million, reducing the current year's revenue for the same amount.

29. The overall expenses showed an increase of $8.114 million (or 19.6 per cent) compared with 2022. The sources of significant increases were from grants and other transfers in the amount of $2.455 million (or 30.8 per cent) due to more project activities implemented through partners compared with previous years; non-employee compensation and allowances in the amount of $1.165 million (or 10.3 per cent) due to an increased number of consultants and trainees employed in 2023; employee salaries in the amount of $1.124 million (8.0 per cent) due to increases in salary scales

and the fulfilment of vacant posts in 2023; the cost of travel in the amount of $0.766 million (or 70.2 per cent) due to increased travel for training- and fundraising-related activities in several regions; supplies and consumables in the amount of $0.995 million (or 44.1 per cent) due to the acquisition of operational satellite images for United Nations Satellite Centre-related activities; and other operating expenses in the amount of $1.611 million (or 34.8 per cent) due to growing activities relating to the provision of training services to beneficiaries.

Operating results

30. The net deficit in revenue over expense in 2023 is reported at $4.610 million compared with the surplus of $2.512 million in 2022. Fluctuations in operating results are also 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 when agreements are signed late in the financial year and span a multi-year period. For 2023, the deficit was due primarily to a reduction in voluntary contribution revenue as a result of the exceptional refund of $6.570 million.

Liquidity position

31. As at 31 December 2023, the liquidity position of UNITAR was healthy although a bit declined compared to 2022; UNITAR still had sufficient liquid assets to settle its obligations. Liquid funds showed a decrease of $2.033 million from the level of $45.228 million reported as at 31 December 2022 to $43.195 million in 2023. The total liquid funds comprise cash and cash equivalents of $4.809 million, or 11.1 per cent (2022: $9.516 million, or 21 per cent), short-term investments of $19.031 million, or 44.1 per cent (2022: $20.010 million, or 44.2 per cent), and accounts receivable of $16.052 million, or 37.2 per cent (2022: $14.098 million, or 31.2 per cent); and other accounts receivable and interest receivable of 3.303 million in 2023, or 7.6 per cent ($1.604 million in 2022, or 3.5 per cent). UNITAR invested its funds in short-term and long-term time deposits, bonds and other money market instruments and funds. Total current liabilities amounted to $7.580 million (2022: $5.080 million) and total liabilities amounted to $29.733 million (2022: $21.966 million).

32. The table below summarizes four key liquidity indicators for the financial year ended 31 December 2023 with comparatives for the year ended 31 December 2022.

	Year ended 31 December	
Liquidity indicator	*2023*	*2022*
Ratio of liquid assets to current liabilities	5.7:1	8.9:1
Ratio of liquid assets less accounts receivable to current liabilities	3.1:1	5.8:1
Ratio of liquid assets to total assets	0.57:1	0.59:1
Average months of liquid assets less accounts receivable on hand	5.8	8.6

33. The ratio of liquid assets to current liabilities indicates the ability of UNITAR to pay its short-term obligations from its liquid resources. The ratio of 5.7:1 indicates that current liabilities are covered 5.7 times by liquid assets and, therefore, there are sufficient liquid assets available to pay in full current liabilities should the need arise. When accounts receivable are excluded from the analysis, the coverage of current obligations is at 3.1 for the current year, compared with 5.8 for the previous year.

34. As at 31 December 2023, the Institute's liquid assets were some 57.0 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 $4.123 million for 5.8 months, compared with 8.6 months at the end of 2022.

35. As at the reporting date, UNITAR had employee benefits liabilities of $23.061 million, of which $22.617 million relates to defined benefit liabilities. With total cash and cash equivalents and investments of $45.820 million, the employee benefits liability is covered by 198.7 per cent. Furthermore, 35.1 per cent of the defined benefit liability is funded by $7.935 million included in cash and cash equivalents and investments.

C. Future outlook

36. In November 2023, at its sixty-fourth session, the UNITAR Board of Trustees adopted the revised programme budget for the biennium 2024–2025 of $89.571 million, following a discussion on the state of UNITAR, including opportunities and challenges faced during 2023, as well as a review of the full costs of staffing, other personnel, operational support and institutional costs for 2024–2025. The UNITAR budget for 2024–2025 is $6.259 million higher than the revised budget for the biennium 2022–2023 of $83.312 million, representing an increase of 7.5 per cent.

37. The Board of Trustees, in recognizing the Institute’s achievements since its establishment 60 years ago and present efforts to ensure close alignment with the 2030 Agenda, also reflected on the future and the need to continue to ensure close alignment with multilateral frameworks and processes, including the Sustainable Development Goals Summit and the Climate Ambition Summit of 2023 and the preparations for the 2024 Summit of the Future. The Board acknowledged that the 2022–2025 strategic framework was serving its purpose but emphasised that more effort needed to be given to meeting the needs of beneficiaries located in the distressed countries and that mobilizing support for flexible funding would be instrumental, given the earmarked character of UNITAR. The Board of Trustees, also reflecting on the future strategic planning exercise for the period covering 2026 to 2029, observed the importance of programmatic innovation and the opportunities, implications and risks for artificial intelligence and related technologies in the training and learning industry, as well as the need to continue to address the digital divide and associated capacity gaps in countries in special situations.

Chapter V

Financial statements for the year ended 31 December 2023

United Nations Institute for Training and Research

I. Statement of financial position as at 31 December 2023

(Thousands of United States dollars)

	Note	*31 December 2023*	*31 December 2022*
Assets			
Current assets			
Cash and cash equivalents	6	4 809	9 516
Investments	20	19 031	20 010
Voluntary contributions receivable	7	16 052	14 098
Other accounts receivable	8	2 977	1 417
Advance transfers	9	492	361
Interest receivable	8	326	187
Other assets	10	7 363	6 233
Total current assets		**51 050**	**51 822**
Non-current assets			
Investments	20	21 980	20 914
Voluntary contributions receivable	7	2 702	4 182
Other accounts receivable	8	7	–
Property, plant and equipment	11	1	1
Total non-current assets		**24 690**	**25 097**
Total assets		**75 740**	**76 919**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	12	4 083	2 308
Other liabilities	13	–	9
Advance receipts	14	2 589	2 020
Employee benefits liabilities	15	908	743
Total current liabilities		**7 580**	**5 080**
Non-current liabilities			
Employee benefits liabilities	15	22 153	16 886
Total non-current liabilities		**22 153**	**16 886**
Total liabilities		**29 733**	**21 966**
Net of total assets and total liabilities		**46 007**	**54 953**
Net assets			
Accumulated surpluses	16	46 007	54 953
Total net assets		**46 007**	**54 953**

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 2023

(Thousands of United States dollars)

	Note	*2023*	*2022*
Revenue			
Voluntary contributions – Member States	17	26 461	18 372
Voluntary contributions – other	17	8 530	15 877
Revenue from services rendered	18	7 189	9 066
Investment revenue	20	1 544	558
Other revenue	21	1 141	–
Total revenue		**44 865**	**43 873**
Expenses			
Employee salaries, allowances and benefits	19	15 216	14 092
Non-employee compensation and allowances	19	12 491	11 326
Grants and other transfers	19	10 421	7 966
Travel	19	1 858	1 092
Supplies and consumables	19	3 253	2 258
Depreciation	11	–	2
Other operating expenses	19	6 236	4 625
Total expenses		**49 475**	**41 361**
(Deficit)/surplus for the year		**(4 610)**	**2 512**

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 2023

(Thousands of United States dollars)

Net assets as at 1 January 2022	**46 936**
Change in net assets	
Actuarial gain on employee benefits liabilities (note 15)	5 505
Surplus for the year	2 512
Total changes in net assets	**8 017**
Net assets as at 31 December 2022	**54 953**
Change in net assets	
Actuarial loss on employee benefits liabilities (note 15)	(4 336)
Deficit for the year	(4 610)
Total changes in net assets	**(8 946)**
Net assets as at 31 December 2023	**46 007**

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 2023

(Thousands of United States dollars)

