A/75/5/Add.10

United Nations

United Nations Office on Drugs and Crime

Financial report and audited financial statements

for the year ended 31 December 2019

and

Report of the Board of Auditors

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

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Report of the Board of Auditors

United Nations • New York, 2020

Note

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

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Letters of transmittal

Letter dated 31 March 2020 from the Executive Director of the United Nations Office on Drugs and Crime addressed to the Chair of the Board of Auditors

In accordance with rule 406.3 of the Financial Rules of the Fund of the United Nations International Drug Control Programme and of the Fund of the United Nations Crime Prevention and Criminal Justice Programme, I have the honour to transmit the financial statements of the United Nations Office on Drugs and Crime for the year ended 31 December 2019, which I hereby approve.

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

(*Signed*) Ghada Fathi Ismail **Waly**
Executive Director
United Nations Office on Drugs and Crime

Letter dated 21 July 2020 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Office on Drugs and Crime for the year ended 31 December 2019.

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

Chapter I

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

Opinion

We have audited the financial statements of the United Nations Office on Drugs and Crime (UNODC), which comprise the statement of financial position (statement I) as at 31 December 2019 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In the Board’s opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UNODC as at 31 December 2019 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

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

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

Management is responsible for the other information, which comprises the financial report for the year ended 31 December 2019, contained in chapter IV below, but does not include the financial statements and our auditor’s report thereon.

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

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

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

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

In preparing the financial statements, management is responsible for assessing the ability of UNODC 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 UNODC 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 UNODC.

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

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

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

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

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

(d) Draw conclusions as to the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of UNODC 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 UNODC to cease to continue as a going concern;

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

We communicate with those charged with governance 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 UNODC 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 UNODC.

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

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

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

21 July 2020

Chapter II
Long-form report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Office on Drugs and Crime (UNODC) for the year ended 31 December 2019. The Board examined financial transactions and operations at UNODC headquarters in Vienna, from 2 to 20 December 2019, at the Regional Office for South-East Asia and the Pacific, located in Bangkok, from 28 October to 15 November 2019, and at the Regional Office for Eastern Africa, located in Nairobi, from 13 to 31 January 2020.

From April 2020 onward, the Board conducted the audit remotely owing to the coronavirus disease (COVID-19) pandemic. This included the final audit of the financial statements.

Scope of the report

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

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNODC as at 31 December 2019 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

The Board also reviewed UNODC operations in accordance with financial regulation 7.5 of the Financial Regulations and Rules of the United Nations, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations. The Board examined seven main areas and processes of UNODC activities: travel management; property, plant and equipment management; procurement; human resources management; the full cost recovery process; delegation of authority reform; and information and communications technology. The Board also followed up in detail actions taken in response to recommendations made in previous years.

Audit opinion

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

Overall conclusion

The Board did not identify significant errors, omissions or misstatements from the review of the financial records of UNODC for the year ended 31 December 2019. However, the Board identified scope for improvements in all the areas and processes examined.

Key findings

(a) Delegation of authority and Umoja roles

After a review of samples of cases related to official travel and purchase orders, the Board noted that several travel and purchase order approvals had been authorized by staff who had either not been conferred a delegation of authority or had not accepted the delegation conferred, as evidenced by the delegation in question. Furthermore, it was found that, with regard to UNODC headquarters, the Regional Office for South-East Asia and the Pacific, and the Regional Office for Eastern Africa, the information present in Umoja on staff roles was not consistent with that on the delegations of authority for the staff role holders. Consequently, some staff were able to approve travel or purchase orders in Umoja, even though they did not have the necessary delegation of authority to do so.

(b) Property, plant and equipment management

The Board reviewed the treatment of the UNODC fixed asset derecognition exercise and write-off process and detected that a certain number of fixed assets had been transferred to recipients without being written off from the system, while others had been transferred to beneficiaries without approval from the Local Property Survey Board/Headquarters Property Survey Board.

(c) Supporting documentation for the receipt of services

After the revision of 30 documents related to goods and services at UNODC headquarters and 30 service entry sheets at the Regional Office for South-East Asia and the Pacific, it was noted that neither UNODC headquarters nor the Regional Office had the necessary information available in Umoja as proper evidence regarding the exact moment that the services were provided.

(d) Full cost recovery accounting guide

During the audit, several meetings were held with the Accounts Section and the Budget Section to obtain information regarding the procedure followed at UNODC headquarters for full cost recovery calculations. It was observed that there was no formal guide describing the accounting steps and procedures that UNODC headquarters has to follow for full cost recovery calculations.

Main recommendations

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

(a) **Review the entire entity's delegations of authority, including at field offices, in order to ensure that all respective delegations have been granted through the delegation of authority portal, as required under the new framework for delegation of authority;**

(b) **Conduct a complete overhaul of the existing delegation of authority-related roles in Umoja and correct those that are not consistent with the delegation provided;**

(c) **Make the necessary efforts to ensure that all the entity's fixed assets that must be derecognized every financial year are removed from the financial statements in a timely manner and ensure that no assets are transferred to beneficiaries before approval from the Local Property Survey Board/ Headquarters Property Survey Board, as appropriate;**

(d) **Improve the internal controls in the service receipt process, to ensure that proper evidence is provided regarding the receipt of every service;**

(e) **Establish a standard procedure that sets a unique criterion for recognizing expenses in Umoja through the service entry sheets;**

(f) **Prepare an internal accounting guide in order to document the accounting steps and procedures for the recognition of the full cost recovery workflow.**

Key facts

Core staff of 670 from 85 locations

$356.3 million:	original budget for 2019 in the biennium 2018–2019
$458.1 million:	revenue in 2019
$374.8 million:	expenses in 2019
$254.3 million:	net contributions receivable, from donors, under current agreements
$805.6 million:	cash and investments in the United Nations cash pool

A. Mandate, scope and methodology

1. The United Nations Office on Drugs and Crime (UNODC) has been established – in general terms – to implement the Organization's drug programme and crime programme in an integrated manner, addressing the interrelated issues of drug control, crime prevention and international terrorism in the context of sustainable development and human security (ST/SGB/2004/6). The entity carries out a broad range of initiatives, including alternative development projects, illicit crop monitoring and anti-money-laundering programmes, among others. As at January 2020, UNODC had approximately 670 core staff members and 1,548 local staff members worldwide and was active in more than 85 countries. Almost all activities of UNODC are undertaken through individual projects at the global, regional and country levels.

2. The Board of Auditors audited the financial statements of UNODC and reviewed its activities for the year ended 31 December 2019, in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations (ST/SGB/2013/4) and the Financial Rules of the Fund of the United Nations International Drug Control Programme and of the Fund of the United Nations Crime Prevention and Criminal Justice Programme (ST/SGB/2015/4, annex III), as well as the International Standards on Auditing. Those standards require the Board to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatements.

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 UNODC as at 31 December 2019 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). The audit was carried out at UNODC headquarters in Vienna, at the Regional Office for South-East Asia and the Pacific and at the Regional Office for Eastern Africa.

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 UNODC operations pursuant to financial regulation 7.5 of the Financial Regulations and Rules of the United Nations, according to which the Board may make observations with respect to the efficiency of the financial

procedures, the accounting system, the internal financial controls and, in general, the administration and management of UNODC operations. From April 2020 onward, the Board conducted the audit remotely owing to the coronavirus disease (COVID-19) pandemic, including the final audit of the financial statements.

6. The Board has taken up seven areas and processes for UNODC in 2019: travel management; property, plant and equipment management; procurement management; human resources management; the full cost recovery process; delegation of authority reform and information and communications technology. The Board also reviewed the follow-up actions taken by UNODC on the recommendations from 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 UNODC 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 50 outstanding recommendations up to the year ended 31 December 2018, of which 21 (42 per cent) had been fully implemented, 28 (56 per cent) were under implementation, and 1 (2 per cent) was overtaken by events (see table II.1). Details of the status of implementation of the previous years' recommendations 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	21	28	0	1
Percentage	42	56	0	2

Source: Board of Auditors.

10. There has been positive progress across some of the recommendations still marked as being under implementation, including Sustainable Development Goals and the strategic framework, as well as management instructions, Programme and Operations Manual reviews and the development of a review process for the evaluation policy of the Independent Evaluation Section. Nevertheless, actions still need to be taken by management to address the recommendations that are under implementation and have not been implemented.

2. Financial overview

11. UNODC is mainly funded through voluntary contributions. In 2019, net voluntary contributions amounted to $375.2 million (2018: $332.3 million) of total revenue of $458.1 million (2018: $409.1 million). Revenue also included $32 million from the United Nations regular budget (2018: $34.3 million). Expenses for the year were $374.8 million (2018: $332.3 million), resulting in a surplus of $83.3 million (2018: $76.9 million). This results primarily from the increase in expenses; even though revenue increased by 12 per cent, expenses increased by 12.8 per cent. In addition, the entity registered an allowance for doubtful receivable as a result of the review of all pledges that were outstanding and might be considered irrecoverable for $3.5 million (see note 7 in chap. V below). The Board noted the continued trend

towards earmarked resources. It also noted that efficient project control was necessary in order to quickly implement projects when funding was received, in particular when the inflow of funding was uneven throughout the year.

12. The Board's analysis of capital structure ratios demonstrates that, despite the competitive environment for donor funds, the current financial position of UNODC remains sound, but it has slightly declined compared with 2018, with an assets-to-liabilities ratio of 3.17. The current ratio also declined with a value of 5.14. The analysis of ratios shows relative consistency over the past financial years (see table II.2).

Table II.2
Ratio analysis

Ratio	*31 December 2019*	*31 December 2018*	*31 December 2017*
Total assets: total liabilities[a]			
Assets: liabilities	3.17	3.03	2.73
Current ratio[b]			
Current assets: current liabilities	5.14	5.44	4.18
Quick ratio[c]			
(Cash + short-term investments + accounts receivable): current liabilities	4.88	5.24	4.07
Cash ratio[d]			
(Cash + short-term investments): current liabilities	4.11	4.30	2.92

Source: UNODC 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 serves to measure the amount of cash, cash equivalents or invested funds available in current assets to cover current liabilities.

13. The two major components of the UNODC asset base are cash and investment balances, which totalled $805.6 million (2018: $719.2 million) and voluntary contributions receivable from donors of $254.3 million (2018: $251.7 million). Cash and investment balances are managed under a cash pool arrangement operated by the United Nations Secretariat in New York. The returns on the UNODC cash balances totalled $19.2 million (2018: $13.5 million). Voluntary contributions receivable represent the remaining sums due over the lifetime of the current agreements with donors, of which an amount of $135.9 million (2018: $113.5 million) is due in more than one year's time. The level of voluntary contributions receivable increased by 0.1 per cent during 2019 (2018: decrease of 10 per cent), which represents an improvement in the receipt of voluntary contributions compared with the previous year. The Office's most significant liability is for the advance receipt of conditional voluntary contributions of $159.3 million (2018: $151.2 million). The advance receipt stems from current European Union agreements where the revenue will be recognized as the conditions set down in the agreements are met in future financial periods. Advance receipts represent, from the perspective of UNODC, commitments to donors for the provision of future services. The scale of these deferred revenues demonstrates the extent to which future revenues, and a good portion of receivables, depend on UNODC continuing to deliver current projects and programmes in line with expectations.

14. The second most significant element of UNODC liabilities results from employee benefits of $117 million (2018: $116.6 million). The employee benefits liabilities represent obligations incurred at year-end, the largest element being the estimate for the cost of after-service health insurance of $80.6 million (2018: $88 million). The effect of an increased discount rate alongside other experience adjustments and updated demographic assumptions resulted in an overall net actuarial valuation gain of $8.6 million (2018: gain of $12 million), as disclosed in note 14 to the financial statements. It remains important to ensure that currently funded projects provide sufficient contributions to meet any associated increases in costs so that past project activities do not require substantive funding from future donors.

3. Delegation of authority

Delegation of authority and Umoja roles

15. In his bulletin ST/SGB/2019/2 of 17 December 2018, the Secretary-General set out a new framework for the delegation of authority. In doing so, he rescinded all existing delegations and subdelegations under the Staff Regulations and Rules and the Financial Regulations and Rules issued to any official of the United Nations. In consequence, every existing delegation was to be reissued.

16. The new delegations of authority must be formally issued and managed through a dedicated online portal. The delegated authorities and any limitations shall be clearly stated and accepted in the portal by both the delegator and the delegate. The delegated authority may be further delegated, unless such further delegation has been excluded by the delegator in the delegation or subdelegation.

17. The new framework was expected to enter into force on 1 January 2019. To avoid disrupting operations, a transitional period was in effect until 30 June 2019. All existing delegations and subdelegations were rescinded on 30 June 2019, it being mandatory for heads of entity to expressly change every subdelegation through the "Delegation of authority" portal.

18. In addition, according to the document "Questions and answers on the delegation of authority, second edition", issued in 2019, to subdelegate authority through the portal, heads of entity must ensure that all required Umoja and Inspira roles are assigned no later than on 30 June 2019. Therefore, Umoja roles should be aligned with the subdelegations made through the "Delegation of authority" portal and any roles must be assigned or deprovisioned by the end of the transition period.

19. In accordance with the above-mentioned bulletin, the Under-Secretary-General for Management Strategy, Policy and Compliance, and the Under-Secretary-General for Operational Support sent an inter-office memorandum to the Executive Director of UNODC on 21 August 2019 in which they gave guidance regarding the implementation of the new framework for delegation of authority.[1]

20. A review of case samples was conducted regarding official business travel and purchase orders submitted and approved at UNODC headquarters, the Regional Office for South-East Asia and the Pacific and the Regional Office for Eastern Africa during the audit period. The Board noted the following situations:

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[1] The subject had already been discussed at the United Nations Office on Drugs and Crime (UNODC): in October 2018, the Executives Committee of the United Nations Office at Vienna and UNODC, a common body composed of all directors of both entities as well as other senior officials, came to an agreement in which was stated, among three other points, the need to increase the delegation of authority and decentralization with regard to field offices based on a clear and agreed assessment and review of functions.

(a) A sample of 30 cases of official business travel at UNODC headquarters, conducted between January and September 2019, was revised. One travel request had been approved by a travel and shipment approver before the delegation of authority had been accepted. In addition, six travel requests had been approved in Umoja by a travel processing officer who did not have delegation of authority;

(b) A sample of 30 cases of official business travel at the Regional Office for South-East Asia and the Pacific was selected. It was found that seven travel requests had been approved in Umoja by an administrative assistant who did not have delegation of authority;

(c) A sample of 30 cases of official business travel at the Regional Office for Eastern Africa was reviewed. Three travel requests had been approved by a travel and shipment approver before the delegation of authority allowing the approver to do so had been accepted. In addition, eight travel requests had been approved in Umoja by a travel processing officer who did not have delegation of authority;

(d) Regarding a sample of 25 purchase orders submitted and approved at the Regional Office for South-East Asia and the Pacific during the audit period, it was noted that two had been approved before the delegation of authority had been accepted;

(e) A sample of 30 purchase orders submitted and approved at the Regional Office for Eastern Africa during the audit period was reviewed. Nine were approved before the delegation of authority had been accepted.

21. The roles involved in the above-mentioned approvals were: TV.07 – travel and shipment approver, TV.10 – travel processing officer, and SA.16 – source to acquire approver procurement. For these roles, the following delegations of authority were required: certifying officer, approving officer, and procurement authority, respectively.

22. Given that several travel and purchase orders at UNODC headquarters and field offices were approved by staff without delegation of authority, the Board estimates that UNODC has not yet completely implemented the new framework for delegation of authority for headquarters and all its field offices.

23. Moreover, as the Secretary-General states in his bulletin, Umoja roles should be aligned with the subdelegations made through the portal. In addition, any roles should have been assigned or deprovisioned by the end of the transition period. The Board noted that this mandatory requirement had not been fully applied.

24. In that regard, the Board holds that the information regarding delegation of authority and Umoja roles must be consistent. As previously mentioned, some staff were able to approve travel or purchase orders in the Umoja system even though they did not have the necessary delegation, given that their Umoja roles had not been affected.

25. Therefore, it seems necessary that, whenever a certifying officer/travel and shipment approver, an approving officer/travel processing officer or a procurement authority with assigned Umoja roles does not have the mandatory delegation of authority, he/she should not be able to make use of his/her role and, consequently, not be able to approve a travel or a purchase order in Umoja.

26. Beside the need to comply with the Secretary-General's bulletin, there is a legal and financial risk whenever a purchase order or travel is authorized without the mandatory delegation. Thus, purchase orders authorized by someone without the authority to do so might bring legal uncertainty and therefore has potential financial implications.

27. **The Board recommends that UNODC review the entire entity's delegations of authority, including at its field offices, in order to ensure that all respective delegations have been granted through the delegation of authority portal, as required under the new framework for delegation of authority.**

28. **The Board further recommends that UNODC conduct a complete overhaul of the existing delegation of authority-related user role mapping in Umoja and correct those that are not consistent with the delegations provided.**

29. UNODC accepted the recommendations and stated that this had been implemented. The entity explained that it had already conducted a global review of its delegations of authority. In addition to the review, the Board was informed that the Monitoring of Delegation of Authority Section, under the Business Transformation and Accountability Division of the Department of Management Strategy, Policy and Compliance, monitors the alignment of Umoja roles and delegations of authority and sends quarterly notifications on cases that are not in harmony. A confirmation that its latest review was held in March 2020 was provided by the entity.

30. While the Board appreciates the efforts made by UNODC regarding the delegations of authority, the Board concluded from the evidence received that the entity is still not able to assert that all the delegations in question have been granted through the delegation of authority portal.

4. Property, plant, and equipment

Property, plant, and equipment management

31. The treatment of property, plant and equipment is established in IPSAS 17. Its paragraph 1 reads as follows: "The objective of this standard is to prescribe the accounting treatment for property, plant and equipment so that users of financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment. The principal issues in accounting for property, plant and equipment are the recognition of the assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognized in relation to them".

32. In that context, an impairment loss of a non-cash-generating asset is defined as the amount by which the carrying amount of an asset exceeds its recoverable service amount.

33. Furthermore, under paragraph 13.2.28 of the United Nations Policy Framework for IPSAS, an item of property, plant, and equipment should be removed from the financial statements (derecognized) once its disposal has been approved. Operationally, the asset needs to be impaired prior to the approved disposal event taking place and once the asset has been identified as an item whose use has no expected future economic benefit or service potential.

34. Under paragraph 13.2.29, assets can be disposed of through transfer, donation, sale or scrapping.

35. Finally, according to the rules set out in the document entitled "Delegation of authority from head of entity for property management", the determination for authorizing disposal action shall be made on the basis of the depreciated value of individual property items, based on the following threshold:

(a) Disposal of any property item that has a depreciated value between $3,000 and $25,000 must be submitted to the local Property Survey Board.

(b) Disposal of any property item that has a depreciated value exceeding $25,000 must be submitted to the Headquarters Property Survey Board.

36. In order to verify compliance with the above-mentioned regulations, the Board of Auditors reviewed the treatment of the UNODC fixed asset derecognition exercise and write-off process. The following issues were detected:

(a) Forty-four UNODC fixed assets were transferred to recipients and should have been written off on 31 December 2019 (see table II.3):

Table II.3
Fixed assets transferred without being written off

Asset type	*Number of assets*	*Book value (Thousands of United States dollars)*
Buildings	2	16
Furniture and fixtures	2	69
ICT equipment	10	126
Machinery and equipment	14	479
Vehicles	16	220
Total	**44**	**910**

Abbreviation: ICT, information and communications technology.

(b) It was noted that a further 42 items of property, plant and equipment totalling $2.6 million were transferred to beneficiaries without approval from the Local Property Survey Board/Headquarters Property Survey Board, and that they were removed from the financial statements but not within the Umoja system (see table II.4):

Table II.4
Fixed assets transferred without approval

Asset type	*Number of assets*	*Book value (Thousands of United States dollars)*
ICT equipment	5	269
Machinery and equipment	21	1 585
Vehicles	16	783
Total	**42**	**2 637**

Abbreviation: ICT, information and communications technology.

37. The Board of Auditors considers that the findings outlined above are not in harmony with IPSAS 17 and the United Nations Policy Framework for IPSAS, and thereby affect the faithful representation of UNODC property, plant and equipment.

38. In addition, even though the United Nations Policy Framework for IPSAS states that, in order to remove an item of property, plant and equipment, its disposal must be approved, the approval process must be as efficient as possible, and ensure that the financial information is complete, neutral, and free from material misstatement at the end of every year.

39. **The Board recommends that UNODC make the necessary efforts in order to ensure that all the entity's fixed assets that must be derecognized every financial year are removed from the financial statements in a timely manner and ensure that no assets are transferred to beneficiaries before approval from the Local Property Survey Board/Headquarters Property Survey Board, as appropriate.**

40. UNODC accepted the recommendation and added that it would develop a plan to ensure that assets are removed in a timely manner and the expenses recognized in the correct periods so as to ensure that Umoja accurately shows the current status of property, plant and equipment and the UNODC financial statements are materially correct in that regard.

5. Acquisition management

Supporting documentation regarding receipt of service

41. The treatment of expense recognition is established in chapter 10 of the United Nations Policy Framework for IPSAS. Its paragraph 10.1 states: "Under IPSAS, no specific standard prescribes the accounting treatment of expenses and expense recognition. The accounting for this area arises from the fundamental principle of accrual-basis accounting. In accordance with IPSAS 1 (presentation of financial statements), under the accrual basis, expenses are recognized when the transaction or event causing the expense occurs".

42. Therefore, the recognition of an expense is not linked to the moment that cash or its equivalent is received or paid. The transactions and other events "are recorded in the accounting records and recognized in the financial statements for the periods to which they relate" (ibid.).

43. Regarding the delivery principle, paragraph 10.2.7 stipulates: "In identifying whether a liability exists and whether a present obligation exists in relation to goods and services, under IPSAS the key consideration is the 'delivery principle'. Once goods or services have been received, the reporting entity has an obligation to pay for them".

44. Paragraph 10.2.9 states: "The application of the delivery principle means that the receipt of an invoice or payment in cash is not the point at which expenses for goods or services will be recognized. The recognition of these expenses will occur once the goods and/or services are received; therefore, determining the receiving date becomes a crucial decision point".

45. In accordance with the United Nations IPSAS accounting manual of December 2016, the service entry sheet in Umoja is used to confirm delivery of services that have been contracted. It also captures other data, information or attachments related to the service delivery within the system document, for example time sheets, flight completion reports and fuel delivery slips.

46. During the audit of the procurement management process, a sample of 30 service entry sheets was taken at the Regional Office for South-East Asia and the Pacific and a sample of 30 goods and services documents was taken at UNODC headquarters. Within the samples, the supporting documentation regarding the delivery of goods and services was reviewed.

47. It was detected that, at UNODC headquarters, 11 cases in the sample taken related to services, did not have supporting documentation in Umoja related to the delivery date. In the sample taken at the Regional Office for South-East Asia and the Pacific, in three cases there was no supporting documentation for the receipt of services, and in eight cases the delivery date had not been indicated in the relevant document.

48. The Board considers that the lack of a proper supporting documentation attesting the delivery dates of services may undermine the recording of expenses under the period in which the expenses were incurred.

49. The foregoing could reflect weaknesses in the internal controls related to the receipt of services in the procurement process. Furthermore, proper supporting

documentation for the receipt of services could provide the assurance that the service was indeed provided.

50. **The Board recommends that UNODC improve the internal controls for the service receipt process to ensure that proper evidence is provided regarding the receipt of every service.**

51. **In addition, the Board recommends that UNODC establish a standard procedure that sets a unique criterion for recognizing expenses in Umoja through the Service Entry Sheets.**

52. UNODC headquarters accepted both recommendations. Regarding the first recommendation, the entity stated that instructions would be issued to all offices concerned, advising them to include additional text indicating the service delivery date.

53. On the other hand, the Regional Office for South-East Asia and the Pacific stated that the certification of service entry sheets was now centralized in Bangkok, where a full-time certifying officer reviewed them. It added that effective 30 March 2020, a second certifying officer had been granted the role and the list of documents required for each transaction had been scheduled for release/circulation during April 2020.

54. Regarding the second recommendation, UNODC explained that, in addition to facilitating extensive IPSAS and Umoja training on the topic of expense recognition, the Financial Resources Management Service would draw up and publish, by the end of third quarter of 2020, a standard procedure for expense recognition that would include a unique criterion for expense recognition through service entry sheets.

Procurement process compliance

55. The Financial Regulations and Rules of the United Nations govern – among other things – the procurement process. Rule 105.14 states:

> "procurement contracts shall be awarded on the basis of effective competition, and to this end the competitive process shall, as necessary, include
>
> …
>
> (d) Formal methods of solicitation, utilizing invitations to bid or requests for proposals on the basis of advertisement or direct solicitation of invited suppliers, or informal methods of solicitation".

Rule 105.16 stipulates the exceptions to the use of formal methods of solicitation in cases where using formal methods is not in the best interest of the United Nations.

56. The United Nations Procurement Manual of 30 September 2019 details the exceptions to formal methods of solicitation. Regarding low-value acquisitions, section 6.3.2 states that it is a direct form of purchasing undertaken by the requisitioner or a procurement official and not conducted via a formal solicitation. It must be used for procuring readily available, off-the-shelf or standard-specification goods or services up to or equal to $10,000, or simple works or services up to or equal to the value of $10,000. Low-value acquisitions are awarded based on the lowest-priced, technically acceptable offer and are approved by a procurement official or a certifying officer subject to several conditions. One of those is that the procurement official or requisitioner shall obtain a minimum of three quotations from vendors.

57. The quotations must be sought from competitive vendors for a quantitatively and qualitatively similar requirement. In addition, quotations should allow a like-for-like comparison to achieve best value for money by selecting the lowest quotation, or a written explanation must be recorded in Umoja if the quotation offering best value for money does not constitute the lowest cost. Quotations must be uploaded to Umoja.

If an official is not able to produce three quotations despite his or her best efforts, it is necessary to add a written explanation in Umoja.

