United Nations

United Nations Institute for Training and Research

Financial report and audited financial statements

for the year ended 31 December 2021

and

Report of the Board of Auditors

General Assembly

Official Records
Seventy-seventh Session
Supplement No. 5E

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A/77/5/Add.5

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Report of the Board of Auditors

United Nations • New York, 2022

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.

ISSN 0257-0807

[21 July 2022]

Contents

Letters of transmittal

Letter dated 31 March 2022 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 2021 annual financial statements of the United Nations Institute for Training and Research as at 31 December 2021, which I hereby approve.

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

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

Letter dated 21 July 2022 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 2021.

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
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 2021 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 2021 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

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

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

Management is responsible for the other information, which comprises the financial report for the year ended 31 December 2021, 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*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors
(Lead Auditor)

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

(*Signed*) **Hou** Kai
Auditor General of the People’s Republic of China

21 July 2022

Chapter II
Long-form report of the Board of Auditors

Summary

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

The Board of Auditors has audited the financial statements and reviewed the operations of UNITAR for the year ended 31 December 2021. Owing to the coronavirus disease (COVID-19) pandemic, the interim audit was carried out at UNITAR headquarters in Geneva remotely from Santiago, from 14 February to 11 March 2022. The final audit of the financial statements was carried out on-site at headquarters in Geneva from 28 March to 29 April 2022.

Scope of the report

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

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UNITAR as at 31 December 2021 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

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

Opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UNITAR as at 31 December 2021 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Overall conclusion

The Board identified no significant errors, omissions or misstatements from the review of financial records of UNITAR for the year ended 31 December 2021. However, the Board identified scope for improvement in the areas of project management, programme management, consultants and individual contractors and human resources management.

The overall financial position of the Institute as at 31 December 2021 remains sound, with high levels of capital structure ratios, which indicates that the assets are sufficient to meet the Institute's short-term and long-term liabilities.

The financial performance of UNITAR as at 31 December 2021 showed a surplus of $16.68 million, which represents a significant increase compared with the deficit of $0.60 million reported in the previous year. Total revenue increased by $22.74 million in 2021 compared with 2020. As in prior years, revenue includes voluntary contributions, revenue from services rendered and investment revenue.

Key findings

The Board's key findings are as follows:

Issues regarding the management of projects that are based on the sale of data

The Board identified a special purpose grant agreement under the Sustainable Cycles Programme (SCYCLE) with an outstanding balance of 61 per cent, from which it was further observed that this type of project mainly involved the sale of data, and that the Institute had no regulations or procedures to guide or rule this business model or generate budgets or valuate the data.

Deficiencies in data used for the metrics of key performance indicators in the events management system

In analysing the data used to produce metrics for key performance indicators, the Board found several issues, such as beneficiaries repeated in the participant's lists of both 2020 and 2021 events as well as a high number of beneficiaries whose nationalities were not reported. All of the issues were related to data uploaded into the events management system.

Main recommendations

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

Issues regarding the management of projects that are based on the sale of data

(a) **Establish a formal policy for projects involving the sale of data, taking into consideration aspects such as the regulatory instruments and templates to be used and accounting standards to be followed, and how they fit operationally into the UNITAR model;**

(b) **Improve its budget formulation for proposals for projects involving the sale of data, taking into consideration aspects such as the formal valuation of data and the information to be disclosed in the budget to clearly indicate what the donor pays for;**

(c) **Proceed in accordance with the policy guidelines for agreements on the acceptance of contributions for specific purposes ("grants-in") regarding the existing unspent balances for these kinds of projects, taking into consideration the principle of transparency with donors;**

Deficiencies in data used for the metrics of key performance indicators in the events management system

(d) **Develop measures to prevent and correct issues in the events management system that are causing problems such as beneficiary repetition, non-assignment of gender, unreported nationalities and lack of certification for learning-related events;**

(e) **Ensure that programme units and/or divisions register the event information in a complete, accurate and timely manner by certifying that a review of the quarterly reporting data was conducted;**

(f) **Add a centralized and formal control instance of the information in order to improve the reliability of data used for the metrics of the indicators presented by the Institute.**

Follow-up of previous recommendations

The Board noted that there were 11 recommendations outstanding up to the year ended 31 December 2020, of which 8 (73 per cent) had been fully implemented, 2 (18 per cent) were under implementation and one (9 per cent) had been overtaken by events. Details of the status of implementation of the recommendations from previous years are provided in the annex to chapter II.

Key facts

$56.81 million	Total revenue in 2021, including $48.44 million in voluntary contributions, $8.24 million for services rendered and $0.13 million for investment revenue
$40.13 million	Total expenses in 2021
$16.68 million	Surplus shown in 2021
$46.94 million	Accumulated surpluses as at 31 December 2021
96	Staff members

A. Mandate, scope and methodology

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

2. The Board of Auditors audited the financial statements of UNITAR and reviewed its activities for the year ended 31 December 2021, in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNITAR as at 31 December 2021 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 interim audit was carried out remotely owing to travel restrictions following the coronavirus disease (COVID-19) pandemic. It is the Board's view that this remote interim audit was performed as an exception under unique circumstances and should not be viewed as a standard procedure in future audits.

7. 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

8. The Board analysed the implementation status of 11 recommendations that were outstanding up to the year ended 31 December 2020. As shown in table II.1, of the recommendations analysed, 73 per cent (8), had been fully implemented, 18 per cent (2) were under implementation and 9 per cent (1) had been overtaken by events. Details of the status of implementation of the recommendations from previous years are provided in the annex to chapter II.

Table II.1
Status of implementation of recommendations

Report and audit year	*Number of recommendations*	*Recommendations pending as at 31 December 2020*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Recommendations pending as at 31 December 2021*
A/73/5/Add.5, chap. II (2017)	7	1	–	1	–	–	1
A/74/5/Add.5, chap. II (2018)	7	–	–	–	–	–	–
A/75/5/Add.5, chap. II (2019)	15	2	1	–	–	1	–
A/76/5/Add.5, chap. II (2020)	8	8	7	1	–	–	1
Total		**11**	**8**	**2**	**0**	**1**	**2**

9. The Board considers that a 73 per cent implementation rate indicates the firm commitment of UNITAR to implement the Board's recommendations. It notes, however, that a long-outstanding recommendation from 2017 continues to be under implementation because, as stated by UNITAR, of the transition to the new Quantum enterprise resource planning system. In this regard, the Board acknowledges the efforts of management and encourages UNITAR to carry on with the process of implementation.

2. Financial overview

10. In 2021, there was an overall increase of $22.74 million (66.70 per cent) in total revenue compared with the total revenue reported in 2020. The total revenue reported for 2021 was $56.81 million, disaggregated as follows: $48.44 million (85.27 per cent) in voluntary contributions, $8.24 million (14.50 per cent) in income from services rendered and $0.13 million (0.23 per cent) in investment revenue.

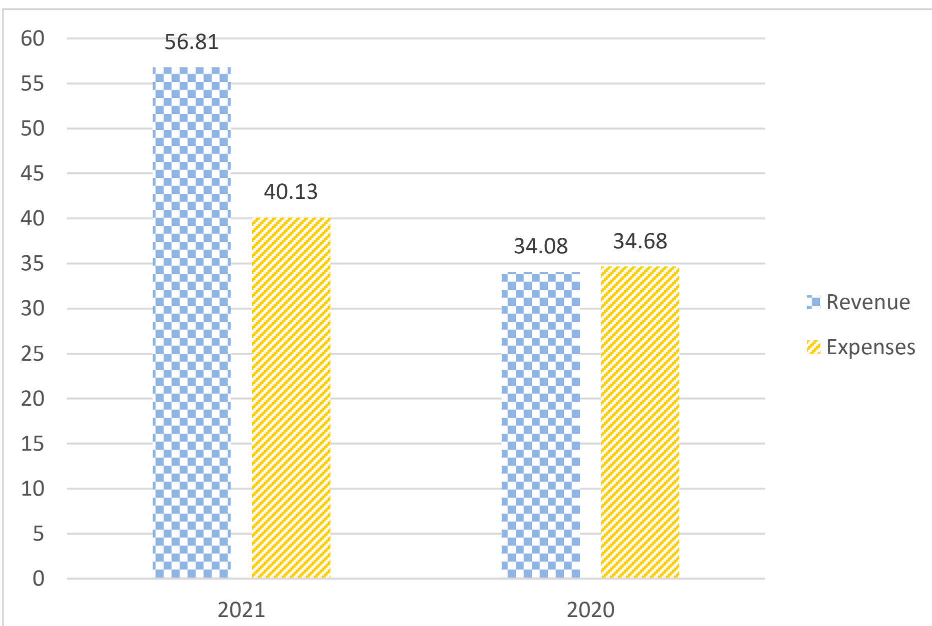
11. Voluntary contributions from Member States increased from $11.03 million reported in 2020 to $38.87 million in 2021 owing to the signing of agreements with different Member States. In addition, there were high-value multi-year donor agreements signed during 2021, which were recognized up front under IPSAS with contribution balances receivable during the period from 2022 to 2026. The other voluntary contributions decreased from $14.79 million in 2020 to $9.58 million in 2021.

12. Investment revenue in 2021 ($0.13 million) decreased by $0.30 million (69.44 per cent) compared with $0.43 million in 2020. The decrease was due to the liquidity position that the investment team took in deciding to increase investment in long-term bonds (with maturities longer than 12 months).

13. Total expenses increased by 15.72 per cent, from $34.67 million in 2020 to $40.13 million in 2021, owing primarily to an increase under staff salaries and benefits resulting from the higher number of staff members hired and the marginal increase in post adjustment rates. The COVID-19 pandemic, in turn, caused a change in the project delivery modality, resulting in an increase in expenditure owing to the higher number of consultants and individual contractors, as well as implementing partners, required. In 2021, expenses included $13.35 million in staff expenses ($11.48 million in 2020), $11.44 million in consultants, interns and trainees ($8.96 million in 2020) and $6.95 million in grants and other transfers ($5.78 million in 2020).

14. In 2021, UNITAR recorded a surplus of $16.68 million, compared with a deficit of $0.60 million in 2020, owing primarily to an increase in revenue related to the signing of multi-year donor agreements with contribution balances receivable during the period from 2022 to 2026. A comparison of revenue and expenses for 2021 and 2020 is represented in figure II.I.

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



Source: UNITAR financial statements for 2021 and 2020.

15. The total assets of UNITAR increased by 30.29 per cent, from $56.63 million as at 31 December 2020 to $73.78 million as at 31 December 2021. This is due to the impact of the UNITAR investment strategy, which significantly increased its portfolio in long-term bonds, and the significant increase in voluntary contributions under the multi-year contribution agreements signed during 2021.

16. Total liabilities increased by 4.06 per cent, from $25.80 million as at 31 December 2020 to $26.85 million as at 31 December 2021, showing no significant variation.

17. Finally, the Institute's net assets increased from $30.83 million in 2020 to $46.94 million in 2021.

Ratio analysis

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

Table II.2
Ratio analysis

Ratio	*31 December 2021*	*31 December 2020*	*31 December 2019*
Total assets: total liabilities[a]			
Total assets: total liabilities	2.75	2.19	2.54
Current ratio[b]			
Current assets: current liabilities	8.54	8.33	18.49
Quick ratio[c]			
(Cash + short-term investments + accounts receivable): current liabilities	7.83	7.98	15.60
Cash ratio[d]			
(Cash + short-term investments): current liabilities	4.37	5.70	10.78

Source: UNITAR financial statements.

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

[b] A high ratio indicates an entity's ability to pay off its current liabilities.

[c] The quick ratio is more conservative than the current ratio, because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

[d] The cash ratio is an indicator of an entity's liquidity; it measures the amount of cash, cash equivalents or invested funds that are in current assets to cover current liabilities.

19. The Institute's key financial indicators remain robust, as evidenced by the high ratios between current assets and current liabilities and total assets versus total liabilities. The quick and cash ratios have decreased slightly compared with 2020, owing mainly to the decrease in the cash and cash equivalents from $11.18 million in 2020 to $2.91 million in 2021 (a variance of 73.93 per cent). This decrease is due to the new investment policy, which seeks to reduce short-term investments. However, the Institute has high ratios, indicating a high level of liquidity and the ability to cover current liabilities.

3. Project management

Issues regarding the management of projects that are based on the sale of data

20. In the UNITAR administrative circular regarding policy guidelines for agreements on the acceptance of contributions for specific purposes ("grants-in") (AC/UNITAR/2021/08), it is stated that the purpose of the circular is to ensure that there is a consistent UNITAR-wide approach to entering into and managing partnership arrangements with donors and that the accountability, integrity and impartiality of UNITAR are upheld in engaging with donors in project implementation, reporting and closure.

21. Furthermore, the section of the circular on administration and management of agreements and funds establishes that all projects and funds for specific purposes shall be administered in accordance with the Financial Regulations and Rules of the United Nations, UNITAR policies and procedures, the policy guidelines and the budget/cost plan annexed to the relevant agreement, project document or grant application.

22. In the section on monitoring, it is indicated that programme managers are responsible for monitoring the implementation of agreements from substantive and financial angles, as well as workplans, delivery schedules, agreement validity and any other agreement conditions with the donor, and, if necessary, for proposing adjustments to agreements in the form of amendments.

23. Moreover, the section on donor agreements with non-financial reporting obligations, establishes that, in order to account for pre-project and post-project expenses for projects with budgets presented on an output basis, UNITAR shall inform donors in the letter of agreement that upon delivery of the outputs and fulfilment of obligations under the agreement, UNITAR will transfer fund balances, if any, to a residual fund project, provided that fund balances do not exceed $50,000 or 50 per cent of the budget, whichever is smaller. In all other cases, unspent balances for projects financed under agreements with non-financial reporting obligations may be used after written consultation with the donor on unspent balances and transfer to the Programme Unit's residual fund project.

24. UNITAR issued a memorandum on 14 January 2022 to provide operational guidance in interpreting the provisions, modalities and criteria in the circular, reaffirming the above-mentioned threshold and emphasizing that fund balances that exceeded the threshold were not eligible. The memorandum also established that UNITAR would retroactively apply the policy to all transfer requests[1] received during 2021 and moving forward.

25. On 3 February 2020, a special purpose grant agreement was signed for a project, the objective of which was to provide well-evidenced information on the generation and flow of waste electrical and electronic equipment in Europe for the European Union and policymakers of the countries in Europe where members of the Waste Electrical and Electronic Equipment Forum operated and for the European Commission. The donor initially contributed €150,000 to implement the project.

26. On 12 July 2020, an amendment to the agreement was signed to increase the project budget by €3,125, bringing the total budget to €153,125 (equivalent to $181,058 as at the date of signature of the agreement).

27. The project came to an end on 31 July 2021 with an unspent balance of $93,283.88, which was equivalent to 61 per cent of the total budget.

28. According to the Programme Manager, while the budget proposal developed for this project was based on output activities, in reality, the donor was charged the selling value for existing data and not the actual operational expenses that UNITAR would incur to develop such activities. This explains the excessive gap between the proposal and the actual expenditure incurred during project implementation.

29. Furthermore, upon enquiry about how this new business model valuated the database, the Board was informed that UNITAR used the market price and/or costs of the previous work put into developing the data; however, no formal regulations or policies were found to guide and regulate this process. The Board also noted that no

[1] Upon enquiry, the Board was informed that a request to transfer unspent balances is made to the Finance and Budget Unit at the end of the project.

policy or regulation was in place at UNITAR for the business model involving the sale of data.

