**United Nations**

## United Nations Office on Drugs and Crime

# Financial report and audited financial statements

## for the year ended 31 December 2020

## and

# Report of the Board of Auditors

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

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Official Records
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A/76/5/Add.10

**United Nations Office on Drugs and Crime**

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# Report of the Board of Auditors

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*Note*

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

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# Contents

# Letters of transmittal

## Letter dated 31 March 2021 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 United Nations Office on Drugs and Crime financial rule 406.3, I have the honour to transmit the financial statements of the United Nations Office on Drugs and Crime for the year ended 31 December 2020, 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 22 July 2021 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors, together with the financial report and the audited financial statements of the United Nations Office on Drugs and Crime for the year ended 31 December 2020.

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors

# Chapter I

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

### Opinion

We have audited the financial statements of the United Nations Office on Drugs and Crime (UNODC), which comprise the statement of financial position (statement I) as at 31 December 2020 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 financial statements present fairly, in all material respects, the financial position of UNODC as at 31 December 2020 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 2020, 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 it 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*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors
(Lead Auditor)

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

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

22 July 2021

# Chapter II
# Long-form report of the Board of Auditors


*Summary*

The United Nations Office on Drugs and Crime (UNODC) was 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.

The Board of Auditors has audited the financial statements and reviewed the operations of UNODC for the year ended 31 December 2020. The interim audit was carried out remotely from 26 October to 4 December 2020 for UNODC headquarters, from 25 January to 19 February 2021 for the Regional Office for the Middle East and North Africa and for the country office in Afghanistan, from Santiago, Chile, owing to the coronavirus disease (COVID-19) pandemic. The final audit of the financial statements was also carried out remotely from Santiago, Chile, from 12 April to 7 May 2021 at UNODC headquarters. The audit was conducted in accordance with General Assembly resolution 74 (I), of 7 December 1946, and in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the International Standards on Auditing. In the present report, the Board presents the main findings and recommendations arising from our work.

**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 2020 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 under regulation 7.5 of the Financial Regulations and Rules of the United Nations, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations.

The Board also reviewed a detailed follow-up of 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 2020 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 2020. However, the Board identified scope for improvements in the areas of financial management, mandate and organizational structure, programme and projects and information and communications technology.

### Key findings

The Board's key findings are as follows:

*Full Cost Recovery at the UNODC country office in Afghanistan*

The Board noted, as a trend, that during the years 2018, 2019 and 2020, the UNODC country office in Afghanistan presented "concerning" and "critical" tiers with regard to the full cost recovery barometer developed as a risk management tool to provide senior management with regular updates on programme delivery, funding prospects and cost structures in place, holding the highest full cost recovery rate among the UNODC field offices during November 2020.

*Enterprise risk management process*

The Board reviewed the risk assessment for UNODC, in place for the financial year 2020, and identified that neither a comprehensive risk treatment nor a response plan were in place regarding ethical behaviour, information resources and information technology, legal, regulatory, accounting and reporting issues. In addition, the treatment of risks of fraud in fraudulent financial and non-financial reporting, corruption, misappropriation of intangible assets and other illegal acts could not be identified. The last update to the risk register was made in 2019, and in 2020 no emerging risks were properly reflected, such as those related to the COVID-19 pandemic.

*Field offices network structure*

The Board noted that the guidance note, which governs the field network structure of UNODC, was outdated and did not properly reflect the major changes in the past eight years. For instance, neither descriptions nor further details for the liaison offices and liaison and partnership offices were included in the note, nor was geographical coverage presented to reflect the changes over the years for most of the regional offices.

*Non-compliance with evaluation deadlines*

The Board assessed the compliance with the evaluation policy of all projects and programmes carried out in UNODC to date and noted that 20 out of 57 ongoing projects ending on 31 December 2020 had not been evaluated within the stipulated deadlines.

*Information security awareness course*

The Board reviewed the completion of the information security awareness course, after the report of the UNODC Information Technology Service, which showed an increasing number of reported incidents of spam, phishing and social engineering. The Board also noted that 99 out of a total of 703 staff members had not completed the mandatory course within three months of their entry into service.

**Main recommendations**

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

*Full cost recovery at the UNODC country office in Afghanistan*

(a) **Together with the UNODC country office in Afghanistan, continue to take the measures related to the critical full cost recovery tier faced by the country office and manage the actions tending to approach a desirable or manageable full cost recovery level;**

*Enterprise risk management process*

(b) **Carry out a risk assessment in the strategic, governance, compliance, operations and financial pillars, as included in the Secretariat's risk universe, and update the risk register and the risk response and treatment plan accordingly;**

(c) **Update the risk areas and/or categories on the risk register and risk profile as a product of the consideration of new emerging risks;**

*Field offices network structure*

(d) **Define, through a formal document and in a comprehensive way, the form, duties, responsibilities, expected results and geographical coverage for its field network structure;**

*Non-compliance with evaluation deadlines*

(e) **Carry out the mandatory evaluations as required under the current evaluation policy, especially with those projects with no evaluation performed during their life cycle;**

(f) **Assess whether current deadlines for the programme and/or project evaluations remain applicable, in order to build this process more realistically and achievably within the life cycle of the programmes and/or projects. If not, the evaluation policy should be updated and aligned with the specific needs of UNODC;**

*Information security awareness course*

(g) **Make the necessary efforts to ensure the completion of the mandatory information security awareness course by its staff members;**

(h) **Remind its staff members of the mandatory courses and their duty to comply with that requirement on a regular basis.**

**Follow-up of previous recommendations**

The Board noted that there were 41 outstanding recommendations in the year ended 31 December 2019, of which 25 (61 per cent) had been fully implemented, 15 (37 per cent) were under implementation and one (2 per cent) was overtaken by events. Details regarding the status of implementation of previous years' recommendations are provided in the annex to chapter II.

| Key facts | |
|---|---|
| **Core staff of 613 from 80 locations** | |
| **$391.40 million** | Revenue in 2020 |
| **$333.10 million** | Expenses in 2020 |
| **$58.30 million** | Surplus for the year |
| **$1,223.10 million** | Assets |
| **$396.80 million** | Liabilities |
| **$826.30 million** | Net assets |
| **$297.70 million** | Extrabudgetary resources in 2020 (revised) |
| **$22.30 million** | Regular budget in 2020 (revised) |

## 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. UNODC had, as at December 2020, approximately 480 international and 205 local staff members worldwide and operated in more than 115 physical office locations around the world, covering over 80 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 2020, 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 2020 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenditure recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations.

4. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the

extent that the Board considered necessary to form an opinion on the financial statements.

5. The Board also reviewed 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.

6. The audit was carried out remotely owing to travel restrictions following the COVID-19 pandemic. The Board adjusted its processes of analysis and utilized alternative audit procedures to obtain reasonable assurance. It is the Board's view that this remote audit was performed as an exception under unique circumstances and should not be viewed as a standard occurrence in future audits.

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

## B. Findings and recommendations

### 1. Follow-up of previous recommendations

8. The Board noted that there were 41 outstanding recommendations up to the year ended 31 December 2019, of which 25 (61 per cent) had been fully implemented, 15 (37 per cent) were under implementation and one (2 per cent) was overtaken by events. Details of the status of implementation of the previous years' recommendations are presented in the annex to chapter II. Table II.1 sets out the status of implementation of recommendations for the financial statements as reported by UNODC.

Table II.1
**Status of implementation of recommendations**

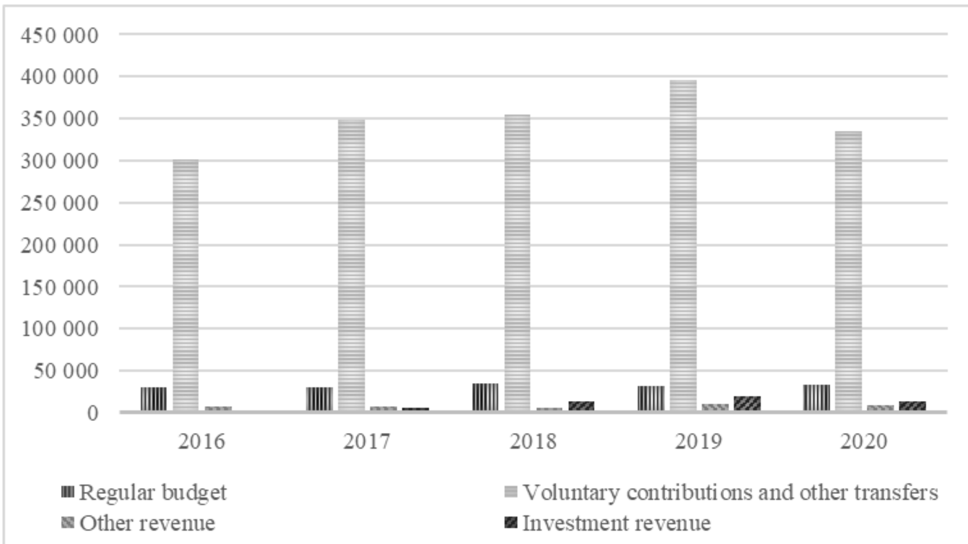
| *Report and audit year* | *Number of recommendations* | *Recommendations pending as at 31 December 2019* | *Implemented* | *Under Implementation* | *Not Implemented* | *Overtaken by events* | *Recommendations pending as at 31 December 2020* |
|---|---|---|---|---|---|---|---|
| A/70/5/Add.10, chap. II (2014) | 14 | 1 | 1 | – | – | – | – |
| A/71/5/Add.10, chap. II (2015) | 17 | 1 | – | 1 | – | – | 1 |
| A/72/5/Add.10, chap. II (2016) | 24 | 2 | – | 2 | – | – | 2 |
| A/73/5/Add.10, chap. II (2017) | 49 | 18 | 14 | 4 | – | – | 4 |
| A/74/5/Add.10, chap. II (2018) | 10 | 6 | 2 | 3 | – | 1 | 3 |
| A/75/5/Add.10, chap. II (2019) | 13 | 13 | 8 | 5 | – | – | 5 |
| **Total number of recommendations** | **127** | **41** | **25** | **15** | – | **1** | **15** |

9. The Board acknowledges management's efforts towards the implementation of its recommendations, especially with regard to the earliest pending recommendation pertaining to the report for the year ended 31 December 2014, which had been implemented during the current audit period. Nevertheless, actions must still be taken by UNODC to address the recommendations that are under implementation.

## 2. Financial overview

10. The outbreak of the COVID-19 pandemic in 2020 broke the upward trend in voluntary contributions and other transfers income, as presented in figure II.I below. In this regard, it can be noted that during 2020, when that amount stood at $334.84 million, it had decreased by 15.51 per cent in comparison with the previous year (2019: $396.32 million). A similar situation can be noted for investment revenue and revenue from other activities: both items had also declined, from $19.20 million to $13.84 million and from $10.61 million to $8.92 million, respectively.

Figure II.I
**Composition of United Nations Office on Drugs and Crime income in 2016–2020**
(Thousands of United States dollars)



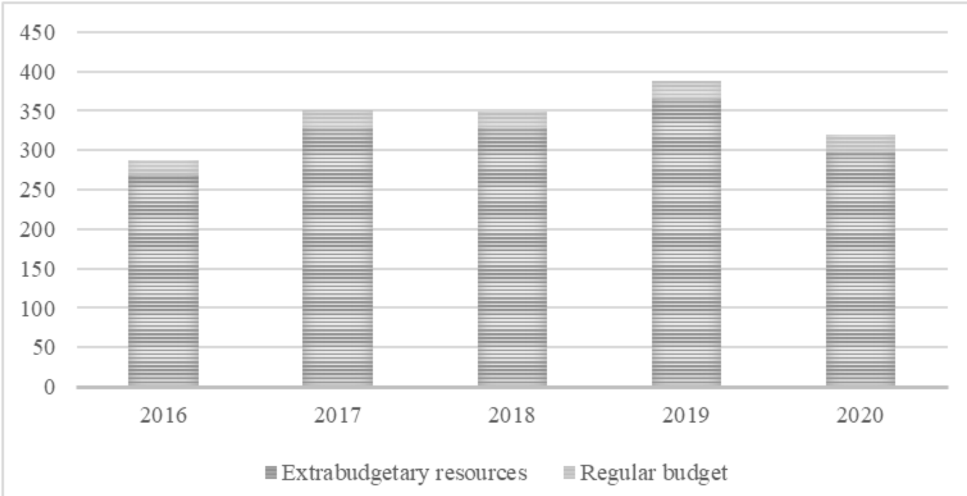

*Source*: UNODC statement of financial performance for the years 2016 to 2020.

11. In 2020, total revenue amounted to $391.43 million (2019: $458.11 million), while expenses for the year were $333.10 million (2019: $374.84 million), resulting in a surplus of $58.33 million (2019: $83.27 million). The decrease in expenses was mainly attributable to a decline in travel expenses caused by the worldwide restrictions on the movement of personnel as a consequence of the COVID-19 pandemic, from $38.14 million in 2019 to $9.09 million in 2020.

12. The Board also noted a significant growth in the total of net receivables outstanding for one year or longer, from $0.004 million in 2019 to $9.017 million in 2020, as a result of the lower contribution received during the same year. In addition, the allowances for doubtful receivables that were outstanding and might be deemed irrecoverable also increased from $3.47 million in 2019 to $5.23 million in 2020.

13. The revised budget for 2020 amounted to $320.0 million, of which $297.7 million (93 per cent) comprises extrabudgetary resources, while regular budget resources amounted to $22.3 million (7 per cent). Figure II.II below shows the revised budget for UNODC over the past five years, highlighting, as a trend, the dependence of UNODC on extrabudgetary resources with respect to its total budget.

Figure II.II
**Composition of United Nations Office on Drugs and Crime revised budget in 2016–2020**
(Millions of United States dollars)




*Source*: UNODC statement of comparison of budget and actual amounts from the years 2016 to 2020.

14. The Board's analysis of capital structure ratios demonstrates that, during the past three years' period, the financial position of UNODC has slightly declined owing to the competitive environment for donor funds, the effects derived from the slowdown in the global economy since 2018 and the impact of the COVID-19 pandemic. Since 2018, a deceleration and an important decrease has been noted in the current ratio. Between 2019 and 2020, there was also a drop in current ratio rates, from 5.14 to 4.65. The cash ratio, with a value of 3.60, also declined (2019: 4.11). The analysis of ratios is presented in table II.2 below.

Table II.2
**Ratio analysis**

| *Ratio* | *31 December 2020* | *31 December 2019* | *31 December 2018* |
|---|---|---|---|
| **Total assets: total liabilities**[a] | | | |
| Assets: liabilities | 3.08 | 3.17 | 3.03 |
| **Current ratio**[b] | | | |
| Current assets: current liabilities | 4.65 | 5.14 | 5.44 |
| **Quick ratio**[c] | | | |
| (Cash + short-term investments + accounts receivable): current liabilities | 4.51 | 4.88 | 5.24 |
| **Cash ratio**[d] | | | |
| (Cash + short-term investments): current liabilities | 3.60 | 4.11 | 4.30 |

*Source*: UNODC financial statements for the years 2018, 2019 and 2020.
[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.

15. The two major components of the UNODC asset base are cash and investment balances, which totalled $871.9 million (2019: $805.6 million) and voluntary contributions receivable from donors of $250.3 million (2019: $254.3 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 $13.8 million (2019: $19.2 million).

16. The Office's most significant liability is for conditional voluntary contributions of $187.7 million (2019: $159.3 million), and the related liabilities for conditional arrangements stem mainly from the European Union agreements. The second most significant element of UNODC liabilities results from employee benefits of $135.1 million (2019: $117.0 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 $96.1 million (2019: $80.6 million). The change of the per capita claim assumption and the decrease of the discount rate resulted in an overall net actuarial loss for after-service health insurance amounting to $9.1 million (2019: gain of $14.2 million), as disclosed in note 14 to the financial statements of UNODC.

### 3. Financial management

*Full cost recovery at the UNODC country office in Afghanistan*

17. In accordance with the guide on implementation of full cost recovery in UNODC, issued in July 2016, full cost recovery entails a system of sound and sustained direct cost recovery of services and/or support from the budgets of programmes and/or projects that directly benefit from such services and/or support. In general terms, full cost recovery is a mechanism whereby the field offices identify and distribute their project-related direct services and/or support costs to refund the expenses made in supporting the execution of those projects.

18. As defined in the aforementioned guide, direct services and/or support to the projects costs (full cost recovery) relies on UNODC representatives, deputy representatives, field office support personnel and their related costs (e.g. travel, common operating costs, premises, security, equipment, furniture); and direct headquarters desk office support.

19. In addition, the report of the UNODC Executive Director (E/CN.7/2018/14-E/CN.15/2018/16, dated 24 October 2018) explained that the entity developed an early-warning tool on full cost recovery, named full cost recovery barometer, which was rolled out to all field offices in the first quarter of 2018. The full cost recovery barometer was developed as a risk management tool with the purpose of allowing UNODC management to conduct more factual reviews of the financial situation and identify potential midterm solutions for maintaining the integrity of the field office network, besides of allowing senior management to take timely and appropriate decisions on measures in this regard.

20. Thus, it is worth mentioning that the barometer tool presents full cost recovery risk classification and tolerance levels, named: desirable (under 5 per cent); manageable (between 5 and 10 per cent); concerning (between 10 and 15 per cent); and critical (above 15 per cent).

21. The Board reviewed the full cost recovery barometer reports related to the Country Office in Afghanistan during the years 2018, 2019 and 2020, and noted that UNODC had been closely monitoring the financial situation in Afghanistan. However, it was observed as a trend the "concerning" and "critical" tiers presented by the Country Office during the mentioned three years' period. What is more, in November 2020, the Country Office held the highest full cost recovery rate (23.6 per cent) compared with all UNODC field offices.

22. As a consequence of the high rates faced by the country office in Afghanistan, the country office mentioned that, in 2016, there was a missed funding opportunity amounting to approximately $50 million, as the funding ultimately went to another United Nations entity instead of remaining at the country office.

23. The Board is of the opinion that having a full cost recovery of 23.6 per cent makes the portfolio of the country office in Afghanistan less attractive to donors and hardly competitive when attempting to obtain new donors, thus directly affecting the country office's funding. In addition, having a critical full cost recovery could have an impact on the viability and financial sustainability of the country office. Conversely, having a manageable or desirable full cost recovery level may allow the country office in Afghanistan to better manage its operations, since more funds could be destined for programmes and projects delivery instead of operational costs.

24. **The Board recommends that UNODC headquarters, together with the UNODC country office in Afghanistan, continue to take the measures related to the critical full cost recovery tier faced by the country office and manage the actions tending to approach a desirable or manageable full cost recovery level.**

25. UNODC headquarters agreed with the recommendation.

### 4. Mandate and organizational structure

*Enterprise risk management process*

26. Following the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat (ST/IC/2016/25), UNODC implemented enterprise risk management, which is a comprehensive process designed to identify, assess and respond to risks, including fraudulent acts, that could affect the ability of the Secretariat to effectively achieve its mandates and objectives.

27. What is more, the starting point for the risk assessment process is the Secretariat's risk universe, which will be tailored to reflect the risk profile of UNODC. The assessment is primarily based on the Office's mandates and objectives, as well as its strategies and operations. The product is a tailor-made risk register and catalogue for UNODC, based on the experience of the divisions, sections, units and offices.

28. On the basis of the above, on 21 July 2014, the Executive Director of UNODC approved the risk register for UNODC. Subsequently, and following the decision of the UNODC Executive Committee, in December 2019 fraud and corruption risks were integrated into the risk register.

29. The Board assessed the above-mentioned documents and made additional enquiries with management regarding the risk assessment process in place for the 2020 period. The following situations were observed:

(a) Despite the risks addressed in the Secretariat-wide risk register, the scope of which UNODC falls within, no risks and no comprehensive risk treatment and response plan were identified regarding ethical behaviour, information resources and information technology, legal, regulatory, accounting and reporting issues;

(b) In line with the above and as part of a specific risk assessment of fraud and corruption performed by UNODC, the Board could not identify the treatment of the risks of fraud and corruption related to fraudulent financial and non-financial reporting, corruption and other illegal acts and misappropriation of intangible assets;

(c) During 2020, the Executive Committee of UNODC took action with regard to the COVID-19 pandemic through several team discussions to address the related risks. Nevertheless, the Board observed that these new emerging risks were not properly reflected in the UNODC risk register. It should be noted that the last update of the risk register was in December 2019.

30. The risk universe, including the risk of fraud and corruption, is a central depository of all potential risks and risk events applicable to an organization, regardless of its likelihood and impact. In the Board's opinion, the absence of identified risks from the above-mentioned areas may not assure the full coverage of all UNODC significant processes provided in the risk universe.

31. The foregoing may be considered critical, given the fact that a risk universe allows consolidation, analysis and monitoring of risks by presenting them in structures under main categories and subcategories.

32. What is more, the Board holds that a proper risk identification entails consolidating and structuring existing knowledge about potential risk events, lessons learned from experience and "what if?" scenarios.

33. Likewise, the Board considers that the process of identifying and assessing risks (at an enterprise-wide level and activity levels) should be recorded and updated regularly, taking into account the fact that new and emerging risks may arise in the short term. In addition, this process should not become a static record but a dynamic risk action plan that includes significant risks, current controls, time-bound action steps and the owners of these actions.

