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United Nations Institute for Training and Research

Financial report and audited financial statements

for the year ended 31 December 2015

and

Report of the Board of Auditors

United Nations • New York, 2016

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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 May 2016 from the Executive Director of the United Nations Institute for Training and Research addressed to the Chair of the Board of Auditors

In accordance with financial regulation 6.2, I have the honour to submit the financial statements of the United Nations Institute for Training and Research for the year ended 2015, which I hereby approve. The financial statements have been completed and certified as correct by the Controller.

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

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

Letter dated 19 September 2016 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Institute for Training and Research for the year ended 31 December 2015.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
Chair of the Board of Auditors

Chapter I

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

Report on the financial statements

We have audited the accompanying financial statements of the United Nations Institute for Training and Research (UNITAR), which comprise the statement of financial position as at 31 December 2015 (statement I), 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, and the notes to the financial statements.

Management's responsibility for the financial statements

The United Nations Controller is responsible for the preparation and fair presentation of the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and for such internal control deemed necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of UNITAR as at 31 December 2015 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Report on other legal and regulatory requirements

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

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

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
Chair of the Board of Auditors

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland
(Lead Auditor)

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India

19 September 2016

Chapter II
Long-form report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Institute for Training and Research (UNITAR) for the year ended 31 December 2015 and examined the Institute's International Training Centres for Authorities and Leaders (CIFAL) network, project management and the adoption of a new enterprise resource planning system at its headquarters in Geneva.

Opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UNITAR as at 31 December 2015 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Overall conclusion

UNITAR remains in sound financial health; its accumulated surpluses increased from $16.0 million to $21.0 million, resulting from a reported surplus for the year of $1.9 million and a reduction of $3.1 million in the actuarial valuation of the post-employment liabilities. Current ratios have improved, due predominantly to the holding of only short-term investments and an increase in voluntary contributions receivable from the signing of multi-year agreements.

The 2015 financial statements were presented for audit on 31 May 2016, two months later than is customarily the case under the Financial Regulations and Rules of the United Nations. The Board did not identify any material deficiencies in the financial statements. However, the Board has noted a number of areas where the governance of UNITAR could be strengthened, including assessment of the guidelines applicable to the CIFAL centre arrangements, project and risk management and the governance of cash and investments.

Key findings

Implementation of the new enterprise resource planning system

UNITAR implemented the United Nations Development Programme (UNDP)-administered "Atlas" enterprise resource planning system and, while approval was obtained from the Board of Trustees and the Office of the Controller subsequently delegated financial responsibilities set out in the statute, it was not clear to the Board whether it was appropriate for the Controller to provide such a delegation to an external entity and to officials who were not under the Controller's authority. The Board considers such arrangements unusual and that it would have been valuable to have consulted the Office of Legal Affairs on the matter.

Management of cash and investments

UNITAR transferred its cash and investments of $17.8 million from the cash pools operated by the United Nations Secretariat to UNDP. However, the Institute has not developed an investment policy to provide a governance framework for its investment, and it did not perform any cash flow forecasting to ensure the best utilization of its funds. As at 31 December 2015, UNDP held some $14.0 million of cash and short-term investments on behalf of UNITAR, which generated a negligible return of 0.37 per cent. UNITAR does not perform cash flow forecasting, which would enable it to ensure that it can allocate funds to the most appropriate investments to maximize return and better manage the liquidity of its resources. The Institute did not have a formal and approved investment strategy, nor had it undertaken due diligence to review the UNDP strategy to ensure that funds are managed in line with UNITAR objectives and requirements.

International Training Centres for Authorities and Leaders network

UNITAR has established a network of 15 affiliated training centres as part of its decentralized cooperation programme; however, the existing governance agreements are not consistent with the model partnership agreement established under its new guidelines on the CIFAL global network. The Institute has signed agreements with local governments and education institutions to establish affiliated centres. Annually, each centre is required to contribute $30,000 to cover a proportion of the Institute's costs related to the coordination, monitoring and evaluation, branding, methodology development, quality assurance and promotion of synergies with other parts of UNITAR. However, centres operating under agreements signed before 2014 were not required to pay a fee, and therefore it is unclear whether the contributions cover the full costs of managing the CIFAL network. Furthermore, under the guidelines, UNITAR is required to approve the appointment of each CIFAL director, but this was not exercised in practice.

Fraud and risk management

UNITAR has a number of policies in place covering fraud and integrity risk and project risk management; there is scope to review these policies and further develop them to enhance governance and oversight. The Board identified that UNITAR had a fraud policy dating back to 2009; however, there was little evidence to show that it is kept under review or that it is regularly communicated to staff to ensure a good level of fraud awareness. The policy has not been supported by any systematic approach to assessing fraud risk across operations. The Board also noted positive steps taken in respect of project risk management. However, UNITAR does not currently have any systematic enterprise risk process to capture, collate and manage risk across the entity's operations. Enhancements in these areas would provide greater assurance to donors and stakeholders that UNITAR has a strong governance and oversight process.

Recommendations

The Board has recommended that:

(a) **The United Nations Secretariat consult the Office of Legal Affairs to confirm that the delegations made by the Controller are in conformity with the requirements of the UNITAR statute and the Financial Regulations and Rules of the United Nations;**

(b) **UNITAR prepare an investment strategy to ensure appropriate oversight of funds invested by UNDP and perform cash flow forecasting to identify funds that could be placed in investments with longer maturities that generate higher returns, maximizing the potential for higher investment returns;**

(c) **UNITAR review the operation of the revised CIFAL guidelines, consider taking steps to manage its centres on a consistent basis and consider the extent to which full costs associated with operation of the network are recovered;**

(d) **UNITAR review the fraud and risk management policies and processes to strengthen the governance and oversight of UNITAR operations.**

Follow-up of previous recommendations

Of the 13 extant recommendations, 2 (15 per cent) were fully implemented, 10 (77 per cent) were under implementation and 1 (8 per cent) had not been implemented. Overall, the Board considers that management could take more action to implement its recommendations.

Key facts

482	Events organized in 2015, including training, workshops and seminars
$25.4 million	Total revenue in 2015, comprising $22.0 million received through voluntary contributions and $3.4 million received through the provision of services
$1.9 million	Surplus achieved in 2015
$21.1 million	Accumulated surpluses as at 31 December 2015

A. Mandate, scope and methodology

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

2. The Board of Auditors has audited the financial statements of UNITAR for the financial year ended 31 December 2015, in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNITAR as at 31 December 2015 and its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the Board of Trustees and recorded in accordance with the Financial Regulations and Rules of the United Nations.

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

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

6. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly, including specific requests from the Assembly and the Advisory Committee on Administrative and Budgetary Questions.

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

B. Findings and recommendations

1. Follow-up of previous recommendations

8. Of the 13 extant recommendations, 2 (15 per cent) were fully implemented, 10 (77 per cent) were under implementation and 1 (8 per cent) had not been

implemented. The action taken in response to the Board's previous recommendations is summarized in more detail in the annex to the present report.

9. Overall, the Board considers that management could take more action to implement its recommendations, in particular, the need for timely closure of projects, the issuance of financial reports to donors in a timely manner and enhancement of the financial statements disclosures on programme support income and expenditure.

10. The recommendation that has not been implemented relates to the disclosure of thresholds for recognizing implementing partner advances. The Board continues to be of the view that disclosing the value of transfers less than $30,000 expensed during the year provides transparency and context to the policy adopted.

2. Financial overview

11. In 2015, UNITAR reported a surplus of $1.9 million and a reduction of $3.1 million in the actuarial valuation of the post-employment liabilities, and consequently its reserves increased from $16.0 million to $21.1 million. Total revenue of $25.4 million reduced by $3.4 million compared with the previous year ($28.8 million) and comprised voluntary contributions of $22.0 million (87 per cent) and fees charged for services rendered of $3.4 million (13 per cent). While contributions from Member States increased from $9.3 million in 2014 to $13.7 million in 2015, other voluntary contributions and revenue from services rendered, reduced by $1.9 million and $5.7 million, respectively. Expenditure decreased at a lower rate of 5 per cent to $23.5 million ($24.7 million in 2014) owing to delays in the implementation of projects agreed in prior years.

12. In 2015, expenditure included $9.2 million of staff costs ($8.8 million in 2014), $4.2 million of consultant costs ($5.0 million in 2014) and $3.7 million of grants and other transfers ($5.1 million in 2014). A temporary increase in headcount of three staff members (8 per cent) in addition to changes in the Geneva post adjustment from 80.8 per cent to 87.1 per cent in 2015 have led to the increase in staff costs. Consultant use has decreased owing to the delayed implementation of training programmes.

13. UNITAR has maintained a sound financial position over the past three years. While total assets have increased from $23.4 million to $31.5 million over this period, the total liabilities of $10.4 million ($14.1 million in 2014) have been more volatile, due primarily to changes in discount rates and other assumptions used in determining the actuarial valuation of the employee benefit liabilities. This shows how susceptible the financial position of UNITAR is to changes in wider international market conditions.

14. The Board has further analysed the financial health of UNITAR using a range of key financial ratios (see table). Those broad ratios also confirm that there are sufficient net assets to meet both its short-term and longer-term liabilities.

Key financial ratios

Ratio	*31 December 2015*	*31 December 2014*	*1 January 2014*
Total assets : total liabilities[a]			
Total assets : total liabilities	3.02	2.14	2.47
Current ratio[b]			
Current assets : current liabilities	12.83	4.93	5.30
Quick ratio[c]			
(Cash + short-term investments + accounts receivable): current liabilities	11.68	4.70	4.76
Cash ratio[d]			
(Cash + short-term investments) : current liabilities	7.56	2.95	3.72

Source: UNITAR financial statements.

[a] A high ratio is a good indicator of solvency.

[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 by measuring the amount of cash, cash equivalents or invested funds there is in current assets to cover current liabilities.

15. UNITAR continues to have a sound financial position with sufficient current assets to cover its liabilities. Ratios have improved owing to the decrease in employee benefit liabilities. The current, quick and cash ratios have further improved as all of the Institute's cash and equivalents were held as current assets in 2015, in contrast to previous years, when cash was held on a longer-term basis. UNITAR has also agreed several multi-year agreements with partners, significantly increasing its receivables balance. These include an agreement for an equivalent of $4.7 million with the Federal Department of Foreign Affairs of Switzerland between September 2015 and August 2019 and an agreement for $1 million with the United Nations Development Programme (UNDP) between June 2015 and May 2017. The UNITAR financial report provides a comprehensive overview of the financial position (see chapter IV).

3. Implementation of new enterprise resource planning system

Background

16. Until 2015, the accounting records of UNITAR were maintained on the Integrated Management Information System of the United Nations, which was administered by the United Nations Office at Geneva. After approval had been obtained from the UNITAR Board of Trustees in December 2014, a business case was submitted to the Office of the Controller of the United Nations to formally adopt the Atlas enterprise resource planning system administered by UNDP.

17. The business case was a comparison of Atlas with the Secretariat's newly implemented Umoja enterprise resource planning system, and UNITAR concluded that Atlas better supported decentralized decision-making and transactional processing, allowing a greater degree of flexibility to meet business needs. The Institute's programming links with UNDP and its autonomous status were also relevant factors in the determination. UNITAR estimated that UNDP would charge between $250,000 and $300,000 for the equivalent existing services, compared with

the $450,000 cost from the United Nations Office at Geneva using the Secretariat's legacy systems. UNITAR provided no estimates for the projected cost of Umoja in assessing the case. The adoption of Atlas was formally approved by the United Nations Controller, with system conversion planned for 30 June 2015. In the first six months of operating the Atlas system, UNITAR had incurred costs of $352,000, including one-off implementation costs.

18. In addition to outlining the scope and remit of the Institute, the statute of UNITAR defines its governance with respect to the Board of Trustees, the United Nations Secretariat and the Secretary-General. Although the statute permits the Institute to apply the Financial Regulations and Rules of the United Nations, subject to special rules and procedures,[1] the statute states that the funds of the Institute are to be kept in a special account established by the Secretary-General[2] and all necessary financial and accounting functions shall be performed by the Controller of the United Nations.[3] On the formal approval of the business case, the Controller delegated the financial functions to be performed by UNDP and, in February 2016, provided retrospective delegated authority for UNDP to operate bank accounts on the Institute's behalf. As a consequence, the Controller no longer performs these functions.

19. The Board questioned whether it was appropriate for the Controller to delegate the responsibilities set out in the statute to an external entity and to officials who were not under the Controller's authority. In response, UNITAR stated that the statute does not preclude such delegation, and that the Financial Regulations and Rules of the United Nations allow the Controller to delegate authority in the area of financial management. The Board notes management's response but considers such delegations unusual and that it would have been valuable to have consulted the Office of Legal Affairs on this matter.

20. **The Board recommends that the United Nations Secretariat consult the Office of Legal Affairs to confirm that the delegations made by the Controller are in conformity with the requirements of the UNITAR statute and the Financial Regulations and Rules of the United Nations.**

Conversion from the Integrated Management Information System to Atlas

21. UNITAR engaged extensively with UNDP prior to the adoption of Atlas to provide training to all staff and to prepare records for conversion. As a result, the Institute encountered no significant issues during the conversion process; however, UNITAR had not maintained a full audit trail to demonstrate how it had converted the legacy system balances to Atlas. As part of the Board's audit, UNITAR was requested to reperform the process, and this was subsequently audited. As a result, differences with a gross value of $509,000 in the method it had used to map transactions between systems were identified and corrected.

22. It is important in any process change to maintain the documentation to support management review processes. This will minimize the risk of misstatement and provide evidence to enable auditors to verify the effectiveness of these controls, helping to improve the efficiency of audit processes. While this example was

[1] Article VIII (1).
[2] Article VIII (10).
[3] Article VIII (11).

relevant to Atlas conversion, it is important for UNITAR to consider the application of this discipline more widely.

23. The timetable for presentation of the financial statements for audit was delayed by two months beyond the date specified in the Financial Regulations. In addition to the conversion, UNITAR faced a number of staff resource constraints, which required the support of a consultant to prepare the financial statements using the new Atlas system. Despite these challenges, the Board did not identify any material deficiencies in the financial statements or in UNITAR activities.

24. **The Board recommends that UNITAR review its closure processes to enable the timely production of financial statements and to ensure the maintenance of appropriate audit trails in support of its accounting records, transactions and balances.**

4. Cash and investment management

Governance

25. When UNITAR migrated to Atlas, it signed a memorandum of understanding with UNDP to manage its investments and treasury functions. The memorandum set out the level of service expected, enabling UNITAR to assess UNDP performance. The Institute, however, has not developed an investment policy to provide a framework for its investments or to ensure that funds are managed in line with its objectives and requirements. UNITAR has not reviewed UNDP investment policies to identify whether they are in line with its expectations and are properly safeguarded. For UNITAR, such a policy would include:

- Establishing UNITAR investment objectives, investment time horizon, anticipated withdrawals or deposits, need for reserves or liquidity and attitudes regarding tolerance for risk and volatility
- Any constraints and restrictions on the assets, such as liquidity and marketability requirements and investment diversification requirements
- The types of securities and classes of assets allowable in the portfolio, and the basic allocation among asset categories and the variance limits for such allocation
- The monitoring and control procedures and responsibilities of management and the Board of Trustees.

26. **The Board recommends that UNITAR prepare either an investment strategy or consider the extent to which UNDP investment strategies are in line with the requirements of the Board of Trustees.**

27. UNITAR informed the Board that it recognizes the importance of establishing an investment strategy following the migration to Atlas. A draft investment strategy will be submitted to the UNITAR Board of Trustees in November 2016 for review and approval.

Cash flow forecasting

28. At the time of the transfer from the Secretariat-operated cash pools, UNITAR liquidated cash of $17.8 million and transferred it to UNDP. As at 31 December 2015, UNDP held some $14.0 million of cash and short-term investments on behalf of UNITAR, generating an average return of 0.37 per cent.