30. The closure letter provided by UNITAR to the donor, did not include information about the unspent balance for the project, even though, in this case, the amount was significant. Furthermore, the Board notes that, in spite of the fact that the policy guidelines for agreements on such projects retroactively applied to this project, as at the date of its review, the unspent balance had not yet been communicated to the donor or transferred to the residual funds project account.

31. The Board considers it crucial that UNITAR establish a regulatory framework for all relevant aspects of the business model for the sale of data to ensure its alignment with the Institute's overall processes, strategic objectives, regulations and the applicable accounting standards, as well as to avoid situations such as the excessive gap between the budget proposal and actual budget expenditure, as in the case noted, especially when additional resources are provided for the project when funds are still available.

32. In this regard, the Board is of the opinion that clear and transparent information provided in the closure letter, which refers to the overall use of funds in a project, is essential to maintain a solid and sustainable relationship between the donors and the Institute.

33. Thus, the establishment of a regulatory framework, along with adequate instruments, and enhancement of the transparency of the budget formulation and implementation process would minimize the reputational risk arising from the management of leftover resources.

34. **The Board recommends that UNITAR establish a formal policy for projects involving the sale of data, taking into consideration aspects such as the regulatory instruments and templates to be used and accounting standards to be followed, and how they fit operationally into the Institute's model.**

35. **The Board recommends that UNITAR improve its budget formulation for proposals for projects involving the sale of data, taking into consideration aspects such as the formal valuation of data and the information to be disclosed in the budget to clearly indicate what the donor pays for.**

36. **The Board recommends that UNITAR proceed in accordance with the policy guidelines for agreements on the acceptance of contributions for specific purposes ("grants-in") regarding the existing unspent balances for such projects, taking into consideration the principle of transparency with donors.**

37. UNITAR accepted the recommendations.

4. Programme management

Deficiencies in data used for the metrics of key performance indicators in the events management system

38. The UNITAR strategic framework 2018–2021 was developed with the intent of establishing the direction that UNITAR would follow during that period. It serves as the foundation for planning and budgeting, mobilizing resources, crafting partnerships, delivering results and measuring and evaluating the Institute's contribution to the 2030 Agenda for Sustainable Development.

39. In the administrative circular on the managing for results policy (AC/UNITAR/2021/06), which was issued in November 2021, monitoring is defined as the continuous process of collecting and recording data and information in order to track progress towards intended objectives. It is further indicated in the circular

that monitoring is related to accountability requirements, informed decision-making and contributions to the learning of lessons, among other things.

40. In the circular, it is also indicated that UNITAR tracks a number of key performance indicators to assess organizational performance against the Institute's intended outcomes and objectives.[2]

41. It is further indicated in the circular that quarterly event and beneficiary reporting are to be done through the events management system, the official tool for recording and reporting on UNITAR events and beneficiaries. It is also specified that the programme units and secretariats of hosted partnerships are responsible for recording this information in a timely manner and accountable for the accuracy of the data entered, with directors of divisions having the overall responsibility and accountability for oversight of the reporting exercise. In this regard, reporting should be done on a quarterly basis, with the final data for the year completed by 31 January of the subsequent year.

42. In March 2022, the Board downloaded the data and information related to UNITAR events that took place during 2020 and 2021 from the events management system, for the purpose of analysing the evaluation process of the objectives established in the strategic framework through the key performance indicators. In verifying the information used for this purpose, the Board detected the following issues:

(a) In 2020, of a total of 896 events, there were 233 events in which beneficiaries were repeated in the list of participants for the event. In 2021, repetitions were found in 258 out of 981 events;

(b) In both years there were events in which beneficiaries were repeated multiple times in the list of participants for the event. In 2020, there were a total of 5,065 cases in which a participant was repeated. For 2021, the Board identified 5,107 cases;

(c) In 2020, the nationality information for a total of 18,000 beneficiaries was listed as "unreported", while in 2021 there were 25,767 beneficiaries with the same issue.

43. UNITAR provided explanations of these findings and informed the Board about multiple issues with respect to beneficiary reporting in the events management system, including:

(a) The programme managers responsible provided feedback for two cases, indicating that, in one case in 2020, the error was due to the input of a default email, which was linked to one beneficiary only, impacting the gender ratio of the event. For one case in 2021, the cause of the error was due to the use of a default email in the mass upload modality, which created multiple duplicated beneficiaries in the events management system;

(b) There were events recorded in the events management system which contained an unusual number of beneficiaries with their gender listed as "other";

[2] According to information provided by UNITAR, such indicators include: the number of participations in events with specific learning objectives; the percentage of participants from countries in special situations in events associated with a specific learning outcome; the gender ratio of beneficiaries in learning-related events; the percentage of events that have specific learning objectives; the percentage of events implemented with at least one partner; the percentage of respondents from learning-related events agreeing or strongly agreeing that the training was useful overall; the percentage of randomly sampled participants from learning-related events confirming having applied knowledge and skills from UNITAR training; budget mobilized; and net assets.

(c) Many learning events with an objective assessment of learning had no certification information recorded by the programme units. In this regard, the Board found that 60 per cent of learning events had no certification information recorded;

(d) There were delays in entering data by programme managers. As at 16 March 2022, there were still eight events, which took place in 2021, that lacked beneficiary data.

44. The Institute has stated that, although some of the cases identified could have been the result of common practices, it was likely, given the number, that these issues were related to mass data upload issues and/or the inaccuracy of data registered into the events management system.

45. The Board is of the view that having accurate, complete and high quality information in the events management system is crucial to support the key inputs necessary to appraise the performance of the Institute against the objectives defined in its strategic framework.

46. From the cases identified above, the Board can foresee instances in which the key performance indicators results could potentially be impacted, including, but not limited to: the total amount of participants attending the events listed by the Institute, by showing a higher beneficiary outreach; the total attendance at events with specific learning objectives; the indicators associated with the gender ratio; and the indicator related to the percentage of beneficiaries from countries in special situations attending the events, all of which are derived from the data entered into the system.

47. Moreover, the Board highlights the importance of the accuracy of the information used for calculations related key performance indicators, given that the results, aside from being used for internal purposes, are also intended for multiple stakeholders. They are published on the UNITAR website,[3] and are therefore subject to public scrutiny.

48. **The Board recommends that UNITAR develop measures to prevent and correct issues in the events management system that are causing problems such as beneficiary repetition, non-assignment of gender, unreported nationalities and lack of certification for learning-related events.**

49. **The Board recommends that UNITAR ensure that programme units and/or divisions register the event information in a complete, accurate and timely manner by certifying that a review process of the quarterly reporting data was conducted.**

50. **The Board recommends that UNITAR add a formal centralized control instance of the information in order to improve the reliability of the data and metrics of the indicators presented by the Institute.**

51. UNITAR accepted the recommendations.

Underutilization of the implementing partners data

52. The latest version of the UNITAR policy guidelines for grant agreements to implementing partners ("grants-out") (AC/UNITAR/2021/09) was issued in November 2021. The guidelines provide guidance to managers on selecting implementing partners, preparing related financial agreements and overseeing modalities for monitoring, evaluating and reporting on the work delivered by implementing partners.

[3] See unitar.org/results-evidence-learning.

53. In the section of the guidelines on retention of records, it is stipulated that all documents related to implementing partners, including, but not necessarily limited to, the agreements, amendments, project documents, due diligence assessments, evaluations, financial and narrative reports, and letters of suspension or termination, shall be recorded in the project tracking tool, which is an internal, online repository of agreements, reports and other documents relevant to donor-funded projects and other partnerships.

54. The Board identified 44 projects that were completed during 2021, which were executed by 117 implementing partners. In that regard, the Board noted that the project tracking tool system did not have any analysis or monitoring function, nor did it allow for the generation of consolidated reports from the information on implementing partners that was uploaded into the system or provide consolidated traceability of data related to each implementing partner.

55. These limitations to the system mean that there is no comprehensive consolidated database of information regarding projects and their implementing partners, since, for example, it is not possible to pull a projects list from the system that includes the implementing partners that are working on the projects and the latest amount assigned to each implementing partner. Moreover, it is not possible to determine the overall performance rating of implementing partners throughout all of the projects they have worked on or how many performance evaluations have been carried out. Both are relevant sources of information when exercising due diligence in engaging with an implementing partner.

56. The Board is of the view that the absence of consolidated reportability on the implementing partners information stored in the project tracking tool could hinder the Institute´s ability to comprehensively assess the overall performance of implementing partners and to provide the necessary feedback to improve their performance. Furthermore, the limitations of the system could lead to an eventual underutilization of existing valuable resources recorded in the system which are necessary for the decision-making process. This is especially relevant considering the substantial volume and extent of the work being performed by implementing partners.

57. In that regard, the Board considers that information about implementing partners should be made available to all UNITAR stakeholders in the form of comprehensive, processed and consolidated data in the project tracking tool, which are ready to be extracted, thus enabling management to conduct general analysis and avoiding a situation in which the information is being prepared and stored in isolation by each project manager.

58. **The Board recommends that UNITAR operationalize a downloadable and consolidated database containing relevant information about implementing partners, such as: assigned projects and amounts, historical results of the overall performance rating and risk rate, among other things.**

59. UNITAR accepted the recommendation.

5. Consultants and individual contractors

Absence of records for fees of consultants and individual contractors

60. The UNITAR administrative circular on consultants and individual contractors (AC/UNITAR/2019/11), which was issued in May 2019, sets out the provisions applicable to individual contracts issued to consultants and individual contractors (special service agreements holders).

61. In the section of the circular on remuneration, it is stipulated that, as a general principle, the fees payable to a consultant and individual contractor shall be the

minimum amount necessary to obtain the services required by the Institute. It is also indicated that hiring managers shall keep records of how the fee level was determined. An annex to the circular provides detailed policy guidelines and formulas for the determination of the appropriate level of remuneration, which have been established by the Human Resources Unit.

62. In addition, in the programme budget for the biennium 2020–2021, it is stated that UNITAR relies on a large number of consultants with expertise and competencies that UNITAR staff do not have, to undertake specific assignments in the field related to UNITAR core functions in the areas of training and capacity development.

63. According to information provided by the Human Resources Unit of UNITAR, over the past four years, the number of consultants and individual contractors that provided services to the Institute increased by 77 per cent. From a review of the financial statements, a similar trend can be observed in expenditure for consultants and individual contractors, which increased by 106 per cent during the same period. Details of the analysis are presented in the table II.3.

Table II.3
Number of and expenditure for consultants and individual contractors

	2018	*2019*	*2020*	*2021*
Number of consultants and individual contractors	388	414	561	688
Increase (percentage)	Base	7	45	77
Expenditure for consultants and individual contractors (millions of United States dollars)	5.55	6.35	8.96	11.44
Increase (percentage)	Base	14	61	106

Source: Based on the information provided by UNITAR and its financial statements for 2018 to 2021.

64. As part of its analysis, the Board reviewed relevant aspects of fee formulation related to contracts of consultants and individual contractors that were active during 2021, such as a formal estimate of the United Nations common system equivalent of the level of the assignment, followed by the identification of the candidate and determination of the fee for international consultants and individual contractors, and information regarding local market rates for similar work of comparable quality and complexity for local consultants and individual contractors.

65. In examining a sample of 30 contracts, the Board identified the following issues:

(a) There were 15 cases (50 per cent) in which the programme manager provided an email explanation to the Board. For 2 of the contracts, the programme managers simply indicated that the guidelines had been applied, with no further details. For 2 other contracts, the programme managers indicated that the consultant or individual contractor had been used previously and that the same rate was applied. For 11 contracts, no further details were provided beyond those found in the special service agreement or terms of reference. Furthermore, some replied that the determination of the fee was part of internal conversations, with no written records being generated;

(b) There were 9 cases (30 per cent) in which programme managers produced spreadsheets with different formats, information and criteria, which basically contained the same information as in the special service agreement and terms of reference, such as total fee, duration of the contract and instalments; however, no further details were provided about how the fee level was determined;

(c) There were 2 cases (7 per cent) in which the programme managers did not provide further details on the subject;

(d) There was one case (3 per cent) in which a signed hand-written document was provided; however, the information in it did not provide further details about how the fee level and the level of assignment were established;

(e) Furthermore, the Board observed that, in 10 of the cases, relevant aspects of the management of special service agreements for consultants and individual contractors were omitted in the formal documentation and were only part of internal discussions. These included substantial differences between the number of days for work to be completed presented in the agreement versus actual expected days for work to be completed based on internal discussions. Such inconsistencies affected the daily rates criteria.

66. In addition, upon the Board´s request for documentation about how the fee level was determined for three of the contracts, a staff member indicated that the request had to be referred to the programme manager, who would be much more qualified and knowledgeable on the specificities requested, indicating that such information was kept within the knowledge of one person and not available to UNITAR through documentation.

67. In view of the above-mentioned issues, the Board is of the opinion that, given the unique nature and large number of consultants and individual contractors engaged by UNITAR, it is crucial to keep substantive documentation that justifies how the fees to be paid to consultants and individual contractors are determined. The lack of such records could undermine the transparency of the process with regard to the amounts to be paid for a specific task, especially taking into consideration the increasing amount of expenditure observed in past years.

68. Furthermore, the inclusion of a control mechanism, such as the submission of such records to the Human Resources Unit during the initial stages of the selection process, would ensure equity and consistency in the determination of fees for consultants and individual contractors Institute-wide, thus avoiding incongruities in payment criteria throughout the Institute and responding to an increased demand for transparency throughout the United Nations.

69. **The Board recommends that UNITAR generate formal records about how fee levels are determined and keep them for consultation and transparency purposes.**

70. **The Board recommends that UNITAR implement a formal control, such as a requirement for a note or form signed by the hiring manager explaining how the fee was determined, to be submitted to the Human Resources Unit together with the request for outside expertise or a professional special service agreement.**

71. UNITAR accepted the recommendations.

6. Human resources management

Non-completion of mandatory training courses

72. The Secretary-General, in his bulletin on the United Nations mandatory learning programmes (ST/SGB/2018/4), states that, in accordance with Article 101 of the Charter of the United Nations, the paramount consideration in the employment of the staff and in the determination of the conditions of service shall be the necessity of securing the highest standards of efficiency, competence and integrity. In this context, the aim of mandatory training courses is to build a common foundation of knowledge and promote a shared organizational culture among the staff of the Organization.

73. In this connection, the UNITAR administrative circular on the conditions applying to the UNITAR learning and development programme (AC/UNITAR/2019/09), which was published in April 2019, established the following:

(a) Mandatory training refers to courses identified as mandatory for all personnel, unless otherwise specified;

(b) The list of such courses shall be maintained by the Human Resources Unit and made available to staff on UNITARnet;

(c) Managers are responsible for monitoring and reporting on the completion of mandatory courses as part of performance management. Certificates of completion shall be uploaded to UNITAR SharePoint.

74. UNITAR informed staff of mandatory courses in a document entitled "Mandatory training at UNITAR", which was published on the UNITAR intranet.

75. In that document, it is stressed that training is mandatory for all categories of personnel at UNITAR and must be completed within three weeks after the start date of a contract. The corresponding completion certificates are to be uploaded to UNITARnet through UNITAR SharePoint. The document also stipulates that the completion of mandatory training shall figure in the performance evaluation report of regular staff and Training or Research Assistants or Associates.

76. The Board analysed the status of completion of UNITAR mandatory training courses by active personnel, reflected in the "Training certificates" SharePoint as at 22 February 2022, observing that 60 out of 75 staff members (80 per cent) and 186 out of 198 non-staff (94 per cent) had not completed all mandatory courses.

77. Moreover, the Board observed that each mandatory training course had a compliance level range of 15 to 40 per cent.

78. The Board also noted that no information was available in the SharePoint for 24 staff and 147 non-staff, confirming that completeness of data was an issue. Furthermore, UNITAR informed the Board that some files had been overwritten in the system.