34. **The Board recommends that UNODC carry out a risk assessment in the strategic, governance, compliance, operations and financial pillars, as included in the Secretariat's risk universe, and update the risk register and the risk response and treatment plan accordingly.**

35. **The Board recommends that UNODC update the risk areas and/or categories on the risk register and risk profile as a product of the consideration of new emerging risks.**

36. UNODC accepted both recommendations.

*Risk register and risk treatment and response plan at the UNODC Regional Office for the Middle East and North Africa*

37. As part of the annual reporting timelines and templates, UNODC headquarters requests the field offices to present, among other reporting obligations, the annual workplan, the purpose of which is to list the major outcomes to be attained during the year in the areas of programme development and management, partnership building and advocacy, and management of the field office.

38. Regarding that last topic, the Regional Office for the Middle East and North Africa completed the 2020 annual workplan by providing, among other major outcomes and indicators, the development of an updated risk register and related treatment and response plan. The results of the 2020 annual workplan should be presented to UNODC headquarters in the summary of achievements by 31 January 2021.

39. With the purpose of assessing the main risks and controls established by the Regional Office for the Middle East and North Africa, the Board requested the risk register and risk treatment and response plan of the Regional Office and noted that, as at 19 February 2021, the Regional Office had yet to develop such a risk register, despite it having been incorporated in the 2020 workplan.

40. What is more, the Regional Office for the Middle East and North Africa noted in its 2020 summary of achievements that the update of the risk register and response

plans (requested to be completed by February 2020) had been delayed owing to the outbreak of the COVID-19 pandemic.

41. The Board is of the opinion that the lack of a risk register might hinder the definitions of risk by the Regional Office, the analysis of key risk drivers and the description of the main controls with the purpose of evaluating their effectiveness and the outline risk response strategies, with special consideration of new risk scenarios arising as a result of the COVID-19 pandemic, all of which may affect the operations at the Regional Office for the Middle East and North Africa. A proper risk register process could enhance the possibility of identifying, assessing, mitigating and monitoring risks that might adversely affect the Regional Office, and provide reasonable assurance that objectives and results would be achieved in the operations of the Regional Office.

42. **The Board recommends that the UNODC Regional Office for the Middle East and North Africa carry out a proper risk register and risk response and treatment plan, considering the reality of the Regional Office and the main risks that might affect its operations.**

43. UNODC accepted the recommendation.

*Field offices network structure*

44. Currently, UNODC is operating in more than 80 countries around the world through its network of 115 field offices. According to the information available in its website, the following categories of offices are distributed at UNODC: one headquarters; two liaison offices; two liaison and partnership offices; eight regional offices; seven country offices; 94 programme offices; and one office of the Gulf Cooperation Council region.

45. In August 2012, the Office of the Director of the UNODC Division for Operations developed a guidance note governing the field network structure and nomenclature of UNODC, the purpose of which is to describe its various levels and roles. Likewise, the guidance note elaborates terms of reference to define the form and responsibilities of the field offices and their purpose and geographical coverage, among other relevant information.

46. The Board made enquiries with management with the purpose of carrying out an analysis of the different offices of UNODC and noted the absence of a formal document on the field office network structure of UNODC. Even though the guidance note provided additional information in this regard, the Board also noted that the document was outdated, as major changes had been made in the past eight years.

47. For instance, the above-mentioned guidance note did not include any details or further description of the liaison offices and liaison and partnership offices. Also, the geographical coverage for most of the regional offices had changed over the years.

48. UNODC informed the Board that in 2019–2020, the Division for Operations started to review the field office network with a view to standardizing the categories on the basis of six parameters (i.e. portfolio, geographic coverage, personnel, United Nations presence, strategic and potential criteria). The results of the review were presented to the Executive Director and senior management for their revision, and the review was ongoing.

49. The Board is of the opinion that the absence of a clear definition of the field office network structure at UNODC may heighten the risk of confusion and lack of clarity regarding its organizational structure, and hinder synchronization and effective communication between headquarters and field offices.

50. On the contrary, a complete official document that includes the purpose, organization, duties, responsibilities and expected results for each field office at UNODC may enhance the achievement of the objectives and their priorities.

51. **The Board recommends that UNODC define, through a formal document and in a comprehensive way, the form, duties, responsibilities, expected results and geographical coverage for its field office network structure.**

52. UNODC accepted the recommendation.

*Organizational structure at the UNODC Regional Office for the Middle East and North Africa*

53. As part of the annual reporting timelines and templates, UNODC headquarters requests the field offices to present, among other reporting obligations, the annual internal oversight report, which consists of an overall self-assessment of programme and field office management performance, which is required to be completed on an annual basis. The report comprises a checklist which addresses multiple management areas, including office management, compliance with rules and audits, human resources management, programme development and management.

54. Under the topic of field office human resources management, information is required on the development and existence of an organization chart, and on whether clear reporting lines for all staff and personnel have been established.

55. As part of the audit processes carried out at the Regional Office for the Middle East and North Africa, the Board requested a current organization chart, and noted that the Regional Office had not yet developed one with a graphic representation of the current structure of the Regional Office. Instead of the requested organization chart, the Regional Office for the Middle East and North Africa provided a list of staff with details of the duty locations and contract types for each staff member, where no clear reporting line could be identified.

56. In addition, the last annual internal oversight report available for the Regional Office for the Middle East and North Africa (2019) noted that an organization chart had been developed and revised during January 2020. Nevertheless, the document attached to the aforementioned report provided similar information to that contained in the staff list provided to the Board.

57. The Board considers that the absence of an organizational chart would denote a lack of an adequate definition of roles and responsibilities related to the actual positions in the Regional Office for the Middle East and North Africa, as well as the reporting lines and responsibilities in the pursuit of the objectives of the Regional Office. By developing an organization chart, the Regional Office could enhance transparency within itself, providing the capability to understand its actual work, who the staff member responsible for each section and/or unit is and the hierarchical structure. This may also strengthen the accuracy of the information provided to UNODC headquarters in the annual internal oversight report, as this self-assessment is aimed at outlining and ascertaining field office's compliance with policy frameworks, governance mechanisms and internal controls.

58. **The Board recommends that the UNODC Regional Office for the Middle East and North Africa develop an organization chart with clear reporting lines, responsibilities and graphic representation of each section and/or unit within its structure, to be published in the next annual internal oversight report for UNODC.**

59. UNODC accepted the recommendation and indicated that the Regional Office for the Middle East and North Africa has updated its organization chart and circulated

it to all staff. The measures informed by UNODC will be assessed by the Board during the next audit period.

*Management instruction governing the Programme Review Committee*

60. In 2015, UNODC developed a management instruction regarding the Programme Review Committee, the purpose of which is to define the composition of the Programme Review Committee and its role, functions and organization of work.

61. The Programme Review Committee is composed by senior UNODC staff who represent cross-cutting functions within the Office. The aim of the Committee is to provide strategic corporate oversight and to make recommendations on new and ongoing programmes for presentation to the Executive Director of UNODC and his or her executive committee for final approval.

62. The Board noted that the existing management instruction governing the composition of the Programme Review Committee was not in accordance with its current functions. For instance, the following discrepancies were found:

(a) The composition of the Programme Review Committee included sections and/or units that were renamed or restructured (e.g. Financial Resources Management Section and Independent Evaluation Unit);

(b) The review of the draft annual workplans of the three substantive divisions of UNODC was no longer performed by the Programme Review Committee, in contravention of the provisions detailed in the management instruction.

63. The Board considers that the instruction should be aligned with the current functions and composition of the Programme Review Committee, given its importance as part of the senior level mechanism of UNODC.

64. Otherwise, there would be risks associated with non-compliance with the internal controls related to strategic planning and budgeting, which were included as part of the most recent UNODC/United Nations Office at Vienna risk register, issued in December 2019.

65. **The Board recommends that UNODC update and align the management instruction regarding the Programme Review Committee with the current composition, roles, functions and organization of work.**

66. UNODC agreed with the recommendation.

### 5. Programmes and projects

*Monitoring of projects at the UNODC Regional Office for the Middle East and North Africa*

67. In accordance with paragraph 8.1 of the UNODC Programme and Operations Manual, one of the components of the monitoring system is the obligation to elaborate semi-annual and annual progress reports. The semi-annual progress report must be provided by 31 August and the annual progress reports by 31 January.

68. The provision also includes a workflow for UNODC progress reports. The workflow defines the different steps that must be completed by the persons involved in the preparation of a progress report. According to the workflow, the following segregation of duties must be ensured:

(a) A preparation report, to be formulated in the field offices or at headquarters by the programme or project manager, who acts as the initiator and drafter of the report;

(b) A quality assurance review, to be performed by the field office's quality assurance unit or focal point or the designated headquarters focal point on quality assurance;

(c) Review and approval, to be carried out by the field representative or the director or director designate at headquarters.

69. The aforementioned procedures must be carried out in the portal system Lotus Notes ProFi, the purpose of which is to support the life cycles of the projects and programmes from start to end.

70. Subsequently, the Board verified compliance with the above-mentioned dispositions related to the monitoring stage of programme and projects by the Regional Office of the Middle East and North Africa. From a total of 17 ongoing programmes and/or projects during 2020, the following situations were noted:

(a) A total of 16 projects did not present their project progress reports on ProFi in 2020. The most recent progress reports available on some of these projects in ProFi date from 2017 and 2019;

(b) From the most recent project progress reports available in ProFi, three projects did not comply with the segregation of duties, since the staff member who prepared the reports also acted as a quality assurance reviewer and/or approver. It should be noted that this lack of segregation of duties was observed for one case in the 2020 annual project progress report;

(c) In the same vein, and from the most recent project progress reports available in ProFi, 15 progress reports were not approved within the due dates laid out in the Programme and Operations Manual, with an average delay of 155 days between the requested deadline and the effective approval made in ProFi.

71. The Board considers that the lack of presentation of timely project progress reports could result in an inadequate project monitoring and therefore hinder the decision-making process for the Regional Office for the Middle East and North Africa's main internal and external stakeholders. However, proper monitoring may increase the possibility of keeping donors informed about the utilization of funds in a timely manner and therefore enhance the effective implementation of results-based management.

72. In addition, it is essential to ensure an appropriate segregation of duties as part of the key elements of a control environment. In this sense, the Board is of the view that having multiple control activities over a process all carried out by the same staff member could increase the risk of fraudulent activities, and therefore the monitoring process might not be successful.

73. **The Board recommends that the UNODC Regional Office for the Middle East and North Africa carry out, in a timely manner, the mandatory project progress reports as required under the current Programme and Operations Manual.**

74. **In addition, the Board recommends that the UNODC Regional Office for the Middle East and North Africa ensure that further segregation of duties be properly guaranteed in the preparation of a progress report for every project.**

75. UNODC accepted both recommendations. Concerning the first recommendation, the Office stated that all the annual project progress reports for 2020 were approved on 23 June 2021. With respect to the second recommendation, UNODC stated that the non-compliance cases of segregation of duties were addressed and the process was now in full compliance. The Board will assess the implementation

of these recommendations during the next audit period, in which no further cases of non-compliance are expected.

*Non-compliance with evaluation deadlines*

76. In accordance with the UNODC independent evaluation policy, issued in 2015, the aim of an evaluation at UNODC is to determine the relevance, effectiveness, efficiency, impact and sustainability of the interventions and contributions of the organization's institutional performance in the fulfilment of specific mandates.

77. In addition, paragraph 36 of the cited policy states that all projects and programmes in UNODC are to be evaluated in accordance with the UNODC evaluation policy, handbook and guidelines at least once every four years, or six months before the project or programme comes to an end.

78. Likewise, chapter 4 of the UNODC evaluation handbook, issued in 2017, states, "in line with the UNODC evaluation policy, all projects and programmes need to undergo an evaluation every four years and before completion of a project/programme". Also, when preparing the programme and/or project documents, managers must, among other tasks, include evaluation activities in the timeline and budget. Managers are also responsible for properly budgeting for the evaluation.

79. Finally, in December 2019, UNODC developed the risk register for UNODC, which covers the risks related to organizational structure and synchronization, including the evaluation of projects and programmes as part of the main internal controls.

80. The Board assessed the compliance of the above-mentioned regulations and noted that, of a total of 57 projects ongoing during 2020 and projected to end on 31 December 2020, 20 had not been evaluated as required under the evaluation deadlines included in the policy of UNODC. Of those 20 cases, 10 ended on 31 December 2020 or before, while the remaining 10 cases had an extended date. However, no evaluation had been made along their life cycle.

81. The Board considers that the lack of sufficient evaluation may increase the risk of missing the goal of the evaluation function at UNODC, which is to contribute to developing the capacities of the Office in terms of innovation, organizational change and providing building blocks to a learning organization.

82. What is more, compliance with one of the internal controls identified in the UNODC risk register may not be guaranteed, namely the part of the internal controls related to the organizational structure and synchronization, which states that all projects and programmes be independently evaluated and recommendations be implemented.

83. **The Board recommends that UNODC carry out the mandatory evaluations as required under the current evaluation policy, especially with those projects with no evaluation performed during their life cycle.**

84. **In addition, the Board recommends that UNODC assess whether current deadlines for the programme and/or projects evaluations remain applicable, in order to build this process more realistically and achievably within the life cycle of the programmes and/or projects. If not, the evaluation policy should be updated and aligned with the specific needs of UNODC.**

85. UNODC agreed with both recommendations.

### 6. Information and communications technology

*Information security awareness course*

86. The Secretary-General's bulletin dated 11 July 2018 (ST/SGB/2018/4), indicates that the information security awareness course is a mandatory course for all staff members.

87. In addition, the information security section of the Office of Information and Communications Technology pages available through the United Nations intranet (iSeek) indicates that the mandatory modules in that course are related to: protecting sensitive information, social engineering, password selection and usage, electronic messaging and phishing, accessing information on the internet and responding to incidents.

88. Finally, in the above-mentioned iSeek section, it is stated that new authorized users of ICT resources are required to complete the programme within three months of their entry into service. Existing users are required to complete the programme immediately.

89. With regard to incidents management, the UNODC Information Technology Service informed the Board that, during 2020, the most commonly reported incidents were spam, phishing and social engineering occurrences.

90. In this aspect, the Board reviewed the completion of the information security awareness course by the staff members of UNODC as at 23 October 2020, and noted that 99 out of a total of 703 staff members (14 per cent) have not completed the mandatory course within three months of their entry into service, where 62 of them did not enrol in the course and the remaining 37 did not complete it.

91. Although UNODC provided a copy of an email sent to staff members by the Information Technology Service reminding them of the need to complete the mandatory course, it was noted that the email was sent in June 2019.

92. The Board considers that, while the information security awareness course is mandatory and its compliance is required, it is furthermore an essential mechanism to protect UNODC information from cyberthreats, given the fact that the storing, processing and sharing of information have increased in 2020, especially during the COVID-19 pandemic, during which most UNODC staff members have been telecommuting.

93. This special scenario may heighten the risk of incidents related to cybersecurity, thus requiring that knowledge on information security to be enhanced.

94. On the other hand, the Board considers that, in order to have an effective completion of mandatory courses, regular reminders by UNODC should be made to its staff in a timely manner.

95. **The Board recommends that UNODC make the necessary efforts to ensure the completion of the mandatory information security awareness course by its staff members.**

96. **In addition, the Board recommends that UNODC remind its staff members of the mandatory course and their duty to comply with that requirement on a regular basis.**

97. UNODC agreed with both recommendations.

*Incidents Response Plan*

98. The United Nations information and communications technology technical procedure on security incidents response of 25 June 2020, states in its section 4.1 that service providers shall create, provision and operate a security incidents response procedure. It also states in its section 4.2 that service providers must build a security incident response capability, which includes, among others, the creation of a security incident response plan.

99. The indicated procedure defines in its section 2.1 (h) an incident response plan as the organizational approach to incident response which includes guidelines on how the incident response team responds to and communicates security incidents with the rest of the organization.

100. In addition, section 4.4 of the indicated procedure defines the elements that a security incident response plan should include and that this plan should be approved by a senior staff member in the ICT service provider unit.

101. Related to the security incidents managed by UNODC, the Board noticed the absence of a security incident response plan as required under the aforementioned procedure. In this regard, the UNODC Information and Technology Service stated that the security response plan was under development but had been delayed owing to an unforeseen reduction in the number of information technology security personnel.

102. The Board is of the view that a completed and approved incident response plan would facilitate the understanding of activities and the effective preparedness of personnel involved in the incident response procedure.

103. **The Board recommends that UNODC undertake efforts to conclude the incident response plan, in accordance with the provisions established in the Secretariat's information and communications technology technical procedure.**

104. UNODC accepted the recommendation.

## C. Disclosures by management

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

105. UNODC stated that it had formally written off accounts receivable balances of $0.61 million in 2020 (2019: $2.03 million), which have been charged against the special purpose funds. In addition, $8.37 million (2019: $8.70 million) of non-expendable property assets by net book value were written off in 2020, the majority of which related to assets transferred to beneficiaries on completion of projects funded by donors.

### 2. Ex gratia payments

106. UNODC reported to the Board that there were no ex gratia payments in 2020.

### 3. Cases of fraud and presumptive fraud

107. 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.

108. 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 any knowledge of any actual, suspected or alleged fraud.

109. In 2020, UNODC notified the Board of 12 cases of fraud and presumptive fraud. One case classified as fraud involved the report of medical insurance fraud by a locally contracted staff member in Somalia (administered by the United Nations Development Programme), with an estimated defrauded amount of $3,438. A second case of presumptive fraud concerned the creation of a fraudulent e-performance document by a staff member in order to replace an existing performance document, which he suspected would result in a negative performance rating. The defrauded amount for this second case was categorized as unknown. In the same year, the Office of Internal Oversight Services reported 21 cases directly concerned to UNODC. One of those 21 was a case of abuse of privileges and immunities, for which the defrauded amount was unknown.

## D. Acknowledgement

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

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

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

22 July 2021

# Annex

## Status of implementation of recommendations up to the financial year ended 31 December 2019

| No. | Audit report year | Report reference | Board's recommendation | Management/administration's response | Board's assessment | Status after verification: Implemented | Under implementation | Not implemented | Overtaken by events |
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| 1. | 2014 | A/70/5/Add.10, chap. II, para. 18 | The Board recommended 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. | UNODC has developed and adopted a fraud and corruption risk register together with related risk response and treatment plans. UNODC considers this recommendation to have been implemented and requests its closure by the Board. | The Board considers that UNODC included fraud and corruption risks within its risk register and risk treatment and response plans during 2019.<br>Therefore, the recommendation is implemented. | X | | | |
| 2. | 2015 | A/71/5/Add.10, chap. II, para. 86 | The Board recommended 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 stated that the integrated planning, management and reporting module was successfully deployed at the end of 2020 and all new UNODC projects are now being created and approved in the module. At the end of March 2021, all relevant users in UNODC received access to the module and the conversion of existing projects was scheduled for late April/early May 2021. Once all projects were available in the module, UNODC would have a complete overview of the project portfolio. The integrated planning, management and reporting module is | The Board acknowledges the progress made with the deployment of the integrated planning, management and reporting module. However, considering that further actions are still being developed by UNODC, as the full conversion of existing projects and further reports and dashboards is expected by the end of 2021, the recommendation is still considered as under implementation. | | X | | |

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| | | | | composed of several software solutions, primarily the strategic management application and the budget planning and consolidation solution. The strategic management application includes a standardized project template and monitoring functionality that allow all project managers to track project targets, indicators and risks. The budget planning and consolidation solution includes several reports, including the project budget plan and the funding plan. This functionality was already in production and available to project managers. Furthermore, UNODC stated that it continues to be fully engaged in the extended business team to define additional reporting requirements, and further reports and dashboards were expected to be deployed by the end of 2021. | | | | | |
| 3. | 2016 | A/72/5/Add.10, chap. II, para. 62 | The Board recommended that UNODC set up standards for accessibility of field office premises. | The Division for Operations is coordinating with the Office of the Executive Director, the corporate lead on disability, to seek advice on how to devise guidelines for the field offices on the basis of the recently approved UNODC disability | The Board analysed the information provided by UNODC and noted that the disability framework is still in progress. Therefore, the recommendation is considered as under implementation. | | X | | |

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| | | | | strategy. One of the activities foreseen in the UNODC action plan on disability inclusion (the action plan is based on the United Nations-wide strategy on disability inclusion), under indicator 6, on “accessibility”, is to complete a baseline assessment that incorporates the specificities of the headquarters environment as well as the field locations. Best practices will be identified at headquarters that can be replicated in the field and vice versa. The action plan will be reviewed with the UNODC task team and will include the development of guidelines for field offices to increase accessibility for persons with disabilities. | | | | | |
| 4. | 2016 | A/72/5/Add.10, chap. II, para. 63 | The Board also recommended that UNODC consider cooperating with UNDP to implement standards for accessibility in UNDP-administered premises. | In 2020, the Executive Director/Director General approved the UNODC corporate disability strategy. The Division for Operations would work with the disability framework working group (led by the Office of the Executive Director) to devise field office guidelines based on the strategy. In 2020, the Division for Operations included disability | The Board analysed the information provided by UNODC and noted that the disability framework is still in progress.<br>Therefore, the recommendation is considered as under implementation. | | X | | |