58. On the other hand, in chapter 6.8 of the Procurement Manual is established the process for direct contracting under sole source. This modality should be used when formal solicitations are not in the best interest of the United Nations. If that is the case, an offer must be requested by the appropriate procurement official from only one vendor, following approval by the appropriate procurement-approving authority. The contract must be awarded to a vendor whose offer substantially conforms to the requirements at a reasonable price. When using this procedure, an advertisement of a synopsis of the requirement should be posted in the form of a request for expression of interest in order to identify vendors that wish to participate in a solicitation. If the procurement official decides not to post such a request because the circumstances of the case do not warrant it, he/she shall document the reasons in a note to the case file. The review of the offer received must include an assessment as to whether it is of acceptable quality at a justifiable price, and must be carried out by a technical committee and a financial evaluation committee composed of, respectively, technical experts and procurement officials.

59. Finally, chapter 6.11 of the Procurement Manual covers the standardization of requirements (in particular section 6.11.4, which relates to rule 105.16 (a) (ii) of the Financial Regulations and Rules). Standardization shall be acceptable when identical goods, equipment or technology have recently been purchased from an existing or previous United Nations contractor, and it is determined that there is a need for compatibility with existing goods, equipment or technology, or works. The effectiveness of the original procurement in meeting the needs of the United Nations, the limited size of the proposed procurement in relation to the original procurement, the reasonableness of the price, and the unsuitability of alternatives to the goods in question shall always be considered and justified. In any case, an appropriate technical authority shall officially establish standardization. A competitive process should be undertaken if multiple sources of supply exist. If there is to be an exemption to using formal methods of solicitation for reasons of previous determination or standardization, then the procurement official must document the rationale for this exception, including, as applicable, the previous determination or reasons for requiring standardization, the terms of the standardization signed by the appropriate technical authority and reasonableness of prices.

60. To determine compliance with the procurement regulations by the Regional Office for South-East Asia and the Pacific, a sample of 25 purchase orders submitted and approved during the audit period was taken from Umoja. The sample included purchase orders up to a value of $10,000, orders above $10,000 and up to $40,000, and orders above $40,000.

61. Two of those purchase orders included the following approved file note "in order to waive the competitive biddings and continue with the same supplier's services". The amounts were $344 and $1,285, respectively. No quotations were found for the procurement process related to 2019. The arguments used in the notes for the files were that the web hosting service was satisfactory and that the acquired software had proved to be efficient.

62. In that regard, the Regional Office for South-East Asia and the Pacific indicated that both purchase orders had been made following the sole source procurement procedure and had been a continuation of selection processes carried out several years earlier (2013 and 2014). It added that, at their origins, these had been competitive bidding processes.

63. The Board holds that the Regional Office for South-East Asia and the Pacific did not follow in their entirety any of the above-mentioned exceptional processes

when renewing the services. No competitive biddings were made, and the justifications provided did not explain why a waiver of competitive bidding had been sought. If direct contracting is justified, the above-mentioned procedure must be followed in order to ensure best value for money. If a standardization is chosen, the appropriate procedure must be followed.

64. In that regard, the previously mentioned arguments raised by the Office – satisfaction with the service provided and the efficiency of the software – did not justify the decision not to advertise the solicitation or not to ask the vendor to provide updated information regarding its offer. In addition, an evaluation committee should have conducted a financial and technical evaluation.

65. These omissions impede verification of whether the Regional Office for South-East Asia and the Pacific obtained the mandatory best value for money in relation to the aforementioned purchase orders, taking into consideration that the original bidding processes were followed in 2013 and 2014.

66. Finally, under the regulations, documentation of low-value acquisition processes must be uploaded to Umoja. However, the Board noted that several of the purchase orders analysed were only available in hard copy.

67. **The Board recommends that the Regional Office for South-East Asia and the Pacific comply with the appropriate procurement procedure for recurring requirements.**

68. **In addition, the Board recommends that the Regional Office for South-East Asia and the Pacific keep all quotations and possible justifications uploaded in Umoja for every low-value acquisition process.**

69. Both recommendations were accepted. Regarding the first recommendation, the Regional Office for South-East Asia and the Pacific informed the Board that, in April 2020, it had conducted a competitive bidding process to ensure that the Regional Office was getting the best value for money for the purchase orders called into question by the Board. In the same month, the Regional Office had issued a revised management instruction to that effect and had reiterated the need to comply with procurement rules and procedures. For its part, the Procurement Section of the United Nations Office at Vienna (UNOV), which handles procurement for UNODC headquarters, offered its support by making itself available for a discussion on the topic with staff at the Regional Office.

70. With regard to the uploading of quotations and eventual justifications to Umoja for each low-value acquisition, the Regional Office for South-East Asia and the Pacific explained that instructions to that effect had been given to its Procurement Section.

6. Full cost recovery accounting guide

71. Full cost recovery is – in general terms – a mechanism whereby the UNODC field offices identify their project-related direct support costs and distribute them to refund the expenses made in supporting the execution of those projects.

72. In July 2016, UNODC developed a guide on implementation of full cost recovery to ensure compliance with the cost management standards set out in the Financial Regulations and Rules of the United Nations and ensure fair, transparent and consistent costing of field office services and support to operations.

73. The Guide established that the benefits of a full cost recovery-based funding model include:

(a) Ensuring the use of all funding sources (special-purpose and general-purpose funds, and programme support costs) for their intended purpose;

(b) Enabling predictability of cost and long-term sustainability of technical assistance programmes;

(c) Creating transparent costing of programmes;

(d) Allowing cost comparability across programmes and field offices;

(e) Enabling active financial management and accountability management;

(f) Ensuring compliance with policies and cost classifications of the United Nations system.

74. Annex I to the guide contains a technical guide for cost recovery distribution in Umoja. Its purpose is to provide guidance to field offices on the distribution of cost centre expenditures to projects in Umoja. It details the steps necessary for full cost recovery distribution in Umoja, such as the expenditure recordings and the identification of the cost distribution method.

75. During the audit, several meetings were held with the Accounts Section and the Budget Section in order to obtain information regarding the procedure performed by headquarters during the full cost recovery calculations. The entity explained that it was applying the following procedure:

(a) Set up the allotment (Budget Section);

(b) General-purpose advance entry (Accounts Section);

(c) Recording of expenses in the general ledger using the code “64DCR” (all field offices);

(d) Monthly distribution (field offices);

(e) Accrual for overdistribution (Accounts Section);

(f) Business planning and consultation elimination (Accounts Section).

76. These steps are not described in a formal guide.

77. The Board considers that the guide on implementation of full cost recovery should include a description of the steps to be taken at the accounting level in order to make the calculations more comprehensible to the staff involved in the procedure.

78. An adequate description of the process will contribute to ensuring that all UNODC staff members understand and follow the procedures in a fair, transparent and consistent manner.

79. **The Board recommends that UNODC headquarters prepare an internal accounting guide in order to document the accounting steps and procedures for the recognition of the full cost recovery workflow.**

80. UNODC headquarters agreed with the recommendation and issued guidance, to be implemented starting 2020.

7. Travel management

81. Under rule 7.4 of the Staff Regulations and Rules of the United Nations, (ST/SGB/2018/1), all official travel must be authorized in written form before it is undertaken. Under para. 3.9 of the administrative instruction on official travel (ST/AI/2013/3), after the approval, and before undertaking the travel, all travellers are required to obtain security clearance. In that regard, information circular ST/IC/2019/16, issued by the United Nations Secretariat on 8 July 2019, establishes

in its paragraph 19 that it is the traveller's individual responsibility to obtain the required security clearance before the commencement of travel. Failure to obtain the required security clearance prior to travel may result in the traveller becoming ineligible to make a claim under the malicious acts insurance policy. Under paragraph 20, approvers and travel and shipment approvers are to remind travellers of their obligation to obtain the security clearance and complete required training prior to travel.

82. Finally, paragraph 46 of the information circular establishes that staff members and travel administrators must submit the expense report for their or their travellers' trips within two weeks of the authorized return travel date.

83. UNODC headquarters reported a total of 6,467 instances of official travel from January to August 2019. A total of 99.5 per cent (6,437 instances) of those concerned official business travel, 0.4 per cent (28) was related to training, 0.05 per cent (1) was temporary duty and 0.05 per cent (1) related to a meeting with an ad hoc expert.

84. For the Regional Office for South-East Asia and the Pacific, the Office declared a total of 3,891 instances of official travel from January to September 2019, of which 84 per cent (3,263 instances) concerned official business travel and 16 per cent (628) travel related to training.

85. With respect to the Regional Office for Eastern Africa, during the same period (from January to September 2019) a total of 3,605 instances of official travel occurred, 99.7 per cent (3,595 instances) of which concerned official business travel, 0.3 per cent (9) was related to training and 0.03 per cent (1) was within mission (department of field support).

86. Taking into consideration the large amount of official business travel reported, the Board took samples of 30 cases each at headquarters and each field office.

87. Regarding headquarters, the Board was noted that:

(a) Three travel requests did not have the mandatory security clearance in the system;

(b) Seven expense reports had not been submitted within 14 days after the completion of travel.

88. At the Regional Office for South-East Asia and the Pacific, the Board found from the sample that:

(a) Eight travel requests did not have the mandatory security clearance in the system;

(b) Twelve expense reports had not been submitted within 14 days after the completion of travel.

89. With respect to the Regional Office for Eastern Africa, from the 30 cases selected, the Board determined that:

(a) The Board did not have access to security clearances in three cases;

(b) Nine expense reports had not been submitted within 14 days after the completion of travel.

90. Regarding the above-mentioned regulations, the Board is of the opinion that UNODC staff must ensure that all security clearances required for their travels are obtained and made in a timely manner. Otherwise, as stated in paragraph 19 of information circular ST/IC/2019/16, the traveller may become ineligible to make a claim under the malicious acts insurance policy. In that regard it must be emphasized that, even though it is the traveller's individual responsibility to obtain the required

security clearances, the information circular also requires the approvers and travel and shipment approvers to remind the traveller of his or her obligation to obtain clearance and complete the required training prior to travel.

91. In addition, the Board reminded UNODC of the need to submit the travel expense report within two calendar weeks after completion of travel, in line with paragraph 46 of the information circular. As mentioned earlier, at UNODC headquarters, the Regional Office for South-East Asia and the Pacific and the Regional Office for Eastern Africa, examples were found of expense reports that had not been submitted on time.

92. Finally, it seems necessary to take into consideration a special case, namely that of the Regional Office for South-East Asia and the Pacific, which had 3,263 requests for official business travel as at 30 September 2019 and only one staff member in charge of certifying travel requests across the entire region. It was to be expected that the certification process could be delayed, which would contribute to the non-observance of the above-mentioned regulations.

93. **The Board recommends that UNODC make the necessary efforts to ensure that all staff submit their travel requests, security clearances and expense reports in a timely manner, in accordance with the applicable regulations.**

94. **In addition, the Board recommends that the Regional Office for South-East Asia and the Pacific evaluate, in coordination with UNODC headquarters, the feasibility of delegating authority to an additional certifying officer or officers in order to strengthen compliance with the regulation's deadlines.**

95. Both recommendations were accepted. Concerning the first recommendation, the entity responded that UNODC would continue to make efforts in that regard and declared that field office representatives had been instructed to implement preventive and monitoring/corrective measures to address the matter and actual compliance rates would be reviewed on a quarterly basis. The Regional Office for South-East Asia and the Pacific stated that a revised management instruction on travel would be issued to all staff in April 2020. The Regional Office for Eastern Africa stated that a system to track commitments was already in place, along with additional measures.

96. UNODC explained that the second recommendation had been implemented in that a new certifying officer had become active in Umoja who had been granted the role on 30 March 2020. However, no supporting documentation was delivered to the Board.

8. Human resources management

97. Under administrative instruction ST/AI/108 on annual inspection of official status file, issued by the Secretariat in 1955, the personal file for each staff member must include such papers as the correspondence regarding recruitment, letters of appointment, notification of personnel actions (P/5 forms, letters and memorandums) and papers related to family status, among other files.

98. In 1983, the administrative instruction was modified in that confidential files were abolished in information circular ST/IC/82/77/Rev.1.

99. In 1993, the then Office of Human Resources Management of the United Nations Secretariat published the Personnel Records Procedures Manual, the purpose of which was to regulate access to basic background information on the career of every staff member in the Organization, in particular information related to the appointment and recruitment of the staff member and the staff member's contractual status and records of United Nations service.

100. In order to verify compliance with the aforementioned instructions and regulations, the Board reviewed 30 staff folders with regard to the official status files. As a result, the following issues were observed:

(a) In 19 cases, the latest performance reports were not found;

(b) In 14 cases, there were discrepancies between the contract start and finish dates recorded in Umoja and those found in the letters of appointment;

(c) In 21 cases, there were discrepancies between the grades recorded in Umoja and those found in the letters of appointment in the staff files;

(d) In 24 cases, there were discrepancies between the gross salaries recorded in Umoja and those found in the letters of appointment;

(e) A total of 23 notification of personnel actions (form P/5) had not been updated;

(f) Information related to family members and/or dependency had not been updated in 19 files.

101. The above-mentioned situations reflect weaknesses regarding compliance with current procedures related to human resources management.

102. The Board is of the view that, even though the regulations should be applied, it is undeniable that those regulations are obsolete and have completely been overtaken by the times. It seems crucial that the regulations be updated.

103. Meanwhile, UNODC headquarters should issue a guideline to regulate and clarify the current procedure for managing staff files. The discrepancies found between the official status file hard copies and those uploaded to Umoja reflect the fact that UNODC headquarters is not updating the physical folders. This generates confusion and reflects weaknesses in the control of the staff files. At the moment, UNODC headquarters partly uses hard copies and partly electronic copies (Inspira, Umoja and Unite Docs), making it very time-consuming to get all the information together when needed.

104. **The Board recommends that UNODC make efforts, in liaison with the United Nations Secretariat, to update the administrative instruction on the official status file as well as trying to find ways to link Umoja and Inspira to the Unite Docs website.**

105. The recommendation was accepted. UNODC stated that United Nations Headquarters had confirmed that the Department of Management Strategy, Policy and Compliance was in the process of updating the administrative instruction on the official status file. Furthermore, UNODC stated that the Department of Operational Support, in line with its process improvement mandate, was working with key stakeholders that included the Department of Management Strategy, Policy and Compliance, for the policy side, and the Office of Information and Communications Technology, for the technological solution to develop a Secretariat framework for the modernization of human resources forms and management of personnel records while eliminating paper-based filing as much as possible. As the Board was informed by UNODC, in doing so, the Department of Operational Support would aim to establish a digital repository for official status files, including by exploring linkages between relevant enterprise systems.

9. Information and communications technology

Disaster recovery plan

106. The United Nations Secretariat information and communications technology (ICT) technical procedure on disaster recovery planning (SEC.08.PROC) of July 2014 establishes requirements to ensure the high availability of United Nations ICT resources and data, and the continuity of critical services in the event of disruption.

107. The procedure indicates, among other things, the documentation that must be included in the disaster recovery plan:

(a) All roles, responsibilities, and up-to-date contact information;

(b) Detailed procedures and guidelines for the restoration of resources (e.g., manual backup process documentation, system validation test procedures, logistics and action plans, recovery scenarios, lessons learned and outstanding/ unresolved issues to be addressed, and conditions necessary to declare the system recovered successfully and released to the users);

(c) Documentation of all major systems and services, including a system architecture diagram identifying major system components and their relationship with key sub systems/components; a detailed list of all dependent subsystems/ subcomponents including their relationship, and information needed to recover the system/server; and full inventory of all hardware and software directly linked to the system.

108. Regarding disaster recovery plan testing and review, it has been established that:

(a) ICT service providers must test and/or exercise the disaster recovery plan on a periodic basis (at least once a year) to determine the plan's effectiveness and the organization's readiness to execute the plan. Various testing techniques should be used including table-top testing, simulations, technical recovery, recovery at an alternate site, test of supplier facilities and services, and complete rehearsals;

(b) Test results shall be documented, classified as confidential and shared with key stakeholders, and must be reviewed to see if corrective actions are necessary. Lessons learned and corrective actions must be captured, documented, and incorporated in plan updates;

(c) Disaster recovery plans, including disaster recovery roles and responsibilities, will be reviewed and, where applicable, revised on an annual basis. Disaster recovery plans shall also be updated following significant changes, such as to ICT services/facilities and legal, regulatory or contractual obligations, or to address problems encountered during the plan's implementation, execution, or testing.

109. Finally, in regard to disaster recovery plan training, the procedure indicates that individuals assigned to disaster recovery roles and responsibilities will be trained in disaster recovery operations within 30 days of their appointment to the disaster recovery response team and thereafter within 30 days of a revision to the disaster recovery plan.

110. During the audit, the Board analysed the UNODC disaster recovery plan. The following situations were detected:

(a) The duties and responsibilities of the emergency response team are defined. However, the members and contacts of the primary and secondary emergency response teams had not been properly identified;

(b) There were no detailed procedures for the restoration of resources for local services. Instead, a certain number of disaster recovery plan templates had been prepared, but those were found to be blank (appendix C of the disaster recovery plan document);

(c) Regarding the documentation of all major systems and services, neither a system architecture diagram identifying major system components and their relationship with key sub systems/components, nor a list of all dependent subsystems/subcomponents including their relationship, and information needed to recover the system/server were found;

(d) Concerning disaster recovery plan testing and review, UNODC headquarters stated that a table-top exercise had been performed and no additional testing techniques had been executed;

(e) The above-mentioned table-top exercise had been performed on 7 May 2019, three months after the publication of the disaster recovery plan on 8 February 2019, which is not within 30 days as established in the aforementioned procedure;

(f) Formal agreements reached during the table-top exercise had not been documented;

(g) UNODC stated that no correction of the disaster recovery plan had been suggested after the exercise. Nevertheless, based on a document entitled "Summary of participants' feedback on the UNOV/UNODC winter storm", provided by the entity, a certain number of corrective actions had been suggested, for example, identifying service priorities, and roles and responsibilities.

111. The Board considers that the proper identification of emergency response team members and contacts, the detailed procedures for restoration, the system architecture diagram, and the list of all dependent subsystems/subcomponents, are basic items that must be presented in the disaster recovery plan.

112. In addition, the Board estimates that, in accordance with the above-mentioned regulation, UNODC must apply additional testing techniques such as simulations, technical recovery, recovery at an alternate site, test of supplier facilities and services, and complete rehearsals. In addition, the disaster recovery plan trainings must be performed within 30 days of the publication of the disaster recovery plan in order to ensure, as soon as possible, a timely and adequate response in case of a disaster.

113. In the Board's view, if the formal agreements or results reached in the testing techniques are not documented and the corrections suggested in the exercises are not captured, the efficiency in the execution of a recovery in a disaster could be diminished.

114. Finally, the consolidation of all these elements is essential in order to ensure adequate operational continuity of the activities that rely on the technical and communications infrastructure. Likewise, an adequate understanding by UNODC staff involved is of the essence for a successful disaster recovery plan strategy.

115. **The Board recommends that UNODC make a review of the UNOV/UNODC information technology services disaster recovery plan and add all the missing elements that the current United Nations disaster recovery plan technical procedures require.**

116. **In addition, the Board recommends that UNODC evaluate the advisability of incorporating in the disaster recovery plan the improvements suggested by the staff that participate in the table-top exercise.**

117. UNODC headquarters accepted these recommendations and delivered a UNOV/UNODC disaster recovery plan, to be implemented in 2020.

C. Disclosures by management

1. Write-off of cash, receivables and property

118. UNODC stated that it had formally written off accounts receivable balances of $2.03 million in 2019 (2018: $10.5 million), which have been charged against the special purpose funds. In addition, $8.7 million (2018: $2.22 million) of non-expendable property assets by net book value were written off in 2019, the majority of which related to assets transferred to beneficiaries on completion of projects funded by donors.

2. Ex gratia payments

119. UNODC reported to the Board that there were no ex gratia payments in 2019.

3. Cases of fraud and presumptive fraud

120. 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.

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

122. In 2019, UNODC notified the Board of 10 cases of entitlement fraud. One case involved the falsification of a signature to proceed with a procurement process despite direct orders not to, in the amount of $1,000. A second case concerned allegations against locally recruited personnel at the UNODC country office in Afghanistan (administered by the United Nations Development Programme) involving misappropriation of funds and interference in the working of implementing partners. The estimated amount involved was $9,800. In the same year, the Office of Internal Oversight Services reported 16 cases (6 of which overlapped with those identified by UNODC). One of those 16 was a case of fraudulent practices for an amount of $1,783. For the remaining cases, the amount was categorized as unknown. It was stated that the cases reported to the Board included only those in which the fraud, or presumptive fraud, affected UNODC directly.

D. Acknowledgement

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

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

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

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

21 July 2020

Annex

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

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	UNODC response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
1	2018	A/74/5/Add.10, chap. II, para. 21	The Board recommends that the United Nations Office on Drugs and Crime (UNODC) Liaison and Partnership Office in Mexico make the efforts necessary to ensure proper observance by the Government of Mexico of the 2003 and 2012 obligations.	The Liaison and Partnership Office in Mexico has maintained continuous contact with the Ministry of Foreign Affairs to follow up on this matter. For instance, on 16 September 2019, the Executive Director of UNODC sent a letter to the Minister for Foreign Affairs of Mexico expressing the urgent need for the Office to move to permanent premises. On 10 October 2019, the UNODC representative in Mexico sent another letter to Martha Delgado, Undersecretary for Multilateral Affairs and Human Rights of the Ministry of Foreign Affairs, requesting her urgent support to allow the Office to move to Government-owned premises by 1 December. To date, no response has been received to any of these communications. In view of the attempts made by UNODC, the request was made to consider the observation implemented.	It was noted that the Liaison and Partnership Office in Mexico made the necessary efforts in order to seek a solution with the Mexican Government. Therefore, the recommendation is considered implemented.	X			
2	2018	A/74/5/Add.10, chap. II, para. 30	The Board recommends that, with regard to procurement agreements, the Liaison and Partnership Office in Mexico operate in accordance with the delegation of authority for low-value acquisitions currently in force. Otherwise, UNODC headquarters should reassess the delegation of authority.	A P-4 procurement officer has been assigned to the Regional Office for Central America and the Caribbean in Panama who exercises the delegated procurement authority for the Liaison and Partnership Office in Mexico. The recommendation has been implemented and UNODC requests it closure.	The entity informed the Board that a P-4 procurement officer at the Regional Office for Central America and the Caribbean in Panama is already exercising the delegated procurement authority for the Liaison and Partnership Office in Mexico. A service level agreement was signed between the Regional Office in Panama and the Partnership Office in Mexico. Therefore, this recommendation has been implemented.	X			

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	UNODC response	Board's assessment	*Status after verification*			
						Implemented	*Under implementation*	*Overtaken by events*	*Not implemented*
3	2018	A/74/5/Add.10, chap. II, para. 43	The Board recommends that the Liaison and Partnership Office in Mexico make the efforts necessary to improve collection management and formalize a procedure that ensures the monitoring of payments for every project of the Liaison and Partnership Office in Mexico.	UNODC confirmed that no other agreement was signed by the Liaison and Partnership Office in Mexico with the clause indicated in A/74/323/Add.1, and would not include such a paragraph in future agreements. Instead, UNODC will establish follow-up procedures in which all respective project owners will receive an alert to follow up with donors on upcoming and overdue pledge balances.	The Board took note of the efforts made by the Financial Resources Management Service, Accounts Section, regarding the improvement of collection management. A new collaborative site for pledge monitoring has been developed, which will enable field offices to review the outstanding pledges in a timely manner. Therefore, the Board estimates that this recommendation has been implemented.	X			
4	2018	A/74/5/Add.10, chap. II, para. 49	The Board recommends that UNODC (a) Formalize the electronic endorsement by the Programme Review Committee on the basis of proper justification in a revised management instruction on the Committee; (b) Keep a record of the documents.	UNODC is revising its management instruction for the Programme Review Committee to include the provision for electronic endorsement.	The Board analysed the information provided by UNODC. It was observed that the electronic endorsements from the Programme Review Committee meetings were uploaded to the ProFi system. However, UNODC did not provide evidence regarding the formalization of an administrative instruction regulating this subject (a management instruction is under review). Therefore, the recommendation is considered under implementation.		X		
5	2018	A/74/5/Add.10, chap. II, para. 64	The Board recommends that UNODC strengthen its internal controls in order to ensure the segregation of duties in every project or, at the very least, implement a compensating control.	The current reporting workflow and related guidelines were reviewed and updated accordingly. Through an interdivisional effort undertaken during the last quarter of 2019, a new management instruction on field office reporting on programme and operational issues was drafted. In conjunction with this, all templates were revised and updated to streamline content.	The Board reviewed management instruction UNODC/MI/10/Rev.3, dated 16 December 2019, in which is highlighted, in its note 1, that an adequate segregation of duties must be made while assigning roles for the annual progress report workflow. However, that document was still at the draft stage. Therefore, the recommendation is still considered under implementation.		X		
6	2018	A/74/5/Add.10, chap. II, para. 75	The Board recommends that UNODC review and update the management instruction on field office reporting in accordance with the Programme and Operations Manual.	The Division for Operations has started to revise the reporting instructions (UNODC/MI/10/Rev.3) with a view to approving them by December 2019 for issuance and implementation starting in the 2020 cycle. The new reporting instruction streamlines the requirements	The draft version of the new management instruction, dated 14 November 2019, stated that the due date for the semi-annual project progress report is 31 August, aligned with the Programme and Operations Manual date. Nevertheless, taking into consideration		X		

