United Nations

United Nations Institute for Training and Research

Financial report and audited financial statements

for the year ended 31 December 2018

and

Report of the Board of Auditors

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

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Note

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

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Letters of transmittal

Letter dated 23 March 2019 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 2018 annual financial statements of the United Nations Institute for Training and Research as at 31 December 2018, which I hereby approve. The financial statements have been completed and certified by the Controller as correct in all material respects.

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

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

Letter dated 24 July 2019 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Institute for Training and Research for the year ended 31 December 2018.

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

Chapter I

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

Opinion

We have audited the financial statements of the United Nations Institute for Training and Research (UNITAR), which comprise the statement of financial position (statement I) as at 31 December 2018 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 2018 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

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

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

Management is responsible for the other information, which comprises the financial report for the year ended 31 December 2018, contained in chapter IV below, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

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

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

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

24 July 2019

Chapter II
Long-form report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Institute for Training and Research (UNITAR) for the year ended 31 December 2018.

Opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UNITAR as at 31 December 2018 and its financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

Overall conclusion

The Board did not identify significant errors, omissions or misstatements from the review of financial records of UNITAR for the year ended 31 December 2018. However, the Board identified scope for improvements in the area of financial management and internal controls.

Key findings

Contract process for consultants and individual contractors

The Board of Auditors noted that neither the administrative circular nor its annexes and general conditions stipulate specific limitations in respect of contracting consultants and/or individual contractors.

Accountability of programme managers for the processing of contracts for consultants and individual contractors

The Board of Auditors noted that in some contract processes for consultants and individual contractors, there were not sufficient project fund balances, or in the long term, the overall resources would not be sufficient to cover their payments; hence, the form "Request for outside expertise or professional services, Special Service Agreement" could not be processed.

Compliance of the travel policy and related procedures

During the internal control visit, the Board of Auditors observed that in some mission authorization forms, there was no evidence of the date on which the document had been approved. In addition, it was noted that there was no procedure for establishing a designated approver for the official travels of the Executive Director.

Recommendations

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

Contract process for consultants and individual contractors

(a) **Review and update its current administrative circular regarding the use of consultants and individual contractors and evaluate, considering the limitations issued by the United Nations Secretariat;**

Accountability of programme managers for the processing of contracts for consultants and individual contractors

(b) **Improve the managers' controls by checking the availability of funds before initiating a recruitment process for consultants and individual contractors, to ensure effective project management and transparency in the utilization of resources;**

Compliance of the travel policy and related procedures

(c) (i) **Make the necessary efforts to comply with the established travel policy controls, ensuring the full compliance of the mission authorization form;** (ii) **Take the necessary measures to include a designated approver for the official travels of the Executive Director.**

Key facts

$25.9 million	Total revenue in 2018, including $20.3 million in voluntary contributions and $5.3 million for the provision of services
$2.6 million	Deficit shown in 2018
$23.5 million	Accumulated surpluses as at 31 December 2018
47	Staff members

A. Mandate, scope and methodology

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

2. The Board of Auditors audited the financial statements of UNITAR and reviewed its activities for the year ended 31 December 2018, 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 2018 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards. This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the Board of Trustees and recorded in accordance with the Financial Regulations and Rules of the United Nations.

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

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

6. The Board has taken up three audit topics in 2018: the procedure for receiving voluntary contributions; the use of consultants and individual contractors; and the application of travel policies. The Board also reviewed the follow-up actions taken by UNITAR on the recommendations of the previous audits.

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

8. The Board's observations and conclusions were discussed with UNITAR management, whose views have been appropriately reflected in the report.

B. Findings and recommendations

1. Follow-up of previous recommendations

9. The Board noted that there were 10 outstanding recommendations up to the year ended 31 December 2017, of which 8 (80 per cent) have been fully implemented and 2 (20 per cent) are under implementation, as shown in the table below. Details of the status of implementation of recommendations from previous years are provided in the annex to chapter II.

Table II.1
Status of implementation of recommendations

	Fully implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
Total	8	2	–	–
Percentage	80	20	–	–

Source: Board of Auditors.

10. In its previous report, the Board recommended that UNITAR define criteria for awarding ratings to ensure comparability among consultants and establish a roster that links consultants' performance evaluations to their respective fields of expertise. There has been positive progress across the recommendations. The Board believes that the Executive Director of the Institute will make the amendment shortly.

2. Financial overview

11. In 2018, UNITAR reported a deficit of $2.6 million and actuarial gains on employee benefits liabilities of $0.5 million. Its net assets decreased from $25.6 million to $23.5 million. Total revenue for 2018 of $25.9 million decreased by $6.9 million from $32.8 million in the previous year. This includes voluntary contributions of $20.3 million (78 per cent) and revenue from services rendered of $5.3 million (20 per cent). Voluntary contributions from Member States decreased from $22.2 million in 2017 to $11.7 in 2018. Other voluntary contributions increased

from $6.3 million in 2017 to $8.6 million in 2018. Expenditure increased by 1.6 per cent from $28.1 million to $28.6 million.

12. In 2018, expenditure included $10.7 million for staff expenditure (2017: $10.8 million), $5.6 million for consultants, interns and trainees (2017: $4.5 million) and $3.8 million for grants and other transfers (2017: $5.9 million).

13. The total assets of UNITAR increased from $32.2 million as at 31 December 2016 to $37.1 million as at 31 December 2017 and decreased to $36.0 million at the end of the reporting period. Liabilities rose from $10.9 million as at 31 December 2016 to $11.5 million as at 31 December 2017 and further to $12.5 million as at 31 December 2018.

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

Table II.2
Ratio analysis

Ratio	*31 December 2018*	*31 December 2017*	*31 December 2016*
Total assets: total liabilities[a]			
Total assets: total liabilities	2.88	3.23	2.95
Current ratio[b]			
Current assets: current liabilities	11.93	22.68	15.02
Quick ratio[c]			
(Cash + short-term investments + accounts receivable): current liabilities	11.63	20.04	12.40
Cash ratio[d]			
(Cash + short-term investments): current liabilities	7.30	12.22	8.09

Source: UNITAR financial statements.

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

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

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

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

15. The Institute's current assets cover its current liabilities. Ratios have declined because current liabilities have increased. The decrease of current, quick and cash ratios has been driven by a 22.7 per cent increase in current accounts payable and accrued liabilities.

16. UNITAR carried out a case-by-case review of voluntary contributions receivables as at 31 December 2018 and consequently made accounting adjustments of $5.2 million, with a corresponding reduction to voluntary contributions receivable.[1]

3. Contract process for consultants and individual contractors

Administrative circular outdated

17. On 9 September 2008, UNITAR issued administrative circular AC/UNITAR/2008/11 on consultants and individual contractors, the purpose of which was to

[1] See note 7 to the financial statements for the year ended 31 December 2018.

promulgate the conditions and procedures for the selection and engagement of consultants and individual contractors at UNITAR. The circular contains, among other topics, definitions, selection process, duration of contract, fees and evaluation, as well as the annexes and general conditions of contracts. On the other hand, the Institute issued an administrative circular relating to the workflows for contract processing (AC/UNITAR/2016/11) on 20 December 2016, whose purpose was to communicate the workflows between programmes, the Human Resources Section (current Human Resources Unit), the Finance and Budget Section (current Finance and Budget Unit) and the Office of the Executive Director for contract renewal purposes. AC/UNITAR/2016/11 No. 4 stipulates the workflow for Special Service Agreements) for consultants and individual contractors. This specific workflow stipulates that after the Special Service Agreement request is approved by the Human Resources Section, the Finance and Budget Section (current Finance and Budget Unit) provides accounting codes to the Human Resources Section (current Human Resources Unit) and the Human Resources Section raises the purchase order in Atlas.

18. After its review of the UNITAR circular on consultants and individual contractors (AC/UNITAR/2008/11), the Board of Auditors noted that neither the administrative circular nor its annexes and general conditions stipulated specific limitations in respect of contracting. Indeed, the Board found no limitations on recruiting, for example, former and retired staff members, family members and spouses, or other specific issues such as the responsibilities of consultants and individual contractors for determining their tax liabilities and for the payment of any taxes and/or duties, in accordance with local laws.

19. After its review of the Special Service Agreement form and its workflow, the Board found that it was only after the Special Service Agreement had been approved by the Chief of the Human Resources Unit, who also serves as the Director of the Division for Operations, that the Finance and Budget Unit, which is currently under the subordination of the Division for Operations, received the form to deliver its finance clearance.

20. The Board of Auditors considers that UNITAR should include within its administrative circular some of the aforementioned conditions and restrictions regarding the contract process for consultants and individual contractors. Despite being an autonomous institution within the framework of the United Nations, the Institute could consider using as a guide administrative instruction ST/AI/2013/4 issued by the United Nations Secretariat on 19 December 2013, in order to fully cover the scope of application for the contracting process, given the importance of this area within the entity’s framework. In addition, and taking into account the current organizational structure of UNITAR, the Finance and Budget Unit is under the subordination and therefore, under the supervision, of the Division for Operations. Hence, the Board of Auditors believes that in the workflow for contracting consultants or individual contractors, the Special Service Agreement form should first be revised by the Finance and Budget Unit, for financial clearance, and then submitted to the Director of the DO for approval. Otherwise, financial clearance would lose its usefulness.

21. **The Board of Auditors recommends that UNITAR review and update its current administrative circular regarding the use of consultants and individual contractors and evaluate, considering the limitations issued by the United Nations Secretariat.**

22. **The Board also recommends that UNITAR revise and update, if necessary, the workflow for contract processing indicated in administrative circular AC/UNITAR/2016/11, taking into consideration the current organizational structure of the Institute.**

23. UNITAR committed to reviewing the limitations adopted by the various United Nations common system entities in terms of earnings and time limits per year for retirees and to considering including in the revised circular the limitations that are most suitable for its business model and operational efficiency.

24. In addition, it was agreed that the initial approval on paper might be excluded from the process, which would require a more rigorous review by the managers and would update the workflows in administrative circular AC/UNITAR/2016/11.

Accountability of programme managers for the processing of contracts for consultants and individual contractors

25. Paragraph 14 of the Policy Guidelines for Agreements with Financial Implications for the Acceptance of Voluntary Contributions for Specific Purposes – "Grants in", approved by the Board of Trustees at its fifty-sixth session, held on 19 and 20 November 2015 (see UNITAR/BT/56/2), states that managers shall be fully responsible for clearing all agreements (special-purpose grant agreements; letters of agreement; United Nations agency-to-United Nations agency contribution agreements; contribution/pledge letters from donors and official UNITAR acceptance letters, contracts and amendments) and for ensuring that financial, legal, policy and general quality standards are followed. Furthermore, paragraph 17 stipulates that all projects and funds for specific purposes shall be administered in accordance with the United Nations Financial Regulations and Rules, UNITAR policies and procedures, and the budget/cost plan annexed to the relevant agreement, project document or grant application. Paragraph 22 of the above-mentioned policy establishes that managers are responsible for monitoring project implementation from substantive and financial angles. On the other hand, UNITAR issued an administrative circular relating to workflows for contract processing (AC/UNITAR/2016/11) on 20 December 2016. AC/UNITAR/2016/11 No. 4 stipulates that the programme manager liaises with the Finance and Budget Unit to ensure that funds are allocated in accordance with the budget.

26. During the internal control visit, the Board of Auditors reviewed the contracting process for consultants and individual contractors and noted that for this process, a form entitled "Request for outside expertise or professional services, Special Service Agreement" had been created which, among other data, contained the account to which the contract should be charged. In accordance with AC/UNITAR/2016/11 No. 4 on the workflow for contract processing, this document is created by the programme manager and then sent to the Human Resources Unit for review and approval. From the background review of contracting processes for 25 consultants and individual contractors during 2018, and according to some emails that accompany the requests, the Board noted that in 6 cases, the request could not be processed because at the time, there were not sufficient fund balances in the respective projects or because in the long term, the resources allocated for the projects would not be sufficient to cover the total of the payment for the contract of the consultant or individual contractor. To solve those obstacles, it had been necessary to change the source project (project number) to another one with adequate resources in order to finance the hiring of the consultant or individual contractor already selected.

27. In the Board's opinion, it seems essential that, before the hiring process for a consultant or individual contractor begins, the managers determine whether the project in question has suitable resource availability, in the short and the long terms, in order to properly plan the funds that will be used. Otherwise, making changes from one project to another with sufficient funds could result in a lack of effective project management transparency in the process. Such review could be made using the different UNITAR sources of information available, such as the financial dashboard

reachable on the Institute's intranet, which presents the financial side of the implementation of the projects and a summary of its balances.

28. **The Board of Auditors recommends that UNITAR improve the managers' controls by checking the availability of funds before initiating a recruitment process for consultants and individual contractors, to ensure effective project management and transparency in the utilization of resources.**

29. UNITAR agreed with the recommendation of the Board of Auditors that the aforementioned controls in the selection process be improved.

4. Policy Guidelines for Agreements with Financial Implications for the Acceptance of Voluntary Contributions for Specific Purposes

30. The statute of UNITAR, promulgated by the Secretary-General in November 1965, specifies in paragraphs 5 to 10 of article VIII, the different arrangements through which the entity is financed and by means of which contributions may be received. On the one hand, arrangements may arise from voluntary contributions from Governments, intergovernmental and non-governmental organizations and foundations. Such funds shall be classified as "General Fund". On the other hand, arrangements may arise from donations and grants accepted for purposes determined by the donor. Such arrangements shall be classified as "special-purpose grants". Lastly, income may emanate from the sale of any capital assets of the Institute, as well as donations and grants for which no purpose is required. Those arrangements shall be classified as "Reserve Fund".