29. UNITAR implements projects over a number of years with funds received in advance from partners. As UNITAR does not perform any cash flow forecasting, it cannot reliably predict whether funds could be placed into longer-term investments, which may generate a higher return. During the same period across its managed portfolio, UNDP reported an average rate received through longer-term investments of 0.80 per cent.

30. **The Board recommends that UNITAR perform cash flow forecasting to identify funds that could be placed in investments with longer maturities, maximizing the potential for higher investment returns.**

31. UNITAR informed the Board that it recognizes the importance of cash flow forecasting and has already developed a regular cash forecast report for submission to UNDP as well as a quarterly review process with the aim of improving the return achieved on the UNITAR investment portfolio.

5. International Training Centres for Authorities and Leaders network

Background

32. The network of International Training Centres for Authorities and Leaders (CIFAL centres) was established by UNITAR in 2003. They were created to help to deliver the UNITAR Decentralized Cooperation Programme through educational institutions and local and regional governments at the subnational level. Each host institution is responsible for the operations of the CIFAL centre and for providing it with a legal status, governance and operational resources.

33. During 2015, UNITAR issued guidelines on the CIFAL global network, which provide the mechanisms for monitoring and enforcement, aligning the network's operations with the overarching UNITAR strategic framework. The guidelines set out:

- The background to the network
- The organizational and legal aspects, including the role of UNITAR, the standard agreement, the legal status and the governance structures
- The financial matters, including the business plan, accounting records and financial contributions
- The quality assurance mechanisms, including quality of training programmes and branding.

34. The guidelines are not yet fully embedded throughout the CIFAL network. For example, the guidelines outline the respective roles of UNITAR and the host institutions with respect to the management and oversight of the centres. The guidelines include the requirement for host institutions to establish appropriate governance structures and nominate the director of each centre, subject to approval by UNITAR of the nomination. The Board was informed that this requirement has not yet been exercised by UNITAR.

35. Annually, each centre is required to contribute $30,000 to cover the Institute's costs relating to the coordination, monitoring and evaluation, branding, methodology development, quality assurance and the promotion of synergies with other parts of UNITAR. However, the Board identified that agreements signed with centres operating under agreements signed before 2014 did not require payment of a

fee. In 2015, the Institute received affiliation fees from 5 of the 15 CIFAL centres, totalling $181,000 ($253,000 in 2014), including one centre required to contribute $60,000 annually. UNITAR was unable to demonstrate that contributions received covered the full costs of managing the CIFAL network.

36. **The Board recommends that UNITAR review the operation of the revised CIFAL guidelines to ensure their consistent application and to assess whether there is a need for revision in the light of the practice being established. The Board further recommends that UNITAR demonstrate that the CIFAL affiliation fees achieve full cost recovery associated with management of the network.**

6. Project management

37. UNITAR organized a total of 482 events in 2015 (476 in 2014), including training, workshops and seminars. The events were funded either through contributions by donors or by fees paid by participants, and were managed as projects. In April 2016, the Office of Internal Oversight Services (OIOS) reported on its review of project management at UNITAR,[4] covering fundraising, project planning documentation, selection of implementing partners, monitoring and evaluation, and knowledge management. The Board has further analysed financial management of projects with respect to budgets and the selection of consultants and fellows to compare the selection of delivery partners with partners providing internal assistance.

Project planning documentation

38. In accordance with the UNITAR project guidelines, all project documents are required to have a results framework or milestone-based workplan. For projects over $1 million, project managers are required to include a risk assessment. For other projects, the risk assessment is optional but encouraged. OIOS reviewed the supporting documentation for 10 projects and identified that in one case the results framework was incomplete, that two projects did not include clear milestones and that five projects did not include risk assessments, including two projects that were over $1 million.

39. The Board reviewed the budgets prepared for five projects totalling $2.5 million. All budgets included expenditure on common spending areas, for example, personnel costs, travel, operating expenses and programme support costs. However, the extent of analyses included in the budgets varied between projects; for example, one reported only the total cost of the project, whereas another project budget provided a full analysis of costs against outcomes and financial periods.

40. UNITAR does not have guidelines for the preparation of project budgets, and consequently there was no common format or minimum standard used by project managers, except where they were specified in the donor agreements. While UNITAR has templates for the presentation of project budgets, there is no standard format given the wide range of projects in terms of scope, scale and other variables. Consequently, comparisons between similar projects were difficult. Enhancements in this area would better demonstrate the governance arrangements that UNITAR exercises across its project portfolio, enhancing oversight and control.

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[4] Audit of project management at the United Nations Institute for Training and Research, OIOS report No. 2016/030 (8 April 2016).

41. **The Board recommends that UNITAR develop a standard format for reporting project budgets, including details on variances from forecast levels of expense.**

42. UNITAR acknowledges that efforts can be made to further harmonize its approaches to presenting budgets while maintaining some degree of flexibility to respond to the characteristics of its donor landscape.

7. Enterprise risk management

43. The value of a risk management process is to provide the means to identify and mitigate the risks that could adversely affect UNITAR operations and the achievement of its objectives. A risk record or register allows for assessment of the impact of risks and the allocation of ownership to manage them. A systematic risk management process encourages sound management, provides additional assurance to the senior management and enhances accountability. Effective risk processes increase the confidence of donors and the Institute's main stakeholders, and help to focus resources to manage risks that could be detrimental to operations. A risk process is important for the effective governance and oversight of an organization.

44. As noted previously, while the Institute conducts risk management on projects with a budget of $1 million or higher, the Board has noted that it does not maintain an entity-level risk register. By not maintaining such registers, there is a risk that organizational risks and risks to the achievement of the overall objectives of UNITAR are not being considered, including the risks of operating in particular environments and locations, overall financial and governance risks and reputational issues that might have an impact on relations with donors.

45. **The Board recommends that UNITAR establish an entity-level risk register to identify and manage risks outside the scope of its current project risk management.**

46. UNITAR recognizes the importance of risk management and engages in such exercises at the project level, as well as when preparing strategic frameworks and programme budgets and considering the possibility of opening new offices or physical locations. Building on its previous and ongoing experiences, UNITAR will work to further strengthen its risk management policies and practices.

C. Disclosures by management

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

47. The Institute has informed the Board that no assets were written off in 2015 and none were identified through the audit process.

2. Ex gratia payments

48. The Institute reported no ex gratia payments in 2015.

3. Cases of fraud and presumptive fraud

49. 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 irregularity (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.

50. During the audit, the Board makes enquiries of management regarding its oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks of fraud that management has identified or that has been brought to its attention. The Board also inquires as to whether management has any knowledge of any actual, suspected or alleged fraud. The Institute's policy on fraud is communicated through its integrity and ethics oversight policy, which includes the responsibility of staff with regard to fraud, reporting and whistle-blowing procedures and the establishment of an integrity and ethics oversight committee. However, it was last updated in 2009.

51. The Board considers that, in addition to updating the policy, UNITAR should undertake a fraud risk assessment to assess its vulnerabilities to potential fraud. This would help to determine whether the processes and controls in place are sufficient to mitigate any identified risks. In addition, the Board considers that more could be done to ensure that guidance and fraud awareness training is provided to staff on a regular basis, enhancing the awareness of fraud risk and the reporting arrangements among UNITAR staff.

52. The Institute did not identify any cases of fraud or presumptive fraud during 2015. The Board has not identified any instances of fraud in its audit, and no cases have come to its attention through its testing.

53. **The Board recommends that UNITAR review the existing integrity and ethics oversight policy and establish processes to undertake a fraud risk assessment as well as a more systematic approach to providing training to staff on fraud awareness and fraud reporting processes.**

D. Acknowledgement

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

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
Chair of the Board of Auditors

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland
(Lead Auditor)

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India

19 September 2016

Annex

Status of implementation of recommendations as at July 2016

No.	*Report reference and financial period in which first made*	*Summary of recommendation*	*Administration's comments on status — April 2016*	*Board's comments on status — July 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Closed by the Board*
1	A/67/5/Add.4, chap. II, para. 22 2010-2011	Disclose the information about the programme support income, including the definition, the scope and the calculation methodology, in the notes to the financial statements to enable users to better understand the financial statements.	UNITAR has sought guidance from the Department of Management and has not accepted this recommendation, as its implementation would be inconsistent with disclosures in the notes to the financial statements of other United Nations funds and programmes. However, the related information was provided in the financial report on the accounts of UNITAR.	The Board notes the response of UNITAR. While the disclosures in the financial report provide some further information, further disclosures should be made to support the programme support costs reported in the segmental analysis note to the financial statements. The Board therefore considers this recommendation to be under implementation.		X		
2	A/67/5/Add.4, chap. II, para. 28 2010-2011	Clearly articulate the definition, scope and percentage of programme support cost and administrative cost in order to increase the transparency and comprehensibility of the financial statements.	As above.	The Board notes the response of UNITAR. While the disclosures in the financial report provide some further information, further disclosures should be made to support the programme support costs reported in the segmental analysis note to the financial statements. The Board therefore considers this recommendation to be under implementation.		X		
3	A/69/5/Add.5, chap. II, para. 11 2012-2013	In collaboration with OIOS, urgently resolve the issues of funding and service cost and establish appropriate internal audit coverage.	The Board of Trustees approved terms of reference with OIOS, which now includes UNITAR in its work programme. Fieldwork has been completed for the first report.	While OIOS performed an audit in early 2016, the Board has seen no evidence that UNITAR has resolved the issues of funding and service cost. The Board therefore considers this recommendation to be under implementation.		X		

No.	*Report reference and financial period in which first made*	*Summary of recommendation*	*Administration's comments on status — April 2016*	*Board's comments on status — July 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Closed by the Board*
4	A/69/5/Add.5, chap. II, para. 31 2012-2013	Conduct a prompt verification of those items not found in the most recent physical inventory and perform reconciliation accordingly; expedite the development of policy and the issuance of guidance on asset classification to ensure that assets are properly classified; and, in collaboration with the United Nations Office at Geneva, review Office Instruction No. 176 to ensure that it is IPSAS-compliant with respect to the definition of assets.	UNITAR, in coordination with the United Nations Office at Geneva, completed the verification of discrepancies in the physical inventory and investigated and reconciled all inventory items in July 2015.	UNITAR adopted the IPSAS policy framework issued by the Office of Programming, Planning, Budget and Accounts. This framework is IPSAS-compliant with respect to the definition of assets. In 2015, UNITAR concluded the formal write-off of 157 assets with a value of $156,000, as notified to the Board in 2014. The Board also notes the physical stocktake completed in July 2015. The Board considers this recommendation to be implemented.	X			
5	A/69/5/Add.5, chap. II, para. 34 2012-2013	Consult with donors before disposing of the surplus of completed projects and use the funds of the ongoing projects in compliance with the requirements of the letter of agreement.	UNITAR ensures that the surplus funds from completed projects are disposed of in accordance with contractual arrangements agreed with donors. During 2014, some 20 dormant projects accounts were closed, while a review of other dormant projects is ongoing as part of the conversion to the new enterprise resource planning system.	UNITAR has 32 dormant projects with balances totalling $224,000, although the ageing of those balances was not available. Discussions are currently ongoing with donors; however, UNITAR has only been able to close and return funds of eight projects. The Board therefore considers this recommendation to be under implementation.		X		
6	A/69/5/Add.5, chap. II, para. 37 2012-2013	Comply with the requirements of the letters of agreement to submit financial reports to donors in a timely manner.	UNITAR has revised its internal controls to ensure that better control over financial reports and that such reports are submitted to donors in a timely manner, as specified in letters of agreement. The donor agreement tracking sheet has	The Board notes enhancements made to monitoring spreadsheets to provide information about pending and overdue reports. The Board also notes that UNITAR is preparing a web-based solution to facilitate this functionality with		X		

No.	*Report reference and financial period in which first made*	*Summary of recommendation*	*Administration's comments on status — April 2016*	*Board's comments on status — July 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Closed by the Board*
			been enhanced and the reporting reminders system has been rolled out to improve control over reporting obligations.	automated reminders. In March 2016, 10 reports remained overdue. The Board therefore considers this recommendation to be under implementation.				
7	A/69/5/Add.5, chap. II, para. 41 2012-2013	As the end user, take responsibility for vendor performance evaluation and update and clarify the memorandum of understanding between UNITAR and the United Nations Office at Geneva to this effect.	UNITAR revised its procurement guidelines to require vendor performance evaluation to be conducted in accordance with the requirements of the United Nations Procurement Manual. For contracts awarded with a value above $100,000, UNITAR as the end user will take the responsibility of carrying out vendor performance evaluations. The United Nations Office at Geneva no longer performs procurement actions on behalf of UNITAR; this responsibility has transferred to UNDP.	The Board notes vendor performance evaluations completed on all procurements over $100,000 made in 2015, including an assessment of compliance with agreements and procedures, quality and any required actions. The Board considers this recommendation to be implemented.	X			
8	A/70/5/Add.5, chap. II, para. 15 2014	Review and strengthen processes of preparation of financial statements, including timely collection of all information and its inclusion in the accounts.	UNITAR coordinates closely with the Department of Management and the Office of the Controller to strengthen the processes of preparation of financial statements, including timely collection of information.	The Board notes the project plan developed by UNITAR for the preparation of the 2015 financial statements and the timely submission to the Office of the Controller for review. The financial statements, however, were not formally presented to the Board until 31 May 2016 owing to the impact of the Secretariat adopting its new enterprise resource planning system. The Board therefore considers this recommendation to be under implementation.		X		

No.	*Report reference and financial period in which first made*	*Summary of recommendation*	*Administration's comments on status — April 2016*	*Board's comments on status — July 2016*	*Fully implemented*	*Under implementation*	*Not implemented*	*Closed by the Board*
9	A/70/5/Add.5, chap. II, para. 20 2014	Explicitly reflect the accounting policy applicable to UNITAR for expensing advances to implementing partners of less than $30,000 in the note disclosure and disclose the total value of advances made during the year that are below the threshold limit in the notes to the financial statements.	In accordance with the United Nations Policy Framework for IPSAS, advances of up to $30,000 qualify to be considered as transfers to end beneficiaries and are therefore expensed immediately. Cases in which the transfers to implementing partners up to $30,000 were expensed at the time of issue of the advances and not recognized as an asset to be expensed later comply with the established accounting policy.	UNITAR has not provided any additional disclosures in the notes to its financial statements on the level of expensed grants to implementing partners. The Board considers this recommendation not implemented.			X	
10	A/70/5/Add.5, chap. II, para. 23 2014	Put in place a proper system for timely reconciliation of the UNDP Project Clearing Account so that any discrepancy in the account can be addressed before the finalization of the financial statements.	UNDP released a new online account reconciliation system early in 2016, and the reconciliation of both the UNDP Project Clearing Account and the UNDP Service Clearing Account was finalized and agreed with UNDP in the second quarter of 2016.	The Board notes that while UNITAR has reconciled its inter-fund balance with UNDP of $943,000, it has not fully reconciled its Service Clearing Account of $164,000 and did not post reconciling adjustments. The Board also notes that these differences were not material to the financial statements; however, it recognizes that the recommendation is currently under implementation.		X		
11	A/70/5/Add.5, chap. II, para. 28 2014	Put in place a system to ensure the timely financial closure of projects.	UNITAR is enhancing its donor agreement tracking sheet to better monitor financial closure of the projects. Implementation is in progress. A number of projects have been closed during 2015 and the process is ongoing.	The Board notes the development of a spreadsheet to identify dormant projects with balances. At the time of audit, 32 projects with balances totalling $224,000 were identified, with an additional eight project balances settled with donors.		X		

No.	Report reference and financial period in which first made	Summary of recommendation	Administration's comments on status — April 2016	Board's comments on status — July 2016	Fully implemented	Under implementation	Not implemented	Closed by the Board
12	A/70/5/Add.5, chap. II, para. 32 2014	Finalize all financial reports in a time-bound manner.	UNITAR has revised its internal controls to ensure that financial reports are submitted to donors in a timely manner, as specified in the letters of agreement. The donor agreement tracking sheet has been enhanced and a reporting reminders system has been rolled out to improve control over reporting obligations.	The Board notes enhancements made to monitoring spreadsheets to provide information about pending and overdue reports. The Board also notes that UNITAR is preparing a web-based solution to facilitate this functionality with automated reminders. At the time of audit, 18 reports remain overdue, ranging from 43 to 591 days with an average of 159 days. The Board therefore considers this recommendation to be under implementation.		X		
13	A/70/5/Add.5, chap. II, para. 36 2014	Institute a mechanism to monitor and settle the refunds due to donors.	UNITAR promptly refunds donors in accordance with donor agreements. It also relies on the donor agreement tracking sheet to ensure the monitoring of financial reporting and refunds to donors.	The Board notes the development of a spreadsheet to identify dormant projects with balances. At the time of audit, 32 projects with balances totalling $224,000 were identified, with an additional eight project balances settled with donors. The Board therefore considers this recommendation to be under implementation.		X		
	Total				**2**	**10**	**1**	–
	Percentage				**15**	**77**	**8**	–

Chapter III
Certification of the financial statements

Letter dated 31 May 2016 from the Assistant Secretary-General, Controller, addressed to the Chair of the Board of Auditors

The financial statements of the United Nations Institute for Training and Research for the year ended 31 December 2015 have been prepared in accordance with financial rule 106.1 of the Financial Regulations and Rules of the United Nations.