79. In addition, with regard to the data issue mentioned above, UNITAR indicated that it could not ensure that managers, who were responsible for the process, had been checking if personnel were uploading the information properly and on time.

80. The Board considers that non-compliance with regard to the mandatory United Nations courses could affect the activities and functions of UNITAR personnel in different positions and offices, as well as the organizational culture of UNITAR, hindering the development of capacities, impacting the effective fulfilment of the institutional objectives and affecting staff performance evaluations, as completion of mandatory training is to be part of the performance evaluation report.

81. The Board considers that the current lack of a monitoring and control mechanism on compliance with the mandatory training courses by UNITAR staff and non-staff hinders the ability the Institute to comply with these personnel obligations and to encourage the engagement of all levels of governance.

82. **The Board recommends that UNITAR improve the level of compliance with regard to the completion of mandatory training courses.**

83. **The Board recommends that UNITAR implement a monitoring and control mechanism on the completion of mandatory training courses in order to mitigate the risks of non-compliance with these personnel obligations in a preventive manner, encouraging the engagement of all levels of governance.**

84. UNITAR accepted the recommendations.

C. Disclosures by management

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

85. UNITAR reported that there were no write-offs of cash and receivables or of losses of property for 2021.

2. Ex gratia payments

86. UNITAR reported to the Board that there were no ex-gratia payments in 2021.

3. Cases of fraud and presumptive fraud

87. 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.

88. 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.

89. UNITAR reported to the Board that there were no cases of fraud or presumptive cases of fraud during 2021.

D. Acknowledgement

90. 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*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors
(Lead auditor)

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

(*Signed*) **Hou** Kai
Auditor General of the People’s Republic of China

21 July 2022

Annex

Status of implementation of recommendations up to the financial year ended 31 December 2020

						Status after verification			
No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management's response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1.	2017	A/73/5/Add.5, chap. II, para. 44	The Board of Auditors recommended that UNITAR establish a roster that links consultants' performance evaluations to their respective fields of expertise.	UNITAR indicated that currently the general roster and customized rosters are operated by the e-recruitment tool. Candidates can apply to rosters via the UNITAR website. All UNITAR managers have access to the general roster and their respective customized rosters. Based on the information obtained at this stage, the solution proposed by Quantum seems to be more appropriate than buying Balidea's services for the development of an important new feature in the current e-recruitment tool. During the user acceptance test phase for Quantum (March 2022–May 2022), the implications will be understood fully, including whether any further configurations will be required. Therefore, after the migration to Quantum, the evaluation of consultants and individual contractors will be fully integrated with the contract in the system and available for managers' consultation at any time. In the meantime, the information related to consultants and individual contractors' evaluations/ratings has been made available to managers on a shared drive. In the light of	The Board of Auditors reviewed the evidence provided by management related to conversations and coordination between UNITAR and different actors regarding solutions to address this recommendation, observing that some of them had been determined not to be feasible, while others were still being assessed. The Board observed that the e-recruitment tool is a platform where everyone can upload a resume and create a profile to be eligible for a job when one becomes available; however, it is not necessarily a roster of consultants and individual contractors, including their past performance. Moreover, none of the sampled consultants and individual contractors providing services during 2021 could be found on the e-recruitment tool. With regard to the transitional solution delivered through the Institute´s shared drive, it is not possible to observe the link between consultants' performance evaluations and their respective fields of expertise. That information is known only by individual managers and is not available		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 positive progress and possibilities within Quantum, management requests the Board to mark this recommendation as "overtaken by events".	to the entire Institute. Accordingly, this recommendation is considered under implementation.				
2.	2019	A/75/5/Add.5, chap. II, para. 26	The Board recommends that UNITAR strengthen the criteria for the approval of exceptions to the standard full cost recovery and consider the analysis with the financial implications carried out by the Finance and Budget Unit prior to the signature of the agreements, in order to avoid future negative cost recovery gaps.	UNITAR indicated that the criteria for cost recovery exceptions are closely linked to moving to a new cost recovery model aimed at responding to transparency and traceability needs with respect to implementation support costs. A prototype tool had been developed by the Finance and Budget Unit and presented to the Finance Committee and the Board of Trustees in 2020. However, management foresaw uncertainties owing to: (a) the changing business models in the post-pandemic period; and (b) the work on the new enterprise resource planning system (Oracle Cloud) that has been underway since September 2020, which is expected to result in significant changes to internal workflow processes and thus will impact implementation support cost patterns. Therefore, management indicates that this recommendation has been overtaken by events.	The Board of Auditors analysed the trend of cost recoveries from the time this recommendation was made until the current period and observed no negative cost recovery gaps, despite an increase in the general fund expenses owing to growth in projects. The Board also noted that during 2021, no cost recovery exceptions that resulted in a financial impact were granted. In view of these observations and noting that formal criteria will be put in place after the transition to the new Quantum enterprise resource planning system (completion and stabilization of the transition is expected to occur in late 2023), this recommendation is considered overtaken by events.				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
3.	2019	A/75/5/Add.5, chap. II, para. 70	The Board recommends that UNITAR ensure that all the documentation related to the projects is registered in the project tracking tool in a timely manner, in accordance with the policy guidelines for agreements with implementing partners and the policy guidelines for agreements on the acceptance of contributions for specific purposes.	Management views the controls that were implemented towards the end of 2020 as sufficient (in particular, the automated messaging to programme units on reporting and agreement validity deadlines). Management has observed positive developments in the registration of agreements and agreement-related information. Management requests closure of this recommendation based on the fact that reasonable improvements have been implemented.	The Board verified that UNITAR improved the management of the project information stored in the project tracking tool. The recommendation is therefore considered implemented.	X			
4.	2020	A/76/5/Add.5, chap. II, para. 22	The Board recommends that UNITAR assign and use a unique identification number for each project in all its management systems to ensure traceability in all the tools and/or documents used in the entity.	UNITAR management introduced a requirement to record the project identification number in the review tool. It therefore considers the recommendation implemented and requests its closure.	The Board verified that UNITAR uses a unique alphanumeric identifier for each project, ensuring that these projects are traceable in all management systems, tools and/or documents used within the Institute. Hence, this recommendation is considered implemented.	X			
5.	2020	A/76/5/Add.5, chap. II, para. 23	The Board also recommends that UNITAR maintain a version history of the agreement documents in the tracking tool review, to ensure the tracking of changes and/or modifications that have been made during the review process by the Partnership and Resource Mobilization Unit, the Finance and Budget Unit and the programme manager.	Management discussed the changes that are needed from an information technology perspective and will budget the costs in the 2022–2023 programme budget. The expected implementation date is the end of the second quarter of 2022.	The Board recognizes the efforts made by UNITAR to implement the recommendation; however, as this is currently a work in progress depending on future budget allocations, the recommendation is assessed as under implementation.		X		

						Status after verification			
No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management's response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
6.	2020	A/76/5/Add.5, chap. II, para. 32	The Board recommends that UNITAR establish a mechanism to ensure compliance with the reporting requirements of the operational agreement signed with the Defeat Non-Communicable Diseases Partnership.	A profile was created in the project tracking tool for the operations agreement with the Partnership, which triggers automated email messages to the Programme Director on financial reporting requirements to the governing body/executive committee. The certified financial reports for the first, second and third quarters of 2021 have been prepared in a timely manner. For the fourth quarter, a preliminary report was submitted. Management considers the recommendation implemented and requests its closure.	The Board verified that UNITAR complied with the financial reporting obligations mentioned in paragraph 6.13 of the operations agreement with the Defeat Non-Communicable Diseases Partnership for the year 2021 by submitting the quarterly interim financial reports and the annual certified financial reports on the stipulated dates. Hence, this recommendation is considered implemented.	X			
7.	2020	A/76/5/Add.5, chap. II, para. 44	The Board recommends that UNITAR identify means of verification for the programme budget indicators and targets.	The budget tool for the biennium 2022–2023 has been amended and released, with the means of verification included as part of the planning exercise. Means of verification will also be included in the programme budget results framework. UNITAR management considers the recommendation implemented and requests its closure.	The Board verified the changes made to the budget tool for the biennium 2022–2023, including the means of verification in the strategic objectives of the budget as part of the planning exercise. This recommendation is therefore considered implemented.	X			
8.	2020	A/76/5/Add.5, chap. II, para. 45	The Board further recommends that UNITAR take measures aimed at ensuring that those elements of the results-based management causal chain included in their workplans are adequately applied by every	The UNITAR Board of Trustees approved the managing for results policy, which management subsequently promulgated in and administrative circular (AC/UNITAR/2021/06). The policy contains new requirements for work planning, including standard	The Board verified that the new results management policy incorporates requirements for work planning, including standard elements, and contains a glossary of terms, to ensure that the structuring concepts included in the workplans are clearly applied. The Board observes that 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
			programme unit in accordance with the provisions of the UNITAR results-based management framework.	elements, and sets out the responsibility of the Directors for providing oversight and for ensuring the quality of work plans and the adequate application of the requirements for the units under their supervision. As a clear policy statement is in place, UNITAR management requests closure of the recommendation.	Institute has taken steps to ensure the correct application of its results-based management framework. This recommendation is therefore considered implemented.				
9.	2020	A/76/5/Add.5, chap. II, para. 46	The Board recommends that UNITAR disclose timelines for and the personnel in charge of delivering the outputs and activities specified in the annual workplans of its units and offices.	The Board of Trustees approved the managing for results policy, which management subsequently promulgated in administrative circular (AC/UNITAR/2021/06). The policy contains requirements that timelines for and the personnel in charge of delivering outputs and activities be specified in the annual workplans. While this policy is now in place, it is being applied moving forward for the work planning requirements of 2022. As a clear policy statement is in place, UNITAR management requests closure of the recommendation.	The Board verified that the new policy includes clear deadlines for outputs and activities and establishes the managers and supervisors in charge of them. The policy also includes a standard annual workplan template with the minimum requirements for the development of workplans. The recommendation is therefore considered implemented.	X			
10.	2020	A/76/5/Add.5, chap. II, para. 54	The Board recommends that UNITAR take measures to enhance the management of project information, aiming to avoid errors and to maintain coherence between the information contained in all the documents that are part of the project cycle.	Management has taken various actions, such as deleting some of the agreement registration functions of the project tracking tool to avoid inconsistencies between the project tracking tool's project profiles and information in agreements, given the fact that the project tracking tool is not a compliance or reporting	The Board verified the changes made to the project tracking tool to avoid errors in consistency. This recommendation is therefore considered implemented.	X			

						Status after verification			
No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management's response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
				instrument. This has decreased the likelihood of inconsistent project-related information among the project tracking tool and other sources. The project tracking tool is, by no means, a financial accounting or reporting instrument. Since management has made reasonable efforts to enhance the management of project tracking tool information, UNITAR requests that the Board consider closure of this recommendation.					
11.	2020	A/76/5/Add.5, chap. II, para. 61	The Board recommends that UNITAR comply with the requirements of the policy guidelines for agreements on the acceptance of contributions for specific purposes ("grants-in") with regard to the formalization of project amendments.	Subsequent to this audit recommendation, no agreement is being accepted for an amendment through emails and the procedure is being followed strictly according to the current policy guideline. UNITAR management considers the recommendation implemented and requests its closure.	The Board reviewed all projects starting in the 2021 period, verifying that in each of the projects that presented modifications or amendments, UNITAR complied with the requirements of the grants-in policy. Accordingly, this recommendation is considered implemented.	X			
Total number of recommendations						**8**	**2**	**0**	**1**
Percentage of the total number of recommendations						**73**	**18**	**0**	**9**

Chapter III
Certification of the financial statements

Letter dated 25 March 2022 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 2021 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. These notes provide additional information and clarifications of the financial activities undertaken by the Institute during the period covered by these statements for which the Secretary-General has administrative responsibility.

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

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

Chapter IV
Financial report for the year ended 31 December 2021

A. Introduction

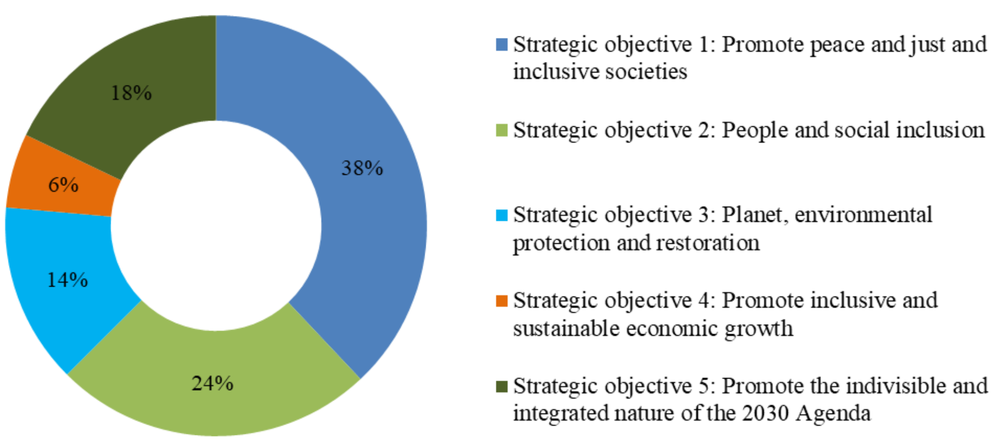
1. The Executive Director has the honour to submit the financial report on the financial statements of the United Nations Institute for Training and Research (UNITAR) for the year ended 31 December 2021.

2. The present report is designed to be read in conjunction with the financial statements for UNITAR for the year ended 31 December 2021. The report provides an overview of the position and performance of UNITAR, highlighting trends and significant movements. The annex to the present report provides supplementary information that is required to be reported to the Board of Auditors under the Financial Regulations and Rules of the United Nations.

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

4. While the UNITAR programme budget for the biennium 2020–2021 contributes to 15 of the 17 Sustainable Development Goals, most results areas are aligned to Goals 4 (quality education), 8 (decent work and economic growth), 16 (peace, justice and strong institutions) and 17 (partnerships for the Goals). The proportion of the 2020–2021 budget corresponding to each of the five strategic objectives is shown in figure IV.I.

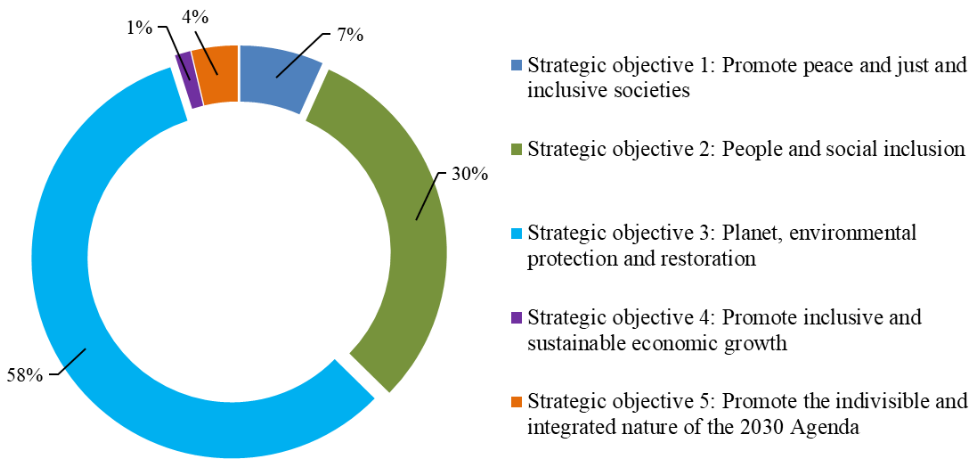
Figure IV.I
2020–2021 programme budget by strategic objective



5. During 2021, UNITAR operations and, in particular, training and other related work designed for in-person delivery continued to be affected by the coronavirus disease (COVID-19) pandemic. The impact on UNITAR was noted in discussions by the Board of Trustees in its consideration of the revised programme budget for 2020–2021 and included lower investment revenue compared with 2020. UNITAR was able to maintain business continuity by converting planned in-person training activities to online delivery.