31. In order to provide policy guidance to manage the use of financial instruments for acceptance of funds, UNITAR developed the Policy Guidelines for Agreements with Financial Implications for the Acceptance of Voluntary Contributions for Specific Purposes, approved by the Board of Trustees at its fifty-sixth session. The Guidelines also include the steps to be followed in drafting, reviewing, finalizing and signing agreements. The procedure for drafting, reviewing, clearing and signing the agreements is stipulated in chapter VII. Regarding agreements above $100,000, the manager must prepare and review the draft agreement and relevant annexes against a checklist. The Planning, Performance and Results Section and the Finance and Budget Unit must then review the draft. Afterwards, the manager must clear the agreement and send it to the Executive Director for signature. Lastly, following the donor's signature, the manager is responsible for ensuring that the Planning, Performance and Results Section and the Finance and Budget Unit receive a signed copy of the agreement in order to record the information. The project is then officially "opened". This status means that financial allocations, disbursements or obligations may be made. For agreements below $100,000, the policy establishes that no review by the Planning, Performance and Results Section and the Finance and Budget Unit is required. In those cases, the review is only discretionary, at the request of a manager.

32. The Guidelines mention that in instances in which a donor prepares the draft agreement, the manager is responsible for ensuring that the agreement and relevant annexes are consistent with applicable UNITAR and United Nations rules and policies and that general quality standards are followed, prior to clearing and submitting the agreement to the Head of the Operations Unit for signature. In each of the cases, the managers are fully responsible for clearing all agreements and for ensuring that financial, legal, policy and general quality standards are followed.

33. In accordance with the information provided by the Institute, in 2018, UNITAR signed 121 agreements that have been classified as special purpose and 8 that have been classified as General Fund. Regarding the agreements classified under special purpose, the Board of Auditors noted that 89 per cent were above $100,000 and 11 per cent were below $100,000. The Board noted that, in spite of the policy, every

agreement was being revised by the Planning, Performance and Results Section and the Finance and Budget Unit, even the ones that were below $100,000.

34. The programme managers' function is essential in order to elaborate the agreements – and ensure that every agreement is consistent with applicable UNITAR and United Nations rules and policies. Similarly, the review by the Planning, Performance and Results Section and the Finance and Budget Unit has crucial importance in assuring that UNITAR complies with its organizational objectives, considering the support function that they must provide in the execution of programmes and projects. Nevertheless, the Board of Auditors considers that if every agreement is being reviewed by the Planning, Performance and Results Section and the Finance and Budget Unit, this may result in a risk factor. Indeed, if UNITAR does not have enough staff to conduct such review, it may be possible that the resulting revised agreements do not comply with the quality, focus and efficiency that the Institute requires, considering the organization's workload. In fact, there are 70 agreements for special purposes below $100,000.

35. **The Board of Auditors recommends that UNITAR keep the Policy Guidelines for Agreements with Financial Implications for the Acceptance of Voluntary Contributions under review, in order to include revision by the Planning, Performance and Results Section and the Finance Budget Unit of agreements that are also below $100,000 in the context of managing the workload.**

36. UNITAR stated that the policy had already been revised following the audit by the Office of Internal Oversight Services on project management (2015/16) and that it had been determined that not all agreements required review. The Planning, Performance Monitoring and Evaluation Unit does not prioritize review requests below $100,000 and automatically reminds programme units that such reviews are not required in accordance with policy and that the relevant programme unit manager may wish to clear the agreement and submit it for signature. However, the Institute accepted the observation and agreed to keep the existing policy guidelines under review.

5. Delegations of authority

37. UNITAR issued administrative circular AC/UNITAR/2015/08 on 16 November 2016. The purpose of the circular was to issue a consolidated list of formal delegations of authority to staff members selected to perform significant functions and to assign responsibilities to them by the Executive Director of the Institute. Furthermore, the circular states that in the performance of such functions, staff members so designated are responsible to the Executive Director and are expected to provide consistency in the application of the organization's regulations, rules, policies and procedures.

38. As at the present time, UNITAR has issued six delegations of authority to: the Head of the Operations Unit; the Chief of Administration and Procurement; the Finance and Budget Officer; the Chief of the Human Resources Unit; the Heads of outposted offices; and the managers. All of them are governed by the administrative circular on delegations of authority. On the other hand, the Board of Trustees approved, at its fifty-eighth session (UNITAR/BT/58/6), the revised organizational chart for the biennium 2018–2019.

39. The Board of Auditors reviewed the aforementioned administrative circular and made enquiries of the Institute's key personnel in the light of the impact that the delegations of authority have on the entity processes under review. In that regard, the following situations were observed:

(a) In accordance with AC/UNITAR/2015/08 No. 5, the Finance and Budget Officer, among other functions, is authorized, in the absence of the Head of the Operations Unit, to sign agreements with donors and other partners for the receipt of voluntary contributions or exchange revenues. However, according to the Institute's current organizational structure, this function is performed by the Chief of the Finance and Budget Unit;

(b) Moreover, in AC/UNITAR/2015/08 No. 6 of the administrative circular, authority is delegated to the Chief of the Human Resources Unit, among other functions, to recruit consultants and individual contractors. Nevertheless, this function is currently being carried out, in an effective manner, by the Institute's programme managers, who are in charge of the selection of consultants or individual contractors and, in addition, must assure the financial and substantive implementation of the projects.

40. The audit team considers that the lack of clear and accurate duties covered under delegations of authority generates inconsistency and accountability problems within the areas to which the above-mentioned administrative circular applies.

41. **The Board of Auditors recommends that UNITAR align the administrative circular on delegations of authority with the current organizational chart in order to ensure clarity in functions.**

42. UNITAR accepted the recommendation and is in the process of updating the circular on delegation of authority.

6. Compliance of the travel policy and related procedures

43. Administrative circular AC/UNITAR/2017/01 of 24 January 2017 sets out the UNITAR travel policy and related procedures. Administrative circular AC/UNITAR/2017/01/Add.1 of 2 February 2017 amends paragraph 3.1 of the aforementioned circular to read as follows: "The traveller has the responsibility to ensure that the relevance of the proposed mission has been discussed with the direct supervisor prior to the submission of a mission authorization form."

44. The circular also states that the designated approvers of the mission authorization form are as shown in the table below.

Table II.3
Designated approvers of the mission authorization form

Traveller	*Designated approver*
Senior managers	Head, Operations Unit
Managers	Head, Operations Unit
Staff members and personnel other than managers	Responsible manager

Source: Administrative circular AC/UNITAR/2017/01/Add.1.

45. In paragraph 5 of annex 1 to administrative circular AC/UNITAR/2017/01 regarding travel procedures and practices, it is established that the Finance and Budget Unit shall accept only those travel requests where the lead time between dates of such fully compliant submissions and start dates of travel is at least 10 business days. Similarly, it is stipulated that mission authorization form submissions made after 3 p.m. shall be considered as submitted the following day. It is stated that exceptions to the 10-business-day rule shall be submitted to the Executive Director for approval by email and provided to the Finance and Budget Unit in writing.

46. During the visit, the Board of Auditors verified the compliance of 25 mission authorization forms. It was observed that in two cases, there was no evidence of the date on which the form had been approved. In addition, it was noted that there was no procedure for establishing a designated approver for the official travels of the Executive Director.

47. The non-compliance of the travel policy and related procedures in the above-mentioned cases implies the inability to verify the compliance of the 10-business-day rule in the sense that if the mission authorization form is not fully completed within the dates, then the rule cannot be properly calculated. Considering that in 2018 there were 899 booked travels, the number of non-compliant travels could be greater. In that regard, it is essential that the travel missions be discussed and approved by the designed approvers to ensure that the travel plan is aligned with UNITAR objectives and budgetary feasibilities. The Board of Auditors considers that it is therefore crucial that UNITAR improve its travel policy compliance.

48. **The Board of Auditors recommends that UNITAR make the necessary efforts to comply with the established travel policy controls, ensuring the full compliance of the mission authorization form.**

49. **In addition, the Board of Auditors recommends that UNITAR take the necessary measures in order to include a designated approver for the official travels of the Executive Director.**

50. UNITAR responded that out of the sample of 25 mission authorizations provided, all the cases that required an exception to the 10-day rule had the approvals of the Executive Director as required. The dates of the exceptions to the 10-day rule can be calculated from the dates on the emails through which most forms are received. However, it was stated that UNITAR agrees that in the consistent absence of the date of signature of the approvers and in the absence of evidence of when the mission authorization was received by the Finance and Budget Unit, it is not possible to ensure and provide evidence that the 10-day rule has been implemented. The Finance and Budget Unit will start stamping the date of receipt of mission authorization forms, so that the 10-day rule can be calculated and its implementation evidenced.

51. UNITAR management also acknowledged that the current policy did not require approvals for the travels undertaken by the Executive Director. In that regard, it was stated that management would review and revise the policy to require the approval of the Executive Director’s travels by a suitable and appropriate official.

C. Disclosures by management

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

52. UNITAR reported that there were no cases of write-offs of cash, receivables or dysfunctional or non-expendable property in 2018.

2. Ex gratia payments

53. UNITAR reported no ex gratia payments in 2018.

3. Cases of fraud and presumptive fraud

54. 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.

55. During the audit, the Board made enquiries of management regarding its oversight responsibility for assessing the risks of material misstatements due to fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks of fraud that management has identified or that have been brought to their attention. The Board also enquired whether management had knowledge of any actual, suspected or alleged fraud. No cases of fraud were brought to the Board's attention.

D. Acknowledgement

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

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

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

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

24 July 2019

Annex

Status of implementation of recommendations up to the year ended 31 December 2017

No.	Audit report year	Report reference	Recommendation of the Board	UNITAR response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
1.	2015	A/71/5/Add.5, chap. II, para. 45	The Board recommended that UNITAR establish an entity-level risk register to identify and manage risks outside the scope of its current project risk management.	UNITAR has established an entity-wide risk register that is commensurate with the size and scope of the Institute's operations. UNITAR considers this recommendation to have been implemented and requests its closure by the Board.	On 25 October 2018, UNITAR issued administrative circular AC/UNITAR/2018/04 containing the UNITAR Enterprise Risk Management Policy, which is aimed at providing a framework to identify, assess, mitigate and monitor risks at the organizational level. Therefore, and taking into consideration the actions developed by the Institute, the recommendation is considered as implemented.	X			
2.	2016	A/72/5/Add.5, chap. II, para. 45	The Board recommended that UNITAR raise the awareness of donors of the importance that recruitment be in line with the United Nations policies on the general elimination of discrimination and that costs emerging from these policies be covered by the project funds.	UNITAR updated its Policy Guidelines for Agreements with Financial Implications for the Acceptance of Voluntary Contributions for Specific Purposes and added the following paragraph: "UNITAR supports a non-discriminatory work environment consistent with United Nations policy, and any related costs as they may arise are to be charged to project funds in consultation with the donor." The incorporation of that paragraph into the policy ensures that all donors are consulted and informed that recruitments	UNITAR provided the Policy Guidelines for Agreements with Financial Implications for the Acceptance of Voluntary Contributions for Specific Purposes "Grants in". This document contains the clause stated by the Institute. Similarly, the Board noted in four agreements signed with different donors that the above-mentioned non-discrimination clause had been included. Therefore, the recommendation is considered as implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNITAR response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
				of personnel for projects funded by those donors are in line with United Nations policies. UNITAR considers this recommendation to have been implemented and requests its closure by the Board.					
3.	2016	A/72/5/Add.5, chap. II, para. 46	The Board recommended that UNITAR examine which measures are suitable to create a non-discriminatory and inclusive working environment.	A standard paragraph was introduced into vacancy announcements, as follows: "UNITAR is committed to achieving workforce diversity in terms of gender, nationality and culture. Qualified women, individuals from minority groups, indigenous groups and persons with disabilities are equally encouraged to apply. All applications will be treated with the strictest confidentiality." UNITAR contacted its landlord to address the issue of accessibility. The landlord confirmed that the building met some of the standards required under the new legislation and that the landlord was in the process of studying the possibility of further improvements. In addition, the technical standards for computer equipment required by staff with disabilities, such as screen readers and Braille keyboards, will be introduced as necessary, using project funds and in	From the information provided by the Institute, it was possible to verify that the standard paragraph mentioned by the entity had been included in its vacancy announcements. Moreover, on 31 July 2018, the Executive Director appointed a UNITAR Disability Focal Point. The Board took note of progress made and concluded that the recommendation has been implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNITAR response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
				agreement with the relevant donors. A focal point for disability matters has been designated. UNITAR considers this recommendation to have been implemented and requests its closure by the Board.					
4.	2017	A/73/5/Add.5, chap. II, para. 29	The Board recommended that UNITAR continue to ensure that it has concluded appropriate VAT exemption agreements where possible and is using up-to-date VAT forms.	UNITAR has obtained the updated Swiss VAT exemption form, which is now in use. At the Hiroshima, Japan, office, UNITAR has applied and obtained the VAT exemption status from the Government of Japan, which allows UNITAR to seek a VAT exemption from specific vendors. UNITAR considers this recommendation to have been fully implemented and requests its closure by the Board.	Regarding the UNITAR Hiroshima office, the Japanese Ministry of Foreign Affairs issued the Official Tax Exemption Card on 18 April 2018. Therefore, the National Tax Bureau of Japan granted the tax exemption status to the organization from 1 July 2018. Regarding the office in Switzerland, it was verified that an updated Swiss VAT exemption form had been provided to the Institute on 21 December 2018. Therefore, the recommendation is considered as implemented.	X			
5.	2017	A/73/5/Add.5, chap. II, para. 35	The Board recommends that UNITAR review its funding policy for after-service health insurance liabilities in the light of the approach set out by the Controller.	UNITAR has proposed to charge 4 per cent of the total of base salary and post adjustment less staff assessment for the after-service health insurance liabilities, instead of the current 1 per cent. After the calculation of the impact of the proposed increase on the existing approved project budgets, as well as on	UNITAR agreed with the recommendation and since 1 October 2018, after-service health insurance has been increased to 4 per cent. The audit team took note of progress made and concluded that the recommendation has been implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNITAR response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
				subsequent budget revisions and approvals, UNITAR expects that the recommendation will be implemented by the end of the fourth quarter of 2019.					
6.	2017	A/73/5/Add.5, chap. II, para. 43	The Board recommended that UNITAR define criteria for awarding ratings to ensure comparability among consultants.	UNITAR is exploring the development of an online system to help with the implementation of this recommendation by the end of 2019.	UNITAR stated that the Atlas module with UNDP was also being simultaneously evaluated for various functionalities along with Inspira and other systems that could fit the needs of the Institute. In addition, it informed that an appropriate/suitable system and solution would be selected and implemented by the end of 2019. The audit team acknowledges the progress that has been made, but considers implementation to be in progress.		X		
7.	2017	A/73/5/Add.5, chap. II, para. 44	The Board also recommended that UNITAR establish a roster that links consultants' performance evaluations to their respective fields of expertise.	UNITAR is exploring the development of an online system with a roster that links the consultant's performance evaluation to the consultant's field of expertise by the end of 2019.	UNITAR stated that the Atlas module with UNDP was also being simultaneously evaluated for various functionalities along with Inspira and other systems that could fit the needs of the Institute. In addition, it informed that an appropriate/suitable system and solution would be selected and implemented by the end of 2019.		X		

