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

A/72/5/Add.5

United Nations Institute for Training and Research

Financial report and audited financial statements

for the year ended 31 December 2016

and

Report of the Board of Auditors

United Nations • New York, 2017

Note

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

ISSN 0257-0807

[30 June 2017]

Contents

Letters of transmittal

Letter dated 31 March 2017 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 31 December 2016, which I hereby approve. The financial statements have been completed and certified by the Controller as correct in all material respects.

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

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

Letter dated 30 June 2017 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 2016.

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor-General of India
Chair of the Board of Auditors

Chapter I

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

Opinion

We have audited the financial statements of the United Nations Institute for Training and Research (UNITAR), which comprise the statement of financial position (statement I) as at 31 December 2016 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UNITAR as at 31 December 2016 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

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

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

Management is responsible for the other information, which comprises the financial report for the year ended 31 December 2016, contained in chapter IV below, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India
Chair of the Board of Auditors

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

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

30 June 2017

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 2016 at the United Nations Office at 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 2016 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. Despite a deficit for the year 2016 of $0.2 million, its accumulated surpluses increased from $21.1 in 2015 to $21.3 in 2016. The increase resulted mainly from actuarial gains on employee benefits liabilities amounting to $0.4 million. The accumulated surpluses ensure a stable liquidity position.

The 2016 financial statements were presented for audit on 31 March 2017. The Board did not identify any material deficiencies in the financial statements.

Key findings

Regulatory framework

UNITAR prepared biennial financial statements under the United Nations system accounting standards until 2012-2013. Since 2014, annual financial statements have been prepared following the introduction of IPSAS. Article VIII of the UNITAR statute still stipulates that "biennial accounts" shall be prepared. This reference is obsolete; an update is necessary.

Financial functions

UNITAR had gradually transferred functions such as general payments, account reconciliations and treasury from the United Nations Office at Geneva to the Finance and Budget Section of UNITAR starting in 2011. The adoption of IPSAS in 2014, followed by migration to the Atlas enterprise resource planning system in 2015, and internal staff capacity constraints, required the support of a consultant to prepare the financial statements for the year ended 31 December 2015 using the new Atlas system. In 2016, UNITAR corrected many general ledger journal entries of the previous year. Now, the Board found UNITAR appropriately prepared to perform the financial functions.

Accessibility

UNITAR has not adopted the accessibility policy promulgated by the General Assembly and the Secretary-General aimed at better inclusion in the workplace of persons with disabilities. UNITAR argued that this policy was not applicable to it and, moreover, resources to implement adequate measures were lacking. While the Board acknowledges the contribution UNITAR has made to the Agenda 2030 principle of "leaving no one behind" by delivering capacity-building programmes, it

considers that UNITAR could and should do more by examining measures that are suitable to create a non-discriminatory and inclusive working environment. This includes the formulation of vacancy announcements and accessibility of the Institute’s premises.

Recommendations

The Board recommends that:

(a) **UNITAR update article VIII, paragraph 11 of its statute concerning the preparation of the annual financial statements;**

(b) **UNITAR strive to further professionalize its Finance and Budget Section by offering continuous training to the staff of the section;**

(c) **UNITAR examine measures that are suitable to creating a non-discriminatory and inclusive working environment.**

Follow-up of previous recommendations

Of the 19 extant recommendations, 10 (53 per cent) have been fully implemented and 9 (47 per cent) are under implementation.

Key facts

456	Events organized in 2016, including training, workshops and seminars
$23.7 million	Total revenue in 2016, including $20.2 million in voluntary contributions and $3.4 million for the provision of services
$0.2 million	Deficit shown in 2016
$21.3 million	Accumulated surpluses as at 31 December 2016

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 2016 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 2016 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 Board has taken up two cross-cutting issues in 2016: inclusion of persons with disabilities and contribution to the Sustainable Development Goals. The Board also reviewed the follow-up actions taken by UNITAR on the recommendations of the previous audits.

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

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

B. Findings and recommendations

1. Follow-up of previous recommendations

9. Of the 19 outstanding recommendations, 10 (53 per cent) were fully implemented and 9 (47 per cent) were under implementation. The action taken in response to the Board's previous recommendations is summarized in more detail in the annex.