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| | | | | criteria in planning and reporting documents: (a) the workplan template; (b) summary of achievement template; and (c) annual internal oversight report. | | | | | |
| 5. | 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 provided evidence on control activities for open commitments and costs for the programmes and projects, in which the offices are requested to review balances or pending commitments, with special consideration of those that have been pending for longer than three years. The Board also noticed the existence of instructions on how to complete the commitment review exercise.<br>In this regard, the recommendation is considered as implemented. | X | | | |
| 6. | 2017 | A/73/5/Add.10, chap. II, para. 86 | The Board recommends that UNODC enhance the overall process of recording all leases in supplier relationship management database in Umoja. | UNODC stated that, as of July 2020, 86 per cent of leases had been regularized, 19 per cent relating to donated right-to-use properties and internal Umoja-to-Umoja lease outs, and 14 per cent are in the process of being regularized. Additionally, UNODC stated that the regularization of leases is an ongoing exercise and a requirement for year-end closure. In this regard, UNODC | Through the information provided by UNODC, the Board verified that lease contracts were recorded and approved in the supplier relationship management module during 2020. In this regard, an increase in the percentage of regularization of lease contracts in supplier relationship management was noticed.<br>Therefore, the recommendation is considered as implemented. | X | | | |

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| | | | | considers this recommendation to have been implemented and requests its closure by the Board. | | | | | |
| 7. | 2017 | A/73/5/Add.10, chap. II, para. 99 | The Board recommended 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 reported that an interdivisional working group drafted an internal guide on how to formulate and develop programmes and projects in the integrated planning, monitoring and reporting solution of Umoja. Once the last relevant management instructions were finalized by the second quarter of 2021, UNODC stated that it would consolidate the information on its intranet page of the Programme Review Committee. | The Board acknowledges the efforts that have been made by UNODC. However, and as reported by the Office, there were still pending actions, such as the finalization of the last relevant instructions and the consolidation of information.<br>Therefore, the recommendation is considered as under implementation. | | X | | |
| 8. | 2017 | A/73/5/Add.10, chap. II, para. 101 | The Board recommended that UNODC make the knowledge in the Programme and Operations Manual available in such a way that users could easily print a copy. | UNODC stated that a new revised online version of the Programme and Operations Manual that provides information to relevant sites already in place is planned to be set up on the intranet (iSeek). It also stated that it would consolidate the information on its intranet page of the Programme Review Committee, providing the links to all relevant documents already in the co-financing and partnership section of UNODC and the | The Board noted that the last activities planned by UNODC to facilitate easy access to the revised and updated documents by users of the Programme and Operations Manual was estimated to be completed by the third quarter of 2021.<br>Therefore, and considering the actions pending to be taken, the recommendation is considered as under implementation. | | X | | |

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| | | | | repository of management instructions to be managed by the Office of the Executive Director by the third quarter of 2021. | | | | | |
| 9. | 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' Guide" into the Programme and Operations Manual. | UNODC reported that the Handbook for Results-Based Management was available on iSeek and would be linked to the Programme and Operations Manual by third quarter of 2021. | The Board verified that the Handbook for Results-Based Management was available on iSeek. Nevertheless, and taking into account the fact that the Handbook would be linked to the Programme and Operations Manual by the third quarter of 2021, the recommendation is considered as under implementation. | | X | | |
| 10. | 2017 | A/73/5/Add.10, chap. II, para. 114 | The Board recommended 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. | UNODC is working on the design and roll-out of a client service portal that will provide information on administrative process streams, steps to follow and links to related tools and guidelines. UNODC considers the recommendation as overtaken by events and requests its closure by the Board. | As reported by UNODC, the operations section of the Programme and Operations Manual was obsolete. In addition, the Board noted that a new United Nations Office at Vienna (UNOV) client support portal was available to all UNODC and UNOV staff for various services, such as conference services, finance, human resources, procurement, travel, information technology.<br>Therefore, and considering the actions taken by the Office, the recommendation is considered as implemented. | X | | | |
| 11. | 2017 | A/73/5/Add.10, chap. II, para. 122 | The Board also recommended that UNODC consider offering | UNODC stated that two online webinars, entitled "Fraud awareness and prevention training", | The Board reviewed the documentation provided by UNODC and acknowledges the | X | | | |

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| | | | additional training on fraud and corruption. | were facilitated by Office of Internal Oversight Services investigators, with 157 participants on 10 November 2020 and 137 participants on 17 November 2020. The Learning and Organizational Development Unit of the Human Resources Management Service sent an invitation to all UNODC field office training focal points and UNODC field office representatives. | provision of additional training on fraud and corruption entitled “Fraud awareness and prevention training” performed by the Office of Internal Oversight Services in November 2020.<br>Consequently, this recommendation is considered as implemented. | | | | |
| 12. | 2017 | A/73/5/Add.10, chap. II, para. 124 | The Board recommended 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. | The Board verified that information about fraud and corruption were assessed on the UNODC intranet site, where a specific section was identified in which the regulatory framework, focal points for fraud, hotlines, and Office of Internal Oversight Services related information was published, making the information on the subject clearer to its staff.<br>Therefore, the recommendation is considered as implemented. | X | | | |
| 13. | 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 | A clear statement on the prevention of fraud was included in the 2020 senior managers compact between the UNODC Executive Director and the Secretary-General, | The Board verified that a statement note from the Executive Director of UNODC was issued, in which the Office approach to fraud was disclosed in the 2020 senior managers | X | | | |

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| | | | approach to fraud and corruption clear. | which was posted on iSeek. UNODC considers this recommendation to have been implemented and requests its closure by the Board. | compact, which was signed and clearly stated the responsibilities, compliance with regulations (zero tolerance to fraud) and the achievement of an environment for preventing fraud.<br>Therefore, the recommendation is considered as implemented. | | | | |
| 14. | 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. | UNODC reported the following actions: (a) the administrative committees, panels and focal points registry has been updated; (b) there was an announcement on conduct and discipline focal points in the April 2020 human resources newsletter; and (c) there is a dedicated iSeek site regarding the above actions taken. | The Board observed that UNODC, through an announcement in the human resources newsletter, informed all staff and non-staff personnel at UNODC/ UNOV of the appointment of conduct and discipline focal points for headquarters and field offices. The same information is also available on the iSeek page.<br>On the basis of the actions taken, the recommendation is considered as implemented. | X | | | |
| 15. | 2017 | A/73/5/Add.10, chap. II, para. 131 | The Board also recommended that UNODC disseminate information about the focal points on its Intranet site and list them in the “Joint Panel, Body and Focal Point Registry”. | UNODC reported the following actions: (a) the administrative committees, panels and focal points registry have been updated; (b) there was an announcement on conduct and discipline focal points in the April 2020 human resources newsletter; and (c) there is a dedicated iSeek site | The Board noted that through an announcement in the human resources newsletter, all staff and non-staff personnel were informed of the appointment of conduct and discipline focal points, including the field offices, which was also announced on iSeek intranet page. The “Joint Panel, Body and Focal | X | | | |

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| | | | | regarding the above actions taken. | Point Registry", which was originally developed in Lotus Notes, was later re-designed under SharePoint. Based on the actions taken, the Board considers the recommendation as implemented. | | | | |
| 16. | 2017 | A/73/5/Add.10, chap. II, para. 140 | The Board recommended 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. | Following discussions with the Travel Unit at United Nations Headquarters, it was determined that travel planning is not within the scope of planned travel module modifications. UNODC considers the recommendation as overtaken by events and requests its closure. | An email from the Department of Operational Support was provided to the Board, in which it was indicated that there were no plans and/or intentions to add travel forecasting functionality to the current Umoja travel solution. Based on the actions taken by UNODC, and noting the discussions held with the Travel Unit at the United Nations Headquarters, the recommendation is considered as implemented. | X | | | |
| 17. | 2017 | A/73/5/Add.10, chap. II, para. 144 | The Board recommended 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. | United Nations Headquarters in New York was approached regarding a review of the policy but it was indicated that the General Assembly would very likely not change it. As regards the consultations with other Vienna-based organizations, personnel changes in the Vienna-based organizations' focal points and the effects of the COVID-19 pandemic on worldwide | The Board observed that UNODC requested United Nations Headquarters to report if any changes would be made to the advance purchase policy. In this regard, the Travel and Transportation Section at United Nations Headquarters reported that there was no plan to make any changes to this policy. Therefore, and considering the actions taken by UNODC in order to request a review of the advance purchase policy, | X | | | |

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| | | | | travel have delayed the development of a joint strategy for determining how the best prices for travel can be achieved. Since the General Assembly will very likely not change the policy, the Board is kindly requested to close this recommendation and possibly issue a separate recommendation regarding the consultations with other Vienna-based organizations. In that respect, however, and since the COVID-19 pandemic impact on travel is likely to continue well into 2021, a suggested implementation date for a distinct recommendation regarding the cooperation among Vienna-based organizations would probably best be made around the second quarter of 2022. | the recommendation is considered as implemented. | | | | |
| 18. | 2017 | A/73/5/Add.10, chap. II, para. 153 | The Board also recommended that UNODC regularly evaluate its compliance with the advance purchase policy and immediately initiate corrective actions when necessary. | Regular monitoring and evaluation of the compliance rates with the advance purchase policy is evidenced and has led to an overall improvement in compliance rates compared with 2019. Increased efforts will be made to achieve further compliance with the policy by meeting with | The Board considered that evaluations of the advance purchase compliance were performed during 2020. Therefore, and considering the actions taken by UNODC, the recommendation is considered as implemented. | X | | | |

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| | | | | the relevant programme and/or project managers. Since these efforts are part of ongoing work by UNODC, the Board is kindly requested to close this recommendation. | | | | | |
| 19. | 2017 | A/73/5/Add.10, chap. II, para. 167 | The Board recommended 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. Changes to Umoja were implemented in February 2019 which set the ageing, timeline and conditions for the documents to be recovered. The thrust of the recommendation has been addressed. UNODC considers this recommendation to have been implemented and requests its closure by the Board. | Considering the changes performed to Umoja in 2019, the Board noted that improvements were made to the recovery function with regard to the expense reports. In addition, the Board noted that improvements with this new tool were made.<br>Therefore, the recommendation is considered as implemented. | X | | | |
| 20. | 2017 | A/73/5/Add.10, chap. II, para. 174 | The Board also recommended that UNODC review and refine the established structure to collect the consolidated procurement plans of the subordinate entities in a timely manner. | It was reported that UNODC will continue to make improvements in the collection and consolidation of procurement plans. The Procurement Unit is able to dedicate resources to review and refine the current structure for collecting consolidated procurement plans. The Unit is putting in place a SharePoint tracking capability to obtain procurement plans from | The Board noticed that UNODC took actions related to the structure of 2021 acquisition plans collection from field offices and headquarters divisions. In this regard, it was noted that an email was sent in October 2020 to field offices and procurement focal points indicating specific instructions on acquisition plan collection, including a video guide, tools available to share the | X | | | |

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| | | | | the field offices in order to enhance efficiency and to facilitate monitoring of submissions in a timely manner. Considering the measures applied to collect 2021 procurement plans, the Procurement Unit requests that this recommendation be considered as implemented. | acquisitions plan, deadlines and invitations for knowledge-sharing sessions. On the other hand, it was verified that UNODC kept a record of 28 field office acquisition plans and 14 headquarters divisions acquisition plans, increasing the number of acquisitions plans collected compared with the previous year observed, and reminders were sent when needed to collect these documents in a timely manner.<br>In this sense, and based on the actions taken by UNODC, the recommendation is considered as implemented. | | | | |
| 21. | 2017 | A/73/5/Add.10, chap. II, para. 183 | The Board recommended that UNODC analyse the root causes of the reasons for ex post facto procurement cases and establish specific measures to prevent the recurrence of such cases. | UNODC reported that the implementation of the recommendation was in progress. Resources had been identified to use the analysis on hand and develop measures to prevent the recurrence of ex post facto cases. | The Board verified that UNODC committed to taking actions to mitigate 2020 ex post facto purchase orders. These actions to be taken would include refresher training for all regions, a tool for monitoring ex post facto cases by the Procurement Unit, requisition offices and yearly basis reports. In this regard, it was noted that the tool in question was in development process by the Procurement Unit and training would be performed once the tool was finalized. Owing to the actions still being in progress, the recommendation is | | X | | |

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| | | | | | considered as under implementation. | | | | |
| 22. | 2017 | A/73/5/Add.10, chap. II, para. 195 | The Board further recommended 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. | The e-learning tool on results-based management and the 2030 Agenda for Sustainable Development was released on 29 October 2020 and was available on Inspira. | It was noted that during 2020, UNODC developed a training course called “Results-based management and the 2030 Agenda for Sustainable Development”. Therefore, the recommendation is considered as implemented. | X | | | |
| 23. | 2018 | A/74/5/Add.10, chap. II, para. 49 | The Board recommended 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; and (b) keep a record of the documents. | UNODC reported that the management instruction on the Programme Review Committee was planned to be completed by the end of the second quarter of 2021 by an interdivisional group of senior managers under the leadership of the Office of the Executive Director. | The Board noticed that actions to fully address the recommendation were still pending. Therefore, the recommendation is considered as under implementation. | | X | | |
| 24. | 2018 | A/74/5/Add.10, chap. II, para. 64 | The Board recommended 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. | UNODC reported that the management instruction on field office reporting on programme and operation issues and the reporting templates with all the enhancements were approved by the Executive Committee on 13 April 2021, as stated in the promulgation email sent by the Office of the Executive Director to notify all staff of this approval. The revised | In April 2021, a management instruction and related templates were promulgated. In this regard, the Board acknowledges the progress made by UNODC in order to ensure an adequate segregation of duties. Nevertheless, during the past year, new cases of non-compliance with the segregation of duties were found in some project progress reports. | | X | | |

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| | | | | management instruction included in its note 1 a provision on ensuring adequate segregation of duties. | Therefore, the recommendation is considered as under implementation. | | | | |
| 25. | 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. | UNODC reported that the management instruction on field office reporting on programme and operation issues and the respective templates were approved by the Executive Committee on 13 April 2021. A promulgation email was sent by the Office of the Executive Director to notify all staff of this approval. | In April 2021, a management instruction and related templates, including the enhancements and updates made during 2020, were promulgated. However, the Board encourages UNODC to review and replace the draft phrase included in the approved management instruction, in order to avoid further confusion among the staff.<br>Consequently, the Board considers this recommendation as implemented. | X | | | |
| 26. | 2018 | A/74/5/Add.10, chap. II, para. 81 | The Board recommended 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 UNODC framework for the engagement of external parties is currently under review and the principles have been revised and replaced in the new draft partnership policy with regard to the following: (a) in the interest of the United Nations; (b) fairness, integrity and transparency; and (c) complementarity and benefits. UNODC will no longer use "value for money" as one of the principles. UNODC requests the Board for the closure of this recommendation as it has been overtaken by events. | Based on new information provided to the Board by UNODC, currently the new partnership policy states three principles which are: (a) in the interest of the United Nations; (b) fairness, integrity and transparency; and (c) complementarity and benefits. The framework for the engagement of external parties interdivisional team review concluded that some of the principles of the framework for the engagement of external parties were not suitable for establishing partnerships. The | | | | X |

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| | | | | | principles of effective competition and value for money were considered to be more suitable and applicable for procurement actions and less so for the partnerships in which UNODC engages. Taking into account that the new partnership policy does not currently includes good value for money within its guiding principles, the Board considers this recommendation as overtaken by events. | | | | |
| 27. | 2018 | A/74/5/Add.10, chap. II, para. 96 | The Board recommended 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 relating to provisions for evaluation in projects and programmes. The new web-based evaluation management application, Unite Evaluations, ensures that all evaluation plans (including intended year of evaluation and reserved budget) are included and therefore monitored. Currently, there are over 190 evaluation plans in Unite Evaluations. Moreover, a biennial survey to directors is sent to identify the evaluation plan for strategic in-depth evaluations. The most recent survey was | Based on the information provided to the Board by UNODC, particularly with the information included in the new evaluation system called Unite Evaluations, it was noted that since 2019 the Independent Evaluation Section is recording, in a more structured way, the programme and project evaluations planning.<br>Therefore, the recommendation is considered as implemented. | X | | | |

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| | | | | sent out on 3 June 2020 to enquire as to proposals for in-depth evaluations between July 2020–December 2021, which will subsequently be presented to the Executive Director. UNODC considers the recommendation as implemented and requests its closure by the Board. | | | | | |
| 28. | 2018 | A/74/5/Add.10, chap. II, para. 100 | The Board recommended 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. | UNODC reported that a quarterly consolidation data exercise would be performed with those of the Office of Internal Oversight Services and the Office of Audit and Investigations of the United Nations Development Programme. Furthermore, the Office stated that with the roll-out of the case management tracking system in 2021, there would no longer be discrepancies with the data of the Office of Internal Oversight Services, as all cases would be logged in this system, and the data of Office of Audit and Investigations of the United Nations Development Programme 2021 would be used to find the right mechanism for the United Nations Development Programme to keep | UNODC provided to the Board exchanges with the Office of Internal Oversight Services at Vienna, with the purpose of corroborating the consolidation exercise, which took place during 2020. In addition, UNODC stated that during 2021 the case management tracking system would be rolled out, so that no further discrepancies with the Office of Internal Oversight Services cases would be found, which has yet to happen. Therefore, and given that this developing tool might enhance the coordination mechanism between UNODC and the Office of Internal Oversight Services, the recommendation is considered as under implementation. | | X | | |

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| | | | | informed of all the UNODC cases being investigated. | | | | | |
| 29. | 2019 | A/75/5/Add.10, chap. II, para. 27 | The Board recommended that UNODC review the entire entity's delegations of authority, including field offices, in order to ensure that all respective delegations were granted through the delegation of authority portal, as required under the new framework for delegation of authority. | UNODC conducted in March 2020 a global review of the delegation of authority portal. UNODC considers this recommendation to have been implemented and requests its closure by the Board. | The Board verified that UNODC performed continuous reviews of the delegation of authority and made corrective actions in order to monitor their granting to UNODC staff. Therefore, the recommendation is considered as implemented. | X | | | |
| 30. | 2019 | A/75/5/Add.10, chap. II, para. 28 | The Board further recommended 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. | Umoja user roles and delegations are continuously granted and a review is performed on a regular basis for all Umoja processes and delegations of authority. The last review also included a corrective action. UNODC considers this recommendation to have been implemented and requests its closure by the Board. | The Board noted that UNODC conducted continuous reviews of the delegations of authority granted to UNODC staff and corresponding Umoja roles, in which the missing delegations of authority were identified and corrective actions were made in order to ensure that no Umoja role was granted without the corresponding delegation of authority. Therefore, the recommendation is considered as implemented. | X | | | |
| 31. | 2019 | A/75/5/Add.10, chap. II, para. 39 | The Board recommended 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 | UNODC reported that it would develop a plan to ensure that the assets were removed in a timely manner and the expenses were recognized in the correct periods, so as to ensure that Umoja accurately shows the current status of the property, plant and equipment and the | Related to the actions taken by UNODC in this regard, the Board was informed that monthly online training sessions were held with field offices regarding asset derecognition and that monthly reports for asset records were run by the Property Management Unit in order to check the | | X | | |

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| | | | beneficiaries before approval from the Local Property Survey Board/Headquarters Property Survey Board, as appropriate. | UNODC financial statements are materially correct in this regard. Additionally, it was reported that disposal procedures regarding assets for end-beneficiaries were clarified with United Nations Headquarters: they fall neither within the jurisdiction of the Local Property Survey Board nor within that of the Headquarters Property Survey Board, and separate procedures had been established for these assets to ensure proper and timely reflection in the accounts of UNODC. | (a) correctness of records; and (b) nature of asset acquisitions.<br>While a report run by UNODC was provided to the Board, it was noted that the report did not provide sufficient information related to actions taken by the Property Management Unit in order to correct the erroneous records. On the other hand, there was no evidence related to the execution of training sessions.<br>Finally, there was no information related to separate procedures that would have been established for the disposal of end-beneficiaries assets, to ensure proper and timely reflection in the accounts of UNODC.<br>Taking into consideration the above-mentioned facts, the recommendation is considered as under implementation. | | | | |
| 32. | 2019 | A/75/5/Add.10, chap. II, para. 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. | UNODC requested that the Board consider the outlined ongoing training and instruction initiatives as an internal control measure to enhance the service receipt process. The instruction to use a text field in Umoja for inclusion of the service delivery date was an instruction that has been | UNODC provided evidence to the Board on briefings, walk-throughs and training sessions performed in order to reinforce the internal control regarding the service delivery dates, invoice payment and receipt process. In addition, the UNODC year-end closure instructions requested the | | | X | |

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| | | | | issued to facilitate additional helpful information/evidence in Umoja. However, the text field was not mandatory, and therefore this step was not enforceable. The use of the text field might not be necessary. | use of a text field in Umoja for inclusion of the service delivery date, which, and as stated by the Office, would not be mandatory and hence not enforceable. With the acknowledgment of the measures carried out by UNODC, and with the purpose of assessing the implementation of the closing instructions, the Board reviewed a sample of 30 service entry sheets issued between January and April 2021 and noted that 10 of them did not contain information on the receipt of services date. Therefore, the recommendation is considered under implementation. | | | | |
| 33. | 2019 | A/75/5/Add.10, chap. II, para. 51 | The Board recommended that UNODC establish a standard procedure that sets a unique criterion for recognizing expenses in Umoja through the Service Entry Sheets. | In addition to the facilitation of extensive International Public Sector Accounting Standards (IPSAS) and Umoja training on the topic of expense recognition, the Financial Resource Management Service will draft and publish a standard procedure for expense recognition, which will include the unique criterion in relation to expense recognition through Service Entry Sheets. | The Board reviewed the newly issued Financial Resources Management Service internal guidelines. These guidelines explicitly state the expense recognition point under IPSAS. In addition, this document provides practical guidance on the proper application of the delivery principle, highlighting its impact on expense recognition and reporting timing. Hence, on the basis of the activities carried out, the recommendation is considered as implemented. | X | | | |