No.	Audit report year	Report reference	Recommendation of the Board	UNITAR response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
					The audit team acknowledges the progress that has been made, but considers implementation to be in progress.				
8.	2017	A/73/5/Add.5, chap. II, para. 50	The Board recommended that UNITAR replace paragraphs 8–10 of its Anti-Fraud and Anti-Corruption Policy with the respective parts of the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat.	UNITAR is in the process of revising its Anti-Fraud and Anti-Corruption Policy, as recommended by the Board.	UNITAR issued administrative circular AC/UNITAR/2018/03 on 7 September 2018, which contains its Anti-Fraud and Anti-Corruption Policy, as revised in August 2018. The above-mentioned policy replaced paragraphs 8–10. The audit team took note of progress made and concluded that the recommendation has been implemented.	X			
9.	2017	A/73/5/Add.5, chap. II, para. 56	The Board recommended that UNITAR include internal committee work carried out by staff members in their performance evaluations.	UNITAR has formalized an internal procedure whereby the respective programme managers are accountable for acknowledging the internal committee work carried out by staff members in their performance evaluations.	On 18 December 2017, UNITAR issued administrative circular AC/UNITAR/2017/14 to reflect the change in the composition of the Integrity and Ethics Oversight Committee. Furthermore, from the revision of the performance evaluation reports from the members of the Committee, the Board noted that the work performed by the staff members had been included. Therefore, the Board considers this recommendation as implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	UNITAR response	Board's assessment	*Status after verification*			
						Implemented	*Under implementation*	*Overtaken by events*	*Not implemented*
10.	2017	A/73/5/Add.5, chap. II, para. 61	The Board recommended that UNITAR include fraud, corruption and misuse of resources by UNITAR staff as risk factors in the enterprise risk management system that is currently under development.	UNITAR stated that this recommendation was in progress and that it was expected to be implemented in the second quarter of 2019.	Even though UNITAR has not requested the closure of this recommendation, the Board noted that the Anti-Fraud and Anti-Corruption Policy issued by the Institute and the enterprise risk management policy issued by the Office of the Under-Secretary-General, Department of Management, addresses the risk of fraud, corruption or misuse of resources by UNITAR staff. Therefore, and taking into consideration the progress made by UNITAR, the Board considers this recommendation as implemented.	X			
	Total					**8**	**2**	–	–
	Percentage					**80**	**20**	–	–

Chapter III
Certification of the financial statements

Letter dated 20 March 2019 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 2018 have been prepared in accordance with financial rule 106.1 of the Financial Regulations and Rules of the United Nations.

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

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

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

Chapter IV
Financial report for the year ended 31 December 2018

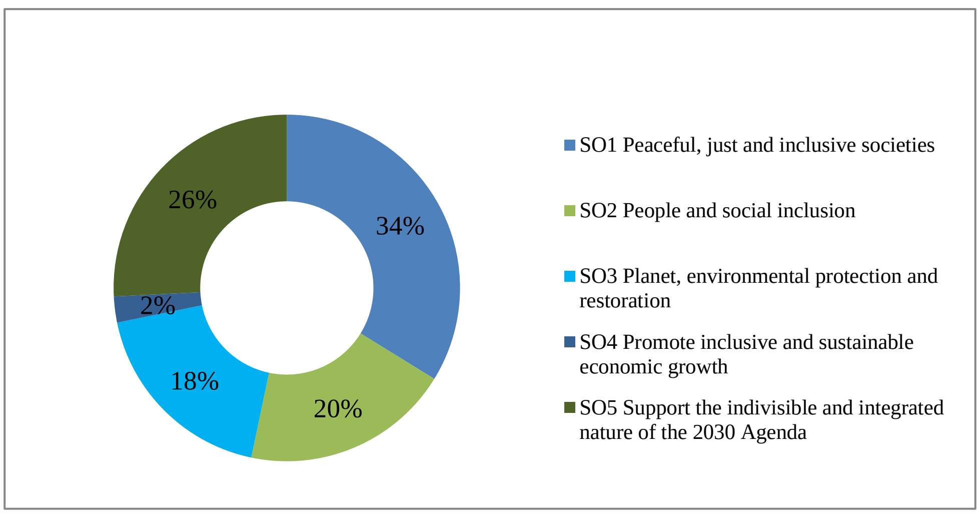
A. Introduction

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 2018.

2. The present report is designed to be read in conjunction with the financial statements for UNITAR for the year ended 31 December 2018. The report provides an overview of the position and performance of UNITAR, highlighting trends and significant movements. The annex to the present report provides supplementary information that is required to be reported to the Board of Auditors under the Financial Regulations and Rules of the United Nations.

3. UNITAR is a dedicated training arm of the United Nations. With the aim of strengthening the effectiveness of the United Nations, the mission of UNITAR is to develop the individual, institutional and organizational capacities of countries and other United Nations stakeholders through high-quality learning solutions and related knowledge products and services to enhance decision-making and to support country-level action for overcoming global challenges. The strategic framework for 2018–2021 organizes the Institute's programming under the peace, people, planet and prosperity pillars of the 2030 Agenda, in addition to one that reflects cross-fertilization of knowledge, incorporating strategic implementation of the 2030 Agenda and satellite imagery analysis for evidence-based decision-making. While UNITAR programming contributes to 14 of the 17 Sustainable Development Goals, two thirds of UNITAR results areas are aligned to Sustainable Development Goals 12 (responsible production and consumption), 13 (climate action) and 16 (peace, justice and strong institutions). The proportion of the 2018–2019 budget corresponding to each of the five strategic objectives is shown in figure IV.I.

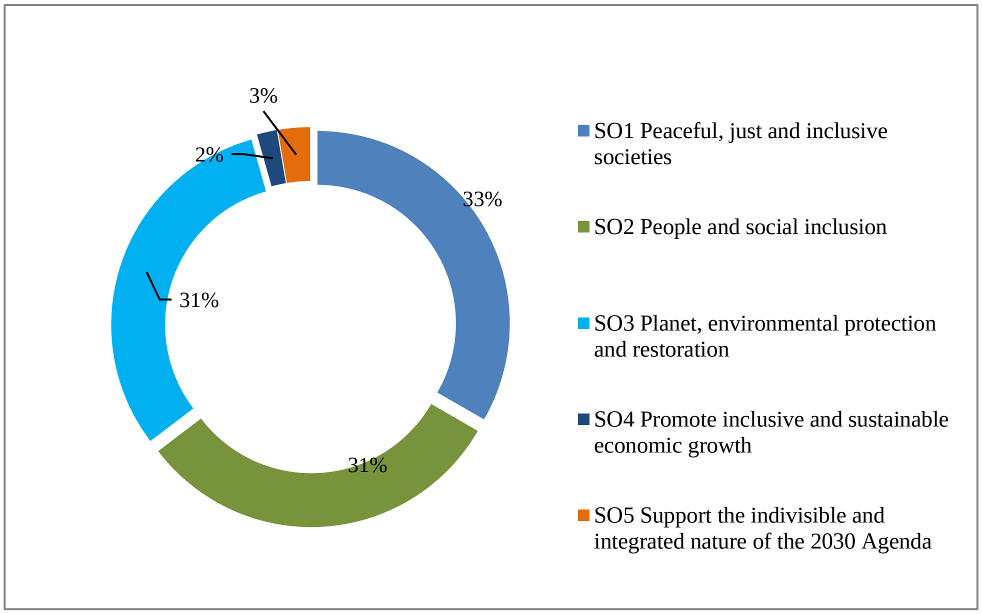
Figure IV.I
2018–2019 programme budget by strategic objective



4. During 2018, UNITAR made progress towards the achievement of its objectives through the provision of training, learning and knowledge-sharing services to 84,901 beneficiaries (representing an increase of 49 per cent from the 2017 figure of 56,897), the highest number of total beneficiaries in the Institute's history. As shown in

figure IV.II, 64 per cent of beneficiaries were associated with programming related to peace and the planet. The majority of UNITAR beneficiaries (72 per cent) were associated with specific learning outcomes in 2018. The number of such beneficiaries increased by 60 per cent, from 38,004 in 2017 to 60,901 in 2018. This marked increase is largely attributed to the continued delivery of the predeployment peacekeeping training courses targeting African peacekeepers and police personnel; the introductory e-learning course on climate change, administered in partnership with agencies of the One UN Climate Change Learning Partnership; and the doubling of beneficiaries from activities of the International Training Centres for Authorities and Leaders Global Network.

Figure IV.II
Beneficiaries by programme area



Note: Beneficiaries under SO5 include Accelerating Sustainable Development Goal implementation, Satellite and applied research and Multilateral Diplomacy Programme beneficiaries recorded as cross-cutting. The data do not include 1,599 beneficiaries recorded as multiple object areas.

5. The 2018 outputs were produced with a revised budget of $26.073 million (2017: $25.677 million), actual expenditure of $28.219 million (2017: $28.144 million) on a budget basis and the delivery of 638 events (2017: 497 events), equivalent to 6,012 event days (2017: 3,474 event days) over the calendar year. The overall male-to-female gender ratio of beneficiaries is 56:36 (with 8 per cent indicated "other" in 2018 (2017: 66:34)). This ratio reflected the high proportion of male military and related personnel enrolled in peacekeeping training courses. Without peacekeeping training, the ratio for 2018 was 54:45 ("other", 1 per cent).

6. UNITAR serves a broad-based group of constituencies, with 34 per cent (2017: 51 per cent) of its learning-related beneficiaries coming from government; 45 per cent (2017: 29 per cent) from non-State sectors, including non-governmental organizations, academia and businesses; 6 per cent (2017: 6 per cent) from the United Nations and other international organizations; and 15 per cent (2017: 14 per cent) from other sectors.

7. UNITAR uses a strong partnership strategy to deliver high-quality training, combining the substantive expertise of United Nations entities and other institutions

with its own expertise in programming, instructional design and adult learning. Some 71 per cent of beneficiaries participated in learning-related events implemented with partners. Partners have included organizations as diverse as other United Nations entities, regional organizations, national training institutes, foundations, universities, non-governmental organizations and the private sector.

B. Overview of the financial statements for the year ended 31 December 2018

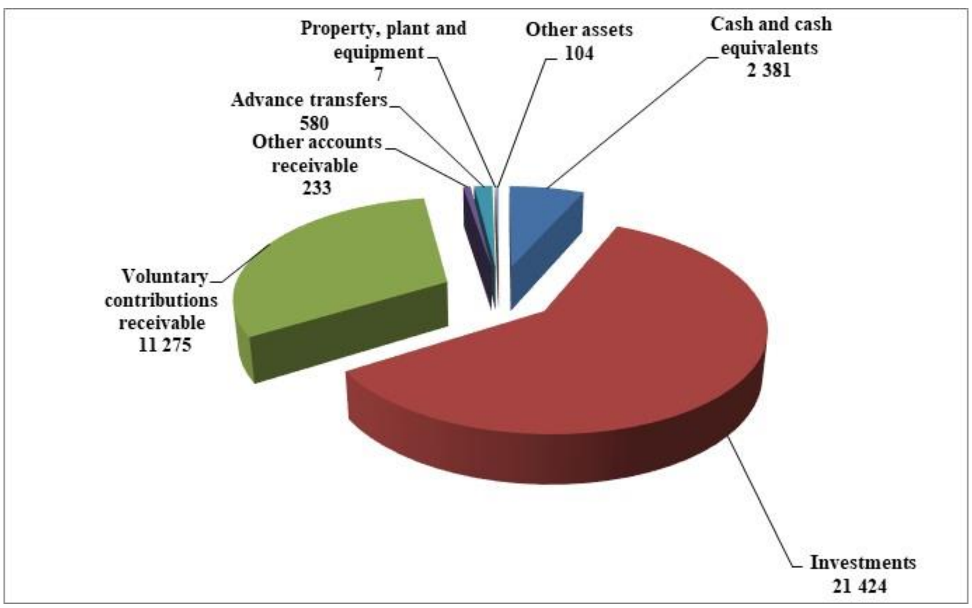
8. Financial statements I, II, III, IV and V show the financial results of the activities of UNITAR and its financial position as at 31 December 2018. The notes to the financial statements explain the Institute's accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

Financial position

Assets

9. UNITAR reports a decrease in total assets of $1.120 million as at 31 December 2018 from the balance of $37.124 million reported as at 31 December 2017, to the current $36.004 million. Figure IV.III sets out the structure of the Institute's assets as at 31 December 2018.