10. The Board stresses the importance of one recommendation from the previous year (No. 12 of the annex) that is still under implementation being carried out in 2017, as it addresses a fundamental issue. UNITAR has implemented the Atlas enterprise resource planning system, which is administered by the United Nations Development Programme (UNDP). While the statute of the Institute allows it to apply the Financial Regulations and Rules of the United Nations subject to special rules and procedures, the statute states that the funds of UNITAR are to be kept in a special account established by the Secretary-General and that all necessary financial and accounting functions shall be performed by the Controller of the United Nations.[1] In December 2014, a business case was submitted to the Controller for adoption of the Atlas system. Upon formal approval of the business case, the Controller delegated the financial responsibilities set out in the statute of UNITAR to UNDP. In February 2016, the Controller retrospectively delegated authority to UNDP to operate bank accounts on the Institute's behalf. As a consequence, the Controller is no longer performing these functions. The Board questioned whether

[1] See article VIII of the statute of the Institute, available from www.unitar.org/sites/default/files/uploads/unitar_statute.pdf.

the Controller's decision to delegate the financial responsibilities to a third party outside the Controller's authority was appropriate. In the Institute's view the statute did not preclude such delegation. In the Board's judgement UNITAR should have consulted with the Office of Legal Affairs on the issue. The Board reiterates its recommendation that UNITAR seek to obtain this information without further delay.

2. Financial overview

11. In 2016, UNITAR reported a deficit of $0.2 million and actuarial gains on employee benefits liabilities of $0.4 million. Its net assets, hence, increased from $21.1 million to $21.3 million. Total revenue for 2016 of $23.7 million decreased by $1.7 million from $25.4 million in the previous year. This includes voluntary contributions of $20.2 million (85 per cent) and service fees of $3.4 million (14 per cent). Voluntary contributions from Member States decreased from $13.7 million in 2015 to $11.8 million in 2016. Other voluntary contributions increased from $8.3 million in 2015 to $8.4 million in 2016. Expenditure increased by 1.7 per cent from $23.5 million to $23.9 million.

12. In 2016, expenditure included $10.1 million for staff expenditure (2015: $9.2 million), $3.8 million for consultants (2015: $4.2 million) and $3.7 million for grants and other transfers (same amount as in 2015).

13. UNITAR has maintained a sound financial position over the past five years. Total assets have increased from $23.4 million in 2014 to $31.5 million in 2015 and further to $32.2 million at the end of the reported period. Liabilities rose from $10.4 million in 2015 to $10.9 million in 2016.

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

Capital structure ratios

Ratio	*31 December 2016*	*31 December 2015*	*31 December 2014*
Total assets: total liabilities[a]			
Total assets: total liabilities	2.95	3.02	2.14
Current ratio[b]			
Current assets: current liabilities	15.02	12.83	4.93
Quick ratio[c]			
(Cash + short-term investments + accounts receivable): current liabilities	12.40	11.68	4.70
Cash ratio[d]			
(Cash + short-term investments): current liabilities	8.09	7.56	2.95

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, which measures the amount of cash, cash equivalents or invested funds available in current assets to cover current liabilities, is an indicator of an entity's liquidity.

15. UNITAR continues to have a sound financial position, with sufficient current assets to cover its liabilities. Ratios have improved because employee benefit liabilities have decreased. Apart from that fact, the current, quick and cash ratios have increased because $0.3 million of accounts payable were reclassified from current to non-current liabilities. The current ratio of assets to liabilities is at 15.02 because UNITAR has few current liabilities. In 2016, the amount of liabilities decreased further (from $2.1 million to $1.9 million), while assets increased from $27.3 million to $29.3 million. UNITAR also entered into several multi-year agreements with its partners, significantly increasing its receivables balance. These include several agreements for a total equivalent of $4.7 million.

16. In a case-by-case review of receivables, UNITAR found receivables to be impaired by $1.1 million on 31 December 2016 and consequently recognized impairment losses of the same amount (see chap. V below, note 8, para. 95).