6. During 2021, UNITAR made progress towards the achievement of its objectives through the provision of training, learning and knowledge-sharing services to 370,139 beneficiaries (representing an increase of 14.8 per cent from the 2020 figure of 322,410) and the highest number of total beneficiaries in the Institute's history.[4] As shown in figure IV.II, 95 per cent of beneficiaries were associated with programming related to the peace, people and planet strategic objectives. A total of 66 per cent of UNITAR beneficiaries took part in events with specific learning outcomes in 2021. The number of such beneficiaries increased by 16 per cent, from 209,881 in 2020 to 243,790 in 2021. This increase is attributed in large part 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, and to the increase in the number of beneficiaries from activities of the International Training Centres for Authorities and Leaders Global Network.

Figure IV.II
Beneficiaries by strategic objective



Note: Beneficiaries under strategic objective 2 include Multilateral Diplomacy Programme beneficiaries recorded as cross-cutting. Not included are beneficiaries reported with multiple (532) and unspecified (96) objectives, which total zero per cent.

7. The 2021 outputs were produced with a revised budget of $35.583 million (2020: $32.519 million) and actual expenditure of $38.171 million (2020: $35.013 million) on a budget basis and the delivery of 991 events (2020: 896 events). In 2021, UNITAR maintained in large part the male-female gender ratio of 2020, with a male-to-female gender ratio of learning beneficiaries of 45:49 (with 6 per cent indicating "other"[5]) (2020: 44:51).

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

[5] "Other" may include "non-binary" or "not specified".

8. UNITAR serves a broad-based group of constituencies, with 9 per cent (2020: 10 per cent) of its learning-related beneficiaries coming from government; 49 per cent (2020: 49 per cent) from non-State sectors, including non-governmental organizations (NGOs), academia and businesses; 8 per cent (2020: 6 per cent) from the United Nations and other international organizations; and 34 per cent (2020: 35 per cent) from other sectors.

9. 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 97 per cent of beneficiaries participated in learning-related events implemented together with partners. Partners have included organizations as diverse as other United Nations entities, regional organizations, national training institutes, foundations, universities, NGOs and the private sector.

B. Overview of the financial statements for the year ended 31 December 2021

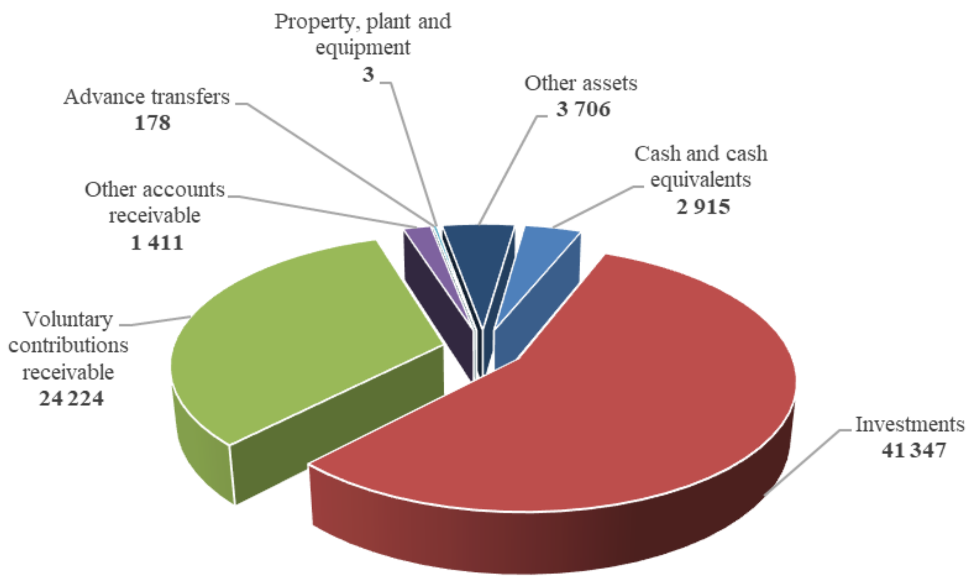
10. Financial statements I, II, III, IV and V show the financial results of the activities of UNITAR and its financial position as at 31 December 2021. The notes to the financial statements explain the Institute's accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

Financial position

Assets

11. UNITAR reports an increase in total assets of $17.152 million as at 31 December 2021 from $56.632 million reported as at 31 December 2020, to the current $73.784 million. Figure IV.III sets out the structure of the Institute's assets as at 31 December 2021.

Figure IV.III
Total assets as at 31 December 2021
(Thousands of United States dollars)



12. As shown in figure IV.III, the Institute's assets largely comprised voluntary contributions receivable from donors of $24.244 million, or 32.8 per cent (2020: $14.712 million, or 26.0 per cent), investments reported at $41.347 million, or 56.0 per cent (2020: $26.820 million, or 47.4 per cent) and cash and cash equivalents totalling $2.915 million, or 4.0 per cent (2020: $11.181 million, or 19.7 per cent). The remainder comprised 7.2 per cent (2020: 6.9 per cent) as advances transferred to implementing partners of $0.178 million (2020: $1.063 million), other accounts receivable of $1.411 million (2020: $1.620 million), other assets of $3.706 million (2020: $0.990 million), and property, plant and equipment of $0.003 million (2020: $0.007 million).

13. Cash and cash equivalents and investments as at 31 December 2021 were reported at $44.262 million (2020: $38.001 million), comprising $25.851 million (2020: $16.028 million) invested in short-term and long-term bonds, $15.496 million in other money market instruments (2020: $19.995 million), $2.669 million in money market funds (2020: $1.880 million) and $0.246 million (2020: $0.099 million) in cash and cash equivalents that are internally managed. The overall cash, cash equivalents and investments balance represent an increase of $6.261 million (16.5 per cent) compared with the balance held at the end of 2020.

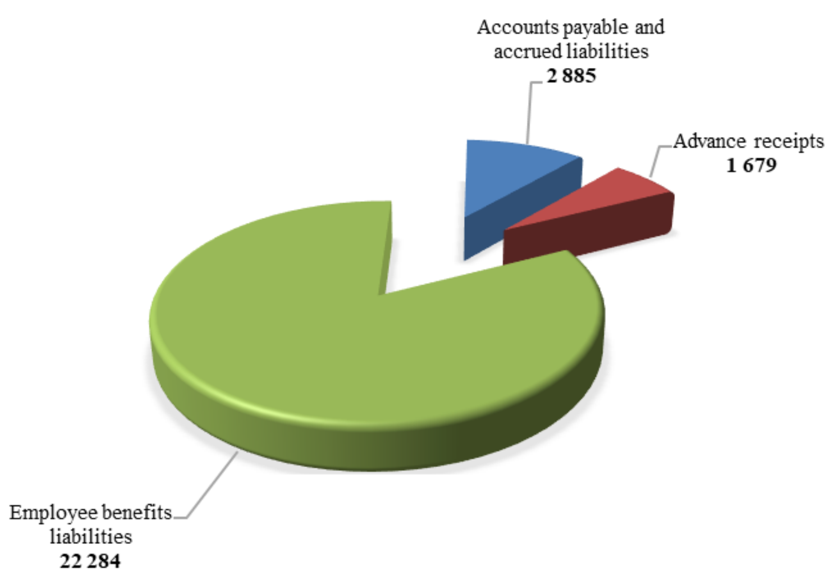
14. From the total accounts receivable value of $25.635 million as at 31 December 2021, $18.962 million is expected to be received in 2022 and the balance of $6.673 million is expected after 2022. The receivables above include $14.772 million that are subject to general stipulations in the agreements, but which did not meet the conditions that would require them to be specified under International Public Sector Accounting Standard (IPSAS) 23.

Liabilities

15. Liabilities as at 31 December 2021 totalled $26.848 million, compared with the balance of $25.801 million as at 31 December 2020.

16. Figure IV.IV sets out the structure of the Institute's liabilities as at 31 December 2021.

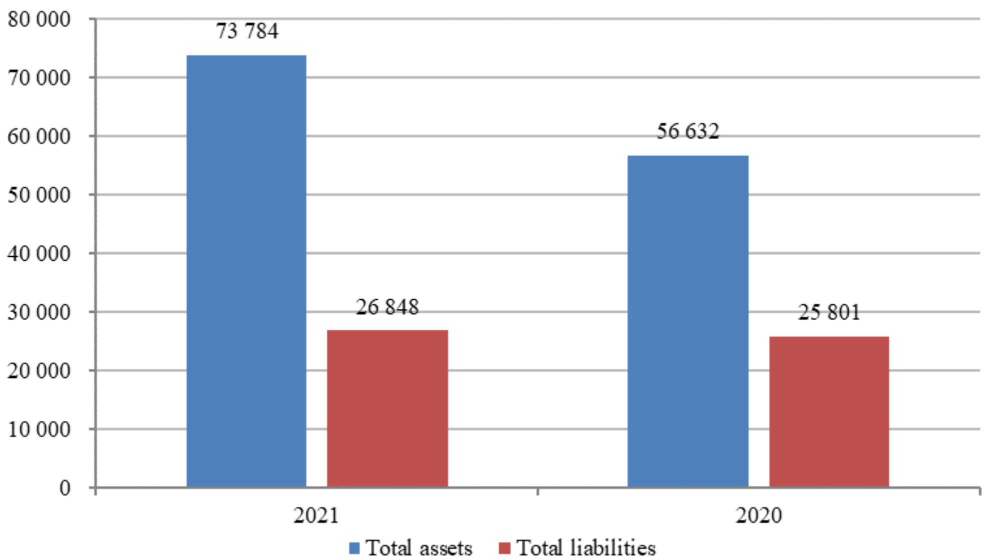
Figure IV.IV
Total liabilities as at 31 December 2021
(Thousands of United States dollars)



17. The main component of the Institute's liabilities was the employee benefits earned by staff members and retirees but not paid at the reporting date; primarily, these were liabilities for after-service health insurance. Employee benefits liabilities accounted for $22.284 million, representing 83.0 per cent of the Institute's total liabilities, and are explained in detail in note 16 to the financial statements. The increase in employee benefits liabilities by $1.910 million from the $20.374 million reported in 2020 (79.0 per cent of total liabilities) was mainly the result of recognizing interest and service costs of $1.222 million (2020: $1.169 million). There was an actuarial loss of $0.579 million (2020: $0.553 million loss) that arose from changes in discount rates, contribution rates for United Nations medical insurance, medical inflation and assumptions in per capita claims.

18. Advance receipts amounted to $1.679 million (2020: $1.553 million). In addition, accounts payable and accrued liabilities stood at $2.885 million (2020: $3.874 million); this amount relates primarily to payables to vendors in the amount of $1.242 million, accruals for goods and services of $0.522 million and $1.121 million in other liabilities such as pending refunds to donors.

Figure IV.V
Movement in assets and liabilities as at 31 December 2021
(Thousands of United States dollars)



19. Figure IV.V shows an increase of 30.3 per cent in the assets held, from $56.632 million reported for 2020 to $73.784 million reported for 2021, and a 4.1 per cent increase in liabilities, from $25.801 million reported for 2020 to $26.848 million reported for 2021. The liability/asset ratio remained steady in 2021 at 36.4 per cent, compared with 45.6 per cent reported for 2020.

Net assets

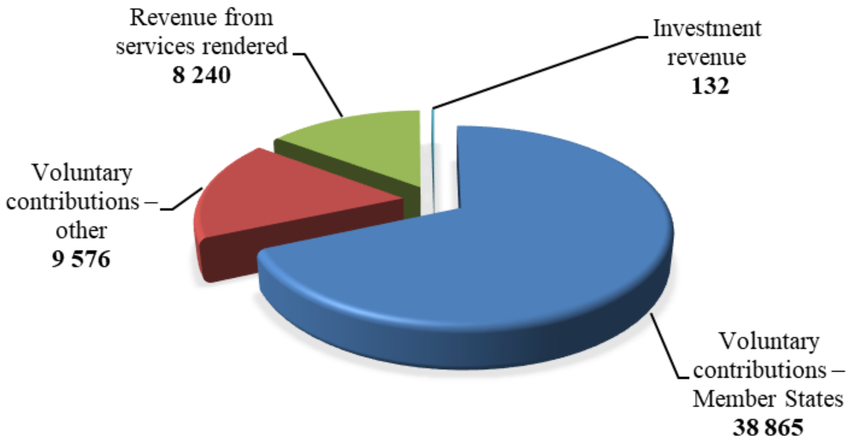
20. The movement in net assets during the year shows an increase of $16.105 million from the net assets of $30.831 million at the end of 2020, reflecting an operating surplus of $16.684 million and an actuarial loss of $0.579 million.

Financial performance

Revenues

21. In 2021, total revenue amounted to $56.813 million and was structured as shown in figure IV.VI.

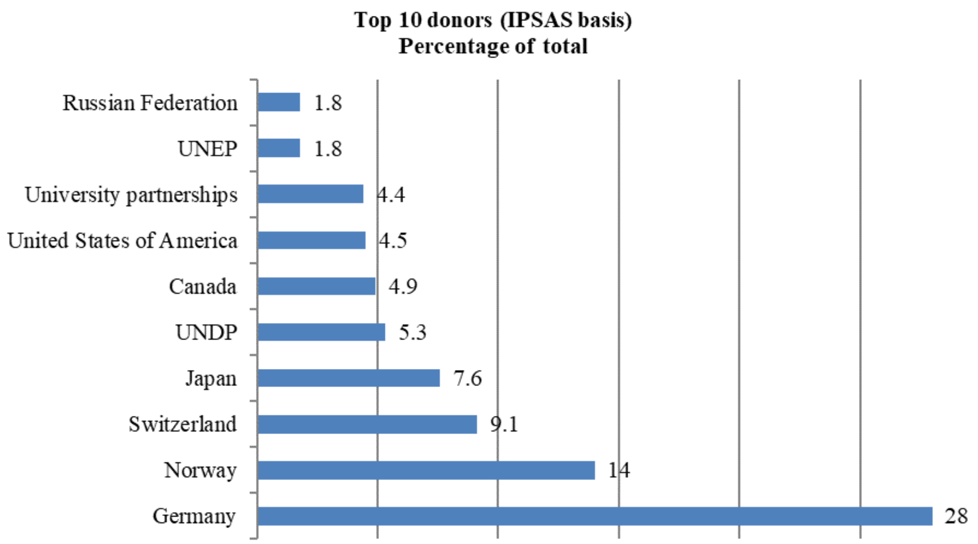
Figure IV.VI
Total revenue as at 31 December 2021
(Thousands of United States dollars)



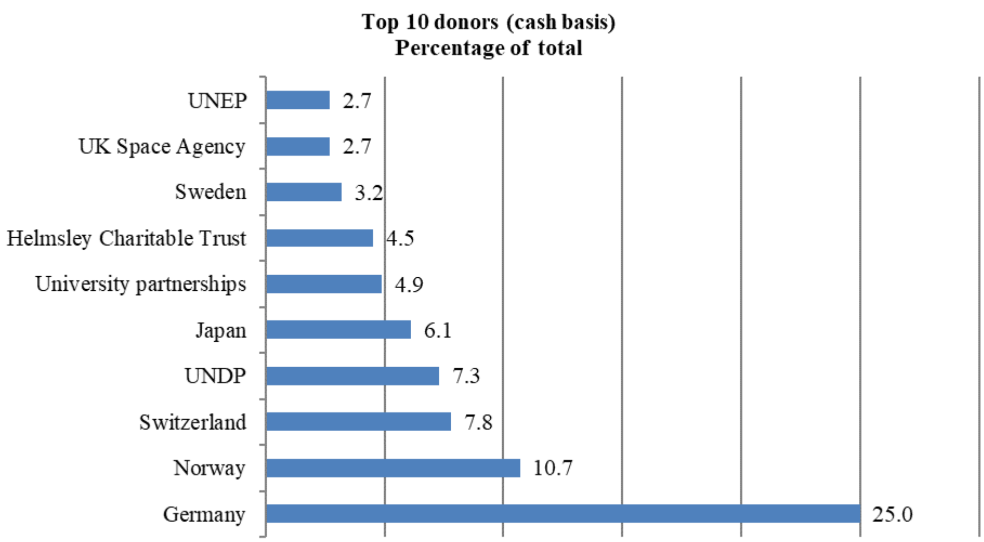
22. As shown in figure IV.VI, the main sources of revenue were: (a) voluntary contributions of $38.865 million received from Member States, or 68.4 per cent of total revenue (2020: $11.025 million, or 32.4 per cent); (b) other voluntary contributions of $9.576 million, or 16.9 per cent (2020: $14.785 million, or 43.4 per cent), comprising contributions of $7.547 million received from other donors and contributions in kind of $2.282 million; and (c) revenue from services rendered of $8.240 million, or 14.5 per cent (2020: $7.193 million, or 21.1 per cent). The in-kind contributions comprised a rental subsidy of $0.475 million (2020: $0.628 million) for the year (representing the difference between the market value and the actual amount paid for the rental of the buildings occupied by UNITAR) and the satellite images received from the Government of the United States of America valued at $1.807 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 0.23 per cent of total revenue, decreased to $0.132 million from the $0.432 million reported in 2020.