	Note	*2023*	*2022*
Cash flows from operating activities			
Surplus for the year		(4 610)	2 512
Non-cash movements			
Depreciation	11	–	2
Amortization of premiums/discount on investments	20	219	65
Actuarial (losses)/gains	15	(4 336)	5 505
Changes in assets			
(Increase)/decrease in voluntary contributions receivable	7	(474)	5 944
(Increase)/decrease in other receivables	8	(1 567)	(116)
(Increase)/decrease in interest receivables	8	(139)	(77)
(Increase)/decrease in advance transfers	9	(131)	(183)
(Increase)/decrease in other assets	10	(1 130)	(2 527)
Changes in liabilities			
Increase/(decrease) in other accounts payable and accrued liabilities	12	1 775	(577)
Increase/(decrease) in transfers payable	13	(9)	9
Increase/(decrease) in advance receipts	14	569	341
Increase/(decrease) in employee benefits liabilities	15	5 432	(4 655)
Investment revenue presented as investing activities	20	(1 544)	(558)
Net cash flows (used in)/from operating activities		**(5 945)**	**5 685**
Cash flows from investing activities			
Purchases of investments	20	(26 250)	(25 665)
Proceeds from investments	20	25 944	26 023
Investment revenue presented as investing activities	20	1 544	558
Net cash flows from investing activities		**1 238**	**916**
Net (decrease)/increase in cash and cash equivalents		**(4 707)**	**6 601**
Cash and cash equivalents – beginning of year	6	9 516	2 915
Cash and cash equivalents – end of year	**6**	**4 809**	**9 516**

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 2023

(Thousands of United States dollars)

	Publicly available budget[a]						
	Original biennial	*Revised biennial*	*Original annual*	*Final annual*	*Actual annual revenue and expenditure (budget basis)*	*Difference between original and final budget (percentage)*	*Difference between final budget and actual revenue/ expenditure (percentage)*[b]
Income							
Programme contributions	73 580	86 002	35 650	44 351	37 846	24.4	(14.7)
Non-earmarked							
Voluntary contributions	450	450	225	225	358	–	59.2
Other/miscellaneous income	–	–	–	–	1 405	–	>100
Total income	**74 030**	**86 452**	**35 875**	**44 576**	**39 609**	**24.3**	**(11.1)**
Expenditure							
Office of Executive Director	5 077	5 447	2 571	3 160	2 680	22.9	(15.2)
Operations/support services	7 081	7 275	3 529	3 842	3 367	8.9	(12.4)
Programmes	60 338	70 590	29 233	36 406	42 503	24.5	16.7
Total expenditure	**72 496**	**83 312**	**35 333**	**43 408**	**48 550**	**22.9**	**11.8**
Net total	**1 534**	**3 140**	**542**	**1 168**	**(8 941)**	**–**	**–**

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

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

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

United Nations Institute for Training and Research
Notes to the 2023 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 principal 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 peacebuilding, 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 specific 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. The United Nations is headquartered in New York and has major offices in Geneva, Vienna and Nairobi and peacekeeping and political missions, economic commissions, tribunals, training institutes and information and other centres around the world.

United Nations Institute for Training and Research

3. The present financial statements relate to the operations of 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.

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

5. 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.

6. UNITAR is headquartered in Geneva and its activities are supported by outposted offices in New York, Hiroshima, Japan, and Bonn, Germany, as well as a project office in Port Harcourt, Nigeria. In addition, the United Nations Satellite Centre rented two offices spaces: one in Nairobi (from the United Nations Office at Nairobi) during the period 2020–2023 and the other in Bangkok (from the Economic and Social Commission for Asia and the Pacific) during the same period; and (ii) the Peacekeeping Training Programme Unit has rented offices from UNDP in Addis Ababa, for one year and from the United Nations Office on Drugs and Crime in Abidjan, Côte d'Ivoire for an indefinite period.

Note 2
Basis of preparation and authorization for issue

Basis of preparation

7. 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 IPSAS. They have been prepared on a going-concern basis and the accounting policies have been applied consistently in their preparation and presentation. In accordance with the requirements of IPSAS, the financial statements, which present fairly the assets, liabilities, revenue and expenses of the Institute, consist of the following:

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

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

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

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

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

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

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

Going concern

8. 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 2024–2025, 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 operation of UNITAR.

Authorization for issue

9. 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 2023 to the Board of Auditors by 31 March 2024. In accordance with financial regulation 7.12, the reports of the Board of Auditors are to be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements.

Measurement basis

10. These financial statements are prepared using the historical-cost convention, except for financial assets recorded at amortized cost.

Functional and presentation currency

11. 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.

12. 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.

13. 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 net basis.

Materiality and use of judgment and estimation

14. 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.

15. 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 specific assets, liabilities, revenue and expenses.

16. 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.

Adoption of International Public Sector Accounting Standard 41

17. Effective 1 January 2023, the Institute adopted IPSAS 41: Financial instruments, which was issued in August 2018. It replaced IPSAS 29: Financial instruments: recognition and measurement, and substantially improves the relevance of information for financial assets and financial liabilities by introducing:

(a) Simplified classification and measurement requirements for financial assets;

(b) A forward-looking impairment model;

(c) A flexible hedge accounting model.

18. The changes from the initial adoption of the standard are effective on that date and therefore do not require the restatement of the prior-period amounts. As a result, the financial assets, financial liabilities, non-exchange and exchange receivables and investment revenue as at 31 December 2022 presented in these financial statements have been accounted for in accordance with the accounting policies as stated in the 2022 financial statements.

New classification and measurement principles for financial assets

19. IPSAS 41 introduces a principles-based approach to the classification of financial assets and requires the use of two criteria: the entity's model for managing its financial assets; and the contractual cash-flow characteristics of those assets. Depending on these criteria, financial assets are classified into the following categories: financial assets at amortized cost; financial assets at fair value through net assets/equity; and financial assets at fair value through surplus or deficit.

20. As from 1 January 2023, UNITAR investments are classified as financial assets measured at amortized cost under IPSAS 41.

New impairment model

21. Whereas the previous impairment model was based on incurred losses, IPSAS 41 has introduced a forward-looking impairment model based on expected credit losses over the lifetime of the financial asset. The expected credit loss takes into account possible default events and the evolution of the credit quality of the financial assets. The new impairment model applies to all financial assets measured at financial assets at amortized cost or at financial assets at fair value through net assets/equity.

22. The following table shows the original measurement categories under IPSAS 29 as applied to the 2022 financial statements and the new measurement categories under IPSAS 41 for the Institute's financial assets as at 1 January 2023. There were no changes in the measurement categories of the financial assets and liabilities of the Institute.

(Thousands of United States dollars)

	Measurement Category prior to the adoption of IPSAS 41	*Net carrying amount as at 31 December 2022*	*Measurement category under IPSAS 41*	*Net carrying amount as at 1 January 2023*
Financial assets				
Investments (note 20)	Amortized cost	40 924	Amortized cost	40 924
Cash and cash equivalents (note 6)	Amortized cost	9 516	Amortized cost	9 516
Voluntary contributions receivable (note 7)	Amortized cost	18 280	Amortized cost	18 280
Other accounts receivable (note 8)	Amortized cost	1 604	Amortized cost	1 604

23. The transition to IPSAS 41 has no impact on the Institute's financial assets and receivables. The carrying amounts from their previous category under IPSAS 29 as applied to 2022 financial statements remain unchanged upon the transition to IPSAS 41 on 1 January 2023.

Future accounting pronouncements

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

(a) Exposure draft 85: Improvements to IPSAS, 2023, proposes minor improvements to accrual basis IPSAS that arise through publications of the International Accounting Standards Board;

(b) Natural resources: The IPSAS Board approved exposure draft 86: Exploration for and evaluation of mineral resources, which provides the accounting guidance relating to the costs incurred in the exploration and evaluation of mineral resources, and exposure draft87: Stripping costs in the production phase of a surface mine (amendments to IPSAS 12: Inventories), which provides guidance on how to account for costs incurred to remove waste material in a surface mining operation. The IPSAS Board agreed on revised recognition criteria and initial measurement proposals, consistent with the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and IPSAS for tangible assets;

(c) Public sector leasing issues: The IPSAS Board will continue consideration of public sector-specific leasing issues, such as concessionary leases, in its other lease-type arrangements project. The IPSAS Board decided to develop and then expose stand-alone exposure draft with non-authoritative guidance on the remaining arrangements included in the Request for information, concessionary and other arrangements similar to leases. The new exposure draft will complement exposure draft 84: Concessionary leases and right-of-use assets in kind, and proposes to update the most recent IPSAS on revenue and transfer expenses on this topic;

(d) The IPSAS Board reviewed the objectives, scope and conceptual foundations for the development of the draft climate-related disclosures standard for the public sector. The IPSAS Board emphasized the public sector specificities, including its main objective of delivering services, its role as a policy setter and regulator, and its responsibilities at various levels of government;

(e) The IPSAS Board agreed on a consultation paper on the presentation of financial statements that would explore an approach allowing various presentation approaches in IPSAS. The provision of these presentation approaches was supported on the basis of the increased flexibility that it would provide to public sector entities to provide a presentational approach more useful to the entities' specific users.