3. Regulatory framework

17. The Institute's financial statements are prepared for a 12-month period from 1 January to 31 December, in line with IPSAS 1: Presentation of financial statements, which stipulates in paragraph 66 that "Financial statements shall be prepared at least annually". UNITAR prepared biennial financial statements under the United Nations system accounting standards until 2012-2013. Annual financial statements have been prepared since 2014 following the adoption of IPSAS (see A/70/5/Add.5, chap. V, note 2, para. 8).

18. The Board noted that article VIII, paragraph 11, sentence 2 of the UNITAR statute still stipulates that "biennial accounts" shall be prepared. This reference is obsolete; an update is necessary. Therefore, UNITAR should change its statute accordingly. Amendments to the statute may be made by the Secretary-General after consultations with the Board of Trustees (article XI refers).

19. UNITAR stated that its statute stipulates that the Financial Regulations and Rules of the United Nations apply to UNITAR. They had been amended several times throughout the organizational life cycles and would continue to be amended as required. The last revision, which UNITAR followed, reflected the present financial reality and IPSAS 1. Since the statute is a permanent rule and the provisions of the statute are enforced through regulations and rules that may be amended or repealed throughout the years to reflect reality and changes in the financial systems, without implying a change in the statute, UNITAR considers that it follows the amended United Nations financial regulations and rules in accordance with its statute. Furthermore, nothing in the UNITAR statute prevents UNITAR from following the amended regulations and rules of the United Nations.

20. The Board took note of the Institute's view that the statute did not need to be amended. However, as the statute constitutes the Institute's legal basis, it should be free of provisions which are likely to evoke misunderstanding.

21. **The Board recommends that UNITAR update article VIII, paragraph 11 of its statute concerning the preparation of the annual financial statements**.

22. UNITAR agreed with the recommendation.

4. Financial functions

23. At the time of IPSAS introduction, the Board noted that the requirements of IPSAS had yet to be fully absorbed in the Institute's processes of accounting and preparation of the financial statements (see A/70/5/Add.5, chap. II, para. 14). The adoption of IPSAS in 2014, followed by the migration to Atlas in 2015, and internal staff capacity constraints, required the support of a consultant to prepare the

financial statements for the year ended 31 December 2015 using the new Atlas system.

24. Following the transition from the Integrated Management Information System (IMIS) to the current Atlas system hosted by UNDP, UNITAR contracted UNDP under three service-level agreements for the provision of services, on a cost-recovery basis, for ongoing management of treasury and UNITAR cash and investment activities and for payroll services.

25. Prior to the migration, the United Nations Office at Geneva had provided various services to UNITAR in line with a memorandum of understanding which had taken effect on 1 January 2012. The services provided to UNITAR in relation to finance included the preparation of financial statements and financial reports, payroll, general payments, accounts, treasury, IMIS support and preparation of the budget. Furthermore, the United Nations Office at Geneva provided financial and technical advice to staff.

26. Several major changes have occurred since then:

(a) The memorandum of understanding with the United Nations Office at Geneva was replaced by a new one on 1 January 2017. Under the terms of that memorandum, with regard to financial services, the United Nations Office at Geneva has responsibility only for medical insurance and life insurance. UNDP now deals with treasury, cash investment and payroll; all other functions, such as the preparation of financial statements, are carried out by UNITAR itself;

(b) IPSAS has continuously been evolving since the introduction at UNITAR and will further evolve in the future. For instance, the current workplan of the IPSAS Board includes revision of IPSAS 23, which is of key importance for the Institute's revenue recognition;[2]

(c) The current Chief of the Finance and Budget Section (P-5) and a Finance and Budget Officer (P-2) were employed in October and December 2016, respectively. At the time of their arrival, there was no longer any professional-level staff member employed in the Finance and Budget Section. Handover of the financial aspects specific to UNITAR has thus been limited.

27. After these changes, the Board found UNITAR appropriately prepared to perform the financial functions in 2016. The implementation of Atlas has been stabilized; the 2016 financial closure and the submission of the financial statements were performed in a timely manner. However, the Board noted that a total of 94 general ledger journal entries were manually entered for correction purposes, and 13.4 per cent of general ledger journal entries were adjustments, corrections and reversals. This shows that UNITAR has cleared up its accounting and that capacity has to be built up continuously within the Finance and Budget Section.