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| 34. | 2019 | A/75/5/Add.10, chap. II, para. 67 | The Board recommended that the Regional Office for South-East Asia and the Pacific comply with the appropriate procurement procedure for recurring requirements. | When the two purchase orders that were mentioned in the report were up for renewal in early 2020, the Regional Office for South-East Asia and the Pacific conducted competitive bidding processes to ensure that the Office was receiving the best value for money. To ensure compliance with procurement procedures, a revised management instruction on procurement was issued in April, which reiterated the need to comply with procurement rules and procedures. UNODC considers this recommendation to have been implemented and requests its closure by the Board. | The Board reviewed the support information provided by the entity corresponding to the management instruction issued in April 2020 to ensure compliance with the procurement procedures. In addition, the two vendors identified in the observation were reviewed in Umoja, verifying that in purchases in 2020, the entity was complying with the necessary documentation. Therefore, the recommendation is considered as implemented. | X |
| 35. | 2019 | A/75/5/Add.10, chap. II, para. 68 | In addition, the Board recommended 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. | Instructions have been issued with regard to the uploading of quotations and eventual justifications in Umoja for each low-value acquisition purchase. UNODC considers this recommendation to have been implemented and requests its closure by the Board. | From a review of the purchase orders issued between May and October 2020, the Board noted the existence of at least three quotations or the corresponding justification for every purchase in Umoja. For this reason, the recommendation is considered as implemented. | X |
| 36. | 2019 | A/75/5/Add.10, chap. II, para. 79 | The Board recommended that UNODC headquarters prepare an internal accounting guide in order to document the accounting steps and | UNODC stated that an internal accounting guide had been prepared and circulated. UNODC considers this recommendation to have | UNODC provided evidence to the Board of an accounting guide for full cost recovery, with account codes involved, accounting entries and a | X |

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| | | | procedures for the recognition of the full cost recovery workflow. | been implemented and requests its closure by the Board. | brief description of each accounting procedure for the distribution and recording of expenses for projects. Furthermore, the Office submitted an e-mail addressed to the Budget and Accounts Sections staff in order to disseminate the aforementioned guide. Based on the actions taken by UNODC, the recommendation is considered as implemented. | | | | |
| 37. | 2019 | A/75/5/Add.10, chap. II, para. 93 | The Board recommended 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. | UNODC reported that it would continue to make efforts to sensitize staff members and encourage early planning of meetings and conferences, whenever possible. Field office representatives were instructed to implement preventive, monitoring and/or corrective measures to address this, and actual compliance rates would be reviewed on a quarterly basis. | Despite the measures taken to encourage staff members to undertake an early planning of meetings and conferences, and the instruction delivered to the field office representatives to implement preventive and monitoring and/or corrective measures, the Board detected non-compliance cases in advance purchasing policy and travel expenses for the year 2020. Therefore, the recommendation is considered under implementation. | | X | | |
| 38. | 2019 | A/75/5/Add.10, chap. II, para. 94 | Additionally, 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 | A new certifying officer has become active in Umoja upon the granting of the role on 30 March 2020. The Regional Office for South-East Asia and the Pacific has now two full-time certifying officers and one back-up officer. | The Board verified that the Director of the Division for Operations of UNODC delegated authority to an additional certifying officer at the Regional Office for South-East Asia and the Pacific. Therefore, the recommendation is | X | | | |

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| | | | officers, in order to strengthen compliance with the regulation's deadlines. | UNODC considers this recommendation to have been implemented and requests its closure by the Board. | considered as implemented. | | | | |
| 39. | 2019 | A/75/5/Add.10, chap. II, para. 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 into the Unite Docs website. | UNODC stated that a working group had been set up, consisting of staff members and managers from New York, Geneva, Nairobi and Vienna whose main functions were related to personnel records management.<br>The United Nations Department of Operational Support organized a first meeting in April 2021. Among other things, it was determined that the new filling system would be an electronic system. However, legal issues are currently a challenge, as it has not yet been decided whether a system with electronic signatures is legally possible at all. As informed by UNODC, the Department of Operational Support was working on the legal framework to enable such a system and on the revision of the administrative instructions and rules and regulations to bring them into line with modern requirements. | The Board considers that ongoing work is currently being developed by United Nations Headquarters with regard to the management of the official status files. Hence, the recommendation is considered as under implementation. | | X | | |

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| 40. | 2019 | A/75/5/Add.10, chap. II, para. 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. | UNODC reported that the disaster recovery plan document was updated in April 2021. Corrections and updates to the document were incorporated in this version, including all missing contact person information. Additionally, it was reported that the Information Technology Service is planning to perform a disaster recovery exercise in 2021. | From the review of the April 2021 version of the UNODC disaster recovery plan, the Board noticed that updates were made to the document. However, there were still some pending elements associated with the United Nations disaster recovery plan technical procedure, and disaster recovery exercise had not been performed as at the audit process date. Therefore, the Board considers this recommendation as under implementation. | | X | | |
| 41. | 2019 | A/75/5/Add.10, chap. II, para. 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. | UNODC reported that the UNOV/UNODC disaster recovery plan has been revised to include the suggested improvements. In this regard, UNODC considered this recommendation to have been implemented and requested its closure by the Board. | The Board conducted a verification of supporting documentation provided by UNODC. In this regard, it was noticed that the incorporation of improvements suggested in the table-top exercise was evaluated by the Information Technology Service, and the names of the primary and secondary members of the emergency response team were defined in the UNODC/UNOV disaster recovery plan. Therefore, the recommendation is considered as implemented. | X | | | |
| **Total number of recommendations** | | | | | **41** | **25** | **15** | **0** | **1** |
| **Percentage of the total number of recommendations** | | | | | **100** | **61** | **37** | **0** | **2** |

# Chapter III
## Certification of the financial statements

### Letter dated 31 March 2021 from the Chief 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 2020 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*) Monica **Hemmerde**
Chief, Financial Resources Management Service
United Nations Office on Drugs and Crime

# Chapter IV
# Financial report for the year ended 31 December 2020

## 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 2020 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 responsible for supporting Member States in making the world safer from drugs, crime and terrorism with a view to promoting security and justice for all. The mandate derives from the priorities established in relevant United Nations conventions and General Assembly resolutions, including resolutions 45/179, 46/152 and 46/185 C. The thematic focus areas of the Office range from transnational organized crime to illicit trafficking; from drug prevention and treatment and alternative development to corruption; from criminal justice reform to terrorism prevention; and from research and trend analysis to policy support.

5. UNODC has expanded and consolidated its integrated programming approach, in which it aims to provide better and more consistent support to Member States in their responses to drugs and crime. In line with the principles of the reform of the United Nations development system and the new generation of country teams and United Nations Development Assistance Frameworks rolled out in 2019, UNODC integrated programmes are aimed towards: (a) field-based support for Member States for meeting the needs of national and regional counterparts; (b) cross-sectoral integration of all relevant elements of drugs, crime and terrorism and a clearer contribution to Member States' efforts to implement the 2030 Agenda for Sustainable Development; (c) stronger synergies and joint programmes involving other United Nations entities and working across borders and regions.

6. Essential to the further expansion of UNODC support for Member States is the full participation in and alignment of the UNODC field presence with the reform of the United Nations development system to ensure a strong presence and delivery capacity in countries. This includes the provision of technical expertise and advice in UNODC mandate areas to United Nations country teams and local counterparts with a view to developing sound and needs-based United Nations Development Assistance Frameworks and resulting technical cooperation programmes, also in the context of more joint United Nations programmes.

7. Across its mandate areas, UNODC engaged in partnerships with other entities and organizations: on gender-based violence (United Nations Entity for Gender

Equality and the Empowerment of Women (UN-Women)), drug treatment (World Health Organization), corruption (United Nations Development Programme (UNDP)), trafficking in persons and smuggling of migrants (International Organization on Migration, United Nations Children's Fund, Office of the United Nations High Commissioner for Refugees), terrorism (Office of Counter-Terrorism), illicit financial flows (United Nations Conference on Trade and Development (UNCTAD)); law enforcement (International Criminal Police Organization), border management (World Customs Organization), integrity in sports (International Olympic Committee, Fédération Internationale de Football Association) and economic crime (Financial Action Task Force, World Bank). The Office also closely cooperated with regional organizations such as the European Union, Organization for Security and Cooperation in Europe, African Union, Economic Community of West African States (ECOWAS), Southern African Development Community, Association of Southeast Asian Nations and Organization of American States. UNODC actively participated in United Nations system-wide initiatives in areas such as human trafficking, HIV/AIDS, wildlife crime, terrorism prevention, women's empowerment, youth, innovation, data and digitalization.

8. 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

9. In 2020, UNODC continued to support States through the Commission on Narcotic Drugs in the implementation of all international drug policy commitments, in particular the follow-up to the 2019 ministerial declaration, by facilitating an exchange of good practices, challenges and lessons learned. Owing to the coronavirus disease (COVID-19) situation, the fourteenth United Nations Congress on Crime Prevention and Criminal Justice, which was originally scheduled to take place in Kyoto, Japan, in April 2020, was postponed to 7 to 12 March 2021 (see General Assembly decisions 74/550 A and B).

10. Despite the challenges caused by the outbreak of the COVID-19 pandemic, UNODC continued to focus on the effective implementation of its programmatic activities and quickly adjusted to the unprecedented circumstances by reviewing and re-programming its activities in coordination with donors and national beneficiaries. To the extent possible, UNODC shifted the approach in technical assistance delivery from in-person workshops, trainings and conferences to virtual meetings, adapting and developing new e-learning modules to supplement webinars. As part of its COVID-19 response, UNODC prepared a number of research briefs on the effect of the pandemic on crimes such as homicide, property crime, violence against women and girls, organized crime, trafficking of medical products, migrant smuggling, cross-border trafficking in persons, and drug production, trafficking and use.[1] UNODC has also contributed to the publication "How COVID-19 is changing the world: a statistical perspective", a compilation of data on the impact of the pandemic prepared by the Committee for the Coordination of Statistical Activities.

11. In 2020, UNODC engaged in developing a high-level vision and medium-term strategy for 2021–2025, as requested in Commission on Narcotic Drugs resolution 62/9 and Commission on Crime Prevention and Criminal Justice resolution 28/4. The strategy presents the unique position of UNODC mandates across the United Nations three pillars: peace and security, development and human rights. It outlines UNODC normative work, research and technical assistance in addressing the world drug

[1] https://www.unodc.org/unodc/en/covid-19.html.

problem, strengthening criminal justice systems and preventing and countering transnational organized crime, corruption and terrorism.

12. In the period under review, UNODC has initiated a number of new initiatives, inter alia:

(a) The development of regional strategic visions which will complement the UNODC corporate strategy and will be presented in 2021. Consultations with regional counterparts and partners were held to devise a strategic vision for Africa and one for Latin America and the Caribbean;

(b) The launch of a new project on the nexus between terrorism, arms and crime, together with the Office of Counter-Terrorism, the Counter-Terrorism Committee Executive Directorate and the Office for Disarmament Affairs;

(c) The response to requests from Member States for more strategic evaluations by initiating the first corporate-level evaluation of the United Nations Office at Vienna and UNODC Strategy for Gender Equality and the Empowerment of Women (2018–2021); and

(d) The launch of a new and improved UNOV/UNODC partnership policy to provide a consistent framework for the engagement of external partners, establish standards for the management and oversight of the external partners, and ensure accountability throughout the engagement cycle by adopting a flexible, risk-based approach to the engagement of external partners.

13. With a necessary shift to online communication during the pandemic, the Secretary-General's "digital first" approach was further implemented through online or hybrid events, including virtual report launches (*World Wildlife Crime Report* and *World Drug Report*) and international days (World Drug Day, World Day against Trafficking in Persons and International Anti-Corruption Day). This resulted in strengthened multilingual digital communications, with a combined 22.1 million impressions on social media and approximately 8.6 million views on the UNODC website.

14. The strategy for 2021–2025 emphasizes the mainstreaming of human rights, gender and the empowerment and protection of youth and children into all UNODC programmes. Under the guidance of its Human Rights Advisory Group, UNODC participated in the ongoing discussion on the expansion of the human rights due diligence policy on United Nations support to non-United Nations security forces to other areas. UNODC followed closely the interagency process linked to the call to action on human rights, launched by the Secretary-General in February 2020, and supported the development of a roll-out plan for its implementation to ensure that the United Nations systematically places human rights at the centre of the implementation of the 2030 Agenda for Sustainable Development and the COVID-19 response and recovery.

15. The United Nations Office at Vienna and UNODC Strategy for Gender Equality and the Empowerment of Women (2018–2021) and its action plan are the key documents to assist UNODC in gender mainstreaming. Virtual gender mainstreaming training webinars tailored to UNODC mandate areas were held for approximately 1,000 staff, including senior managers.

16. UNODC is serving as the United Nations co-chair for the Inter-Agency Network on Youth Development. This network works to mainstream youth engagement across the United Nations system, and UNODC was invited to be part of the high-level steering committee for the implementation of the United Nations Youth Strategy.

## Highlights by region

*Latin America and the Caribbean*

17. In Bolivia, through the UNODC alternative development programme, a total of 207 bags – equivalent to 12,420 kilograms (kg) – of high-quality coffee beans were exported to Europe (Belgium, France and Switzerland), generating a profit of $41,000 for the community. In Mexico, UNODC trained first responders and 911 operators to address gender-based violence and provide assistance to women and girl victims during the pandemic. In Peru, UNODC developed a rapid reference guide for the investigation of forest crime, complemented with tailor-made practical training activities for 70 officials from the justice and environment sectors. In Colombia, UNODC and the Ministry for Mines and Energy jointly engaged on a study of alluvial gold exploitation and its link with organized crime. In Brazil, a centre of excellence for drug supply reduction was established in partnership with the Secretary on Drug Policy and the Ministry of Justice and Public Security, which will serve to develop data analysis on trends and threats. In Panama, as part of the criminal procedural reform, UNODC completed the construction of a courthouse built in Llano Tugrí, reaching out to the indigenous population and allowing them to access justice.

*Africa and the Middle East*

18. In Africa and the Middle East, UNODC supported countries in responding to the COVID-19 crisis by providing protective equipment, medical supplies and food packages. In Nigeria, UNODC started the implementation of a transnational organized crime threat assessment, using an updated methodology combining quantitative and qualitative data and information. In the Sahel, UNODC provided support to the Group of Five for the Sahel to strengthen the common approach to security and justice, facilitating 30 weekly regional meetings of the Security Cooperation Platform. In the Niger, UNODC kicked off a programme to support national authorities involved in counter-terrorism in the collection, preservation and sharing of evidence collected in conflict zones and battle fields. In the Horn of Africa, UNODC provided remote capacity-building for Kenya, Rwanda, Uganda and the United Republic of Tanzania on whistle-blower protection programmes and public procurement processes. UNODC developed the “Maputo road map” with the Government of Mozambique, in coordination with the United Nations country team and relevant partners. In the Middle East and North Africa, UNODC supported countries in responding to the COVID-19 crisis by supporting justice systems, through the development of an automated pre-trial detention hearing system in Egypt and the procurement of remote trial equipment for Jordan and Lebanon. A UNODC observatory on smuggling of migrants was established, and up-to-date evidence on modus operandi, smuggling routes, financial aspects and abuses was provided for West and North Africa.

*West and Central Asia*

19. In Afghanistan, through the implementation of UNODC alternative development activities, a total of 1,478 jobs were created; 32,253 farmers received extension services; $7.12 million in income was generated from licit livelihoods. In Pakistan, UNODC trained 442 personnel, including 36 women, from Balochistan and Punjab police departments with the purpose of building their capacity in forensic sciences, handling victim and witness techniques, first responders’ orientation, and attitudinal and behavioural change. In Uzbekistan, the mobile interdiction teams established with the support of UNODC conducted more than 200 joint operations with more than 328 kg of narcotic drugs seized. In the Islamic Republic of Iran,

scientific and evidence-based initiatives, tools and guidelines were adapted and scaled up to enhance the drug prevention, treatment and care initiative.

*South Asia, East Asia and the Pacific*

20. In South-east Asia, UNODC continued to assist countries in the Mekong region in addressing the threat of illicit drugs, in the framework of the Mekong Memorandum of Understanding on Drug Control, and to support border management, including through the steadily expanding network of over 80 border liaison offices. In Myanmar, a further decrease in the total opium poppy cultivation area (a 11 per cent decrease from 2019) was recorded, while drug prevention messages reached over 100,000 families in internally displaced person camps and communities. In Indonesia, inter alia, UNODC enhanced vocational, rehabilitation and reintegration programmes to prevent the radicalization of prisoners. In South Asia, among others, UNODC trained over 260 law enforcement officers, judges and civil society actors on trafficking in persons and smuggling of migrants, and strengthened family skills in refugee camps in Bangladesh; advocated and supported the accession of Nepal to the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime; promoted the use of non-custodial measures in Sri Lanka by training 130 criminal justice officers and undertaking a gap and needs assessment; re-established a presence in Maldives; and significantly expanded its maritime crime support, including through the deployment of mentors and experts, training on strengthening prosecutions and the provision of vessel boarding, search skills and satellite imagery for effective interdictions.

*Eastern and South-Eastern Europe*

21. The regional programme for South-Eastern Europe has advanced its assistance through increasing preparedness of the national law enforcers and justice institutions to counter various types of crime in the region, supporting increased seizures of contraband goods and better inter-agency cooperation. In the area of prevention and treatment of drug use, UNODC has been reaching out to significant numbers of school children and families and supporting them, as well as guiding national treatment and prevention work. UNODC published the report on the project on measuring and assessing organized crime in the Western Balkans, which developed and piloted a framework to quantify and evaluate organized crime activities, groups and state response.

*Global programmes*

22. UNODC supported 39 countries in improving their national drug prevention and treatment strategies in the context of the COVID-19 pandemic, reaching at least 2 million parents and children and 67,000 people with drug use disorders; and supported 38 high-priority countries in ensuring HIV/AIDS prevention, treatment and care services for people who use drugs and people in prisons (continued during the COVID-19 pandemic) and promoted their inclusion in the national COVID-19 response plans. The Global Programme for Combating Wildlife and Forest Crime supported 30 countries to address wildlife, forest and fisheries crime, including providing 10 countries with legislative review and development, supporting the investigation of 101 criminal cases and training 1,565 criminal justice professionals to combat wildlife crime. The Global Prison Challenges Programme and Doha Declaration programme provided support to the development of prisoner classification systems based on international standards in several countries and specialized risk and needs assessments of violent extremist prisoners. The Global Maritime Crime Programme provided 150 training courses and mentoring in the areas

of maritime law enforcement, prisons, prosecution and courts, which included over 2,000 beneficiaries from 57 Member States.

23. UNODC published the *World Drug Report*, the *World Wildlife Crime Report* and the *Global Study on Firearms Trafficking*, reaching an audience of 47 million. A revised and streamlined annual report questionnaire was submitted to and endorsed by the Commission on Narcotic Drugs and the conceptual framework to measure illicit financial flows was jointly developed and launched by UNODC and UNCTAD. A total of 299 laboratories in 87 countries were supported with training, manuals on recommended laboratory methods, reference standards and quality assurance support.

24. The Global Programme against Money-Laundering, Proceeds of Crime and the Financing of Terrorism, continued to deliver capacity-building and casework mentoring around the world, despite the pause in international travel. In Central America, more than 5,000 educators were trained online in countering cybercrime. In West Africa, subsequent to training and mentoring, an extortionist using Bitcoin was identified and brought to justice, while in Southern Africa, tens of millions of dollars of illicit finances continued to be seized, under UNODC mentorship, by law enforcers. Elsewhere, a terrorist cell was disrupted after having been identified through financial investigation, and, in South-East Asia, a first-of-its-kind darknet cybercrime analysis was published.

25. UNODC, through its Global Programme against Corruption, reached more than 2,000 anti-corruption practitioners and other stakeholders from more than 35 countries in capacity-building activities aimed at preventing and countering corruption through the effective implementation of the United Nations Convention against Corruption. The Global Programme for the Implementation of the Doha Declaration reached more than 2.5 million individuals and conducted approximately 800 direct capacity-building activities. In 2020, Cuba became the fifth Member State to become party to all 19 instruments against terrorism. The Container Control Programme, in cooperation with the World Customs Organization, offered training to a total of 3,997 officers, of whom 21 per cent were women. The global programme on strengthening criminal justice cooperation along trafficking routes (CRIMJUST global programme) conducted 101 training courses for 1,668 law enforcement officers, 310 prosecutors and 21 judges to build capacity on investigation, prosecution and adjudication of drug trafficking. The Global Firearms Programme trained more than 100 practitioners to conduct effective investigation and prosecution of illicit firearms trafficking and developed standard operating procedures to counter firearms trafficking. The global programme to support the review mechanism for the United Nations Convention against Transnational Organized Crime substantively and administratively supported 189 parties in operating the review mechanism in 2020.