Recent and future requirements of the International Public Sector Accounting Standards

25. The IPSAS Board issued the following standards:

(a) IPSAS 43: Leases, issued in January 2023 and effective 1 January 2025;

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

(c) IPSAS 45: Property, plant and equipment, issued in May 2023 and effective 1 January 2025;

(d) IPSAS 46: Measurement, issued in May 2023 and effective 1 January 2025;

(e) IPSAS 47: Revenue, issued in May 2023 and effective 1 January 2026;

(f) IPSAS 48: Transfer expenses, issued in May 2023 and effective 1 January 2026;

(g) IPSAS 49: Retirement benefit plans, approved in September 2023 and effective 1 January 2026.

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

Standard	*Anticipated impact in the year of adoption*
IPSAS 43	IPSAS 43: Leases, replaced IPSAS 13: Leases aligning guidance with the International Financial Reporting Standard 16. The newly issued standard introduces new contract and leases definitions and prescribes a right-of-use recognition and measurement model for all leases apart from those meeting short term and low value exemption categories. IPSAS 43 also provides additional guidance on application of the risks and rewards model for lessor accounting. Adoption of the standard is mandatory for the Institute's financial year ending 31 December 2025. The impact of IPSAS 43 will continue to be assessed over the 2024 calendar years prior to the 1 January 2025 effective date. The broadened leases definition will be estimated to result in recognition of more binding arrangements as leases with a corresponding increase in lease liabilities and right-of-use assets.
IPSAS 44	IPSAS 44: Non-current assets held for sale and discontinued operations, promulgates accounting for assets held for sale and the presentation and disclosure requirements of discontinued operations, in alignment with International Financial Reporting Standard 5. Adoption of the standard is mandatory for the UNITAR financial year ending 31 December 2025. The impact of IPSAS 44 will be assessed to prepare the Institute for its implementation prior to the 1 January 2025 effective date. Given the definitions and scope of non-current assets held for sale, the recognition and measurement impacts are, on a preliminary basis, estimated as not significant for the Institute as the presentation and disclosure changes will depend on the identification of discontinued operations, if any, in the future starting on 1 January 2025.
IPSAS 45	IPSAS 45: Property, plant and equipment, replaces IPSAS 17: Property, plant and equipment. IPSAS 45 removes the scope exclusion for heritage property, plant and equipment, provides application and implementation guidance on infrastructure assets and captures property, plant and equipment-related measurement impacts from IPSAS 46. The impact of IPSAS 45 will be assessed prior to the 1 January 2025 effective date.

Standard	*Anticipated impact in the year of adoption*
IPSAS 46	IPSAS 46: Measurement is the IPSAS Board's first measurement-dedicated standard that draws upon International Financial Reporting Standard 13: Fair value measurement, with the addition of public sector-specific elements, including the current operational value measurement basis. The impact of IPSAS 46 will be assessed prior to the 1 January 2025 effective date. The adoption of IPSAS 46 is not expected to change the Institute's accounting policy choice to apply the historical cost model to tangible and intangible assets.
IPSAS 47	IPSAS 47: Revenue, replaces the three existing revenue standards: (a) IPSAS 9: Revenue from exchange transactions; (b) IPSAS 11: Construction contracts; (c) IPSAS 23: Revenue from non-exchange transactions (taxes and transfers). IPSAS 47 aligns to the IPSAS Board's Conceptual Framework and presents two accounting models based on the existence of a binding arrangement. Where a binding arrangement exists, revenue accounting is aligned with International Financial Reporting Standard 15: Revenue from contracts with customers. Otherwise, the accounting model is consistent with the core principles of IPSAS 23. Adoption of the standard is mandatory for the financial reporting for the year ending 31 December 2026. The impact of IPSAS 47 will be assessed prior to the 1 January 2026 effective date of the standard.
IPSAS 48	IPSAS 48: Transfer expenses provides guidance on accounting for transfer expenses. The transfer expense model aligns with the Conceptual Framework and presents two accounting models based on the existence of a binding arrangement. Adoption of the standard is mandatory for the financial year ending 31 December 2026. The impact of IPSAS 48 will be assessed prior to the 1 January 2026 effective date of the standard.
IPSAS 49	IPSAS 49: Retirement benefit plans, aligns to International Accounting Standard 26: Accounting and reporting by retirement benefit plans, and prescribes the accounting and reporting requirements for public sector retirement benefit plans, which provide retirement benefits to public sector employees and other eligible participants. A retirement benefit plan that prepares and presents financial statements under the accrual basis of accounting shall apply IPSAS 49. The standard does not deal with other forms of employment benefits such as employment termination benefit or health and welfare plans. Adoption of the standard is mandatory for the financial year ending 31 December 2026. The detailed impact of IPSAS 49 will be assessed prior to the 1 January 2026 effective date of the standard.

Note 3
Significant accounting policies

Financial assets measurement and classification

27. The classification of financial assets depends primarily on the purpose for which the financial assets are acquired. The Institute classifies its financial assets in one of the categories shown below at initial recognition and re-evaluates the classification at each reporting date. Note 2 describes a change in classification due to adoption of IPSAS 41 effective 1 January 2023.

Classification	*Financial assets*
Amortized cost	Investments: time deposit, non-callable bonds
Amortized cost	Cash and cash equivalents and receivables (non-exchange and exchange)

28. Financial assets with maturities in excess of 12 months as 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 as at the reporting date, with net gains or losses recognized in surplus or deficit in the statement of financial performance.

Amortized cost investments

29. These are non-derivative financial assets that have fixed or determinable payments and that UNITAR has a positive intention and ability to hold to collect cash flows.

30. UNITAR investments are recorded initially at fair value plus transaction costs and subsequently recognized at amortized cost calculated using the effective interest method.

31. UNITAR investments are subject to an expected credit loss for the reporting period. The investments portfolio at its book value have been assessed for any expected credit loss on the basis of published 2022 default rates from S&P, potential future economic growth impact and other statistical measures. UNITAR decided not to recognize expected credit loss upon the initial adoption of IPSAS 41 on 1 January 2023 owing to the immateriality of the net expected credit loss, estimated at $0.021 million.

Cash and cash equivalents

32. 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 – voluntary contributions receivable

33. “Voluntary 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, less impairment for estimated irrecoverable amounts (i.e., the loss allowance). Voluntary contributions receivable that will mature in more than 12 months are reported at a discounted value calculated using the effective interest method. Voluntary contributions receivable, trade receivables and other receivables are subject to impairment using the expected credit loss model applicable to the donor or customer type.

34. Voluntary contributions receivable have distinct characteristics, compared with conventional receivables classified as financial assets. These distinctions include:

(a) Variability in amounts: Owing to their voluntary nature, the amounts associated with voluntary contributions receivable can vary, given that they may fluctuate on the basis of future funding requirements for project implementation and the intentions of donors;

(b) Flexible due date: Due dates for voluntary contributions receivable are highly adaptable and subject to adjustment in alignment with the progress of the related project implementation.

35. The inherent variability of the pledged amounts and the flexibility of due dates pose substantial challenges in formulating a reasonable estimation of loss allowance for voluntary contributions receivable. The historical amount of write-off instances over the aggregate value of voluntary contributions receivable is insignificant. The Institute has therefore assessed loss allowance on voluntary contribution on a case-by-case basis, thereby creating a 100 per cent loss allowance for delinquent receivables that are identified as uncollectible.

Receivables from exchange transactions – other receivables

36. 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.

37. Other receivables are categorized by customer type with homogeneous characteristics, for example, with same debt settlement patterns. The evolution of the outstanding balances is assessed over a period of years to determine the historical transition rate. The transition rate will be reassessed at the end of each reporting period and applied to the exposure balance to determine the loss allowance. The Institute has analysed the historical collection of this category of receivables and concluded that the occurrence of write-off is insignificant. The Institute has assessed loss allowance on other receivables on a case-by-case basis, thereby creating a 100 per cent loss allowance for delinquent receivables that are identified as uncollectible.