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				and timelines, and also addresses the duplication of reports.	that the new version is still being discussed, the recommendation is considered under implementation.				
7	2018	A/74/5/Add.10, chap. II, para. 81	The Board recommends that UNODC perform a management assessment to evaluate whether implementing partners and grantees are providing good value for money. This will provide UNODC with organized information for decision-making.	The External Party Engagement Unit prepared a guidance note on good value for money assessment for implementing partners and end beneficiaries. The operationalization of the guidance note is under review.	Due to the fact that the guidance note is still under review, the recommendation is considered under implementation.		X		
8	2018	A/74/5/Add.10, chap. II, para. 89	The Board recommends that UNODC clearly include in the new ProFi project progress report the "approved" status, as well as the approver, in compliance with the special message of 18 January 2011.	Project progress reports that are published in the ProFi system have all been approved. It should be noted that reports are not published in the ProFi system unless they have been approved. UNODC considers this recommendation to be implemented and requests its closure by the Board.	The entity stated that once the report is approved, it will be published the following day in the ProFi business intelligence module. Hence, it can be deducted that the report must be approved before it is published. In addition, the report states that the person who will act as project progress reports approver will be the same person who appears in the workflow history as publisher. Therefore, it could be inferred that approvers and publishers must necessarily be the same person. Taking into consideration the facts mentioned above, the recommendation has been implemented.	X			
9	2018	A/74/5/Add.10, chap. II, para. 96	The Board recommends that UNODC strengthen consultation and communication on evaluation planning between project managers and the Independent Evaluation Section, in order to ensure that mandatory evaluations are budgeted for and conducted on time.	In line with the project document and revision process, the Independent Evaluation Section is consulted on a mandatory basis as regards provisions for evaluation in projects and programmes. The new web-based evaluation management application "Unite Evaluations" ensures that all evaluation plans (including the intended year of evaluation and the reserved budget) are included and therefore monitored. Currently, there are over 190 evaluation	The UNODC Independent Evaluation Section informed the Board of the progress made regarding this recommendation. However, it did not provide any supporting evidence, for that matter. Hence, the recommendation is still under implementation		X		

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				plans in Unite Evaluations. Moreover, a biennial survey is sent to directors to identify the evaluation plan for strategic in-depth evaluations; the most recent survey was sent out on 3 June 2020 to enquire about proposals for in-depth evaluations between July 2020 and December 2021, which will subsequently be presented to the Executive Director. UNODC considers the recommendation implemented and requests its closure					
10	2018	A/74/5/Add.10, chap. II, para. 100	The Board recommends that UNODC management devise a suitable mechanism to ensure better coordination between the entity and the Office of Internal Oversight Services for the complete and comprehensive reporting of cases of fraud and presumptive fraud.	In going forward, UNODC will consolidate its data with the Office of Internal Oversight Services and with the Office of Audits and Investigations of the United Nations Development Programme (UNDP) and with other entities, as appropriate. This will be done through a quarterly exchange of data to allow for up-to-date and consolidated records. This will also allow for a stringent classification of qualifying cases of reported unsatisfactory conduct as fraudulent activity across entities. Coordination is required beyond the Office of Internal Oversight Services and must include the UNDP Office of Audits and Investigations, for UNDP personnel. It should be noted in particular that field offices of UNODC rely on UNDP for the recruitment of local personnel.	The Board has received additional supporting documentation that reveals new discrepancies regarding fraud cases. Therefore, this recommendation is considered under implementation.		X		
11	2017	A/73/5/Add.10, chap. II, para. 21	The Board recommends that UNODC incorporate the checklist of exchange revenues into the clearance process of incoming contributions and treat them as exchange revenues when applicable.	The aforementioned checklist and the updated procedure were implemented in 2018; no cases of voluntary contributions received in 2018 were treated as exchange transactions. During the midyear review of 2019, UNODC reviewed the incoming contributions to ensure that the procedures are in place to serve as a measure to determine the correct treatment of incoming	The Board recognizes the efforts made by the entity in the clearance process of incoming contributions. It was observed that the checklist document prepared by the Co-financing and Partnership Section contained 25 questions related to, among other things, administration of contributions and reporting; ethical clause; privileges and immunities clause; intellectual property and other	X			

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				contributions. UNODC considers this recommendation implemented.	proprietary rights; auditing and evaluation; settlement of disputes; and special donor-specific considerations. During the audit, the use and completion of the checklist were reviewed for six types of agreements on incoming contributions. In that regard, this recommendation is considered implemented.				
12	2017	A/73/5/Add.10, chap. II, para. 29	The Board recommends that UNODC project owners review their costs and outstanding commitments more frequently by means of, for example, business intelligence reports, which highlight overspent budget lines.	UNODC is making efforts to improve the diligence of programme managers in reviewing costs and outstanding commitments based on business intelligence reports. Existing business intelligence reports are being used to monitor compliance.	UNODC is in the process of generating technological tools to track the progress made in the implementation of the projects' delivery. In that regard, the recommendation is considered under implementation.		X		
13	2017	A/73/5/Add.10, chap. II, para. 33	The Board recommends that UNODC project owners ensure that electronic inter-office vouchers and commitments are cleared and charged to projects in a timely way.	UNODC has made significant progress in the processing of electronic inter-office vouchers. As at July 2019, the percentage of outstanding electronic inter-office vouchers had been reduced from an average of 5 per cent in May 2019 to 0.6 per cent in July 2019. In addition, any backlogs and delays noted are being communicated to the respective field office representatives for their action.	The efforts made by UNODC on the processing of electronic inter-office vouchers were noted. The entity performed a statistical review of the progress made by all UNODC field offices. It was observed that, in May 2019, there were 4,032 pending cases. By November, that number had been reduced to 233. In that context, the Board estimates that the recommendation has been implemented.	X			
14	2017	A/73/5/Add.10, chap. II, para. 45	The Board recommends that UNODC review its currency risk and develop an internal guideline for handling currency exposures.	UNODC reviewed its currency risk and developed internal guidelines for handling currency exposures related to the management of voluntary contributions, which were issued in July 2019. UNODC considers this recommendation to be implemented and requests its closure by the Board.	In accordance with the information provided by UNODC, the guidelines were shared with Financial Resources Management Service staff. Therefore, the recommendation is considered implemented.	X			

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15	2017	A/73/5/Add.10, chap. II, para. 56	The Board recommends that UNODC liaise with the United Nations in New York to enable access to the cash distribution functionality of the pool bank account in Panama.	UNODC stated that payments were successfully carried out and additional efforts were made to further reduce the bank fees by the Office of the Treasury at Headquarters. This was a contractual and legal issue under the responsibility of the Office of the Treasury and no further action can be taken by UNODC. The entity considered this recommendation implemented and, accordingly, requests its closure.	According to the information provided by UNODC, the Office of the Treasury opened a temporary bank account and tested one payment to Panama, reducing the international bank fee. In that regard, the Board recognizes the efforts made by UNODC related to the liaison with the Office of the Treasury to reduce the bank fees. As a consequence, taking into consideration that no further action can be taken by UNODC, the recommendation is considered implemented.	X			
16	2017	A/73/5/Add.10, chap. II, para. 65	The Board recommends that UNODC take action to align the handling of petty cash in Colombia with the Financial Regulations and Rules of the United Nations.	To ensure programme delivery and safety of staff, payment modalities have been reviewed and negotiations are underway in conjunction with the Office of the Treasury, to implement pay cards in order to minimize risks associated with cash payments.	Considering that rule 104.9 of the Financial Regulations and Rules of the United Nations establishes that officials to whom cash advances are issued shall be held personally accountable and financially liable for the proper management and safekeeping of cash, and the risk that represents to the custodians the travel among different locations with cash, which may result in non-compliance with the above-mentioned rule, the recommendation is considered implemented.	X			
17	2017	A/73/5/Add.10, chap. II, para. 86	The Board recommends that UNODC enhance the overall process of recording all leases in the supplier relationship management database in Umoja.	As at May 2020, 83 per cent of leases have been regularized, 19 per cent relate to donated right to use properties and internal Umoja-to-Umoja lease-outs, and 17 per cent are in the process of being regularized. The regularization of leases is an ongoing exercise and is a requirement for year-end closure. We request that the recommendation be closed as implemented	Taking into consideration that the claimed regularization was made after the audit and could not be verified, this recommendation is still considered under implementation.		X		
18	2017	A/73/5/Add.10, chap. II, para. 87	The Board further recommends that UNODC take efforts, in liaison with the United Nations	UNODC liaised with United Nations Headquarters and was informed that the Umoja real estate module was customized to differentiate the lease	It was verified that UNODC held consultations with United Nations Headquarters, which confirmed that the real estate module was customized to	X			

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			Secretariat, to customize the Umoja real estate module to facilitate the identification of lease-in versus lease-out contracts as well as cancellable versus non-cancellable lease-in contracts. A database outside Umoja would then become redundant in the future.	types by virtue of their contract numbers. In addition, all leases were considered cancellable with different penalties and different notification periods. UNODC considers this recommendation to be implemented and requests its closure.	differentiate among lease types and indicated that all leases were considered cancellable. In that regard, the Board validated that the module allows classification of the contracts in lease-in, lease-out external and lease-out internal in the real estate module in Umoja. Therefore, this recommendation is considered implemented.				
19	2017	A/73/5/Add.10, chap. II, para. 99	The Board recommends that UNODC review the Programme section of the Programme and Operations Manual, update it as soon as possible and keep it up-to-date and accurate.	UNODC stated that, in December 2019, an interdivisional working group was established to review UNODC management instructions and the Programme and Operations Manual. In addition, the entity informed the Board that the recommended actions are expected to be implemented during the second quarter of 2020.	The Board acknowledges the progress made by UNODC, in order to start an interdivisional working group to review the overall management instructions and the Programme and Operations Manual. Nevertheless, taking into consideration that this is an ongoing process, the recommendation is considered under implementation.		X		
20	2017	A/73/5/Add.10, chap. II, para. 101	The Board recommends that UNODC make the knowledge in the Programme and Operations Manual available in such a way that users can easily print a copy.	UNODC stated that the Programme and Operations Manual was currently printable, but agreed that it was not very user-friendly. The printable version was developed at the advice of the Information Technology Service. Further enhancement would require alignment and compatibility with the new Secretariat-wide sharing platform. This recommendation is expected to be implemented by the second quarter of 2020.	UNODC informed the Board that the recommended actions are expected to be carried out during the second quarter of 2020. Hence, the recommendation is considered under implementation.		X		
21	2017	A/73/5/Add.10, chap. II, para. 107	The Board recommends that UNODC integrate the Handbook for Results-Based Management and the 2030 Agenda for Sustainable Development and the document "UNODC: The Integrated Programme Approach (IPA): A 'How To'	As indicated above, a number of outdated links in the programme section of the Programme and Operations Manual have been updated. UNODC is waiting to review the findings of the ongoing peer review of its results-based management approach before updating the rest of the contents of the programme section. In the meantime, a link to the results-based	UNODC added to the Programme and Operations Manual the handbook for result-based management. Nevertheless, taking into consideration that UNODC is still in the process of updating the rest of the contents of the programme section, the recommendation is considered under implementation.		X		

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			Guide" into the Programme and Operations Manual.	management handbook has been added to the Programme and Operations Manual.					
22	2017	A/73/5/Add.10, chap. II, para. 114	The Board recommends that UNODC review the Operations section of the Programme and Operations Manual. If UNODC considers the Operations section as no longer helpful even after an update, the Operations section should be abolished.	The Information Technology Service is actively updating our operational documentation using our section on iSeek (available at https://iseek-vienna.un.org/UNOV/ITS). UNODC plans to continue improving the information on iSeek, including the information technology tips and descriptions on how to access services, then publish that improved information in the operations section of the Programme and Operations Manual. In addition, the Information Technology Service is actively implementing Microsoft Teams as part of the Secretariat-wide Unite Workspace project. Teams have been created for procurement and for finance (year-end closing). UNODC also has a plan for a UNOV-UNODC all-staff team that can replace the informational portion of the legacy Notes system. The combination of iSeek and Teams will provide suitable hosting for the updated Programme and Operations Manual.	UNODC did not provide any evidence proving the progress made regarding this recommendation. The entity informed the Board that the recommended actions are expected to be carried out during the second quarter of 2020. Hence, the recommendation is considered under implementation.		X		
23	2017	A/73/5/Add.10, chap. II, para. 119	The Board recommends that UNODC assess its specific fraud risks in headquarters and field offices in a timely manner.	UNODC developed and adopted a fraud and corruption risk register in 2019, together with related risk response and treatment plans, in November of the same year. The recommendation has been implemented. UNODC requests its closure.	According to the new evidence presented by UNODC, demonstrating the adoption of a fraud and corruption risk matrix, this recommendation is considered implemented.	X			

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24	2017	A/73/5/Add.10, chap. II, para. 122	The Board also recommends that UNODC consider offering additional training on fraud and corruption.	A training session on fraud and corruption for staff at large is included in the Human Resources Management Service training plan for the upcoming year.	UNODC did not provide any evidence proving the progress made regarding this recommendation. The entity informed the Board that the recommended actions are expected to be carried out during the second quarter of 2020. Hence, the recommendation is considered under implementation.		X		
25	2017	A/73/5/Add.10, chap. II, para. 124	The Board recommends that UNODC provide information about fraud and corruption in a special section on its intranet site and that UNODC update its intranet site regularly.	While UNODC has developed and adopted the fraud and corruption risk register and the treatment plans at the end of 2019, the documents have not been uploaded to the intranet yet. This will be done by mid-2020. UNODC requests that the recommendation be closed.	UNODC developed a fraud and corruption risk matrix during 2019. However, as stated by the entity, the documents have not been uploaded to the intranet yet. Hence, the recommendation is still under implementation.		X		
26	2017	A/73/5/Add.10, chap. II, para. 125	The Board also recommends that UNODC include in the section about fraud and corruption a clear statement by its Executive Director to make the Office's approach to fraud and corruption clear.	Submission of the Executives Committee of UNOV and UNODC decision of the fraud and corruption risk matrix, to be integrated into the institutional risk matrix and the related risk response and treatment plan, is foreseen before end of this year. Upon senior management approval, the relevant documentation on fraud and corruption risk assessment will be uploaded to the UNODC intranet site, under the section on enterprise risk management.	The entity informed the Board that the recommended actions were expected to be carried out during the fourth quarter of 2019. However, UNODC did not provide any evidence proving the progress made regarding this recommendation. Hence, the recommendation is still under implementation.		X		
27	2017	A/73/5/Add.10, chap. II, para. 130	The Board recommends that UNODC consider appointing focal points on fraud at its headquarters and field offices.	The terms of reference for the focal points on fraud will be prepared taking into account the recently promulgated framework on the delegation of authority. The appointment of fraud focal points across divisions and field offices is also part of a consideration of establishing a wider network of focal points for other forms of prohibited conduct. The goal is to have clear contacts for staff who wish to raise concerns or report potential fraud, avoiding duplication or even creating confusion and frustration on the	The entity informed the Board that the recommended actions were expected to be carried out during the fourth quarter of 2019. However, UNODC did not provide any evidence proving the progress made regarding this recommendation. Hence, the recommendation is still under implementation.		X		

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				part of staff. Pending such further consideration of appointing focal points on fraud at headquarters and field offices, staff members are aware that they can send all reports of fraud and presumptive fraud directly to the Director, Division for Management, in his capacity as responsible official for unsatisfactory conduct, including misconduct. Reports from field offices can, but do not have to be, channelled through the respective UNODC representative.					
28	2017	A/73/5/Add.10, chap. II, para. 131	The Board also recommends that UNODC disseminate information about the focal points on its intranet site and list them in the "Joint Panel, Body and Focal Point Registry".	This recommendation will be implemented together with recommendation 27. The appointment of focal points will be announced to all staff in a human resources broadcast and will also be included in the Human Resources Management Service web page on iSeek.	The entity informed the Board that the recommended actions were expected to be carried out during the fourth quarter of 2019. However, UNODC did not provide any evidence proving the progress made regarding this recommendation. Hence, the recommendation is still under implementation.		X		
29	2017	A/73/5/Add.10, chap. II, para. 136	The Board recommends that UNODC take efforts, in liaison with the United Nations Secretariat, to train more staff members on fraud investigations to build adequate capacity.	To strengthen and reinforce the organizations' capacity on investigation of reports of prohibited conduct and misconduct, over 20 UNOV and UNODC staff participated in and were certified following an investigators course conducted by the Office of Internal Oversight Services from 30 September to 4 October 2019 in Vienna.	The Board took note of the efforts made by the entity in order to train more staff members on fraud investigations, particularly the fraud investigation trainings. Therefore, this recommendation is considered implemented.	X			
30	2017	A/73/5/Add.10, chap. II, para. 140	The Board recommends that UNODC take efforts, in liaison with the United Nations Secretariat, to customize the Umoja travel module to facilitate advance travel planning and to pool the overall travel process within Umoja.	UNODC has liaised with United Nations Headquarters and it is now internally reviewing the proposed system changes and enhancements, which will then be submitted for review and analysis by United Nations Headquarters.	The entity informed the Board that the recommended actions were expected to be carried out during the fourth quarter of 2019. However, UNODC did not provide any evidence proving the progress made regarding this recommendation. Hence, the recommendation is considered under implementation.		X		

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						Implemented	Under implementation	Overtaken by events	Not implemented
31	2017	A/73/5/Add.10, chap. II, para. 144	The Board recommends that UNODC consider requesting a review of the advance purchase policy by the United Nations Secretariat as well as an evaluation on how best prices for travel can be achieved.	Regarding the evaluation of implementing airfare-monitoring technologies, the terms of reference have been sent by United Nations Headquarters. No request has been issued to the United Nations Secretariat to review the advance purchase policy, as UNODC has been informed that the General Assembly requirement stands.	UNODC is in the process of evaluating the implementation of airfare-monitoring technologies. The entity informed the Board that the recommended actions are expected during the fourth quarter of 2020. Hence, the recommendation is considered under implementation.		X		
32	2017	A/73/5/Add.10, chap. II, para. 152	The Board recommends that UNODC remind its staff of the current advance purchase policy and their duty to comply with it.	A message was sent both to senior managers at UNODC headquarters and to field office representatives to remind them of the advance purchase policy and the requirement to comply with it. The message also included the UNODC compliance statistics for 2018. UNODC considers this recommendation to be implemented and requests its closure by the Board.	It was verified that UNODC sent an email to its UNODC field office representatives in July 2019, reminding them of the current advance purchase policy. That notification included the Office's compliance statistics for 2018 and for the first and second quarters of 2019. Therefore, the Board considers that this recommendation has been implemented.	X			
33	2017	A/73/5/Add.10, chap. II, para. 153	The Board also recommends that UNODC regularly evaluate its compliance with the advance purchase policy and immediately initiate corrective actions when necessary.	UNODC declared that it would continue to work with all concerned offices to ensure compliance with the advance purchase policy.	It was verified that measures were taken by UNODC to evaluate compliance with the advance travel policy and that improvements were made in the justifications for late travel requests. However, the Board verified that the percentage of compliant travel processing and travel requests did not improve significantly. Indeed, from the review of 6,437 official travels made between January and August 2019, 73 per cent were not processed before 16 days (76 per cent in 2017) and 81 per cent were not requested prior to 21 days (83 per cent in 2017). On the other hand, it was not possible to verify whether the evaluations made were carried out on a regular basis due to the fact that the two evaluations provided had an outdated submission in respect of the date of the report (evaluation of travels made in 2018 and 2019 were submitted during the months		X		

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					of June and July 2019). Therefore, the Board estimates that this recommendation is under implementation.				
34	2017	A/73/5/Add.10, chap. II, para. 158	The Board recommends that UNODC consider, in liaison with the United Nations Secretariat, implementing an automated control mechanism in Umoja to monitor and review express expense reports.	UNODC has further discussed the observation regarding the automated selection of express expense reports. Considering that there are no system changes expected in this area, UNODC will have to continue to apply the mechanism in place to randomly select samples. Any new tools to be purchased must go through a review in consultation with Umoja and Information and Technology Service, which is not feasible at this moment.	The Board verified that, in March 2019, UNODC conducted the necessary consultations with United Nations Headquarters to implement the automated control mechanism in the review express expense reports. In summary, Headquarters responded that it was not possible to generate specific office/location requirements in Umoja. Therefore, individual offices should identify and put in place their requirements on their own. Consequently, UNODC indicated that it must continue to use business intelligence reportability, applying monthly random selection criteria for the monitoring of express expense reports. Therefore, due to the fact that the implementation of an automated control mechanism in Umoja cannot be applied, the Board considers this recommendation overtaken by events.			X	
35	2017	A/73/5/Add.10, chap. II, para. 164	The Board recommends that UNODC consider, in liaison with the global enterprise resource planning team, improving the process of handling cases with pending expense reports.	The improvements in Umoja, as well as processes, have been successfully implemented. In addition to the system changes, regular follow-up takes place to ensure that expense reports are submitted and processed. While the submission of expense reports does not happen within 14 days, over 94 per cent have been (supporting documentation was provided). UNODC requests that this recommendation be closed, as improvements in the area of travel have been implemented. Please note that the recommendation under paragraph 29 of the 2017 Board of Auditors report, in which UNODC is requested to perform	The Board observed the efforts made by UNODC in order to improve the handling of cases with pending expense reports process. In that regard, UNODC launched the express travel claim tool, which was created for making a more efficient management of pending expense reports. Therefore, the Board considers this recommendation implemented.	X			

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				regular reviews of outstanding commitments, remains under implementation. This recommendation includes travel and therefore UNODC requests the Board of Auditors to view overall outstanding commitment monitoring rather than travel separately.					
36	2017	A/73/5/Add.10, chap. II, para. 167	The Board recommends that UNODC review, in liaison with the United Nations Secretariat, the automatic recovery function of Umoja, especially with regard to initiated expense reports, which should block the system only for a reasonable period of time.	The automatic recovery function could not be executed when expense reports were initiated without completion, preventing the batch from posting the recovery. The changes to Umoja were implemented in February 2019, setting aging, timeline and conditions for the documents to be recovered as documented in the attached announcement. The thrust of the recommendation has been addressed and we request that the recommendation be closed.	The Board took note of the efforts made by UNODC regarding the automatic recovery function in Umoja, particularly the new housekeeping tool. Nevertheless, the information was received after the audit and could not be verified. Therefore, the recommendation is still under implementation.		X		
37	2017	A/73/5/Add.10, chap. II, para. 174	The Board also recommends that UNODC review and refine the established structure to collect the consolidated procurement plans of the subordinate entities in a timely manner.	UNODC will continue to make improvements in the collection and consolidation of procurement plans. The deadline for submission of procurement plans for 2020 is mid-December 2019. A new procurement plan template will be distributed in order to facilitate data evaluation and use.	It was noted that UNODC had taken measures in order to improve the submission, and standardization of the structure, of the procurement plans by the subordinate entities. In that regard, templates and guidelines were provided to field offices by the Chief of the Procurement Unit of UNOV. However, not all procurement plans were received in a timely manner. Therefore, and considering that the entity informed the Board that the recommended actions are expected to be carried out during the first quarter of 2020, the recommendation is still under implementation.		X		
38	2017	A/73/5/Add.10, chap. II, para. 183	The Board recommends that UNODC analyse the root causes of the reasons for ex post facto procurement cases and establish specific	As at 19 November 2019, there were 48 ex post facto purchase orders. In addition, the Procurement Unit of UNOV notes that 17 per cent of those purchase orders are related to conference services. This being one of the crucial services	The Board noted that, while the analysis of ex post facto purchase orders was made by UNODC, the measures to prevent their occurrence are still in process. Therefore, the Board estimates		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	UNODC response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
			measures to prevent the recurrence of such cases.	required by the field offices, the matter has been addressed extensively at the headquarters level in order to agree on a common United Nations Secretariat strategy. This category will fall under the initiative "Category management" led by Headquarters in New York. The Procurement Unit considers this strategy a good mitigation measure for ex post facto purchase orders for conference services. Sixty per cent of that type of purchase orders relates to utilities and rentals for which many offices have to pay upon receipt of the invoice, hence most of these purchase orders are issued after the service has been provided. These ex post facto purchase orders do not alarm the Procurement Unit, which continues to promote solutions in order to link purchase orders to preapproved contracts in Umoja. Another 23 per cent of purchase orders are related to other services. For this last group, the Procurement Unit continues the dialogue with the field offices in order to adhere to the procurement rules and regulations.	that this recommendation is still under implementation.				
39	2017	A/73/5/Add.10, chap. II, para. 188	The Board recommends that UNODC establish a network of field operational focal points on the Sustainable Development Goals and, together with the members of the informal working group at UNODC headquarters, advertise the network internally.	UNODC declared that in December 2019, the Division for Operations, in coordination with all UNODC divisions, established a UNODC community of practice on the Sustainable Development Goals (and United Nations reform). The aim of the community was to share knowledge and provide guidance, to act as a platform to gather and disseminate information, to strengthen the UNODC community of practitioners (from all divisions), and to collate best practices and discuss common challenges related to the Sustainable Development Goals and the 2030 Agenda for Sustainable	UNODC appointed 18 focal points on the Sustainable Development Goals across the entire entity. Also, UNODC sensitized focal points at the director's office of each division, contacted the field office representatives and senior programme managers in the field, invited them to two webinars held in December 2019, and established a team discussion with all interested staff in order to establish a Sustainable Development Goals network with focal persons for each office. Therefore, the Board considers this recommendation implemented.	X			

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	UNODC response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
				Development. In January 2020, in order to exchange information, a dedicated discussion was created in Microsoft Teams. Several channels have been populated with information. UNODC considered the recommendation implemented and requests its closure.					
40	2017	A/73/5/Add.10, chap. II, para. 195	The Board further recommends that UNODC develop a training package to deliver comprehensive guidance and advice on how the Sustainable Development Goals can be best integrated into UNODC work, and make the training package available for UNODC staff as an online training course.	In addition to the training package already developed and delivered at UNODC headquarters and all major UNODC field offices, an online training module is being developed and is expected to be launched in the fourth quarter of 2019.	The entity provided a couple of presentations related to Sustainable Development Goals and UNODC. Nevertheless, and taking into consideration that online training is still not developed, the recommendation is considered under implementation.		X		
41	2017	A/73/5/Add.10, chap. II, para. 204	The Board recommends that UNODC thoroughly analyse all its projects and programmes, and consider enhancing future strategic frameworks with all the Sustainable Development Goals and targets to which UNODC can contribute.	Under the United Nations project dashboard (available at https://projects.un.org/), all UNODC projects and programmes have been tagged against relevant Sustainable Development Goals. Pending the full transition to Umoja extension 2, the Sustainable Development Goals tagging function has also been integrated into the ProFi system.	Taking into consideration that UNODC projects and programmes are referenced against the relevant Sustainable Development Goals and that the proposed 2018–2019 strategic framework establishes the applicable Sustainable Development Goals for each subprogramme, the recommendation is considered implemented.	X			
42	2016	A/72/5/Add.10, chap. II, para. 42	The Board recommends that UNODC strengthen its controls over concluded pledge agreements to ensure that the financial statements reflect all contribution agreements.	To ensure the completeness of the presentation of its financial statements, UNODC has implemented various measures since 2017. Those include the year-end declaration by the various field offices, the funding agreement completeness review, the year-end briefing and the International Public Sector Accounting Standards (IPSAS) refresher training. UNODC considers this recommendation to be implemented and requests its closure by the Board.	UNODC has been implementing several controls to strengthen the completeness of its financial statements. Since 2018, the Financial Resources Management Service has been applying a checklist for year-end in order to ensure that the financial statements reflect all contribution agreements. This document makes it possible to identify whether all invoices have been processed; identify pending commitments; identify funding agreements not entered in Umoja; and confirm that all voluntary in-kind	X			