23. UNITAR relies heavily on a small number of donors; it was noted that the top 10 donors contributed 74.8 per cent of the total donor contributions for the year. Figure IV.VII shows the top 10 donors on an IPSAS basis and cash basis. The contributions include revenue received for services rendered whose donors were also the beneficiaries of the services rendered.

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



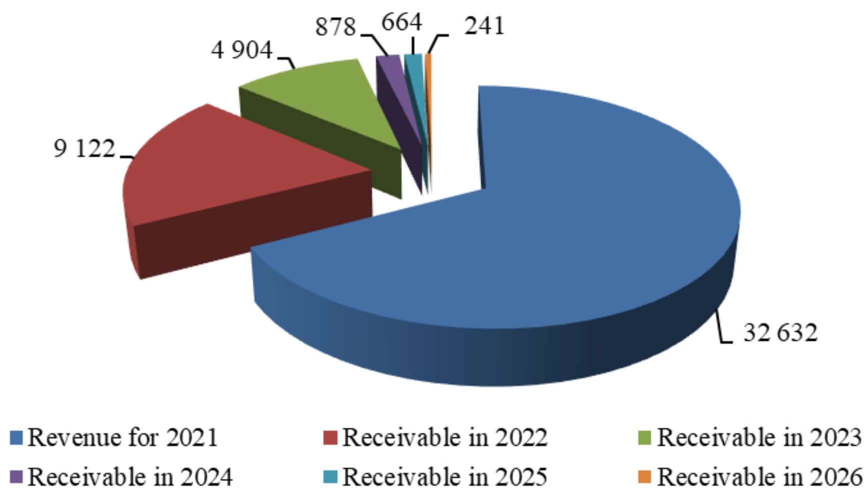
Abbreviations: UNDP, United Nations Development Programme; UNEP, United Nations Environment Programme.



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

24. Voluntary contributions recognized in 2021 on an IPSAS basis include a few high-value multi-year donor agreements with contributions balances receivable during the period 2022–2026. The revenues from such multi-year agreements that are recognized in 2021 with receivables in future years are shown in figure IV.VIII.

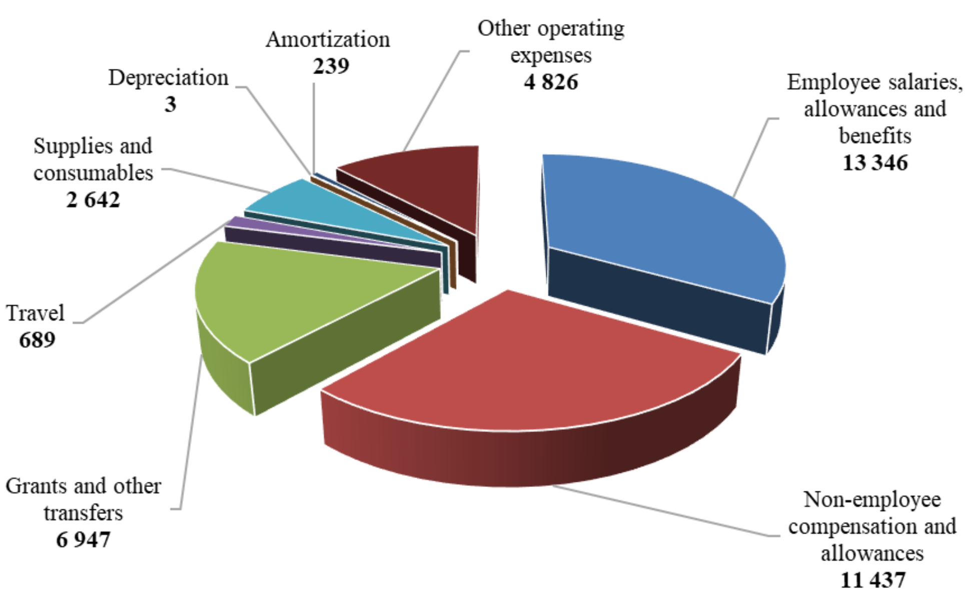
Figure IV.VIII
Voluntary contributions for 2021 showing current-year and future-year portions
(Thousands of United States dollars)



Expenses

25. For the year ended 31 December 2021, expenses totalled $40.129 million. The various categories of expenditure are shown in figure IV.IX

Figure IV.IX
Total expenses as at 31 December 2021
(Thousands of United States dollars)



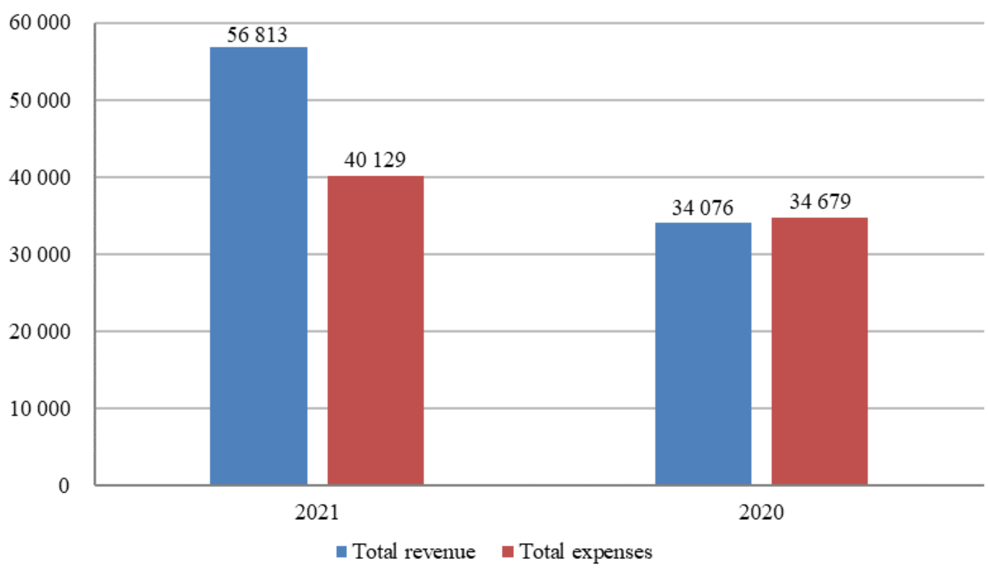
26. The total expenses amount of $40.129 million reported in 2021 represents an increase of 15.7 per cent compared with the total expense amount of $34.679 million reported in 2020 (see figure IV.X). The main expense categories were staff costs of $13.346 million, or 33.3 per cent (2020: $11.484 million, or 33.1 per cent), non-employee compensation and allowances of $11.437 million, or 28.5 per cent (2020: $8.957 million, or 25.8 per cent), grants and other transfers of $6.947 million,

or 17.3 per cent (2020: $5.781 million, or 16.7 per cent), and travel of $0.689 million, or 1.7 per cent (2020: $0.771 million, or 2.2 per cent). Other operating expenses of $4.826 million (2020: $4.458 million), supplies and consumables of $2.642 million (2020: $2.273 million), amortization of intangible in-kind assets of $0.239 million (2020: $0.954 million) make up the remaining 19.2 per cent of total expenses (2020: 22.2 per cent).

27. Other operating costs exclude $2.688 million in programme support costs, as well as $4.679 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 74 (note 3) and 92 (note 5) of the notes to the financial statements.

28. Total personnel costs, which include employee and non-employee compensation and allowances, amounted to $24.783 million (2020: $20.441 million). Total personnel costs represent 43.6 per cent of the total revenue, which was reported at $56.813 million for the year.

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



29. There was an overall increase of $22.737 million (66.7 per cent) in total revenue compared with the revenue reported in 2020, as shown in figure IV.X. The net voluntary contributions include $0.395 million in accounting adjustments to revenues, which were impaired, arising out of a case-by-case assessment of the contributions receivable. The main reasons for making these accounting adjustments were premature termination of the projects by the donors ($0.379 million) owing to changing funding priorities for donors affected by the COVID-19 pandemic and the completion of the projects with lower expenditure compared with budgets ($0.015 million).

30. On the other hand, the overall expenses showed an increase of $5.450 million (15.7 per cent) over 2020. The sources of significant increases were $1.862 million in expenses for employee salaries, allowances and benefits (16.2 per cent), $2.480 million in non-employee compensation and allowances (27.7 per cent), $1.166 million in grants and other transfers (20.2 per cent), $0.369 million in supplies and consumables (16.2 per cent) and $0.368 million in other operating expenses (8.3 per cent). Travel costs continued to decrease, falling by $0.082 million (-10.6 per cent).

Operating results

31. The net surplus in revenue over expense in 2021 is reported at $16.684 million, compared with the deficit of $0.603 million in 2020. The large voluntary contributions receivable balance relates to a few high-value multi-year donor agreements with contributions balances receivable during the period 2022–2026. Fluctuations in operating results are attributed to the timing difference in respect of recognizing revenue and related expenditure in line with provisions of IPSAS, whereby revenue from non-exchange transactions can be recognized in one financial year and the related expenses recorded in another, in particular where agreements are signed late in the financial year and span a multi-year period.

Liquidity position

32. As at 31 December 2021, the liquidity position of UNITAR was stable; the entity had sufficient liquid assets to settle its obligations. Liquid funds showed a decrease of $3.920 million from the level of $46.828 million reported as at 31 December 2020 to $42.908 million in 2021. The total liquid funds comprise cash and cash equivalents of $2.915 million, or 6.8 per cent (2020: $11.181 million, or 23.9 per cent), short-term investments of $21.031 million, or 49.0 per cent (2020: $22.241 million, or 47.5 per cent), and accounts receivables of $17.551 million, or 40.9 per cent (2020: $11.786 million, or 25.2 per cent). UNITAR invested its funds in short-term and long-term time deposits, bonds and other money market instruments and funds. Total current liabilities amounted to $5.477 million (2020: $5.865 million) and total liabilities amounted to $26.848 million (2020: $25.801 million).

33. The table below summarizes four key liquidity indicators for the financial year ended 31 December 2021 with comparatives for the year ended 31 December 2020.

	Year ended 31 December	
Liquidity indicator	*2021*	*2020*
Ratio of liquid assets to current liabilities	7.8:1	8.0:1
Ratio of liquid assets less accounts receivable to current liabilities	4.4:1	5.7:1
Ratio of liquid assets to total assets	0.58:1	0.83:1
Average months of liquid assets less accounts receivable on hand	7.2	11.9

34. 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 7.8:1 indicates that current liabilities are covered 7.8 times by liquid assets and, therefore, there are sufficient liquid assets available to fully pay current liabilities should the need arise. When accounts receivables are excluded from the analysis, the coverage of current obligations is at 4.4 for the current year, compared with 5.7 for the previous year.

35. As at 31 December 2021, the Institute's liquid assets were about 58 per cent of its total assets and it held sufficient cash and cash equivalents and short-term

investments to cover its estimated average monthly expenses of $3.324 million for 7.2 months, compared with 11.9 months at the end of 2020.

36. As at the reporting date, UNITAR had employee benefits liabilities of $22.284 million, of which $21.848 million relates to defined-benefit liabilities. With total cash and cash equivalents and investments of $44.262 million, the employee benefits liability is covered by 199 per cent. Furthermore, 24.0 per cent of the defined-benefit liability is funded up to $5.224 million included in cash and cash equivalents.

C. Future outlook

37. In November 2021, at its sixty-second session, the UNITAR Board of Trustees adopted the revised programme budget for 2022–2023 of $72.495 million, following a comprehensive review of the opportunities and challenges faced during the year, including an in-depth evaluation of the impact of the COVID-19 pandemic on programmatic activities, as well as a review of the full costs of staffing, other personnel, operational support and institutional costs for the biennium 2022–2023. The projected biennium budget for 2022–2023 of $72.495 million is 6 per cent higher than the approved (revised) budget for the biennium 2020–2021 ($68.102 million).

38. The Board of Trustees also considered the results of the midterm evaluation of the strategic framework for 2018–2021 and agreed to extend its strategic objectives for the period 2022–2025, while adding two new subobjectives – one on promoting health for all; the other on promoting technologies to facilitate the realization of the Sustainable Development Goals and reduce the many divides in the digital space – as well as placing an emphasis on climate action and getting the Goals back on track.

39. The Board of Trustees welcomed the partnership and resource mobilization strategy for the period 2022–2027 and the objectives of increasing pooled and flexible funding, including by providing further support to the Strategic Framework Fund, increasing partnerships and funding from the United Nations and other donor teams, further increasing strategic engagement with the business and private sectors and expanding hosted partnerships.