Figure IV.III
Total assets as at 31 December 2018
(Thousands of United States dollars)



10. As shown in figure IV.III, the Institute's assets largely comprised voluntary contributions receivable from donors of $11.275 million, or 31.3 per cent (2017: $15.621, or 42.0 per cent), investments reported at $21.424 million, or 59.5 per cent (2017: $13.062 million, or 35.0 per cent) and cash and cash equivalents totalling $2.381 million, or 6.6 per cent (2017: $4.324 million, or 12.0 per cent). The remaining 2.6 per cent (2017: 11.0 per cent) comprised advances transferred to implementing partners of $0.580 million (2017: $1.124 million), other accounts receivable of $0.233 million (2017: $0.315 million), other assets of $0.104 million (2017:

$2.633 million) and property, plant and equipment of $0.007 million (2017: $0.015 million).

11. Cash and cash equivalents and investments as at 31 December 2018 were reported at $23.804 million (2017: $17.386 million), comprising $5.200 million (2017: $6.200 million) invested in time deposits, $11.197 million invested in non-call bonds, $7.027 in long-term bonds and $0.381 million (2017: $0.124 million) in cash. The overall cash, cash equivalents and investments balance represent an increase of $6.420 million (36.9 per cent) compared with the balance held at the end of 2017.

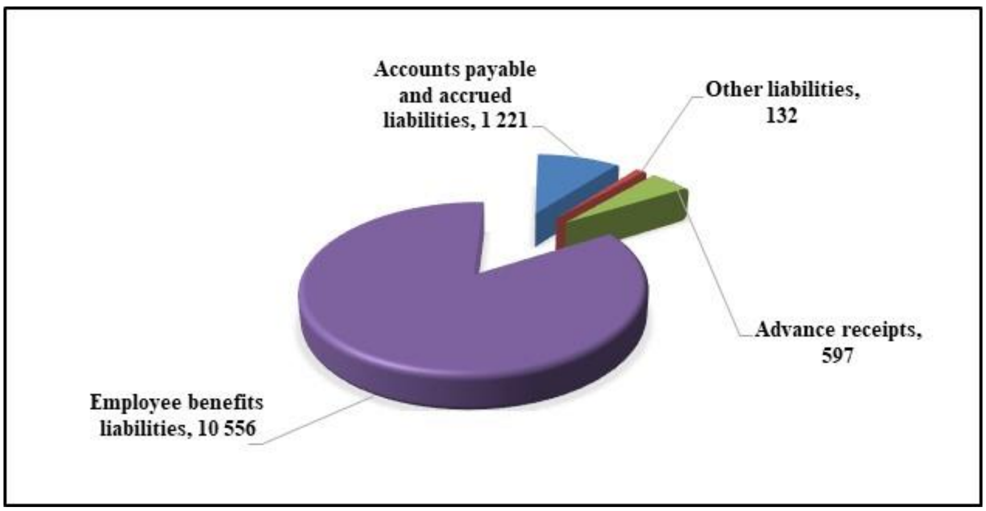
12. From the total accounts receivable value of $11.508 million as at 31 December 2018, $9.947 million is expected to be received in 2019 and the balance of $1.561 million is expected after 2019. The receivables above include $3.225 million that are subject to general stipulations in the agreements, but which did not meet the conditions that would require them to be specified under International Public Sector Accounting Standard (IPSAS) 23.

Liabilities

13. Liabilities as at 31 December 2018 totalled $12.506 million, compared with the balance of $11.501 million as at 31 December 2017.

14. Figure IV.IV sets out the structure of the Institute's liabilities as at 31 December 2018.

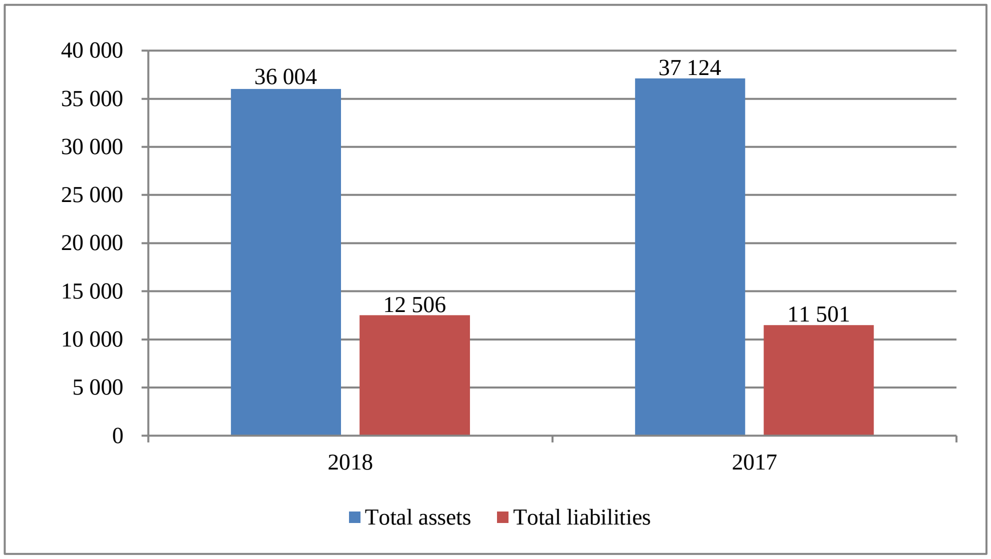
Figure IV.IV
Total liabilities as at 31 December 2018
(Thousands of United States dollars)



15. The main component of the Institute's liabilities was the employee benefits earned by staff members and retirees but not paid at the reporting date; primarily, these were liabilities for after-service health insurance. Employee benefits liabilities accounted for $10.556 million, representing 84.4 per cent of the Institute's total liabilities, and are explained in detail in note 14 to the financial statements. The increase in employee benefits liabilities by $0.296 million from the $10.260 million reported in 2017 (89 per cent of total liabilities) was a result of recognizing interest and service costs of $0.797 million. There was an actuarial gain of $0.466 million (2017: $0.319 million loss) that arose from changes in financial assumptions (mainly discount rates) and by benefits paid during the year.

16. The other significant liability was the advance receipts of $0.597 million (2017: $0.120 million). In addition, accounts payable and accrued liabilities stood at $1.221 million (2017: $1.121 million); this amount relates primarily to payables to vendors in the amount of $0.718 million, and $0.126 million represents payables to other United Nations reporting entities, $0.083 million represents payables to university partnerships and $0.016 million represents accruals for goods and services received in 2018.

Figure IV.V
Movement in assets and liabilities as at 31 December 2018
(Thousands of United States dollars)



17. Figure IV.V shows a decrease of 3.0 per cent in the assets held, from $37.124 million reported in 2017 to $36.004 million reported for 2018, and an 8.7 per cent increase in liabilities, from $11.501 million reported in 2017 to $12.506 million reported for 2018. The liability/asset ratio remained steady in 2018 at 34.7 per cent, compared with 31.0 per cent reported for 2017.

Net assets

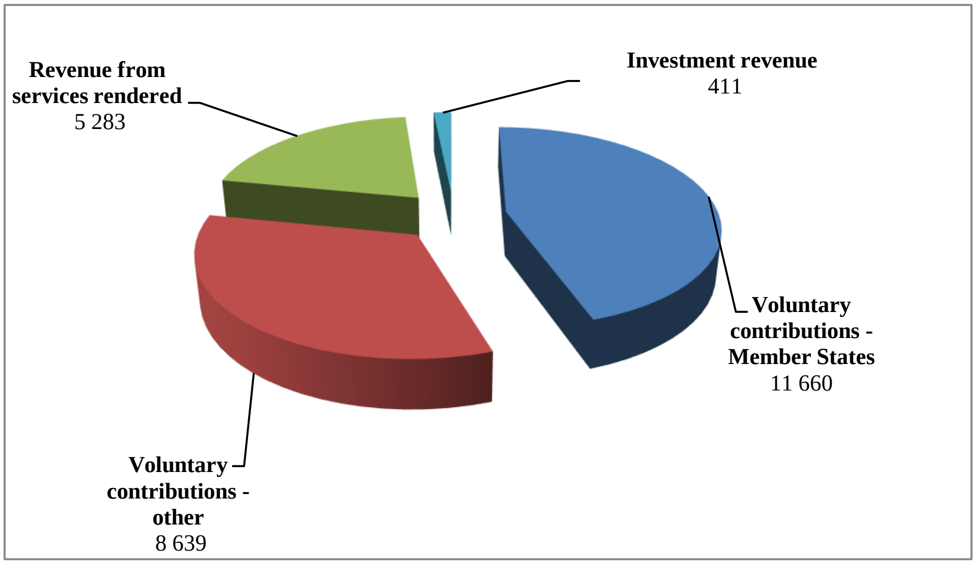
18. The movement in net assets during the year shows a decrease of $2.125 million from the net assets of $25.623 million at the end of 2017, reflecting an operating deficit of $2.591 million offset by actuarial gains of $0.466 million.

Financial performance

Revenue

19. In 2018, total revenue amounted to $25.993 million and was structured as shown in figure IV.VI.

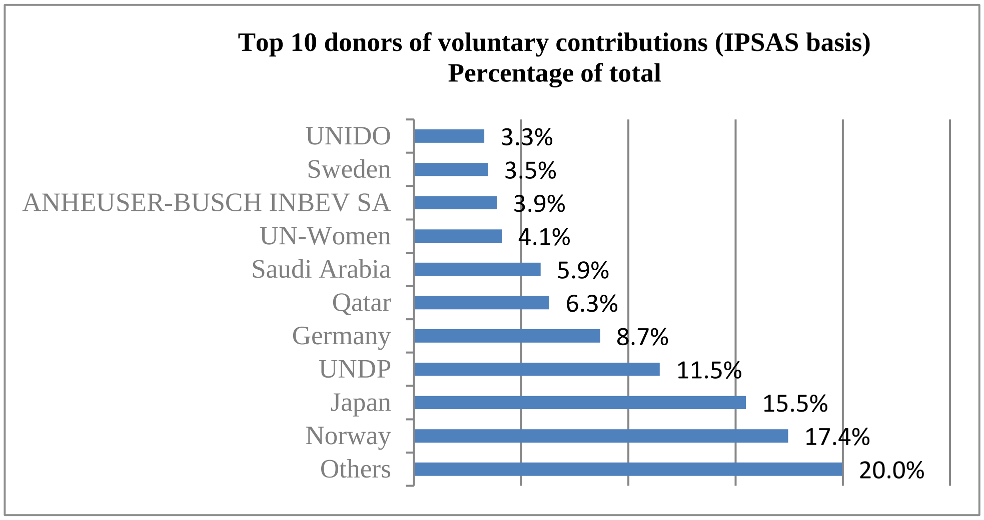
Figure IV.VI
Total revenue as at 31 December 2018
(Thousands of United States dollars)



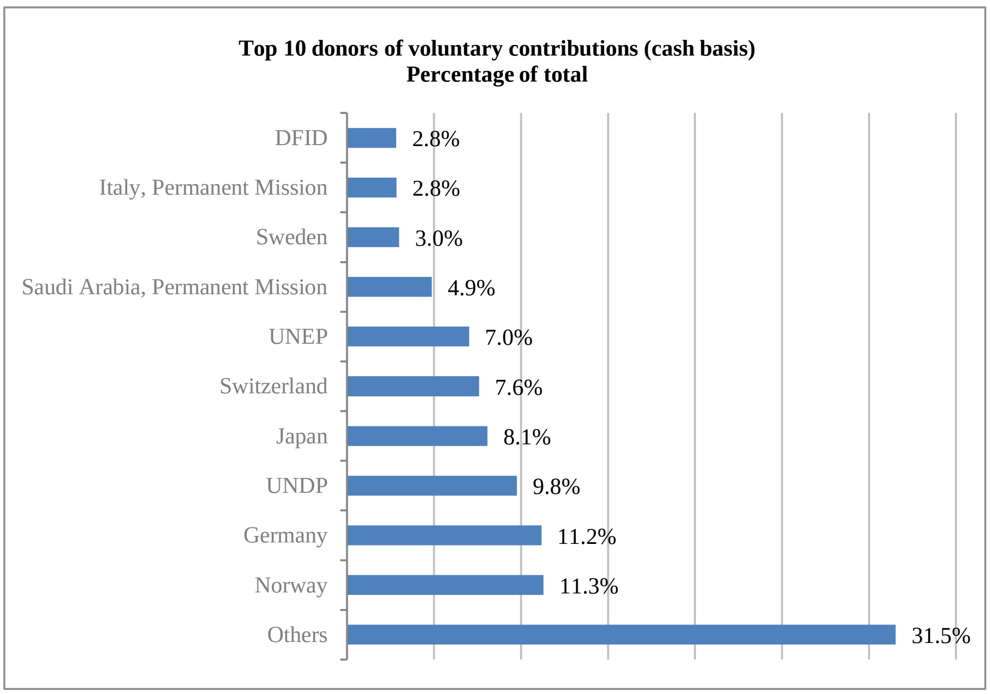
20. As shown in figure IV.VI, the main sources of revenue were: (a) voluntary contributions of $11.660 million received from Member States, or 44.9 per cent of total revenue (2017: $22.206 million, or 67.8 per cent); (b) other voluntary contributions of $8.639 million, or 33.2 per cent (2017: $6.313 million, or 19.3 per cent), comprising (i) contributions of $7.336 million received from other donors and (ii) contributions in kind of $1.303 million, consisting of a rental subsidy of $0.613 million (2017: $0.492 million) for the year (representing the difference between the market value and the actual amount paid for the rental of the buildings occupied by UNITAR) and the satellite images received from the United States Government valued at $0.689 million; and (c) revenue from services rendered of $5.283 million, or 20.3 per cent (2017: $3.748 million, or 11.4 per cent). The revenue for rendering services includes fees collected for a range of face-to-face and e-learning training courses, sales of satellite imagery and affiliations fees. Investment revenue, which represented 1.58 per cent of total revenue, increased significantly to $0.411 million from the $0.188 million reported in 2017.