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	UNODC response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
					contributions have been recorded, among other things. The aforementioned checklist must be sent to UNODC headquarters by all field offices in a timely manner, in accordance with the Financial Resources Management Service instruction. Therefore, the Board considers that this recommendation has been implemented.				
43	2016	A/72/5/Add.10, chap. II, para. 62	The Board recommends that UNODC set up standards for accessibility of field office premises.	Implementation is in progress. As part of United Nations reforms, the Business Innovations Group is taking a whole-of-country approach to reviewing opportunities both in capital cities and in subnational offices, including a review of standards related to accessibility of office premises. UNODC participated in that exercise and is awaiting the results of the Business Innovations Group review. This is part of a system-wide strategy on accessibility led by the Secretary-General. UNODC is participating; however, there are no formal conclusions yet.	As reported by UNODC, the standards related to accessibility of office premises are being reviewed as part of United Nations reforms. However, there are no formal conclusions yet. Therefore, the recommendation is still under implementation.		X		
44	2016	A/72/5/Add.10, chap. II, para. 63	The Board also recommends that UNODC consider cooperating with UNDP to implement standards for accessibility in UNDP-administered premises.	Implementation is in progress. As part of United Nations reforms, the Business Innovations Group is taking a whole-of-country approach to reviewing opportunities in both capital cities and subnational offices, including a review of standards related to the accessibility of office premises. UNODC participated in that exercise and is awaiting the results of the Group's review.	As reported by UNODC, this project is in the process of being reviewed. However, there are no formal conclusions yet. Therefore, the recommendation is considered as under implementation.		X		
45	2016	A/72/5/Add.10, chap. II, para. 83	The Board recommends that UNODC adapt its strategic planning in order to establish a long-term strategy for effective and coherent support with regard to implementing the	UNODC has linked its strategic planning to the 2030 Agenda for Sustainable Development. An integrated programming approach has enabled cross-sectoral integration of its mandate areas and closer alignment with the Sustainable Development Goals.	The proposed strategic framework for 2018–2019 establishes several strategies to implement each of the entity's subprogrammes. For each subprogramme, the applicable Sustainable Development Goals are indicated. Therefore, the	X			

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	UNODC response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
			Sustainable Development Goals.	UNODC has established various joint projects and coordination groups and it is showing to external audiences its impact on achieving the Sustainable Development Goals through various publications. UNODC is also in regular dialogue with Member States, including within the context of its governing bodies, the Commission on Narcotic Drugs and the Commission on Crime Prevention and Criminal Justice. In alignment with the reform of the United Nations development system, UNODC will actively participate in the development and implementation of the United Nations Sustainable Development Cooperation Frameworks at the country level as the main long-term strategic planning documents for the United Nations system fully in line with the Sustainable Development Goals. UNODC considers this recommendation to be implemented and requests its closure by the Board.	recommendation is considered implemented.				
46	2016	A/72/5/Add.10, chap. II, para. 84	The Board also recommends that UNODC align all programmes and activities to the Sustainable Development Goals and, where applicable, to concrete targets, so that its work on the Goals becomes more visible and its actions receive more recognition.	UNODC redesigned its Sustainable Development Goals webpage to show how its work contributes to attaining targets of the Sustainable Development Goals. In all its project and programme progress reports, UNODC describes alignment with the targets and refers to them. UNODC has also adapted its annual results-based report in line with United Nations Secretariat reporting requirements and United Nations development system standards on reporting results based on progress towards the Sustainable Development Goals. UNODC considers this recommendation to be implemented and requests its closure by the Board.	Taking into consideration that UNODC projects and programmes reference the relevant Sustainable Development Goals and that the latest annual results-based report contains stories about UNODC work related to the Goals, the recommendation is considered implemented.	X			

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	UNODC response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
47	2015	A/71/5/Add.10, chap. II, para. 33	The Board recommends that UNODC make better use of existing risk material collated to inform management decisions, and that risks and their mitigations be regularly reviewed by senior management and reassessed to inform the corporate risk register.	The risk assessment process is well established and it is conducted in a systematic manner across UNODC. UNODC has continuously been improving its enterprise risk management process by regularly reviewing the risk areas as well as risk mitigation and treatment plans. Those are first discussed at the working level among interdivisional focal points on a quarterly basis and reported to senior management through the Executives Committee of UNOV and UNODC on a semi-annual basis. The decisions of senior management are disseminated to all divisions and remedial actions are implemented by the relevant risk owners. Progress is monitored and reflected in the corporate risk register and treatment plans. UNODC considers this recommendation to be implemented and requests its closure by the Board.	The Board examined the documentation provided by the entity and it considers that the evidence provided confirms that the existing risk material document informs management decisions. Therefore, the Board considers the recommendation implemented.	X			
48	2015	A/71/5/Add.10, chap. II, para. 86	The Board recommends that UNODC consider the scope for simplifying the reporting structure, for example, by only reporting changes from the previous submissions, through better use of graphics to show progress against targets, and through the inclusion of key expenditure data to identify departures from the agreed forecasts and to highlight reasons for variances in spend and activity.	UNODC has significantly simplified the reporting structure of the annual programme progress reports by providing reporting templates to ensure outcome-level results reporting. Furthermore, UNODC has adapted its annual results-based report to fully align with new United Nations Secretariat reporting requirements and United Nations development system standards on reporting results based on progress towards the Sustainable Development Goals. The UNODC annual report has also been adapted to a simpler reporting structure, focusing on results, links to Sustainable Development Goals, gender, human rights and the increased use of infographics to showcase progress made.	UNODC provided templates showing the improvements made to the project execution report. However, not all elements suggested in the recommendation were presented. On the other hand, full implementation is planned for the fourth quarter of 2020. Therefore, this recommendation is still under implementation.		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	UNODC response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
49	2014	A/70/5/Add.10 and A/70/5/Add.10/ Corr.1, chap. II, para. 18	The Board recommends that UNODC develop fraud risk assessments to identify areas where it is most susceptible to fraud within its operations. These should be used to inform the development of risk mitigation plans to focus training and targeted exception reporting to detect cases of fraud.	While UNODC had developed and adopted the fraud and corruption risk register and the treatment plans at the end of 2019, the documents have not yet been uploaded to the intranet. This will be done by mid-2020. UNODC requests that the recommendation be closed.	UNODC developed a fraud and corruption risk matrix in 2019. However, as stated by the entity, the relevant documents have not yet been uploaded on the intranet. Hence, the recommendation is still under implementation.		X		
50	2012–2013	A/69/5/Add.10, chap. II, para. 75	UNODC agreed with the Board's recommendation that it enhance its framework on the engagement of external parties.	The initially proposed enhancements that the Board suggested were included in the revised framework and manuals to the extent possible and practicable. Nevertheless, events such as the Umoja system solution for implementing partners management, upcoming enhancements thereto and the overarching Secretariat-wide policy on implementing partners and end-beneficiaries, mean that UNODC has to be ready to accommodate revisions to the processes related to engagements with external partners and in turn further enhance the Framework on the Engagement of External Parties. Given that the proposed enhancements have been documented, UNODC considers the recommendation implemented and requests its closure.	Taking into consideration the progress made regarding the Framework for the Engagement of External Parties, the Board considers the recommendation implemented.	X			
	Total				**50**	**21**	**28**	**1**	**0**
	Percentage				**100**	**42**	**56**	**2**	**0**

Chapter III
Certification of the financial statements

Letter dated 31 March 2020 from the officer-in-charge of the Financial Resources Management Service of the United Nations Office on Drugs and Crime addressed to the Chair of the Board of Auditors

The financial statements of the United Nations Office on Drugs and Crime (UNODC) for the year ended 31 December 2019 have been prepared in accordance with financial rule 106.1 of the Financial Regulations and Rules of the United Nations.

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. These notes and the accompanying schedules provide additional information and clarification of the financial activities undertaken by UNODC during the period covered by these statements.

I certify that the appended financial statements of UNODC are correct on the basis of our records and reports from executing agencies.

(*Signed*) Flor **Cam**
Officer-in-charge, Financial Resources Management Service
United Nations Office on Drugs and Crime

Chapter IV
Financial report for the year ended 31 December 2019

A. Introduction

1. In accordance with General Assembly resolutions 46/185 C and 61/252, the Executive Director of the United Nations Office on Drugs and Crime (UNODC) is herewith submitting the financial report and financial statements for the year ended 31 December 2019 for UNODC.

2. The financial report and financial statements provide the consolidated results related to the acquisition and utilization of voluntary contributions and the administration of regular budget resources entrusted to UNODC. The voluntary funds include the Fund of the United Nations International Drug Control Programme and the United Nations Crime Prevention and Criminal Justice Fund. The regular budget resources for UNODC have been approved by the General Assembly.

3. Information on the financial results for the Fund of the United Nations International Drug Control Programme and the United Nations Crime Prevention and Criminal Justice Fund is provided under note 3 to the financial statements, Segment reporting.

B. Operational context

4. UNODC is mandated to work with Member States to enhance their responses to the interconnected problems of: drug use; transnational organized crime; illicit trafficking in drugs, human beings and firearms; corruption; cybercrime; piracy; terrorism; environmental crime; and trafficking in cultural property. To achieve this, UNODC helps Member States to establish and strengthen legislative, regulatory, criminal justice and health systems to better safeguard their populations, especially the most vulnerable persons.

5. In order to enhance the effectiveness and accountability of the Office, as well as to strengthen results-based management, UNODC is organized into six thematic subprogrammes: Countering transnational organized crime; A comprehensive and balanced approach to counter the world drug problem; Countering corruption; Terrorism prevention; Justice; and, Research, trend analysis and forensics. The Office also has three cross-cutting subprogrammes that provide services to Member States: Policy support; Technical cooperation and field support; and, Provision of secretariat services and substantive support to the United Nations intergovernmental bodies, the International Narcotics Control Board and the United Nations Congress on Crime Prevention and Criminal Justice.

6. The programme of work is delivered by the three substantive divisions, namely the Division for Operations, the Division for Policy Analysis and Public Affairs and the Division for Treaty Affairs. A fourth division, the Division for Management, is accountable for the delivery of administrative services and oversight. Through the Division for Operations, UNODC operates in all regions of the world through an extensive field network comprising regional offices (8), country offices (7), liaison and partnership offices (2), and other field project and programme offices locations (95).

7. The UNODC donor base comprised 133 entities from a wide range of Member States, international financial institutions and international organizations, multi-partner trust funds, United Nations agencies and non-governmental entities (private sector entities and individuals).

8. The Office is responding to the growing demand for its services by adhering to an integrated mode of programme planning, implementation and reporting. Essential to this approach is the development of global, regional and country programmes that allow the Office to respond to the priorities of Member States in a more sustainable manner and provide assistance for policy coherence and institutional reforms. Notably, this approach deepens the Office's engagement with a wide cross section of stakeholders, such as regional entities, partner countries, multilateral bodies, civil society organizations, research institutes and the media.

9. UNODC also carries out its activities through cooperation or implementing partnership arrangements with other departments and offices of the Secretariat and entities of the United Nations system, in particular the Joint United Nations Programme on HIV/AIDS (UNAIDS), the World Bank, the International Labour Organization, the United Nations Development Programme (UNDP), the International Fund for Agricultural Development, the United Nations Human Settlements Programme, the United Nations Children's Fund (UNICEF), the Office of the United Nations High Commissioner for Human Rights (OHCHR), the World Health Organization (WHO) and the secretariat of the Convention on International Trade in Endangered Species of Wild Fauna and Flora. The Office also cooperates with entities external to the United Nations, such as the World Customs Organization, the Organization for Security and Cooperation in Europe, the African Union, the Organization of American States, the Economic Community of West African States, the European Union, the Southern African Development Community and the International Criminal Police Organization (INTERPOL).

10. To enhance transparency in the delivery of its mandate, UNODC is an active member of the United Nations Evaluation Group, which sets standards and norms for evaluation within the United Nations system.

C. Activity overview

11. At its sixty-second session, held in March 2019, the Commission on Narcotic Drugs held a ministerial segment to take stock of the implementation of the commitments made over the past decade to jointly address and counter the world drug problem. The Commission adopted by consensus the 2019 Ministerial Declaration on Strengthening Our Actions at the National, Regional and International Levels to Accelerate the Implementation of Our Joint Commitments to Address and Counter the World Drug Problem.

12. Pursuant to General Assembly resolution 73/184, from January to April 2019, UNODC organized regional preparatory meetings for the Fourteenth United Nations Congress on Crime Prevention and Criminal Justice in all five United Nations regions, including a regional preparatory meeting in Europe, which was the first such meeting held in the region in 25 years.

13. In the period under review, UNODC:

(a) Developed a new strategy to assist Member States in preventing criminal organizations and terrorist groups from acquiring firearms through illicit trafficking;

(b) Supported Member States in the establishment of a mechanism to review the implementation of the United Nations Convention against Transnational Organized Crime and the Protocols thereto, along with a dedicated global programme to administer the mechanism;

(c) Launched a new global programme on urban safety governance in Kenya, Mexico and Uzbekistan, with the aim of promoting the use of a strategic, multidimensional approach to urban safety and good governance, based on an in-depth understanding of how crime and victimization at the local level interact with transnational illicit flows to create insecurity and undermine community safety and well-being;

(d) Launched a three-year programme to build the capacity of four countries in North Africa to dismantle organized criminal networks involved in human trafficking and the smuggling of migrants, while protecting the rights of the victims;

(e) Integrated the Airport Communication Project into the United Nations Countering Terrorist Travel Programme, which has been focused on the implementation of passenger data systems by the Office of Counter-Terrorism, the Counter-Terrorism Committee Executive Directorate, the International Civil Aviation Organization, the Office of Information and Communications Technology, INTERPOL and UNODC.

14. To enhance gender equality, UNODC continued to implement its Strategy for Gender Equality and the Empowerment of Women (2018–2021). Key outputs included the establishment of a gender strategy focal point network comprising staff from headquarters and field offices. Training materials and practical tools have been developed on systematically mainstreaming a gender perspective in programmes. UNODC also continued to work towards achieving gender parity among its staff by promoting an inclusive organizational culture and intensifying outreach to strengthen diversity within applicant pools.

15. UNODC launched an action plan to support the implementation of the Secretary-General's strategy on new technologies, which is aimed at harnessing the opportunities of new technologies while safeguarding against their inherent risks. A dedicated task team was set up to coordinate activities, and initial awareness-raising activities were carried out. In addition, to further integrate innovation into its work, UNODC also established a cross-functional innovation team, whose activities focused on staff capacity-development related to artificial intelligence, machine learning, blockchain and big data.

Highlights by region

Latin America and the Caribbean

16. In Colombia and Bolivia (Plurinational State of), UNODC continued to support illicit crop monitoring. UNODC supported the Government of Colombia and communities in reaching agreements under the national programme for voluntary eradication of illicit crops (total of 100,000 families signing agreements and over 41,000 hectares of coca crops were voluntary eradicated), as well as in helping 5,700 former coca collectors to join local economic initiatives for sustainable licit income, and in delivering over 3,690 land titles to families working on voluntary eradication. In Panama, UNODC and the judiciary worked on improving methods and tools to collect and analyse data on the work of the judiciary in the country, and in fostering South-South cooperation through collaboration and capacity-building between the judiciary schools of Argentina, Colombia and Panama. Ecuador, El Salvador, Haiti and Mexico, UNODC supported the development of local anti-corruption strategies and asset recovery. In Brazil, 27 specialized advisors were allocated throughout the Brazilian states to provide legal assistance for persons in pretrial detention, based on international standards.

Africa and the Middle East

17. In Nigeria, UNODC partnered with the Government to conduct the second corruption survey. In partnership with OHCHR, UNODC promoted a human-rights based approach to the smuggling of migrants, by supporting the placement of two

Nigerian liaison prosecutors in Italy and Spain, working closely with authorities on 38 legal assistance cases. In the Niger, the UNODC-United Nations Volunteers legal aid project contributed to the release of 1,048 innocent people held in pretrial detention. The Sahel Programme cooperated with OHCHR and the United Nations Entity for Gender Equality and the Empowerment of Women to ensure women and girls are taken into consideration as agents of peace and development in the Sahel. UNODC re-established its presence and secured programmatic resources in Algeria and Iraq, and expanded activities on violence against women to Iraq and Jordan. In the Horn of Africa, UNODC signed a partnership framework agreement with the Government of Eritrea and handed over the Mogadishu Prison and Court Complex to Somali authorities.

West and Central Asia

18. In Afghanistan, UNODC, through the agriculture and livestock value chains projects, created 6,386 jobs and replaced 943 hectares of poppy land with licit crops. In Pakistan, the first one-stop women and juvenile centre for improved gender-based violence investigation was established; the rule-of-law roadmap was approved; and a three-dimensional virtual reality simulator for improved counter-terrorism training was introduced. In Central Asia, UNODC technical cooperation interventions contributed to the seizure of $2 million by the State financial investigation service of Kyrgyzstan operations to combat money laundering.

South Asia, East Asia and the Pacific

19. UNODC continued to support countries in the Mekong region in addressing the threat of illicit drugs, especially methamphetamine, in the framework of the Mekong Memorandum of Understanding mechanism on drug control. In South Asia, UNODC assisted the Government of Sri Lanka in the development of a national framework for preventing and countering terrorism and violent extremism, in partnership with INTERPOL and the European Union.

Eastern and South-Eastern Europe

20. The regional programme for South-Eastern Europe has advanced its assistance in the area of anti-money laundering, through preparedness of the national law enforcers to counter this crime in the region; in the area of border control, as measured by increased seizures; and in the area of prevention and treatment of drug use, reaching out in one of the countries of the region to 20 per cent of all school children. The second phase of a regional programme for South-Eastern Europe for the period 2020–2023 was also launched.

Global programmes

21. UNODC supported 40 countries in improving their national drug prevention and treatment strategies, reaching 98,800 children and parents, as well as 51,000 people with drug use disorders; and delivered training to 250 implementing partners in evidence-based responses to HIV in over 20 countries, as well as capacity-building in health care for women in prisons in 14 countries. UNODC developed three training manuals and a road map on the treatment of children associated with terrorists and delivered 12 workshops on justice for and violence against children. UNODC launched handbooks on gender-based violence against women and girls, legal aid and restorative justice.

22. The anti-corruption programme improved the capacity of 55 Member States by training more than 930 practitioners and other stakeholders, in preventing, detecting and investigating or prosecuting corruption cases. The global programme on the

implementation of the Doha Declaration has reached more than 1.8 million individuals, and about 200 training sessions have been conducted as part of the programme's contribution to making a positive change among Member States in the areas of judicial integrity and the prevention of corruption, prisoner rehabilitation, preventing youth crime through sports, and education for justice. As part of the CRIMJUST programme, 16 training courses were conducted for 438 prosecutors and judges to build capacity in the area of criminal proceeds and asset recovery. The Container Control Programme, in cooperation with the World Customs Organization, contributed to an increase of container profiling and controls in 65 countries, by offering training to a total of 3,379 officers, of which 19 per cent were women. The global programme on strengthening the legal regime against terrorism provided assistance to 72 Member States through policy advice, capacity-building and international cooperation. In total, 1,212 national criminal justice officials were trained on specialized counter-terrorism thematic issues.

23. The United Nations Voluntary Trust Fund for Victims of Human Trafficking supported the implementation and delivery of activities for 29 non-governmental organization projects worldwide, providing essential assistance to 3,000 victims of human trafficking in 23 countries, including shelter, legal, medical and psychosocial support.

D. Budget performance highlights

24. While the financial statements have been prepared on an accrual basis in accordance with the International Public Sector Accounting Standards (IPSAS), the programme budget of UNODC continues to be formulated, managed and presented on a modified cash basis using the United Nations system accounting standards. A summary of the comparison of budget and actual amounts is shown in statement V.

25. All figures quoted in the present section as income and expenditures refer to modified cash basis figures, comparable with budgets (the United Nations system accounting standards).

26. The consolidated budget of UNODC is formulated on a biennial basis. The budget of general-purpose funds (unearmarked contributions) is approved by the Commission on Narcotic Drugs and the Commission on Crime Prevention and Criminal Justice, while the budget for special purpose funds (earmarked contributions) and the budget for programme support cost funds (administrative and programme support cost budget) is presented to the Commissions for their endorsement. Together, the unearmarked and earmarked contributions and administrative and programme support funds constitute the Office's extrabudgetary resources. The consolidated budget also includes information on the regular budget of UNODC, which is approved by the General Assembly.

27. Subsequent to the approval of the consolidated budget, UNODC issues allocations of funds for the implementation of programmes and projects on the basis of fund availability. At the end of the first year of the biennium, the budget is being revised to adjust to evolving needs. Such adjustments are approved/endorsed by the Commissions within the context of the implementation report on the first year of the biennium. The final budget for 2018–2019 was presented to the Commissions at the end of 2019.

28. Table IV.1 shows 2018 and 2019 performance comparatives in aggregate.

Table IV.1
United Nations Office on Drugs and Crime: income, budget, expenditure and implementation rate overview (including regular budget), 2018–2019 (United Nations system accounting standards basis)

(Millions of United States dollars)

	2019	*2018*
Income	427.0	382.3
Budget (final) (A)	388.8	349.2
Expenditure (B)	369.5	333.0
Implementation rate (B over A)	95.0%	95.3%

29. The initial 2019 budget approved/endorsed by the Commissions at their sessions in 2018 amounted to $335.8 million in extrabudgetary resources (2018: $395.6 million). In December 2019, the Commissions approved/endorsed a final 2019 budget of $365.8 million in extrabudgetary resources (2018: $327.8 million). Including the regular budget, the consolidated final budget for UNODC for 2019 was $388.8 million (2018: $349.2 million). The implementation rate for 2019 was 95.0 per cent against the final budget (2018: 95.3 per cent).

30. Table IV.1 above depicts that, year-on-year, UNODC achieved an increase in income of $44.7 million and an increase in implementation (expenditure) of $36.5 million (11.0 per cent)

31. Table IV.2 shows 2018 and 2019 expenditures, broken down by funding source in terms of special purpose funds (earmarked contributions), programme support cost funds (administrative and programme support cost budget), general-purpose funds (unearmarked voluntary contributions), and the regular budget.

Table IV.2
United Nations Office on Drugs and Crime: expenditure by funding source, 2018–2019 (United Nations system accounting standards basis)

(Millions of United States dollars, regular budget includes sections 16 and 23)

	2019		*2018*	
	Amount	*Percentage*	*Amount*	*Percentage*
Extrabudgetary resources				
Special purpose funds	318.0	86	284.5	86
Programme support cost funds	25.1	7	21.4	6
General-purpose funds	3.4	1	4.7	1
Subtotal	**346.5**	**94**	**310.6**	**93**
Regular budget	23.0	6	22.4	7
Total	**369.5**	**100**	**333.0**	**100**

32. The 2019 implementation growth of UNODC is attributable mainly to increased delivery of technical cooperation projects and in particular to the project on alternative development in Colombia (increase of $20.3 million), the project on strengthening criminal investigation and criminal justice cooperation along the cocaine route in Latin America, the Caribbean and West Africa (increase of $6.7 million) and the project on alternative development in Afghanistan (increase of

$5.2 million). Year-on-year, the Office increased its technical assistance programmes (special purpose funds) by 11.8 per cent (see table IV.2 above).

33. Figures IV.I and IV.II below show expenditures by subprogramme and by region respectively. As in 2018, the two largest subprogrammes in terms of volume were subprogramme 1: Countering transnational organized crime, and subprogramme 2: A comprehensive balance approach to counter the world drug problem. Together, in 2019, these two subprogrammes accounted for 57.7 per cent of expenditures (2018: 54.1 per cent). Aside from the global programmes (33.5 per cent), the largest region in terms of volume was Latin America and the Caribbean (26.9 per cent). Together, in 2019, the two regions accounted for 60.4 per cent of expenditures (2018: 60.2 per cent).