28. Therefore, UNITAR should provide continuous training to its Finance and Budget Section staff. As IPSAS continues to evolve, UNITAR may intensify General Service staff training on IPSAS. UNITAR should also develop and implement standardized closure processes to ensure a consistent accounting treatment, in accordance with the recommendation in the previous report (see A/71/5/Add.5, chap. II, para. 24).

29. UNITAR stated that the adoption of IPSAS in 2014, the migration from IMIS to Atlas in 2015 and the transfer of financial functions from the United Nations Office at Geneva to UNITAR, occurring in quick succession, had resulted in some

[2] June 2017 workplan of the IPSAS Board, available from www.ifac.org/system/files/uploads/IPSASB/IPSASB-Project-Timetable.pdf.

staff capacity constraints in the early part of 2016. The 2015 financial statements had been produced with the support of a consultant and their review by the Accounts Division in New York had created some delays in submission owing to the implementation of Umoja in the Secretariat. However, during the second half of 2016, several improvements had been made. UNITAR was now in a position to effectively perform all the financial functions. For 2016, UNITAR had been able to undertake the financial closure in time and the financial statements had been prepared and submitted to United Nations Headquarters meeting all deadlines. UNITAR took note of the percentage of adjustments, corrections and reversals in the first part of the year. UNITAR stated that they were necessary to ensure that the auditors' observations in previous years were appropriately addressed and that all data related to conversion and migration were cleared.

30. The Board notes that the Finance and Budget Section took on additional tasks in connection with the transfer of functions from the United Nations Office at Geneva. Furthermore, the specific design, the complexity and the ongoing development of accrual accounting under IPSAS require continuous learning for the staff to keep abreast of new developments and to develop substantive skills.

31. **The Board recommends that UNITAR continue to further professionalize its Finance and Budget Section by offering continuous training to the Section staff.**

32. UNITAR accepted the recommendation. It will continue to professionalize the Finance and Budget Section as a matter of priority. Furthermore, a programme to further strengthen the knowledge of accounting processes and improve the overall capacity of the team is being developed and will be implemented during 2017.

5. Accessibility

33. Over the past three decades, the General Assembly has recognized accessibility as a priority issue within the United Nations system and adopted a series of resolutions in that regard.[3] In its resolution 65/186, the Assembly called for progressive improvements in accessibility for and the full inclusion of persons with disabilities at the United Nations. The 2030 Agenda for Sustainable Development (see General Assembly resolution 70/1) also focuses on "leaving no one behind". The progress of implementing the above-mentioned resolutions has been taken up as a cross-cutting issue by the Board in 2016.

34. According to General Assembly resolution 65/186 and the 2030 Agenda for Sustainable Development, all agencies, funds and programmes in the United Nations system should take measures to eliminate discrimination and adopt the respective standards and guidelines of the United Nations Secretariat. A formal policy was issued for the Secretariat in 2014 (Secretary-General's bulletin ST/SGB/2014/3).

35. The Board reviewed measures, if any, taken by UNITAR for the creation of a non-discriminatory and inclusive working environment at UNITAR. It noted that UNITAR did not adopt the policies promulgated in the Secretary-General's bulletin.

36. UNITAR stated that it did not consider the policies applicable since General Assembly resolution 65/186 was addressed primarily to the Member States and Governments. UNITAR also stated that it lacked sufficient resources to adopt the policies. In addition, UNITAR referred to its contribution to implementing resolution 65/186 and the 2030 Agenda through integration of disability issues in its

[3] Resolutions 65/186, 68/247 (see sects. V and VI), 69/262 (see sect. III) and 70/248 (see sect. X).

work. UNITAR has done this by building capacities among policymakers and other stakeholders through training programmes.

37. The Board acknowledges the contribution UNITAR has made to the 2030 Agenda principle of “leaving no one behind” by delivering capacity-building programmes. UNITAR has been developing and delivering a series of e-learning courses, workshops, learning sessions and conferences with the goal of helping national Governments and other stakeholders to build capacity for the implementation of the 2030 Agenda. By offering many of those courses with free access, UNITAR contributes to the social inclusion of persons who otherwise would not have access to educational institutions. The Board concurs that full implementation of anti-discrimination policies would require both funding and efforts from stakeholders outside UNITAR, such as facility managers and project donors. However, UNITAR could already evaluate individual tasks and responsibilities and feasible measures within the constraints of existing resources.