26. Under the International Narcotics Control Board precursor programme, information shared through the Board's intelligence communication platform (PICS) resulted in the identification of suspected links between the more than 65,000 litres of acetic anhydride, a precursor chemical used in illicit manufacture of heroin, seized on separate occasions. The Board's Global Rapid Interdiction of Dangerous Substances (GRIDS) Programme provided training sessions for 1,248 officials representing international organizations and 134 Governments and released a list of 144 fentanyl-related substances that have been trafficked or seized, sold illicitly through the Internet, or manufactured and found in toxicology reports.

## D. Budget performance highlights

27. 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.

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

29. 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.

30. 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 revised budget for 2020–2021 was presented to the Commissions at the end of 2020.

31. Table IV.1 shows 2019 and 2020 performance comparatives in aggregate.

Table IV.1
**United Nations Office on Drugs and Crime 2019–2020 income, budget, expenditure and implementation rate overview (including regular budget) (United Nations system accounting standards basis)**

(Millions of United States dollars)

| | *2020* | *2019* |
|---|---|---|
| Income | 363.8 | 427.0 |
| Budget (revised) (A) | 320.0 | 388.8 |
| Expenditure (B) | 311.2 | 369.5 |
| Implementation rate (B over A) | 97.3% | 95.0% |

32. The initial 2020 budget approved/endorsed by the Commissions at their sessions in 2019 amounted to $402.5 million in extrabudgetary resources (2019: $335.8 million). In December 2020, the Commissions approved/endorsed a revised 2020 budget of $297.6 million in extrabudgetary resources (2019: $365.8 million). Including regular budget, the UNODC revised budget for 2020 was $320.0 (2019: $388.8 million). The implementation rate for 2020 was 97.2 per cent against the revised budget (2019: 95.0 per cent).

33. Table IV.1 above depicts that, year-on-year, UNODC encountered a decrease of income of $63.2 million (14.8 per cent) and a decrease in expenditure of $58.3 million (15.8 per cent).

34. Table IV.2 shows 2019 and 2020 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.
**United Nations Office on Drugs and Crime 2019–2020 expenditure by funding source (United Nations system accounting standards basis)**
(Millions of United States dollars, regular budget includes sections 16 and 23)

| | *2020* | | *2019* | |
|---|---|---|---|---|
| | *Amount* | *Percentage* | *Amount* | *Percentage* |
| *Extrabudgetary resources* | | | | |
| Special purpose funds | 260.8 | 84 | 318.0 | 86 |
| Programme support cost funds | 24.5 | 8 | 25.1 | 7 |
| General purpose funds | 3.4 | 1 | 3.4 | 1 |
| **Subtotal** | **288.7** | **93** | **346.5** | **94** |
| Regular budget | 22.5 | 7 | 23.0 | 6 |
| **Total** | **311.2** | **100** | **369.5** | **100** |

35. The outbreak of the COVID-19 pandemic became a global challenge and had an impact on UNODC programme implementation. Combined with other factors, it resulted in a decrease of $58.3 million in 2020 compared to 2019. The pandemic had an impact on UNODC interventions at the national, regional and global levels, resulting in reprogramming, delays or cancellation of planned activities, including training events, working groups and missions.

36. Compared to 2019, the programme decrease was most noticeable in: the project on alternative development in Colombia (decrease of $25.6 million); the project on alternative development in Afghanistan (decrease of $6.2 million); the project on response to drugs and related organized crime in Nigeria (decrease of $4.3 million); the project on strengthening criminal investigation and criminal justice cooperation along the cocaine route in Latin America, the Caribbean and West Africa (decrease of $3.9 million); the global programme on the implementation of the Doha Declaration (decrease of $3.8 million); global container control programme (decrease of $3.7 million); the project on support to the ECOWAS Regional Action Plan in West Africa (decrease of $3.1 million); and the Global Action to Prevent and Address Trafficking in Persons and Smuggling of Migrants (decrease of $2.7 million).

37. Figures IV.I and IV.II below show expenditures by subprogramme and by region respectively. 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 2020, these two subprogrammes accounted for 48.6 per cent of expenditures (2019: 57.7 per cent). Aside from the global programmes (38.3 per cent), the largest regions in terms of volume were the Latin America and the Caribbean (21.8 per cent) and Africa and the Middle East (21.5 per cent). Together, in 2020, the three regions accounted for 81.6 per cent of expenditures.

Figure IV.I

**United Nations Office on Drugs and Crime expenditure by subprogramme (including regular budget), 2020 (United Nations system accounting standards basis)**

(Millions of United States dollars)

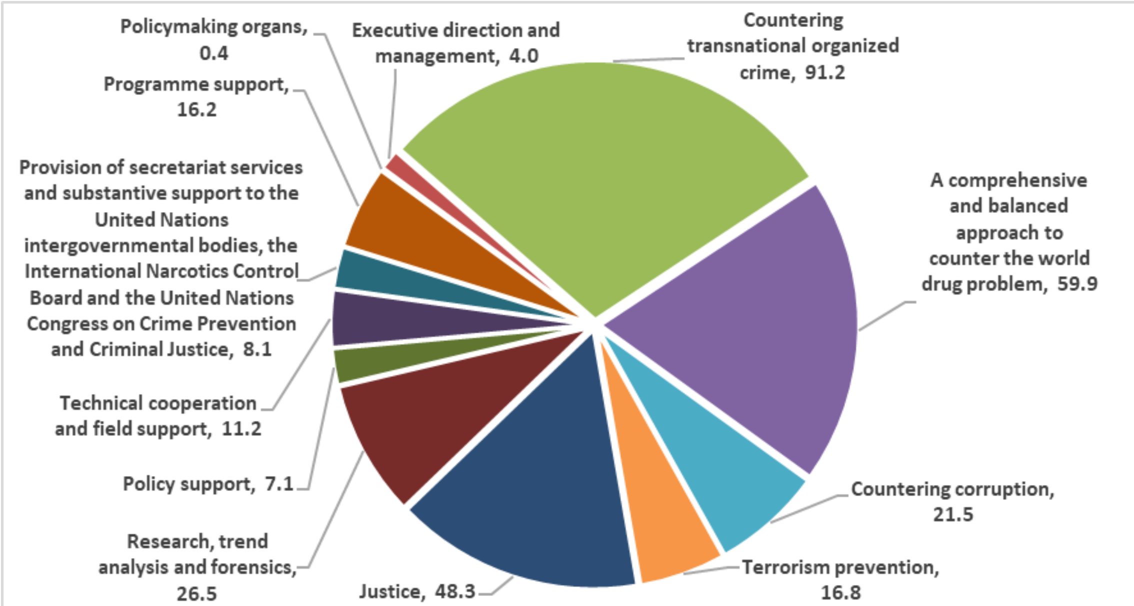
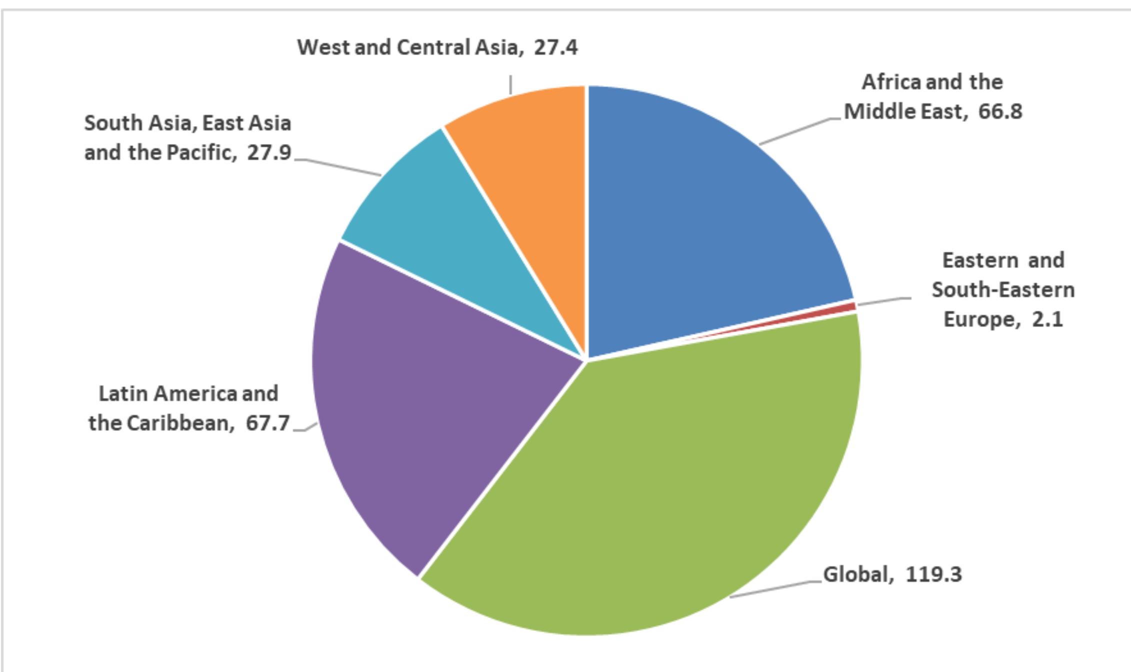



Figure IV.II

**United Nations Office on Drugs and Crime expenditure by region (including regular budget), 2020 (United Nations system accounting standards basis)**

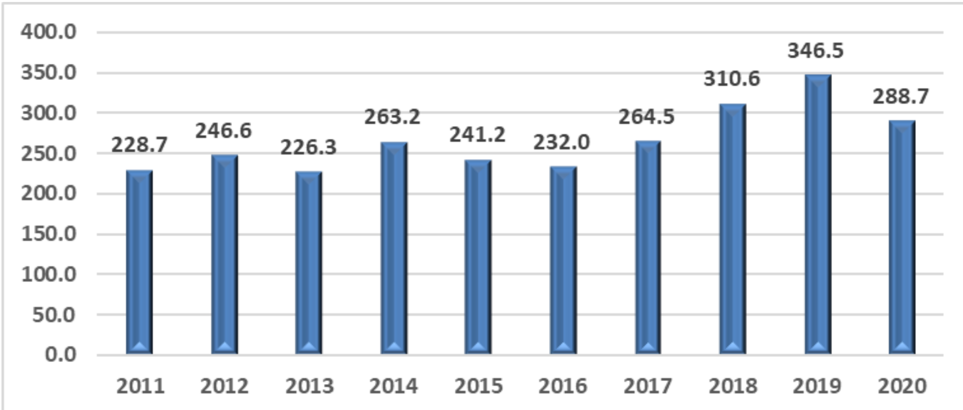
(Millions of United States dollars)




*Note*: Based on country/region of implementation.

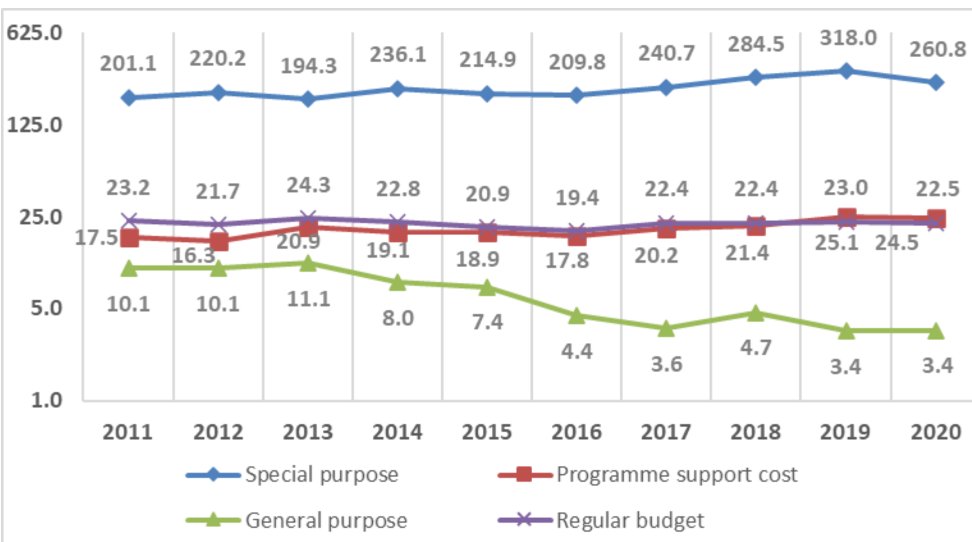
38. Figures IV.III and IV.IV show the 10-year trends of United Nations system accounting standards technical assistance expenditure.

Figure IV.III
**United Nations Office on Drugs and Crime technical assistance expenditure trend (excluding regular budget), 2011–2020 (United Nations system accounting standards basis)**
(Millions of United States dollars)




39. In recent years, UNODC had experienced an upward trend in the delivery of technical assistance (extrabudgetary implementation) up until the COVID-19 pandemic impeded the implementation of programmes and projects in 2020. The 2020 expenditure of $288.7 million is 16.7 per cent lower than the 2019 level of $346.5 million.

Figure IV.IV
**United Nations Office on Drugs and Crime expenditure by funding source, 2011–2020 (United Nations system accounting standards basis)**
(Millions of United States dollars)

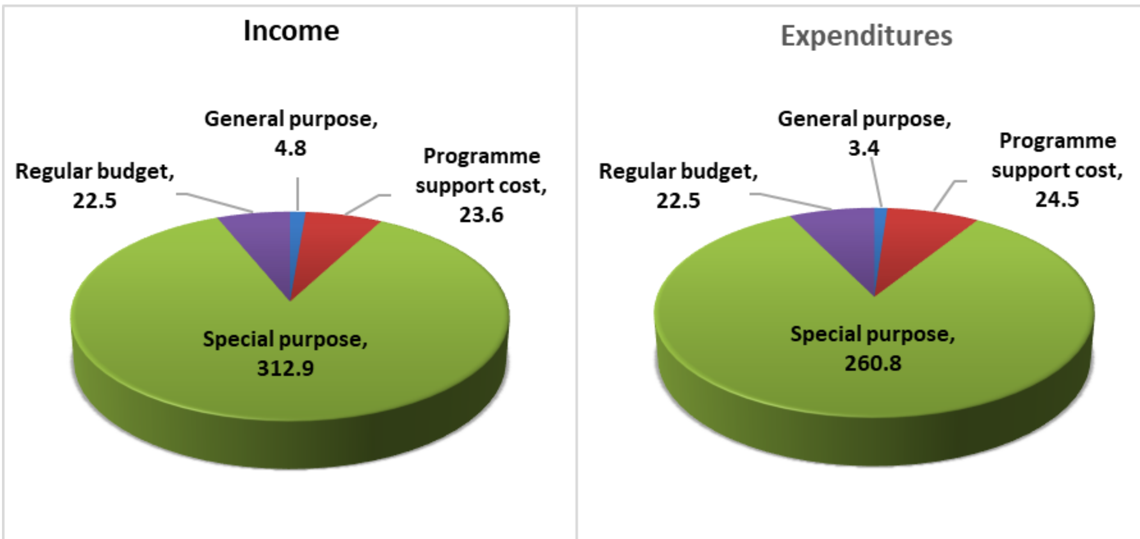



40. Figure IV.III highlights the continuous deterioration of the funding mix between earmarked and unearmarked contributions over the years. In 2011, the ratio of general purpose (unearmarked) funding to special purpose (earmarked) was 5:95, whereas the

same ratio was only 1:99 in 2020. In numbers, general purpose funding (expenditure) stood at $10.1 million in 2011 but declined by 66.0 per cent to $3.4 million in 2020, whereas the earmarked funding (expenditure) stood at $201.1 million in 2011 and increased by 29.7 per cent, to $260.8 million, by 2020.

41. Figure IV.V presents 2020 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 income and expenditure by funding source, 2020 (United Nations system accounting standards basis)**
(Millions of United States dollars)




42. Figure IV.V highlights that the general purpose (unearmarked) income represented a mere 1.3 per cent of the total income and funded a mere 1.1 per cent of the yearly delivery (expenditure). This, coupled with tight earmarking of special purpose contributions, hinders the ability of UNODC to strategically manage its operations, improve upon its management processes, exercise effective corporate oversight, fund key activities and launch new initiatives and programmes. UNODC continues to count on the support of Member States for increased unearmarked contributions to ensure the solvency of the general purpose fund.

43. The decline in special purpose expenditures resulted in lower programme support costs income earned in 2020 ($23.6 million). Despite efforts by UNODC to contain expenditures, the level of programme support costs expenditures stood at $24.5 million, thus generating a deficit of $0.9 million in 2020.

## E. Financial analysis

44. The present section contains a reflection on the results presented in the IPSAS-based financial statements and accompanying notes, unless otherwise stated.

45. As at 31 December 2020, the net assets amounted to $826.3 million (statement I), which represented an increase of $47.4 million (or 6.1 per cent) compared to $778.9 million as at 31 December 2019. That increase was a result of a net surplus in 2020 of $58.3 million (statement II) together with a loss arising from the actuarial valuation of employee benefits of $10.9 million (statement III).

46. Cash and cash equivalents and investments amounted to $871.9 million (71.3 per cent of total assets at 31 December 2020), an increase of $66.3 million (or 8.3 per cent) over the 2019 amount of $805.6 million (see notes 5 and 6).

47. At the end of 31 December 2020, voluntary contributions receivable represented uncollected earmarked pledges totalling $289.0 million (2019: $254.3 million), net of allowance for doubtful receivables of $5.2 million (2019: $3.5 million) (see note 7).

48. 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 of the end of December 2020, a balance of $16.5 million (2019: $26.2 million) of advances remained outstanding. Of this amount, $5.0 million (2019: $19.0 million) related to advances made in support of the implementation and monitoring of an integrated and sustainable strategy to reduce illicit crops and promote alternative development and a culture of legality in Colombia (see note 8).

49. As at 31 December 2020, UNODC held property, plant and equipment of $15.6 million (2019: $16.9 million). At the end of 2020, ongoing construction projects amounted to $12.9 million (see note 10).

50. As at 31 December 2020, UNODC reported advance receipts of $35.3 million (2019: $35.3 million). That amount represented funds received from exchange transactions for services that had not been delivered by year-end (see note 13).

51. UNODC liability for employee benefits amounted to $135.1 million as at 31 December 2020 (2019: $117.0 million), of which $127.5 million (2019: $109.5 million) represented liabilities under defined benefit plans (see note 14).

52. The total revenue of $391.4 million during 2020 (2019: $458.1 million) consisted primarily of $313.0 million (2019: $375.2 million) of non-exchange revenue (80.0 per cent of total revenue) (see note 19); and $33.8 million (2019: $32.0 million) of allocations from the United Nations regular budget (see note 18). Within the reduction of non-exchange revenue was a reduction of $65.2 million from the Government of Colombia after their withdrawal from the alternative development programme in Colombia. Within other revenue of $8.9 million (2019: $10.6 million), $8.8 million (2019: $10.1 million) represent income derived from exchange transactions such as services rendered on software support and training to Member States and other international organizations (see note 20).

53. The total expenditures for the period amounted to $333.1 million (2019: $374.8 million), comprising mainly staff-related costs of $132.3 million (39.7 per cent of total expenses) (2019: $125.8 million), and non-employee compensation and allowances of $60.0 million (2019: $63.5 million) (18.0 per cent of total expenses). Furthermore, $58.1 million (2019: $60.0 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, 2020 and beyond

### Funding model

54. In response to the requests made by the Commissions in their resolutions 62/9 and 28/4, UNODC conducted a review of the use and allocation of programme support cost funds and explored proposals for a more flexible and effective use of programme

support cost funds at headquarters and in the field, as appropriate. UNODC also monitored its cost and field office structures against programme needs and refined its system of full cost recovery to enhance transparency in the implementation of its cost-recovery mechanisms. UNODC is exploring various options, including the allocation of general purpose funds to areas of strategic importance, the possibility of achieving long-term savings and efficiencies at headquarters and in field offices on all sources of funding and the possibility of allocating a higher share of programme support cost funds to field offices in view of the importance of their role in the programme delivery of UNODC.

**United Nations management and United Nations system-wide reforms**

55. The reform of the United Nations development system introduced by the Secretary-General in 2017 has transformed the system in a far-reaching manner, guided by the priority of improving support for Member States in their implementation of the 2030 Agenda for Sustainable Development and, more specifically, by the General Assembly in its resolutions 71/243 and 72/279. In 2019 and 2020, UNODC took concrete measures to implement the reform initiatives, both by strengthening cooperation with United Nations country teams and participating in the development and roll-out of the United Nations Sustainable Development Cooperation Framework. UNODC also worked with the Development Coordination Office to enhance results-based management, including planning, monitoring and reporting on progress made towards the achievement of the Sustainable Development Goals. As an active member of the United Nations Evaluation Group, UNODC participated in the development of a United Nations Sustainable Development Group policy for system-wide evaluations.

56. UNODC participated in 110 country teams and in the development of 24 common country analyses, 11 United Nations Sustainable Development Cooperation Frameworks and 46 socioeconomic response plans to COVID-19. UNODC also engaged in the roll-out of new business operation strategies in 52 countries and increased its involvement in multi-agency programming.

57. With the Sustainable Development Goals as the ultimate guide, 22 United Nations development system entities, including UNODC in a co-facilitator role, developed common methodologies for planning and reporting on results, taking important steps to harmonize approaches, definitions and indicators. Furthermore, UNODC established a global Sustainable Development Goal community of practice, which serves as a helpdesk and maintains an online repository of development system reform information.