Chapter V

Financial statements for the year ended 31 December 2021

United Nations Institute for Training and Research

I. Statement of financial position as at 31 December 2021

(Thousands of United States dollars)

	Note	*31 December 2021*	*31 December 2020*
Assets			
Current assets			
Cash and cash equivalents	7	2 915	11 181
Investments	21	21 031	22 241
Voluntary contributions receivable	8	17 551	11 786
Other accounts receivable	9	1 301	1 503
Advance transfers	10	178	1 063
Interest receivable	9	110	117
Other assets	11	3 706	990
Total current assets		**46 792**	**48 881**
Non-current assets			
Investments	21	20 316	4 579
Voluntary contributions receivable	8	6 673	2 926
Intangible assets	13	–	239
Property, plant and equipment	12	3	7
Total non-current assets		**26 992**	**7 751**
Total assets		**73 784**	**56 632**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	14	2 885	3 874
Advance receipts	15	1 679	1 553
Employee benefits liabilities	16	913	438
Total current liabilities		**5 477**	**5 865**
Non-current liabilities			
Employee benefits liabilities	16	21 371	19 936
Total non-current liabilities		**21 371**	**19 936**
Total liabilities		**26 848**	**25 801**
Net of total assets and total liabilities		**46 936**	**30 831**
Net assets			
Accumulated surpluses	17	46 936	30 831
Total net assets		**46 936**	**30 831**

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 2021

(Thousands of United States dollars)

	Note	*2021*	*2020*
Revenue			
Voluntary contributions – Member States	18	38 865	11 025
Voluntary contributions – other	18	9 576	14 785
Revenue from services rendered	19	8 240	7 193
Investment revenue	21	132	432
Other revenue	22	–	641
Total revenue		**56 813**	**34 076**
Expenses			
Employee salaries, allowances and benefits	20	13 346	11 484
Non-employee compensation and allowances	20	11 437	8 957
Grants and other transfers	20	6 947	5 781
Travel	20	689	771
Supplies and consumables	20	2 642	2 273
Depreciation	12	3	1
Amortization	13	239	954
Other operating expenses	20	4 826	4 458
Total expenses		**40 129**	**34 679**
Surplus/(deficit) for the year		**16 684**	**(603)**

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 2021

(Thousands of United States dollars)

Net assets as at 1 January 2020	**31 987**
Change in net assets	
Actuarial loss on employee benefits liabilities (note 16)	(553)
Deficit for the year	(603)
Total changes in net assets	**(1 156)**
Net assets as at 31 December 2020	**30 831**
Change in net assets	
Actuarial loss on employee benefits liabilities (note 16)	(579)
Surplus for the year	16 684
Total changes in net assets	**16 105**
Net assets as at 31 December 2021	**46 936**

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 2021

(Thousands of United States dollars)

	Note	*2021*	*2020*
Cash flows from operating activities			
Surplus/(deficit) for the year		16 684	(603)
Non-cash movements			
Depreciation	12	3	1
Amortization of premiums/discount on investments	21	117	113
Amortization of intangible assets (in-kind contribution)	13	239	954
Actuarial gains/(losses)	17	(579)	(553)
Changes in assets			
Decrease/(increase) in voluntary contributions receivable	8	(9 511)	122
Decrease/(increase) in other receivables	9	202	(564)
Decrease/(increase) in interest receivables	9	7	63
Decrease/(increase) in advance transfers	10	885	160
Decrease/(increase) in other assets	11	(2 716)	4 846
Changes in liabilities			
Increase/(decrease) in other accounts payable and accrued liabilities	14	(989)	2 633
Increase/(decrease) in advance receipts	15	126	771
Increase/(decrease) in employee benefits liabilities	16	1 910	1 600
Investment revenue presented as investing activities	21	(132)	(432)
Net cash flows used in operating activities		**6 246**	**9 111**
Cash flows from investing activities			
Purchases of investments	21	(67 954)	(50 986)
Proceeds from investments	21	53 310	45 889
Investment revenue presented as investing activities	21	132	432
Net cash flows (used in)/from investing activities		**(14 512)**	**(4 665)**
Net (decrease)/increase in cash and cash equivalents		**(8 266)**	**4 446**
Cash and cash equivalents – beginning of year	7	11 181	6 735
Cash and cash equivalents – end of year	**7**	**2 915**	**11 181**

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 2021

(Thousands of United States dollars)

	Publicly available budget[a]				*Actual annual revenue and expenditure (budget basis)*	*Difference between original and final budget (percentage)*	*Difference between final budget and actual revenue/ expenditure (percentage)*[b]
	Original biennial	*Revised biennial*	*Original annual*	*Final annual*			
Income							
Programme contributions	90 645	69 445	46 809	36 045	43 980	(23.0)	22.0
Non-earmarked							
Voluntary contributions	500	450	250	200	239	(20.0)	19.5
Other/miscellaneous income	330	–	180	–	139	(100.0)	>100.0
Total income	**91 475**	**69 895**	**47 239**	**36 245**	**44 358**	**(23.3)**	**22.4**
Expenditure							
Office of Executive Director	3 097	2 844	1 571	1 554	1 472	(1.1)	(5.3)
Operations/support services	9 813	8 178	5 178	4 423	3 245	(14.6)	(26.6)
Programmes	75 373	57 080	39 025	29 606	33 454	(24.1)	13.0
Total expenditure	**88 283**	**68 102**	**45 774**	**35 583**	**38 171**	**(22.3)**	**7.3**
Net total	**3 192**	**1 793**	**1 465**	**662**	**6 187**	**–**	**–**

[a] The annual budget amounts relate to the current-year proportion of publicly available budgets which are approved for a two-year budget period (2020–2021) pursuant to document UNITAR/BT/61/4. Material differences between the original and final budgets are explained in note 6.

[b] Represents actual expenditure and income (budget basis) less final annual budget. Differences greater than 10 per cent are considered in note 6.

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

United Nations Institute for Training and Research
Notes to the 2021 financial statements

Note 1
Reporting entity

The United Nations and its activities

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

(a) The maintenance of international peace and security;

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

(c) The universal observance of human rights;

(d) The administration of international justice and law.

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

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

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

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

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

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

United Nations Institute for Training and Research

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

private sector and other non-governmental sources as well as by individuals paying for their training participation.

5. The mission of UNITAR is to develop the individual, institutional and organizational capacities of countries and other United Nations stakeholders through high-quality learning solutions and related knowledge products and services to enhance decision-making and to support country-level action for overcoming global challenges. The Institute's core functions are to provide high-quality learning solutions to address the capacity-development needs of individuals, organizations and institutions; to advise and support Governments, the United Nations and other partners with knowledge services, including those that are technology-based; to facilitate knowledge- and experience-sharing through networked and innovative processes; and to integrate innovative strategies, approaches and methodologies into learning and related knowledge projects and services. Under the 2018–2021 strategic framework, the UNITAR training programmes and research activities are organized under six thematic pillars: (a) peace; (b) people; (c) planet; (d) prosperity; (e) multilateral diplomacy; and (f) satellite analysis and applied research. In addition to these divisions, the Institute integrated, in late 2019, the Defeat Non-Communicable Diseases Partnership into its programming. During 2020, UNITAR also integrated into its programming the Sustainable Cycles Programme of the United Nations University.

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

7. UNITAR is headquartered in Geneva and its activities are supported by outposted offices in New York and Hiroshima, Japan, and a project office in Port Harcourt, Nigeria. In addition, the United Nations Satellite Centre Programme Unit has rented two offices spaces: one in Nairobi (from the United Nations Office at Nairobi) for 2020–2022 and the other in Bangkok (from the Economic and Social Commission for Asia and the Pacific) for 2020–2023; the Peacekeeping Training Programme Unit has rented offices from the United Nations Development Programme (UNDP) in Bamako, Addis Ababa, Dakar and Niamey for indefinite periods; and the New York Office has rented an apartment for 2021 to house the participants of the President of the General Assembly fellowship programme. These office spaces are rented for the implementation of specific project activities. With the integration of the Sustainable Cycles Programme, UNITAR has opened a multi-programme office in Bonn, Germany. The work of the UNITAR Bonn Office is focused largely on Sustainable Cycle programming, with the Global e-Waste Monitor being its flagship deliverable, and on peacekeeping training activities.

Note 2
Basis of preparation and authorization for issue

Basis of preparation

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

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

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

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

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

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

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

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

Going concern

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

Authorization for issue

10. These financial statements are certified by the Controller of the United Nations and approved by the Executive Director of UNITAR. In accordance with financial regulation 6.2, the Executive Director had transmitted the financial statements as at 31 December 2021 to the Board of Auditors by 31 March 2022. In accordance with financial regulation 7.12, the reports of the Board of Auditors are to be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements authorized for issue on 30 July 2022.

Measurement basis

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

Functional and presentation currency

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

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

14. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities

denominated in foreign currencies at year-end exchange rates are recognized in the statement of financial performance on a net basis.

Materiality and use of judgment and estimation

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

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

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

Future accounting pronouncements

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

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

(b) Non-exchange expenses: the aim of the project is to develop a standard or standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits. The IPSAS Board is expected to issue the standard by June 2022. The new standard on transfer expenses could result in a prospective change in accounting policy with regard to the recognition of some categories of non-exchange expenses of the United Nations, including transfers to implementing partners;

(c) Revenue: the scope of the project is to develop new standard-level requirements and guidance on revenue to amend or supersede that currently located in IPSAS 9: Revenue from exchange transactions, IPSAS 11: Construction contracts, and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers). The IPSAS Board is expected to issue the standard by September 2022;

(d) Leases: the objective of the project is to replace IPSAS 13: Leases, for lease accounting in order to maintain alignment with International Financial Reporting Standard 16. IPSAS 43 was issued in January 2022;

(e) Public sector measurement: the objectives of the project are to: (i) issue amended IPSAS standards that include revised requirements for measurement at initial recognition, subsequent measurement and measurement-related disclosure; (ii) provide more detailed guidance on the implementation of replacement cost and cost of fulfilment and the circumstances under which these measurement bases will be used; and (iii) address transaction costs, including the specific issue of the capitalizing or expensing of borrowing costs;

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

Recent and future requirements of the International Public Sector Accounting Standards

19. The IPSAS Board issued the following standards: IPSAS 41: Financial instruments, issued August 2018, effective 1 January 2023; and IPSAS 42: Social benefits, issued January 2019, effective 1 January 2023 and IPSAS 43: Leases, issued in January 2022, effective 1 January 2025.The impact of these standards on the organization's financial statements and the comparative period therein has been evaluated to be as follows.

Standard	*Anticipated impact in the year of adoption*
IPSAS 41	IPSAS 41: Financial Instruments, substantially improves the relevance of information for financial assets and financial liabilities. It will replace IPSAS 29: Financial instruments: recognition and measurement, and improves that standard's requirements by introducing: (a) Simplified classification and measurement requirements for financial assets; (b) A forward-looking impairment model; (c) A flexible hedge accounting model. The effective date of IPSAS 41 was deferred to 1 January 2023 owing to the COVID-19 pandemic and the challenges that it has created. The impact of IPSAS 41 on the financial statements will be assessed prior to that date, and the organization will be ready for its implementation by the time it becomes effective.
IPSAS 42	IPSAS 42: Social benefits, provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include state retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment. The effective date of IPSAS 42 was deferred to 1 January 2023 owing to the COVID-19 pandemic and the challenges that it has created. Currently, there are no such social benefits in UNITAR operations.
IPSAS 43	IPSAS 43: Leases, supersedes IPSAS 13: Leases, and introduces the right-of-use model for lessees, in line with International Financial Reporting Standard 16: Leases, and replaces the risks and rewards incidental to ownership model in IPSAS 13. For lessors, IPSAS 43 substantially carries forward the risks and rewards incidental to the ownership model in IPSAS 13. The effective date of IPSAS 43 is 1 January 2025. The impact of IPSAS 43 on the financial statements is currently being assessed, and the organization will be ready for its implementation by the time it becomes effective.

Note 3
Significant accounting policies

Financial assets: classification

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

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

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

Held-to-maturity investments

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

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

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

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

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

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

Cash and cash equivalents

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

Receivables from non-exchange transactions – contributions receivable

26. "Contributions receivable" represents uncollected revenue from voluntary contributions committed to UNITAR by Member States, non-member States and other donors on the basis of enforceable agreements. These non-exchange receivables are stated at nominal value, except for voluntary contributions receivable that will mature in more than 12 months, less impairment for estimated irrecoverable amounts (i.e., the

allowance for doubtful receivables). If deemed material, these long-term voluntary contribution receivables are reported at a discounted value.

Financial assets: receivables from exchange transactions – other receivables

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

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

Advance transfers

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

Other assets

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

Property, plant and equipment

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

Recognition of property, plant and equipment

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

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

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

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

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

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

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

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

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

Intangible assets

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

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

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

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

Financial liabilities: classification

43. Financial liabilities are classified as “other financial liabilities”. They include accounts payable, employee benefits payable, unspent funds held for future refunds, provisions and other liabilities such as inter-fund balances payable to other United Nations system reporting entities. Financial liabilities classified as other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities with a duration of less than 12 months are recognized at their nominal value. UNITAR re-evaluates the classification of financial liabilities at each reporting date and derecognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

Accounts payable and accrued liabilities

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

Advance receipts and other liabilities

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

Leases: the Institute as a lessee

46. 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.

47. 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

48. 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.

49. 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.

50. 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

51. 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

52. 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.

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

Post-employment benefits

54. 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

55. The following benefits are accounted for as defined-benefit plans: after-service health insurance, repatriation benefits (post-employment benefits) and accumulated annual leave that is commuted to cash upon separation from the organization (other long-term benefits). Defined-benefit plans are those where the obligation of UNITAR is to provide agreed benefits and UNITAR therefore bears the actuarial risks. The liability for defined-benefit plans is measured at the present value of the defined-benefit obligation. Changes in the liability for defined-benefit plans, excluding

actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The organization has chosen to recognize changes in the liability for defined-benefit plans from actuarial gains and losses directly through the statement of changes in net assets. As at 31 December 2021, UNITAR did not hold any plan assets as defined by IPSAS 39: Employee benefits.

56. 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.

57. **After-service health insurance**. After-service health insurance provides worldwide coverage for medical expenses of eligible former staff members and their dependants. Upon end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007 and 5 years for those who were recruited prior to that date. The after-service health insurance liability represents the present value of the share of the Institute's medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff. A factor in the after-service health insurance valuation is to consider contributions by all plan participants in determining the Institute's residual liability. Contributions from retirees are deducted from the gross liability and a portion of the contributions from active staff is also deducted to arrive at the Institute's residual liability in accordance with the cost-sharing ratios authorized by the General Assembly in its resolutions 38/235, 1095 A (XI) and 41/209.

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

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

Pension plan: United Nations Joint Staff Pension Fund

60. 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.

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

Termination benefits

62. 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

63. 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".

64. **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

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

Contingent liabilities

66. 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.

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

Contingent assets

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

Commitments

69. 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

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

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

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

73. 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.

74. 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 5, Segment reporting.

Exchange revenue

75. Exchange transactions are those in which UNITAR sells services in exchange for compensation. Revenue comprises the fair value of consideration received or receivable for the sale of services. Revenue is recognized when it can be reliably measured, when the inflow of future economic benefits is probable and when specific criteria have been met. Revenue from commissions and fees for technical, training, administrative and other services rendered to Governments, United Nations entities, individuals and other partners is recognized when the service is performed.

Investment revenue

76. 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

77. 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.

78. 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.

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

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

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

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

Note 4
Impact of coronavirus disease

83. In November 2020, at its sixty-first session, the UNITAR Board of Trustees adopted the revised programme budget for 2020–2021 of $68.10 million, with an overall reduction of $20.18 million to the amount proposed originally for the biennium, in 2019 ($88.28 million). The revision followed a comprehensive review of the opportunities and challenges faced during this year, significantly the impact of the COVID-19 pandemic, on the planned programmatic activities during 2020 and 2021, as well as a review of the full costs of staffing, other personnel, operational support and institutional costs for the biennium. For 2021, original expenditure budgets were revised downwards from $45.774 million to $35.583 million and its revenue targets from $47.239 million to $36.245 million.

84. During the year 2021, donors' funding priorities continued to change owing to the impact of the COVID-19 pandemic, and there were amendments to some of the contribution agreements signed with donors, leading to the premature termination of projects ($0.379 million).

85. The UNITAR working capital portfolio remained safe throughout the pandemic, since it holds high-quality, liquid assets aimed at preserving principal value; however, the portfolio's interest income declined significantly. Government-imposed restrictions in response to the pandemic brought many segments of the global economy to a virtual standstill in 2021, resulting in a sharp contraction in global growth. This led to an aggressive expansion in both monetary and fiscal policies by central banks and Governments around the world. As central banks slashed key interest rates, yields on eligible investments for the UNITAR portfolio also declined, and investments that had been earning several per cent per annum were reinvested at rates near zero. The investment revenue was lower in 2021, at $0.132 million (average annual yield of 0.32 per cent), compared with $0.432 million in 2020 (average annual yield of 1.27 per cent).