38. The Institute’s premises are owned and managed by the Fondation des immeubles pour les organisations internationales (FIPOI). Switzerland has adopted the United Nations Convention on the Rights of Persons with Disabilities, which stipulates that buildings meet the requirements of all types of disabilities and allow the employment of disabled persons. The Board noted that UNITAR had neither undertaken nor arranged for assessments of the premises to find out if they meet those criteria.

39. The Board noted that the vacancy announcements did not encourage people with disabilities to apply for employment. Furthermore, it noted that the UNITAR website was not adequately accessible for disabled persons. The relevant contents were not presented in a manner which would enable persons with specific disabilities to understand the information.

40. UNITAR stated that it could not encourage persons with disabilities to apply as long as it was not in a position to ensure the accessibility of the building and — if the person were selected — to offer an appropriate place to work.

41. Currently no staff members with disabilities are employed at UNITAR. Therefore, there is no need for appliances such as screen readers and braille keyboards. However, UNITAR should take precautionary measures enabling it to cover related costs from project funds. In future agreements, UNITAR should raise the awareness of donors of the importance that recruitment be in line with the United Nations policies on the general elimination of discrimination and that costs emerging from these policies be covered by the project funds.

42. The state of the premises does not affect every disabled person. UNITAR should therefore encourage applications of disabled persons, leaving it to assessment on a case-by-case basis if the building’s lack of accessibility poses a problem.

43. The Board noted that UNITAR has not appointed a focal point. The focal point could give advice and answer questions from job applicants with disabilities. In recognition of the restricted personnel capacities of UNITAR, a shared focal point with other United Nations entities in Geneva may be an efficient option. Furthermore, cooperation between United Nations entities in Geneva could be possible in terms of accessibility of the websites and/or specific pages concerning the recruitment process. UNITAR should initiate such a discussion.

44. The Board suggests that UNITAR implement those measures that are feasible without further input: take up the need for action with the manager of the building, add a respective formulation in its vacancy announcements, appoint a focal point and make preparations with a view to equipping the offices.

45. **The Board recommends that UNITAR raise the awareness of donors of the importance that recruitment be in line with the United Nations policies on the general elimination of discrimination and that costs emerging from these policies be covered by the project funds.**

46. **The Board recommends that UNITAR examine which measures are suitable to create a non-discriminatory and inclusive working environment.**

47. UNITAR has accepted the recommendations, provided they can be followed with no additional funding.

6. Sustainable Development Goals

48. The Board reviewed the Institute's role in implementing the Sustainable Development Goals.

49. UNITAR has a mid-term strategic framework covering four years, which is broken down into two biennial programme budgets. The present strategic framework covers the period 2014-2017 and includes a specific programme objective on supporting the implementation of the 2030 Agenda for Sustainable Development. A new strategic framework covering the period 2018-2021 is under preparation. The groundwork for the new framework proposes an alignment of UNITAR thematic programming under the four pillars of the Agenda (peace, prosperity, people and planet).

50. The 2014-2017 strategy identifies high-level programme and functional objectives, which are in turn broken down into expected accomplishments and outputs in the respective programme budgets. Linkages to the relevant Sustainable Development Goals are referenced in the programme budgets. At the project level, project proposals and project document templates also refer to Sustainable Development Goals. A similar process will be established for the new strategic framework and programme budgets. Beginning in 2016-2017, the biennial programme performance reporting exercise will also include an assessment of results against the relevant Sustainable Development Goals. The first report will be issued in mid-2018.

51. Budget allocations are at the level of projects that contribute to a number of Sustainable Development Goals. UNITAR plans to include an assessment of its contribution towards the implementation of the 2030 Agenda in 2018 as part of its programme performance reporting for the 2016-2017 biennium. The Institute's events management system and project tracking tool is to be revised to facilitate the reporting process, and the necessary revisions to the Atlas system will also be proposed. The required changes to these systems will be challenging given the limited resources available. A further challenge faced by UNITAR is the relatively small scale of UNITAR programming, with the average size of a project being less than $250,000. This creates administrative constraints.