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

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

(*Signed*) Bettina Tucci **Bartsiotas**
Assistant Secretary-General
Controller

Chapter IV
Financial report for the year ended 31 December 2015

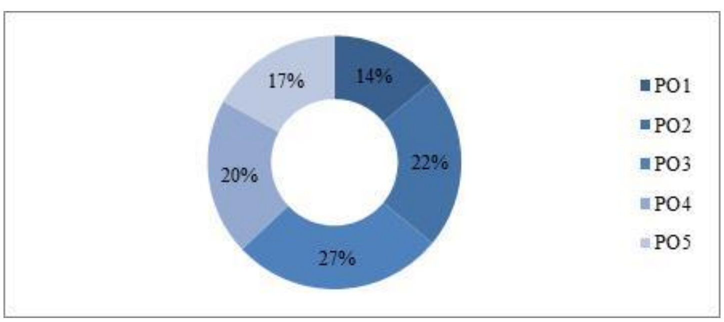
A. Introduction

1. The Executive Director has the honour to submit the financial report on the financial statements of the United Nations Institute for Training and Research (UNITAR) for the year ended 31 December 2015.

2. The present report is designed to be read in conjunction with the financial statements for UNITAR for the year ended 31 December 2015. The report provides an overview of the position and performance of UNITAR, highlighting trends and significant movements. The annex to the present report provides supplementary information that is required to be reported to the Board of Auditors under the Financial Regulations and Rules of the United Nations.

3. UNITAR is a dedicated training arm of the United Nations. Aiming to strengthen the effectiveness of the United Nations, the mission of UNITAR is to develop the capacities of individuals, organizations and institutions to enhance global decision-making and to support country-level action for shaping a better future. The biennial programme plan and priorities for the period 2014-2015 provide the key programme objective areas in which UNITAR operates. These include strengthening multilateralism (programme objective 1), promoting economic development and social inclusion (programme objective 2), advancing environmental sustainability and green development (programme objective 3), promoting sustainable peace and post-conflict reconstruction (programme objective 4) and increasing resilience and disaster risk reduction capacities (programme objective 5). The programme objectives are further broken down into specific outcome areas which respond to international and regional agendas and programmes of work, as well as specific requests received from Member States and partner organizations. The figure below shows the proportion of the Institute's 2014-2015 programme budget for each of the programme objective areas.

Figure IV.I
2014-2015 programme budget by strategic programme area



Abbreviation: PO, programme objective.

4. Over the course of 2014, UNITAR made progress towards the achievement of these objectives through the provision of training, learning and knowledge-sharing services to 36,154 beneficiaries, representing an increase of 54 per cent from the

2013 figures. In 2015, UNITAR continued to provide training, learning and knowledge-sharing services and reached out to 40,362 individuals, reflecting a 12 per cent overall increase in numbers from 2014. Similar to 2014, 86 per cent of training-related beneficiaries were associated with specific learning outcomes. The number of beneficiaries increased by 69 per cent, from 14,904 beneficiaries in 2014 to 25,243 in 2015. This marked increase is attributed largely to the scaling-up of the introductory e-learning course on climate change, administered in partnership with agencies of the One UN Climate Change Learning Partnership, and the expansion of the series of predeployment peacekeeping training courses targeting African peacekeepers. The number of participants in knowledge-sharing conferences and related events decreased by 43 per cent, from 19,225 in 2014 to 10,886 in 2015, as the result of efforts to place more emphasis on training and learning services aimed at developing the knowledge, skills and awareness of UNITAR beneficiaries.

5. The 2015 outputs were produced with a budget of $26.138 million (2014: $22.396 million), actual expenditure of $22.503 million (2014: $23.582 million) on a budget basis and the delivery of 482 events (2014: 476 events) (equivalent to 2,220 event days over the calendar year). The overall male-to-female gender ratio of beneficiaries for 2015 remained unchanged from that of 2014, at 63:37. This was attributed largely to the marked increase in peacekeeping training targeting primarily male military and related personnel.

6. UNITAR serves a broad-based group of constituencies, with 45 per cent (2014: 53 per cent) of its training-related beneficiaries coming from government; 33 per cent (2014: 23 per cent) from non-State sectors, including non-governmental organizations, academia and businesses, 9 per cent (2014: 9 per cent) from the United Nations and 13 per cent (2014: 12 per cent) from other sectors.

7. UNITAR uses a strong partnership strategy to deliver high-quality training, combining the substantive expertise of United Nations entities and other institutions with its own expertise in programming, instructional design and adult learning. Seventy-eight per cent of beneficiaries participated in training-related events implemented with partners, up from 73 per cent in 2014. Partners have included organizations as diverse as other United Nations agencies (representing some 21 per cent; 2014: 26 per cent), regional organizations, national training institutes, foundations, universities, non-governmental organizations and the private sector.

B. Overview of the financial statements for the year ended 31 December 2015

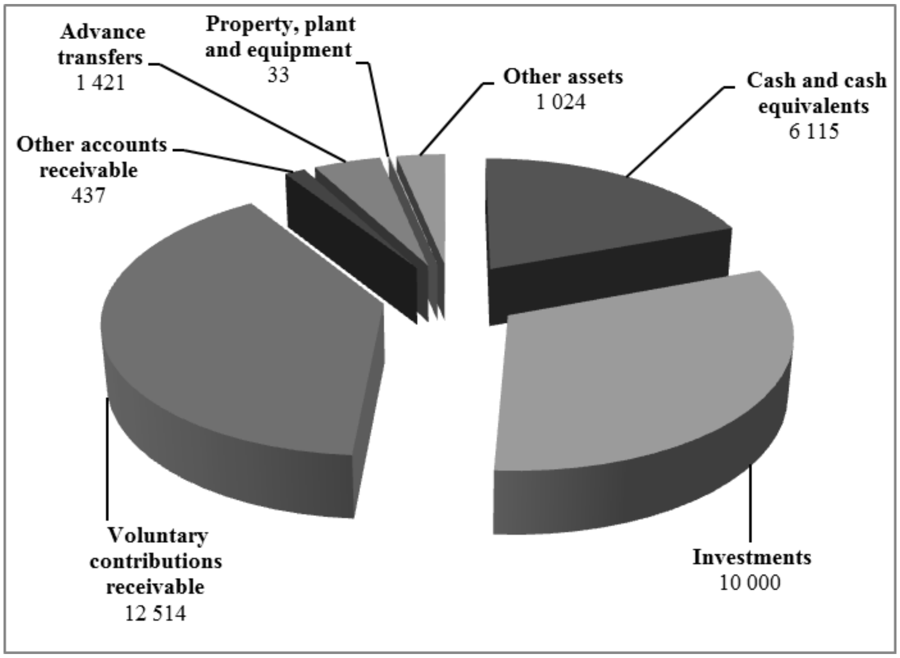
8. Financial statements I, II, III, IV and V show the financial results of the activities of UNITAR and its financial position as at 31 December 2015. The notes to the financial statements explain the Institute's accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements. The comparatives for the prior period ended 31 December 2014 have been restated. Details of the restatement are explained in note 4 to the 2015 financial statements.

Financial position

Assets

9. UNITAR reports an increase in total assets of $1.429 million as at 31 December 2015 from the restated balance of $30.115 million reported as at 31 December 2014, to the current $31.544 million. Figure IV.II below sets out the structure of the Institute's assets as at 31 December 2015.

Figure IV.II
Total assets as at 31 December 2015
(Thousands of United States dollars)



10. As shown in figure IV.II above, the Institute's assets largely comprised voluntary contributions receivables from donors of $12.514 million or 39.7 per cent (2014 restated: $9.682 million or 32.1 per cent), investments reported at $10 million or 31.7 per cent (2014: $14.657 million or 48.7 per cent) and cash and cash equivalents totalling $6.115 million or 19.4 per cent (2014: $4.023 million or 13.4 per cent). The remaining 9.2 per cent (2014: 5.8 per cent) comprised advances transferred to implementing partners of $1.421 million (2014 restated: $0.778 million), other accounts receivable of $0.437 million (2014: $0.817 million), other assets of $1.024 million (2014 restated: $0.118 million) and property, plant and equipment of $0.033 million (2014: $0.040 million).

11. In 2015, UNITAR liquidated all its funds invested in the United Nations cash pool that were reported at $18.672 million as at 31 December 2014. Cash and cash equivalents and investments at 31 December 2015 are reported at $16.115 million (2014: $18.680 million) comprising $14.000 million invested in time deposits and $2.115 million cash. The overall cash, cash equivalents and investments balance represents a small reduction of $2.565 million (13.7 per cent) compared with the balance held at the end of 2014.

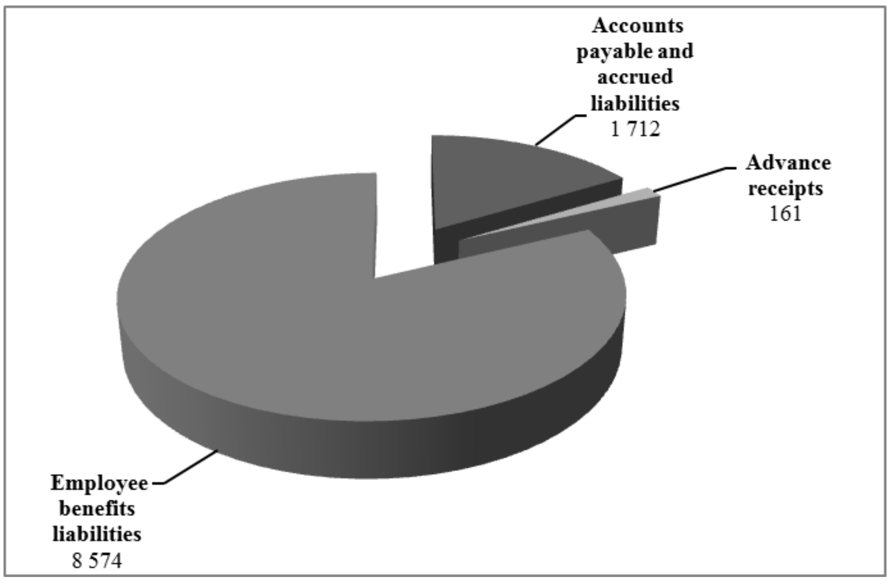
12. From the total accounts receivable value of $12.514 million due at 31 December 2015, $8.334 million is expected to be received in 2016 and the balance of $4.180 million is expected after 2016.

Liabilities

13. Liabilities as at 31 December 2015 totalled $10.447 million compared with the balance of $14.103 million at 31 December 2014.

14. Figure IV.III below sets out the structure of the Institute's liabilities as at 31 December 2015.

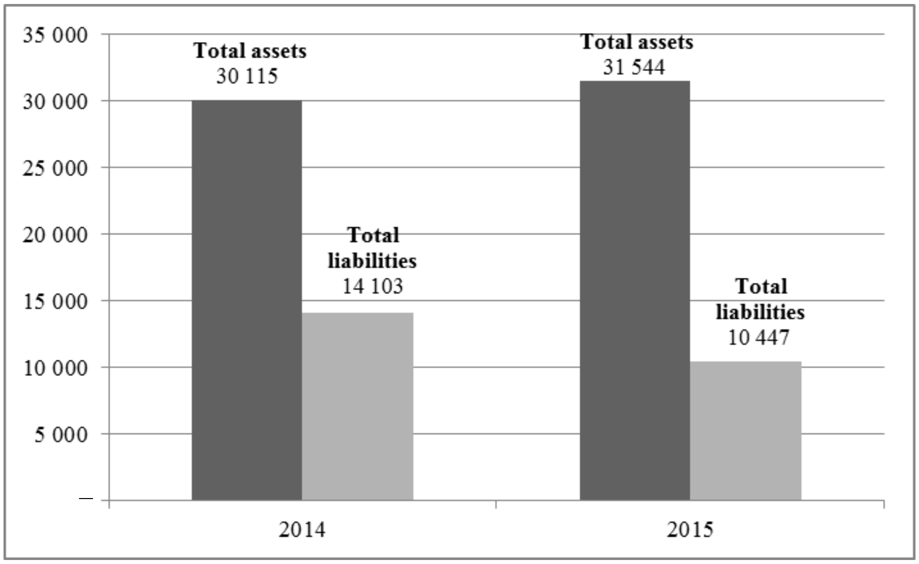
Figure IV.III
Total liabilities as at 31 December 2015
(Thousands of United States dollars)



15. The main component of the Institute's liabilities was the employee benefits earned by staff members and retirees but not paid at the reporting date; primarily, these were liabilities for after-service health insurance. These liabilities accounted for $8.574 million, representing 82.1 per cent of the Institute's total liabilities, and are explained in detail in note 16 to the financial statements. The decrease in these liabilities by $1.990 million from the $10.564 million reported in 2014 (74.9 per cent of total liabilities) was caused primarily by recognized actuarial gains of $3.136 million that arose owing to changes in financial assumptions and experience adjustments and is offset by $1.499 million relating to current service and interest costs for 2015.

16. The other significant liability was the accounts payable and accrued liabilities of $1.712 million (2014: $1.948 million). This amount relates primarily to payables to other United Nations reporting entities, specifically, the United Nations Office at Geneva and the United Nations Development Programme (UNDP), for services provided on behalf of UNITAR.

Figure IV.IV
Movement in assets and liabilities as at 31 December 2015
(Thousands of United States dollars)



17. Figure IV.IV above shows a slight increase of 5 per cent in the assets held, from $30.115 million reported in 2014 to $31.544 million reported for 2015, and a 26 per cent decrease in liabilities, from $14.103 million to $10.447 million. Therefore, the liability/asset ratio improved in 2015, to 33 per cent, compared with 47 per cent for 2014. As explained in paragraph 15 above, the decrease in liabilities is largely attributable to the recognition of actuarial gains in the employee benefits liabilities and therefore a decrease in employee benefits liabilities.