58. UNODC is fully committed to the United Nations management reform approved by the General Assembly in its resolution 72/266 B, entitled "Shifting the management paradigm in the United Nations", and its resolution 72/303, entitled "Progress towards an accountability system in the United Nations Secretariat". To enhance accountability and compliance with policy guidelines issued by the Department of Management Strategy, Policy and Compliance, UNODC is monitoring delegations of authority issued and their implementation. In May 2020, UNODC delegated authority for procurement to UNODC field offices. UNODC also participated in a review of the policy and the related instruments to address gaps and issues raised by stakeholders after the first year of implementation.

59. UNODC also participated in the roll-out of the Secretariat-wide statement of internal control. The first statement of internal control for all operations carried out by the United Nations Secretariat in 2020 is planned to be issued by 31 March 2021, following the submission of the certified self-assessment questionnaires and assurance statements by all heads of entities.

### Enterprise risk management initiative

60. One of the priorities of the Secretary-General is to strengthen enterprise risk management as a means of reinforcing the programming and control framework, allowing for greater delegation of authority and greater organizational agility and effectiveness. In early 2020, UNODC field offices started to review their risk registers and treatment plans with a view to updating them. In line with the process established by the United Nations Secretariat, in the course of 2020, UNODC commenced a review of its enterprise risk management framework to update it and align it with the new institutional strategy being developed by the Executive Director.

### Umoja

61. The main deployment efforts have been on delivery of the Umoja Extension 2 project solution for voluntary contributions, which is expected to streamline and integrate processes in the following areas: (a) strategic planning, budget planning and performance management, including strategic, programme and project management; (b) fundraising and donor relationship management; and (c) the management of implementing partners. In addition, newly developed functionalities related to supply chain management and demand planning, and conference and event management are expected to be introduced in 2021, including their integration with existing Umoja functionality. UNODC is developing related plans to tackle the main deployment activities, in line with the overall deployment plans and tasks of Headquarters. Those plans also envisage efforts to reposition existing UNODC frameworks, processes, procedures and workflows affected by Umoja Extension 2.

62. To that end, the United Nations Office at Vienna and UNODC established a permanent forum of process experts from all divisions, which liaises with Headquarters on a regular basis regarding required Umoja Extension 2 functionality and its integration and deployment. Requirements for complementary dashboards have also been communicated to Headquarters to further assist project and programme managers and automate data consolidation. Furthermore, a client support portal was deployed to ensure a holistic solution for all client support needs. All these efforts are aimed at improving the Office's organizational agility and effectiveness by leveraging the benefits of an integrated enterprise resource planning system for both programmatic and administrative areas.

### Results-based management

63. UNODC has stepped up its efforts to strengthen the culture of accountability and incorporate results-based management into all its programmes. As part of its efforts, UNODC conducted a peer review of its results-based management approach at a time of strategic change and reform within the United Nations system. UNODC launched an e-learning course entitled "Results-based Management and the 2030 Agenda for Sustainable Development", aimed at enhancing the application of results-based management principles to UNODC programming.

64. UNODC, through the Independent Evaluation Section, has invested in meta-syntheses, using aggregate results from oversight and independent evaluations to provide information to senior management and Member States on key issues. The innovative evaluation management application, Unite Evaluations, was rolled out at UNODC and was highlighted by the Office for Internal Oversight Services as a best practice and praised for its ability to aggregate evaluation results by Sustainable Development Goal.

# Chapter V

## Financial statements for the year ended 31 December 2020

### United Nations Office on Drugs and Crime

### I. Statement of financial position as at 31 December 2020

(Thousands of United States dollars)

| | *Reference* | *31 December 2020* | *31 December 2019* |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | Note 5 | 95 283 | 215 675 |
| Investments | Note 6 | 584 279 | 449 831 |
| Voluntary contributions receivable | Note 7 | 164 653 | 118 445 |
| Other receivables | Note 7 | 7 823 | 6 556 |
| Advance transfers | Note 8 | 16 540 | 26 172 |
| Advances to UNDP and other assets | Note 9 | 9 951 | 15 940 |
| **Total current assets** | | **878 529** | **832 619** |
| **Non-current assets** | | | |
| Investments | Note 6 | 192 326 | 140 117 |
| Voluntary contributions receivable | Note 7 | 124 316 | 135 850 |
| Other receivables | Note 7 | 12 000 | 12 000 |
| Property, plant and equipment | Note 10 | 15 647 | 16 889 |
| Intangible assets | Note 11 | 256 | 250 |
| **Total non-current assets** | | **344 545** | **305 106** |
| **Total assets** | | **1 223 074** | **1 137 725** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | Note 12 | 26 705 | 35 113 |
| Advance receipts | Note 13 | 35 280 | 35 320 |
| Employee benefits liabilities | Note 14 | 4 835 | 5 175 |
| Provisions | Note 15 | – | 25 |
| Conditional liabilities | Note 16 | 122 166 | 86 276 |
| **Total current liabilities** | | **188 986** | **161 909** |
| **Non-current liabilities** | | | |
| Accounts payable and accrued liabilities | Note 12 | 12 000 | 12 000 |
| Employee benefits liabilities | Note 14 | 130 233 | 111 852 |
| Conditional liabilities | Note 16 | 65 559 | 73 071 |
| **Total non-current liabilities** | | **207 792** | **196 923** |
| **Total liabilities** | | **396 778** | **358 832** |
| **Total assets and liabilities** | | **826 296** | **778 893** |
| Accumulated surpluses/(deficits) – unrestricted | Note 17 | 44 897 | 50 479 |
| Accumulated surpluses/(deficits) – restricted | Note 17 | 781 399 | 728 414 |
| **Total net assets** | | **826 296** | **778 893** |

The accompanying notes and annexes are an integral part of this financial statement.

## United Nations Office on Drugs and Crime

## II. Statement of financial performance for the year ended 31 December 2020

(Thousands of United States dollars)

| | *Reference* | *31 December 2020* | *31 December 2019* |
|---|---|---|---|
| **Revenue** | | | |
| United Nations regular budget allocation | Note 18 | 33 827 | 32 004 |
| Voluntary contributions | Note 19 | 312 980 | 375 155 |
| Other transfers and allocations | Note 19 | 21 859 | 21 168 |
| Other revenue | Note 20 | 8 920 | 10 605 |
| Investment revenue | Note 21 | 13 840 | 19 179 |
| **Total revenues** | | **391 426** | **458 111** |
| **Expenses** | | | |
| Employee salaries allowances and benefits | Note 22 | 132 258 | 125 802 |
| Non-employee compensation and allowances | Note 23 | 60 026 | 63 520 |
| Grants and other transfers | Note 24 | 58 076 | 60 043 |
| Supplies and consumables | Note 25 | 8 029 | 5 631 |
| Depreciation | Note 10 | 658 | 557 |
| Amortization | Note 11 | 122 | 221 |
| Travel | Note 26 | 9 090 | 38 135 |
| Other operating expenses | Note 27 | 63 412 | 79 512 |
| Other expenses | Note 28 | 1 430 | 1 420 |
| **Total expenses** | | **333 101** | **374 841** |
| **Surplus/(deficit) for the year** | **Note 17** | **58 325** | **83 270** |

The accompanying notes and annexes are an integral part of this financial statement.

## United Nations Office on Drugs and Crime

## III. Statement of changes in net assets for the year ended 31 December 2020

(Thousands of United States dollars)

| | *Reference* | *Accumulated surpluses/(deficits) – unrestricted* | *Accumulated surpluses/(deficits) – restricted* | *Total* |
|---|---|---|---|---|
| **Net assets as at 1 January 2019** | | **26 941** | **660 097** | **687 038** |
| **Change in net assets** | | | | |
| Transfers to/from unrestricted/restricted reserve funds | | (761) | 761 | – |
| Actuarial gain/(loss) | | 8 585 | – | 8 585 |
| Surplus/(deficit) for the year | | 15 714 | 67 556 | 83 270 |
| **Total as at December 2019** | | **50 479** | **728 414** | **778 893** |
| **Net assets as at 1 January 2020** | Statement I | **50 479** | **728 414** | **778 893** |
| **Change in net assets** | | | | |
| Transfers to/from unrestricted/restricted reserve funds | Note 17 | (5 601) | 5 601 | – |
| Actuarial gain/(loss) | Note 14 | (10 922) | – | (10 922) |
| Surplus/(deficit) for the year | Statement II | 10 941 | 47 384 | 58 325 |
| **Total as at 31 December 2020** | **Statement I** | **44 897** | **781 399** | **826 296** |

The accompanying notes and annexes are an integral part of this financial statement.

## United Nations Office on Drugs and Crime

## IV. Statement of cash flows for the year ended 31 December 2020

(Thousands of United States dollars)

| | *Reference* | *31 December 2020* | *31 December 2019* |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| **Surplus/(deficit) for the year** | Statement II | **58 325** | **83 270** |
| *Non-cash movements* | | | |
| Depreciation and amortization | Note 10, 11 | 780 | 778 |
| Actuarial gain/loss on employee benefits liabilities | Note 14 | (10 922) | 8 585 |
| Net gain/loss on disposal of property, plant and equipment | Note 10 | 8 372 | 8 704 |
| *Changes in assets* | | | |
| (Increase)/decrease in voluntary contributions receivable | Note 7 | (34 674) | (2 634) |
| (Increase)/decrease in other receivables | Note 7 | (1 267) | (9 665) |
| (Increase)/decrease in advance transfers | Note 8 | 9 632 | (8 118) |
| (Increase)/decrease in other assets | Note 9 | 5 989 | (2 653) |
| *Changes in liabilities* | | | |
| Increase/(decrease) in accounts payable – Member States | Note 12 | (888) | 7 173 |
| Increase/(decrease) in accounts payable – other | Note 12 | (7 520) | (3 736) |
| Increase/(decrease) in advance receipts | Note 13 | (40) | 7 667 |
| Increase/(decrease) in employee benefits payable | Note 14 | 18 041 | 430 |
| Increase/(decrease) in provisions | Note 15 | (25) | 25 |
| Increase/(decrease) in conditional liabilities | Note 16 | 28 378 | 8 185 |
| Investment revenue presented as investing activities | Note 21 | (13 840) | (19 179) |
| **Net cash flows from/(used in) operating activities** | Note 4 | **60 341** | **78 832** |
| **Cash flows from investing activities** | | | |
| Pro rata share of net increases in the cash pool | Note 6 | (186 657) | 58 965 |
| Investment revenue presented as investing activities | Note 21 | 13 840 | 19 179 |
| Acquisitions of property, plant and equipment | Note 10 | (7 788) | (11 577) |
| Acquisitions of intangibles | Note 11 | (128) | – |
| **Net cash flows from/(used in) investing activities** | Note 4 | **(180 733)** | **66 567** |
| **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 | (120 392) | 145 399 |
| Cash and cash equivalents – beginning of year | Note 5 | 215 675 | 70 276 |
| **Cash and cash equivalents – end of year** | Statement I | **95 283** | **215 675** |

The accompanying notes and annexes are an integral part of this financial statement.

## United Nations Office on Drugs and Crime

### V. Statement of comparison of budget and actual amounts for the year ended 31 December 2020

(Thousands of United States dollars)

| | *Publicly available budget*[a] | | | |
|---|---|---|---|---|
| | *Original 2020 annual*[b] | *Revised 2020 annual*[c] | *Actual 2020 (budget basis)* | *Difference*[d] *(percentage)* |
| **Revenue** | | | | |
| United Nations regular budget allocation | 22 587 | 22 307 | 22 525 | 1 |
| Voluntary contributions | 327 806 | 312 113 | 341 277 | 9 |
| **Total revenue** | **350 393** | **334 420** | **363 802** | **9** |
| **Expense** | | | | |
| A. Policymaking organs | 1 311 | 739 | 397 | (46) |
| B. Executive direction and management | 5 114 | 4 261 | 3 977 | (7) |
| C. Programme of work | | | | |
| 1. Countering transnational organized crime | 129 457 | 95 144 | 91 230 | (4) |
| 2. A comprehensive and balanced approach to counter the world drug problem | 115 289 | 65 410 | 59 911 | (8) |
| 3. Countering corruption | 27 415 | 21 669 | 21 427 | (1) |
| 4. Terrorism prevention | 16 239 | 14 022 | 16 799 | 20 |
| 5. Justice | 46 735 | 41 873 | 48 281 | 15 |
| 6. Research, trend analysis and forensics | 34 367 | 30 937 | 26 529 | (14) |
| 7. Policy support | 7 241 | 7 285 | 7 111 | (2) |
| 8. Technical cooperation and field support | 13 071 | 12 678 | 11 139 | (12) |
| 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 | 10 955 | 8 818 | 8 127 | (8) |
| D. Programme support | 17 930 | 17 119 | 16 227 | (5) |
| **Total expenses (Note 4)** | **425 124** | **319 955** | **311 155** | **(3)** |
| **Net surplus/(deficit)** | **(74 731)** | **14 465** | **52 647** | **–** |

[a] Statement V budget is reported on an annual basis for reporting purpose. See note 4 for details of the 2020–2021 biennial budget information.

[b] Original approved budget for 2020 of $425.1 million covers extrabudgetary resources of $402.5 million approved by the Commission on Narcotic Drugs and the Commission on Crime Prevention and Criminal Justice (E/CN.7/2019/14-E/CN.15/2019/16). It also includes the 2020 initial appropriation for regular budget section 16 ($21.6 million) and section 23 ($1.0 million). The amount for extrabudgetary resources includes the United Nations Interregional Crime and Justice Research Institute.

[c] Revised budget for 2020 of $320.0 million covers extrabudgetary resources of $297.7 million (see E/CN.7/2020/16-E/CN.15/2020/16). It also includes the 2020 final appropriation for regular budget section 16 ($21.3 million) and section 23 ($1.0 million). 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[2] through a merger between the United Nations International Drug Control Programme[3] and the Centre for International Crime Prevention.[4] 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. UNODC is responsible for supporting Member States in making the world safer from drugs, crime and terrorism with a view to promoting security and justice for all. The mandate derives from the priorities established in relevant United Nations conventions and General Assembly resolutions, including Assembly resolutions 45/179, 46/152 and 46/185 C. The thematic focus areas of the Office range from transnational organized crime to illicit trafficking; from drug prevention and treatment and alternative development to corruption; from criminal justice reform to terrorism prevention; and from research and trend analysis to policy support. The work of the Office is grounded in a series of international instruments for which the Office acts as guardian and advocate. They include the three international drug control conventions, the United Nations Convention against Corruption, the United Nations Convention against Transnational Organized Crime and the Protocols thereto, the 19 international conventions and protocols against terrorism and the United Nations standards and norms in crime prevention and criminal justice.

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 2020–2021 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

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[2] See A/51/950, paras. 143–145

[3] 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.

[4] 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).

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 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 (99).

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. The 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 2020–2021, 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 2020. 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 determined by the United Nations IPSAS corporate guidance on property, plant and equipment and 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 and if no indicators for impairment are identified during the year the impairment reviews are undertaken during the annual physical verification.

*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 classified as other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities with a duration of less than 12 months are recognized at their nominal value. 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.

66. The defined-benefit obligations are calculated by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using the interest rates of high-quality corporate bonds with maturity dates approximating those of the individual plans.

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

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

69. **Annual leave**. The liabilities for annual leave represent unused accumulated leave days that are projected to be settled via a monetary payment to employees upon their separation from the Office. UNODC recognizes as a liability the actuarial value of the total accumulated unused leave days of all staff members, up to a maximum of 60 days (18 days for temporary staff) as at the date of the statement of financial position. The methodology applies a last-in-first-out assumption in the determination of the annual leave liabilities, whereby staff members access current period leave entitlements before they access accumulated annual leave balances relating to prior

periods. Effectively, the accumulated annual leave benefit is accessed more than 12 months after the end of the reporting period in which the benefit arose and, overall, there is an increase in the level of accumulated annual leave days, pointing to the commutation of accumulated annual leave to a cash settlement at end of service as the true liability of the Office. The accumulated annual leave benefit reflecting the outflow of economic resources from the Office at end of service is therefore classified under the category of other long-term benefits, while noting that the portion of the accumulated annual leave benefit that is expected to be settled via monetary payment within 12 months after the reporting date is classified as a current liability. In line with IPSAS 39: Employee benefits, other long-term benefits must be valued similarly to post-employment benefits; therefore, UNODC values its accumulated annual leave benefit liability as a defined, post-employment benefit that is actuarially valued.

*Pension plan: United Nations Joint Staff Pension Fund*

70. 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.

71. 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 Pension 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*

72. 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*

73. 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.

74. 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.

75. 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*

76. 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**

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

| *Standard* | *Anticipated impact in the year of adoption* |
|---|---|
| IPSAS 41 | IPSAS 41: Financial instruments, substantially improves the relevance of information for financial assets and financial liabilities. It will replace IPSAS 29: Financial instruments: recognition and measurement, and improves that standard's requirements by introducing:<br>(a) Simplified classification and measurement requirements for financial assets;<br>(b) A forward-looking impairment model;<br>(c) A flexible hedge accounting model.<br>The effective date of IPSAS 41 was deferred to 1 January 2023 owing to the COVID-19 pandemic and the challenges it created. Its impact on the financial statements will be assessed prior to that date, and UNODC will be ready for its implementation by the time it becomes effective. |
| IPSAS 42 | IPSAS 42: Social benefits, provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include state retirement benefits, disability benefits, income support and unemployment benefits. The new |

| *Standard* | *Anticipated impact in the year of adoption* |
|---|---|
| | standard requires an entity to recognize an expense and a liability for the next social benefit payment.<br><br>The effective date of IPSAS 42 was deferred to 1 January 2023 owing to the COVID-19 pandemic and the challenges it created. Currently, there are no such social benefits applicable to UNODC. |

## Note 3
## Segment reporting

78. 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.

79. 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.

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

## Segment reporting by pillars

### Statement of financial position for the year ended

(Thousands of United States dollars)

| | *31 December 2020* | | | *31 December 2019* | | |
|---|---|---|---|---|---|---|
| | *Drug programme* | *Crime programme* | *Total* | *Drug programme* | *Crime programme* | *Total* |
| **Assets** | | | | | | |
| **Current assets** | | | | | | |
| Cash and cash equivalents | 50 424 | 44 859 | 95 283 | 96 876 | 118 799 | 215 675 |
| Investments | 223 280 | 360 999 | 584 279 | 202 053 | 247 778 | 449 831 |
| Voluntary contributions receivable | 33 957 | 130 696 | 164 653 | 18 541 | 99 904 | 118 445 |
| Advance transfers and other receivables | 7 071 | 17 292 | 24 363 | 20 219 | 12 509 | 32 728 |
| Advances to UNDP and other assets | 7 176 | 2 775 | 9 951 | 12 420 | 3 520 | 15 940 |
| **Total current assets** | **321 908** | **556 621** | **878 529** | **350 109** | **482 510** | **832 619** |
| **Assets** | | | | | | |
| **Non-current assets** | | | | | | |
| Investments | 73 497 | 118 829 | 192 326 | 62 937 | 77 180 | 140 117 |
| Voluntary contributions receivable | 11 219 | 113 097 | 124 316 | 16 206 | 119 644 | 135 850 |
| Property, plant and equipment and intangibles | 2 708 | 13 195 | 15 903 | 5 166 | 11 973 | 17 139 |
| Other receivables | – | 12 000 | 12 000 | – | 12 000 | 12 000 |
| **Total non-current assets** | **87 424** | **257 121** | **344 545** | **84 309** | **220 797** | **305 106** |
| **Total assets** | **409 332** | **813 742** | **1 223 074** | **434 418** | **703 307** | **1 137 725** |
| **Liabilities** | | | | | | |
| **Current liabilities** | | | | | | |
| Accounts payable and accrued liabilities | 7 844 | 18 861 | 26 705 | 8 672 | 26 441 | 35 113 |
| Advance receipts | 5 061 | 30 219 | 35 280 | 4 180 | 31 140 | 35 320 |
| Employee benefits liabilities | 1 881 | 2 954 | 4 835 | 1 998 | 3 177 | 5 175 |
| Provisions | – | – | – | 25 | – | 25 |
| Conditional liabilities | 18 576 | 103 590 | 122 166 | 12 835 | 73 441 | 86 276 |
| **Total current liabilities** | **33 362** | **155 624** | **188 986** | **27 710** | **134 199** | **161 909** |

| | *31 December 2020* | | | *31 December 2019* | | |
|---|---|---|---|---|---|---|
| | *Drug programme* | *Crime programme* | *Total* | *Drug programme* | *Crime programme* | *Total* |
| **Non-current liabilities** | | | | | | |
| Accounts payable and accrued liabilities | – | 12 000 | 12 000 | – | 12 000 | 12 000 |
| Employee benefits liabilities | 51 056 | 79 177 | 130 233 | 44 594 | 67 258 | 111 852 |
| Conditional liabilities | 4 401 | 61 158 | 65 559 | 6 756 | 66 315 | 73 071 |
| **Total non-current liabilities** | **55 457** | **152 335** | **207 792** | **51 350** | **145 573** | **196 923** |
| **Total liabilities** | **88 819** | **307 959** | **396 778** | **79 060** | **279 772** | **358 832** |
| **Total assets and liabilities** | **320 513** | **505 783** | **826 296** | **355 358** | **423 535** | **778 893** |
| **Net assets** | | | | | | |
| Accumulated surpluses/(deficits) – unrestricted | 42 310 | 2 587 | 44 897 | 47 060 | 3 419 | 50 479 |
| Accumulated surpluses/(deficits) – restricted | 278 203 | 503 196 | 781 399 | 308 298 | 420 116 | 728 414 |
| **Total net assets** | **320 513** | **505 783** | **826 296** | **355 358** | **423 535** | **778 893** |