52. Assessing the effectiveness of the Sustainable Development Goals initiatives would be premature at this juncture. As noted above, UNITAR depends on donor funding, and much of this funding goes to support a large number of small-scale projects. This creates high transaction costs and makes it difficult to appreciate the contribution that UNITAR programming is making to higher-level results (attribution gap). It would help if UNITAR received earmarked support for broad thematic areas of the agenda, for example, supporting Goal 16, which would enable UNITAR to allocate specific resources to training and broader capacity-building activities in support of the achievement of this goal.

C. Disclosures by management

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

53. UNITAR has informed the Board that it had a write-off of $1,000 representing loss on disposal of non-expendable property.

2. Ex gratia payments

54. The Institute reported no ex gratia payments in 2016.

3. Cases of fraud and presumptive fraud

55. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularities (including those resulting from fraud). Our audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

56. 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 asks whether management has any knowledge of any actual, suspected or alleged fraud. No cases of fraud have been brought to the Board's attention.

D. Acknowledgement

57. 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*) Shashi Kant **Sharma**
Comptroller and Auditor General of India
Chair of the Board of Auditors

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

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

30 June 2017

Annex

Status of implementation of recommendations up to the year ended 31 December 2015

No.	Report reference and financial period in which first made	Summary of recommendation	UNITAR response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
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.	The financial statements of 2015 carry adequate disclosure of the programme support income, the nature and the amount that has been eliminated in the segment reporting. These disclosures can be seen in paragraphs 72 and 87 of the notes to the financial statements. Further, in the 2016 financial statement additional details are being provided under the segment analysis. Therefore, UNITAR management considers this recommendation as fully implemented.	The Board considers this recommendation as implemented.	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.	UNITAR undertook detailed analysis of its costs and worked out the percentages of programme support cost and direct support costs. These came up to 7 per cent and 11 per cent, respectively, and about 6 per cent for pass-through funds. These figures were reported to the Finance Committee of the Board of Trustees at its seventh session in 2014 and subsequently submitted to the Board for approval. These documents are available publicly. Accordingly, UNITAR management considers this recommendation as fully implemented.	The Board considers this recommendation as implemented.	X			
3	A/69/5/Add.5, chap. II, para. 11 2012-2013	In collaboration with the Office of Internal Oversight Services, urgently resolve the issues of funding and service cost and establish appropriate internal audit coverage.	At its fifty-seventh session, the Board of Trustees took the decision to cap audit fees (inclusive of internal and external audit fees) at $140,000 per biennium. Management now considers this recommendation to be fully implemented, insofar as a budget window for external and internal audit costs exists up to the threshold of $140,000 per biennium.	The Board considers the recommendation as implemented.	X			

No.	Report reference and financial period in which first made	Summary of recommendation	UNITAR response	Board's assessment	Status after verification			
					Implemented	Under implementation	Overtaken by events	Not implemented
4	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.	During the year an amount of $94,000 was refunded to the donors. Progress of closure of legacy projects has been hampered by the limitation of availability of the additional information from IMIS to reconcile the conversion balances. Most of these have now been reconciled and a financial closure process in Atlas has been initiated jointly with the programme managers, with completion scheduled for the second quarter of 2017 as agreed recently with the Advisory Committee on Administrative and Budgetary Questions. Management considers this recommendation as under implementation.	The Board considers this recommendation as under implementation.		X		
5	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.	Progress on financial reports for legacy projects where information is dependent on IMIS is slow. But for most of the recent projects started in Atlas, the financial reports are being produced as soon as donors and/or programmes request them. There are still several outstanding reports due, according to reports and alerts issued by the project tracking tool. The programmes frequently undergo amendments and no-cost extensions that require edits to the due dates for financial reports on the project tracking tool. Further, owing to late arrival of funds or slow implementation progress, the deadlines for financial reports that were entered on the project tracking tool are no longer valid. UNITAR is working to strengthen the reporting on the project tracking tool so that the information on due dates and follow-up and monitoring of reports is accurate and enhanced. The new target date agreed with the Advisory Committee on Administrative and Budgetary Questions is second quarter of 2017. Management considers this recommendation as under implementation.	The Board considers this recommendation as under implementation.		X		