Net assets

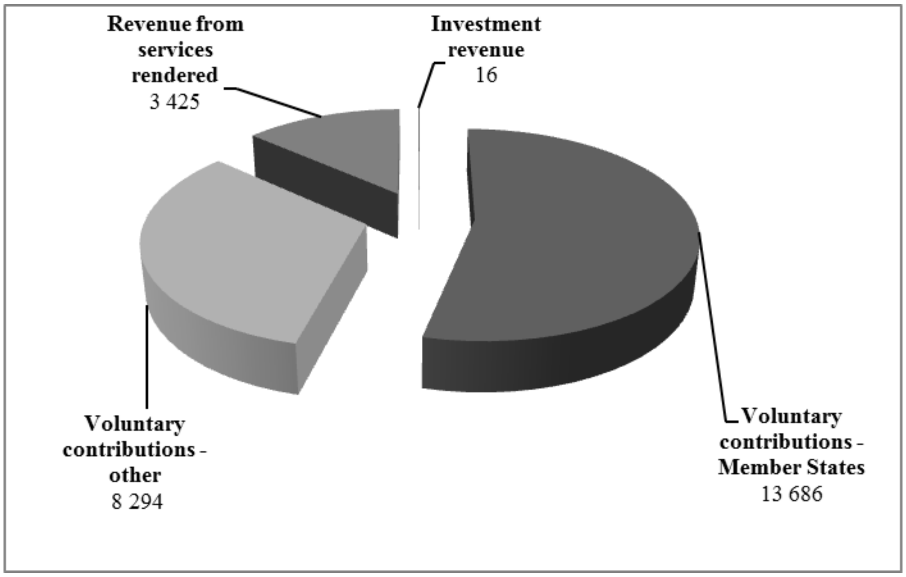
18. The movement in net assets during the year reflects an increase of $5.085 million from restated net assets of $16.012 million at the end of 2014 after prior-period adjustments of $0.502 million, on account of the operating surplus of $1.948 million supplemented by actuarial gains of $3.136 million.

Financial performance

Revenue

19. In 2015, revenue totalled $25.421 million and is structured as shown in figure IV.V below.

Figure IV.V
Total revenue as at 31 December 2015
(Thousands of United States dollars)



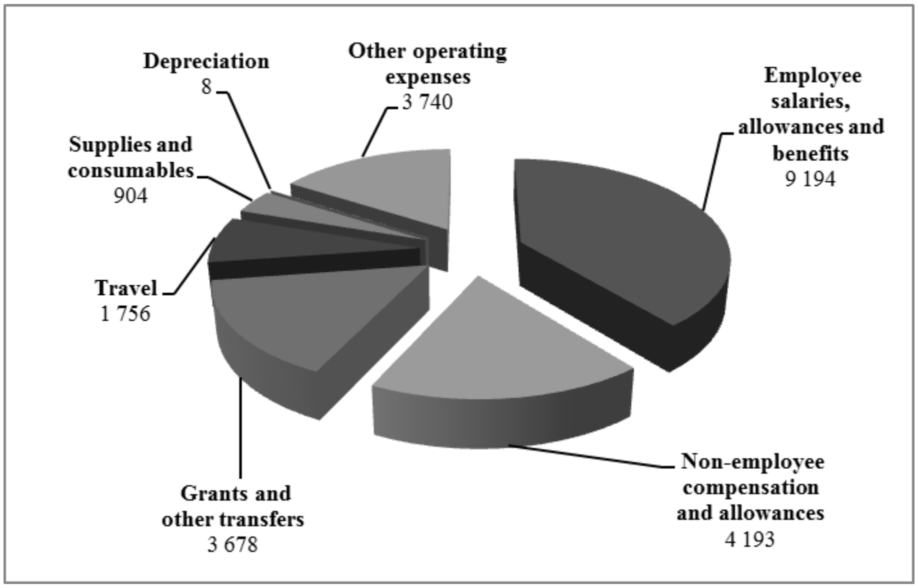
20. As shown above, the main sources of revenue were voluntary contributions of \$13.686 million received from Member States or 53.8 per cent (2014: \$9.336 million or 32.4 per cent); voluntary contributions of \$8.294 million or 32.6 per cent (2014: \$10.161 million or 35.3 per cent) comprising \$7.701 million received from other donors and contributions in kind as a rental subsidy of \$0.593 million for the year (represents the difference between the market value and the actual amount paid for the rental of the buildings occupied by UNITAR); and revenue of \$3.425 million or 13.5 per cent (\$9.086 million or 31.6 per cent) received for rendering services. The revenue for rendering services includes fees collected for a range of face-to-face and e-learning training courses, sales of satellite imagery and affiliations fees. Investment revenue, which represents 0.1 per cent of total revenue, reduced significantly, to \$0.016 million from \$0.102 million reported in 2014. During the year, UNITAR liquidated its investments in the United Nations cash pool, following which its funds were held in time deposits.

21. UNITAR is heavily reliant on a small number of donors; it was noted that the top 10 donors contributed some 71 per cent of the total donor contributions for the year.

Expenses

22. For the year ended 31 December 2015, expenses totalled \$23.473 million. The various categories of expenditure are shown in figure IV.VI below.

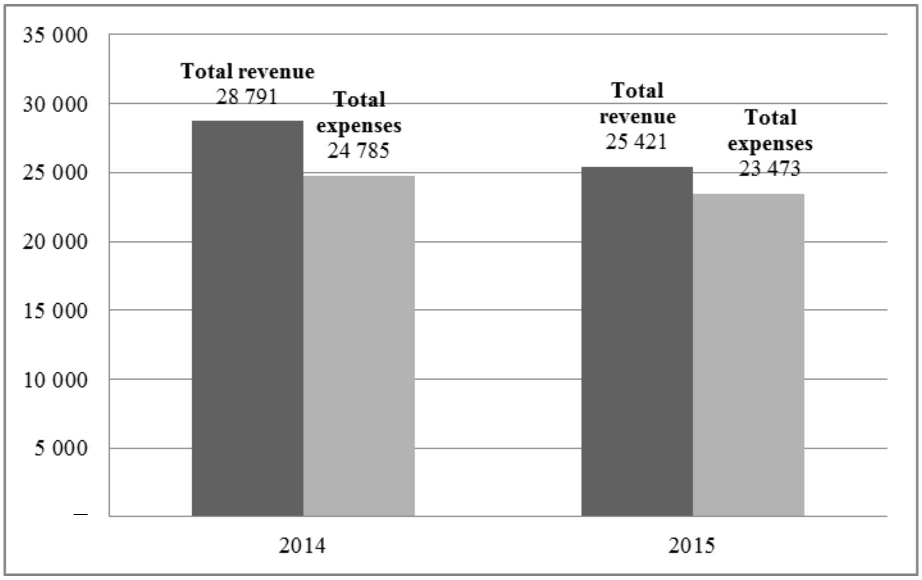
Figure IV.VI
Total expenses as at 31 December 2015
(Thousands of United States dollars)



23. A decrease of 5.3 per cent in total expenses was reported from the restated expenditure amount of $24.785 million reported in 2014. The main expense categories were staff costs of $9.194 million or 39.2 per cent (2014: $8.812 million or 35.6 per cent), non-employee compensation and allowances of $4.193 million or 17.9 per cent (2014: 5.035 million or 20.3 per cent), grants and other transfers of $3.678 million or 15.7 per cent (2014: $5.144 million or 20.8 per cent) and travel of $1.756 million or 7.5 per cent (2014: $1.168 million or 4.7 per cent). Other operating expenses of $3.740 million, supplies and consumables of $0.904 million and depreciation of $0.008 million make up the remaining 19.7 per cent of total expenses. These expenses made up 18.6 per cent of total expenses for 2014. As set by the UNITAR Board of Trustees, all special purpose grants income is assessed at an aggregate rate of 18 per cent or 13 per cent, depending on expected expenditure structure, to provide for programme support costs and direct service costs generated by the implementation of project activities. These costs are included in the project expenses and constitute revenue for the operations/support services segment, but are eliminated for financial statement reporting purposes.

24. Total personnel cost, which includes staff costs and non-employee compensation and allowances, totalled $13.387 million; this amount represents 53 per cent of the total revenue, which was reported at $25.421 million for the year.

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



25. The 12 per cent decrease in total revenue is mostly attributable to the decrease of $5.661 million or 62 per cent in revenue from services rendered. The decrease is a result of the completion of several large-scale tailor-made training programmes in 2014 (for example, in Algeria and Saudi Arabia and the Global Fund to Fight AIDS, Tuberculosis and Malaria) as well as implementation delays in 2015 of large training programmes funded by donors who were impacted by political changes in their countries (Afghanistan and Nigeria) and by economic pressures resulting from low oil prices (Nigeria). On the other hand, expenditure levels remained almost constant.

Operating results

26. The net surplus of revenue over expense in 2015 was reported at $1.948 million. Compared with the restated surplus of $4.006 in 2014, the result for the current year reflects mostly the decrease in revenue from exchange transactions as explained in paragraph 25 above. Fluctuations in operating results are also attributable to the timing difference in respect of recognizing revenue and related expenditure in line with provisions of the International Public Sector Accounting Standards (IPSAS) whereby revenue from non-exchange transactions can be recognized in one financial year and the related expenses recorded in another, in particular where agreements are signed late in the financial year and span a multi-year period.

Liquidity position

27. At 31 December 2015, the liquidity position of UNITAR was strong; the entity had sufficient liquid assets to settle its obligations. An increase in liquid funds of $6.081 million is reported from $18.805 million (restated) as at 31 December 2014. The total liquid funds of $24.886 million comprise cash and cash equivalents of $6.115 million or 24.6 per cent (2014: $4.023 million or 21.4 per cent), short-term investments of $10.000 million or 40.2 per cent (2014: $7.785 million or 41.4 per cent) and accounts receivables of $8.771 million or 35.2 per cent (2014:

$6.997 million or 37.2 per cent). UNITAR had its investments in short-term time deposits and did not have any long-term investments. Total current liabilities amounted to $2.131 million and total liabilities amounted to $10.447 million.

28. The table below summarizes four key liquidity indicators for the financial year ended 31 December 2015 with comparatives for the year ended 31 December 2014.

	Year ended 31 December	
Liquidity indicator	*2015*	*2014*
Ratio of liquid assets to current liabilities	11.7:1	4.7:1[a]
Ratio of liquid assets less accounts receivable to current liabilities	7.6:1	2.9:1
Ratio of liquid assets to total assets	0.8:1	0.6:1
Average months of liquid assets less accounts receivable on hand	8.0	5.7[b]

[a] Restated from 4.5:1 owing to prior-year adjustment in voluntary contributions receivable.
[b] Restated from 5.8 owing to prior-year adjustment in expenses.

29. The ratio of liquid assets to current liabilities indicates the ability of UNITAR to pay its short-term obligations from its liquid resources. The ratio of 11.7:1 indicates that current liabilities are covered in excess of 11 times by liquid assets and, therefore, there are sufficient liquid assets available to fully pay current liabilities should the need arise. The significant increase in the value of this ratio up from 4.7:1 in the prior year indicates a strongly strengthening liquidity resulting from a change in investments structure and a significant reduction in current liabilities. When accounts receivables are excluded from the analysis, the coverage of current obligations is at 7.6 for the current year and 2.9 for the previous year.

30. At 31 December 2015, the Institute's liquid assets were about 80 per cent of its total assets and it held sufficient cash and cash equivalents and short-term investments to cover its estimated average monthly expenses of $1.955 million for 8.0 months, an increase in coverage of 5.7 months compared with the end of 2014.

31. As at the reporting date, UNITAR had employee benefits liabilities of $8.574 million, of which $8.464 million relates to defined-benefit liabilities. With total cash and cash equivalents and investments of $16.115 million, the employee benefits liability is covered by 188 per cent. Furthermore, 20 per cent of the defined-benefit liability is funded up to $1.728 million included in cash and cash equivalents.

C. Future outlook

32. Given that the strategic results framework of UNITAR covers four years (2014-2017), programming will continue to focus on the five programme objective areas as outlined under section A. In addition, the Institute will step up its training initiatives to support national Governments and other stakeholders in building the capacities needed to mainstream, implement and review the 2030 Agenda for Sustainable Development. In doing so, UNITAR will place emphasis on reaching the furthest behind first and leaving no one behind, with special attention to the least developed countries, the small island developing States and other groups and communities that are the most vulnerable, including those in conflict situations. UNITAR has also set a 50:50 gender parity target in respect of its training-related beneficiaries (excluding peacekeeping-related programming) for 2016.

Annex

Supplementary information

1. The present annex includes the information that the Executive Director is required to report.

Write-off of losses of cash and receivables

2. Pursuant to financial rule 106.7 (a), there were no write-off cases of cash or receivables in 2015 with respect to the United Nations Institute for Training and Research.

Write-off of losses of property

3. Pursuant to financial rule 106.7 (a), there were no write-offs of non-expendable property for the United Nations Institute for Training and Research with respect to the financial statements for 2015.

Fraud or presumptive fraud

4. Pursuant to the additional terms of reference governing the audit of the United Nations contained in the United Nations Financial Regulations and Rules, there were no cases of fraud or presumptive fraud in 2015 with respect to the United Nations Institute for Training and Research.

Ex gratia payments

5. There were no ex gratia payments in 2015.

Chapter V
Financial statements for the year ended 31 December 2015

United Nations Institute for Training and Research

I. Statement of financial position as at 31 December 2015
(Thousands of United States dollars)

	Note	*31 December 2015*	*31 December 2014 (restated)*[a]
Assets			
Current assets			
Cash and cash equivalents	7	6 115	4 023
Investments	22	10 000	7 785
Voluntary contributions receivable[a]	8	8 334	6 180
Other accounts receivable	9	437	817
Advance transfers[a]	10	1 421	778
Other assets[a]	11	1 024	118
Total current assets		**27 331**	**19 701**
Non-current assets			
Investments	22	–	6 872
Voluntary contributions receivable	8	4 180	3 502
Property, plant and equipment	12	33	40
Total non-current assets		**4 213**	**10 414**
Total assets		**31 544**	**30 115**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	13	1 712	1 948
Transfers payable	14	–	619
Advance receipts	15	161	971
Employee benefits liabilities	16	258	458
Total current liabilities		**2 131**	**3 997**
Non-current liabilities			
Employee benefits liabilities	16	8 316	10 106
Total non-current liabilities		**8 316**	**10 106**
Total liabilities		**10 447**	**14 103**
Net total assets and total liabilities		**21 097**	**16 012**
Net assets			
Accumulated surpluses	17	21 097	16 012
Total net assets		**21 097**	**16 012**

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

[a] Restated for 2014 owing to prior-year adjustment and presentation change (see note 4).

United Nations Institute for Training and Research

II. Statement of financial performance for the year ended 31 December 2015

(Thousands of United States dollars)

	Note	*2015*	*2014 (restated)*[a]
Revenue			
Voluntary contributions — Member States	18	13 686	9 336
Voluntary contributions — other	18	8 294	10 161
Revenue from services rendered	19	3 425	9 086
Investment revenue	22	16	102
Other revenue	20	–	106
Total revenue		**25 421**	**28 791**
Expenses			
Employee salaries, allowances and benefits	21	9 194	8 812
Non-employee compensation and allowances	21	4 193	5 035
Grants and other transfers[a]	21	3 678	5 144
Travel	21	1 756	1 168
Supplies and consumables	21	904	396
Depreciation	12	8	8
Other operating expenses	21	3 740	4 222
Total expenses		**23 473**	**24 785**
Surplus for the year		**1 948**	**4 006**

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

[a] Restated for 2014 owing to prior-period adjustment (see note 4).