86. The COVID-19 pandemic affected the work of UNITAR in early 2020, since much of its programming is delivered in the field. In addition to ensuring business continuity with regard to planned programming, UNITAR broadened its portfolio to increase awareness and develop knowledge on matters related to the COVID-19 crisis. By leveraging its virtual learning environment and other available information technology tools, UNITAR was able to maintain business continuity, with a large number of planned in-person training activities converted to online delivery.

87. UNITAR has been working to broaden the diversity of languages in which training is delivered. In the midterm evaluation of the strategic framework undertaken in 2020, it was recommended that UNITAR engage locally in product development, including in languages other than English, which could capitalize on existing products to improve understanding and expand reach. Over the course of 2021, UNITAR has taken a number of steps to implement that recommendation, including by increasing engagement with local actors to shape and implement projects; working with radio stations in three southern African countries, broadcasting in local languages (in partnership with the One United Nations Climate Change Learning Partnership), with a total estimated reach of 10 million listeners (and with similar work being replicated on a larger scale across the region); and tailoring training and communication materials to local languages and contexts, including through radio spots aimed at enhancing awareness of COVID-19 in conjunction with health-related programming.

88. UNITAR has been able to adapt its operations by respecting multilingualism in its training programmes. Feedback received from participants through independent evaluations and impact stories has also contained suggestions for disseminating information and delivering training in local languages, including indigenous languages. In addition to the official languages of the United Nations, other languages in which UNITAR events are delivered include Filipino, Lao, Polish, Khmer, Thai, Turkish, Ukrainian, Mongolian, Portuguese, Romanian, Japanese, Vietnamese and Dutch.

Note 5
Segment reporting

89. 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.

90. As established in the UNITAR revised programme budget for the biennium 2020–2021 by its Board of Trustees, the activities of UNITAR are segregated into three segments:

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

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

2030 Agenda Unit). In addition, UNITAR programming includes activities undertaken by the Defeat Non-Communicable Diseases Partnership, which is hosted by UNITAR;

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

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

92. 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 $2.688 million and direct service costs of $4.679 million.

Statement of financial performance by segment as at 31 December 2021

(Thousands of United States dollars)

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

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

Statement of financial performance by segment as at 31 December 2020

(Thousands of United States dollars)

	Office of Executive Director	Programmes	Operations/ support services	Eliminations	Total
Segment revenue					
Voluntary contributions	333	25 396	81	–	25 810
Revenue from services rendered[a]	1 086	7 195	4 751	(5 839)	7 193
Other revenue	–	641	–	–	641
Investment revenue	146	–	286	–	432
Total revenue	**1 565**	**33 232**	**5 118**	**(5 839)**	**34 076**
Segment expenses					
Employee salaries, allowances and benefits	1 286	8 065	2 133	–	11 484
Non-employee compensation and allowances	38	8 532	387	–	8 957
Grants and other transfers	–	5 781	–	–	5 781
Travel	7	764	–	–	771
Supplies and consumables	2	2 256	15	–	2 273
Depreciation	–	1	–	–	1
Amortization	–	954	–	–	954
Other operating expenses	131	9 087	1 079	(5 839)	4 458
Total segment expense	**1 464**	**35 440**	**3 614**	**(5 839)**	**34 679**
Surplus/(deficit) for the year	**101**	**(2 208)**	**1 504**	**–**	**(603)**

[a] For 2020, $1.064 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 2021

(Thousands of United States dollars)

	Office of Executive Director	Programmes	Operations/ support services	Total
Assets				
Current assets				
Cash and cash equivalents	–	2 915	–	2 915
Investments	6 655	–	14 376	21 031
Voluntary contributions receivable	245	17 306	–	17 551
Other accounts receivable	–	1 301	–	1 301
Interest receivable	35	–	75	110
Advance transfers	–	178	–	178
Other assets	–	3 701	5	3 706
Total current assets	**6 935**	**25 401**	**14 456**	**46 792**

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Total*
Non-current assets				
Investments	6 429	–	13 887	20 316
Voluntary contributions receivable	–	6 673	–	6 673
Property, plant and equipment	1	2	–	3
Intangible assets	–	–	–	–
Total non-current assets	**6 430**	**6 675**	**13 887**	**26 992**
Total assets	**13 365**	**32 076**	**28 343**	**73 784**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	32	2 686	167	2 885
Other liabilities	–	–	–	–
Advance receipts	–	1 679	–	1 679
Employee benefits liabilities	95	663	155	913
Total current liabilities	**127**	**5 028**	**322**	**5 477**
Non-current liabilities				
Accounts payable and accrued liabilities	–	–	–	–
Employee benefits liabilities	2 235	15 511	3 625	21 371
Total non-current liabilities	**2 235**	**15 511**	**3 625**	**21 371**
Total liabilities	**2 362**	**20 539**	**3 947**	**26 848**
Net of total assets and total liabilities	**11 003**	**11 537**	**24 396**	**46 936**
Net assets				
Accumulated surplus	11 003	11 537	24 396	46 936
Total net assets	**11 003**	**11 537**	**24 396**	**46 936**

Statement of financial position by segment as at 31 December 2020

(Thousands of United States dollars)

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Total*
Assets				
Current assets				
Cash and cash equivalents	–	11 181	–	11 181
Investments	7 552	–	14 689	22 241
Voluntary contributions receivable	100	11 686	–	11 786
Other accounts receivable	–	1 503	–	1 503
Interest receivable	40	–	77	117
Advance transfers	–	1 063	–	1 063
Other assets	3	979	8	990
Total current assets	**7 695**	**26 412**	**14 774**	**48 881**

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Total*
Non-current assets				
Investments	1 555	–	3 024	4 579
Voluntary contributions receivable	–	2 926	–	2 926
Property, plant and equipment	1	6	–	7
Intangible assets	–	239	–	239
Total non-current assets	**1 556**	**3 171**	**3 024**	**7 751**
Total assets	**9 251**	**29 583**	**17 798**	**56 632**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	73	3 731	70	3 874
Other liabilities	–	–	–	–
Advance receipts	–	1 553	–	1 553
Employee benefits liabilities	49	308	81	438
Total current liabilities	**122**	**5 592**	**151**	**5 865**
Non-current liabilities				
Accounts payable and accrued liabilities	–	–	–	–
Employee benefits liabilities	2 232	14 001	3 703	19 936
Total non-current liabilities	**2 232**	**14 001**	**3 703**	**19 936**
Total liabilities	**2 354**	**19 593**	**3 854**	**25 801**
Net of total assets and total liabilities	**6 897**	**9 990**	**13 944**	**30 831**
Net assets				
Accumulated surplus	6 897	9 990	13 944	30 831
Total net assets	**6 897**	**9 990**	**13 944**	**30 831**

Note 6
Comparison to budget

93. 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.

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

95. 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.

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

Budget area	*Explanation of material differences*
Revenue	
Programme contribution	The positive deviation of 22 per cent reflects higher resource mobilization than in the anticipated budgets, in particular in the areas covered by the peacekeeping training programme and the United Nations Satellite Centre
Non-earmarked voluntary contributions	The positive deviation of 19.5 per cent reflects an increase in resource mobilization to the General Fund compared with what was anticipated in the budget revision exercise
Other/miscellaneous income	The final budget did not include the investment revenue as part of a conservative approach to forecasting investment markets, owing to the COVID-19 situation. Actual revenue reflects modest investment revenue at an average annual yield of 0.32 per cent
Expenses	
Operations/support services	The majority of downward expenses by 26.6 per cent reflects the postponement of budgeted recruitment of staff posts in the Communication and Information Technology Support, Finance and Budget and Human Resources Units, owing to uncertainty in programme delivery resulting from the COVID-19 situation. In addition, budgeted expenses for learning and corporate liability insurance were not incurred. Together with a reduction in actual charges by UNDP services, there were significant overall budgetary savings in the operations/support area
Programmes	The increase of 13.0 per cent in expenses reflects better delivery performance in 2021 than anticipated in the revised budget, in particular in the peacekeeping training programme

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

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

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

(Thousands of United States dollars)

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

Reconciliation of actual amounts on a comparable basis to the statement of cash flows: 2020

(Thousands of United States dollars)

	Operating	*Investing*	*Total*
Actual amount on a comparable basis (statement V)	**(35 013)**	**–**	**(35 013)**
Basis differences	(5 210)	432	(4 778)
Presentation differences	49 334	(5 097)	44 237
Net cash flows in the statement of cash flows (statement IV)	**9 111**	**(4 665)**	**4 446**

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

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

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

(d) Entity differences represent cash flows to/from fund groups or agencies which do not relate to UNITAR but are reported in the financial statements or the UNITAR budget. There were no entity differences in 2021.

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

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

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Budget expenditure as set out in statement V	38 171	35 013
Adjustments		
Elimination of unliquidated obligations	(2 114)	(4 804)
Accruals of expenses	525	929
After-service health insurance expenses	1 023	969
Expenses for contributions in kind	2 282	1 617
Depreciation of property, plant and equipment	3	1
Amortization of intangible assets	239	954
Total IPSAS expenses as set out in statement II	**40 129**	**34 679**

Note 7
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Cash held in UNITAR bank accounts	243	97
Investments: time deposits	–	–
Bonds	–	1 704
Money market instruments	–	7 498
Money market funds	2 669	1 880
Petty cash and project cash	3	2
Total cash and cash equivalents	**2 915**	**11 181**

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

Note 8
Voluntary contributions receivable: non-exchange transactions

(Thousands of United States dollars)

	31 December 2021			*31 December 2020*		
	Current	*Non-current*	*Total*	*Current*	*Non-current*	*Total*
Voluntary contributions	17 622	6 673	24 295	11 786	2 926	14 712
Allowance for doubtful voluntary contributions receivable	71	–	71	–	–	–
Total voluntary contributions receivable	**17 551**	**6 673**	**24 224**	**11 786**	**2 926**	**14 712**

100. The large voluntary contributions receivable balance relates to a few high-value multi-year donor agreements with contributions balances receivable during the period 2022–2026. A case-by-case analysis of all non-exchange revenue agreements was undertaken against the criteria of IPSAS 23. The receivables above include $14.772 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.

101. A detailed case-by-case review of the voluntary contributions receivable was undertaken at the end of year 2021 and consequently accounting adjustments to contribution revenues were made in the amount of $0.395 million, with a corresponding reduction to the voluntary contributions receivable. The main reasons for making these accounting adjustments were premature termination of the projects by the donors ($0.379 million) owing to changing funding priorities for donors affected by the COVID-19 pandemic and the completion of the projects with lower expenditure compared with budgets ($0.015 million).

102. In accordance with IPSAS 29, the non-current receivables amounting to $6.758 million have been discounted with a net impact of $0.085 million to the revenue recorded. The discounting rates used are the United States Daily Treasury Yield Curve Rates of 0.73, 0.97, 0.97 and 1.26 for years 2, 3, 4 and 5 respectively.

Note 9
Other accounts receivable: exchange transactions

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Exchange		
Receivables from non-governmental entities	826	405
Receivables from other United Nations Secretariat reporting entities	15	29
Receivables from government entities/public entities	460	1 069
Subtotal	**1 301**	**1 503**
Interest receivable	110	117
Total other accounts receivable	**1 411**	**1 620**

Note 10
Advance transfers

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Implementing partners/executing agencies	178	1 063
Total advance transfers	**178**	**1 063**

Note 11
Other assets

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Vendors	10	–
Staff members	47	66
Prepayments	80	98
Advances to UNDP	3 569	826
Total other assets	**3 706**	**990**

103. 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 12
Property, plant and equipment: 2021

(Thousands of United States dollars)

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

Property, plant and equipment: 2020

(Thousands of United States dollars)

	Information and communications technology	*Vehicles*	*Total*
Cost as at 1 January 2020	**11**	**40**	**51**
Disposals	–	–	–
Cost as at 31 December 2020	**11**	**40**	**51**
Accumulated depreciation as at 1 January 2020	**10**	**34**	**44**
Disposals	–	–	–
Depreciation for the year	–	1	1
Accumulated depreciation as at 31 December 2020	**10**	**35**	**45**
Net carrying amount			
1 January 2020	1	6	7
31 December 2020	**1**	**6**	**7**

104. During 2021, there was a disposal of one fully depreciated asset (vehicle) with a cost of $0.0296 million, which was handed over to the Member State.

Note 13
Intangible assets

(Thousands of United States dollars)

	Total
Cost as at 1 January 2021	**1 432**
In-kind contributions	–
Cost as at 31 December 2021	**1 432**
Accumulated amortization as at 1 January 2021	**1 193**
Disposals	–
Amortization for the year	239
Accumulated amortization as at 31 December 2021	**1 432**
Net carrying amount	
1 January 2021	239
31 December 2021	**–**

105. During 2019, digital satellite images valued at $1.432 million were received from the United States Government as in-kind contributions and were used for the implementation of the United Nations Satellite Centre. The images were used to benefit the projects until March 2021 and were capitalized as an intangible asset and amortized for $0.239 million in 2019, $0.954 million in 2020 and $0.239 million in 2021. This intangible asset was fully depreciated as at 31 December 2021.

Note 14
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Payables to vendors	1 242	2 070
Payables to other United Nations Secretariat reporting entities	–	53
Payable to university partnerships	–	–
Accruals for goods and services	522	876
Other	1 121	875
Total accounts payable and accrued liabilities	**2 885**	**3 874**

Note 15
Advance receipts

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Payments received in advance	1 679	1 553
Total advance receipts	**1 679**	**1 553**

Note 16
Employee benefits liabilities

(Thousands of United States dollars)

	31 December 2021			*31 December 2020*		
	Current	*Non-current*	*Total*	*Current*	*Non-current*	*Total*
After-service health insurance	87	18 812	18 899	55	17 669	17 724
Repatriation benefits	238	1 510	1 748	104	1 478	1 582
Annual leave	152	1 049	1 201	50	789	839
Subtotal, defined-benefit liabilities	**477**	**21 371**	**21 848**	**209**	**19 936**	**20 145**
Home leave	318	–	318	129	–	129
Appendix D/workers' compensation	118	–	118	100	–	100
Total employee benefits liabilities	**913**	**21 371**	**22 284**	**438**	**19 936**	**20 374**

Employee benefits accounted for on a defined-benefit basis

106. UNITAR provides its staff and former staff with after-service health insurance and repatriation benefits that are actuarially valued defined-benefit plans. Annual leave benefits are actuarially valued on the same basis. The liabilities are determined on the basis of an independent actuarial valuation, which is usually undertaken every two years. The most recent full after-service health insurance valuation was conducted as at 31 December 2021. The cumulative amount of actuarial gains and losses recognized in net assets is a net loss of $0.579 million (2020: net loss of $0.553 million).

Actuarial valuation: assumptions

107. UNITAR reviews and selects assumptions and methods used by the actuaries in the year-end valuation to determine the expense and contribution requirements for the employee benefits. The principal actuarial assumptions used to determine the employee benefit obligations as at 31 December 2021 are set out below.

Actuarial assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates, 31 December 2021	0.12%	2.64%	2.76%
Discount rates, 31 December 2020	0.01%	2.08%	2.23%
Inflation, 31 December 2021	2.25%	2.50%	–
Inflation, 31 December 2020	2.75%	2.20%	–

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

109. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption reflects the current short-term expectations of the after-service health insurance plan cost increases and the economic environment. Medical cost trend assumptions used for the valuation as at 31 December 2021 were updated to include escalation rates for future years. As at 31 December 2021, these escalation rates were a flat health-care yearly escalation rate of 3.44 per cent (2020: 3.64 per cent) for Swiss

medical plans, grading down to 2.25 per cent over seven years (2020: 2.75 per cent over eight years).