Advance transfers

38. Advance transfers relate to cash transferred to executing agencies/implementing partners. Advances issued to executing agencies/implementing partners are initially recognized as assets; expenses are recognized when goods are delivered, or services are rendered by the executing agencies/implementing partners and confirmed by receipt of certified expense reports, as applicable. In instances where the partner has not provided financial reports as expected, programme managers make an informed assessment as to whether an accrual is needed. Balances due for a refund are transferred to other receivables and, where necessary, are subject to a loss allowance. Transfers up to $30,000 qualify to be considered as transfers to end beneficiaries and are expensed at the time of issue.

Other assets

39. 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

40. 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

41. 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 attributable directly to bringing the asset to its location and condition, and the initial estimate of dismantling and site restoration costs.

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

43. 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.

44. 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

45. 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.

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

47. 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.

48. 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

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

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

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

51. 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

52. Financial liabilities are classified as "other financial liabilities". They include accounts payable, employee benefits payable, unspent funds held for future refunds, provisions and other liabilities such as inter-fund balances payable to other United Nations system reporting entities. Financial liabilities classified as other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities with a duration of less than 12 months are recognized at their nominal value. UNITAR re-evaluates the classification of financial liabilities at each reporting date and derecognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired. The adoption of IPSAs 41 has no impact on the classification and measurement of UNITAR financial liabilities.

Accounts payable and accrued liabilities

53. 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 as at the reporting date. Payables are recognized and subsequently measured at their nominal value, given that they are, in general, due within 12 months.

Advance receipts and other liabilities

54. 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: Institute as a lessee

55. 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.

56. 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

57. 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.

58. 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.

59. 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

60. 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

61. 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.

62. 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. Given that 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

63. 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

64. The following benefits are accounted for as defined benefit plans: after-service health insurance, repatriation benefits (post-employment benefits) and accumulated annual leave that is commuted to cash upon separation from the Institute (other long-term benefits). Defined benefit plans are those where the obligation of UNITAR is to provide agreed benefits and UNITAR therefore bears the actuarial risks. The liability for defined benefit plans is measured at the present value of the defined benefit obligation. Changes in the liability for defined benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The Institute has chosen to recognize changes in the liability for defined benefit plans from actuarial gains and losses directly through the statement of changes in net assets. As at 31 December 2023, UNITAR did not hold any plan assets as defined by IPSAS 39: Employee benefits.

65. 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.

66. **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 specific 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.

67. **Repatriation benefits**. Upon end of service, staff who meet specific 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.

68. **Accumulated annual leave**. The liabilities for annual leave represent unused accumulated leave days that are projected to be settled by means of a monetary payment to employees upon their separation from the Institute. UNITAR recognizes as a liability the actuarial value of the total accumulated unused leave days of all staff members, up to a maximum of 60 days (18 days for temporary staff) as at the date of the statement of financial position. The methodology applies a last-in-first-out assumption in the determination of the annual leave liabilities whereby staff members access current-period leave entitlements before they access accumulated annual leave balances relating to prior periods. Effectively, the accumulated annual leave benefit is accessed more than 12 months after the end of the reporting period in which the benefit arose, and overall, there is an increase in the level of accumulated annual leave days, pointing to the commutation of accumulated annual leave to a cash settlement at end of service as the true liability of the Institute. The accumulated annual leave benefit reflecting the outflow of economic resources from the Institute at end of service is therefore classified

as "other long-term benefit". It should be noted that the portion of the accumulated annual leave benefit that is expected to be settled by means of monetary payment within 12 months after the reporting date is classified as a current liability. In line with IPSAS 39: Employee benefits, other long-term benefits must be valued similarly as post-employment benefits; UNITAR therefore values its accumulated annual leave benefit liability as a defined benefit plan that is actuarially valued.

Pension plan: United Nations Joint Staff Pension Fund

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

70. The Pension Fund 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. Therefore, 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

71. 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

72. 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".

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

Provisions

74. 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 as

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

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

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

Contingent assets

77. Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of UNITAR. Contingent assets are disclosed in the notes when it is more likely than not that economic benefits will flow to the Institute.

78. Voluntary pledges and other promised donations that are not supported by binding agreements that include offer and acceptance conditions or that are supported by agreements that have not yet been formalized by acceptance are considered contingent assets, provided that the receipt is measurable and probable within the subsequent financial period.

Commitments

79. 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

80. Voluntary contributions and other transfers that 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. Revenue will be recognized up front for all conditional arrangements up to the threshold of $50,000.

81. The full amounts relating to unconditional multi-year voluntary contribution agreements, pledges and other promised donations are recognized as revenue when the arrangement becomes binding, except for the Junior Professional Officers

Programme and fundraising activities conducted by another party, such as contributions from the United Nations Foundation to the United Nations Fund for International Partnerships. In the case of the Junior Professional Officers Programme, revenue is recognized in the period that the Junior Professional Officer provides service and, in the case of United Nations Foundation contributions to United Nations Fund for International Partnerships, the revenue is recognized when a cash disbursement authorization is received. Unused funds returned to the donors are netted against voluntary contributions.

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

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

84. 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

85. 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. As a practical expedient, operationally, revenue may be billed in advance, with service provision following shortly thereafter.

Investment revenue

86. 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

87. 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.

88. 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.

89. Grants and other transfers include outright grants and transfers to implementing agencies, partners and other entities. For outright grants, an expense is recognized at the point at which the Institute has a binding obligation to pay.

90. Supplies and consumables relate to expenditure incurred for office supplies and consumables.

91. Other operating expenses include acquisition of goods and intangible assets below capitalization thresholds, maintenance, utilities, contracted services, training, security services, shared services, rent, insurance and loss allowance. Other expenses relate to hospitality and official functions, foreign exchange losses, donation/transfer of assets and losses on disposal of property, plant and equipment.

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

Note 4
Segment reporting

93. 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.

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

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

(b) Programming is organized under four thematic divisions and three cross-cutting divisions: (i) Peace (comprising the Peacemaking and Conflict Prevention Programme Unit, and the Peacekeeping Training Programme Unit); (ii) People (comprising the Social Development Programme Unit and the Nigeria Project Office in Port Harcourt, Nigeria); (iii) Planet (comprising the Green Development and Climate Change Programme Unit, the Chemicals and Waste Management Programme Unit and the Sustainable Cycles Programme); (iv) Prosperity (comprising the Public Finance and Trade Programme Unit and the Hiroshima Office); (v) Multilateral Diplomacy (comprising the Multilateral Diplomacy Programme Unit and the New York Office); (vi) Satellite Analysis and Applied Research (comprising the United Nations Satellite Centre and the Strategic Implementation of the 2030 Agenda Unit); and (vii) the Non-communicable Disease, Digital Health and Capacity-building Programme Unit;

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

95. Inter-segment transactions include internal programme support cost charges and direct implementation support fees between programmes and operations/support costs in line with paragraph 87 in note 3 above. Inter-segment transactions are priced at cost recovery under normal operating policies and are eliminated for the purposes of segment reporting preparation.

96. Eliminations comprise inter-fund allocations between various segments that are eliminated upon consolidation of funds of UNITAR, that is, the financial reporting entity. Among eliminated values are programme support cost charges and direct support costs between programmes and operational support, which includes the Office of the Executive Director. Current-year eliminations comprise programme support costs of $3.442 million and direct service cost of $5.246 million.

Statement of financial performance by segment as at 31 December 2023

(Thousands of United States dollars)

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Eliminations*	*Total*
Segment revenue					
Voluntary contributions	213	34 778	–	–	34 991
Revenue from services rendered[a]	3 429	7 158	5 290	(8 688)	7 189
Investment revenue	600	–	944	–	1 544
Other revenue	(2)	1 157	(14)	–	1 141
Total revenue	**4 240**	**43 093**	**6 220**	**(8 688)**	**44 865**
Segment expenses					
Employee salaries, allowances and benefits	2 108	11 120	1 988	–	15 216
Non-employee compensation and allowances	175	11 852	464	–	12 491
Grants and other transfers	–	10 421	–	–	10 421
Travel	104	1 746	8	–	1 858
Supplies and consumables	6	3 211	36	–	3 253
Other operating expenses	171	13 663	1 090	(8 688)	6 236
Total segment expense	**2 564**	**52 013**	**3 586**	**(8 688)**	**49 475**
Surplus/(deficit) for the year	**1 676**	**(8 920)**	**2 634**	**–**	**(4 610)**

[a] For 2023, $0.530 million in programme support costs recovery is shown under the operations and support segment, to cover the indirect costs of the Institute.