United Nations Institute for Training and Research

III. Statement of changes in net assets for the year ended 31 December 2015

(Thousands of United States dollars)

	Net assets
Net assets as at 1 January 2014 (IPSAS)	**13 899**
Prior-period adjustment (note 4)	502
Restated net assets as at 1 January 2014 (note 4)	**14 401**
Change in net assets	
Actuarial losses on employee benefits liabilities (note 16)	(2 395)
Surplus for the year (restated)	4 006
Total changes in net assets	**1 611**
Net assets as at 31 December 2014 (restated)	**16 012**
Net assets as at 1 January 2015	**16 012**
Adjustment for property, plant and equipment (note 12)	1
Change in net assets	
Actuarial gains on employee benefits liabilities (note 16)	3 136
Surplus for the year	1 948
Total changes in net assets	**5 085**
Net assets as at 31 December 2015	**21 097**

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

United Nations Institute for Training and Research

IV. Statement of cash flows for the year ended 31 December 2015

(Thousands of United States dollars)

	Note	*2015*	*2014 (restated)*[a]
Cash flows from operating activities			
Surplus for the year		**1 948**	**4 006**
Non-cash movements			
Depreciation	12	8	8
Current service cost and interest cost of employee benefits liabilities[a]	16	1 499	1 078
Changes in assets			
Increase in voluntary contributions receivable	8	(2 832)	(3 655)
Decrease/(increase) in other receivables	9	380	(619)
(Increase)/decrease in advance transfers[a]	10	(643)	642
Increase in other assets[a]	11	(906)	(118)
Changes in liabilities			
Decrease in other accounts payable and accrued liabilities	13	(237)	(52)
(Decrease)/increase in transfers payable	14	(619)	557
(Decrease)/increase in advance receipts	15	(810)	705
Decrease in employee benefits liabilities[a]	16	(353)	(48)
Investment revenue presented as investing activities	22	(16)	(102)
Net cash flows (used in)/from operating activities		**(2 581)**	**2 402**
Cash flows from investing activities			
Contributions from/(to) cash pool (net)	22	14 657	(1 862)
Purchases of investments	22	(44 000)	–
Proceeds from investments	22	34 000	–
Investment revenue presented as investing activities	22	16	102
Purchases of property, plant and equipment	12	–	(10)
Net cash flows from/(used in) investing activities		**4 673**	**(1 770)**
Net increase in cash and cash equivalents		**2 092**	**632**
Cash and cash equivalents — beginning of year	7	4 023	3 391
Cash and cash equivalents — end of year	**7**	**6 115**	**4 023**

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

[a] Restated for 2014 owing to presentation change (see note 4).

United Nations Institute for Training and Research

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2015

(Thousands of United States dollars)

	Publicly available budget[a]					
	Original biennial	*Final biennial*	*Original annual (2015)*	*Final annual (2015)*	*Actual expenditure (budget basis)*	*Difference*[b] *(percentage)*
Office of Executive Director	1 989	2 150	944	1 285	1 143	(11.1)
Operations/support services	5 393	5 569	2 697	3 194	3 150	(1.4)
Programmes	39 184	40 815	19 786	21 659	18 210	(15.9)
Total expenditure	**46 566**	**48 534**	**23 427**	**26 138**	**22 503**	**(13.9)**

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

[a] The annual budget amounts relate to the current-year proportion of publicly available budgets which are approved for a two year budget period, pursuant to document UNITAR/BT/55/02.rev. Material differences between the original and final budgets are explained in note 6.

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

United Nations Institute for Training and Research
Notes to the 2015 financial statements

Note 1
Reporting entity

The United Nations and its activities

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

(a) The maintenance of international peace and security;

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

(c) The universal observance of human rights;

(d) The administration of international justice and law.

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

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

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

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

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

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

The reporting entity

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

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

(a) Strengthen multilateralism;

(b) Promote economic development and social inclusion;

(c) Advance environmental sustainability and green development;

(d) Promote sustainable peace;

(e) Improve resilience and humanitarian assistance.

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

7. UNITAR is headquartered in Geneva, Switzerland and its activities are supported by outposted offices in New York and Hiroshima, Japan, and a project office in Port Harcourt, Nigeria.

Note 2
Basis of preparation and authorization for issue

Basis of preparation

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

requirements of IPSAS, these financial statements, which present fairly the assets, liabilities, revenue and expenses of UNITAR, and the cash flows over the financial year, consist of the following:

(a) Statement I: statement of financial position;

(b) Statement II: statement of financial performance;

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

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

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

(f) A summary of significant accounting policies and other explanatory notes.

Going-concern

9. The financial statements have been prepared on a going-concern basis and the accounting policies, as summarized in note 3, have been applied consistently in the preparation and presentation of the financial statements. The going-concern assertion is based on the approval by the Board of Trustees of the regular budget appropriations for the biennium 2016-2017, the positive historical trend of collection of voluntary contributions over the past years and the Institute's positive net assets position.

Authorization for issue

10. The financial statements are certified by the Controller of the United Nations and approved by the Executive Director of UNITAR. In accordance with financial regulation 6.2, the Executive Director is required to transmit the financial statements as at 31 December 2015 to the Board of Auditors by 31 March 2016. These financial statements are exceptionally transmitted by 31 May 2016. In accordance with financial regulation 7.12, the reports of the Board of Auditors shall be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements that are authorized for issue on 19 September 2016.

Measurement basis

11. The financial statements are prepared using the historic cost convention except for investments that are recorded at fair value. The financial statements are prepared for the 12-month period from 1 January to 31 December.

Functional and presentation currency

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

13. Foreign currency transactions are translated into United States dollars at the United Nations operational rates of exchange (UNORE) at the date of the transaction. The UNORE approximate the spot rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies, those other than the functional currency, are translated at the UNORE year-end rate.

Non-monetary foreign currency items measured at historical cost or fair value are translated at the relevant UNORE exchange rate prevailing at the date of the transaction or when the fair value was determined.

14. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the statement of financial performance on a net basis.

Materiality and use of judgement and estimation

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

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

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

Future accounting pronouncements

18. The work programme of the IPSAS Board includes the following pronouncements that could have an impact on future UNITAR financial statements:

(a) Public sector-specific financial instruments: To develop this accounting guidance, the IPSAS Board project will focus on issues relating to public sector-specific financial instruments that are outside the scope of those covered by IPSAS 28: Financial instruments: presentation; IPSAS 29: Financial instruments: recognition and measurement; and IPSAS 30: Financial instruments: disclosures;

(b) Public sector combinations: The IPSAS Board project will prescribe the accounting treatment for public sector combinations and develop a new standard setting out the classification and measurement of public sector combinations, that is, transactions or other events that bring two or more separate operations into a single public sector entity;

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

(d) Non-exchange expenses: The aim of the project is to develop a standard or standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits;

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

(f) Employee benefits: The objective is to issue a revised IPSAS 25: Employee benefits, which will converge with the underlying International Accounting Standard 19: Employee benefits;

(g) Consequential amendments arising from chapters 1 to 4 of the conceptual framework: The objective of the project is to make revisions to IPSAS standards that reflect concepts from these chapters, in particular the objectives of financial reporting and the qualitative characteristics and constraints of information.

Future requirements of IPSAS

19. On 30 January 2015, the IPSAS Board published five new standards: IPSAS 34: Separate financial statements, IPSAS 35: Consolidated financial statements, IPSAS 36: Investments in associates and joint ventures, IPSAS 37: Joint arrangements and IPSAS 38: Disclosure of interests in other entities. Of the five new standards, four have the potential to impact future UNITAR financial statements, namely, IPSAS 35, 36, 37 and 38. Initial application of these standards is required for periods beginning on or after 1 January 2017. UNITAR has no associates, joint ventures or joint arrangements that come under the scope of these standards; the impact on UNITAR of their implementation therefore is not expected to be material.

Note 3
Significant accounting policies

Financial assets: classification

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

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

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

Financial assets: held-to-maturity

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

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

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

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

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

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

Financial assets: cash and cash equivalents

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

Financial assets: receivables from non-exchange transactions — contributions receivable

26. "Contributions receivable" represents uncollected revenue from voluntary contributions committed to UNITAR by Member States, non-Member States, and other donors based on enforceable agreements. These non-exchange receivables are stated at nominal value, less impairment for estimated irrecoverable amounts (the allowance for doubtful receivables).

Financial assets: receivables from exchange transactions — other receivables

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

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

Advance transfers

29. Advance transfers relate to cash transferred to UNDP for service to be rendered on behalf of UNITAR and to executing agencies/implementing partners. Advances issued to executing agencies/implementing partners are initially

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

Other assets

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

Property, plant and equipment

31. Property, plant and equipment are classified into different groupings of similar nature, functions, useful life and valuation methodologies as vehicles; temporary buildings; communications and information technology equipment; machinery and equipment; furniture and fixtures; and real estate assets (buildings, infrastructure and assets under construction). Currently, the Institute's property, plant and equipment comprise vehicles and communications and information technology equipment.

Recognition of property, plant and equipment

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

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

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

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

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

36. Where there is a material cost value of fully depreciated assets that are still in use, adjustments to accumulated depreciation and property, plant and equipment will be incorporated into the financial statements to reflect a depreciation floor of at least 10 per cent and the useful lives of the relevant asset classes will be reviewed and appropriate changes made prospectively.

37. Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to UNITAR and the subsequent cost exceeds the threshold for initial recognition. Repairs and maintenance are expensed in the statement of financial performance in the year in which they are incurred.

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

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

Financial liabilities: classification

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

Financial liabilities: accounts payable and accrued liabilities

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

Financial liabilities: transfers payable

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

Advance receipts

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

Leases: UNITAR as a lessee

44. Leases of property, plant and equipment where UNITAR has substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the start of the lease at the lower of fair value or the present value of the minimum lease payments. The rental obligation, net of finance charges, is reported as a liability in the statement of financial position. Assets acquired under finance leases are depreciated in accordance with property, plant and equipment policies. The interest element of the lease payment is charged to the statement of financial performance as an expense over the lease term on the basis of the effective interest rate method.

45. Leases where all of the risks and rewards of ownership are not substantially transferred to UNITAR are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance as an expense on a straight-line basis over the period of the lease.

Donated right-to-use arrangements

46. UNITAR occupies land and buildings and uses infrastructure assets, machinery, and equipment through donated right-to-use agreements granted primarily by host Governments at nil or nominal cost. On the basis of the terms of the agreement and the clauses on transfer of control and termination contained in the agreement, the donated right-to-use arrangement is accounted for as an operating lease or finance lease.

47. In the case of operating leases, an expense and a corresponding revenue equal to the annual market rent of similar property are recognized in the financial statements.

48. The threshold for the recognition of revenue and expense is the yearly rental value equivalent of $5,000 for each item of donated right-to-use premises, land, infrastructure, machinery and equipment.

Employee benefits

49. Employees comprise staff members, as described under Article 97 of the Charter of the United Nations, whose employment and contractual relationship is defined by a letter of appointment subject to regulations promulgated by the General Assembly pursuant to Article 101, paragraph 1, of the Charter. Employee benefits are classified into short-term benefits, long-term benefits, post-employment benefits and termination benefits.

Short-term employee benefits

50. Short-term employee benefits are employee benefits (other than termination benefits) that are payable within 12 months after the end of the year in which the employee renders the related services. Short-term employee benefits comprise first-time employee benefits (assignment grants), regular daily/weekly/monthly benefits (wages, salaries and allowances) and other short-term benefits (education grant, reimbursement of taxes and home leave travel) provided to current employees on the basis of services rendered. All such benefits that are accrued but not paid are recognized as current liabilities within the statement of financial position.

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

Post-employment benefits

52. Post-employment benefits comprise after-service health insurance, end-of-service repatriation benefits and the pension provided through the United Nations Joint Staff Pension Fund.

Defined-benefit plans

53. The following benefits are accounted for as defined-benefit plans: after-service health insurance, repatriation benefits and accumulated annual leave that is commuted to cash upon separation from the organization. Defined-benefit plans are those where the obligation of UNITAR is to provide agreed benefits and UNITAR therefore bears the actuarial risks. The liability for defined-benefit plans is measured at the present value of the defined-benefit obligation. Changes in the liability for defined-benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The organization has chosen to recognize changes in the liability for defined-benefit plans from actuarial gains and losses directly through the statement of changes in net assets. As at 31 December 2015, UNITAR did not hold any plan assets as defined by IPSAS 25: Employee benefits.

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

55. **After-service health insurance**. After-service health insurance provides worldwide coverage for medical expenses of eligible former staff members and their dependants. Upon end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007 and 5 years for those who were recruited prior to that date. The after-service health insurance liability represents the present value of the share of the

Institute's medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff. A factor in the after-service health insurance valuation is to consider contributions by all plan participants in determining the Institute's residual liability. Contributions from retirees are deducted from the gross liability and a portion of the contributions from active staff is also deducted to arrive at the Institute's residual liability in accordance with the cost-sharing ratios authorized by the General Assembly in its resolutions 38/235, 1095 A (XI) and 41/209.

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

57. **Accumulated annual leave**. The liabilities for annual leave represent unused accumulated leave days that are projected to be settled by means of a monetary payment to employees upon their separation from the organization. UNITAR recognizes as a liability the actuarial value of the total accumulated unused leave days of all staff members, up to a maximum of 60 days (18 days for temporary staff) as at the date of the statement of financial position. The methodology applies a last-in-first-out assumption in the determination of the annual leave liabilities whereby staff members access current-period leave entitlements before they access accumulated annual leave balances relating to prior periods. Effectively, the accumulated annual leave benefit is accessed more than 12 months after the end of the reporting period in which the benefit arose, and overall, there is an increase in the level of accumulated annual leave days, pointing to the commutation of accumulated annual leave to a cash settlement at end of service as the true liability of the organization. The accumulated annual leave benefit reflecting the outflow of economic resources from the organization at end of service is therefore classified as "other long-term benefit". It should be noted that the portion of the accumulated annual leave benefit that is expected to be settled by means of monetary payment within 12 months after the reporting date is classified as a current liability. In line with IPSAS 25: Employee benefits, other long-term benefits must be valued similarly as post-employment benefits; UNITAR therefore values its accumulated annual leave benefit liability as a defined-benefit plan that is actuarially valued.

United Nations Joint Staff Pension Fund

58. UNITAR is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined-benefit plan. As specified by article 3 (b) of the Regulations of the Pension Fund, membership of the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligations, plan assets and costs to individual organizations participating in the Fund. UNITAR, in line with other participating organizations, is not in a position to identify the

Institute's proportionate share of the defined-benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNITAR has treated this plan as if it were a defined-contribution plan in line with the requirements of IPSAS 25. The Institute's contributions to the Pension Fund during the financial year are recognized as an employee benefit expense in the statement of financial performance.

Termination benefits

59. Termination benefits are recognized as an expense only when UNITAR is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted if the impact of discounting is material.

Other long-term benefits

60. Other long-term employee benefit obligations are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in which employees provide the related service. Accumulated annual leave is an example of "other long-term benefit".

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

Provisions

62. Provisions are liabilities recognized for future expenditure of uncertain amount or timing. A provision is recognized if, as a result of a past event, UNITAR has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is measured as the best estimate of the amount required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the provision is the present value of the amount expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

Contingent liabilities

63. Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of UNITAR or present obligations that arise from past events but are not 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 because the amount of the obligations cannot be reliably measured.

Contingent assets

64. Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of UNITAR.

Commitments

65. Commitments are future expenses that are to be incurred by UNITAR on contracts entered into by the reporting date and that UNITAR has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (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 will be delivered to UNITAR in future periods, non-cancellable minimum lease payments and other non-cancellable commitments.

Non-exchange revenue: voluntary contributions

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

67. Voluntary pledges and other promised donations are recognized as revenue when the arrangement becomes binding.

68. Unused funds returned to the donors are netted against revenue.

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

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

71. An indirect cost recovery called “programme support cost” is charged to trust funds and other activities that are funded from voluntary contributions to ensure that the additional costs of supporting activities from voluntary contributions are not borne by un-earmarked funds and/or other core resources of UNITAR. The programme support cost is eliminated for the purposes of financial statement preparation, as disclosed in note 5: Segment reporting. The programme support cost charge agreed upon with the donor is included as part of voluntary contributions. It is expressed as a percentage of direct costs (actual expenditure and unliquidated obligations).

Exchange revenue

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

Investment revenue

73. Investment revenue (interest revenue) is earned on individual financial instruments and is recognized on a time proportion basis using the effective interest rate method on the respective financial asset.