21. UNITAR is heavily reliant on a small number of donors; it was noted that the top 10 donors contributed some 80 per cent of the total donor contributions for the year. Figure IV.VII shows the top 10 donors of voluntary contributions on an IPSAS basis and cash basis.

Figure IV.VII
Top 10 donors of voluntary contributions



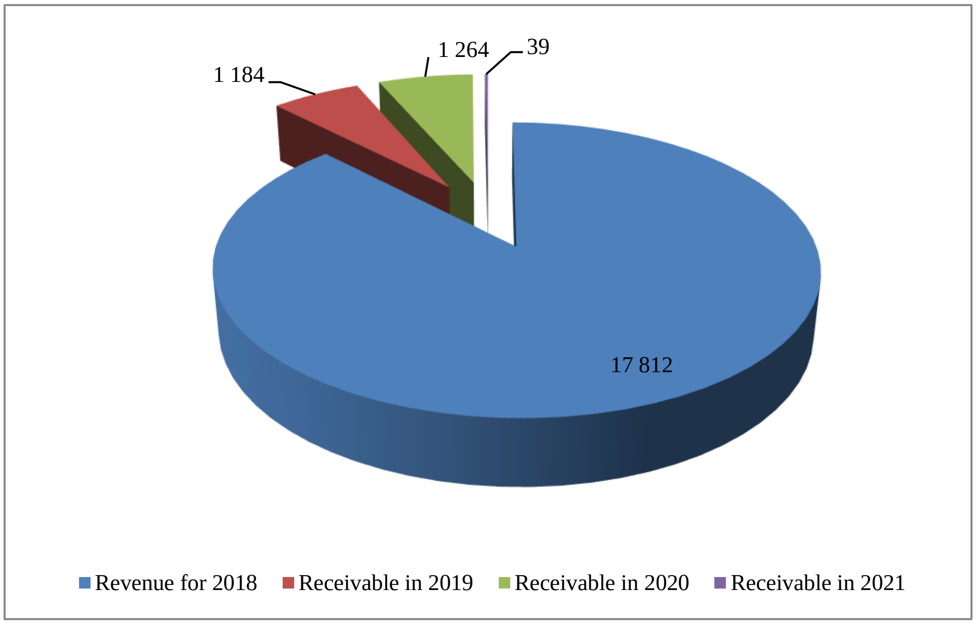
Abbreviations: UNDP, United Nations Development Programme; UNIDO, United Nations Industrial Development Organization; UN-Women, United Nations Entity for Gender Equality and the Empowerment of Women.



Abbreviations: DFID, Department of International Development, United Kingdom of Great Britain and Northern Ireland; UNDP, United Nations Development Programme; UNEP, United Nations Environment Programme.

22. Voluntary contributions recognized in 2018 on an IPSAS basis include a few high-value multi-year donor agreements with contributions balances receivable during the period 2018–2021. The revenues from such multi-year agreements that are recognized in 2018 with receivables in future years are shown in figure IV.VIII.

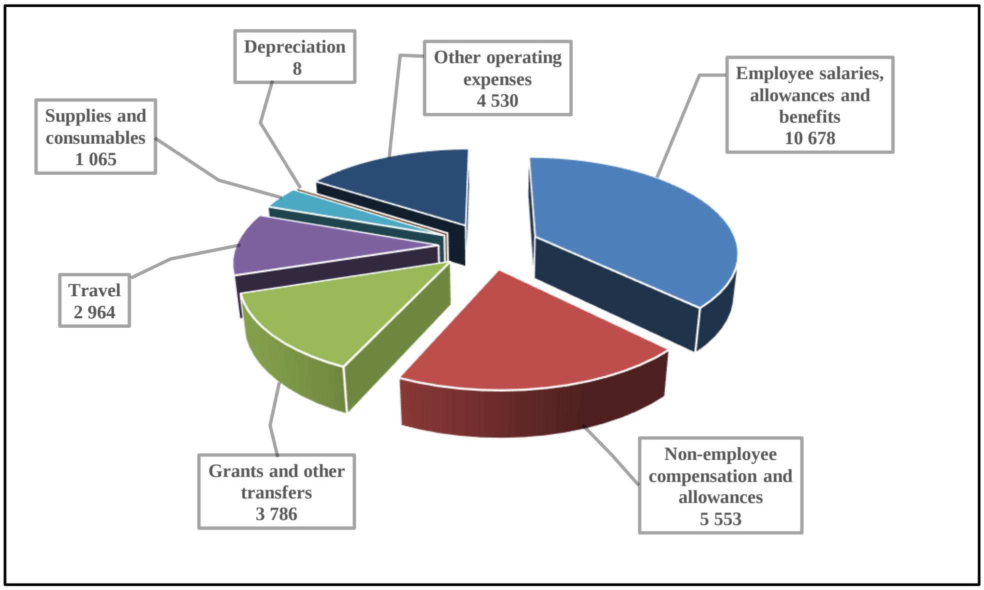
Figure IV.VIII
Voluntary contributions for 2018 showing current-year and future-year portions
(Thousands of United States dollars)



Expenses

23. For the year ended 31 December 2018, expenses totalled $28.584 million. The various categories of expenditure are shown in figure IV.IX.

Figure IV.IX
Total expenses as at 31 December 2018
(Thousands of United States dollars)

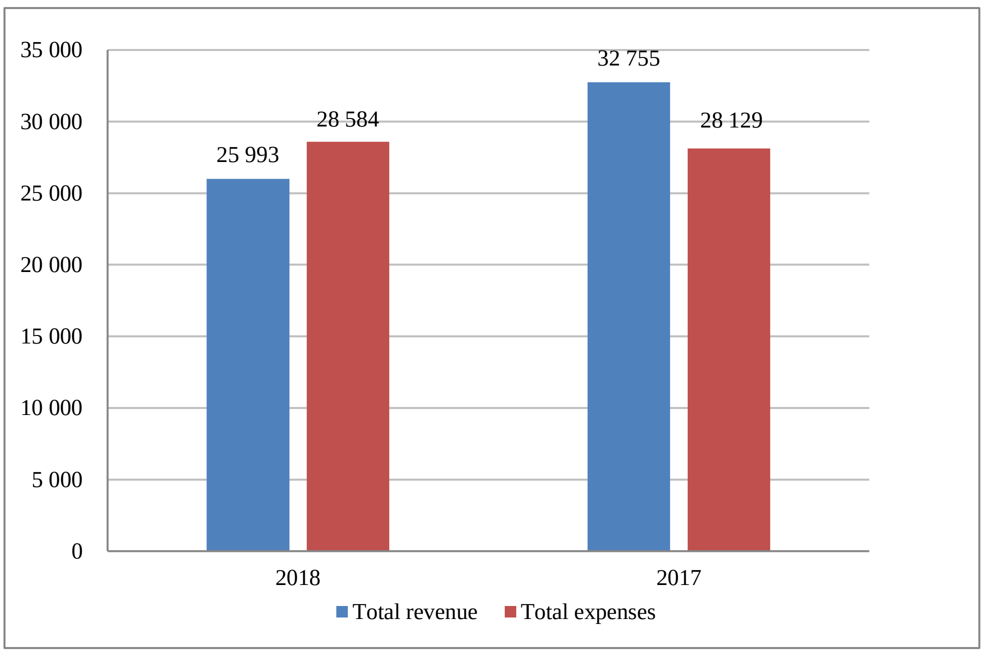


24. An increase of 1.6 per cent in total expenses was reported from the total expense amount of $28.129 million reported in 2017. The main expense categories were staff costs of $10.678 million, or 37.4 per cent (2017: $10.829 million, or 38.5 per cent), non-employee compensation and allowances of $5.553 million, or 19.4 per cent

(2017: $4.510 million, or 16.0 per cent), grants and other transfers of $3.786 million, or 13.2 per cent (2017: $5.916 million, or 21.0 per cent), and travel of $2.964 million, or 10.4 per cent (2017: $2.317 million, or 8.2 per cent). Other operating expenses of $4.530 million (2017: $3.528 million), supplies and consumables of $1.065 million (2017: $1.021 million) and depreciation of $0.008 million (2017: $0.008 million) make up the remaining 19.6 per cent of total expenses (2017: 16.2 per cent of total expenses for 2017). Other operating costs exclude $1.690 million in programme support costs, as well as $2.865 million in direct service costs generated by the implementation of project activities. As set by the UNITAR Board of Trustees, all special purpose grants income is assessed at an aggregate rate of 18 or 13 per cent, depending on expected expenditure structure, to provide for programme support costs and direct service costs generated by the implementation of project activities. Programme support costs and direct service costs are included in the project expenses and constitute revenue for the operations/support services segment but are eliminated for financial statement reporting purposes. Details of the elimination are included in paragraph 70 (note 3) and paragraphs 81 and 82 (note 4) of the notes to the financial statements.

25. Total personnel costs, which include employee and non-employee compensation and allowances, amounted to $16.231 million (2017: $15.339 million). Total personnel costs represent 62.4 per cent of the total revenue, which was reported at $25.993 million for the year.

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



26. There was an overall decrease of $6.762 million (20.6 per cent) in total revenue compared with the revenue reported in 2017. The net decrease in voluntary contributions includes $5.166 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: (a) premature termination of agreements by donors; (b) completion of project deliverables with lower contribution amounts than those in the agreements; and (c) amendments made by donors to budgeted amounts in the agreements during the

year after the contributions were recorded. On the other hand, overall expenditure showed an increase of $0.455 million (1.6 per cent) over 2017. The sources of significant increases were $1.043 million in expenses for non-employee compensation and allowances (23.1 per cent), an increase in other operating expenses by $1.002 million (28.4 per cent), travel, by $0.647 million (27.9 per cent), and supplies and consumables, by $0.044 million (4.3 per cent). These increases were offset by decreases in costs of employee salaries, allowances and benefits by $0.151 million (-1.4 per cent) and grants and other transfers by $2.130 million (-36.0 per cent). Increases in other operating expenses are due mainly to an increase in training expenses by $0.314 million, reflecting an increase in the number of training courses of beneficiaries, increases in contracted services by $0.371 million, an increase in net exchange losses of $0.193 million and an increase in recorded in-kind expenses by $0.121 million.

Operating results

27. The net deficit in revenue over expense in 2018 is reported at $2.591 million, compared with the surplus of $4.676 million in 2017. The deficit for the current year is attributed to the accounting adjustment to revenue for $5.160 million arising out of the premature termination of multi-year agreements and decrease in voluntary contributions. 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

28. As at 31 December 2018, the liquidity position of UNITAR was stable; the entity had sufficient liquid assets to settle its obligations. Liquid funds showed a decrease of $1.796 million from the level of $28.521 million reported as at 31 December 2017. The total liquid funds of $26.725 million comprise cash and cash equivalents of $2.381 million, or 8.9 per cent (2017: $4.324 million, or 15.2 per cent), short-term investments of $14.397 million, or 53.9 per cent (2017: $13.062 million, or 45.8 per cent), and accounts receivables of $9.947 million, or 37.2 per cent (2017: $11.135 million, or 39.0 per cent). UNITAR invested its funds in short-term and long-term time deposits and non-call bonds. Total current liabilities amounted to $2.298 million (2017: $1.423 million) and total liabilities amounted to $12.506 million (2017: $11.501 million).

29. The table below summarizes four key liquidity indicators for the financial year ended 31 December 2018 with comparatives for the year ended 31 December 2017.

	Year ended 31 December	
Liquidity indicator	*2018*	*2017*
Ratio of liquid assets to current liabilities	11.63:1	20.04:1
Ratio of liquid assets less accounts receivable to current liabilities	7.30:1	12.22:1
Ratio of liquid assets to total assets	0.74:1	0.77:1
Average months of liquid assets less accounts receivable on hand	7.0	7.4

30. 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 11.63:1 indicates that current liabilities are covered 11 times by liquid assets and, therefore, there are sufficient liquid assets available to fully pay current liabilities should the

need arise. When accounts receivable are excluded from the analysis, the coverage of current obligations is at 7.30 for the current year, compared with 12.22 for the previous year.

31. As at 31 December 2018, the Institute's liquid assets were about 74 per cent of its total assets and it held sufficient cash and cash equivalents and short-term investments to cover its estimated average monthly expenses of $2.381 million for 7.0 months, compared with 7.4 months at the end of 2017.

32. As at the reporting date, UNITAR had employee benefits liabilities of $10.556 million, of which $10.367 million relates to defined-benefit liabilities. With total cash and cash equivalents and investments of $23.805 million, the employee benefits liability is covered by 226 per cent. Furthermore, 21.7 per cent of the defined-benefit liability is funded up to $2.253 million included in cash and cash equivalents.

C. Future outlook

33. In November 2018, at its fifty-ninth session, the UNITAR Board of Trustees adopted the revised programme budget for 2018–2019 of $55.56 million, an 8.20 per cent increase over the programme budget for 2016–2017.