Statement of financial performance by segment as at 31 December 2022

(Thousands of United States dollars)

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

[a] (Restated). For 2022, $0.797 million in programme support costs recovery is shown under the operations and support segment, to cover the indirect costs of the Institute.

Statement of financial position by segment as at 31 December 2023

(Thousands of United States dollars)

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Total*
Assets				
Current assets				
Cash and cash equivalents	–	4 809	–	4 809
Investments	6 038	–	12 993	19 031
Voluntary contributions receivable	145	15 907	–	16 052
Other accounts receivable	–	2 977	–	2 977
Advance transfers	–	492	–	492
Interest receivable	104	–	222	326
Other assets	9	7 334	20	7 363
Total current assets	**6 296**	**31 519**	**13 235**	**51 050**
Non-current assets				
Investments	6 973	–	15 007	21 980
Voluntary contributions receivable	–	2 702	–	2 702
Other contributions receivable	–	7	–	7
Property, plant and equipment	1	–	–	1
Total non-current assets	**6 974**	**2 709**	**15 007**	**24 690**
Total assets	**13 270**	**34 228**	**28 242**	**75 740**

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Total*
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	7	3 698	378	4 083
Advance receipts	–	2 589	–	2 589
Employee benefits liabilities	130	663	115	908
Total current liabilities	**137**	**6 950**	**493**	**7 580**
Non-current liabilities				
Employee benefits liabilities	3 164	16 189	2 800	22 153
Total non-current liabilities	**3 164**	**16 189**	**2 800**	**22 153**
Total liabilities	**3 301**	**23 139**	**3 293**	**29 733**
Net of total assets and total liabilities	**9 969**	**11 089**	**24 949**	**46 007**
Net assets				
Accumulated surplus	9 969	11 089	24 949	46 007
Total net assets	**9 969**	**11 089**	**24 949**	**46 007**

Statement of financial position by segment as at 31 December 2022

(Thousands of United States dollars)

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Total*
Assets				
Current assets				
Cash and cash equivalents	–	9 515	1	9 516
Investments	6 294	–	13 716	20 010
Voluntary contributions receivable	300	13 798	–	14 098
Other accounts receivable	–	1 417	–	1 417
Advance transfers	–	361	–	361
Interest receivable	59	–	128	187
Other assets	1	6 198	34	6 233
Total current assets	**6 654**	**31 289**	**13 879**	**51 822**
Non-current assets				
Investments	6 578	–	14 336	20 914
Voluntary contributions receivable	–	4 182	–	4 182
Property, plant and equipment	1	–	–	1
Total non-current assets	**6 579**	**4 182**	**14 336**	**25 097**
Total assets	**13 233**	**35 471**	**28 215**	**76 919**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	(28)	2 162	174	2 308
Other liabilities	–	9	–	9

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Total*
Advance receipts	–	2 020	–	2 020
Employee benefits liabilities	109	551	83	743
Total current liabilities	**81**	**4 742**	**257**	**5 080**
Non-current liabilities				
Employee benefits liabilities	2 471	12 523	1 892	16 886
Total non-current liabilities	**2 471**	**12 523**	**1 892**	**16 886**
Total liabilities	**2 552**	**17 265**	**2 149**	**21 966**
Net of total assets and total liabilities	**10 681**	**18 206**	**26 066**	**54 953**
Net assets				
Accumulated surplus	10 681	18 206	26 066	54 953
Total net assets	**10 681**	**18 206**	**26 066**	**54 953**

Note 5
Comparison to budget

97. 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.

98. The final budget is the revised programme budget for a biennium as adopted 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.

99. 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.

100. 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 expenditure on a modified cash basis that are deemed to be greater than 10 per cent, are given below.

Budget area	*Explanation of material differences*
Revenue	
Programme contributions	The negative deviation of 14.7 per cent is due to an exceptional one-time refund to a donor and cancellation of voluntary contributions receivable for the strategic framework and from another donor.
Voluntary contributions	The positive deviation of 59.2 per cent is due to additional voluntary contributions received from countries such as Japan and Türkiye. In addition, Switzerland has provided additional contributions towards activities relating to the sixtieth anniversary of UNITAR.

Budget area	*Explanation of material differences*
Other/miscellaneous income	The final budget did not include the investment revenue as part of a conservative approach to forecasting investment markets. Actual revenue reflects investment revenue at an average annual yield of 3.08 per cent.
Expenses	
Office of the Executive Director	The majority of downward expenses by 15.2 per cent reflects postponement of the budgeted recruitments of staff posts in the Division for Strategic Planning and Performance. In addition, budget items relating to output verification-, assurance- and programme-related audit activities did not materialize in 2023.
Operations/support services	The majority of downward expenses by 12.4 per cent reflects postponement of the budgeted recruitments of staff posts in the Finance and Budget, Human Resources and Procurement Units. Some posts were filled only in late 2023 and some remain vacant.
Programmes	The positive deviation of 16.7 per cent is, in general, due to an increase in activities resulting from non-budgeted additional funding received in 2023. Additional funding was received, notably by the Peace Division and the United Nations Satellite Centre.

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

101. 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 as follows:

Reconciliation of actual amounts on a comparable basis to the statement of cash flows: 2023

(Thousands of United States dollars)

	Operating	*Investing*	*Total*
Actual amount on a comparable basis (statement V)	**(48 550)**	**–**	**(48 550)**
Basis differences	(2 260)	–	(2 260)
Presentation differences	44 865	1 238	46 103
Net cash flows in the statement of cash flows (statement IV)	**(5 945)**	**1 238**	**(4 707)**

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

(Thousands of United States dollars)

	Operating	*Investing*	*Total*
Actual amount on a comparable basis (statement V)[a]	**(41 586)**	**–**	**(41 586)**
Basis differences[a]	3 398	–	3 398
Presentation differences[a]	43 873	916	44 789
Net cash flows in the statement of cash flows (statement IV)	**5 685**	**916**	**6 601**

[a] Restated to clarify and align the methodology of calculating the basis and presentation difference.

(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 impact of receipts and disbursements and the latter presents actual expenditure. Revenue and expenses that do not form part of the statement of comparison of budget and actual amounts are presentation differences. Other presentation differences are that the amounts included in the statement of comparison of budget and actual amounts are not segregated into operating, investing and financing activities;

(c) Timing differences occur when the budget period differs from the financial reporting period reflected in the financial statements. UNITAR has no timing differences in 2023;

(d) Entity differences represent cash flows to/from fund groups or agencies that do not relate to UNITAR but are reported in the financial statements or the UNITAR budget. There were no entity differences in 2023.

102. The following table reconciles the actual expenditure 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 expenditure in statement V to IPSAS expenses in statement II

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Budget expenditure as set out in statement V	48 550	41 586[a]
Adjustments		
Elimination of unliquidated obligations	(3 671)	(3 715)
Accruals of expenses	548	442
After-service health insurance expenses	999	1 085
Expenses for contributions in kind	3 221	2 150
Depreciation of property, plant and equipment	–	2
Deferred expenditure	(172)	(189)[a]
Total IPSAS expenses as set out in statement II	**49 475**	**41 361**

[a] Restated to correct a typographical error.

Note 6
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Cash held in UNITAR bank accounts	(14)	1 316
Money market funds	4 822	8 198
Petty cash and project cash	1	2
Total cash and cash equivalents	**4 809**	**9 516**

103. The Institute holds short-term time deposits reflected in the money market funds shown in the table above.

Note 7
Voluntary contributions receivable: non-exchange transactions

(Thousands of United States dollars)

	31 December 2023			*31 December 2022*		
	Current	*Non-current*	*Total*	*Current*	*Non-current*	*Total*
Voluntary contributions	16 052	2 702	18 754	14 118	4 182	18 300
Loss allowance for voluntary contributions receivable	–	–	–	20	–	20
Total voluntary contributions receivable	**16 052**	**2 702**	**18 754**	**14 098**	**4 182**	**18 280**

104. The large voluntary contributions receivable balance relates to a few high-value multi-year donor agreements with contributions balances receivable during the period from 2023 to 2026. A case-by-case analysis of all non-exchange revenue agreements was undertaken against the criteria of IPSAS 23. The receivables above include $3.199 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.