Expenses

74. Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets and are recognized on an accrual basis when goods are delivered and services are rendered, regardless of the terms of payment.

75. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. The allowances and benefits include other staff entitlements, including pension and insurance, staff assignment, repatriation, hardship and other allowances. Non-employee compensation and allowances consist of consultant and contractor fees.

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

77. "Supplies and consumables" relates to expenditure incurred for office supplies and consumables.

78. Other operating expenses include acquisition of goods and intangible assets below capitalization thresholds, maintenance, utilities, contracted services, training, security services, shared services, rent, insurance and allowance for bad debts. Other expenses relate to hospitality and official functions, foreign exchange losses and donation/transfer of assets.

79. Certain programme activities, distinct from commercial or other arrangements where UNITAR expects to receive equal value for funds transferred, are implemented by executing entities/implementing partners. Executing entities/implementing partners typically include Governments, non-governmental organizations and United Nations agencies. UNITAR advances funds to these implementing partners on the basis of cash projections. Advances to implementing partners that are not expensed during the year remain outstanding at the end of the year and are reported in the statement of financial position. These executing entities/implementing partners provide UNITAR with certified expense reports documenting their use of resources, which are the basis for recording expenses in the statement of financial performance.

In instances where the partner has not provided financial reports as expected, programme managers make an informed assessment as to whether an accrual or an impairment should be recorded against the advance and submit the accounting adjustment. The support costs incurred by and paid to implementing partners are reported as expenses in the statement of financial performance. Binding agreements to fund executing entities/implementing partners not paid out by the end of the reporting period are shown as commitments in the notes to the financial statements.

Note 4
Prior-period adjustments

80. UNITAR has identified the items below as having given rise to an adjustment to the 2014 comparative figures in the 2015 financial statements and notes.

81. An adjustment of $0.690 million has been made to advance transfers relating to a grant-out advance to Rogaland Training and Education Centre that was accounted for as a receivable instead of an expense. The adjustment therefore impacts the expenditure relating to grants and other transfers, as well as the reported surplus for the year in the statement of financial performance, the statement of changes in net assets and the statement of cash flows.

82. An adjustment has been made to accounts receivable and retained earnings arising from the identification of an IPSAS conversion adjustment relating to a voluntary contribution agreement signed in 2013 by the government of Rivers State, Nigeria ($0.502 million). The funds were received in 2015.

83. In 2014, advances to staff members ($0.102 million) and prepaid expenses ($0.016 million) were reported under advance transfers. For 2015, these are reported as other assets in line with the United Nations Policy Framework for IPSAS. Advance transfers relate to transfers made to implementing partners to carry out specified projects rather than prepayments made for operating expenses or advances made to staff members. This presentation change also impacts the statement of cash flows.

84. For 2015, non-cash movements include current service and interest costs of employee benefits liabilities. In 2014, this included actuarial losses from employee benefits liabilities that were recognized in the statement of changes in net assets, in line with the United Nations Policy Framework for IPSAS. In order to enhance comparability, actuarial losses have been excluded from operating cash flows and replaced with current service and interest costs. The net movement in employee benefit liabilities has been equally adjusted.

A. Extract of statement of financial position: 2014

(Thousands of United States dollars)

	Note	*31 December 2014*	*Prior-period adjustment*	*Presentation change*	*31 December 2014 (restated)*
Assets					
Current assets					
Voluntary contributions receivable	8	5 678	502	–	6 180
Advance transfers	10	1 586	(690)	(118)	778
Other assets	11	–	–	118	118
Total current assets		**19 889**	**(188)**	**–**	**19 701**
Total assets		**30 303**	**(188)**	**–**	**30 115**
Net total assets and total liabilities		**16 200**	**(188)**	**–**	**16 012**
Net assets					
Accumulated surpluses	17	16 200	(188)	–	16 012
Total net assets		**16 200**	**(188)**	**–**	**16 012**

B. Extract of statement of financial performance: 2014

(Thousands of United States dollars)

	Note	*31 December 2014*	*Prior-period adjustment*	*31 December 2014 (restated)*
Total revenue		**28 791**		**28 791**
Expenses				
Grants and other transfers	21	4 454	690	5 144
Total expenses		**24 095**	**690**	**24 785**
Surplus for the year		**4 696**	**(690)**	**4 006**

C. Extract of statement of changes in net assets: 2014

(Thousands of United States dollars)

	Net assets
Restated net assets as at 1 January 2014 (IPSAS)	**13 899**
Prior-period adjustment	502
Restated net assets as at 1 January 2014	**14 401**
Change in net assets	
Actuarial losses on employee benefits liabilities	(2 395)
Surplus for the year (restated)	4 006
Total changes in net assets	**1 611**
Net assets as at 31 December 2014 (restated)	**16 012**

D. Extract of statement of cash flows: 2014

(Thousands of United States dollars)

	Note	*2014*	*Prior-period adjustment*	*Presentation change*	*2014 (restated)*
Surplus for the year		4 696	(690)	–	4 006
Non-cash movements					
Actuarial losses on employee benefits liabilities	16	(2 395)	–	2 395	–
Current service cost and interest cost of employee benefits liabilities	16	–	–	1 078	1 078
Change in assets					
(Increase)/decrease in advance transfers	10	(166)	690	118	642
Increase in other assets	11	–	–	(118)	(118)
Changes in liabilities					
Increase/(decrease) in employee benefits liabilities	16	3 425	–	(3 377)	(48)

Note 5
Segment reporting

85. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and make decisions about the future allocation of resources.

86. As established in the UNITAR programme budget for the biennium 2014-2015 by its Board of Trustees, the activities of UNITAR are segregated into three segments:

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

(b) Programmes include training and research activities presented under five thematic areas: strengthen multilateralism; promote economic development and social inclusion; advance environmental sustainability and green development; promote sustainable peace; and improve resilience and humanitarian assistance. These programme activities are implemented by the following: Environmental Governance Programme; Chemicals and Waste Management Programme; Climate Change Programme; Multilateral Diplomacy Programme; Peacemaking and Conflict Prevention Programme; Peacekeeping Training Programme; Public Finance and Trade Programme; Decentralized Cooperation Programme; Knowledge Systems Innovation and the UNITAR Operational Satellite Applications Programme; and two outposted offices, in New York and Hiroshima, Japan, and a project office in Port Harcourt, Nigeria;

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

87. Inter-segment transactions include internal programme support cost charges between programmes and operations/support costs in line with paragraph 72 in note 3: Significant accounting policies. Inter-segment transactions are priced at cost

recovery under normal operating policies and are eliminated for the purposes of segment reporting preparation.

88. Eliminations comprise inter-fund allocations between various segments that are eliminated upon consolidation of funds of UNITAR, that is, the financial reporting entity. Among eliminated values are programme support cost charges between programmes and operations support.

Statement of financial performance by segment as at 31 December 2015

(Thousands of United States dollars)

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Eliminations*	*Total*
Segment revenue					
Voluntary contributions	300	21 007	673	–	21 980
Exchange revenue	19	3 251	1 417	(1 262)	3 425
Investment revenue	3	13	–	–	16
Total revenue	**322**	**24 271**	**2 090**	**(1 262)**	**25 421**
Segment expenses					
Employee salaries, allowances and benefits	930	6 203	2 061		9 194
Non-employee compensation and allowances	1	4 096	96		4 193
Grants and other transfers	–	3 678	–		3 678
Travel	53	1 699	4		1 756
Supplies and consumables	–	858	46		904
Depreciation	1	7	–		8
Other operating expenses	172	3 607	1 223	(1 262)	3 740
Total segment expense	**1 157**	**20 148**	**3 430**	**(1 262)**	**23 473**
Surplus/(deficit) for the year	**(835)**	**4 123**	**(1 340)**	**–**	**1 948**

89. The comparative statement of financial performance for 2014 does not include a breakdown of expenses and includes unallocated revenue and expenditure owing to challenges in deriving the required segment information from the legacy accounting system.

Statement of financial performance by segment as at 31 December 2014 (restated)

(Thousands of United States dollars)

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Unallocated*	*Eliminations*	*Total*
Segment revenue						
Voluntary contributions	45	14 274	1 560	603	–	16 482
Voluntary contributions (funds received under inter-organization arrangements)	–	2 791	224	–	–	3 015
Exchange revenue and investment revenue	13	8 426	2 295	57	(1 497)	9 294
Total revenue	**58**	**25 491**	**4 079**	**660**	**(1 497)**	**28 791**
Total segment expense	**1 115**	**21 689**	**2 672**	**806**	**(1 497)**	**24 785**
Surplus/(deficit) for the year	**(1 057)**	**3 802**	**1 407**	**(146)**	**–**	**4 006**

Statement of financial position by segment as at 31 December 2015

(Thousands of United States dollars)

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Total*
Assets				
Current assets				
Cash and cash equivalents	1 007	5 068	40	6 115
Investments	1 647	8 287	66	10 000
Voluntary contributions receivable	–	8 334	–	8 334
Other accounts receivable	–	437	–	437
Advance transfers	–	1 421	–	1 421
Other assets	2 210	(445)	(741)	1 024
Total current assets	**4 864**	**23 102**	**(635)**	**27 331**
Non-current assets				
Voluntary contributions receivable	–	4 180	–	4 180
Property, plant and equipment	4	29	–	33
Total non-current assets	**4**	**4 209**	**–**	**4 213**
Total assets	**4 868**	**27 311**	**(635)**	**31 544**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	29	1 098	585	1 712
Advance receipts	–	161	–	161
Employee benefits liabilities	11	131	116	258
Total current liabilities	**40**	**1 390**	**701**	**2 131**

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Total*
Non-current liabilities				
Employee benefits liabilities	640	5 544	2 132	8 316
Total non-current liabilities	**640**	**5 544**	**2 132**	**8 316**
Total liabilities	**680**	**6 934**	**2 833**	**10 447**
Net total assets and total liabilities	**4 188**	**20 377**	**(3 468)**	**21 097**
Net assets				
Accumulated surplus	4 188	20 377	(3 468)	21 097
Total net assets	**4 188**	**20 377**	**(3 468)**	**21 097**

90. There is no comparative for the 2015 statement of financial position by segment. The statement of financial position by segment was not presented in the first year of IPSAS financial statements (2014) owing to challenges in deriving the required segment information from the legacy accounting system. In 2015, the organization migrated to an enterprise resource planning software, Atlas, that enables it to derive information required for segment reporting.

Note 6
Comparison to budget

91. UNITAR prepares the budgets on the modified cash basis as opposed to the IPSAS full accrual basis as presented in the statement of financial performance, which reflects expenses by nature. Statement V (statement of comparison of budget and actual amounts) presents the difference between budget amounts and actual expense on a comparable basis.

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

93. Differences between the original and the final budget are attributable to elements that become known in the course of the year, such as final projections of special grant contributions to be received and variances in expense trends.

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

Budget area	*Explanation of material differences*
Office of Executive Director	Final annual budget revised up by 36.1 per cent to reflect additional anticipated costs for human resources supporting strategic management. Actual expense was lower than the final annual budget by 11.1 per cent as a result of less travel undertaken and lower staff costs than budgeted.
Operations/support services	Final annual budget revised up by 18.4 per cent to reflect a shift of implementation of specific information technology services from the prior year and increases relating to expected growth in allocations to after-service staff benefits. Non-material difference for final annual budget to actual expenditure.
Programmes	Non-material difference for original annual budget to final annual budget. Actual expenditure was lower than the final budget by 15.9 per cent as a result of lower-than-anticipated donor contribution revenue, resulting in reduced programme activity with reductions primarily in the categories of overall staff costs and pass-through grants to implementing partners.

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

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

Reconciliation of actual amounts on a comparable basis to the statement of cash flows: 2015
(Thousands of United States dollars)

	Operating	*Investing*	*Total*
Actual amount on a comparable basis (statement V)	**(22 503)**	–	**(22 503)**
Basis differences	2 904	16	2 920
Presentation differences	17 018	4 657	21 675
Net cash flows in the statement of cash flows (statement IV)	**(2 581)**	**4 673**	**2 092**

Reconciliation of actual amounts on a comparable basis to the statement of cash flows: 2014 (restated)

(Thousands of United States dollars)

	Operating	*Investing*	*Total*
Actual amount on a comparable basis (statement V)	**(23 582)**	–	**(23 582)**
Basis differences	(2 715)	(10)	(2 725)
Presentation differences	28 699	(1 760)	26 939
Net cash flows in the statement of cash flows (statement IV)	**2 402**	**(1 770)**	**632**

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

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

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

(d) Entity differences represent cash flows to/from fund groups or agencies which do not relate to UNITAR but are reported in the financial statements or the UNITAR budget. There were no entity differences in 2014.

96. The following table reconciles the actual expenditure on a comparable basis as reported in the statement of comparison of budget and actual amounts to the total expense reported in the statement of financial performance.

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

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Budget expenditure as set out in statement V	22 503	23 582
Adjustments:		
Elimination of unliquidated obligations	(1 947)	(4 500)
Accruals of expenses	973	3 182
After-service health insurance expenses	1 157	750
Expenses for contributions in kind	593	677
Adjustment on exchange gain/loss for elimination of revaluation of non-United States dollar contributions recognized as deferred income under United Nations system accounting standards	–	1 093

	31 December 2015	31 December 2014
Depreciation of property, plant and equipment	8	8
Provision/(reversal) of allowance on receivables	186	(7)
Total IPSAS expenses as set out in statement II	**23 473**	**24 785**

Biennial comparison of budget and actual amounts for the 2014-2015 biennium

97. The table below presents the difference between biennial budget amounts, which are prepared on a modified cash basis, and biennial actual expenditure on a comparable basis. The original and final biennial budget amounts represent the approved and publicly available budget for UNITAR for the biennium 2014-2015, pursuant to document UNITAR/BT/55/02.rev. Material differences between original and final annual budgets for 2014 and differences between final annual budget and actual annual expenditure (on a budget basis) that are greater than 10 per cent were explained in note 6 to the 2014 financial statements. Similarly, material differences between original and final annual budgets for 2015 and differences between final annual budget and actual annual expenditure (on a budget basis) that are greater than 10 per cent are explained in paragraph 94 above.

(Thousands of United States dollars)

	Publicly available budget		*Actual expenditure on a budget basis for 2014-2015 biennium*	*Difference (percentage)*
	Original biennial	*Final biennial*		
Office of Executive Director	1 989	2 150	2 002	(6.9)
Operations/support services	5 393	5 569	5 859	5.2
Programmes	39 184	40 815	38 224	(6.3)
Total	**46 566**	**48 534**	**46 085**	**(5.0)**

Note 7
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Time deposits	4 000	–
Cash held in UNITAR bank accounts	2 109	–
Cash pool managed by United Nations	–	4 015
Petty cash and project cash	6	8
Total cash and cash equivalents	**6 115**	**4 023**

98. Following the Institute's migration to the UNDP-hosted Atlas enterprise resource planning software, UNITAR withdrew its funds from the cash pool managed by the United Nations Secretariat as at 30 June 2015 and transferred them to UNDP, which was contracted to provide cash and investment management services starting 1 July 2015. The Institute's investments are held in short-term time deposits.

Note 8
Voluntary contributions receivable: non-exchange transactions

(Thousands of United States dollars)

	31 December 2015			31 December 2014		
	Current	*Non-current*	*Total*	*Current*[a]	*Non-current*	*Total*
Voluntary contributions	8 393	4 180	12 573	5 954	3 308	9 262
Inter-organizational arrangements	–	–	–	227	195	422
Allowance for doubtful voluntary contributions receivables	(59)	–	(59)	(1)	(1)	(2)
Total voluntary contributions receivable	**8 334**	**4 180**	**12 514**	**6 180**	**3 502**	**9 682**

[a] Restated: see note 4.

99. The large voluntary contributions receivable balance relates to a few high-value multi-year donor agreements with contributions balances receivable during the period from 2016 to 2019.