34. The Board reviewed the first year of the 2018–2021 strategic framework and commended UNITAR for the alignment of programming to the 2030 Agenda. The Board took note of the Institute's training and education activities focusing on those furthest behind in Africa and noted the need to give priority to programmes for promoting opportunities for job creation and employability; enhanced coordination, including multi-stakeholder coordination; and strengthening institutional capacity and exploring health-related areas in programming. The Board also recommended that UNITAR develop a learning module on ethics and the Internet and consider developing training programming based on the recommendations from the High-level Panel on Digital Cooperation, modernize learning programmes and mainstream the use of applicable technologies in programming, develop partnerships with the academic and business sectors and continue to use virtual reality, 3D and other innovations for learning.

35. Recognizing the challenges associated with tightly earmarked project funding, the Board created the Strategic Framework Fund to serve as a loosely earmarked funding facility to support programming in strategic areas that contribute to helping Member States to achieve the Sustainable Development Goals, and particularly beneficiaries located in the 93 distressed countries, including the least developed countries, landlocked developing countries and small island developing States. As non-earmarked contributions to the General Fund have continued to be low and unpredictable, UNITAR is optimistic that the Strategic Framework Fund will prove to be a fruitful means to leverage further support from the donor community and provide an opportunity for programme growth and impact.

Chapter V

Financial statements for the year ended 31 December 2018

United Nations Institute for Training and Research

I. Statement of financial position as at 31 December 2018

(Thousands of United States dollars)

	Note	*31 December 2018*	*31 December 2017*
Assets			
Current assets			
Cash and cash equivalents	6	2 381	4 324
Investments	19	14 397	13 062
Voluntary contributions receivable	7	9 714	10 820
Other accounts receivable	8	233	315
Advance transfers	9	580	1 124
Other assets	10	104	2 633
Total current assets		**27 409**	**32 278**
Non-current assets			
Investments	19	7 027	–
Voluntary contributions receivable	7	1 561	4 831
Property, plant and equipment	11	7	15
Total non-current assets		**8 595**	**4 846**
Total assets		**36 004**	**37 124**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	12	1 221	995
Other liabilities	24	132	–
Advance receipts	13	597	120
Employee benefits liabilities	14	348	308
Total current liabilities		**2 298**	**1 423**
Non-current liabilities			
Accounts payable and accrued liabilities	12	–	126
Employee benefits liabilities	14	10 208	9 952
Total non-current liabilities		**10 208**	**10 078**
Total liabilities		**12 506**	**11 501**
Net total assets and total liabilities		**23 498**	**25 623**
Net assets			
Accumulated surpluses	15	23 498	25 623
Total net assets		**23 498**	**25 623**

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 2018

(Thousands of United States dollars)

	Note	*2018*	*2017*
Revenue			
Voluntary contributions – Member States	16	11 660	22 206
Voluntary contributions – other	16	8 639	6 313
Revenue from services rendered	17	5 283	3 748
Investment revenue	19	411	188
Other revenue	20	–	300
Total revenue		**25 993**	**32 755**
Expenses			
Employee salaries, allowances and benefits	18	10 678	10 829
Non-employee compensation and allowances	18	5 553	4 510
Grants and other transfers	18	3 786	5 916
Travel	18	2 964	2 317
Supplies and consumables	18	1 065	1 021
Depreciation	11	8	8
Other operating expenses	18	4 530	3 528
Total expenses		**28 584**	**28 129**
Surplus/(deficit) for the year		**(2 591)**	**4 626**

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 2018

(Thousands of United States dollars)

Net assets as at 1 January 2017	21 316
Change in net assets	
Actuarial loss on employee benefits liabilities (note 14)	(319)
Surplus for the year	4 626
Total changes in net assets	**4 307**
Net assets as at 31 December 2017	**25 623**
Change in net assets	
Actuarial gains on employee benefits liabilities (note 14)	466
Deficit for the year	(2 591)
Total changes in net assets	**(2 125)**
Net assets as at 31 December 2018	**23 498**

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 2018

(Thousands of United States dollars)

	Note	*2018*	*2017*
Cash flows from operating activities			
Surplus/(deficit) for the year		(2 591)	4 626
Non-cash movements			
Depreciation	11	8	8
Amortization of premiums/discount on investments	19	(50)	27
Actuarial gains and losses	15	466	(319)
Loss on disposal of property, plant and equipment	11	–	1
Changes in assets			
Decrease/(increase) in voluntary contributions receivable	7	4 376	(5 014)
Decrease in other receivables	8	82	408
Decrease in advance transfers	9	544	1 668
Decrease/(increase) in other assets	10	2 529	(334)
Changes in liabilities			
Increase/(decrease) in other accounts payable and accrued liabilities	12	100	(773)
Increase in other liabilities	24	132	–
Increase in advance receipts	13	477	87
Increase in employee benefits liabilities	14	296	1 256
Investment revenue presented as investing activities	19	(411)	(188)
Net cash flows used in operating activities		**5 958**	**1 453**
Cash flows from investing activities			
Purchases of investments	19	(26 177)	(19 571)
Proceeds from investments	19	17 865	17 133
Investment revenue presented as investing activities	19	411	188
Net cash flows (used in)/from investing activities		**(7 901)**	**(2 250)**
Net (decrease)/increase in cash and cash equivalents		**(1 943)**	**(797)**
Cash and cash equivalents – beginning of year	6	4 324	5 121
Cash and cash equivalents – end of year	**6**	**2 381**	**4 324**

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 2018

(Thousands of United States dollars)

	Publicly available budget[a]				*Actual annual revenue and expenditure (budget basis)*	*Difference (percentage)*[b]
	Original biennial	*Revised biennial*	*Original annual*	*Final annual*		
Income						
Programme contributions	57 145	54 745	31 071	25 547	27 754	8.6
Non-earmarked						
Voluntary contributions	700	504	300	254	301	18.5
Other/miscellaneous income	240	240	120	120	265	120.8
Total income	**58 085**	**55 489**	**31 491**	**25 921**	**28 320**	**9.2**
Expenditure						
Office of Executive Director	3 376	2 683	1 751	1 272	1 373	7.9
Operations/support services	6 373	6 345	3 192	3 086	2 784	(9.8)
Programmes	47 589	46 533	25 841	21 715	24 062	10.8
Total expenditure	**57 338**	**55 561**	**30 784**	**26 073**	**28 219**	**8.2**
Net total	**747**	**(72)**	**707**	**(152)**	**101**	**–**

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

[a] The annual budget amounts relate to the current-year proportion of publicly available budgets which are approved for a two-year budget period (2018–2019) pursuant to document UNITAR/BT/59/4. Material differences between the original and final budgets are explained in note 5.

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

United Nations Institute for Training and Research
Notes to the 2018 financial statements

Note 1
Reporting entity

The United Nations and its activities

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

(a) The maintenance of international peace and security;

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

(c) The universal observance of human rights;

(d) The administration of international justice and law.

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

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

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

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

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

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

The reporting entity

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 capacities of its beneficiaries to enhance global decision-making and to support country-level action for shaping a better future. The Institute's core functions are to design and deliver innovative training to address the needs of individuals, organizations and institutions; facilitate knowledge and experience-sharing through networked and innovative processes; conduct research on and pilot innovative learning strategies, approaches and methodologies; and advise and support Governments, the United Nations and other partners with technology-based knowledge-related services. The UNITAR training programmes and research activities are presented under six thematic areas:

(a) Strengthening multilateralism;

(b) Promoting economic development and social inclusion;

(c) Advancing environmental sustainability and green development;

(d) Promoting sustainable peace;

(e) Improving resilience and humanitarian assistance;

(f) Building capacity for the 2030 Agenda for Sustainable Development.

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

7. UNITAR is headquartered in Geneva and its activities are supported by outposted offices in New York and Hiroshima, Japan, and a project office in Port Harcourt, Nigeria. In addition, there is one office space rented out by the Hiroshima office in South Sudan from the United Nations Development Programme for 2018. The Satellite Operations Unit has rented two offices spaces: one in Nairobi (from the United Nations Office at Nairobi) for 2018 and 2019 and the other in Bangkok (from the Economic and Social Commission for Asia and the Pacific). These office spaces are rented for the implementation of specific project activities.

Note 2
Basis of preparation and authorization for issue

Basis of preparation

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

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

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

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

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

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

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

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

Going concern

9. The going-concern assertion is based on the approval by the UNITAR Board of Trustees of the work programme and budget estimates for the biennium 2018–2019, its net assets position, the stable historical trend of collection of voluntary contributions and the fact that the General Assembly has made no decision to cease the operations of UNITAR.

Authorization for issue

10. These financial statements are certified by the Controller of the United Nations and approved by the Executive Director of UNITAR. In accordance with financial regulation 6.2, the Executive Director had transmitted the financial statements as at 31 December 2018 to the Board of Auditors by 31 March 2019. 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 2019.

Measurement basis

11. These financial statements are prepared using the historical-cost convention, except for real estate assets (other than prefabricated buildings) in special political missions that are recorded at depreciated replacement cost and 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;

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

(d) Leases: the objective of the project is to develop revised requirements for lease accounting covering both lessees and lessors in order to maintain alignment with the underlying International Financial Reporting Standard. The project will result in a new standard that will replace IPSAS 13. Approval of a new standard on leases is projected for June 2019;

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

(f) Infrastructure assets: the objective of the project is to research and identify issues that preparers encounter when applying IPSAS 17 to infrastructure assets.

Informed by this research, the aim is to provide additional guidance on accounting for infrastructure assets.

Note 3
Significant accounting policies

Financial assets: classification

19. 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.

20. 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

21. 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.

22. 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.

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

Cash and cash equivalents

24. 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

25. "Contributions receivable" represents uncollected revenue from voluntary contributions committed to UNITAR by Member States, non-member States and other donors on the basis of enforceable agreements. These non-exchange receivables are

stated at nominal value, except for voluntary contributions receivable that will mature in more than 12 months, less impairment for estimated irrecoverable amounts (i.e., the allowance for doubtful receivables). If deemed material, these long-term voluntary contribution receivables are reported at a discounted value calculated using the effective interest method.

Financial assets: receivables from exchange transactions – other receivables

26. 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.

27. 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

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

Other assets

29. 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

30. 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

31. 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.

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

33. 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.

34. 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

35. 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.

36. 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.

37. 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.

38. 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.

Financial liabilities: classification

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

liabilities when its contractual obligations are discharged, waived, cancelled or expired.

Accounts payable and accrued liabilities

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

Transfers payable

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

Advance receipts and other liabilities

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

Leases: UNITAR as a lessee

43. 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.

44. 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

45. 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.

46. 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.

47. 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

48. 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

49. 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.

50. 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

51. 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

52. 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 2018, UNITAR did not hold any plan assets as defined by IPSAS 39: Employee benefits.

53. 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.

54. **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.

55. **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.

56. **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.

United Nations Joint Staff Pension Fund

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

58. 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

59. 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

60. 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".

61. 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

62. 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

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

Contingent assets

64. 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

65. 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

66. 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.

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

68. 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.

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

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

Exchange revenue

71. 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

72. 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

73. 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.

74. 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.

75. 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.

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

77. 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.

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

Note 4
Segment reporting

79. 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.

80. As established in the UNITAR programme budget for the biennium 2018–2019 by its Board of Trustees, the activities of UNITAR are segregated into three segments:

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

(b) Programmes include training and research activities presented under six thematic areas: (i) strengthening multilateralism; (ii) promoting economic development and social inclusion; (iii) advancing environmental sustainability and green development; (iv) promoting sustainable peace; (v) improving resilience and humanitarian assistance; and (vi) building capacity for the 2030 Agenda for Sustainable Development. These programme activities are implemented by the following: Green Development and Climate Change Programme; Chemicals and Waste Management Programme; Multilateral Diplomacy Programme; Peacemaking and Conflict Prevention Programme; Peacekeeping Training Programme; Public Finance and Trade Programme; Decentralized Cooperation Programme; Knowledge Systems Innovations Programme; UNITAR Operational Satellite Applications Programme; Strategic Implementation of the 2030 Agenda Unit; two outposted offices, in New York and Hiroshima, Japan; and a project office in Port Harcourt, Nigeria;

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

81. Inter-segment transactions include internal programme support cost charges and direct implementation support fees between programmes and operations/support costs in line with paragraph 70 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.

82. Eliminations comprise inter-fund allocations between various segments that are eliminated upon consolidation of funds of UNITAR, that is, the financial reporting entity. Among eliminated values are programme support cost charges and direct support costs between programmes and operational support, which includes the Office of the Executive Director. Current-year eliminations comprise programme support costs of $1.690 million and direct service costs of $2.865 million.