Figure IV.I

United Nations Office on Drugs and Crime: expenditure by subprogramme (including regular budget), 2019 (United Nations system accounting standards basis)

(Millions of United States dollars)

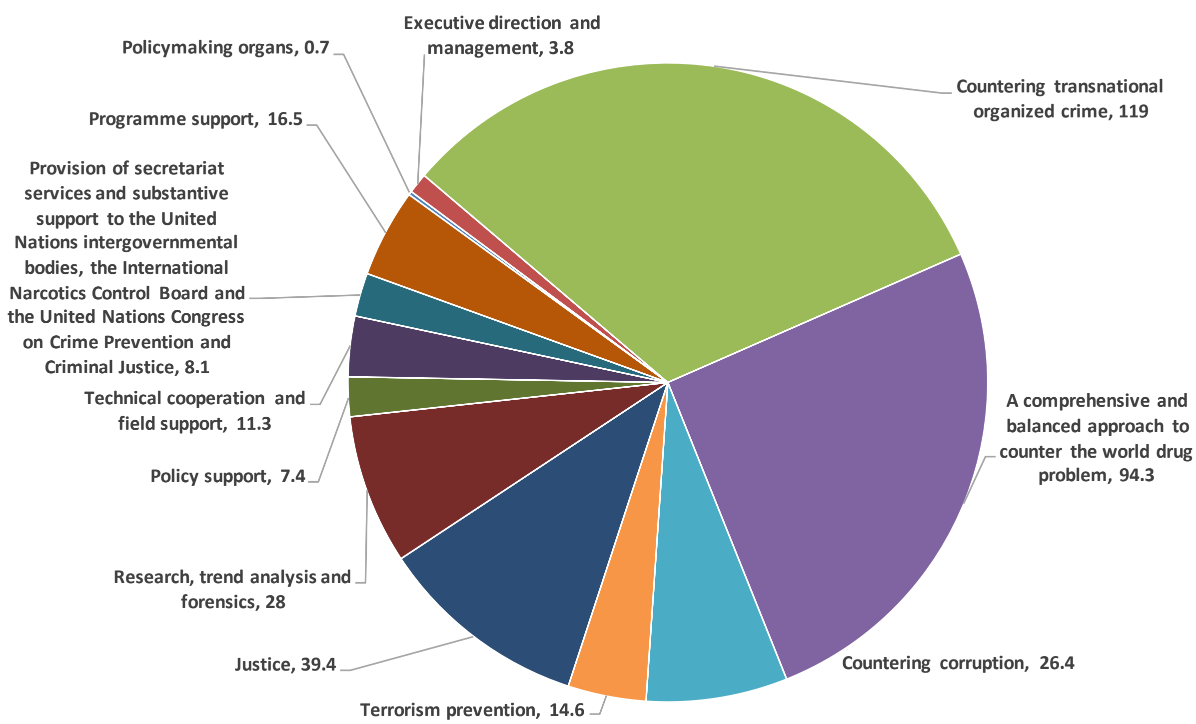
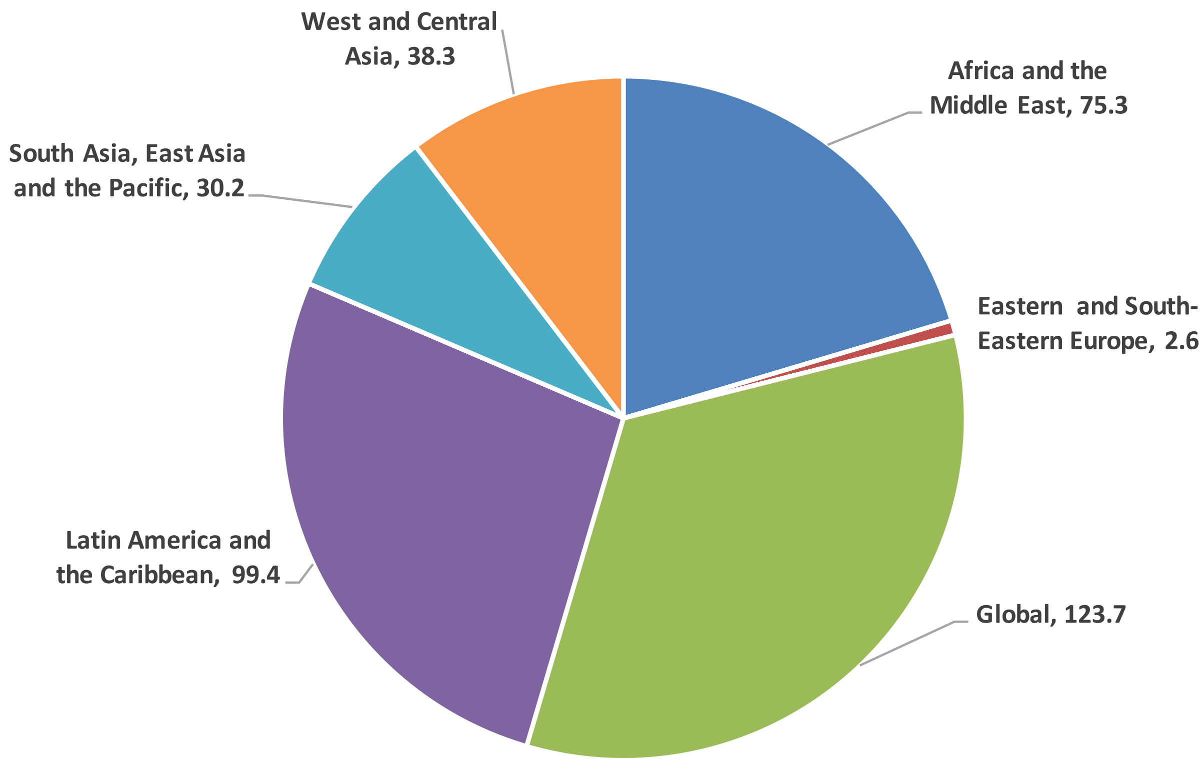


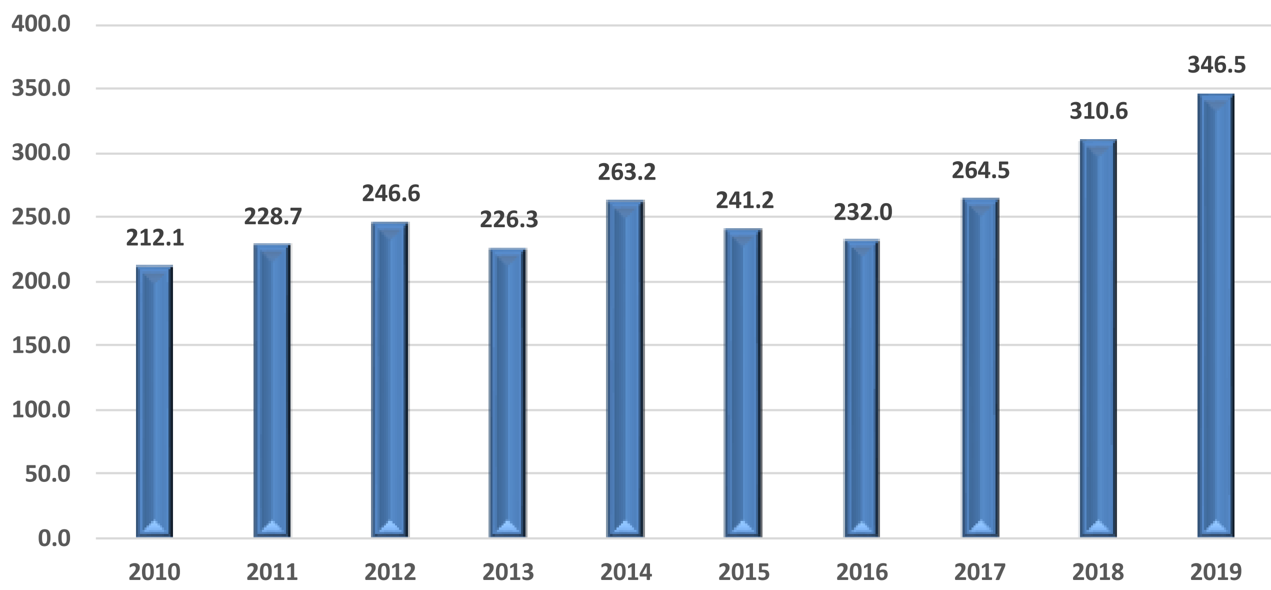
Figure IV.II
United Nations Office on Drugs and Crime: expenditure by region (including regular budget), 2019 (United Nations system accounting standards basis)
(Millions of United States dollars)



Note: Based on country/region of implementation.

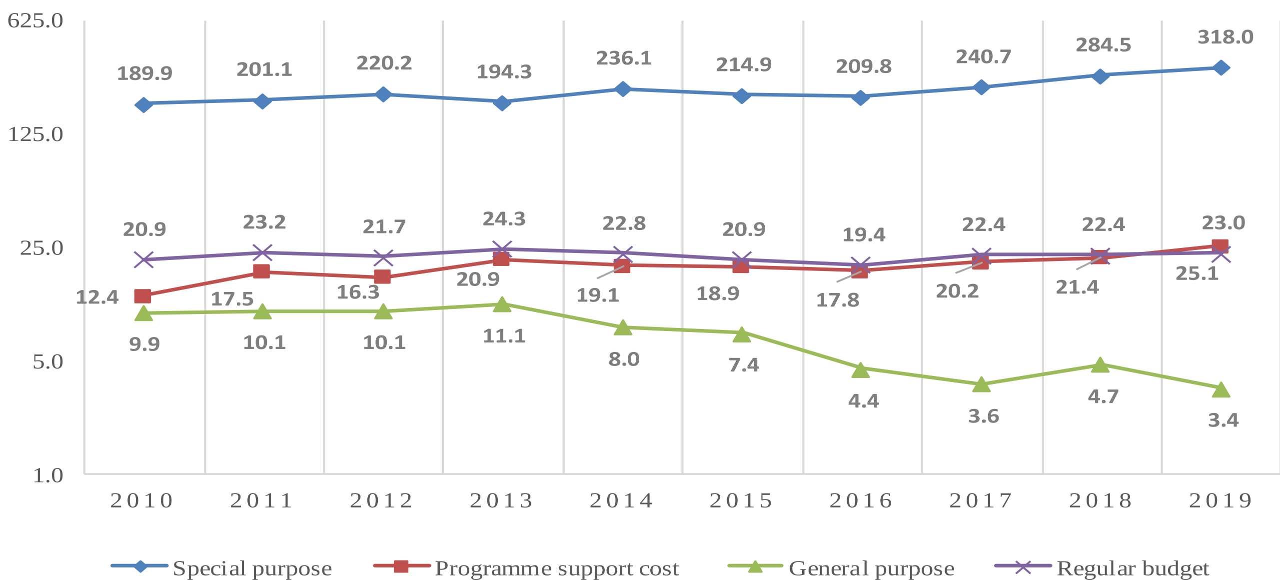
34. Figures IV.III and IV.IV show the 10-year trends in technical assistance expenditure on the basis of the United Nations system accounting standards.

Figure IV.III
United Nations Office on Drugs and Crime: technical assistance expenditure trend (excluding regular budget), 2010–2019 (United Nations system accounting standards basis)
(Millions of United States dollars)



35. Notwithstanding year-on-year fluctuations, UNODC has seen an upward trend in the delivery of technical assistance (extrabudgetary implementation) over the decade. The 2019 expenditure of $346.5 million is 63.4 per cent higher than the 2010 level of $212.1 million. This trend is a testament of strong donor confidence in the Office's programmes objectives and achievements.

Figure IV.IV
United Nations Office on Drugs and Crime: 2010–2019 expenditure by funding source (United Nations system accounting standards basis)
(Millions of United States dollars)

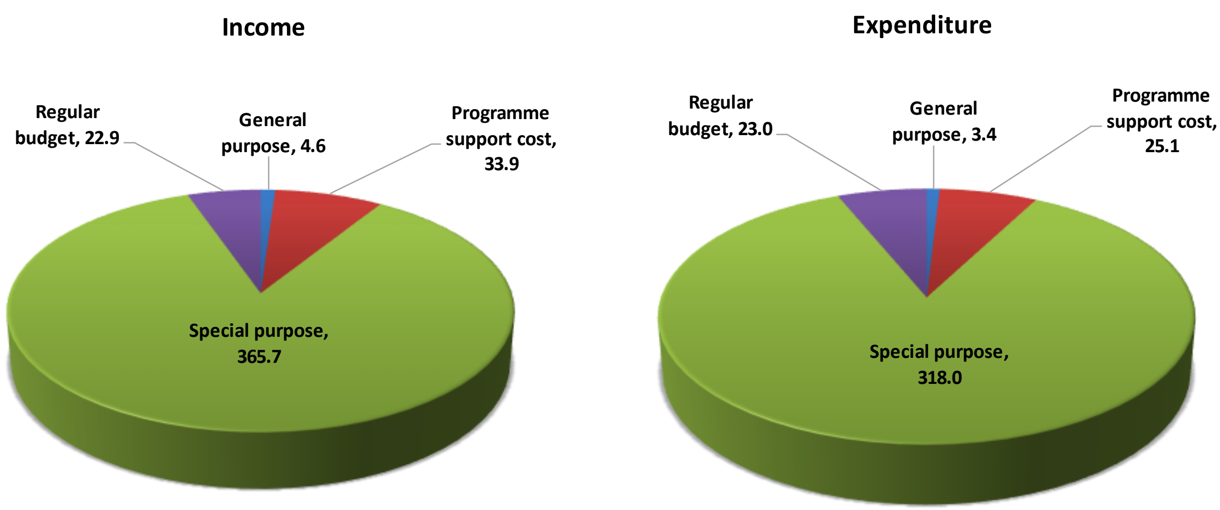


36. Contrary to the positive trend on UNODC delivery, figure IV.III highlights the continuous deterioration of the funding mix between earmarked and unearmarked contributions over the years. In 2010, the ratio of general purpose (unearmarked) funding to special purpose (earmarked) was 5:95, compared with 1:99 in 2019. General-purpose funding (expenditure) stood at $9.9 million in 2010 but declined by 65.8 per cent to $3.4 million in 2019, whereas earmarked funding (expenditure) ranged at $189.9 million in 2010 and increased by 67.5 per cent to $318.0 million by 2019.

37. Figure IV.V presents 2019 income and expenditure by source of funding (general purpose funds, programme support cost funds and special purpose funds).

Figure IV.V
United Nations Office on Drugs and Crime: 2019 income and expenditure, by funding source (United Nations system accounting standards basis)

(Millions of United States dollars)



38. Figure IV.V highlights that the general purpose (unearmarked) income contributed to a mere 1.1 per cent of the total income and funded a mere 0.9 per cent of the yearly delivery (expenditure).

39. Without a doubt, the continuous decline, in absolute and percentage terms, of general-purpose income hinders the ability of UNODC to execute its mandates, manage programmatic shortfalls, exert strategic direction and oversight, and implement improvements, including United Nations reform initiatives. While UNODC responded to this trend by implementing stricter financial disciplines through full cost recovery (see sect. F below), the Office continues to call upon donors to increase unearmarked contributions to ensure the solvency of the general purpose fund.

E. Financial analysis

40. The present section reflects on the results presented in the IPSAS-based financial statements and accompanying notes, unless otherwise stated.

41. As at 31 December 2019, the net assets amounted to $778.9 million (statement I), which represented an increase of $91.9 million (or 13.4 per cent) compared to $687.0 million as at 31 December 2018. This increase was a result of a net surplus in 2019 of $83.3 million (statement II) together with a gain arising from the actuarial valuation of employee benefits of $8.6 million (statement III).

42. Cash and cash equivalents and investments amounted to $805.6 million (70.9 per cent of total assets at 31 December 2019), an increase of $86.4 million over the 2018 amount of $719.2 million (see notes 5 and 6).

43. At the end of 31 December 2019, voluntary contributions receivable represented uncollected earmarked pledges totalled $254.3 million (2018: $251.7 million), net of allowance for doubtful receivables of $3.5 million (2018: $2.1 million) (see note 7).

44. Implementing programmatic activities in partnership with other United Nations programmes and agencies, international and regional organizations, government institutions and non-governmental organizations is an important element of the UNODC business model. Under the UNODC framework of engagement with external parties, the Office transfers advances to its implementing partners and subsequently measures their utilization through partner reporting in a timely manner. As at the end of December 2019, a balance of $26.2 million (2018: $18.1 million) of advances remained outstanding. Of this amount, $19.0 million (2018: $11.9 million) related to advances made to support the implementation and monitoring of an integrated and sustainable strategy to reduce illicit crops and promote alternative development and culture of legality in Colombia (see note 8).

45. As at 31 December 2019, UNODC held property, plant and equipment in the amount of $16.9 million (2018: $14.6 million). At the end of 2019, ongoing construction projects amounted to $11.5 million (see note 10).

46. As at 31 December 2019, UNODC reported advance receipts of $35.3 million (2018: $27.7 million). This amount represented funds received from exchange transactions for services that had not been delivered by year-end (see note 13).

47. UNODC's liability for employee benefits amounted to $117.0 million as at 31 December 2019 (2018: $116.6 million), of which $109.5 million (2018: $110.2 million) represented liabilities under defined benefit plans (see note 14).

48. The total revenue of $458.1 million during 2019 (2018: $409.2 million) consisted primarily of $375.2 million (2018: $332.3 million) of non-exchange transactions (81.2 per cent of total revenue) (see note 19); and $32.0 million (2018: $34.3 million) of allocations from the United Nations regular budget (see note 18). Within other revenue of $10.6 million (2018: $6.5 million), existed $10.1 million (2018: $6.4 million) of income derived from exchange transactions such as services rendered on software support and training to Member States and other international organizations (see note 20).

49. The total expenditures for the period amounted to $374.8 million (2018: $332.3 million) comprising mainly staff related costs of $125.8 million (2018: $120.0 million), (33.6 per cent of total expenses), and non-employee compensation and allowances of $63.5 million (2018: $58.8 million) (16.9 per cent of total expenses). Furthermore, $60.0 million (2018: $33.2 million) of expenditures represented the work delivered by the implementing partners and grants to end beneficiaries under authorized small-grants schemes.

F. Challenges and improvements, 2019 and beyond

Funding model

50. In the light of the predicament of UNODC, in which the Office fundamentally relies on tightly earmarked contributions, in 2019, the Office continued to ensure a systematic and consistent application of full cost recovery to all programmes and projects funded from voluntary contributions, by linking core and programmatic functions to direct and indirect costing classifications. Throughout, UNODC has monitored its cost structures against programme needs and improved its guidelines and procedures related to cost recovery and the use of funding sources.

51. In 2019, UNODC continued to apply risk management, monitor its cost and field office structures against programme needs and cost programme activities transparent, with the help of improved Umoja functionality and making full use of early-warning dashboards.

52. Notwithstanding, UNODC continues to make pleas to Member States and other donors for unearmarked and softly earmarked contributions to improve its ability to implement its strategy, programmes and reform initiatives. UNODC will also continue its active dialogue with Member States, including through the standing open-ended intergovernmental working group on improving the governance and financial situation of the Office, to increase core contributions and soft-earmarking. Through the funding compact, Member States have committed to bringing core resources to a level of at least 30 per cent in the next five years.

United Nations management and United Nations system-wide reforms

53. In its resolution 72/279, the General Assembly requested the Secretary-General to lead the efforts of the United Nations development system to implement a new generation of United Nations country teams. UNODC is engaged in the United Nations development system reform through its presence in 85 countries and membership in 106 United Nations country teams. UNODC contributed to new the development of new cooperation frameworks in 2020 in over 10 countries, fed into common country analyses and supported mainstreaming, acceleration and policy support and voluntary national reviews, among others.

54. In order to better support its field engagement within the United Nations development system reform framework, during the period 2018–2019, UNODC implemented a one-off surge capacity to strengthen its presence and capacity in negotiation, partnering and programme development in priority geographical areas. This allowed it to temporarily deploy staff to New York headquarters, Ecuador, Haiti, Indonesia, Iraq and Mozambique and lead engagement with Governments, United Nations country teams and in the regional offices of the United Nations Sustainable Development Group. As a result, UNODC managed to be part of joint programming and resource mobilization efforts and was successful in establishing a field presence beyond the surge's time frame. The surge capacity also enabled us to reinforce our presence in the key priority thematic areas of counter-terrorism and migration.

55. UNODC is fully committed to the United Nations management reforms approved by the General Assembly in its resolution 72/266 B on shifting the management paradigm in the United Nations, and its resolution 72/303, on progress towards an accountability system in the United Nations Secretariat. UNODC is engaged into the roll-out of several initiatives, such as common back offices, common premises and business operations strategies. It is expected that UNODC will especially benefit from the mutual recognition statement to achieve efficiency gains generated by the inter-operability of policies and practices in specific administrative

areas. UNODC is implementing its human resources operational strategy for the period 2018–2021 with an emphasis on providing greater service delivery, reinforcing talent management and a supportive organizational culture. UNODC senior management has endorsed the geography action plan for enhanced geographical diversity, which was developed on the basis of an external review of the UNODC recruitment process.

Enterprise risk management initiative

56. Further to the already fully rolled out risk management framework, in 2019 UNODC approved the fraud and corruption register and related treatment plan, which were integrated in the institutional risk management framework. Going forward, UNODC plans to launch a process of continuous review and update of its institutional risk registers and treatment plans.

Umoja

57. In 2019, UNODC successfully deployed Umoja mobile, which enables certain self-service functionality on all mobile device. UNODC also participated in the roll-out of the strategic planning, budgeting and performance management applications of Umoja for the regular budget. Throughout the year, discussions continued with the Umoja team at Headquarters regarding the development of the voluntary contribution model of the Umoja Extension 2 project to ensure an overall integrated solution for UNODC and others. In December 2019, the implementing partner management module was rolled out and is currently being deployed to all UNODC field offices. Further functionalities related to the management of voluntary contributions are in the process of being designed. UNODC subject matter experts are an integral part of this still ongoing organization-wide effort, with the aim of ensuring successful implementation and deployment in 2020 and 2021.

58. In late 2019, a new and more focused Umoja training approach was adopted consisting of developing and making available to end users a greater number of online training materials and videos, as well as holding more training sessions in the field by clustering them in various field office locations of UNODC. This training approach has resulted in increased flexibility and efficiency and will become standard practice going forward.

Results-based management

59. UNODC strengthened its culture of results-based management in the context of the 2030 Agenda for Sustainable Development, as requested by the General Assembly in resolution 71/243 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system. The results of the results-based management peer review are leading to an overhaul of the project and programme planning monitoring and reporting systems, which will be made operational through the Umoja voluntary contributions solution, scheduled to go live in 2020.

60. In addition, UNODC is in the final stages of rolling out for all staff an e-learning module on results-based management and the 2030 Agenda for Sustainable Development, in addition to working on incorporating robust theories of change into programming exercises. The Office participated actively in the Sustainable Development Goals task teams to draft guidelines for the development of a new generation of United Nations sustainable development cooperation frameworks.

Chapter V

Financial Statements for the year ended 31 December 2019

United Nations Office on Drugs and Crime

I. Statement of financial position as at 31 December 2019

(Thousands of United States dollars)

	Reference	*31 December 2019*	*31 December 2018*
Assets			
Current assets			
Cash and cash equivalents	Note 5	215 675	70 276
Investments	Note 6	449 831	602 265
Voluntary contributions receivable	Note 7	118 445	138 148
Other receivables	Note 7	6 556	8 891
Advance transfers	Note 8	26 172	18 054
Advances to UNDP and other assets	Note 9	15 940	13 287
Total current assets		**832 619**	**850 921**
Non-current assets			
Investments	Note 6	140 117	46 648
Voluntary contributions receivable	Note 7	135 850	113 513
Other receivables	Note 7	12 000	–
Property plant and equipment	Note 10	16 889	14 573
Intangible assets	Note 11	250	471
Total non-current assets		**305 106**	**175 205**
Total assets		**1 137 725**	**1 026 126**
Current liabilities			
Accounts payable and accrued liabilities	Note 12	35 113	43 676
Advance receipts	Note 13	35 320	27 653
Employee benefits liabilities	Note 14	5 175	3 584
Provisions	Note 15	25	–
Conditional liabilities	Note 16	86 276	81 390
Total current liabilities		**161 909**	**156 303**
Non-current liabilities			
Accounts payable and accrued liabilities	Note 12	12 000	–
Employee benefits liabilities	Note 14	111 852	113 013
Conditional liabilities	Note 16	73 071	69 772
Total non-current liabilities		**196 923**	**182 785**
Total liabilities		**358 832**	**339 088**
Total assets and liabilities		**778 893**	**687 038**
Accumulated surpluses/(deficits), unrestricted	Note 17	50 479	26 941
Accumulated surpluses/(deficits), restricted	Note 17	728 414	660 097
Total net assets		**778 893**	**687 038**

The accompanying notes and annexes are an integral part of these financial statements.

United Nations Office on Drugs and Crime

II. Statement of financial performance for the year ended 31 December 2019

(Thousands of United States dollars)

	Reference	*31 December 2019*	*31 December 2018*
Revenue			
United Nations regular budget allocation	Note 18	32 004	34 294
Voluntary contributions	Note 19	375 155	332 302
Other transfers and allocations	Note 19	21 168	22 572
Other revenue	Note 20	10 605	6 482
Investment revenue	Note 21	19 179	13 495
Total revenues		**458 111**	**409 145**
Expenses			
Employee salaries allowances and benefits	Note 22	125 802	120 018
Non-employee compensation and allowances	Note 23	63 520	58 757
Grants and other transfers	Note 24	60 043	33 230
Supplies and consumables	Note 25	5 631	5 934
Depreciation	Note 10	557	630
Amortization	Note 11	221	214
Travel		38 135	38 403
Other operating expenses	Note 26	79 512	73 767
Other expenses	Note 27	1 420	1 317
Total expenses		**374 841**	**332 270**
Surplus/(deficit) for the year	**Note 17**	**83 270**	**76 875**

The accompanying notes and annexes are an integral part of these financial statements.

United Nations Office on Drugs and Crime

III. Statement of changes in net assets for the year ended 31 December 2019

(Thousands of United States dollars)

	Reference	*Accumulated surpluses/(deficits) – unrestricted*	*Accumulated surpluses/(deficits) – restricted*	*Total*
Net asset opening as at 1 January 2018		**11 701**	**586 683**	**598 384**
Change in net assets				
Transfers to/from unrestricted/restricted		(8 818)	8 818	–
Actuarial gain/(loss)		11 779	–	11 779
Surplus/(deficit) for the year		12 279	64 596	76 875
Total as at December 2018		**26 941**	**660 097**	**687 038**
Net asset opening as at 1 January 2019	Statement I	**26 941**	**660 097**	**687 038**
Change in net assets				
Transfers to/from unrestricted/restricted	Note 17	(761)	761	–
Actuarial gain/(loss)	Note 14	8 585	–	8 585
Surplus/(deficit) for the year	Statement II	15 714	67 556	83 270
Total for 31 December 2019	**Statement I**	**50 479**	**728 414**	**778 893**

The accompanying notes and annexes are an integral part of these financial statements.