## Segment reporting by pillars

### Statement of financial performance for the year ended

(Thousands of United States dollars)

| | *31 December 2020* | | | *31 December 2019* | | |
|---|---|---|---|---|---|---|
| | *Drug programme* | *Crime programme* | *Total* | *Drug programme* | *Crime programme* | *Total* |
| **Segment revenue** | | | | | | |
| United Nations regular budget allocation | 15 570 | 18 257 | 33 827 | 13 735 | 18 269 | 32 004 |
| Voluntary contributions | 93 147 | 219 833 | 312 980 | 143 428 | 231 727 | 375 155 |
| Other transfers and allocations | 3 461 | 18 398 | 21 859 | 6 348 | 14 820 | 21 168 |
| Other revenue | 913 | 8 007 | 8 920 | 780 | 9 825 | 10 605 |
| Investment revenue | 5 759 | 8 081 | 13 840 | 9 080 | 10 099 | 19 179 |
| **Total revenues** | **118 850** | **272 576** | **391 426** | **173 371** | **284 740** | **458 111** |
| **Expenses** | | | | | | |
| Employee salaries allowances and benefits | 47 276 | 84 982 | 132 258 | 46 910 | 78 892 | 125 802 |
| Non-employee compensation and allowances | 20 337 | 39 689 | 60 026 | 24 254 | 39 266 | 63 520 |
| Grants and other transfers | 49 437 | 8 639 | 58 076 | 51 187 | 8 856 | 60 043 |
| Depreciation and amortization | 369 | 411 | 780 | 407 | 371 | 778 |
| Travel | 3 234 | 5 856 | 9 090 | 12 398 | 25 737 | 38 135 |
| Other operating expenses | 24 941 | 38 471 | 63 412 | 34 972 | 44 540 | 79 512 |
| Supplies, consumables and other expenses | 4 218 | 5 241 | 9 459 | 3 564 | 3 487 | 7 051 |
| **Total expenses** | **149 812** | **183 289** | **333 101** | **173 692** | **201 149** | **374 841** |
| **Surplus/(deficit) for the year** | **(30 962)** | **89 287** | **58 325** | **(321)** | **83 591** | **83 270** |

### Segment reporting by geographical region for the year ended

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Africa and the Middle East | 62 978 | 78 415 |
| Eastern and South-Eastern Europe | 2 102 | 2 613 |
| Global programmes | 124 619 | 129 700 |
| Latin America and the Caribbean | 82 016 | 94 180 |
| South Asia, East Asia and the Pacific | 25 143 | 30 724 |
| West and Central Asia | 36 243 | 39 209 |
| **Total expenses** | **333 101** | **374 841** |

### Segment reporting by subprogramme for the year ended

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| A. Policymaking organs | 455 | 766 |
| B. Executive direction and management | 4 027 | 3 847 |
| C. Programme of work | | |
| 1. Countering transnational organized crime | 87 407 | 108 310 |
| 2. A comprehensive and balanced approach to counter the world drug problem | 78 753 | 87 982 |
| 3. Countering corruption | 20 427 | 27 054 |
| 4. Terrorism prevention | 14 457 | 15 154 |
| 5. Justice | 40 216 | 39 450 |
| 6. Research, trend analysis and forensics | 27 161 | 29 429 |
| 7. Policy support | 6 954 | 7 197 |
| 8. Technical cooperation and field support | 22 822 | 25 215 |
| 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 | 8 673 | 7 508 |
| D. Programme support | 21 749 | 22 929 |
| **Total expenses** | **333 101** | **374 841** |

## Note 4
## Comparison to budget

81. 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.

82. The original budget for the biennium 2020–2021 of $810.184 million covers extrabudgetary resources of $763.300 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 $46.884 million approved by the General Assembly (resolutions 74/264 A–C and 75/254 A–C) for

sections 16 and 23. Of the $810.184 million, the original budget for 2020 of $425.124 million is included in these statements.

83. The revised budget for the biennium 2020–2021 of $675.618 million covers extrabudgetary resources of $629.014 million approved by the Commission on Narcotics Drugs and the Commission on Crime Prevention and Criminal Justice (see E/CN.7/2020/16-E/CN.15/2020/16), and regular budget resources of $46.604 million allocated by the Secretariat in 2020 and approved by the General Assembly (resolution 75/254 A-C) for 2021 for sections 16 and 23. Of the $675.618 million, the revised budget for 2020 of $319.955 million is included in these statements.

84. The explanations of material differences of 10 per cent or more for 2020 are provided below:

| *Budget caption* | *Material differences* |
|---|---|
| Policymaking organs | The variance of $0.342 million is due mainly to the postponement of the fourteenth United Nations Congress on Crime Prevention and Criminal Justice in Kyoto to 2021, as a result of the coronavirus disease (COVID-19) pandemic. |
| Subprogramme 4, Terrorism prevention | The variance of $2.777 million is due mainly to higher-than-budgeted implementation of the projects on strengthening the legal regime against terrorism and on terrorism prevention in Eastern Africa and in South East Asia. The higher implementation reflects efficient reprogramming of project resources to deliver activities through virtual means and the receipt and implementation of additional contributions. |
| Subprogramme 5, Justice | The variance of $6.408 million is due mainly to higher-than-budgeted implementation of the global programmes on prison challenges and maritime crime, as well as the maritime crime programme in Somalia. The higher implementation reflects additional procurement activities, including personal protective equipment for law enforcement and prison settings and the provision of equipment and expert services for remote implementation and capacity-building to counterparts in several countries. |
| Subprogramme 6, Research, trend analysis and forensics | The variance of $4.408 million is due mainly to lower-than-budgeted implementation of the programmes implemented by the United Nations Interregional Crime and Justice Research Institute. In addition, some planned fieldwork related to the illicit crop monitoring projects in West Africa, Colombia and Afghanistan could not be implemented, owing to the COVID-19 pandemic. |
| Subprogramme 8, Technical cooperation and field support | The variance of $1.539 million is due mainly to the postponement of travel activities within the project supporting the functioning of the UNODC Office for the Gulf Cooperation Council Region, lower requirements for field office support, delayed recruitment and lower actual salary costs. |

85. 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, 2020

(Thousands of United States dollars)

| | *Operating* | *Investing* | *Financing* | *Total 31 December 2020* |
|---|---|---|---|---|
| **Actual amounts on a comparable basis (statement V)** | **(311 155)** | **–** | **–** | **(311 155)** |
| Basis differences | 376 113 | – | – | 376 113 |
| Entity differences | (8 895) | – | – | (8 895) |
| Presentation differences | 4 278 | (180 733) | – | (176 455) |
| **Actual amounts in the statement of cash flows (statement IV)** | **60 341** | **(180 733)** | **–** | **(120 392)** |

86. Basis differences capture the differences resulting from preparing a 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 $21.763 million (2019: $57.453 million) and payment against prior year budgetary commitments $44.506 (2019: $45.820 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.

87. 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).

88. 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 $172.817 million (2019: $78.144 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 $7.916 million (2019: $11.577 million).

89. Timing differences occur if the budget period differs from that of the financial statements. As the budget results under statement V reflect only the 2020 proportion of the biennium, there are no timing differences.

## Note 5
## Cash and cash equivalents

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Cash at bank and on hand | 41 | 43 |
| Cash pool cash and term deposits | 95 242 | 215 632 |
| **Total cash and cash equivalents (statement I)** | **95 283** | **215 675** |

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

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

## Note 6
## Investments

(Thousands of United States dollars)

| | *Total 31 December 2020* | *Total 31 December 2019* |
|---|---|---|
| **Current** | | |
| Main pool | 584 279 | 449 831 |
| Euro pool | – | – |
| **Subtotal, current (statement I)** | **584 279** | **449 831** |
| **Non-current** | | |
| Main pool | 192 326 | 140 117 |
| **Subtotal, non-current (statement I)** | **192 326** | **140 117** |
| **Total** | **776 605** | **589 948** |

92. 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 2020* | *31 December 2019* |
|---|---|---|
| **Current voluntary contributions receivable** | | |
| Governments | 889 | 218 |
| Other governmental organizations | 154 071 | 105 018 |
| United Nations organizations | 11 513 | 10 674 |
| Private donors | 3 414 | 6 000 |
| **Total current voluntary contributions receivable before allowance** | **169 887** | **121 910** |
| **Non-current voluntary contributions receivable** | | |
| Governments | – | – |
| Other governmental organizations | 122 269 | 129 654 |
| United Nations organizations | 244 | 4 258 |
| Private donors | 1 803 | 1 938 |
| **Total non-current voluntary contributions receivable before allowance** | **124 316** | **135 850** |

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Allowance for doubtful receivables, current | (5 234) | (3 465) |
| **Total allowance for doubtful receivables** | **(5 234)** | **(3 465)** |
| **Net voluntary contributions receivable, current (statement I)** | **164 653** | **118 445** |
| **Net voluntary contributions receivable, non-current (statement I)** | **124 316** | **135 850** |
| **Total voluntary contributions receivable** | **288 969** | **254 295** |

## Other receivables

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| **Current other receivables** | | |
| Governments | 4 386 | 5 101 |
| Receivables from other United Nations entities | 82 | 24 |
| Other revenue receivables | 3 355 | 1 431 |
| **Total other receivables before allowance, current** | **7 823** | **6 556** |
| Allowance for doubtful receivables, current | – | – |
| **Total other receivables (statement I)** | **7 823** | **6 556** |
| **Non-current other receivables** | | |
| Other exchange revenue receivables | 12 000 | 12 000 |
| **Total other receivables, non-current (statement I)** | **12 000** | **12 000** |

## Movements in allowances for doubtful receivables

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Opening allowance for doubtful receivables | 3 465 | 4 607 |
| Amounts written off[a] | (611) | (2 002) |
| Doubtful receivables adjustment for current year | 2 380 | 860 |
| **Closing allowance for doubtful receivables** | **5 234** | **3 465** |

[a] Note 27 provides further details on the amounts written off.

### Ageing of voluntary contributions receivable and other receivables

(Thousands of United States dollars)

| | *31 December 2020* | | *31 December 2019* | |
|---|---|---|---|---|
| | *Gross receivable* | *Allowance* | *Gross receivable* | *Allowance* |
| Neither past due nor impaired | 281 057 | (191) | 256 540 | (2 538) |
| Less than one year | 20 674 | (1 780) | 19 292 | (447) |
| One to two years | 12 258 | (3 241) | 484 | (480) |
| Two to three years | 37 | (22) | – | – |
| More than three years | – | – | – | – |
| **Total** | **314 026** | **(5 234)** | **276 316** | **(3 465)** |

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

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

95. 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: $4.230 million, non-current: $12 million).

## Note 8
## Advance transfers

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| United Nations Office for Project Services | 143 | 1 299 |
| Advances to other United Nations entities | 9 183 | 3 147 |
| Implementing partners (Colombia) | 5 031 | 18 970 |
| Other implementing partners | 2 183 | 2 756 |
| **Total advance transfers (statement I)** | **16 540** | **26 172** |

96. 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 2020* | *31 December 2019* |
|---|---|---|
| Advances to UNDP and other United Nations entities | 6 218 | 12 439 |
| Advances to vendors | 198 | 144 |
| Advances to staff | 3 259 | 2 493 |
| Advances to other personnel | 107 | 653 |
| Deferred charges | – | 141 |
| Other assets | 169 | 70 |
| **Total advances to UNDP and other assets (statement I)** | **9 951** | **15 940** |

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

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

## Note 10
## Property, plant and equipment

99. The movements and balances for property, plant and equipment of UNODC as at 31 December 2020 are provided below:

## Movements and balances for property, plant and equipment, 2020

(Thousands of United States dollars)

| | *Buildings* | *Leasehold improvements* | *Furniture and fixtures* | *Communications and information technology equipment* | *Vehicles* | *Machinery and equipment* | *Assets under construction* | *Total* |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| As at 1 January 2020 | 562 | 307 | 69 | 1 373 | 8 180 | 2 981 | 11 467 | 24 939 |
| Additions | 209 | 725 | 9 | 661 | 2 699 | 882 | 2 603 | 7 788 |
| Disposals[a] | (1 214) | (936) | (69) | (746) | (2 944) | (2 857) | – | (8 766) |
| Completed assets under construction | 962 | 211 | – | – | – | – | (1 173) | – |
| Transfers | – | – | – | 6 | – | – | – | 6 |
| **Cost as at 31 December 2020** | **519** | **307** | **9** | **1 294** | **7 935** | **1 006** | **12 897** | **23 967** |
| **Accumulated depreciation** | | | | | | | | |
| As at 1 January 2020 | 420 | 15 | – | 1 085 | 5 816 | 714 | – | 8 050 |
| Depreciation | 29 | 62 | 2 | 57 | 455 | 53 | – | 658 |
| Disposals[a] | (115) | – | – | (74) | (135) | (70) | – | (394) |
| Transfers | – | – | – | 6 | – | – | – | 6 |
| **Accumulated depreciation as at 31 December 2020** | **334** | **77** | **2** | **1 074** | **6 136** | **697** | **–** | **8 320** |
| **Net carrying amount** | | | | | | | | |
| As at 1 January 2020 | 142 | 292 | 69 | 288 | 2 364 | 2 267 | 11 467 | 16 889 |
| **As at 31 December 2020 (statement I)** | **185** | **230** | **7** | **220** | **1 799** | **309** | **12 897** | **15 647** |

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

## Movements and balances for property, plant and equipment, 2019

(Thousands of United States dollars)

| | *Buildings* | *Leasehold improvements* | *Furniture and fixtures* | *Communications 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** | | | | | | | | |
| As 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** | | | | | | | | |
| As 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.

100. At the end of 31 December 2020, UNODC held a total of $15.647 million (2019: $16.889 million) in property, plant and equipment. The decrease in net assets of $1.242 million (2019: increase of $2.316 million) from prior period was attributable mainly to the disposal of vehicles and machinery. UNODC does not maintain items of property, plant and equipment as security for liabilities.

101. UNODC enters into construction works such as the building of 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 ownership of the property is then fully transferred. During 2020, there were construction projects amounting to $0.962 million completed and transferred to end beneficiaries. Ongoing construction projects amounting to $12.897 million at the end of 2020 are anticipated to be completed in 2021 and beyond, after which they will be handed over to the beneficiaries.

102. Impairment reviews are undertaken for all classes of property, plant and equipment. UNODC did not identify any additional impairment in the context of the coronavirus disease (COVID-19) situation.

## Note 11
## Intangibles

(Thousands of United States dollars)

| | *Software internally developed* | *Assets under development* | *Total* |
|---|---|---|---|
| **Cost as at 31 December 2019** | 1 104 | | 1 104 |
| Additions | – | 128 | 128 |
| Disposals | – | – | – |
| Completed assets under development | – | – | – |
| **Cost as at 31 December 2020** | **1 104** | – | **1 232** |
| **Accumulated amortization as at 31 December 2019** | 854 | | 854 |
| Amortization | 122 | | 122 |
| Impairment and write-offs in year | – | – | – |
| **Accumulated amortization as at 31 December 2020** | **976** | – | **976** |
| **Net carrying amount** | | | |
| 31 December 2019 | 250 | – | 250 |
| **31 December 2020 (statement I)** | **128** | **128** | **256** |

103. 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 2020* | *31 December 2019* |
|---|---|---|
| Vendor payables | 5 339 | 7 406 |
| Transfers payable | – | 4 592 |
| Payables to other United Nations entities | 1 801 | 318 |
| Accruals for goods and services | 9 086 | 12 986 |
| Other | 6 249 | 4 693 |
| **Subtotal** | **22 475** | **29 995** |
| Accounts payable, Member States and Governments | 4 230 | 5 118 |
| **Total accounts payable and accrued liabilities, current (statement I)** | **26 705** | **35 113** |
| Non-current accounts payable, Member States and Governments | 12 000 | 12 000 |
| **Total accounts payable and accrued liabilities, non-current (statement I)** | **12 000** | **12 000** |

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

105. Other includes $0.934 million in payables to the European Union under conditional liability arrangements (2019: $0.905 million).

106. Accounts payable, Member States and Governments, current and non-current, include $16.230 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 2020* | *31 December 2019* |
|---|---|---|
| United Nations Interregional Crime and Justice Research Institute Training Fees | 592 | 81 |
| National Drug Control System | 1 240 | 920 |
| Various software products for Member States and Governments | 10 251 | 8 032 |
| Judicial systems construction and capacity-building | 20 426 | 23 450 |
| Other advance receipts | 2 771 | 2 837 |
| **Total advance receipts (statement I)** | **35 280** | **35 320** |

107. 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 2020

(Thousands of United States dollars)

| | *Current* | *Non-current* | *Total 31 December 2020* |
|---|---|---|---|
| After-service health insurance | 445 | 95 688 | 96 133 |
| Annual leave | 713 | 10 671 | 11 384 |
| Repatriation benefits | 1 342 | 18 635 | 19 977 |
| **Subtotal, defined-benefit liabilities** | **2 500** | **124 994** | **127 494** |
| Accrued salaries and allowances | 2 335 | 5 239 | 7 574 |
| **Total employee benefits liabilities (statement I)** | **4 835** | **130 233** | **135 068** |

### 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-benefit 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** |

108. 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.

109. The $96.133 million after-service health insurance liability comprises $22.407 million in regular budget liabilities and $73.726 million in non-regular budget liabilities. As of 31 December 2020, $45.385 million (2019: $38.001 million) of the non-regular budget liabilities have been funded.

110. 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 those 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. |

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

112. 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.

113. 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 $6.010 million for 2020 (2019: $5.658 million).

*Actuarial valuation: assumptions*

114. The principal actuarial assumptions used to determine the employee benefits obligations at 31 December 2020 are as follows.

**Actuarial assumptions**

(Percentage)

| *Assumptions* | *After-service health insurance* | *Repatriation benefits* | *Annual leave* |
|---|---:|---:|---:|
| Discount rates, 31 December 2019 | 2.18 | 3.10 | 2.53 |
| Discount rates, 31 December 2020 | 1.60 | 2.26 | 2.33 |
| Inflation, 31 December 2019 | 3.65–3.85 | 2.20 | – |
| Inflation, 31 December 2020 | 3.25–3.65 | 2.20 | – |

115. 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).

116. The 2020 actuarial valuation reports a net $10.922 million actuarial loss being a $9.127 million loss on after-service health insurance, a $1.561 million loss on repatriation benefits and a $0.234 million loss on annual leave. The actuarial loss for after-service health insurance is due mainly to the change in the per capita claim assumption and the decrease in the discount rate, which also represents the main reason for the actuarial loss for repatriation benefits and annual leave.

*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)

| | *2020* | *2019* |
|---|---|---|
| **Net defined-benefits liability as at 1 January** | 109 530 | 110 205 |
| Current service cost | 7 260 | 6 844 |
| Interest cost | 2 560 | 3 328 |
| Benefits paid | (2 778) | (2 262) |
| **Total net costs recognized in the statement of financial performance** | **7 042** | **7 910** |
| Actuarial (gain)/losses recognized in the statement of changes in net assets | 10 922 | (8 585) |
| **Net defined-benefits liability as at 31 December** | **127 494** | **109 530** |

*Discount rate sensitivity analysis*

117. 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 2020* | *After-service health insurance* | *Repatriation grant* | *Annual leave* |
|---|---|---|---|
| Increase of discount rate by 0.5 per cent | (12 573) | (818) | (524) |
| As a percentage of end-of-year liability | (13) | (4) | (5) |
| Decrease of discount rate by 0.5 per cent | 15 034 | 881 | 568 |
| As a percentage of end-of-year liability | 16 | 4 | 5 |

*Medical cost sensitivity analysis*

118. 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)

| *2020* | *Effects on the defined-benefits obligations* | *Effects on current service cost and interest cost* |
|---|---|---|
| Increase of discount rate by 0.5 per cent | 14 397 | 1 465 |
| As a percentage of end-of-year liability/ service and interest cost | 15.0 | 21.7 |
| Decrease of discount rate by 0.5 per cent | (12 216) | (1 221) |
| As a percentage of end-of-year liability/ service and interest cost | (12.7) | (18.1) |

*United Nations Joint Staff Pension Fund*

119. 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.

120. 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 Fund during the preceding three years (2017, 2018 and 2019) amounted to $7,546.92 million, of which 0.91 per cent was contributed by UNODC.

121. The actuarial valuation as at 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.2 per cent (139.2 per cent in the 2017 valuation). The funded ratio was 107.1 per cent (102.7 per cent in the 2017 valuation) when the current system of pension adjustments was taken into account.

122. After assessing the actuarial sufficiency of the Pension 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.

123. In 2020, contributions paid to the Pension Fund by UNODC amounted to $18.212 million (2019: $16.673 million).

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

125. 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

126. 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 2020, UNODC had no provisions that met the criteria.