105. A detailed case-by-case review of the voluntary contributions receivable was undertaken at the end of 2023.

106. In accordance with IPSAS 41, the non-current receivables amounting to $2.702 million have been discounted with a net impact of $0.197 million to the revenue recorded. The discounting rates used are from the Federal Reserve (Treasury constant maturities) as at 31 December 2023: 4.23, 4.01, 3.84, 3.88 and 3.88 per cent for years 2, 3, 5, 7 and 10, respectively.

Note 8
Other accounts receivable: exchange transactions

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Exchange		
Receivables from non-governmental entities	1 473	469
Receivables from other United Nations Secretariat reporting entities	1 289	671
Receivables from government entities/public entities	222	277
Subtotal	**2 984**	**1 417**
Interest receivable	326	187
Total other accounts receivable	**3 310**	**1 604**

Note 9
Advance transfers

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Implementing partners/executing agencies	492	361
Total advance transfers	**492**	**361**

Note 10
Other assets

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Vendors	1	3
Staff members	56	48
Prepayments	173	189
Advances to the United Nations Development Programme	7 133	5 993
Total other assets	**7 363**	**6 233**

107. 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: 2023

(Thousands of United States dollars)

	Information and communications technology	*Total*
Cost as at 1 January 2023	**11**	**11**
Disposals	–	–
Cost as at 31 December 2023	**11**	**11**
Accumulated depreciation as at 1 January 2023	**10**	**10**
Disposals	–	–
Depreciation for the year	–	–
Accumulated depreciation as at 31 December 2023	**10**	**10**
Net carrying amount		
1 January 2023	1	1
31 December 2023	**1**	**1**

Property, plant and equipment: 2022

(Thousands of United States dollars)

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

108. During 2023, a write-back amount of $0.0011 million was recorded on fully depreciated assets but remains in use.

Note 12
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Payables to vendors	3 502	1 720
Payables to university partnerships	–	9
Accruals for goods and services	548	435
Other	33	144
Total accounts payable and accrued liabilities	**4 083**	**2 308**

Note 13
Other liabilities

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Unapplied deposits	–	9
Total other liabilities	**–**	**9**

Note 14
Advance receipts

(Thousands of United States dollars)

	31 December 2023	31 December 2022
Payments received in advance	2 589	2 020
Total advance receipts	**2 589**	**2 020**

Note 15
Employee benefits liabilities

(Thousands of United States dollars)

	31 December 2023			31 December 2022		
	Current	*Non-current*	*Total*	*Current*	*Non-current*	*Total*
After-service health insurance	95	19 655	19 750	101	14 906	15 007
Repatriation benefits	247	1 504	1 751	148	1 101	1 249
Annual leave	122	994	1 116	78	879	957
Subtotal, defined benefit liabilities	**464**	**22 153**	**22 617**	**327**	**16 886**	**17 213**
Home leave	277	–	277	271	–	271
Appendix D/workers' compensation	167	–	167	145	–	145
Total employee benefits liabilities	**908**	**22 153**	**23 061**	**743**	**16 886**	**17 629**

Employee benefits accounted for on a defined benefit basis

109. 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. A full actuarial valuation was conducted as at 31 December 2023, while actuarially valued balances as at 31 December 2022 represent a roll-forward of the December 2021 valuation results. The cumulative amount of actuarial gains and losses recognized in net assets is a net loss of $4.336 million (2022: net gain of $5.505 million) owing mainly to the introduction of a mix of discount rates, in 2023, resulting in a decrease in the rates, and the impact of new active entrants, a change in census data and other experience adjustments, offset in part by the slight decrease in the health-care trend rates, currency fluctuations and changes in demographic assumptions.

110. The after-service health insurance programme is funded on a pay-as-you-go basis as medical benefits are accessed by retirees, with increasing cost attributable notably to, changing demographics, improved life expectancy and increased cost of health care services. To address the growing costs of health insurance, the Institute has over the years adopted cost containment initiatives while ensuring that participants continue to have access to appropriate insurance coverage to meet their health-care needs. Health insurance costs are controlled by the manner in which the plans are structured and through ongoing reviews of plan provisions and benefits offered. To manage the inherent risks relating to funding, the Institute accrues monthly from payroll into a reserve to fund the liabilities associated with the

Institute's health insurance obligations. This accrual is in addition to the amounts set aside from the investment revenue.

Actuarial valuation: main assumptions

111. 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 main actuarial assumptions used to determine the employee benefit obligations as at 31 December 2023 are shown below.

(Percentage)

Actuarial assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates, 31 December 2023	2.02	4.92	4.93
Discount rates, 31 December 2022	1.99	5.20	5.12

112. The yield curves used in the calculation of the discount rates in respect of the United States dollar, the euro and the Swiss franc are those developed by Aon Hewitt, a human capital and management consulting firm, in line with the decision of the Task Force on Accounting Standards to harmonize actuarial assumptions across the United Nations system.

113. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The per capita claims cost assumption at 65 years of age is $0.006 million (2022: $0.007 million). The health-care cost trend rate assumption reflects the current short-term expectations of the after-service health insurance plan cost increases and the economic environment.

114. Medical cost trend assumptions used for the valuation as at 31 December 2023 were updated to include escalation rates for future years. As at 31 December 2023, those escalation rates were a flat health-care yearly escalation rate of 8.00 per cent (2022: 4.25 per cent) for Swiss medical plans, grading down to 2.35 per cent over four years (2022: 2.55 per cent over six years).

115. Assumptions regarding future mortality are based on published statistics and mortality tables, pre-retirement mortality, as well as withdrawal and retirement assumptions consistent with those used by the United Nations Joint Staff Pension Fund in making its actuarial valuation. In line with the recommendations of the Task Force on Accounting Standards, the post-retirement mortality table applied for the December 2022 and December 2023 valuations is the weighted headcount mortality table provided by Buck, a firm which provides pensions and employee benefits consulting services.

Actuarial valuation: other assumptions

116. The currency distribution used for calculating the discount rate and health-care costs trend rates for the after-service health insurance plan in the 2023 year-end valuation is allocated as Swiss francs (75 per cent), euros (13 per cent) and dollars (12 per cent) (2022: Swiss francs, 100 per cent). The currency mix for the after-service health insurance plan was updated in 2023 to reflect the actual currency mix from payments over the recent years.

117. With regard to the valuation of repatriation benefits as at 31 December 2023, inflation in travel costs was assumed at 2.30 per cent (2022: 2.40 per cent), in line with the Task Force's guidance, which proposed the United States inflation assumption, which is a market-based inflation based on the Government of the United States consumer price index.

118. Annual leave balances were assumed to increase at the following annual rates during a staff member's projected years of service: 0 to 1 year, 8.1 days; 2 to 3 years, 4.1 days; 4 to 8 years, 1.9 days; 9 to 15 years, 1.0 day; 16 years and over, 0.4 days.

119. The estimated duration of the benefit plans as at 31 December 2023 is as follows:

Benefits plan	*Estimated duration (years)*
After-service health insurance	29
Repatriation grant	6
Annual leave	7

Movement in employee benefits liabilities accounted for as defined benefit plans: 31 December 2023

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
Net defined benefit liability as at 1 January 2023	**15 007**	**1 249**	**957**	**17 213**
Current service cost	720	44	55	819
Interest cost	298	65	47	410
Subtotal, costs recognized in the statement of financial performance	**1 018**	**109**	**102**	**1 229**
Actuarial (gains)/losses recognized directly in the statement of changes in net assets	3 807	393	136	4 336
Actual benefits paid	(82)	–	(79)	(161)
Net recognized liability as at 31 December 2023	**19 750**	**1 751**	**1 116**	**22 617**

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

(Thousands of United States dollars)

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

120. For the year 2023, actuarial loss of $4.336 million are credited directly to the net assets and an amount of $1.229 million towards the current-year service and interest costs is charged to the statement of financial performance. The benefits paid

are estimates of what would have been paid to separating staff and/or retirees during the year based on the pattern of rights acquisition under each scheme: after-service health insurance, repatriation and commutation of accrued annual leave.

Medical cost sensitivity analysis

121. The principal assumption in the valuation of the after-service health insurance is the rate at which medical costs are expected to increase in the future. The sensitivity analysis looks at the change in liability owing to changes in the medical cost rates while holding other assumptions constant, such as the discount rate. Should the medical cost trend assumption vary by 0.5 per cent, it would have an impact on 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 2023		*31 December 2022*	
	Increase	*Decrease*	*Increase*	*Decrease*
Effect on the defined benefit obligation	3 056	(2 581)	2 602	(2 178)
Effect on the aggregate of the current service cost and interest cost	304	(245)	254	(208)

Discount rate sensitivity to end-of-year liability

122. 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 has an impact on the discount rate assumption. Should the discount rate assumption vary by 0.5 per cent, its impact on the liabilities would be as shown below.