United Nations Office on Drugs and Crime

IV. Statement of cash flows for the year ended 31 December 2019

(Thousands of United States dollars)

	Reference	*31 December 2019*	*31 December 2018*
Cash flow from operating activities			
Surplus/(deficit) for the year	Statement II	**83 270**	**76 875**
Non-cash movements			
Depreciation and amortization	Note 10, 11	778	844
Actuarial gain/loss on employee benefits liabilities	Note 14	8 585	11 779
Net gain/loss on disposal of property plant and equipment	Note 10	8 704	2 220
Changes in assets			
(Increase)/decrease in voluntary contributions receivable	Note 7	(2 634)	26 764
(Increase)/decrease in other receivables	Note 7	(9 665)	3 468
(Increase)/decrease in advance transfers	Note 8	(8 118)	(11 617)
(Increase)/decrease in other assets	Note 9	(2 653)	(2 037)
Changes in liabilities			
Increase/(decrease) in accounts payable – Member States	Note 12	7 173	(140)
Increase/(decrease) in accounts payable – other	Note 12	(3 736)	1 459
Increase/(decrease) in advance receipts	Note 13	7 667	(667)
Increase/(decrease) in employee benefits payable	Note 14	430	(4 060)
Increase/(decrease) in provisions	Note 15	25	–
Increase/(decrease) in other liabilities	Note 16	8 185	(3 520)
Investment revenue presented as investing activities	Note 21	(19 179)	(13 495)
Net cash flows from/(used in) operating activities	Note 4	**78 832**	**87 873**
Cash flows from investing activities			
Pro rata share of net increases in the cash pool	Note 6	58 965	(78 814)
Investment revenue presented as investing activities	Note 21	19 179	13 495
Acquisitions of property plant and equipment	Note 10	(11 577)	(6 219)
Acquisitions of intangibles	Note 11	–	(54)
Net cash flows from/(used in) investing activities	Note 4	**66 567**	**(71 592)**
Cash flows from financing activities			
Other inflows/(outflows) of cash		–	–
Net cash flows from/(used in) financing activities	Note 4	**–**	**–**
Net increase/(decrease) in cash and cash equivalents	Note 4	145 399	16 281
Cash and cash equivalents – beginning of year	Note 5	70 276	53 995
Cash and cash equivalents, end of year	Statement I	**215 675**	**70 276**

The accompanying notes and annexes are an integral part of these financial statements.

United Nations Office on Drugs and Crime

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2019

(Thousands of United States dollars)

	Publicly available budget[a]			
	Original 2019 annual[b]	*Final 2019 annual*[c]	*Actual 2019 (budget basis)*	*Difference*[d] *(percentage)*
Revenue				
United Nations regular budget allocation	20 507	22 923	22 908	–
Voluntary contributions	336 805	338 754	404 104	19
Total revenue	**357 312**	**361 677**	**427 012**	**18**
Expense				
A. Policymaking organs	768	676	676	–
B. Executive direction and management	3 630	4 294	3 776	(12)
C. Programme of work				
1. Countering transnational organized crime	98 927	126 222	119 036	(6)
2. A comprehensive and balanced approach to counter the world drug problem	110 629	82 551	94 268	14
3. Countering corruption	20 593	30 602	26 429	(14)
4. Terrorism prevention	14 689	17 571	14 611	(17)
5. Justice	34 673	46 071	39 355	(15)
6. Research, trend analysis and forensics	32 334	32 030	28 051	(12)
7. Policy support	6 128	8 051	7 392	(8)
8. Technical cooperation and field support	9 862	13 024	11 328	(13)
9. Provision of secretariat services and substantive support to the United Nations intergovernmental bodies, the International Narcotics Control Board and the United Nations Congress on Crime Prevention and Criminal Justice	6 228	8 384	8 078	(4)
D. Programme support	17 848	19 276	16 451	(15)
Total expenses (Note 4)	**356 309**	**388 752**	**369 451**	**(5)**
Net surplus/(deficit)	**1 003**	**(27 075)**	**57 561**	**–**

[a] Statement V budget is reported on an annual basis for reporting purpose. See note 4 for details of the 2018–2019 biennial budget information.

[b] Original approved budget for 2019 of $356.3 million covers extrabudgetary resources of $335.8 million approved by the Commission on Narcotic Drugs and the Commission on Crime Prevention and Criminal Justice (E/CN.7/2018/12-E/CN.15/2018/14). It also includes the 2018 initial appropriation for regular budget section 16 ($19.6 million) and section 23 ($0.9 million). The amount for extrabudgetary resources includes the United Nations Interregional Crime and Justice Research Institute.

[c] Final budget for 2019 of $388.8 million covers extrabudgetary resources of $365.8 million (see E/CN.7/2019/14-E/CN.15/2019/16). It also includes the 2019 final appropriation for regular budget section 16 ($22.1 million) and section 23 ($0.8 million) reflected in General Assembly resolution 74/250 A-B. The amount for extrabudgetary resources includes the United Nations Interregional Crime and Justice Research Institute.

[d] Actual expenditure (budget basis) less final budget, divided by final budget. Further details and material differences of 10 per cent or more are available under note 4, Comparison to budget.

United Nations Office on Drugs and Crime
Notes to the financial statements

Note 1
Reporting entity

The United Nations Office on Drugs and Crime, its objectives and activities

1. The United Nations Office on Drugs and Crime (UNODC) was established in 1997[1] through a merger between the United Nations International Drug Control Programme[2] and the Centre for International Crime Prevention.[3] UNODC works with Member States to enhance their efforts to combat the intertwined problems of drug use, trafficking, transnational organized crime, corruption and terrorism by helping to create and strengthen legislative, judicial and health systems to safeguard some of the most vulnerable persons in society.

2. The policy directions of UNODC are grounded in (a) the Political Declaration and Plan of Action on International Cooperation towards an Integrated and Balanced Strategy to Counter the World Drug Problem; (b) the outcomes of the twentieth and thirtieth special sessions of the General Assembly on countering the world drug problem; (c) the United Nations Millennium Declaration; (d) the recommendations resulting from the 2005 World Summit Outcome; (e) Economic and Social Council resolutions 2007/12 and 2007/19; and (f) the 2030 Agenda for Sustainable Development. The Office's work flows logically from these mandates and is reflected in its mission, which is to contribute to the achievement of security and justice for all by making the world safer from drugs, crime and terrorism.

3. In order to enhance the Office's effectiveness and accountability, as well as to strengthen results-based management in line with General Assembly resolution 64/259, the programme of work for the biennium 2018–2019 has been organized into six thematic subprogrammes (countering transnational organized crime; a comprehensive and balanced approach to counter the world drug problem; countering corruption; terrorism prevention; justice; and research, trend analysis and forensics) and three cross-cutting subprogrammes that provide services to Member States (policy support; technical cooperation and field support; and, provision of secretariat services and substantive support to the United Nations intergovernmental bodies, the International Narcotics Control Board and the United Nations Congress on Crime Prevention and Criminal Justice).

4. The programme of work is delivered by the three substantive divisions of UNODC, namely the Division for Operations, the Division for Policy Analysis and Public Affairs and the Division for Treaty Affairs. Strong emphasis is placed on addressing issues that cut across subprogrammes, allowing for the leveraging of complementarities and synergies among divisions and the Office's extensive field office network. Thematic experts of the Office perform both normative and operational work and also facilitate the development and delivery of technical cooperation programmes at the global, regional and country levels. A fourth division, the Division for Management, is accountable for global administrative support

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[1] See A/51/950, paras. 143–145.

[2] The United Nations International Drug Control Programme was established pursuant to General Assembly resolution 45/179 of 21 December 1990 as the body responsible for coordinated international action in the field of drug abuse control. Authority for the Fund of the Programme was conferred on the Executive Director by the General Assembly in its resolution 46/185 C of 20 December 1991.

[3] The Crime Prevention and Criminal Justice Programme was established by the General Assembly in its resolution 46/152 of 18 December 1991. Since 1997, the Programme has been implemented by the Centre for International Crime Prevention, which was established in accordance with the Secretary-General's reform programme (see A/51/950, sect. V).

through the provision of guidance, oversight and delivery of financial planning, human resources, procurement and conference management services.

5. The governing bodies of the Office are the General Assembly, the Economic and Social Council, the Commission on Narcotic Drugs and its subsidiary bodies and the Commission on Crime Prevention and Criminal Justice. UNODC also supports the International Narcotics Control Board, the United Nations Congress on Crime Prevention and Criminal Justice, the Conference of the Parties to the United Nations Convention against Transnational Organized Crime and the Conference of the States Parties to the United Nations Convention against Corruption.

6. Headquartered in Vienna, UNODC operates in all regions of the world through an extensive network of regional offices (8), country offices (7), liaison and partnership offices (2), and other field project and programme offices locations (95).

7. UNODC is primarily funded by voluntary contributions to the Fund of the United Nations International Drug Control Programme and to the United Nations Crime Prevention and Criminal Justice Fund. A small portion of UNODC funding is financed from the regular budget of the United Nations approved by the General Assembly.

8. The UNODC financial statements fully incorporate the financial transactions and results of the United Nations Interregional Crime and Justice Research Institute based in Turin, Italy. The Institute was established in 1967 by the Economic and Social Council following its resolution 1086 B (XXXIX), in which the Council urged an expansion of United Nations activities in crime prevention and criminal justice. The Institute is governed by a board of trustees. The Institute is ruled by a statute adopted by the Council in its resolution 1989/56 and reports to the Secretary-General and the Economic and Social Council through the Commission on Crime Prevention and Criminal Justice.

Note 2
Accounting policies

Basis of preparation

9. In accordance with the Financial Regulations and Rules of the United Nations, the financial statements and accompanying notes are prepared on an accrual basis in accordance with the International Public Sector Accounting Standards (IPSAS).

10. These financial statements have been prepared on a going-concern basis. The assertion is based on the approval by the Commissions and the General Assembly of the budget requirements for 2018–2019, and the historical trend of collection of assessed and voluntary contributions over the past years.

11. These financial statements cover the calendar year ended 31 December 2019. The reporting period coincides with the calendar year.

Authorization for issue

12. These financial statements are certified by the Chief of the Financial Resources Management Service of UNODC and approved by the UNODC Executive Director.

Functional and presentation currency

13. The functional currency of UNODC is the United States dollar, which is also the presentation currency. The statement and notes are presented in thousands of United States dollars unless otherwise indicated. The amounts in the statements and note tables are rounded to the nearest thousand dollars and in text narrative notes. As a result of such rounding, totals may not add up.

14. Foreign currency transactions are translated into United States dollars at the United Nations operational rate of exchange at the date of the transaction. This rate approximates the spot rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than the functional currency are translated at the United Nations operational rate of exchange year-end rate. Non-monetary foreign currency items are carried at historical cost or fair value at exchange rates prevailing at the date of the transaction or when the fair value was determined. Resulting exchange gains and losses are presented in the statement of financial performance.

Materiality and use of judgment and estimates

15. The preparation of financial statements in accordance with IPSAS requires use of estimates, judgments and assumptions. Materiality is central to the UNODC decision-making process and guides accounting treatment related to the presentation, disclosure, aggregation, offsetting and timing of application of changes in accounting policies.

16. Accounting estimates and underlying assumptions include but are not limited to actuarial measurements, asset useful lives, impairment, inflation and discount rates. These are reviewed on an ongoing basis; revisions to estimates are recognized in the year in which the changes in estimates take place.

Cash flow convention

17. The statement of cash flow is prepared using the indirect method.

Revenue

Regular budget allocation

18. In its consolidated biennial budget, UNODC includes the regular budget resources that directly finance its programmatic delivery. The relevant sections of the regular budget of the United Nations are sections 16 and 23, which are also included in statement V, on the comparison between budgeted and actual amounts. With the exception of statement V, the IPSAS financial statements take a strict UNODC entity view and include only the regular budget resources directly attributable to the programme delivery and support of UNODC. Consequently, the IPSAS financial statements account for the portion of section 29G of the regular budget of the United Nations, which covers the support to UNODC.

19. Upon approval, the total regular budget of the United Nations is assessed to the Member States in accordance with the scale of assessments determined by the General Assembly. The management and collection of the regular budget assessments is performed centrally by the Secretariat. As a result, UNODC does not control the individual assessment receivables and does not therefore recognize them in its financial statements and instead recognizes in its financial statements the yearly allocation utilized as revenue in the statement of financial performance.

Voluntary contributions

20. Voluntary contributions and other transfers with probable inflow of resources supported by firm enforceable pledges and that are not subject to restrictions, are recognized as revenue in full, irrespective of the duration of the agreement. Contributions subject to specific restrictions are recorded as liabilities and the revenue is recognized only when the conditions are met. Contributions and other transfers not supported by enforceable agreements are recognized as revenue only upon receipt of cash.

21. Voluntary contributions receivable balances represent uncollected revenue from enforceable agreements and are stated at nominal value, less specific impairments.

An allowance for doubtful receivables is applied on the basis of historical collection experience.

In-kind contributions

22. Outright in-kind contributions and donated rights to use of goods over $5,000 are recognized as revenue to the extent that future economic benefits or service potential to the Office is probable and reliably measurable. 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. In-kind contributions of services are not recognized as revenue but rather disclosed in the notes to the financial statements to the extent that they exceed $20,000.

Exchange revenue

23. Exchange transactions are those in which the Office provides goods or services, such as training, software and conference management support, to governments, United Nations entities and other partners. Revenue is recognized at fair value when the goods are delivered, or the services rendered. Related amounts billed but not collected are included within other receivables, and amounts collected but not yet utilized are included within advance receipts.

Investment revenue

24. The United Nations Treasury invests funds pooled from Secretariat entities and other participating entities. The investment revenue includes the Office's share of net cash pool revenue and other interest revenue. The net cash pool revenue includes any gains and losses on the sale of investments, which are calculated as the difference between the sale proceeds and book value. Transaction costs that are directly attributable to the investment activities are netted against revenue. Net revenue is distributed proportionately to all cash pool participants on the basis of their average daily balances. Cash pool revenue also includes unrealized market gains and losses on securities. These are distributed proportionately to all participants on the basis of year-end balances.

25. The Office's share of United Nations investment in the cash pools is reported under cash and cash equivalents, short-term investments and long-term investments depending on the maturity period. The Office's share, of investment cash pool revenue, realized gains on sale of cash pool securities and realized and unrealized gains and losses are reported in the statement of financial performance.

Expenses

26. UNODC delivers technical assistance programmes through projects in Vienna and its global network of field offices. Projects are executed through direct project delivery or through implementing partners.

27. In accordance with IPSAS, expenses are reported according to the delivery principle. Expenses are recognized on an accrual basis when goods are delivered, and services are rendered regardless of the terms of payment.

Leases

28. UNODC enters into lease arrangements for property, plant and equipment where all of the risks and rewards of ownership are not substantially transferred to UNODC. Such arrangements are classified as operating leases. Payments made under operating leases are expensed over the term of the lease.

29. Leases of tangible assets, where UNODC has substantially all the risks and rewards incidental to ownership of an asset, are classified as finance leases.

30. Assets leased under finance leases are capitalized and included in property, plant and equipment, and the corresponding liability to the lessor is included under other liabilities. A finance lease and the corresponding liability are recognized initially at the lower of the fair value of the asset or present value of the minimum lease payments. Finance charges payable are recognized over the term of the lease on the basis of the interest rate implicit in the lease so as to give a constant rate of interest on the remaining balance of the liability.

Donated rights to use

31. Depending on the nature of the agreement, donated-rights-to-use arrangements can be treated as operating or finance leases. Long-term donated-rights-to-use building and land arrangements where UNODC does not have exclusive control over the building and title to the land is not granted are accounted for as operating leases. The threshold for the recognition of revenue and expense for an operating lease is $20,000. UNODC normally estimates such donated rights by reference to market values for similar properties.

Assets

Classification

32. The classification of financial assets depends primarily on the purpose for which the financial assets are acquired. All financial assets are initially measured at fair value. UNODC initially recognizes financial assets classified as loans and receivables on the date on which they originated. All other financial assets are recognized initially on the trade date, which is the date on which UNODC becomes party to the contractual provisions of the instrument.

33. Financial assets with maturities in excess of 12 months at the reporting date are categorized as non-current assets in the financial statements. Financial assets at fair value through surplus or deficit are those that have been designated in this category at initial recognition, are held for trading or are acquired principally for the purpose of selling in the short term. These assets are measured at fair value at each reporting date, and any gains or losses arising from changes in the fair value are presented in the statement of financial performance in the year in which they arise.

34. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are initially recorded at nominal value.

35. Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in the value of the asset. Impairment losses are recognized in the statement of financial performance in the year in which they arise.

36. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred along with all substantial risks and rewards. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Investment in cash pools

37. The United Nations Treasury invests funds pooled from Secretariat entities and other participating entities. These pooled funds are combined in two internally managed cash pools. Participation in a cash pool implies sharing the risk and returns

on investments with the other participants. Given that the funds are commingled and invested on a pool basis, each participant is exposed to the overall risk of the investment portfolio to the extent of the amount of cash invested.

38. Investments of UNODC in the cash pools are included as part of cash and cash equivalents, current investments with maturities of between 3 and 12 months and non-current investments with maturities of more than 12 months in the statement of financial position.

Cash and cash equivalents

39. 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.

Voluntary contributions receivable

40. Contributions receivable represent uncollected revenue from voluntary contributions committed to UNODC by Governments and other donors on the basis of enforceable agreements. These non-exchange receivables are stated at nominal value, less impairment for estimated irrecoverable amounts, the allowance for doubtful receivables. Voluntary contributions receivable are subject to an allowance for doubtful receivables on the same basis as other receivables.

Other receivables

41. Other receivables include primarily amounts receivable for goods or services provided to other United Nations entities, amounts receivable for leased-out assets and receivables from staff. Material balances of other receivables and voluntary contributions receivable are subject to specific review; allowance for doubtful receivables is assessed on the basis of recoverability and ageing accordingly.

Advances to the United Nations Development Programme and other assets

42. Advances include advances to UNDP for administrative and treasury services, education grant advances and prepayments that are recorded as an asset until the goods are delivered or the services are rendered by the other party, at which point the expense is recognized.

Heritage assets

43. Heritage assets are not recognized in the financial statements; significant heritage asset transactions are disclosed in the notes thereto.

Property, plant and equipment

44. Property, plant and equipment items are stated at historical cost less accumulated depreciation and impairment. For donated assets, the fair value at the date of acquisition is utilized as a proxy for historical cost.

45. Assets utilized in the delivery of UNODC programmes or projects are categorized as project assets whereas those used for non-project specific activities are categorized as management assets. Project assets that are not controlled by UNODC are expensed upon purchase.

46. Property, plant and equipment items are fully depreciated over their estimated useful life using the straight-line method. Land, assets under construction and project assets in transit are not subject to depreciation. The estimated useful lives and

capitalization thresholds for the various classes of property, plant and equipment are as follows:

Asset class and subclass	*Capitalization threshold (United States dollars)*	*Estimated useful life (years)*
Buildings[a]	20 000	7–50
Communications and information technology equipment[a]	20 000	4–7
Vehicles	5 000	6–12
Furniture and fixtures	20 000	3–10
Machinery and equipment[a]	20 000	5–20
Self-constructed assets	100 000	–
Leasehold improvements	100 000	Shorter of lease term or 5 years

[a] Lower threshold of $5,000 applies to prefabricated buildings, satellite communication systems, generators and network equipment.

47. UNODC enters into construction works, such as building of prisons and courthouses for the benefit of Member States. Upon completion, these assets are delivered to end beneficiaries. Work completion is measured on the basis of engineering reports submitted by the implementing partner/subcontractor and the UNODC site engineering team. As these assets are not used by UNODC but rather are delivered to end beneficiaries, no depreciation charge is recognized in the financial statements.

48. Gains or losses resulting from the disposal or transfer of assets are reported in the statement of financial performance under other revenue or other expenses.

49. Impairment reviews for property, plant and equipment are undertaken yearly or when events or changes in circumstances indicate that carrying amounts may not be recoverable.

Intangible assets

50. Intangible assets developed for use by UNODC are carried at cost less accumulated amortization and impairment. Capitalized costs may include acquired computer software licences, direct development costs (for example, employee costs, costs for consultants and applicable overheads) and other costs incurred to acquire and bring the specific software to use. For donated intangible assets, the fair value at the date of acquisition is utilized as a proxy for historical cost.

51. Intangible assets with definite useful lives are fully amortized using the straight-line method over their estimated useful lives. The useful lives and thresholds of major classes of intangible assets have been estimated as follows:

Class	*Capitalization threshold (United States dollars)*	*Estimated useful life (years)*
Externally acquired software	20 000	3–10
Internally developed software	100 000	3–10
Licences and rights	20 000	2–6 (period of licence/right)
Assets under development	100 000	Not amortized

52. Impairment reviews for intangibles are undertaken yearly or when events or changes in circumstances indicate that carrying amounts may not be recoverable.

Advance transfers (to implementing partners) and grants

53. UNODC often implements programmatic activities through implementing partners, such as United Nations entities, international and regional organizations, government institutions and non-governmental organizations. Partner deliverables are agreed in joint project and programme cooperation agreements. Advance cash transfers are amounts provided up front to partners to deliver the agreed programme; these are initially recognized as assets and subsequently expensed based on submitted financial reports. In the absence of such financial reports, an informed assessment is made to accrue expenses on the basis of estimates of work completion after close consultation with the UNODC office responsible for managing the partner activities. Binding agreements to fund implementing partners not paid out by the end of the reporting period are shown as commitments under accounts payable and other accrued expenses.

54. UNODC operates outright grant schemes to end beneficiaries provided conditions in project and donor covenants so permit. Individual grant awards are limited to $60,000. Outright grants are fully expensed upon disbursement, which normally coincides with the signing of the grant award.

Liabilities

Classification

55. Financial liabilities include accounts payable, transfers payable, unspent funds held for future refunds and other liabilities such as balances payable to other United Nations entities. Financial liabilities with a duration of less than 12 months are recognized at their nominal value. The Office 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

56. Accounts payable and accrued liabilities arise from the purchase of goods and services that have been received but not paid for at the reporting date. Payables are recognized and subsequently measured at their nominal value since they are generally due within 12 months.

Advance receipts

57. Advance receipts consist of payments received in advance relating to exchange transactions.

Employee benefits liabilities

58. 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.

59. Employee benefits consist of short-term, long-term, post-employment and termination benefits.

60. UNODC recognizes liabilities and accruals for:

(a) Short-term employee benefits, measured at nominal value;

(b) Post-employment benefits and termination benefits, calculated by independent actuaries using the projected unit credit method. Unfunded actuarial gains and losses arising from changes in actuarial assumptions are recognized in the statement of changes in net assets;

(c) Other long-term employee benefits, measured at nominal value;

(d) The United Nations Joint Staff Pension Fund: in line with the requirements of IPSAS 39, Employee benefits, UNODC has treated this plan as if it were a defined contribution plan. Accordingly, the Office's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance. Liabilities to the fund are recognized only to the extent the contributions payable as at the statement date have not been settled.

Short-term employee benefits

61. Short-term employee benefits (other than termination benefits) are those 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), compensated absences (paid sick leave, maternity/paternity leave) and other short-term benefits (death grant, education grant, reimbursement of taxes and home leave travel). All such benefits that are accrued but not yet paid at the reporting date are recognized as current liabilities within the statement of financial position.

Other long-term employee benefits

62. Other long-term employee benefits are those not falling due within 12 months and comprise home leave and annual leave.

Post-employment benefits

63. Post-employment benefits comprise payments for end of service benefits including the United Nations Joint Staff Pension Fund, after service health insurance, repatriation benefits and other end-of-service allowances.

Termination benefits

64. Termination benefits are recognized as an expense only when UNODC 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.

Defined-benefit plans

65. 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 Office (other long-term benefits). Defined-benefit plans are those where the Office's obligation is to provide agreed benefits and therefore UNODC 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. UNODC 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 the end of the reporting year, UNODC held no plan assets as defined by IPSAS 39, Employee benefits.

Pension plan: United Nations Joint Staff Pension Fund

66. UNODC participates in the United Nations Joint Staff Pension Fund, which is a funded, multi-employer defined-benefit plan, established by the General Assembly to provide retirement, death and disability benefits. 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.

67. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. UNODC and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify the Office'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, UNODC has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39, Employee benefits. The Office's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

Non-employee compensation

68. Non-employee compensation and allowances consist of expenses incurred with respect to consultants and contractors, ad hoc experts and United Nations Volunteers. Contracts are held directly with third parties or through other United Nations agency service providers. Non-employees do not earn key allowances and benefits provided to United Nations employees such as assignment and education grants, pension, health insurance, leave and severance pay.

Provisions and contingent liabilities

69. Provisions are liabilities recognized for future expenditure of uncertain amount or timing. A provision is recognized if, as a result of a past event, the Office 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 amount of the provision is the best estimate of the expenditure expected to be 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.

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

71. Provisions and contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become more or less probable. If it becomes more probable that such an outflow will be required, a provision is recognized in the financial statements of the year in

which the change of probability occurs. Similarly, where it becomes less probable that such an outflow will be required, a contingent liability is disclosed in the notes to the financial statements.

Commitments

72. Commitments are future expenses to be incurred by UNODC with respect to open contracts for which the Office has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (the amount of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that are not delivered as at end of the reporting period, non-cancellable minimum lease payments and other non-cancellable commitments.

Recent and future requirements of the International Public Sector Accounting Standards accounting pronouncements

73. The IPSAS Board issued the following standards: IPSAS 40 in 2017 effective 1 January 2019; IPSAS 41 in August 2018 effective 1 January 2022; and IPSAS 42 in January 2019 effective 1 January 2022. The impact of these standards on the Office's financial statements and the comparative period therein has been evaluated to be as follows:

Standard	*Anticipated impact in the year of adoption*
IPSAS 40	IPSAS 40, Public sector combinations, is a new accounting standard effective from 1 January 2019. This will have no impact on UNODC since there are no public sector combinations that fall under UNODC statements to date. The application of IPSAS 40 will be evaluated should such combinations occur.
IPSAS 41	IPSAS 41 will replace IPSAS 29, Financial instruments: recognition and measurement and will substantially improve the relevance of information for financial assets and financial liabilities. The standard will be effective from 1 January 2022 and its impact on the financial statements will be assessed prior to that date.
IPSAS 42	IPSAS 42, Social benefits, provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include State retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment. IPSAS 42 will be effective from 1 January 2022. Currently, there are no such social benefits in UNODC.

Note 3
Segment reporting

74. 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 objective and to make decisions about the future allocation of resources.

75. In segment reporting, the Office's revenue, expenses, assets and liabilities are presented by reference to two major pillars of its mandate: the United Nations International Drug Control Programme and the United Nations Crime Prevention and

Criminal Justice Programme, which includes the United Nations Interregional Crime and Justice Research Institute. Activities that are not earmarked for specific programmes are reported on the basis of the performance ratio of the drug and crime programmes for the purpose of segment reporting.

76. To enhance the financial statements, UNODC also presents expenditures on a subprogramme and geographical region basis.