100. Allowance for doubtful voluntary contributions receivable was made for contributions receivable relating to projects that had reached completion as at 31 December 2015 but where donors were in the process of reviewing and contesting deliverables, as well as for contributions receivable due for longer than one year.

Note 9
Other accounts receivable: exchange transactions

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Exchange		
Receivables from Government entities	351	386
Receivables from other United Nations Secretariat reporting entities	122	83
Receivables from non-governmental entities	89	348
Allowance for doubtful other accounts receivable	(129)	–
Subtotal	**433**	**817**
Other		
Interest receivable	4	–
Total other accounts receivable	**437**	**817**

101. Allowance for doubtful other accounts receivable as at 31 December 2015 was higher compared with 2014 owing to (a) outstanding decisions on revision of project outputs for some training projects as at 31 December 2015; and (b) an increase in other accounts receivable due for longer than one year.

Note 10
Advance transfers

(Thousands of United States dollars)

	31 December 2015	*31 December 2014 (restated)*[a]
Implementing partners/executing agencies	1 257	778
Service clearing account receivables from UNDP	164	–
Total advance transfers	**1 421**	**778**

[a] Restated: see note 4.

102. Service clearing account receivables from UNDP represent advances made to UNDP field offices for payments that UNDP would disburse locally as authorized by UNITAR.

Note 11
Other assets

(Thousands of United States dollars)

	31 December 2015	*31 December 2014 (restated)*[a]
Inter-fund receivables from UNDP	943	–
Staff members	68	102
Prepayments to vendors	13	16
Total other assets	**1 024**	**118**

[a] Restated: see note 4.

103. Inter-fund receivables from UNDP arise as a result of treasury, investment and payroll transactions entered into by UNDP on behalf of UNITAR under contractual arrangement for the provision of support services. Outstanding inter-fund balances between UNITAR and UNDP are settled on a monthly basis.

Note 12
Property, plant and equipment

104. There were no additions or disposals in relation to property, plant and equipment. However, there was a small adjustment of $0.001 million to the net book value of motor vehicles following the identification and reinstatement of a vehicle that had been removed from the asset register in 2014 despite still being in use.

(Thousands of United States dollars)

	Information and communications technology	*Vehicles*	*Total*
Cost at 1 January 2015	29	147	176
Adjustment	–	7	7
Cost at 31 December 2015	**29**	**154**	**183**
Accumulated depreciation at 1 January 2015	18	118	136
Adjustment	–	6	6
Depreciation for the year	2	6	8
Accumulated depreciation at 31 December 2015	**20**	**130**	**150**
Net carrying amount			
1 January 2015	11	29	40
31 December 2015	**9**	**24**	**33**

(Thousands of United States dollars)

	Information and communications technology	*Vehicles*	*Total*
Cost at 1 January 2014	31	147	178
Additions	10	–	10
Disposals	(12)	–	(12)
Cost at 31 December 2014	**29**	**147**	**176**
Accumulated depreciation at 1 January 2014	28	112	140
Depreciation	2	6	8
Disposals	(12)	–	(12)
Accumulated depreciation at 31 December 2014	**18**	**118**	**136**
Net carrying amount			
1 January 2014	3	35	38
31 December 2014	**11**	**29**	**40**

Note 13
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2015	*31 December 2014 (reclassified)*
Payables to other United Nations Secretariat reporting entities	983	1 658
Vendor payables	414	41
Accruals for goods and services	285	209
Payables to Member States	–	2
Other	30	38
Total accounts payable and accrued liabilities	**1 712**	**1 948**

105. The reported prior-year accruals for goods and services ($1.715 million) included $1.506 million payable to other United Nations Secretariat entities. This has been reclassified appropriately under the category of payables to other United Nations Secretariat entities.

Note 14
Transfers payable

106. In 2014, transfers payable included liability on the UNDP Project Clearing Account in relation to implementation activity in 2014 for two UNDP-funded projects and their related net result as at 31 December 2014. There is no reported liability with respect to such projects in 2015.

Note 15
Advance receipts

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Payments received in advance	161	951
Liabilities for conditional arrangements	–	20
Total advance receipts	**161**	**971**

Note 16
Employee benefits liabilities

(Thousands of United States dollars)

	31 December 2015			*31 December 2014*		
	Current	*Non-current*	*Total*	*Current*	*Non-current*	*Total*
After-service health insurance	34	6 416	6 450	30	7 808	7 838
Annual leave	45	869	914	68	1 056	1 124
Repatriation benefits	69	1 031	1 100	77	1 242	1 319
Subtotal: defined-benefit liabilities	**148**	**8 316**	**8 464**	**175**	**10 106**	**10 281**
Home leave	102	–	102	169	–	169
Appendix D/workers' compensation	8	–	8	–	–	–
Accrued salaries and allowances	–	–	–	114	–	114
Total employee benefits liabilities	**258**	**8 316**	**8 574**	**458**	**10 106**	**10 564**

Employee benefits accounted for on a defined-benefit basis

107. UNITAR provides its staff and former staff with after-service health insurance and repatriation benefits that are actuarially valued defined-benefit plans. Annual leave benefits are actuarially valued on the same basis. The liabilities are determined on the basis of an independent actuarial valuation, which is usually undertaken every two years. The most recent full after-service health insurance valuation was conducted as at 31 December 2015. The cumulative amount of actuarial gains and losses recognized in net assets is $0.741 million (2014: loss — $2.395 million; 2015: gain — $3.136 million).

Actuarial valuation: assumptions

108. UNITAR reviews and selects assumptions and methods used by the actuaries in the year-end valuation to determine the expense and contribution requirements for the employee benefits. The principal actuarial assumptions used to determine the employee benefit obligations as at 31 December 2015 are set out below.

Actuarial assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates, 31 December 2014	0.88%	3.42%	3.45%
Discount rates, 31 December 2015	0.60%	3.61%	3.77%
Inflation, 31 December 2014	5.0-6.8%	2.25%	–
Inflation	4.0-6.4%	2.25%	–

109. Discount rates are based on a weighted blend of three discount rate assumptions: United States dollars (Citigroup pension discount curve), euros (euro-area government yield curve) and Swiss francs (Federation bonds yield curve).

110. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption reflects the current short-term expectations of the after-

service health insurance plan cost increases and the economic environment through a benchmark of market expectations. At 31 December 2015, these escalation rates were a flat health-care yearly escalation rate of 4.0 per cent (2014: 5.0 percent) for non-United States medical plans, health-care escalation rates of 6.4 per cent (2014: 6.8 per cent) for all other medical plans, except 5.9 per cent (2014: 6.1 per cent) for the United States Medicare plan, and 4.9 per cent (2014: 5.0 per cent) for the United States dental plan, grading down to 4.5 per cent over eight years.

111. With regard to the valuation of repatriation benefits as at 31 December 2015, inflation in travel costs was assumed at 2.15 per cent on the basis of the projected United States inflation rate over the next 10 years. For the roll-forward valuation, an assumption rate of 2.25 per cent was used in order to be consistent with the former valuation and to provide a long-term projection.

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

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

Movement in employee benefits liabilities accounted for as defined-benefit plans: 31 December 2015

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
Net defined-benefit liability at 1 January 2015	**7 838**	**1 319**	**1 124**	**10 281**
Current service cost	1 093	113	142	1 348
Interest cost	69	44	38	151
Subtotal: costs recognized in the statement of financial performance	**1 162**	**157**	**180**	**1 499**
Actuarial gains recognized directly in the statement of changes in net assets	(2 520)	(297)	(319)	(3 136)
Actual benefits paid	(30)	(79)	(71)	(180)
Net recognized liability at 31 December 2015	**6 450**	**1 100**	**914**	**8 464**

Movement in employee benefits liabilities accounted for as defined-benefit plans: 31 December 2014
(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
Net liability 31 December 2013	**4 898**	**1 136**	**371**	**6 405**
OB Actuarial (gains)/losses	–	–	–	–
IPSAS 25 adoption	–	–	544	544
Net defined-benefit liability at 1 January 2014	**4 898**	**1 136**	**915**	**6 949**
Current service cost	683	97	116	896
Interest cost	95	48	39	182
Subtotal: costs recognized in the statement of financial performance	**778**	**145**	**155**	**1 078**
Actuarial losses recognized directly in the statement of changes in net assets	2 191	100	104	2 395
Actual benefits paid	(29)	(62)	(50)	(141)
Net recognized liability at 31 December	**7 838**	**1 319**	**1 124**	**10 281**

Medical costs sensitivity analysis

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

Medical costs sensitivity analysis: 1 per cent movement in the assumed medical costs trend rates
(Thousands of United States dollars)

	31 December 2015		*31 December 2014*	
	Increase	*Decrease*	*Increase*	*Decrease*
Effect on the defined-benefit obligation	2 168	(2 175)	2 637	(1 889)
Effect on the aggregate of the current service cost and interest cost	263	(228)	485	(359)

Discount rate sensitivity to end-of-year liability

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

Discount rate sensitivity analysis: year-end employee benefits liabilities

(Thousands of United States dollars)

31 December 2015	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 1 per cent	(888)	(108)	(88)
As a percentage of end-of- year liability	-14%	-10%	-10%
Decrease of discount rate by 1 per cent	1 009	119	103
As a percentage of end-of- year liability	16%	11%	11%

31 December 2014	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 1 per cent	(2 068)	(154)	(115)
As a percentage of end-of- year liability	-26%	-12%	-10%
Decrease of discount rate by 1 per cent	2 929	176	129
As a percentage of end-of- year liability	37%	13%	11%

Historical information

Total liability after-service health insurance, repatriation benefits and annual leave as at 31 December

(Thousands of United States dollars)

Present value of the defined-benefit obligations valued by actuaries	*2015*	*2014*	*2013*	*2011*	*2009*
After-service health insurance	6 450	7 838	4 897	3 720	1 923
Repatriation benefits	1 100	1 319	1 136	837	489
Annual leave	914	1 124	371	347	259
Total present value of defined-benefit obligation	**8 464**	**10 281**	**6 404**	**4 904**	**2 671**

Funded liabilities

116. UNITAR has commenced funding plans for the defined-benefit liabilities. The balance of liability funded as at 31 December 2015 is shown in the table below:

(Thousands of United States dollars)

	Funded	*Unfunded*	*Total liability as at 31 December 2015*	*Percentage funded*
After-service health insurance	25	6 425	6 450	0.4
Annual leave	603	311	914	66.0
Repatriation benefits	1 100	–	1 100	100.0
Total employee benefits liabilities under defined-benefit plans	**1 728**	**6 736**	**8 464**	**20**

117. The funded amount of $1.728 million is included in cash and cash equivalents and investments. This amount does not qualify as a plan asset under IPSAS 25: Employee benefits, because such funds are not held in a trust that is legally separate from UNITAR and that exists solely to pay or fund employee benefits.

United Nations Joint Staff Pension Fund

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

119. The Institute's financial obligation to the United Nations Joint Staff Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations), together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the General Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.

120. The actuarial valuation performed as at 31 December 2013 revealed an actuarial deficit of 0.72 per cent (1.87 per cent in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as at 31 December 2013 was 24.42 per cent of pensionable remuneration, compared with the actual contribution rate of 23.7 per cent. The next actuarial valuation was conducted for 31 December 2015; however, the results of the valuation were not available as at the reporting date.

121. At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.5 per cent (130.0 per cent in the 2011 valuation). The funded ratio was 91.2 per cent (86.2 per cent in the 2011 valuation), when the current system of pension adjustments was taken into account.

122. After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2013, 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 Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of reporting, the General Assembly had not invoked the provision of article 26.

123. In 2015, the contributions of UNITAR paid to the Pension Fund amounted to $1.0 million (2014: $0.9 million). Expected contributions due in 2016 are $0.9 million.

124. The United Nations Board of Auditors carries out an annual audit of the Pension Fund and reports to the United Nations Joint Staff Pension Board on the

audit every year. The Pension Fund publishes quarterly reports on its investments, which can be viewed at www.unjspf.org.

Impact of General Assembly resolutions on staff benefits

125. On 23 December 2015, the General Assembly adopted resolution 70/244, in which it approved certain changes to conditions of service and entitlements for all staff serving in the organizations of the United Nations common system, as recommended by the International Civil Service Commission. The changes that will have the most impact on the calculation of other long-term and end-of-service employee benefits liabilities are as follows:

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

126. As at the reporting date, the necessary information regarding the implementation of the proposed changes was not available. This made it impossible for the organization to perform a detailed impact analysis of the proposed changes on employee benefits liabilities for the 2015 financial period. In accordance with the requirements of IPSAS 1, the organization will determine such impact when the relevant implementation information becomes available, most likely by mid-2016; where material, appropriate adjustments and/or disclosures will be made in the financial statements for 2016.

Note 17
Net assets

(Thousands of United States dollars)

	2015	*2014 (restated)*[a]
Net assets as at 1 January	**16 012**	**14 401**
Adjustment for property, plant and equipment (note 12)	1	–
Actuarial gains/(losses) on employee benefits liabilities	3 136	(2 395)
Surplus for the year	1 948	4 006
Net assets as at 31 December	**21 097**	**16 012**

[a] Restated: see note 4.

Note 18
Revenue from non-exchange transactions

Voluntary contributions — Member States

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Voluntary contributions — Member States	13 727	9 346
Refunds to Member States — prior year	(41)	(10)
Total revenue from voluntary contributions — Member States	**13 686**	**9 336**

Voluntary contributions — other

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Voluntary contributions — other	7 701	9 479
Voluntary in-kind contributions	593	682
Total revenue from voluntary contributions — other	**8 294**	**10 161**

127. The contributions in kind include a rental subsidy of $0.593 million (2014: $0.677 million) for the year, which represents the difference between the market value and the actual amount paid for the rental of the buildings occupied by UNITAR.

Note 19
Revenue from services rendered: exchange transactions

128. Exchange revenue from services rendered includes fees collected for a range of face-to-face and e-learning training courses, sales of satellite imagery and affiliations fees. UNITAR designs and delivers capacity development and research activities to address the needs of individuals, organizations and institutions under various thematic areas. Some of the key training courses generating exchange revenue were the youth vocational technical training programme in the Niger Delta and the West African subregion; an entrepreneurship training and coaching programme for young Algerian graduates; and on-demand training and capacity development activities offered to Member State delegates and diplomats in the area of the United Nations intergovernmental machinery and topics relating to multilateral diplomacy.

129. Other training courses driving exchange revenue were the joint International Master's Degree in Conflictology; tailored face-to-face training offered to the UNITAR target audience; and fee-based courses offered to individuals through face-to-face training, seminars, workshops or e-learning courses.

130. Exchange revenue also includes fees for satellite imagery analysis services. These services provide support to the United Nations system and other organizations in the areas of disaster response, humanitarian operations, human security and the application of international humanitarian law, and human rights.

131. The UNITAR Decentralized Cooperation Programme has established a global network composed of 14 international training centres for authorities and leaders called the CIFAL Global Network. These centres are affiliated with UNITAR and are required to pay a mandatory annual affiliation fee. Located across Asia, Africa, Europe, the Americas and the Caribbean, the centres deliver many training events to the UNITAR target audience.

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Training fees	2 499	8 296
UNITAR Operational Satellite Applications Programme activities	567	437
Affiliation fee from training centres	181	253
Other revenue	178	100
Total revenue from services rendered	**3 425**	**9 086**

Note 20
Other revenue

132. Other revenue includes miscellaneous revenue. There was no miscellaneous revenue reported for the year. However, $0.106 million was reported as miscellaneous revenue for the year 2014.

Note 21
Expenses

Employee salaries, allowances and benefits

133. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. Allowances and benefits include other staff entitlements, including pension and insurance, staff assignment, repatriation, hardship and other allowances.