Statement of financial performance by segment as at 31 December 2018

(Thousands of United States dollars)

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

Statement of financial performance by segment as at 31 December 2017

(Thousands of United States dollars)

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Eliminations*	*Total*
Segment revenue					
Voluntary contributions	339	27 994	186	–	28 519
Exchange revenue	40	3 700	3 947	(3 939)	3 748
Other operating revenue	–	307	(7)	–	300
Investment revenue	9	168	11	–	188
Total revenue	**388**	**32 169**	**4 137**	**(3 939)**	**32 755**
Segment expenses					
Employee salaries, allowances and benefits	1 013	7 621	2 195	–	10 829
Non-employee compensation and allowances	42	4 350	118	–	4 510
Grants and other transfers	–	5 915	–	–	5 915
Travel	132	2 185	–	–	2 317
Supplies and consumables	4	955	62	–	1 021
Depreciation	1	7	–	–	8
Other operating expenses	86	6 384	998	(3 939)	3 529
Total segment expense	**1 278**	**27 417**	**3 373**	**(3 939)**	**28 129**
Surplus/(deficit) for the year	**(890)**	**4 752**	**764**	**–**	**4 626**

Statement of financial position by segment as at 31 December 2018

(Thousands of United States dollars)

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

Statement of financial position by segment as at 31 December 2017

(Thousands of United States dollars)

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Total*
Assets				
Current assets				
Cash and cash equivalents	331	3 893	100	4 324
Investments	1 000	11 761	301	13 062
Voluntary contributions receivable	147	10 673	–	10 820
Other accounts receivable	–	315	–	315
Advance transfers	–	1 124	–	1 124
Other assets	2 581	49	3	2 633
Total current assets	**4 059**	**27 815**	**404**	**32 278**
Non-current assets				
Voluntary contributions receivable	–	4 831	–	4 831
Property, plant and equipment	2	13	–	15
Total non-current assets	**2**	**4 844**	**–**	**4 846**
Total assets	**4 061**	**32 659**	**404**	**37 124**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	16	731	248	995
Advance receipts	–	120	–	120
Employee benefits liabilities	29	216	63	308
Total current liabilities	**45**	**1 067**	**311**	**1 423**
Non-current liabilities				
Accounts payable and accrued liabilities	–	–	126	126
Employee benefits liabilities	931	7 004	2 017	9 952
Total non-current liabilities	**931**	**7 004**	**2 143**	**10 078**
Total liabilities	**976**	**8 071**	**2 454**	**11 501**
Net total assets and total liabilities	**3 085**	**24 588**	**(2 050)**	**25 623**
Net assets				
Accumulated surplus	3 085	24 588	(2 050)	25 623
Total net assets	**3 085**	**24 588**	**(2 050)**	**25 623**

Note 5
Comparison to budget

83. 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.

84. 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.

85. 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.

86. Differences between original and final budget amounts are considered in the table below. Material differences between the final budget appropriation and actual income and expense on a modified cash basis are deemed to be those greater than 10 per cent and are considered below.

Budget area	*Explanation of material differences*
Expenditure	
Programmes	A significant portion of the difference (10.8 per cent increase) was due to increased resource mobilization and the corresponding increased spending in the delivery of the programme activities. This is in line with the programme growth strategy.
Income	
Non-earmarked voluntary contributions	Actual income was 18.5 per cent higher ($0.301 million against the final budgeted amount of $0.254 million). The increase of $0.047 million reflects increased unearmarked contributions from the Government of China for the year 2018.
Other/miscellaneous income	Actual income was 120.8 per cent higher ($0.265 million against the final budgeted amount of $0.120). The increase of $0.145 million reflects increased returns from investments.

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

87. 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: 2018

(Thousands of United States dollars)

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

Reconciliation of actual amounts on a comparable basis to the statement of cash flows: 2017

(Thousands of United States dollars)

	Operating	*Investing*	*Total*
Actual amount on a comparable basis (statement V)	**(28 144)**	**–**	**(28 144)**
Basis differences	(2 403)	188	(2 215)
Presentation differences	32 000	(2 438)	29 562
Net cash flows in the statement of cash flows (statement IV)	**1 453**	**(2 250)**	**(797)**

(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 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 2018.

88. 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 2018	*31 December 2017*
Budget expenditure as set out in statement V	28 219	28 144
Adjustments:		
Elimination of unliquidated obligations	(1 793)	(2 259)
Accruals of expenses	278	316
After-service health insurance expenses	569	733
Expenses for contributions in kind	1 303	1 187
Depreciation of property, plant and equipment	8	8
Provision of allowance on receivables	–	–
Total IPSAS expenses as set out in statement II	**28 584**	**28 129**

Note 6
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Cash held in UNITAR bank accounts	375	114
Investments: time deposits	2 000	4 200
Investments: non-call bonds	–	–
Petty cash and project cash	6	10
Total cash and cash equivalents	**2 381**	**4 324**

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

Note 7
Voluntary contributions receivable: non-exchange transactions

(Thousands of United States dollars)

	31 December 2018			31 December 2017		
	Current	Non-current	Total	Current	Non-current	Total
Voluntary contributions	9 714	1 561	11 275	10 820	4 831	15 651
Allowance for doubtful voluntary contributions receivable	–	–	–	–	–	–
Total voluntary contributions receivable	**9 714**	**1 561**	**11 275**	**10 820**	**4 831**	**15 651**

90. The large voluntary contributions receivable balance relates to a few high-value multi-year donor agreements with contributions balances receivable during the period from 2019 to 2021. A case-by-case analysis of all non-exchange revenue agreements was undertaken against the criteria of IPSAS 23. The receivables above include $3.225 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.

91. A detailed case-by-case review of the voluntary contributions receivable was undertaken at the end of year 2018 and consequently accounting adjustments to contribution revenues were made in the amount of $5.160 million, with corresponding reduction to voluntary contributions receivable. The main reasons for making these accounting adjustments were: (a) premature termination of agreements by donors; (b) completion of project deliverables with lower contribution amounts than those in the agreements; and (c) amendments made by donors to budgeted amounts in the agreements during the year after the contributions were recorded.

92. In accordance with IPSAS 29, the non-current receivables amounting to $1.601 million have been discounted with a net impact of $0.040 million to the revenue recorded. The discounting rates used are the United States Daily Treasury Yield Curve Rates of 2.48 and 2.46 for years 2 and 3, respectively.

Note 8
Other accounts receivable: exchange transactions

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Exchange		
Receivables from non-governmental entities	10	84
Receivables from other United Nations Secretariat reporting entities	–	84
Receivables from government entities	77	85
Subtotal	**87**	**253**
Interest receivable	146	62
Total other accounts receivable	**233**	**315**

Note 9
Advance transfers

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Implementing partners/executing agencies	580	1 124
Total advance transfers	**580**	**1 124**

Note 10
Other assets

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Inter-fund receivables from UNDP	–	2 581
Vendors	1	–
Staff members	57	48
Prepayments	46	4
Total other assets	**104**	**2 633**

93. Inter-fund receivables from 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 inter-fund balances between UNITAR and UNDP are settled on a monthly basis.

Note 11
Property, plant and equipment

Property, plant and equipment: 2018

(Thousands of United States dollars)

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

Property, plant and equipment: 2017

(Thousands of United States dollars)

	Information and communications technology	*Vehicles*	*Total*
Cost as at 1 January 2017	**23**	**40**	**63**
Disposals	(12)	–	(12)
Cost as at 31 December 2017	**11**	**40**	**51**
Accumulated depreciation as at 1 January 2017	**16**	**23**	**39**
Disposals	(11)	–	(11)
Depreciation for the year	2	6	8
Accumulated depreciation as at 31 December 2017	**7**	**29**	**36**
Net carrying amount			
1 January 2017	7	17	24
31 December 2017	**4**	**11**	**15**

94. During the year there were no disposals in relation to property, plant and equipment.

Note 12
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Vendor payables	718	490
Payables to other United Nations Secretariat reporting entities	126	276
Payable to University Partnerships	83	–
Accruals for goods and services	278	316
Other	16	39
Total accounts payable and accrued liabilities	**1 221**	**1 121**

95. UNITAR migrated from the Integrated Management Information System to the Atlas enterprise resource planning system effective 1 July 2015. Payables to the United Nations Secretariat include a current liability of $0.126 million payable in 2019 in accordance with the agreed deferred payment plan.

Note 13
Advance receipts

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Payments received in advance	597	120
Total advance receipts	**597**	**120**

Note 14
Employee benefits liabilities

(Thousands of United States dollars)

	31 December 2018			*31 December 2017*		
	Current	*Non-current*	*Total*	*Current*	*Non-current*	*Total*
After-service health insurance	48	8 303	8 351	41	8 019	8 060
Repatriation benefits	72	1 205	1 277	80	1 237	1 317
Annual leave	39	700	739	42	696	738
Subtotal, defined-benefit liabilities	**159**	**10 208**	**10 367**	**163**	**9 952**	**10 115**
Home leave	127	–	127	104	–	104
Appendix D/workers' compensation	62	–	62	41	–	41
Total employee benefits liabilities	**348**	**10 208**	**10 556**	**308**	**9 952**	**10 260**

Employee benefits accounted for on a defined-benefit basis

96. 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 2018. The cumulative amount of actuarial gains and losses recognized in net assets is a net gain of $0.466 million (2017: net loss of $0.319 million).

Actuarial valuation: assumptions

97. 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 2018 and for rolling forward to 31 December 2019 are set out below.

Actuarial assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates, 31 December 2018	0.94%	4.15%	4.25%
Discount rates, 31 December 2017	0.74%	3.48%	3.57%
Inflation, 31 December 2018	3.89%	2.20%	–
Inflation, 31 December 2017	4.0%	2.20%	–

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

99. 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 2018 were updated to include escalation rates for future years. As at 31 December 2018, these escalation rates were a flat health-care yearly escalation rate of 3.05 per cent (2017: 3.05 per cent) for non-United States medical plans and a health-care escalation rate of 3.85 per cent (2017: 3.85 per cent) for all other medical plans, grading up to 4.5 per cent over nine years.

100. With regard to the valuation of repatriation benefits as at 31 December 2018, inflation in travel costs was assumed at 2.20 per cent (2017: 2.20 per cent) on the basis of the projected United States inflation rate over the next 20 years.

101. 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.

102. 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 2018

(Thousands of United States dollars)

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

Movement in employee benefits liabilities accounted for as defined-benefit plans: 31 December 2017

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
Net defined-benefit liability as at 1 January 2017	**6 692**	**1 150**	**1 005**	**8 847**
Current service cost	711	70	96	877
Interest cost	55	39	36	130
Subtotal, costs recognized in the statement of financial performance	**766**	**109**	**132**	**1 007**
Actuarial gains recognized directly in the statement of changes in net assets	635	81	(397)	319
Actual benefits paid	(33)	(23)	(2)	(58)
Net recognized liability as at 31 December 2017	**8 060**	**1 317**	**738**	**10 115**

103. For the year 2018, actuarial gains of $0.466 million are credited directly to the net assets and an amount of $0.718 million towards the current-year service and interest costs is charged to the statement of financial performance.

Medical cost sensitivity analysis

104. The principal assumption in the valuation of the after-service health insurance is the rate at which medical costs are expected to increase in the future. The sensitivity analysis looks at the change in liability owing to changes in the medical cost rates while holding other assumptions constant, such as the discount rate. Should the medical cost trend assumption vary by 1 per cent, it would impact the measurement of the defined-benefit obligations, as shown below.

Medical cost sensitivity analysis: 1 per cent movement in the assumed medical cost trend rates

(Thousands of United States dollars)

	31 December 2018		*31 December 2017*	
	Increase	*Decrease*	*Increase*	*Decrease*
Effect on the defined-benefit obligation	2 791	(2 002)	2 693	(1 932)
Effect on the aggregate of the current service cost and interest cost	246	(168)	237	(162)

Discount rate sensitivity to end-of-year liability

105. The changes in discount rates are driven by the discount curve, which is calculated on the basis of corporate bonds. The bonds markets were volatile over the reporting period, and that volatility impacts the discount rate assumption. Should the discount rate assumption vary by 1 per cent, its impact on the liabilities would be as shown below.

Discount rate sensitivity analysis: year-end employee benefits liabilities

(Thousands of United States dollars)

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

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

31 December 2017	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 1 per cent	(1 046)	(115)	(73)
As a percentage of end-of-year liability	-13%	-9%	-10%
Decrease of discount rate by 1 per cent	1 250	133	85
As a percentage of end-of-year liability	16%	10%	12%

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

(Thousands of United States dollars)

Present value of the defined-benefit obligations valued by actuaries	*2018*	*2017*	*2016*	*2015*	*2014*
After-service health insurance	8 351	8 060	6 692	6 450	7 838
Repatriation benefits	1 277	1 317	1 150	1 100	1 319
Annual leave	739	738	1 005	914	1 124
Total present value of defined-benefit obligation	**10 367**	**10 115**	**8 847**	**8 464**	**10 281**

Funded liabilities

106. UNITAR has commenced funding plans for the defined-benefit liabilities. The balance of liability funded as at 31 December 2018 is shown in the table below.

(Thousands of United States dollars)

	Funded	*Unfunded*	*Total liability as at 31 December 2018*	*Percentage funded*
After-service health insurance	237	8 114	8 351	2.8
Repatriation benefits	1 277	–	1 277	100.0
Annual leave	739	–	739	100.0
Total employee benefits liabilities under defined-benefit plans	**2 253**	**8 114**	**10 367**	**21.7**

107. The funded amount of $2.253 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

108. The Institute 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 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.

109. 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 obligation, plan assets and costs to individual organizations participating in the plan. The Institute and the Pension Fund, in line with the other participating organizations in the Fund, 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, the Institute has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39: Employee benefits. The Institute's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

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

111. The Agency's financial obligation to the Pension 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 Pension Fund. Such deficiency payments are only payable if and when the General

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

112. During 2017, the Fund identified that there were anomalies in the census data utilized in the actuarial valuation performed as of 31 December 2015. As such, as an exception to the normal biennial cycle, a roll forward of the participation data as of 31 December 2013 to 31 December 2016 was used by the Fund for its 2016 financial statements.

113. The actuarial valuation as of 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2 per cent (150.1 per cent in the 2016 roll forward). The funded ratio was 102.7 per cent (101.4 per cent in the 2016 roll forward) when the current system of pension adjustments was taken into account.

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

115. Should article 26 be invoked owing to an actuarial deficiency, either during the ongoing operation or due to the termination of the pension plan, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2015, 2016 and 2017) amounted to $6,931.39 million, of which 0.043 per cent was contributed by UNITAR.