Segment reporting by pillars

Statement of financial position

(Thousands of United States dollars)

	31 December 2019			*31 December 2018*		
	Drug programme	*Crime programme*	*Total*	*Drug programme*	*Crime programme*	*Total*
Assets						
Current assets						
Cash and cash equivalents	96 876	118 799	215 675	33 963	36 313	70 276
Investments	202 053	247 778	449 831	291 064	311 201	602 265
Voluntary contributions receivable	18 541	99 904	118 445	36 493	101 655	138 148
Advance transfers and other receivables	20 219	12 509	32 728	12 468	14 477	26 945
Advances to UNDP and other assets	12 420	3 520	15 940	12 651	636	13 287
Total current assets	**350 109**	**482 510**	**832 619**	**386 639**	**464 282**	**850 921**
Assets						
Non-current assets						
Investments	62 937	77 180	140 117	22 544	24 104	46 648
Voluntary contributions receivable	16 206	119 644	135 850	19 115	94 398	113 513
Property plant and equipment and intangibles	5 166	11 973	17 139	5 384	9 660	15 044
Other receivables	–	12 000	12 000	–	–	–
Total non-current assets	**84 309**	**220 797**	**305 106**	**47 043**	**128 162**	**175 205**
Total assets	**434 418**	**703 307**	**1 137 725**	**433 682**	**592 444**	**1 026 126**
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities	8 672	26 441	35 113	10 548	33 128	43 676
Advance receipts	4 180	31 140	35 320	13	27 640	27 653
Employee benefits liabilities	1 998	3 177	5 175	1 317	2 267	3 584
Provisions	25	–	25	–	–	–
Conditional liabilities	12 835	73 441	86 276	18 600	62 790	81 390
Total current liabilities	**27 710**	**134 199**	**161 909**	**30 478**	**125 825**	**156 303**

	31 December 2019			31 December 2018		
	Drug programme	*Crime programme*	*Total*	*Drug programme*	*Crime programme*	*Total*
Non-current liabilities						
Accounts payable and accrued liabilities	–	12 000	12 000	–	–	–
Employee benefits liabilities	44 594	67 258	111 852	45 729	67 284	113 013
Conditional liabilities	6 756	66 315	73 071	4 527	65 245	69 772
Total non-current liabilities	**51 350**	**145 573**	**196 923**	**50 256**	**132 529**	**182 785**
Total liabilities	**79 060**	**279 772**	**358 832**	**80 734**	**258 354**	**339 088**
Total assets and liabilities	**355 358**	**423 535**	**778 893**	**352 948**	**334 090**	**687 038**
Net assets						
Accumulated surpluses/(deficits) – unrestricted	47 060	3 419	50 479	37 736	(10 795)	26 941
Accumulated surpluses/(deficits) – restricted	308 298	420 116	728 414	315 212	344 885	660 097
Total net assets	**355 358**	**423 535**	**778 893**	**352 948**	**334 090**	**687 038**

Segment reporting by pillars

Statement of financial performance for the year ended

(Thousands of United States dollars)

	31 December 2019			*31 December 2018*		
	Drug programme	*Crime programme*	*Total*	*Drug programme*	*Crime programme*	*Total*
Segment revenue						
United Nations regular budget allocation	13 735	18 269	32 004	18 224	16 070	34 294
Voluntary contributions	143 428	231 727	375 155	142 659	189 643	332 302
Other transfers and allocations	6 348	14 820	21 168	6 967	15 605	22 572
Other revenue	780	9 825	10 605	478	6 004	6 482
Investment revenue	9 080	10 099	19 179	6 620	6 875	13 495
Total revenues	**173 371**	**284 740**	**458 111**	**174 948**	**234 197**	**409 145**
Expenses						
Employee salaries allowances and benefits	46 910	78 892	125 802	49 127	70 891	120 018
Non-employee compensation and allowances	24 254	39 266	63 520	27 429	31 328	58 757
Grants and other transfers	51 187	8 856	60 043	23 942	9 288	33 230
Depreciation amortization and impairment	407	371	778	428	416	844
Travel	12 398	25 737	38 135	16 072	22 331	38 403
Other operating expenses	34 972	44 540	79 512	31 486	42 281	73 767
Other miscellaneous expenses	3 564	3 487	7 051	4 033	3 218	7 251
Total expenses	**173 692**	**201 149**	**374 841**	**152 517**	**179 753**	**332 270**
Surplus/(deficit) for the year	**(321)**	**83 591**	**83 270**	**22 431**	**54 444**	**76 875**

Segment reporting by geographical region for the year ended

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Africa and the Middle East	78 415	66 863
Eastern and South-Eastern Europe	2 613	771
Global programmes	129 700	128 534
Latin America and the Caribbean	94 180	74 385
South Asia, East Asia and the Pacific	30 724	24 760
West and Central Asia	39 209	36 957
Total expenses	**374 841**	**332 270**

Segment reporting by subprogramme for the year ended

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Policymaking organs	766	665
Executive direction and management	3 847	3 232
Countering transnational organized crime	108 310	93 373
A comprehensive and balanced approach to counter the world drug problem	87 982	68 060
Countering corruption	27 054	25 891
Terrorism prevention	15 154	16 044
Justice	39 450	30 589
Research, trend analysis and forensics	29 429	31 304
Policy support	7 197	6 280
Technical cooperation and field support	25 215	23 129
Provision of secretariat services and substantive support to the United Nations intergovernmental bodies, the International Narcotics Control Board and the United Nations Congress on Crime Prevention and Criminal Justice	7 508	9 481
Programme support	22 929	24 222
Total expenses	**374 841**	**332 270**

Note 4
Comparison to budget

77. UNODC budgets are prepared on a modified cash basis, the results of which are presented in statement V. Explanations of material differences between the final budget amounts and actual expenditure amounts on a modified cash basis are considered in the table below.

78. The original budget for the biennium 2018–2019 of $772.794 million covers extrabudgetary resources of $731.357 million approved by the Commission on Narcotic Drugs and the Commission on Crime Prevention and Criminal Justice (see E/CN.7/2018/12-E/CN.15/2018/14), and regular budget resources of $41.437 million approved by the General Assembly (resolutions 72/263 A-C) for sections 16 and 23. Of the $772.794 million, the original budget for 2019 of $356.309 million is included in these statements.

79. The final budget for the biennium 2018–2019 of $721.744 million covers extrabudgetary resources of $676.467 million approved by the Commission on Narcotic Drugs and the Commission on Crime Prevention and Criminal Justice (see E/CN.7/2019/14-E/CN.15/2019/16), and regular budget resources of $45.277 million approved by the General Assembly (resolutions 74/250 A-B) for sections 16 and 23. Of the $721.744 million, the final budget for 2019 of $388.752 million is included in these statements.

80. The explanations of material differences of 10 per cent or more for 2019 are provided below:

Budget caption	*Material differences*
Voluntary contributions	The variance of $65.350 million is due mainly to funding received from Qatar ($25.0 million) to support the establishment of the regional centre for combatting cybercrime; higher-than-expected contributions from the United States of America ($15.0 million); and United Nations partnership agreements ($10.8 million).
Executive direction and management	The variance of $0.518 million is due mainly to lower-than-budgeted implementation of the projects on strengthening the independent evaluation function and gender equality as a result of delayed recruitment; lower-than-anticipated contributions due to exchange rate fluctuations; and the postponement to 2020 of some gender-related training activities.
Subprogramme 2, A comprehensive and balanced approach to counter the world drug problem	The variance of $11.717 million is due mainly to higher-than-budgeted implementation of the projects on alternative development in Afghanistan and Colombia; the project on support for minimum standards concerning HIV, health and rights in prison populations of sub-Saharan Africa; and the UNODC-WHO programme on drug dependence treatment and care. The higher implementation reflects an increase in beneficiaries in Colombia and related payments for food security component; the fulfilment of project activities postponed from 2018 in Afghanistan; additional funding becoming available to support prison furnishings in Africa; and the finalization of procurement acquisitions started in 2018 for drug dependence treatment and care.
Subprogramme 3, Countering corruption	The variance of $4.173 million is due mainly to a project in Nigeria on anti-corruption not materializing; as well as lower-than-budgeted implementation of the global programme for the implementation of the Doha Declaration and projects on anti-corruption in Eastern Africa, Ecuador and El Salvador. The lower implementation reflects the postponement to 2020 of project activities and related savings on personnel and meetings costs in the Doha programme; protracted negotiations with local counterparts in Ecuador; and the cancellation of project activities owing to political instability in El Salvador.
Subprogramme 4, Terrorism Prevention	The variance of $2.960 million is due mainly to lower-than-budgeted implementation of the projects on strengthening the legal regime against terrorism; and terrorism prevention in Eastern Africa, South-East Asia and Pakistan. The lower implementation reflects the postponement to 2020 of project activities in North Africa and South-Eastern Europe; the late receipt of donor funding in Eastern Africa; delayed recruitment and deployment of staff in South-East Asia; and delays in activities as a result of national policies in Pakistan.
Subprogramme 5, Justice	The variance of $6.716 million is due mainly to lower-than-budgeted implementation of the projects on prison reform and rehabilitation in the Middle East and North Africa region; the UNODC-UNICEF global programme on violence against children; administration of justice in Kenya; maritime crime programme in Somalia; and the programme on criminal justice, crime prevention

Budget caption	*Material differences*
	and integrity in Central Asia. The lower implementation reflects a delay in the procurement of equipment for Lebanon owing to political instability; the delayed recruitment and deployment of staff and late receipt of donor funding for the global programme on violence against children; a delay in procurement in Kenya; the postponement to 2020 of project activities as a result of political instability in Somalia; the delayed start of new activities of the maritime crime programme in the Indian Ocean and in coastal Member States of the Economic Community of Central African States; and the delayed recruitment for and extension of the project in Central Asia. In addition, some activities were implemented under the project on strengthening criminal investigation and criminal justice cooperation along the cocaine route in Latin America, the Caribbean and West Africa, under subprogramme 1.
Subprogramme 6, Research, trend analysis and forensics	The variance of $3.979 million is due mainly to lower-than-budgeted implementation of the project on integrated illicit crop monitoring system in Peru; the United Nations Interregional Crime and Justice Research Institute; the project on research in West Africa; the global report on trafficking in persons and the smuggling of migrants; the forensic human resource and governance development assistance for the Palestinian Authority and strengthening forensic services in the Middle East and North Africa region; and the global scientific and forensic programme. The lower implementation reflects delays in recruitment in West Africa and for the global report; a delay in receipt of donor contributions in Peru; the postponement of project activities owing to political instability and a delay in procurement in Tunisia; and a delay in the procurement of laboratory equipment.
Subprogramme 8, Technical cooperation and field support	The variance of $1.696 million is due mainly to a delay in the recruitment and deployment of staff; savings on personnel costs; the postponement of activities of the project supporting the functioning of the UNODC Regional Office for Central America and the Caribbean.
Programme support	The variance of $2.825 million is due mainly to delayed recruitment and deployment of staff and related savings on cost of personnel, and lower costs of Umoja training activities following a new approach to deliver them in the field.

81. The table below shows the reconciliation between the actual amounts on a comparable basis under statement V and the Office's cash flows under statement IV:

Reconciliation of actual amounts on a comparable basis to the statement of cash flows, 2019

(Thousands of United States dollars)

	Operating	*Investing*	*Financing*	*Total 31 December 2019*
Actual amounts on a comparable basis (statement V)	**(369 451)**	**–**	**–**	**(369 451)**
Basis differences	447 018	–	–	447 018
Entity differences	(3 954)	–	–	(3 954)
Presentation differences	5 219	66 567	–	71 786
Actual amounts in the statement of cash flows (statement IV)	**78 832**	**66 567**	**–**	**145 399**

82. Basis differences capture the differences resulting from preparing budget on a modified cash basis. In order to reconcile the budgetary results to the statement of cash flows, the non-cash elements such as budgetary commitments of $57.453 million

(2018: $61.174 million) and payment against prior-year budgetary commitments of $45.820 million (2018: $25.782 million) are included as basis differences. In addition, other IPSAS-specific differences such as the treatment of employee benefits and indirect cash flows relating to changes in receivables and accrued liabilities are included.

83. Entity differences arise when the budget includes programmes that are not part of the UNODC financial statements reporting and vice versa such as the regular budget of the United Nations which is reported under the United Nations financial statements (volume I). The UNODC financial statements encompass a portion of the regular budget allocated to the administrative budget of the United Nations Office at Vienna in support of UNODC programme delivery (see note 18).

84. Presentation differences are the differences in the format and classification schemes between the statement of cash flows and the statement of comparison of budget and actual amounts. The latter does not include the changes in cash pool balances of $78.145 million (2018: $65.319 million). Other presentation differences include the fact that the amounts included in the statement of comparison of budget and actual amounts are not segregated into operating, investing and financing activities, such as cash flows on property, plant and equipment, including intangibles, of $11.578 million (2018: $6.273 million).

85. Timing differences occur if the budget period differs from that of the financial statements. As the budget results under statement V reflect only the 2018 proportion of the biennium, there are no timing differences.

Note 5
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Cash at bank and on hand	43	44
Cash pool cash and term deposits	215 632	70 232
Total cash and cash equivalents (statement I)	**215 675**	**70 276**

86. Cash at bank and on hand represents imprest and petty cash accounts.

87. Cash pool and cash term deposits are held for the purpose of meeting short term cash requirements.

Note 6
Investments

(Thousands of United States dollars)

	Total 31 December 2019	*Total 31 December 2018*
Current		
Main pool	449 831	602 265
Euro pool	–	–
Subtotal, current (statement I)	**449 831**	**602 265**

	Total 31 December 2019	*Total 31 December 2018*
Non-current		
Main pool	140 117	46 648
Subtotal, non-current (statement I)	**140 117**	**46 648**
Total	**589 948**	**648 913**

88. Investments comprise amounts held in the United Nations cash pools and comprise current investments and non-current investments. Further details and analysis of related exposure are provided in note 21.

Note 7
Outstanding voluntary contributions receivable and other receivables

Outstanding voluntary contributions receivable

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Current voluntary contributions receivable		
Governments	218	15 545
Other governmental organizations	105 018	116 384
United Nations organizations	10 674	5 838
Private donors	6 000	2 513
Total current voluntary contributions receivable before allowance	**121 910**	**140 280**
Non-current voluntary contributions receivable		
Governments	0	188
Other governmental organizations	129 654	112 221
United Nations organizations	4 258	1 104
Private donors	1 938	–
Total non-current voluntary contributions receivable before allowance	**135 850**	**113 513**
Allowance for doubtful receivables, current	(3 465)	(2 132)
Total allowance for doubtful receivables	**(3 465)**	**(2 132)**
Net voluntary contributions receivable, current (statement I)	**118 445**	**138 148**
Net voluntary contributions receivable, non-current (statement I)	**135 850**	**113 513**
Total voluntary contributions receivable	**254 295**	**251 661**

Other receivables

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Current other receivables		
Governments	5 101	10 001
Receivables from other United Nations entities	24	37
Other revenue receivables	1 431	1 328
Total other receivables before allowance, current	**6 556**	**11 366**
Allowance for doubtful receivables, current	–	(2 475)
Total other receivables (statement I)	**6 556**	**8 891**
Non-current – other receivables		
Other exchange revenue receivables	12 000	–
Total other receivables, non-current (statement I)	**12 000**	**–**

Movements in allowances for doubtful receivables

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Opening allowance for doubtful receivables	4 607	5 452
Amounts written off[a]	(2 002)	(10 488)
Doubtful receivables adjustment for current year	860	9 643
Closing allowance for doubtful receivables	**3 465**	**4 607**

[a] Note 26 provides further details on the amounts written off.

Ageing of voluntary contributions receivable and other receivables

(Thousands of United States dollars)

	31 December 2019		*31 December 2018*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Neither past due nor impaired	256 540	(2 538)	234 294	(2 475)
Less than one year	19 292	(447)	30 658	(1 925)
One to two years	484	(480)	5	(5)
Two to three years	–	–	103	(103)
More than three years	–	–	99	(99)
Total	**276 316**	**(3 465)**	**265 159**	**(4 607)**

89. The balance of outstanding voluntary contributions receivable comprises pledges earmarked for specific activities.

90. All pledges that are outstanding are reviewed and an allowance is created for those that may be deemed irrecoverable.

91. Other receivables primarily include amounts due from employees or from United Nations and other entities for goods supplied, services rendered and operating lease arrangements. The balance mainly represents an exchange revenue arrangement

with a Government on judicial system construction and capacity-building activities (current: $5.065 million, non-current: $12 million).

Note 8
Advance transfers

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
United Nations Office for Project Services	1 299	2 245
Advances to other United Nations entities	3 147	1 601
Implementing partners (Colombia)	18 970	11 850
Other implementing partners	2 756	2 358
Total advance transfers (statement I)	**26 172**	**18 054**

92. Advance transfers represent the funds issued to implementing partners responsible for delivering programmes on behalf of UNODC. Advances are issued on the basis of established agreements and expensed when either the service delivery is confirmed through submission of certified financial reports by the partners or in the absence of reports, UNODC estimates an accrual for programme delivery after consultation with the responsible UNODC unit.

Note 9
Advances to the United Nations Development Programme and other assets

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Advances to UNDP and other United Nations entities	12 439	10 461
Advances to vendors	144	134
Advances to staff	2 493	1 461
Advances to other personnel	653	845
Deferred charges	141	318
Other assets	70	68
Total advances to UNDP and other assets (statement I)	**15 940**	**13 287**

93. Advances to staff include advances for salary and entitlements including travel advances.

94. Advances to UNDP and other United Nations entities are made within their capacity as service providers.

Note 10
Property, plant and equipment

95. The movements and balances for property, plant and equipment of UNODC as at 31 December 2019 are provided below:

2019 Movements and balances for property, plant and equipment

(Thousands of United States dollars)

	Buildings	*Leasehold improvements*	*Furniture and fixtures*	*Communication and information technology equipment*	*Vehicles*	*Machinery and equipment*	*Assets under construction*	*Total*
Cost								
As at 1 January 2019	500	–	126	2 079	10 260	2 198	8 034	23 197
Additions	178	–	–	403	2 750	3 260	4 986	11 577
Disposals[a]	(1 362)	–	(57)	(1 109)	(4 830)	(2 477)	–	(9 835)
Completed assets under construction	1 246	–	–	–	–	–	(1 553)	(307)
Transfers	–	307	–	–	–	–	–	307
Cost as at 31 December 2019	**562**	**307**	**69**	**1 373**	**8 180**	**2 981**	**11 467**	**24 939**
Accumulated depreciation								
Opening at 1 January 2019	393	–	57	1 109	6 346	719	–	8 624
Depreciation	27	15	–	68	377	70	–	557
Disposals[a]	–	–	(57)	(92)	(907)	(75)	–	(1 131)
Transfers	–	–	–	–	–	–	–	–
Accumulated depreciation as at 31 December 2019	**420**	**15**	**–**	**1 085**	**5 816**	**714**	**–**	**8 050**
Net carrying amount								
Opening at 1 January 2019	107	–	69	970	3 914	1 479	8 034	14 573
As at 31 December 2019 (statement I)	**142**	**292**	**69**	**288**	**2 364**	**2 267**	**11 467**	**16 889**

[a] Disposals include the assets transferred to end beneficiaries as part of UNODC programme delivery.

2018 Movements and balances for property, plant and equipment

(Thousands of United States dollars)

	Buildings	*Furniture and fixtures*	*Communications and information technology equipment*	*Vehicles*	*Machinery and equipment*	*Assets under construction*	*Total*
Cost							
As at 1 January 2018	504	362	1 447	9 674	2 079	5 899	19 965
Additions	(4)	69	946	2 045	1 028	2 135	6 219
Disposals[a]	–	(305)	(314)	(1 459)	(909)	–	(2 987)
Completed assets under construction	–	–	–	–	–	–	–
Cost as at 31 December 2018	**500**	**126**	**2 079**	**10 260**	**2 198**	**8 034**	**23 197**
Accumulated depreciation							
As at 1 January 2018	370	45	992	6 706	648	–	8 761
Depreciation	23	12	128	395	72	–	630
Disposals[a]	–	–	(11)	(755)	(1)	–	(767)
Transfers	–	–	–	–	–	–	–
Accumulated depreciation as at 31 December 2018	**393**	**57**	**1 109**	**6 346**	**719**	**–**	**8 624**
Net carrying amount							
As at 1 January 2018	134	317	455	2 968	1 431	5 899	11 204
As at 31 December 2018 (statement I)	**107**	**69**	**970**	**3 914**	**1 479**	**8 034**	**14 573**

[a] Disposals include the assets transferred to end beneficiaries as part of UNODC programme delivery.

96. As at the end of 31 December 2019, UNODC held a total of $16.889 million (2018: $14.573 million) in property, plant and equipment. The increase in net assets of $2.316 million (2018: increase $3.369 million) from prior period was attributable mainly to the purchase of machinery and equipment, and assets under construction for the purpose of programme delivery.

97. UNODC enters into construction works such as building prisons, police stations and courthouses for the benefit of Member States and other end beneficiaries. Once completed, these assets are handed-over to the local governments, and the ownership of the property is then fully transferred. During 2019, there were construction projects amounting to $1.246 million completed and transferred to end beneficiaries. In addition, a UNODC field office refurbished their leased office premises for security improvements in the amount of $0.307 million. This amount is reflected in the column "Leasehold improvement" in the table above. Ongoing construction projects amounting to $11.466 million at the end of 2019 are anticipated to be completed in 2020 and beyond, after which they will be handed over to the beneficiaries.

Note 11
Intangibles

(Thousands of United States dollars)

	Software internally developed	*Assets under development*	*Total*
Cost as at 31 December 2018	1 104	–	1 104
Additions	–	–	–
Disposals	–	–	–
Completed assets under development	–	–	–
Cost as at 31 December 2019	**1 104**	**–**	**1 104**
Accumulated amortization as at 31 December 2018	633	–	633
Amortization	221	–	221
Impairment and write-offs in year	–	–	–
Accumulated amortization as at 31 December 2019	**854**	**–**	**854**
Net carrying amount			
31 December 2018	471	–	471
31 December 2019 (statement I)	**250**	**–**	**250**

98. As part of its programme delivery, UNODC has developed several software products, namely goAML, goCase and goPRS. These software products are provided for use by Member States and other international organizations under service-level agreements.

Note 12
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Vendor payables	7 406	5 944
Transfers payable	4 592	–
Payables to other United Nations entities	318	47
Accruals for goods and services	12 986	11 067
Other	4 693	16 673
Subtotal	**29 995**	**33 731**
Accounts payable, Member States and Governments	5 118	9 945
Total accounts payable and accrued liabilities, current (statement I)	**35 113**	**43 676**
Non-current Accounts payable, Member States and Governments	12 000	–
Total accounts payable and accrued liabilities, non-current (statement I)	**12 000**	**–**

99. Transfers payable represent the unspent balance owed to donors for non-exchange transactions.

100. Other includes $0.905 million in payables to the European Union under conditional liability arrangements (2018 $12.275 million).

101. Accounts payable, Member States and Governments, current and non-current, include $17.065 million in liabilities on exchange revenue arrangements for the cash not yet received; the contra amount is reported within other receivables (see note 7).

Note 13
Advance receipts

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
United Nations Interregional Crime and Justice Research Institute training fees	81	86
National Drug Control System	920	748
Various software products for Member States and Governments	8 032	6 682
Judicial systems construction and capacity-building	23 450	20 104
Other advance receipts	2 837	33
Total advance receipts (statement I)	**35 320**	**27 653**

102. Advance receipts consist of deferred income relating to amounts received for exchange transactions not yet implemented.

Note 14
Employee benefits liabilities

Summary of employee benefits liabilities as at 31 December 2019

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2019*
After-service health insurance	368	80 255	80 623
Annual leave	754	9 800	10 554
Repatriation benefits	1 579	16 774	18 353
Subtotal: defined benefits liabilities	**2 701**	**106 829**	**109 530**
Accrued salaries and allowances	2 474	5 023	7 497
Total employee benefits liabilities (statement I)	**5 175**	**111 852**	**117 027**

Summary of employee benefits liabilities as at 31 December 2018

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2019*
After-service health insurance	744	87 218	87 962
Annual leave	506	7 328	7 834
Repatriation benefits	945	13 464	14 409
Subtotal: defined benefits liabilities	**2 195**	**108 010**	**110 205**
Accrued salaries and allowances	1 389	5 003	6 392
Total employee benefits liabilities (statement I)	**3 584**	**113 013**	**116 597**

103. UNODC began the funding of after-service health insurance liabilities on its voluntary funded activities by imposing a levy on the net base salary with effect from December 2012. The current levy for after-service insurance on voluntary funded activity is 9 per cent of the gross salary.

104. The $80.623 million after-service health insurance liability comprises $19.177 million regular budget liabilities and $61.446 million non-regular budget liabilities. As of 31 December 2019, $38.001 million (2018: $31.334 million) of the non-regular budget liabilities have been funded.

105. On 23 December 2015, the General Assembly adopted resolution 70/244, by which it approved certain changes to the 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 affect the calculation of long-term and end-of-service employee benefits liabilities. In addition, a revised education grant scheme has been implemented that affects the computation of that short-term benefit. The impact of these changes is explained as follows:

Change	*Details*
Increase in mandatory age of separation	The mandatory age of retirement for staff who joined UNODC on or after 1 January 2014 is 65. For those who joined before 1 January 2014, the mandatary age of separation has been raised from 60 or 62 to 65 years from 1 January 2018. This change is expected to affect future calculations of employee benefits liabilities.
Unified salary structure	A unified salary scale for internationally recruited staff (Professional and Field Service categories) went into effect on 1 July 2016. Previously, the salary scales were based on single or dependency rates. Those rates affected staff assessment and post adjustment amounts. The unified salary scale resulted in the elimination of single and dependency rates, and 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 change in salary scale did not result in reduced payments for staff members. However, it is expected to affect future valuation of the repatriation benefit and the commuted annual leave benefit.
Repatriation benefit	Staff members are eligible to receive a repatriation grant upon separation provided they have served for at least one year in a duty station outside their country of nationality. The General Assembly has since revised eligibility for the repatriation grant from one year to five years of service for prospective employees, while current employees retain the one-year eligibility. This change in eligibility criteria was implemented effective July 2016 and is expected to affect future calculations of employee benefits liabilities.