110. With regard to the valuation of repatriation benefits as at 31 December 2021, inflation in travel costs was assumed at 2.50 per cent (2020: 2.20 per cent United States inflation assumption) on the basis of the projected inflation rate over the next 20 years.

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

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

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

(Thousands of United States dollars)

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

Movement in employee benefits liabilities accounted for as defined-benefit plans: 31 December 2020

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
Net defined-benefit liability as at 1 January 2020	**16 313**	**1 460**	**809**	**18 582**
Current service cost	939	87	52	1 078
Interest cost	30	42	19	91
Subtotal, costs recognized in the statement of financial performance	**969**	**129**	**71**	**1 169**
Actuarial (gains)/losses recognized directly in the statement of changes in net assets	488	31	34	553
Actual benefits paid	(46)	(38)	(75)	(159)
Net recognized liability as at 31 December 2020	**17 724**	**1 582**	**839**	**20 145**

113. For the year 2021, actuarial losses of $0.579 million are debited directly to the net assets and an amount of $1.222 million towards the current-year service and interest costs is charged to the statement of financial performance.

Medical cost sensitivity analysis

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

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

(Thousands of United States dollars)

	31 December 2021		*31 December 2020*	
	Increase	*Decrease*	*Increase*	*Decrease*
Effect on the defined-benefit obligation	3 123	(2 618)	2 893	(2 435)
Effect on the aggregate of the current service cost and interest cost	238	(194)	221	(179)

Discount rate sensitivity to end-of-year liability

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

Discount rate sensitivity analysis: year-end employee benefits liabilities

(Thousands of United States dollars)

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

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

31 December 2020	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 0.5 per cent[a]	(2 524)	(55)	(35)
As a percentage of end-of-year liability	(14%)	(3%)	(4%)
Decrease of discount rate by 0.5 per cent	3 050	60	38
As a percentage of end-of-year liability	17%	4%	5%

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

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	*2021*	*2020*	*2019*	*2018*	*2017*
After-service health insurance	18 899	17 724	16 313	8 351	8 060
Repatriation benefits	1 748	1 582	1 460	1 277	1 317
Annual leave	1 201	839	809	739	738
Total present value of defined-benefit obligation	**21 848**	**20 145**	**18 582**	**10 367**	**10 115**

Funded liabilities

116. UNITAR has commenced funding plans for the defined-benefit liabilities. The balance of liability funded as at 31 December 2021 is shown in the table below.

(Thousands of United States dollars)

	Funded	*Unfunded*	*Total liability as at 31 December 2021*	*Percentage funded*
After-service health insurance	2 275	16 624	18 899	12.0
Repatriation benefits	1 748	–	1 748	100.0
Annual leave	1 201	–	1 201	100.0
Total employee benefits liabilities under defined-benefit plans	**5 224**	**16 624**	**21 848**	**24.0**

117. The funded amount of $5.224 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

118. 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.

119. 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.

120. In the Regulations of the Fund, it is stated that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

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

122. The latest actuarial valuation for the Fund was completed as at 31 December 2019; the valuation as at 31 December 2021 is currently being performed. A roll-forward of the participation data as at 31 December 2019 to 31 December 2020 was used by the Fund for its 2020 financial statements.

123. The actuarial valuation as at 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.4 per cent. The funded ratio was 107.1 per cent when the current system of pension adjustments was taken into account.

124. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2019, 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 reporting, the General Assembly had not invoked the provision under article 26.

125. Should article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based on the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2018, 2019 and 2020) amounted to $7,993.15 million, of which 0.046 per cent was contributed by UNITAR.

126. During 2021, contributions paid to the Fund amounted to $1.553 million (2020: $1.338 million). Expected contributions due in 2022 are approximately $1.878 million.

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

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

Note 17
Net assets

(Thousands of United States dollars)

	2021	*2020*
Net assets as at 1 January	30 831	31 987
Actuarial gains/(losses) on employee benefits liabilities	(579)	(553)
(Deficit)/surplus for the year	16 684	(603)
Net assets as at 31 December	**46 936**	**30 831**

Note 18
Revenue from non-exchange transactions

Voluntary contributions – Member States

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Voluntary contributions – Member States	40 417	11 843
Refunds to Member States	(1 552)	(818)
Total revenue from voluntary contributions – Member States	**38 865**	**11 025**

129. The significant increase in voluntary contributions reflects multi-year contribution agreements signed in 2021, and which were recognized up front under IPSAS, including with the Norwegian Agency for Development Cooperation, for $6.965 million; the German Federal Foreign Office, for $7.149 million; the German Environment Agency, for $0.341 million; the Swiss Agency for Development and Cooperation, for $4.265 million; and the Hiroshima Prefecture government, for $2.273 million. Contribution agreements were also signed with Member States Canada, the Russian Federation and the United States, with increased contribution amounts for 2021.

Voluntary contributions – other

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Voluntary contributions – other	7 547	13 344
Refunds – other	(253)	(176)
Voluntary in-kind contributions	2 282	1 617
Total revenue from voluntary contributions – other	**9 576**	**14 785**

130. The contributions in kind include a rental subsidy of $0.475 million (2020: $0.628 million) for the year, which represents the difference between the market value and the actual amount paid for the rental of the buildings occupied by UNITAR, and the satellite images received from the United States Government valued at $1.807 million that were used for the implementation of the United Nations Satellite Centre. The satellite images received in 2021 are in addition to the satellite images received in 2019, which were valued at $1.432 million and benefited the projects until

March 2021 and have been capitalized as an intangible asset and amortized for an additional amount of $0.239 million in 2021. This intangible asset received in 2019 was fully depreciated as at 31 December 2021. 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 reflected above. During 2021, in-kind contributions also included services provided by advisers, associate fellows and other resource personnel valued at $1.033 million, which is not included in the table above.

131. All voluntary contributions recognized as revenues in 2021 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*
2021	24 317	8 315
2022	8 036	1 086
2023	4 765	139
2024	842	36
2025	664	–
2026	241	–
Gross revenue from voluntary contributions – Member States and other	**38 865**	**9 576**

Note 19
Revenue from services rendered: exchange transactions

132. 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.

133. 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.

134. 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.

135. The UNITAR Decentralized Cooperation Programme has established a global network of 21 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 2021	31 December 2020
Training fees	4 191	2 890
United Nations Satellite Centre activities	2 320	3 212
Affiliation fee from training centres	528	533
Other revenue	1 201	558
Total revenue from services rendered	**8 240**	**7 193**

Note 20
Expenses

Employee salaries, allowances and benefits

136. 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 2021	31 December 2020
Salaries	6 263	5 505
Allowance and benefits	4 284	3 554
Post adjustment	2 799	2 425
Total employee salaries, allowances and benefits	**13 346**	**11 484**

Non-employee compensation and allowances

137. "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 2021	31 December 2020
Consultant fees, interns and trainees	11 437	8 957
Total non-employee compensation and allowances	**11 437**	**8 957**

Grants and other transfers

138. 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 2021	*31 December 2020*
Contractual services	1 878	2 469
Outright grants	1 898	824
Staff and personnel costs	950	813
Travel	1 518	865
Supplies, commodities and materials	382	439
Programme support costs	107	44
Equipment, vehicles and furniture	214	327
Total grants and other transfers	**6 947**	**5 781**

139. During 2021, a total amount of $0.172 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 2021	*31 December 2020*
Travel of staff, consultants and non-staff	689	771
Total travel	**689**	**771**

Supplies and consumables

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Operational satellite images (in kind)	1 807	990
Acquisition of office equipment and supplies	480	265
Operational maps	285	234
Other supplies	70	784
Total supplies and consumables	**2 642**	**2 273**

Other operating expenses

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

(Thousands of United States dollars)

	31 December 2021	31 December 2020
Training	670	796
Rent – office and premises	1 136	1 170
Contracted services	545	641
Communications utilities	806	759
Expense recognized for contributions in kind – premises	475	628
Joint administrative fees	134	164
Other expenses	176	272
Stationery and office supplies	8	28
Shipping/freight services	22	–
Net exchange losses	783	–
Charge for doubtful accounts	71	–
Total other operating expenses	**4 826**	**4 458**

Note 21
Financial instruments and financial risk management

Financial instruments

(Thousands of United States dollars)

	Note	31 December 2021	31 December 2020
Financial assets			
Held-to-maturity			
Non-call bonds		39 347	24 820
Callable bonds		2 000	2 000
Subtotal, investments		**41 347**	**26 820**
Loans and receivables			
Cash and cash equivalents: internally managed	7	246	99
Cash and cash equivalents: time deposits	7	–	–
Cash and cash equivalents: certificates of deposit/ commercial paper	7	2 669	11 082
Subtotal, cash and cash equivalents		**2 915**	**11 181**
Voluntary contributions receivable	8	24 224	14 712
Other receivables and interest receivables	9	1 411	1 620
Other assets (excluding staff advances and prepayments)	11	10	–
Total loans and receivables		**25 645**	**16 332**
Total carrying amount of financial assets		**69 907**	**54 333**
Financial liabilities at amortized cost			
Accounts payable and accrued liabilities	14	2 885	3 874
Total carrying amount of financial liabilities		**2 885**	**3 874**

	Note	31 December 2021	31 December 2020
Net revenue and expense from financial assets			
Interest income – time deposits and bank accounts		38	68
Interest income on non-call bonds		236	502
Amortized income on non-call bonds		(142)	(138)
Total net revenue from financial assets		**132**	**432**

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

(Thousands of United States dollars)

	2021	2020
Balance as at 1 January	26 820	21 836
Purchases of investments	67 954	50 986
Sale of investments	(53 310)	(45 889)
Amortization	(117)	(113)
Balance as at 31 December	**41 347**	**26 820**

Financial risk management: overview

141. UNITAR has exposure to the following financial risks:

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk.

142. 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

143. 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.

144. 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.

145. 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.

146. 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 2021, as the existing framework was applied to the UNDP service-level agreement arrangement adopted in 2015.

147. 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

148. 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

149. 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).

150. 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.

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

152. 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 2021, 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 2021	AAA	AA+	AA	AA-	A+	A-	Total
Money market instruments	4 998	–	10 498	–	–	–	15 496
Bonds	10 750	8 966	–	3 607	2 528	–	25 851
Total	**15 748**	**8 966**	**10 498**	**3 607**	**2 528**	**–**	**41 347**

Credit risk: receivables

153. A large proportion of receivables is due from entities that do not have significant credit risk. As at the reporting date, UNITAR did not hold any collateral as security for receivables. UNITAR evaluates the allowance for doubtful receivables at each reporting date. An allowance for doubtful receivables occurs when there is objective evidence that UNITAR will not collect the full amount due. Allowances credited to the allowance for doubtful receivables general ledger account are utilized when management approves write-offs under the Financial Regulations and Rules or are reversed when the previously impaired receivables are received. There is a provision for doubtful receivables for 2021 for an amount of $0.071 million included in the operating expenses. On the basis of its monitoring of credit risk, UNITAR believes that, other than that provision, no additional impairment allowance is necessary in respect of receivables.

Ageing of total receivables
(Thousands of United States dollars)

	31 December 2021		31 December 2020	
	Gross receivable	Allowance	Gross receivable	Allowance
Neither past due nor impaired	19 881	–	13 667	–
Less than one year	5 644	–	2 457	–
One to two years	–	–	91	–
Total	**25 525**	**–**	**16 215**	**–**

Credit risk: cash and cash equivalents

154. UNITAR held cash and cash equivalents of $2.915 million as at 31 December 2021, which is the maximum credit exposure on these assets.

Liquidity risk

155. 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.

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

157. 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

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

Maturities for financial liabilities based on the earliest date at which UNITAR can be required to settle the financial liabilities: as at 31 December 2021, undiscounted

(Thousands of United States dollars)

	On demand	*Within 3 months*	*3–12 months*	*>1 year*	*Total*
Accounts payable and accrued liabilities	–	2 885	–	–	2 885
Total financial liability	**–**	**2 885**	**–**	**–**	**2 885**

Market risk

159. 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

160. 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

161. 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

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

Note 22
Other revenue

163. For 2021, no other revenue is recorded that reflects net exchange gains or proceeds from sale of equipment (2020: $0.641 million).

Note 23
Related parties

Governance of UNITAR

164. UNITAR is governed by a Board of Trustees, which is composed of 17 trustees, including the Chair. The trustees are appointed by the United Nations Secretary-General, in consultation with the Presidents of the General Assembly and the Economic and Social Council. The trustees do not receive any remuneration from the organization.

165. 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.

166. 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

167. 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.

168. 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.

169. UNITAR had 10 key management personnel, whose remuneration was $3.078 million over the financial year ended 31 December 2021 (2020: $2.997 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.

170. 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

171. In 2015, UNITAR contracted UNDP under three service-level agreements for provision of services on a cost-recovery basis for the implementation of UNDP-hosted Atlas enterprise resource planning software, for ongoing management of treasury and UNITAR cash and investment activities and for payroll services. These transactions are consistent with normal operating relationships between the entities, are undertaken on terms and conditions that are normal for such transactions in these circumstances and are at arm's length. These three service-level agreements remained valid in 2021.

United Nations system

172. 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.

173. 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

174. The International Training Centres for Authorities and Leaders Global Network comprises 21 international training centres for authorities and leaders. The Global Network's 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.

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

176. The Global Network-affiliated training centres pay UNITAR an annual affiliation fee in line with the signed partnership agreements or decisions of the Global Network steering committee. UNITAR does not invest in the activities of the training centres or participate in sharing the profits or losses of the centres. UNITAR received $0.528 million (2020: $0.533 million) in affiliation fees, which is included in the revenue from exchange transactions.

Note 24
Leases and commitments

Finance leases

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

Operating leases and commitments

178. UNITAR holds two leases in place, one for the use of Geneva premises and one for its New York Office. In Geneva, UNITAR holds a three-year lease agreement with the World Meteorological Organization for its office space, covering the period 1 April 2020 to 31 March 2023. During the year 2021, a total lease payment of 950,000 Swiss francs was made (at the average exchange rate for 2021: $1.041 million). In addition, the United Nations Satellite Centre Programme Unit has rented two offices spaces: one in Nairobi (from the United Nations Office at Nairobi) for 2020–2022 and the other in Bangkok (from the Economic and Social Commission for Asia and the Pacific) for 2020–2023; the Peacekeeping Training Programme Unit has rented offices from UNDP in Bamako, Addis Ababa, Dakar and Niamey for indefinite periods; and the New York Office has rented an apartment for 2021 to house the participants of the President of the General Assembly fellowship programme. These office spaces are rented for the implementation of specific project activities.

179. The total lease payments recognized in expenses for the period was $1.619 million (2020: $1.521 million). The total operating lease rental expense for the year includes $0.475 million (2020: $0.628 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 2021	*31 December 2020*
Due in less than one year	1 351	1 223
Due in one to five years	274	1 359
Due in more than five years	–	–
Total minimum lease obligations (undiscounted)	**1 625**	**2 582**

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

181. At the reporting date, open contractual commitments relating to goods and services contracted but not delivered were $0.900 million (2020: $2.557 million).

182. At the reporting date, the Institute’s commitments to transfer funds to implementing partners, based on agreements, amounted to $0.843 million (2020: $1.972 million).

Note 25
Contingent liabilities and contingent assets

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

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

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

Note 26
Events after the reporting date

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

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