116. During 2018, contributions paid to the Pension Fund amounted to $1.093 million (2017: $1.073 million). Expected contributions due in 2019 are approximately $1.205 million.

117. Membership in 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.

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

Impact of General Assembly resolutions on staff benefits

119. On 23 December 2015, the General Assembly adopted resolution 70/244, in which it approved certain changes to conditions of service and entitlements for all staff serving in the organizations of the United Nations common system, as recommended by the International Civil Service Commission. Some of the changes

that may affect the calculation of other long-term and end-of-service employee benefits liabilities are as follows:

Change	*Details*
Increase in mandatory age of separation	The mandatory age of retirement for staff who joined the United Nations on or after 1 January 2014 is 65, and for those who joined before 1 January 2014, it is 60 or 62. The General Assembly decided to extend the mandatory age of separation for staff recruited before 1 January 2014 by organizations of the United Nations common system to 65 years, at the latest by 1 January 2018, taking into account the acquired rights of staff. Once implemented on 1 January 2018 for the Secretariat, this change is expected to impact future calculations of employee benefits liabilities.
Unified salary structure	The salary scales for internationally recruited staff (Professional and Field Service) as at 31 December 2016 were based on single or dependency rates. Those rates affected staff assessment and post adjustment amounts. The General Assembly approved a unified salary scale that resulted in the elimination of single and dependent rates as from 1 January 2017. The dependency rate was replaced by allowances for staff members who have recognized dependants in accordance with the Staff Regulations and Rules of the United Nations. A revised staff assessment scale and pensionable remuneration scale was implemented along with the unified salary structure. The implementation of the unified salary scale was not designed to result in reduced payments for staff members. However, it is expected that the unified salary scale will affect the calculation and valuation of the repatriation benefit and the commuted annual leave benefit. Currently, the repatriation benefit is calculated on the basis of gross salary and staff assessment at the date of separation, whereas commuted annual leave is calculated on the basis of gross salary, post adjustment and staff assessment at the date of separation.
Repatriation benefit	Staff members are eligible to receive repatriation grant upon separation provided they have been in service for at least one year in a duty station outside their country of nationality. The General Assembly has since revised the eligibility for the repatriation grant from one year to five years for prospective employees, while current employees retain the one-year eligibility. This change is expected to affect future calculations of employee benefits liabilities.

120. The impact of the changes was reflected in the actuarial valuation conducted in 2018.

Note 15
Net assets

(Thousands of United States dollars)

	2018	*2017*
Net assets as at 1 January	**25 623**	**21 316**
Actuarial gains/(losses) on employee benefits liabilities	466	(319)
(Deficit)/surplus for the year	(2 591)	4 626
Net assets as at 31 December	**23 498**	**25 623**

121. Fluctuations in operating results were also attributed to the timing difference in respect of recognizing revenue and related expenditure in line with the 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.

Note 16
Revenue from non-exchange transactions

Voluntary contributions – Member States

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Voluntary contributions – Member States	12 336	22 479
Refunds to Member States	(676)	(273)
Total revenue from voluntary contributions – Member States	**11 660**	**22 206**

122. The significant decrease in voluntary contributions from Member States is due to accounting adjustments to contribution revenues that were made in the amount of $5.160 million, with corresponding reduction to voluntary contributions receivable. The main reasons for making these accounting adjustments were: (a) premature termination of agreements by donors; (b) completion of project deliverables with lower contribution amounts than those in the agreements; and (c) amendments made by donors to budgeted amounts in the agreements during the year after the contributions were recorded. The rest of the reduction is due to reduced contributions agreements signed during the year.

Voluntary contributions – other

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Voluntary contributions – other	7 336	5 126
Voluntary in-kind contributions	1 303	1 187
Total revenue from voluntary contributions – other	**8 639**	**6 313**

123. The contributions in kind include a rental subsidy of $0.613 million (2017: $0.492 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 $0.689 million that were used for the implementation of the UNITAR Operational Satellite Applications Programme. During 2018, in-kind contributions also included services provided by advisers, associate fellows and other resource personnel valued at $0.687 million, which is not included in the table above.

124. All binding agreements signed during 2018 are recognized as revenue in 2018, including the future portion of multi-year agreements. 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*
2018	10 836	7 652
2019	759	425
2020	741	523
2021	–	39
Gross revenue from voluntary contributions – Member States and other	**12 336**	**8 639**

Note 17
Revenue from services rendered: exchange transactions

125. 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.

126. Other training courses driving exchange revenue were the joint international Master’s Degree in Conflictology; 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.

127. 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.

128. The UNITAR Decentralized Cooperation Programme has established a global network of 17 training centres called the International Training Centres for Authorities and Leaders (CIFAL) Global Network. These centres are affiliated with UNITAR and are required to pay a mandatory annual affiliation fee. Located across Asia, Africa, Europe, the Americas and the Caribbean, the centres deliver many training events to the UNITAR target audience.

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Training fees	3 387	2 689
UNITAR Operational Satellite Applications Programme activities	480	489
Affiliation fee from training centres	468	348
Other revenue	948	222
Total revenue from services rendered	**5 283**	**3 748**

Note 18
Expenses

Employee salaries, allowances and benefits

129. 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 2018	*31 December 2017*
Salaries	5 798	5 656
Allowance and benefits	2 806	2 935
Post adjustment	2 074	2 238
Total employee salaries, allowances and benefits	**10 678**	**10 829**

Non-employee compensation and allowances

130. "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 2018	*31 December 2017*
Consultant fees, interns and trainees	5 553	4 510
Total non-employee compensation and allowances	**5 553**	**4 510**

Grants and other transfers

131. 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 2018	*31 December 2017*
Contractual services	946	2 829
Outright grants	1 234	1 609
Staff and personnel costs	763	640
Travel	750	530
Supplies, commodities and materials	15	183
Programme support costs	30	35
Equipment, vehicles and furniture	48	90
Total grants and other transfers	**3 786**	**5 916**

132. During 2018, a total amount of $0.218 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 2018	*31 December 2017*
Travel of staff, consultants and non-staff	2 964	2 317
Total travel	**2 964**	**2 317**

Supplies and consumables

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Satellite images	689	575
Acquisition of office equipment and supplies	258	261
Operational maps	114	183
Other supplies	4	2
Total supplies and consumables	**1 065**	**1 021**

Other operating expenses

133. 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 2018	*31 December 2017*
Training	1 492	1 178
Rent – office and premises	602	608
Contracted services	910	539
Communications utilities	464	376
Expense recognized for contributions in kind – premises	613	492
Joint administrative fees	93	97
Other expenses	69	57
Net exchange loss	236	43
Stationery and office supplies	38	43
Shipping/freight services	13	18
Loss on disposal of property, plant and equipment	–	1
Write-offs	–	76
Total other operating expenses	**4 530**	**3 528**

Note 19
Financial instruments and financial risk management

Financial instruments

(Thousands of United States dollars)

	Note	*31 December 2018*	*31 December 2017*
Financial assets			
Held-to-maturity			
Investments – time deposits		3 200	2 000
Non-call bonds		18 224	11 062
Subtotal, investments		**21 424**	**13 062**
Loans and receivables			
Cash and cash equivalents: internally managed	6	381	124
Cash and cash equivalents: time deposits	6	2 000	4 200
Cash and cash equivalents: non-call bonds	6	–	–
Subtotal, cash and cash equivalents		**2 381**	**4 324**
Voluntary contributions	7	11 275	15 651
Other receivables	8	233	315
Other assets (excluding staff advances and prepayments)	10	–	2 581
Total loans and receivables		**11 508**	**18 547**
Total carrying amount of financial assets		**35 313**	**35 933**
Financial liabilities at amortized cost			
Accounts payable and accrued liabilities	12	1 221	1 121
Total carrying amount of financial liabilities		**1 221**	**1 121**
Net revenue and expense from financial assets			
Investment revenue – time deposits		94	65
Interest income on non-call bonds		267	152
Amortized income on non-call bonds		50	(29)
United Nations main cash pool investment revenue		–	–
United Nations main cash pool financial exchange losses		–	–
United Nations main cash pool unrealized gains		–	–
Total net revenue from financial assets		**411**	**188**

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

(Thousands of United States dollars)

	2018	*2017*
Balance as at 1 January	**13 062**	**10 651**
Purchases of investments	26 177	19 571
Sale of investments	(17 865)	(17 133)
Amortization	50	(27)
Balance as at 31 December	**21 424**	**13 062**

Financial risk management: overview

134. UNITAR has exposure to the following financial risks:

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk.

135. 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

136. 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.

137. 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.

138. 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.

139. 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 2018, as the existing framework was applied to the UNDP service-level agreement arrangement adopted in 2015.

140. 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

141. 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

142. 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).

143. 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.

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

145. 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 2018, 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 2018	*AAA*	*AA+*	*AA*	*AA-*	*A+*	*A-*	*Total*
Money market instruments	–	–	–	3 200	2 000	–	5 200
Bonds	7 827	995	–	9 402	–	–	18 224
Total	**7 827**	**995**	**–**	**12 602**	**2 000**	**–**	**23 424**

Credit risk: receivables

146. A large proportion of receivables is due from entities that do not have significant credit risk. As at the reporting date, UNITAR did not hold any collateral as security for receivables. UNITAR evaluates the allowance for doubtful receivables at each reporting date. An allowance for doubtful receivables occurs when there is objective evidence that UNITAR will not collect the full amount due. Allowances credited to the allowance for doubtful receivables general ledger account are utilized when management approves write-offs under the Financial Regulations and Rules or are reversed when the previously impaired receivables are received. There was no movement in the allowance for doubtful receivables account for 2018, as shown below.

Movement in the allowance for doubtful receivables

(Thousands of United States dollars)

	2018	*2017*
As at 1 January	–	–
Increase/(decrease) in allowance for doubtful receivables	–	–
As at 31 December	**–**	**–**

Ageing of total receivables

(Thousands of United States dollars)

	31 December 2018		31 December 2017	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Neither past due nor impaired	10 721	–	14 446	–
Less than one year	787	–	1 520	–
One to two years	–	–	–	–
Two to three years	–	–	–	–
Total	**11 508**	**–**	**15 966**	**–**

147. Based on its monitoring of credit risk, UNITAR believes that no impairment allowance is necessary in respect of receivables.

Credit risk: cash and cash equivalents

148. UNITAR held cash and cash equivalents of $2.381 million as at 31 December 2018, which is the maximum credit exposure on these assets.

Liquidity risk

149. 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.

150. 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.

151. 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

152. 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 2018, undiscounted

(Thousands of United States dollars)

	On demand	*Within 3 months*	*3–12 months*	*>1 year*	*Total*
Accounts payable and accrued liabilities	–	1 012	209	–	1 221
Total financial liability	**–**	**1 012**	**209**	–	**1 221**

Market risk

153. 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

154. 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

155. 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

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

Note 20
Other revenue

157. For 2018 there was no other revenue from foreign exchange transactions (2017: $0.300 million).

Note 21
Related parties

Governance of UNITAR

158. UNITAR is governed by a Board of Trustees, which is composed of 15 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.

159. 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.

160. 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

161. 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.

162. 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.

163. UNITAR had nine key management personnel, whose remuneration was $2.450 million over the financial year ended 31 December 2018 (2017: $0.674 million for two 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.

164. 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

165. 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 2018.

United Nations system

166. 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.

167. 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

168. The CIFAL Global Network comprises 17 international training centres for authorities and leaders. The CIFAL centres are located across Asia, Africa, Australia, Europe, the Americas and the Caribbean. The centres provide innovative training throughout the world and the network serves as a hub for the exchange of knowledge among government officials, the private sector and civil society.

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

170. CIFAL-affiliated training centres pay UNITAR an annual affiliation fee in line with the signed partnership agreements or decisions of the CIFAL Network steering committee. UNITAR does not invest in the activities of the training centres or participate in sharing the profits or losses of the centres. UNITAR received $0.480 million (2017: $0.348 million) in affiliation fees, which is included in the revenue from exchange transactions.

Note 22
Leases and commitments

Finance leases

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

Operating leases and commitments

172. UNITAR holds two leases in place for the use of Geneva premises and one lease for its New York office. The leases in Geneva are one one-year short-term lease agreement between the Fondation des immeubles pour les organisations internationales (FIPOI) and UNITAR, whereby FIPOI rents spaces out to UNITAR for an annual payment of SwF 183,680 (at 31 December 2018 rates: $0.186 million) (2017: SwF 128,561 – at 31 December 2017 rates: $0.131 million); and one five-year lease agreement between FIPOI and UNITAR, whereby FIPOI rents spaces out to UNITAR for an annual payment of SwF 283,484 (at 31 December 2018 rates: $0.287 million) (2017: SwF 338,603 – at 31 December 2017 rates: $0.346 million). The leases with FIPOI can be renewed by a notice given to FIPOI not less than six months before the expiration date.

173. The total lease payments recognized in expenses for the period was $1.216 million (2017: $1.06 million). The total operating lease rental expense for the year includes $0.613 million (2017: $0.492 million) towards donated right-to-use 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 2018	*31 December 2017*
Due in less than one year	557	552
Due in one to five years	68	404
Due in more than five years	–	–
Total minimum lease obligations (undiscounted)	**625**	**956**

174. 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.

175. At the reporting date, open contractual commitments relating to goods and services contracted but not delivered were $0.588 million (2017: $0.512 million).

176. At the reporting date, the Institute's commitments to transfer funds to implementing partners, based on agreements, amounted to $0.944 million (2017: $1.930 million).

Note 23
Contingent liabilities and contingent assets

177. 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.

178. 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.

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

Note 24
Other liabilities

(Thousands of United States dollars)

As at 31 December 2018

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

As at 31 December 2017

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

Note 25
Events after the reporting date

180. 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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