Discount rate sensitivity analysis: year-end employee benefits liabilities

(Thousands of United States dollars)

31 December 2023	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 0.5 per cent[a]	(2 643)	(51)	(37)
As a percentage of end-of-year liability	(13)	(3)	(3)
Decrease of discount rate by 0.5 per cent	3 174	55	40
As a percentage of end-of-year liability	16	3	4

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

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

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

123. Claims cost sensitivity analysis, at 65 years of age, is presented below.

Claims cost sensitivity analysis: year-end employee benefits liabilities

(Thousands of United States dollars)

Sensitivity to per capita claims at 65 years of age	*Defined benefit obligation as at 31 December 2023*	*Impact on central scenario's defined benefit obligation*
Central (2023 assumption)	19 750	–
2023 assumption +1%	19 945	195
2023 assumption -1%	19 554	(196)

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

124. Sensitivity analysis for changes in life expectancy is summarized below.

Sensitivity analysis for changes in life expectancy: year-end employee benefits liabilities

(Thousands of United States dollars)

Sensitivity to life expectancy	*Defined benefit obligation as at 31 December 2023*	*Impact on central scenario's defined benefit obligation*
Central (2023 assumption)	19 750	–
2023 assumption +1 year	20 849	1 099
2023 assumption -1 year	18 687	(1 063)

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

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

(Thousands of United States dollars)

Present value of the defined benefit obligations valued by actuaries	*2023*	*2022*	*2021*	*2020*	*2019*
After-service health insurance	19 750	15 007	18 899	17 724	16 313
Repatriation benefits	1 751	1 249	1 748	1 582	1 460
Annual leave	1 116	957	1 201	839	809
Total present value of defined benefit obligation	**22 617**	**17 213**	**21 848**	**20 145**	**18 582**

Funded liabilities

125. UNITAR has commenced funding plans for the defined benefit liabilities. The balance of liability funded as at 31 December 2023 is shown in the table below.

(Thousands of United States dollars)

	Funded	*Unfunded*	*Total liability as at 31 December 2023*	*Percentage funded*
After-service health insurance	5 068	14 682	19 750	25.7
Repatriation benefits	1 751	–	1 751	100.0
Annual leave	1 116	–	1 116	100.0
Total employee benefits liabilities under defined benefit plans	**7 935**	**14 682**	**22 617**	**35.1**

126. The funded amount of $7.935 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

127. 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.

128. 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.

129. It is stated in the Regulations of the Fund that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years. 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.

130. The financial obligation of UNITAR to the Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are payable only if and when the Assembly has invoked

the provision of article 26, following 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 that each paid during the three years preceding the valuation date.

131. The most recent actuarial valuation for the Fund was completed as at 31 December 2021 and the valuation as at 31 December 2023 is being performed. A roll-forward of the participation data as at 31 December 2021 to 31 December 2022 was used by the Fund for its 2022 financial statements.

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

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

134. Total contributions paid to the Fund during the preceding three years (2020, 2021 and 2022) amounted to $8,937.680 million, of which 0.052 per cent was contributed by UNITAR.

135. During 2023, contributions paid to the Fund amounted to $1.768 million (2022: $1.731 million). Expected contributions due in 2024 are approximately $1.890 million.

136. 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 on the basis of an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets that are in excess of the liabilities are included in the amount.

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

Note 16
Net assets

(Thousands of United States dollars)

	2023	*2022*
Net assets as at 1 January	**54 953**	**46 936**
Actuarial (losses)/gains on employee benefits liabilities (note 15)	(4 336)	5 505
(Deficit)/surplus for the year	(4 610)	2 512
Net assets as at 31 December	**46 007**	**54 953**

Note 17
Revenue from non-exchange transactions

Voluntary contributions – Member States

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Voluntary contributions – Member States	26 382	18 644
Refunds to Member States	79	(272)
Total revenue from voluntary contributions – Member States	**26 461**	**18 372**

Voluntary contributions – other

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Voluntary contributions – other	12 441	13 906
Refunds – other	(7 132)	(179)
Voluntary in-kind contributions	3 221	2 150
Total revenue from voluntary contributions – other	**8 530**	**15 877**

138. The increase in voluntary contributions from Member States is due mainly to an increase in funding from major government donors. Other voluntary contributions decreased slightly owing to the cancellation of revenue from two donors in 2023. An exceptional refund of $6.570 million was recognized and booked as a reduction in the "voluntary contributions revenue from other" after the financial closure of the Defeat-NCD Partnership project in 2023.

139. The contributions in kind include a rental subsidy of $0.481 million (2022: $0.452 million) for the year, which represents the difference between the market value and the actual amount paid for the rental of the buildings occupied by UNITAR, and the satellite images received from the Government of the United States valued at $2.740 million that were used for the implementation of the United Nations Satellite Centre.

140. In-kind contributions of technical assistance, experts and other services received during the year are not recognized as revenue and are therefore not included in the in-kind contributions revenue in the table above. During 2023, in-kind contributions also included services provided by advisers, associate fellows and other resource personnel valued at $1.074 million (2022: 0.087 million).

141. Voluntary contributions recognized as revenue in 2023 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*
2024	7 310	7 539
2025	1 377	370
2026	317	220
2027	–	200
Gross revenue from voluntary contributions – Member States and other	**9 004**	**8 329**

Note 18
Revenue from services rendered: exchange transactions

142. 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.

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

144. 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.

145. The UNITAR Decentralized Cooperation Programme has established a global network of 29 training centres called the International Training Centres for Authorities and Leaders Global Network. These centres are affiliated with UNITAR and are required to pay a mandatory annual affiliation fee. Located across Africa, the Americas, Asia, Australia and Europe, the centres deliver many training events to the UNITAR target audience, with a special emphasis on the local level.

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Training fees	3 006	4 149
United Nations Satellite Centre activities	830	2 342
Affiliation fee from training centres	821	698
Other revenue	2 532	1 877
Total revenue from services rendered	**7 189**	**9 066**

Note 19
Expenses

Employee salaries, allowances and benefits

146. 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 2023	*31 December 2022*
Salaries	7 094	7 110
Allowance and benefits	4 655	4 027
Post adjustment	3 467	2 955
Total employee salaries, allowances and benefits	**15 216**	**14 092**

Non-employee compensation and allowances

147. 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 2023	*31 December 2022*
Consultant fees, interns and trainees	12 491	11 326
Total non-employee compensation and allowances	**12 491**	**11 326**

Grants and other transfers

148. 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 2023	*31 December 2022*
Contractual services	5 328	2 637
Outright grants	870	1 822
Staff and personnel costs	1 312	1 105
Travel	2 197	2 119
Supplies, commodities and materials	108	109
Programme support costs	403	11
Operational expenses	–	65
Equipment, vehicles and furniture	203	98
Total grants and other transfers	**10 421**	**7 966**

149. During 2023, a total amount of $0.448 million (2022: $0.259 million) relating to individual grants of $30,000 or below provided to implementing partners was expensed outright, in line with the United Nations accounting policy on advance transfers to implementing partners.