### Note 16
### Conditional liabilities

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Liabilities (cash received) | 60 041 | 44 847 |
| Current liabilities (cash not received) | 62 125 | 41 429 |
| **Total conditional liabilities, current (statement I)** | **122 166** | **86 276** |
| Non-current liabilities (cash not received) | 65 559 | 73 071 |
| **Total conditional liabilities, non-current (statement I)** | **65 559** | **73 071** |

127. Liabilities for conditional arrangements consist of cash received from the European Union and not yet utilized in the amount of $60.041 million (2019: $44.847 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 assets as at 1 January 2019** | **26 941** | **660 097** | **687 038** |
| **Change in net assets** | | | |
| Transfers to/from unrestricted/restricted reserve funds | (761) | 761 | – |
| Actuarial gain/(loss) | 8 585 | – | 8 585 |
| Surplus/(deficit) for the year | 15 714 | 67 556 | 83 270 |
| **Total as at 31 December 2019** | **50 479** | **728 414** | **778 893** |
| **Net assets as at 1 January 2020** | **50 479** | **728 414** | **778 893** |
| **Change in net assets** | | | |
| Transfers to/from unrestricted/restricted reserve funds | (5 601) | 5 601 | – |
| Actuarial gain/(loss) | (10 922) | – | (10 922) |
| Surplus/(deficit) for the year | 10 941 | 47 384 | 58 325 |
| **Total as at 31 December 2020 (statement I)** | **44 897** | **781 399** | **826 296** |

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

129. The net unrestricted balance consists of unearmarked project fund balances of $74.447 million (2019: $76.711 million) and a negative balance of $29.550 million (2019: negative $26.232 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 2020* | *31 December 2019* |
|---|---|---|
| **Revenue** | | |
| United Nations regular budget allocation | 33 827 | 32 004 |
| **Expenditure** | | |
| Direct programme activities | 23 518 | 22 615 |
| Support (administrative) activities | 10 309 | 9 389 |
| **Total expenditure (statement II)** | **33 827** | **32 004** |
| **Excess of income over expenditure** | – | – |

130. 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 for intergovernmental bodies and Commissions and substantive support for the International Narcotics Control Board.

131. 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 38.3 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 (61.7 per cent) supports other Secretariat entities located in Vienna. For 2020, expenses consisted of $21.315 million (2019: $20.953 million) under section 16, $0.911 million (2019: $0.711 million) under section 23, $7.457 million (2019: $6.347 million) under section 29G, $1.293 million (2019: $0.951 million) under section 35, $2.851 million (2019: $ 3.042 million) under section 36.

## Note 19
## Revenue from non-exchange transactions

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| **Voluntary contributions** | | |
| Voluntary contributions in cash | 315 845 | 382 037 |
| Voluntary contributions in kind | 1 430 | 1 407 |
| **Total voluntary contributions received** | **317 275** | **383 444** |
| Refunds | (4 295) | (8 289) |
| **Net voluntary contributions received (statement II)** | **312 980** | **375 155** |

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| **Other transfers and allocations** | | |
| Interorganizational arrangements | 21 859 | 21 168 |
| **Total other transfers and allocations (statement II)** | **21 859** | **21 168** |

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

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

*Services in kind*

134. 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. There were no in-kind services reported above the materiality threshold in 2020 (2019: $0.026 million). The decrease is due mainly to the lower level of operational activity in 2020.

## Note 20
## Other revenue

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Revenue from services rendered | 8 762 | 10 119 |
| Rental income | 91 | 92 |
| Revenue producing activities and other miscellaneous revenue | 67 | 394 |
| **Total other revenue (statement II)** | **8 920** | **10 605** |

135. Other revenue represents exchange revenue.

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

## Note 21
## Financial instruments and financial risk management

(Thousands of United States dollars)

| *Financial instruments* | *31 December 2020* | *31 December 2019* |
|---|---|---|
| **Financial assets** | | |
| **Fair value through surplus or deficit**[a] | | |
| Short-term investments, main pool | 584 279 | 449 831 |
| **Total short-term investments** | **584 279** | **449 831** |

| *Financial instruments* | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Long-term investments, main pool | 192 326 | 140 117 |
| **Total long-term investments** | **192 326** | **140 117** |
| **Total fair value through surplus or deficit investments** | **776 605** | **589 948** |
| **Loans and receivables** | | |
| Cash and cash equivalents, main pool | 95 242 | 215 632 |
| Cash and cash equivalents, other | 41 | 43 |
| **Cash and cash equivalents** | **95 283** | **215 675** |
| Voluntary contributions receivable | 288 969 | 254 295 |
| Other receivables | 19 823 | 18 556 |
| **Total loans and receivables** | **308 792** | **272 851** |
| **Total carrying amount of financial assets** | **1 180 680** | **1 078 474** |
| Of which relates to financial assets held in main pool | 871 847 | 805 580 |
| **Financial liabilities at amortized cost** | | |
| Accounts payable and accrued payables (excluding deferred payables) | 38 705 | 47 113 |
| **Total carrying amount of financial liabilities** | **38 705** | **47 113** |
| **Summary of net income from financial assets** | | |
| Investment revenue | 13 840 | 19 179 |
| **Total net income from financial assets (statement II)**[a] | **13 840** | **19 179** |

[a] All financial instruments of the cash pool are designated as at fair value through surplus or deficit, in accordance with IPSAS 30: Financial instruments: disclosures (para. 11 (a) (i)).

*Cash pools*

137. 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 United Nations Investment Management Guidelines.

138. 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.

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

140. 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.

141. 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.

142. As at 31 December 2020, the cash pools held total assets of $10,652.389 million (2019: $9,339.390 million), of which $871.847 million was due to the Office (2019: $805.580 million), and its share of revenue from cash pools was $13.840 million (2019: $19.179 million).

### Summary of assets and liabilities of the cash pools as at 31 December 2020

(Thousands of United States dollars)

| | *Main pool* |
|---|---|
| **Fair value through surplus or deficit** | |
| Short-term investments | 7 120 427 |
| Long-term investments | 2 349 880 |
| **Total fair value through surplus or deficit investments** | **9 470 307** |
| **Loans and receivables** | |
| Cash and cash equivalents | 1 163 684 |
| Accrued investment revenue | 18 398 |
| **Total loans and receivables** | **1 182 082** |
| **Total carrying amount of financial assets** | **10 652 389** |
| **Cash pool liabilities** | |
| Payable to UNODC | 871 847 |
| Payable to other cash pool participants | 9 780 542 |
| **Total liabilities** | **10 652 389** |
| **Net assets** | – |

### Summary of revenue and expenses of the cash pools for the year ended 31 December 2020

(Thousands of United States dollars)

| | *Main pool* |
|---|---|
| Investment revenue | 113 031 |
| Unrealized gains/(losses) | 54 145 |
| **Investment revenue from cash pools** | **167 176** |
| Foreign exchange gains/(losses) | 5 837 |
| Bank fees | (578) |
| **Operating gains (losses) from cash pools** | **5 259** |
| **Revenue and expenses from cash pools** | **172 435** |

### Summary of assets and liabilities of the cash pools as at 31 December 2019

(Thousands of United States dollars)

| | *Main pool* |
|---|---|
| **Fair value through surplus or deficit** | |
| Short-term investments | 5 177 137 |
| Long-term investments | 1 624 405 |
| **Total fair value through 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** |
| **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 cash pools 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 cash pools** | **212 907** |
| Financial exchange gains/(losses) | 3 313 |
| Bank fees | (808) |
| **Operating expenses from cash pools** | **2 505** |
| **Revenue and expenses from cash pools** | **215 412** |

*Financial risk management: overview*

143. UNODC has exposure to the following financial risks:

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk.

144. 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.

145. 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.

*Risk management framework*

146. 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*

147. 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.

148. 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 Investment Management Guidelines.

149. Under the Guidelines, ongoing monitoring of issuer and counterparty credit ratings is required. Permissible cash pool investments may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The cash pools do not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.

150. Also under the Guidelines, investments are not to be made in issuers whose credit ratings are below specifications. The Guidelines also provide for maximum concentrations with given issuers. Those requirements were met at the time the investments were made.

151. The credit ratings used for the cash pools are those determined by major credit-rating agencies; S&P Global Ratings, Moody's and Fitch are used to rate bonds, certificates of deposit and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At year-end, the credit ratings were as shown in the table below.

### Investments of the cash pools by credit ratings as at 31 December

(Percentage)

| *Main pool* | *Ratings as at 31 December 2020* | | | | | *Ratings as at 31 December 2019* | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Bonds (long-term ratings)** | | | | | | | | | |
| | **AAA** | **AA+/AA/AA-** | **A+** | **NR/WD** | | **AAA** | **AA+/AA/AA-** | **A+** | **NR** |
| S&P Global | 44.0 | 53.2 | – | 2.8 | S&P Global | 35.8 | 58.8 | – | 5.4 |
| Fitch | 61.4 | 15.5 | – | 23.1 | Fitch | 60.2 | 23.8 | – | 16.0 |
| | **Aaa** | **Aa1/Aa2/Aa3** | **A1** | **NR/WD** | | **Aaa** | **Aa1/Aa2/Aa3** | **A1** | |
| Moody's | 61.1 | 34.9 | 0.4 | 3.6 | Moody's | 54.8 | 45.2 | – | |
| **Commercial papers/certificates of deposit (short-term ratings)** | | | | | | | | | |
| | **A-1+/A-1** | | | | | **A-1+/A-1** | | | |
| S&P Global | 100.0 | | | | S&P Global | 100.0 | | | |
| | **F1+/F1** | | | **NR** | | **F1+** | | | |
| Fitch | 98.0 | | | 2.0 | Fitch | 100.0 | | | |
| | **P-1** | | | | | **P-1** | | | |
| Moody's | 100.0 | | | | Moody's | 100.0 | | | |
| **Term deposits (Fitch viability ratings)** | | | | | | | | | |
| | **aaa** | **aa/aa-** | **a+/a/a-** | | | **aaa** | **aa/aa-** | **a+/a** | |
| Fitch | – | 27.5 | 72.5 | | Fitch | – | 84.2 | 15.8 | |

*Abbreviations*: NR, not rated; WD, rating withdrawn.

152. The United Nations Treasury actively monitors credit ratings and, given that the Organization has invested only in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations, except for any impaired investments.

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

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

155. UNODC had financial assets of $1,180.680 million at 31 December 2020, which is the maximum credit exposure on these assets.

*Liquidity risk*

156. 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.

157. 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.

158. 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.

159. 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.

160. The cash pools are exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. They maintain sufficient cash and marketable securities to meet participants' commitments as and when they fall due. The major portion of cash and cash equivalents and investments are available within a day's notice to support operational requirements. The cash pool liquidity risk is therefore considered to be low.

*Interest rate risk*

161. 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.

162. The cash pools comprise the Organization's main exposure to interest rate risk, with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the cash pools had invested primarily in securities with shorter terms to maturity, with the maximum being less than four years (2019: five years). The average duration of the main pool on 31 December 2020 was 0.72 years (2019: 0.74 years), which is considered to be an indicator of low risk.

163. The following interest rate risk sensitivity analysis shows how the fair value of the cash pools as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. Given that the investments are accounted for at fair value through surplus or deficit, the change in fair value represents the increase or decrease in the surplus or deficit and net assets. The impact of a shift up or down of up to 200 basis points in the yield curve is shown (100 basis points equals 1 per cent). The basis point shifts are illustrative.

**Main pool interest rate risk sensitivity analysis as at 31 December 2020**

(Millions of United States dollars)

| | *Shift in yield curve (basis points)* | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | *-200* | *-150* | *-100* | *-50* | *0* | *+50* | *+100* | *+150* | *+200* |
| **Increase/(decrease) in fair value** | | | | | | | | | |
| Main pool total | 148.41 | 111.30 | 74.20 | 37.10 | – | (37.10) | (74.18) | (111.26) | (148.34) |

**Main pool interest rate risk sensitivity analysis as at 31 December 2019**

(Millions of United States dollars)

| | *Shift in yield curve (basis points)* | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | *-200* | *-150* | *-100* | *-50* | *0* | *+50* | *+100* | *+150* | *+200* |
| **Increase/(decrease) in fair value** | | | | | | | | | |
| Main pool total | 134.47 | 100.84 | 67.22 | 33.61 | – | (33.60) | (67.20) | (100.79) | (134.38) |

*Market risk*

164. Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and the 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.

165. 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.

166. The financial assets and liabilities of UNODC are primarily denominated in United States dollars. Non-United States dollar financial assets relate primarily 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.

167. The most significant exposure to currency risk relates to the cash pool, cash and 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, along with 32 other currencies of varying balances, as shown in the table below.

**Currency exposure as at 31 December 2020**

(Thousands of United States dollars)

| | *United States dollar* | *Euro* | *Norwegian krone* | *Other* | *Total* |
|---|---|---|---|---|---|
| Short-term investments | 584 279 | – | – | – | 584 279 |
| Long-term investments | 192 326 | – | – | – | 192 326 |
| Cash and cash equivalents, cash pools | 95 242 | – | – | – | 95 242 |
| Cash and cash equivalents, other | 1 | – | – | 40 | 41 |
| **Subtotal, cash pools and other holdings** | **871 848** | – | – | **40** | **871 888** |
| Voluntary contributions receivable | 108 953 | 133 133 | 21 498 | 25 385 | 288 969 |
| Other receivables | 19 595 | 8 | – | 220 | 19 823 |
| **Total** | **1 000 396** | **133 141** | **21 498** | **25 645** | **1 180 680** |

168. A strengthening or weakening of the euro exchange rate as at 31 December 2020 would have affected the measurement of receivables and cash and cash equivalents, other, denominated in a foreign currency and thus 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 2020**

(Thousands of United States dollars)

| | *Net assets/surplus or deficit* | |
|---|---|---|
| | *Strengthening* | *Weakening* |
| Euro (10 per cent movement) | 13 314 | (13 314) |
| Norwegian krone (10 per cent movement) | 2 150 | (2 150) |
| Other (10 per cent movement) | 2 565 | (2 565) |

*Other market price risk*

169. 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.

170. The cash pools are not exposed to significant other price risks because they do not sell short, borrow securities or purchase securities on margin, which limits the potential loss of capital.

*Accounting classifications and fair value*

171. 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.

172. All investments are reported at fair value through surplus and deficit. Cash and cash equivalents carried at nominal value are deemed to be an approximation of fair value.

173. The levels are defined as follows:

(a) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

(c) Level 3: Inputs for the asset or liabilities that are not based on observable market data (unobservable inputs).

174. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian on the basis of the valuation of securities sourced from third parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held in the cash pools is the current bid price.

175. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques that maximize the use of observable market data. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

176. The following fair value hierarchy presents the cash pool assets that are measured at fair value at the reporting date. There were no level 3 financial assets, nor any liabilities carried at fair value, nor any significant transfers of financial assets between fair value hierarchy classifications.

### Fair value hierarchy for investments as at 31 December, cash pools

(Thousands of United States dollars)

| | *31 December 2020* | | | *31 December 2019* | | |
|---|---|---|---|---|---|---|
| | *Level 1* | *Level 2* | *Total* | *Level 1* | *Level 2* | *Total* |
| **Financial assets at fair value through surplus or deficit** | | | | | | |
| Bonds, corporate | 452 281 | – | 452 281 | 148 473 | – | 148 473 |
| Bonds, non-United States agencies | 931 565 | – | 931 565 | 755 027 | – | 755 027 |
| Bonds, supranational | 787 362 | – | 787 362 | 423 230 | – | 423 230 |
| Bonds, United States treasuries | 502 462 | – | 502 462 | 497 829 | – | 497 829 |
| Bonds, non-United States sovereigns | 151 035 | – | 151 035 | – | – | – |
| Main pool, commercial papers | – | 2 062 987 | 2 062 987 | – | 347 398 | 347 398 |
| Main pool, certificates of deposit | – | 2 762 615 | 2 762 615 | – | 3 419 585 | 3 419 585 |
| Main pool, term deposits | – | 1 820 000 | 1 820 000 | – | 1 210 000 | 1 210 000 |
| **Total** | **2 824 705** | **6 645 602** | **9 470 307** | **1 824 559** | **4 976 983** | **6 801 542** |

## Note 22
## Employee salaries, allowances and benefits

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Salary and wages | 101 908 | 95 562 |
| Pension, insurance and other benefits | 30 350 | 30 240 |
| **Total employee salaries, allowances and benefits (statement II)** | **132 258** | **125 802** |

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

## Note 23
## Non-employee compensation and allowances

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| United Nations volunteers | 4 045 | 2 374 |
| Consultants and contractors | 27 563 | 31 425 |
| Non-employee, other | 28 418 | 29 721 |
| **Total non-employee compensation and allowances (statement II)** | **60 026** | **63 520** |

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

## Note 24
## Grants and other transfers

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Grants to end beneficiaries, direct | 3 861 | 3 897 |
| Grants to end beneficiaries, indirect | – | – |
| Transfers to implementing partners | 54 215 | 56 146 |
| **Total (statement II)** | **58 076** | **60 043** |

179. Expenses under transfers to implementing partners relate to programmatic delivery executed on behalf of UNODC by other organizations. The amount of $54.215 million (2019: $56.146 million) represents the work delivered for the year 2020 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 2020, are shown as advance transfers in statement I (see note 9 for details). Within the total of $58.076 million programmatic delivery by implementing partners, $41.694 million (2019: $41.559 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 2020* | *31 December 2019* |
|---|---|---|
| Fuel and lubricants | 276 | 233 |
| Rations | 43 | 13 |
| Spare parts | 998 | 635 |
| Consumables | 6 712 | 4 750 |
| **Total supplies and consumables (statement II)** | **8 029** | **5 631** |

## Note 26
## Travel

180. Owing to worldwide restrictions on the movement of personnel caused by the COVID-19 pandemic, travel expenses have declined to $9.090 million (2019: $38.135 million).

## Note 27
## Other operating expenses

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Contracted services | 31 265 | 49 679 |
| Acquisitions of goods | 9 561 | 9 077 |
| Acquisitions of intangible assets | 405 | 250 |
| Rental of offices and premises | 5 715 | 6 488 |
| Rental of equipment | 76 | 241 |
| Bad debt expense | 2 374 | 887 |
| Net foreign exchange losses | 3 742 | 2 269 |
| Other/miscellaneous operating expenses | 10 274 | 10 621 |
| **Total other operating expenses (statement II)** | **63 412** | **79 512** |

181. Contracted services under other operating expenses consist of various services by individuals or institutions. Within the total of $31.265 million, $5.003 million (2019: $20.193 million) represents various contracted services for the facilitation of meetings, workshop and travel services, a sharp reduction from the prior year caused by worldwide restrictions on the travel and meeting of personnel due to the COVID-19 pandemic, and $8.226 million (2019: $9.116 million) for communications and information technology services.

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

183. Bad debt expense totalling $2.374 million consists of write-offs of $0.586 million uncollected pledges and other receivables (2019 $2.002 million), an increase in the allowance for doubtful debts of $1.766 million (2019: decrease $1.142 million), and a write-off of an advance of $0.022 million. The write-offs of uncollected pledges consist of $0.417 million from the United Kingdom of Great Britain and Northern

Ireland, $0.070 million from Mexico, $0.050 million from the United Nations Integrated Office in Haiti and $0.009 million from other donors. The write-off of other receivables amounts to $0.04 million.

184. Other/miscellaneous operating expenses includes $8.378 million in donations and/or transfers of assets (2019: $8.705 million).

### Note 28
### Other expenses

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Contributions in kind | 1 430 | 1 407 |
| Other/miscellaneous expenses | – | 13 |
| **Total other expenses (statement II)** | **1 430** | **1 420** |

### Note 29
### Related parties

*Key management personnel*

185. Key management personnel are those with the ability to exercise significant influence over the financial and operating decisions of the entity. 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. No close family member of key management personnel was employed by the entity at the management level. Their compensation is as follows:

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Salary and post adjustment | 984 | 1 047 |
| Other monetary entitlements | 201 | 167 |
| Non-monetary benefits | 283 | 306 |
| **Total remuneration for the period** | **1 468** | **1 520** |

186. 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, as the actuarial information for such benefits is presented at the entity level.

187. Other monetary entitlements include mobility and hardship allowance, home leave and rental subsidy.

188. The key management personnel do not hold any other interests in UNODC and, in 2020, did not receive any loans that were not widely available to persons who are not key management personnel, nor any loans whose availability was not widely known to members of the public.

## Note 30
## Leases and commitments

*Operating leases*

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Due in less than one year | 982 | 668 |
| Due in one to five years | 469 | – |
| **Total minimum operating lease obligations** | **1 451** | **668** |

189. The total minimum operating lease obligations in 2020 of $1.451 million (2019: $0.668 million) consist of the non-cancellable portion of rental agreements in various UNODC field offices. The increase is due to new and amended rental agreements for the Colombia and Somalia field offices. As at 31 December 2020, UNODC had no financial leases.

*Contractual commitments*

190. As at the reporting date, the commitments for property, plant and equipment, intangible assets and goods and services contracted but not delivered decreased to $24.792 million (2019: $33.872 million), owing to lower operational activity.

(Thousands of United States dollars)

| | *31 December 2020* | *31 December 2019* |
|---|---|---|
| Property, plant and equipment | 2 088 | 2 606 |
| Goods and services | 22 704 | 31 266 |
| **Total open contractual commitments** | **24 792** | **33 872** |

## Note 31
## Contingent liabilities and contingent assets

191. A contingent liability arises where there is significant uncertainty about a number of aspects regarding the liability. As at 31 December 2020, UNODC had no contingent liabilities.

## Note 32
## Events after the reporting date

192. The reporting date for these financial statements is 31 December 2020, and they were authorized for issuance by the Executive Director of UNODC on 31 March 2021, the date on which 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. There have been no material events that occurred between the date of the financial statements and the date when the financial statements were authorized for issue that would have had a material impact on these statements.

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