106. The policy changes above were taken into consideration in the actuarial valuation conducted in 2019.

107. The liabilities arising from end-of-service/post-employment benefits are determined by independent actuaries and are established in accordance with the Staff Regulations and Rules of the United Nations. An actuarial valuation is usually undertaken every two years, with a roll-forward in the second year. The most recent full actuarial valuation was conducted as at 31 December 2019.

108. Location specific post-employment benefits for the end-of-service allowance for staff in the General Service category are calculated internally at UNODC and reported within accrued salaries and allowances. These amounted to $5.658 million for 2019 (2018: $5.046 million).

Actuarial valuation: assumptions

109. The principal actuarial assumptions used to determine the employee benefits obligations at 31 December 2019 are as follows.

Actuarial assumptions

(Percentage)

Assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates 31 December 2018	2.76	4.22	4.25
Discount rates 31 December 2019	2.18	3.10	2.53
Inflation, 31 December 2018	3.65–3.85	2.20	–
Inflation, 31 December 2019	3.65–3.85	2.20	–

110. Discount rates are calculated on the basis of a weighted blend of three discount rate assumptions based on the currency denomination of the different cash flows: United States dollars (Aon AA Above Median Curve), euros (Aon Hewitt AA Corp. Yield Curve) and Swiss francs (Aon Hewitt Swiss AA Corp (Excl. Regional) Yield Curve).

111. The 2019 actuarial valuation reports a net actuarial gain of $8.585 million, comprising a $14.214 million gain on after-service health insurance, a $3.371 million loss on repatriation benefits and a $2.258 million loss on annual leave. The actuarial gain for after-service health insurance is due mainly to the change of the per capita claim assumption, offset in part by the decrease of the discount rate, while the actuarial loss for repatriation benefits and annual leave is due to the decrease in the discount rate.

Movements in employee benefits liabilities accounted for as defined benefit plans

Reconciliation of opening to closing total defined-benefits liability

(Thousands of United States dollars)

	2019	*2018*
Net defined-benefits liability at 1 January	110 205	114 451
Current service cost	6 844	7 048
Interest cost	3 328	2 898
Benefits paid	(2 262)	(2 413)
Total net costs recognized in the statement of financial performance	**7 910**	**7 533**
Actuarial (gain)/losses recognized in the statement of changes in net assets	(8 585)	(11 779)
Net defined-benefits liability at 31 December	**109 530**	**110 205**

Discount rate sensitivity analysis

112. The changes in discount rates are driven by the discount curve, which is calculated on the basis of corporate bonds. The bond markets varied over the reporting period, which had an impact on the discount rate assumption. Should the assumption vary by 0.5 per cent, its impact on the obligations would be as shown below.

Discount rate sensitivity analysis: year-end employee benefits liabilities

(Thousands of United States dollars)

31 December 2019	*After-service health insurance*	*Repatriation grant*	*Annual leave*
Increase of discount rate by 0.5 per cent	(10 530)	(750)	(483)
As a percentage of end of year liability	(13)	(4)	(5)
Decrease of discount rate by 0.5 per cent	12 590	806	524
As a percentage of end-of-year liability	16	4	5

Medical costs sensitivity analysis

113. 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 resulting from changes in the medical cost rates while holding other assumptions, such as the discount rate, constant. Should the medical cost trend assumption vary by 0.5 per cent, this would have an impact on the measurement of the defined benefits obligations, as shown below.

(Thousands of United States dollars)

2019	*Effects on the defined benefits obligations*	*Effects on current service cost and interest cost*
Increase of discount rate by 0.5 per cent	12 056	1 222
As a percentage of end-of-year liability/service and interest cost	15.0	16.0
Decrease of discount rate by 0.5 per cent	(10 234)	(1 019)
As a percentage of end-of-year liability/service and interest cost	(12.7)	(13.3)

United Nations Joint Staff Pension Fund

114. The Regulations of the United Nations Joint Staff Pension Fund require that an actuarial valuation be made at least once every three years by the Consulting Actuary. In practice, the United Nations Joint Staff Pension Board has been carrying out an actuarial valuation every two years. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet the Fund's liabilities.

115. The financial obligation of UNODC 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 Fund. Such deficiency payments are only payable if and when the Assembly has invoked the provision of article 26. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date. Total contributions paid to the Pension Fund during the preceding three years (2016, 2017 and 2018) amounted to $6,931.39 million, of which 0.91 per cent was contributed by UNODC.

116. The actuarial valuation as at 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.

117. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2019, for deficiency payments under article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of reporting, the General Assembly had not invoked the provision of article 26.

118. In 2019, contributions paid to the Pension Fund by UNODC amounted to $16.673 million (2018: $14.976 million).

119. 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 United Nations Joint Staff Pension Board on the basis of an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets that are in excess of the liabilities is included in the amount.

120. The Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board on the audit every year. The Fund publishes quarterly reports on its investments, which are available on the Fund's website (www.unjspf.org).

Note 15
Provisions

121. Provisions are recorded for pending claims when it is determined that an unfavourable outcome is probable and the amount of the loss can be reasonably estimated. As at 31 December 2019, UNODC had a provision in the amount of $0.025 million which met the criteria.

Note 16
Conditional liabilities

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Liabilities (cash received)	44 847	42 999
Current liabilities (cash not received)	41 429	38 391
Total conditional liabilities, current (statement I)	**86 276**	**81 390**
Non-current liabilities (cash not received)	73 071	69 772
Total conditional liabilities, non-current (statement I)	**73 071**	**69 772**

122. Liabilities for conditional arrangements consist of cash received from the European Union and not yet utilized in the amount of $44.847 million (2018: $42.999 million). The liabilities for the cash not yet received has a contra amount reported within voluntary contributions receivable (other governmental organizations, see note 7).

Note 17
Net assets

(Thousands of United States dollars)

	Accumulated surpluses/(deficits) – unrestricted	*Accumulated surpluses/(deficits) – restricted*	*Total*
Net asset as at 1 January 2018	**11 701**	**586 683**	**598 384**
Change in net assets			
Transfers to/from unrestricted/restricted/ reserves	(8 818)	8 818	–
Actuarial gain/(loss)	11 779	–	11 779
Surplus/(deficit) for the year	12 279	64 596	76 875
Total as at 31 December 2018	**26 941**	**660 097**	**687 038**
Net asset as at 01 January 2019	**26 941**	**660 097**	**687 038**
Change in net assets			
Transfers to/from unrestricted/restricted/ reserves	(761)	761	–
Actuarial gain/(loss)	8 585	–	8 585
Surplus/(deficit) for the year	15 714	67 556	83 270
Total for 31 December 2019	**50 479**	**728 414**	**778 893**

123. The restricted balances consist of donor contributions earmarked for specific activities.

124. The net unrestricted balance consists of unearmarked project fund balances of $76.711 million (2018: $60.171 million) and a negative balance of $26.232 million (2018: negative $33.680 million) representing the unfunded end-of-service liability originating from the regular budget.

Note 18
United Nations regular budget allocation

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Revenue		
United Nations regular budget allocation	32 004	34 294
Expenditure		
Direct programme activities	22 615	23.963
Support (administrative) activities	9 389	10.331
Total expenditure (statement II)	**32 004**	**34 294**
Excess of income over expenditure	**–**	**–**

125. UNODC efforts financed by the regular budget of the United Nations encompass direct programme activities, namely executive direction and management, research, normative work, secretariat support to the intergovernmental bodies and the Commissions and substantive support to the International Narcotics Control Board.

126. Support activities represent administrative services, including finance, human resources and procurement, provided by the United Nations Office at Vienna to UNODC under section 29 of the regular budget of the United Nations. Activities under this caption represent 32.9 per cent of the total administrative budget of the United Nations Office at Vienna. The remainder of the administrative operations of the United Nations Office at Vienna (67.1 per cent) supports other Secretariat entities located in Vienna. For 2019, the expenses consisted of $20.953 million (2018: $22.590 million) under section 16, $0.711 million (2018: $0.860 million) under section 23, $6.347 million (2018: $7.395 million) under section 29G, $0.951 million (2018: $0.513 million) under section 35, $3.042 million (2018: $ 2.934 million) under section 36.

Note 19
Revenue from non-exchange transactions

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Voluntary contributions		
Voluntary contributions in cash	382 037	334 536
Voluntary contributions in kind	1 407	1 288
Total voluntary contributions received	**383 444**	**335 824**
Refunds	(8 289)	(3 522)
Net voluntary contributions received (statement II)	**375 155**	**332 302**
Other transfers and allocations		
Interorganizational arrangements	21 168	22 572
Total other transfers and allocations (statement II)	**21 168**	**22 572**

127. Voluntary contributions in kind reflect primarily donated rights to use for premises for UNODC field offices, typically provided by Governments.

128. Other transfers and allocations consist of interorganizational arrangements which are amounts received from other United Nations entities.

Services in-kind

129. In-kind contributions of services received during the year are not recognized as revenue and are, therefore, not included in the above voluntary contributions in kind. In-kind services above the materiality threshold received in 2019 consisted of free use of training facilities in the amount of $0.026 million (2018: $1.839 million). The decrease is due mainly to the discontinued satellite imaging in-kind services of $1.775 million in 2018.

Note 20
Other revenue

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Revenue from services rendered	10 119	6 388
Rental income	92	80
Revenue producing activities and other miscellaneous revenue	394	14
Total other revenue (statement II)	**10 605**	**6 482**

130. Other revenue represents exchange revenue.

131. Revenue from services rendered, consists mainly of the provision of software support and maintenance to Member States and Governments, and training of individuals and other support services to the UNODC governing bodies. It also includes judicial system construction and capacity-building activities for Governments under exchange revenue arrangements.

Note 21
Financial instruments and financial risk management

(Thousands of United States dollars)

Financial Instruments	*31 December 2019*	*31 December 2018*
Financial assets		
Fair value through the surplus or deficit		
Short-term investments, main pool	449 831	602 265
Short-term investments, euro pool	–	–
Total short-term investments	449 831	602 265
Long-term investments, main pool	140 117	46 648
Total long-term investments	**140 117**	**46 648**
Total fair value through the surplus or deficit investments	**589 948**	**648 913**
Loans and receivables		
Cash and cash equivalents, main pool	215 632	70 232
Cash and cash equivalents, euro pool	–	–
Cash and cash equivalents, other	43	44
Cash and cash equivalents	**215 675**	**70 276**
Voluntary contributions	254 295	251 661
Other receivables	18 556	8 891
Other assets (excluding advances and deferred charges)	–	–
Total loans and receivables	**272 851**	**260 552**
Total carrying amount of financial assets	**1 078 474**	**979 741**
Of which relates to financial assets held in main pool	805 580	719 145
Of which relates to financial assets held in euro pool	–	–

Financial Instruments	*31 December 2019*	*31 December 2018*
Financial liabilities at amortized cost		
Accounts payable and accrued payables (excluding deferred payables)	47 113	43 676
Other liabilities (excluding conditional liabilities)	–	–
Total carrying amount of financial liabilities	**47 113**	**43 676**
Summary of net income from financial assets		
Investment revenue	19 179	13 495
Total net income from financial assets (statement II)	**19 179**	**13 495**

Financial risk management: overview

132. UNODC has exposure to the following financial risks:

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk.

133. The present note provides information on the exposure of UNODC to those risks, the objectives, policies and processes for measuring and managing risk, and the management of capital.

Risk management framework

134. The risk management practices of the United Nations are in accordance with its Financial Regulations and Rules and Investment Management Guidelines. The United Nations defines the capital that it manages as the aggregate of its net assets, which comprises accumulated fund balances and reserves. Its objectives are to safeguard its ability to continue as a going concern, to fund its asset base and to accomplish its objectives. The United Nations 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

135. Credit risk is the risk of financial loss resulting from a counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises from cash and cash equivalents, investments and deposits with financial institutions, as well as credit exposure to outstanding receivables. The carrying value of financial assets less allowances for doubtful receivables is the maximum exposure to credit risk.

136. The investment management function is centralized at United Nations Headquarters. Other areas are not permitted, in normal circumstances, to engage in investing. An area may receive exceptional approval when conditions warrant investing locally under specified parameters that comply with the United Nations Investment Management Guidelines.

137. UNODC contributions receivable are due mainly from Member States and other United Nations entities that do not have significant credit risk.

138. UNODC evaluates the allowance for doubtful receivables at each reporting date and establishes such an allowance when there is objective evidence that UNODC will not collect the full amount due. The movement in the allowances account during the year is shown in note 7.

139. UNODC had cash and cash equivalents of $215.675 million as at 31 December 2019, which is the maximum credit exposure on these assets.

Liquidity risk

140. Liquidity risk is the risk that UNODC might not have adequate funds to meet its obligations as they fall due. The approach of UNODC and the United Nations to managing liquidity is to ensure that there will always be sufficient liquidity to meet liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Organization's reputation.

141. The Financial Regulations and Rules require that expenses be incurred only after receipt of funds from donors, thereby considerably reducing the liquidity risk with regard to contributions. Exceptions to allow incurring expenses prior to the receipt of funds are only permitted if specified risk management criteria are adhered to with regard to the amounts receivable.

142. UNODC and United Nations Headquarters perform cash flow forecasting and monitor rolling forecasts of liquidity requirements to ensure that sufficient cash is available to meet operational needs. Investments are made by Headquarters with due consideration to the cash requirements for operating purposes based on cash flow forecasting. Headquarters maintains a large portion of UNODC apportioned investments in cash equivalents and short-term investments sufficient to cover the Office's commitments as and when they fall due.

143. The exposure to liquidity risk of financial liabilities is based on the notion that UNODC may encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely owing to the receivables, cash and investments available to UNODC and internal policies and procedures put in place to ensure that there are appropriate resources to meet its financial obligations.

Market risk

144. 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 income of UNODC 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 Office's fiscal position.

145. Interest rate risk is the risk of variability in financial instruments' fair values or future cash flows due to a change in interest rates. In general, as an interest rate rises, 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 longer the duration, the greater the interest rate risk. The main exposure to interest rate risk relates to the cash pools.

146. 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. UNODC has transactions, assets and liabilities in currencies other than in its functional currency and is exposed to currency risk arising from fluctuations in exchange rates.

147. The financial assets and liabilities of UNODC are primarily denominated in United States dollars. Non-United States dollar financial assets primarily relate to voluntary contributions, in addition to cash and cash equivalents, and receivables held to support local operating activities where transactions are made in local currencies. UNODC maintains a minimum level of assets in local currencies, and whenever possible maintains bank accounts in United States dollars.

148. The most significant exposure to currency risk relates to the cash pool, cash, cash equivalents and voluntary contributions. As at the reporting date, the non-United States dollar denominated balances in these financial assets were primarily in euros and Norwegian krone.

Currency exposure as at 31 December 2019

(Thousands of United States dollars)

	USD	*Euro*	*NOK*	*Others*	*Total*
Short-term investments	449 831	–	–	–	449 831
Long-term investments	140 117	–	–	–	140 117
Cash and cash equivalents, cash pools	215 632	–	–	–	215 632
Cash and cash equivalents, other	2	–	–	41	43
Subtotal cash pool	**805 582**	**–**	**–**	**41**	**805 623**
Voluntary contributions	82 435	121 709	19 560	30 591	254 295
Other receivables	18 151	–	–	405	18 556
Total	**906 168**	**121 709**	**19 560**	**31 037**	**1 078 474**

149. A strengthening or weakening of the euro exchange rate as at 31 December 2019 would have affected the measurement of investments denominated in a foreign currency and increased or decreased the net assets and surplus or deficit by the amounts shown in the table below. This analysis is based on foreign currency exchange rate variances considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

Currency exposure sensitivity analysis as at 31 December 2019

(Thousands of United States dollars)

	Net assets/surplus or deficit	
	Strengthening	*Weakening*
Euro (10 per cent movement)	12 171	(12 171)
Norwegian krone (10 per cent movement)	1 956	(1 956)
Other (10 per cent movement)	3 104	(3 104)

Other market price risk

150. UNODC is not exposed to significant other market price risk as it has limited exposure to price-related risk linked to expected purchases of certain commodities used regularly in operations. Therefore, a change in those prices can only alter cash flows by an immaterial amount.

Accounting classifications and fair value

151. Owing to the short-term nature of cash and cash equivalents, including cash pool term deposits, receivables and payables, carrying value is a fair approximation of fair value. The carrying value of investments carried at fair value through surplus or deficit is fair value as these are predominately cash pool assets.

Cash pools

152. In addition to directly held cash and cash equivalents, UNODC participates in the United Nations Treasury cash pools. The United Nations Treasury is responsible for investment and risk management for the cash pools, including conducting investment activities in accordance with the Investment Management Guidelines.

153. The objective of investment management is to preserve capital and ensure sufficient liquidity to meet operating cash requirements while attaining a competitive market rate of return on each investment pool. Investment quality, safety and liquidity are emphasized over the market rate of return component of the objectives.

154. An investment committee periodically evaluates investment performance and assesses compliance with the Guidelines and makes recommendations for updates thereto.

155. Pooling of funds has a positive effect on overall investment performance and risk because of economies of scale, and the ability to spread yield curve exposures across a range of maturities. The allocation of cash pool assets (cash and cash equivalents, short-term investments and long-term investments) and revenue is based on each participating entity's principal balance.

156. UNODC participates in two United Nations Treasury managed cash pools, specifically:

(a) The main pool, which comprises operational bank account balances in a number of currencies and investments in United States dollars;

(b) The euro pool, which comprises investments in euros. The pool participants are mostly offices of the Secretariat away from Headquarters that may have a surplus of euros from their operations.

157. As at 31 December 2019, the cash pools held total assets of $9,339.362 million (2018: $7,504.814 million), of which $805.580 million was due to the Office (2018: $719.145 million), and its share of revenue from cash pools was $19.179 million (2018: $13.495 million).

Summary of assets and liabilities of the main pool as at 31 December 2019

(Thousands of United States dollars)

	Main pool
Fair value through the surplus or deficit	
Short-term investments	5 177 137
Long-term investments	1 624 405
Total fair value through the surplus or deficit investments	**6 801 542**
Loans and receivables	
Cash and cash equivalents	2 499 980
Accrued investment revenue	37 868
Total loans and receivables	**2 537 848**
Total carrying amount of financial assets	**9 339 390**

	Main pool
Cash pool liabilities	
Payable to UNODC	805 580
Payable to other cash pool participants	8 533 810
Total liabilities	**9 339 390**
Net assets	**–**

Summary of revenue and expenses of the main pool for the year ended 31 December 2019

(Thousands of United States dollars)

	Main pool
Investment revenue	198 552
Unrealized gains/(losses)	14 355
Investment revenue from main pool	**212 907**
Foreign exchange gains/(losses)	3 313
Bank fees	(808)
Operating gains (losses) from main pool	**2 505**
Revenue and expenses from main pool	**215 412**

Summary of assets and liabilities of the cash pools as at 31 December 2018

(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Fair value through the surplus or deficit			
Short-term investments	6 255 379	–	6 255 379
Long-term investments	486 813	–	486 813
Total fair value through the surplus or deficit investments	**6 742 192**	**–**	**6 742 192**
Loans and receivables			
Cash and cash equivalents	732 926	5 706	738 632
Accrued investment revenue	29 696	–	29 696
Total loans and receivables	**762 622**	**5 706**	**768 328**
Total carrying amount of financial assets	**7 504 814**	**5 706**	**7 510 520**
Cash pool liabilities			
Payable to UNODC	719 145	–	719 145
Payable to other cash pool participants	6 785 669	5 706	6 791 375
Total liabilities	**7 504 814**	**5 706**	**7 510 520**
Net assets	**–**	**–**	**–**

Summary of revenue and expenses of the Cash Pools for the year ended 31 December 2018

(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Investment revenue	153 289	(6)	153 283
Unrealized gains (losses)	3 836	–	3 836
Investment revenue from cash pools	**157 125**	**(6)**	**157 119**
Financial exchange gains (losses)	860	6 025	6 885
Bank fees	(805)	–	(805)
Operating expenses from cash pools	**55**	**6 025**	**6 080**
Revenue and expenses from cash pools	**157 180**	**6 019**	**163 199**

Note 22
Employee salaries, allowances and benefits

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Salary and wages	95 562	93 046
Pension, insurance and other benefits	30 240	26 972
Total employee salaries, allowances and benefits (statement II)	**125 802**	**120 018**

158. Employee salaries, allowances and benefits include salaries, post adjustments, entitlements, pensions, health plans and travel costs relating to home leave, education grant, assignment, separation and annual leave.

Note 23
Non-employee compensation and allowances

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
United Nations volunteers	2 374	1 442
Consultants and contractors	31 425	26 889
Non-employee, other	29 721	30 426
Total non-employee compensation and allowances (statement II)	**63 520**	**58 757**

159. Non-employee costs refer to contracted services from individuals on the basis of time or delivery of defined outputs. Such contracts do not carry the employment benefits to which United Nations staff are entitled.

Note 24
Grants and other transfers

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Grants to end beneficiaries, direct	3 897	4 185
Grants to end beneficiaries, indirect	–	(6)
Transfers to implementing partners	56 146	29 051
Total (statement II)	**60 043**	**33 230**

160. Expenses under transfers to implementing partners relate to programmatic delivery executed on behalf of UNODC by other organizations. The amount of $56.146 million (2018: $29.051 million) represents the work delivered for the year 2019 on the basis of certified financial reports provided by the implementing partners. In the absence of certified reports, UNODC estimated the work performed by reference to the duration of the agreement and in consultation with the responsible programme managers. Related outstanding advances, that is cash transfers to implementing partners for which work had yet to be delivered as at 31 December 2019, are shown as advance transfers in statement I (see note 9 for details). Within the total of $60.043 million programmatic delivery by implementing partners, $41.559 million (2018: $16.372 million) relates to grant awards to farming cooperatives under the alternative livelihoods programmes in Colombia.

Note 25
Supplies and consumables

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Fuel and lubricants	233	248
Rations	13	35
Spare parts	635	455
Consumables	4 750	5 196
Total supplies and consumables (statement II)	**5 631**	**5 934**

Note 26
Other operating expenses

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Contracted services	49 679	43 549
Acquisitions of goods	9 077	7 297
Acquisitions of intangible assets	250	340
Rent of offices and premises	6 488	5 015
Rental of equipment	241	252
Bad debt expense	887	9 671
Net foreign exchange losses	2 269	3 393
Other/miscellaneous operating expenses	10 621	4 250
Total other operating expenses (statement II)	**79 512**	**73 767**

161. Contracted services under other operating expenses consist of various services by individuals or institutions. Within the total of $49.702 million, $20.193 million (2018: $18.052 million) represents various contracted services for the facilitation of meetings, workshop and travel services, and $9.116 million (2018: $10.438 million) for communications and information technology services.

162. Acquisitions of goods comprise mainly low value items for use by UNODC and end beneficiaries as part of programme delivery.

163. Bad debt expense totalling $0.887 million consists of $2.002 million in write-offs of uncollected pledges and other receivables (2018: $10.488 million), a decrease in the allowance for doubtful debts of $1.142 million (2018: decrease $0.845 million) and a write-off of an advance of $0.027 million. The write-offs of uncollected pledges consist of $1.227 million from Mexico, $0.201 million from United States of America, $0.166 million from UNDP, $0.124 million from Canada, $0.099 million from the Netherlands, $0.055 million from the Swiss Cooperation Office, $0.041 million from the United Kingdom of Great Britain and Northern Ireland, $0.034 million from Colombia, $0.025 million from the United Nations Population Fund and $0.010 million from other donors.

164. Other/miscellaneous operating expenses includes $8.705 million in donations/transfers of assets (2018: $2.219 million).

Note 27
Other expenses

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Contributions in-kind	1 407	1 288
Other/miscellaneous expenses	13	29
Total other expenses (statement II)	**1 420**	**1 317**

Note 28
Related parties

Key Management Personnel

165. The key management personnel of UNODC are the Executive Director, the directors of the four UNODC divisions and the director of the United Nations Interregional Crime and Justice Research Institute, as they all have authority and responsibility for planning, directing and controlling the activities of UNODC. Their compensation is as follows:

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Salary and post adjustment	1 047	1 029
Other monetary entitlements	167	253
Non-monetary benefits	306	266
Total remuneration for the period	**1 520**	**1 548**

166. Key management personnel earn post-employment benefits at the same level as other employees. With the exception of Pension Fund benefits, post-retirement benefits cannot be reliably quantified.

167. Entitlements include mobility and hardship allowance, home leave and rental subsidy.

168. The key management personnel do not hold any other interests in UNODC.

Note 29
Leases and commitments

Operating leases

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Due in less than one year	668	979
Due in one to five years	–	432
Total minimum operating lease obligations	**668**	**1 411**

169. The total minimum operating lease obligations in 2019 of $0.668 million (2018: 1.411 million) consist of the non-cancellable portion of rental agreements in various UNODC field offices. The decrease is due to expired and amended rental agreements. The average remaining duration of the rental agreements is 17 months and the remaining duration until UNODC can opt for termination is five months.

170. As of 31 December 2019, UNODC had no financial leases.

Contractual commitments

171. As at the reporting date, the commitments for property, plant and equipment, intangible assets and goods and services contracted but not delivered increased to $33.872 million (2018: $17.939 million) owing to higher operational activity.

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Property, plant and equipment	2 606	1 911
Goods and services	31 266	16 028
Total open contractual commitments	**33 872**	**17 939**

Note 30
Contingent liabilities and contingent assets

172. A contingent liability arises where there is significant uncertainty about a number of aspects regarding the liability. At 31 December 2019, UNODC had no contingent liabilities.

Note 31
Events after the reporting date

173. The reporting date for these financial statements is 31 December 2019 and they were authorized for issuance by the Executive Director of UNODC on 31 March 2020, on which date they were also submitted to the Board of Auditors. All information relevant to the preparation of the financial statements was considered in the present document.

174. In January 2020, WHO declared the COVID-19 outbreak to be a public health emergency. The emergence and spread of COVID-19 has affected business and economic activities globally.

175. At the date of signing these financial statements, the impact of the COVID-19 break may be characterized as a material event, which has occurred since 31 December 2019. The financial effect cannot be reliably measured or assessed at this stage; however, UNODC does not envisage that the COVID-19 pandemic will have an impact on the organization’s ability to continue operating as a going concern. The financial impact cannot be measured or assessed at this early stage.

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