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Salaries	3 791	3 272
Allowance and benefits	3 208	3 112
Post adjustment	2 195	2 428
Total employee salaries, allowances and benefits	**9 194**	**8 812**

Non-employee compensation and allowances

134. "Non-employee compensation and allowances" consists of consultant and contractor fees, ad hoc experts and non-UNITAR personnel compensation and allowances.

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Consultant fees	4 193	4 990
Compensation	–	45
Total non-employee compensation and allowances	**4 193**	**5 035**

Grants and other transfers

135. Grants and other transfers include outright grants and transfers to implementing agencies, partners and other entities as well as quick-impact projects.

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Staff and personnel costs	1 774	443
Contractual services	532	1 367
Outright grants	994	1 308
Travel	189	1 022
Programme support costs	158	30
Supplies, commodities and materials	31	64
Seminars, tuition and fees	–	467
Operational expenses	–	413
Equipment, vehicles and furniture	–	30
Total grants and other transfers	**3 678**	**5 144**

Travel

(Thousands of United States dollars)

	31 December 2015	31 December 2014
Travel of staff, consultants and non-staff	1 756	1 168
Total travel	**1 756**	**1 168**

Supplies and consumables

(Thousands of United States dollars)

	31 December 2015	31 December 2014
Acquisition of office equipment and supplies	627	126
Operational maps	274	119
Training supplies and exhibits	–	133
Other supplies	3	18
Total supplies and consumables	**904**	**396**

Other operating expenses

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

(Thousands of United States dollars)

	31 December 2015	31 December 2014
Training	760	6
Contracted services	598	879
Expense recognized for contributions in kind — premises	593	677
Rent — office and premises	552	349
Exchange loss	358	1 181
Joint administrative fees	247	516
Communications utilities	207	70
Doubtful debt expenses	186	58
Stationery and office supplies	49	10
Shipping/freight services	26	27
Fellowship	–	210
Acquisitions	–	199
Rental — others (equipment, vehicles)	–	33
Other expenses	164	7
Total other operating expenses	**3 740**	**4 222**

Note 22
Financial instruments and financial risk management

137. During the year, UNITAR liquidated its funds from the United Nations main cash pool and transferred the funds to UNDP, which was contracted to provide cash and investment management services starting 1 July 2015. As at 31 December 2015, all of UNITAR's investments were held in short-term time deposits.

Financial instruments
(Thousands of United States dollars)

	Note	*31 December 2015*	*31 December 2014*
Financial assets			
Held-to-maturity			
Investments — time deposits		10 000	–
Fair value through surplus or deficit			
Investments — United Nations main cash pool short term		–	7 785
Investments — United Nations main cash pool long term		–	6 872
Total investments		**10 000**	**14 657**
Loans and receivables			
Cash and cash equivalents: internally managed	7	2 115	8
Cash and cash equivalents: time deposits	7	4 000	–
Investments — United Nations main cash pool		–	4 015
Total cash and cash equivalents		**6 115**	**4 023**
Voluntary contributions	8	12 514	9 682
Other receivables	9	437	817
Other assets (excluding staff advances and prepayments)	11	943	–
Total loans and receivables		**13 894**	**10 499**
Total carrying amount of financial assets		**30 009**	**29 179**
Financial liabilities at amortized cost			
Accounts payable and accrued liabilities	13	1 712	1 948
Transfers payable	14	–	619
Total carrying amount of financial liabilities		**1 712**	**2 567**
Net revenue and expense from financial assets			
Investment revenue — time deposits		10	–
United Nations main cash pool investment revenue		49	115
United Nations main cash pool financial exchange losses		(48)	(7)
United Nations main cash pool unrealized gains/(losses)		5	(6)
Total net revenue from financial assets		**16**	**102**

Movement in short-term investments not classified as cash and cash equivalents: time deposits
(Thousands of United States dollars)

	2015
Balance as at 1 January	–
Purchases of investments	44 000
Sale of investments	(34 000)
Balance as at 31 December 2015	**10 000**

Financial risk management: overview

138. UNITAR has exposure to the following financial risks:

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk.

139. This note presents information on the Institute's exposure to these risks, the objectives, policies and processes for measuring and managing risk, and the management of capital.

Risk management framework

140. The investment activities of UNITAR are carried out by UNDP under a service-level agreement. Under the terms of the agreement, UNDP applies its investment guidelines and governance framework for the benefit of UNITAR. Investments are registered in the Institute's name and marketable securities are held by a custodian appointed by UNDP.

141. The principal objectives of the investment guidelines (listed in order of importance) are:

(a) Safety: preservation of capital, provided through investing in high-quality, fixed-revenue securities emphasizing the creditworthiness of the issuers;

(b) Liquidity: flexibility to meet cash requirements through investments in highly marketable fixed-income securities and by structuring maturities to align with liquidity requirements;

(c) Revenue: maximization of investment revenue within the foregoing safety and liquidity parameters.

142. The UNDP investment committee, comprising senior management, meets quarterly to review investment portfolio performance and ensure that investment decisions have complied with the established investment guidelines. UNITAR receives a detailed monthly investment performance report from UNDP, which shows the composition and performance of the investment portfolio.

143. The risk management practices of UNITAR are in accordance with the UNDP investment management guidelines. An investment committee periodically evaluates investment performance and assesses compliance with the guidelines and makes recommendations for updates thereto. Other than those disclosed, UNITAR has not

identified any further risk concentrations arising from financial instruments. There were no significant changes in the UNITAR risk management framework in 2015, as the existing framework was applied to the UNDP service-level agreement arrangement adopted in 2015.

144. UNITAR defines the capital that it manages as the aggregate of its net assets. Its objectives are to safeguard its ability to continue as a going concern, to fund its operations and to fulfil its mandated objectives. UNITAR manages its capital in the light of global economic conditions, the risk characteristics of the underlying assets and its current and future working capital requirements.

Credit risk

145. Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, investments and deposits with financial institutions, and credit exposures to outstanding receivables. The carrying value of financial assets less impairment is the maximum exposure to credit risk.

Credit risk management

146. UNITAR is exposed to credit risk on its outstanding financial asset balances, primarily cash and cash equivalents, financial instruments and receivables (exchange and non-exchange).

147. With regard to its financial instruments, the UNDP investment guidelines limit the amount of credit exposure to any one counterparty and include minimum credit quality requirements. The credit risk mitigation strategies stated in the guidelines include conservative minimum credit criteria of investment grade for all issuers with maturity and counterparty limits by credit rating. The investment guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible investments are limited to fixed-income instruments of sovereign, supranational, governmental or federal agencies, and banks.

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

149. Credit ratings from the three leading credit rating agencies, Moody's, Standard & Poor's and Fitch, are used to evaluate the credit risk of financial instruments. As at 31 December 2015, the Institute's financial investments were in investment-grade instruments as shown in the table below (presented using Standard & Poor's rating convention).

(Thousands of United States dollars)

31 December 2015	*AAA*	*AA+*	*AA*	*AA-*	*A+*	*A*	*Total*
Money market instruments	–	–	–	10 000	–	–	10 000
Total	**–**	**–**	**–**	**10 000**	**–**	**–**	**10 000**

Credit risk: receivables

150. A large proportion of receivables is due from entities that do not have significant credit risk. As at the reporting date, UNITAR did not hold any collateral as security for receivables. UNITAR evaluates the allowance for doubtful receivables at each reporting date. An allowance for doubtful receivables occurs when there is objective evidence that UNITAR will not collect the full amount due. Allowances credited to the allowance for doubtful receivables general ledger account are utilized when management approves write-offs under the Financial Regulations and Rules or are reversed when the previously impaired receivables are received. The movement in the allowance for doubtful receivables account during the period was as shown below.

Movement in the allowance for doubtful receivables

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
As at 1 January	**1**	**8**
Increase/(decrease) in allowance for doubtful receivables	186	(7)
As at 31 December	**187**	**1**

151. On the basis of its monitoring of credit risk, UNITAR believes that, except as indicated, no impairment allowance is necessary in respect of receivables.

Ageing of total receivables

(Thousands of United States dollars)

	31 December 2015		*31 December 2014*	
	Gross receivable	*Allowance*	*Gross receivable*[a]	*Allowance*
Neither past due nor impaired	12 726	–	9 857	–
Less than one year	100	100	641	–
One to two years	289	72	–	–
Over two years	23	15	2	1
Total	**13 138**	**187**	**10 500**	**1**

[a] Restated (note 4).

Credit risk: cash and cash equivalents

152. UNITAR held cash and cash equivalents of $6.1 million at 31 December 2015, which is the maximum credit exposure on these assets.

Liquidity risk

153. Liquidity risk is the risk that UNITAR might not have adequate funds to meet its obligations as they fall due. The Institute's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due,

under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Institute's reputation.

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

155. UNDP, on behalf of UNITAR, performs cash flow forecasting and monitors rolling forecasts of liquidity requirements to ensure that they have sufficient cash to meet operational needs. Investments are made with due consideration to the cash requirements for operating purposes based on cash flow forecasting. UNITAR maintains a large portion of its investments in cash equivalents and short-term investments sufficient to cover its commitments as and when they fall due.

Liquidity risk: financial liabilities

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

Maturities for financial liabilities based on the earliest date at which UNITAR can be required to settle the financial liabilities: as at 31 December 2015, undiscounted

(Thousands of United States dollars)

	On demand	*Within 3 months*	*3-12 months*	*> 1 year*	*Total*
Accounts payable and accrued liabilities	–	1 712	–	–	1 712
Total financial liability	**–**	**1 712**	**–**	**–**	**1 712**

Market risk

157. Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices of investment securities, will affect the revenue of UNITAR or the value of its financial assets and liabilities. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the Institute's fiscal position.

Currency risk

158. Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in foreign exchange rates. UNITAR has transactions, assets and liabilities in currencies other than in its functional currency and is exposed to limited currency risk arising from fluctuations

in exchange rates. The guidelines require UNITAR to manage its currency risk exposure. Given that the Institute's main cash holdings are denominated in United States dollars, it has limited currency risk and, in conjunction with the low risk for other financial instruments, UNITAR considers currency risk to be low.

Interest rate risk

159. Interest rate risk is the risk of variability in financial instruments' fair values or future cash flows owing to changes in interest rates. In general, as interest rates rise, the price of a fixed rate security falls, and vice versa. Interest rate risk is commonly measured by the fixed rate security's duration, with duration being a number expressed in years. The larger the duration, the greater the interest rate risk.

Accounting classifications and fair value

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

Note 23
Related parties

Governance of UNITAR

161. UNITAR is governed by a Board of Trustees, which is composed of 11 trustees, including the Chair. The trustees are appointed by the United Nations Secretary-General, in consultation with the Presidents of the General Assembly and the Economic and Social Council. The trustees do not receive any remuneration from the Organization.

162. The members of the Board of Trustees for UNITAR are not considered key management personnel as defined by IPSAS. The Board of Trustees formulates principles and policies to govern the Institute's activities and operations. However, the oversight function of the Board does not include the authority and responsibility for planning, directing and controlling the activities of the entity. The Board approves the work programme as put forward by the Executive Director and Directors, adopts the budget, reviews the structure and composition of staffing and performs other statutory functions, including considering the methods of financing the Institute with a view to ensuring the effectiveness of its future operations, their continuity and the Institute's autonomous character within the framework of the United Nations.

163. UNITAR pays for travel costs, subsistence allowances and office expenses to cover costs incurred by the trustees in the execution of their duties.

Key management personnel

164. Key management personnel are those with authority and responsibility for planning, directing and controlling the activities of UNITAR. The Executive Director, at the Assistant Secretary-General level, the Director of the Research Department and two Senior Managers, all at the D-1 level, have this authority and responsibility.

165. The aggregate remuneration paid to key management personnel includes net salaries, post adjustment and other entitlements such as grants, subsidies and employer pension and health insurance contributions.

166. UNITAR had five key management personnel, whose remuneration was $1.2 million over the financial year ended 31 December 2015 (2014: $1.4 million); such payments are in accordance with the Staff Regulations and Rules of the United Nations, the published salary scales of the United Nations and other publicly available documents.

167. No close family member of key management personnel was employed by UNITAR at the management level. Advances made to key management personnel are those made against entitlements in accordance with the staff rules and regulations; such advances against entitlements are widely available to all UNITAR staff.

United Nations Development Programme

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

United Nations system

169. UNITAR is engaged in United Nations initiatives such as joint programmes and common services arrangements. Within joint funding mechanisms, United Nations entities work together to implement activities and achieve results.

170. UNITAR, as a part of the United Nations system, has transactions and relationships with other system entities. In accordance with IPSAS 20: Related party disclosures, these financial statements need not disclose transactions with other United Nations system entities, as the transactions are consistent with normal operating relationships between the entities, are undertaken on terms and conditions that are normal for such transactions in these circumstances and are at arm's length.

CIFAL Global Network

171. The CIFAL Global Network is comprised of 15 international training centres for authorities and leaders. The CIFAL centres are located across Asia, Africa, Australia, Europe, the Americas and the Caribbean. The centres provide innovative training throughout the world and the network serves as a hub for the exchange of knowledge among government officials, the private sector and civil society.

172. CIFAL-affiliated training centres are established through partnership agreements between UNITAR and a local host partner, which provides human and financial resources to the centres so that they are able to execute their activities in an autonomous manner and retain local control. The Institute's role in the operation of each CIFAL-affiliated training centre is limited to providing academic guidance, support and advice regarding training content and monitoring and evaluation, as well as quality assurance. UNITAR is not involved in the governance of the CIFAL

Network and exercises a coordinating role only through an annual steering committee meeting of the CIFAL directors. The CIFAL centres may use the name and emblem of UNITAR only in direct connection with activities jointly defined and implemented with UNITAR.

173. CIFAL-affiliated training centres pay UNITAR an annual affiliation fee in line with the signed partnership agreements or decisions of the CIFAL Network steering committee. UNITAR does not invest in the activities of the training centres or participate in sharing the profits or losses of the centres. UNITAR received $0.181 million (2014: $0.253 million) in affiliation fees, which is included in the revenue from exchange transactions.

Note 24
Leases and commitments

Finance leases

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

Operating leases and commitments

175. UNITAR holds two leases in place for the use of Geneva premises and one lease for its New York office. The leases in Geneva are one one-year short-term lease agreement between the Fondation des immeubles pour les organisations internationales (FIPOI) and UNITAR, whereby FIPOI rents spaces out to UNITAR for an annual payment of CHF 182,764 (at 31 December 2015 rates: $0.184 million) (2014: CHF 195,180 — at 31 December 2014 rates: $0.198 million); and one five-year lease agreement between FIPOI and UNITAR, whereby FIPOI rents spaces out to UNITAR for an annual payment of CHF 298,908 (at 31 December 2015 rates: $0.302 million). The leases with FIPOI can be renewed by a notice given to FIPOI not less than six months before the expiration date.

176. The total lease payments recognized in expenses for the period was $1.138 million (2014: $1.02 million). The total operating lease rental expense for the year includes $0.593 million (2014: $0.677 million) towards donated right-to-use arrangements, for which corresponding revenue is recognized in the statement of financial performance and presented within other revenue. Future minimum lease payments under non-cancellable arrangements are shown below.

Obligations for operating leases

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Due in less than one year	560	286
Due in one to five years	955	–
Due in more than five years	–	–
Total minimum lease obligations (undiscounted)	**1 515**	**286**

177. Individual operating lease agreements for photocopiers at headquarters are generally made under the auspices of the overall long-term supply agreements. The amounts present future obligations for the minimum contractual term, taking into

consideration contract annual lease payment increases in accordance with lease agreements. No agreements contain purchase options.

178. At the reporting date, open contractual commitments relating to goods and services contracted but not delivered were $0.708 million (2014: $0.737 million).

179. At the reporting date, the Institute's commitments to transfer funds to implementing partners, based on agreements, amounted to $1.238 million (2014: $2.779 million).

Note 25
Contingent liabilities and contingent assets

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

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

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

Note 26
Events after the reporting date

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

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