Travel

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Travel of staff, consultants and non-staff	1 858	1 092
Total travel	**1 858**	**1 092**

Supplies and consumables

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Operational satellite images (in kind)	2 741	1 699
Acquisition of office equipment and supplies	309	311
Operational maps	144	136
Other supplies	59	112
Total supplies and consumables	**3 253**	**2 258**

Other operating expenses

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Training	2 654	1 031
Rent – office and premises	1 403	1 266
Contracted services	776	601
Communications utilities	631	629
Expense recognized for contributions in kind – premises	481	452
Joint administrative fees	55	114
Other expenses	225	184
Stationery and office supplies	30	27
Shipping/freight services	1	32
Net exchange losses	–	269
Charge for loss allowance	(20)	20
Total other operating expenses	**6 236**	**4 625**

Note 20
Financial instruments and financial risk management

Financial instruments

(Thousands of United States dollars)

	Note	*31 December 2023*	*31 December 2022*
Financial assets			
Amortized cost			
Non-call bonds		39 011	38 924
Callable bonds		2 000	2 000
Subtotal, investments		**41 011**	**40 924**
Cash and cash equivalents and receivables held at amortized cost			
Cash and cash equivalents: internally managed	6	(13)	1 318
Cash and cash equivalents: certificates of deposit/ commercial paper	6	4 822	8 198
Subtotal, cash and cash equivalents		**4 809**	**9 516**
Voluntary contributions receivable	7	18 754	18 280
Other receivables and interest receivables	8	3 310	1 604
Other assets (excluding staff advances and prepayments)	10	1	3
Total amortized cost of financial assets		**22 065**	**19 887**
Total carrying amount of financial assets		**67 885**	**70 327**
Financial liabilities at amortized cost			
Accounts payable and accrued liabilities	12	4 083	2 308
Total carrying amount of financial liabilities		**4 083**	**2 308**
Net revenue and expense from financial assets			
Interest income – time deposits and bank accounts		307	182
Interest income on non-call bonds		921	469
Amortized income on non-call bonds		316	(93)
Total net revenue from financial assets		**1 544**	**558**

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

(Thousands of United States dollars)

	2023	*2022*
Balance as at 1 January	40 924	41 347
Purchases of investments	26 250	25 665
Sale of investments	(25 944)	(26 023)
Amortization	(219)	(65)
Balance as at 31 December	**41 011**	**40 924**

Financial risk management: overview

150. UNITAR has exposure to the following financial risks:

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk.

151. 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

152. 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.

153. 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.

154. 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.

155. 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 2023, as the existing framework was applied to the UNDP service-level agreement arrangement adopted in 2015.

156. 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

157. 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

158. 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).

159. 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.

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

161. 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 2023, 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 2023	*AAA*	*AA+*	*AA*	*AA-*	*A*	*A-*	*Total*
Money market instruments	–	1 978	991	–	–	–	2 969
Bonds	20 451	5 466	6 592	914	1 469	3 150	38 042
Total	**20 451**	**7 444**	**7 583**	**914**	**1 469**	**3 150**	**41 011**

Credit risk: contributions receivable and other accounts receivable

162. 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 loss allowance on receivables at each reporting date The loss allowance occurs when there is objective evidence that UNITAR will not collect the full amount due. For 2023, after confirmation from the donor, the loss allowance recorded in 2022 was reversed.

163. No expected credit loss allowance has been established for UNITAR receivables, which originated mainly from voluntary contributions. Write-off instances are infrequent and immaterial. All outstanding balances in the voluntary contributions receivable are validated with donors at the end of the financial year and reduced through an accounting adjustment if, upon confirmation from the donor, the outstanding balance is to be reduced or cancelled.

Ageing of total receivables

(Thousands of United States dollars)

	31 December 2023		*31 December 2022*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Neither past due nor impaired	17 136	–	16 653	20
Less than one year	4 327	–	3 054	–
One to two years	276	–	10	–
Total	**21 738**	**–**	**19 717**	**20**

Credit risk: cash and cash equivalents

164. UNITAR held cash and cash equivalents of $4.809 million as at 31 December 2023, which is the maximum credit exposure on these assets.

Liquidity risk

165. 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.

166. 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 amount receivable.

167. 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

168. 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 Institute and internal policies and procedures put in place to ensure that there were appropriate resources to meet its financial obligations. As 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 2023, undiscounted

(Thousands of United States dollars)

	On demand	*Within 3 months*	*3–12 months*	*>1 year*	*Total*
Accounts payable and accrued liabilities	–	4 083	–	–	4 083
Total financial liability	**–**	**4 083**	**–**	**–**	**4 083**

Market risk

169. 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

170. 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

171. 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

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

Note 21
Other revenue

173. For 2023, other revenue totalled $1.141 million (2022: none). This includes a net foreign currency translation gain of $1.167 million and a net realized loss of $0.026 million.

Note 22
Related parties

Governance of the Institute

174. UNITAR is governed by a Board of Trustees, comprising 14 trustees, including the Chair, as at 31 December 2023. The trustees are appointed by the United Nations Secretary-General, in consultation with the Presidents of the General Assembly and the Economic and Social Council. The trustees do not receive any remuneration from the Institute.

175. 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.

176. 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

177. 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.

178. 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.

179. UNITAR had 10 key management personnel, whose remuneration was $3.216 million over the financial year ended 31 December 2023 (2022: $3.008 million for 10 key management personnel); such payments are in accordance with the Staff Regulations and Rules of the United Nations, the published salary scales of the United Nations and other publicly available documents.

180. 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

181. In 2023, UNITAR contracted UNDP under three service-level agreements for provision of services on a cost-recovery basis for the implementation of the Quantum 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 2023.

United Nations system

182. 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.

183. 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

184. The International Training for Centres for Authorities and Leaders Global Network comprises 29 international training centres for authorities and leaders. The Global Network centres are located across Asia, Africa, Australia, Europe and the Americas. The centres provide innovative training throughout the world and the

network serves as a hub for the exchange of knowledge among government officials, the private sector and civil society.

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

186. International Training for Centres for Authorities and Leaders Global Network-affiliated training centres pay UNITAR an annual affiliation fee in line with the signed partnership agreements or according to a specific decision of the Executive Director, in accordance with the existing policy on the annual affiliation fee. UNITAR does not invest in the activities of the training centres or participate in sharing the profits or losses of the centres. UNITAR received $0.512 million (2022: $0.698 million) in affiliation fees, which is included in the revenue from exchange transactions.

Note 23
Leases and commitments

Finance leases

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

Operating leases and commitments

188. UNITAR holds two leases in place, one for the use of the Geneva premises and one for its New York office. For Geneva, UNITAR held a three-year lease agreement with the World Meteorological Organization for its office space, covering the period 1 April 2020 to 31 March 2023, and this lease is automatically renewed and extended from year to year. During 2023, a total lease payment of 950,000 Swiss francs was made (at the average exchange rate for 2023: $0.957 million). In addition, the Satellite Operations Unit has rented two offices spaces: one in Nairobi (from the United Nations Office at Nairobi) for the period 2020–2027 and in Bangkok (from the Economic and Social Commission for Asia and the Pacific) for 2020–2023; the Peacekeeping Training Programme Unit rented offices from UNDP in Addis Ababa and from the United Nations Office on Drugs and Crime in Abidjan, Côte d'Ivoire, for 1 November 2023 to 31 October 2024; and UNITAR uses office space for two programmes: the Sustainable Cycles Programme and Peacekeeping Training Programme in the United Nations Bonn premises and pays for common services for space usage in accordance with the signed memorandum of understanding.

189. The total lease payments recognized in expenses for the year was $1.390 million (2022: $1.718 million). The total operating lease rental expense for the year includes $0.480 million (2022: $0.452 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 2023	*31 December 2022*
Due in less than one year	1 331	1 299
Due in one to five years	335	560
Due in more than five years	–	–
Total minimum lease obligations (undiscounted)	**1 666**	**1 859**

190. Individual operating lease agreements for photocopiers at the UNITAR premises in Geneva are, in general, 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.

191. As at the reporting date, open contractual commitments relating to goods and services contracted but not delivered were $0.789 million (2022: $0.297 million).

192. As at the reporting date, the Institute's commitments to transfer funds to implementing partners, based on agreements, amounted to $1.092 million (2022: $0.320 million).

Note 24
Contingent liabilities and contingent assets

193. 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.

194. Consistent with IPSAS, contingent liabilities are disclosed for pending claims where the probability of an obligation and the potential outflow of resources cannot be measured with sufficient reliability. As at 31 December 2023, contingent liabilities were estimated at $0.150 million (2022: $0.012 million).

195. In accordance with IPSAS 19: Provisions, contingent liabilities and contingent assets, the Institute discloses contingent assets when an event gives rise to a probable inflow of economic benefits or service potential to the Institute and there is sufficient information to assess the probability of that inflow. As at the reporting date, a government donor had pledged voluntary contributions to UNITAR programmes. As at 31 December 2023, contingent assets were estimated at $4.603 million (2022: none).

Note 25
Events after the reporting date

196. On 23 February 2024, the Executive Director of UNITAR approved the closure of existing projects funded by one donor in which voluntary contributions receivable of $0.440 million, under agreements signed in 2021, have been cancelled. In line with IPSAS 14, this event has been treated as an adjusting event after the reporting date of 31 December 2023, and accordingly, the adjustment of $0.440 million to the voluntary contributions receivable and revenue balances has been made in the present financial statements.

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