No.	Report reference and financial period in which first made	Summary of recommendation	UNITAR response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
6	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 developed a plan for preparation of the 2016 financial statements that was agreed to by the Office of the Controller at Headquarters. In accordance with the plan, the first draft of the 2016 financial statements was submitted on 24 February 2017 and the final draft on 6 March 2017. Presentation to the Controller was made on 20 March 2017. This enabled the Controller to submit the 2016 financial statements on time on 31 March 2017. Management considers this recommendation as fully implemented.	The Board considers this recommendation as implemented.	X			
7	A/70/5/Add.5, chap. II, para. 20 2014	Explicitly reflect the accounting policy applicable to UNITAR for expensing advances to implementing partners below $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 the financial statements for 2016 disclosure has been made of grants less than $30,000 that have been expensed outright ($0.215 million). Management considers this recommendation as fully implemented.	The Board considers this recommendation as implemented.	X			
8	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.	The inter-fund account with UNDP is reconciled and signed off on a quarterly basis. The $164,000 is not a part of the inter-fund account with UNDP. It was a conversion item during the migration from IMIS to Atlas. Owing to the limitation of data availability from IMIS, significant research was done on the details of the $164,000 and it was revealed that $32,000 of that amount was related to the service clearing account with UNDP and $132,000 to the project clearing account. Investigations also revealed the projects to which the project clearing account amount might be related. UNITAR will now take the matter up with UNDP, presenting these	The Board recognizes that the recommendation is currently under implementation.		X		

					Status after verification			
No.	*Report reference and financial period in which first made*	*Summary of recommendation*	*UNITAR response*	*Board's assessment*	*Implemented*	*Under implementation*	*Overtaken by events*	*Not implemented*
			details for recovery of the outstanding amounts. Management considers this recommendation as under implementation.					
9	A/70/5/Add.5, chap. II, para. 28 2014	Put in place a system to ensure the timely financial closure of projects.	During the year an amount of $94,000 was refunded to the donors. The progress of closure of legacy projects has been hampered by the limitation of availability of the additional information from IMIS to reconcile the conversion balances. Most of these have now been reconciled and a financial closure process in Atlas has been initiated jointly with the programme managers, with completion scheduled for the second quarter of 2017 as agreed recently with the Advisory Committee on Administrative and Budgetary Questions. Management considers this recommendation as under implementation.	The Board considers this recommendation as under implementation.		X		
10	A/70/5/Add.5, chap. II, para. 32 2014	Finalize all financial reports in a time-bound manner.	For most of the recent projects started in Atlas, the financial reports are being produced as soon as donors or programmes request them. There are still several outstanding reports due, according to reports and alerts issued by the project tracking tool. The programmes frequently undergo amendments and no-cost extensions that require edits to the due dates for financial reports on the project tracking tool. Further, owing to late arrival of funds or slow implementation progress, the deadlines for financial reports that were entered on the project tracking tool are no longer valid. UNITAR is working to strengthen the reporting on the project tracking tool so that the information on due dates and follow-up and monitoring of reports is accurate and enhanced. The new target date agreed with the Advisory Committee on Administrative and Budgetary Questions is second quarter of 2017. Management considers this recommendation as under implementation.	The Board considers this recommendation as under implementation.		X		

No.	Report reference and financial period in which first made	Summary of recommendation	UNITAR response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
11	A/70/5/Add.5, chap. II, para. 36 2014	Institute a mechanism to monitor and settle refunds due to donors.	UNITAR has now finalized a plan that will entail entering the project end date in Atlas so that project closures are easily monitored, and building additional tools within Atlas to provide project balances that can be reconciled and refunded in a timely manner. Management considers this recommendation as under implementation.	The Board considers this recommendation as under implementation.		X		
12	A/71/5/Add.5, chap. II, para. 20 2015	The Board recommended that the Secretariat consult the Office of Legal Affairs to confirm that the delegations made by the Controller were in conformity with the requirements of the UNITAR statute and the Financial Regulations and Rules of the United Nations.	The Office of the Controller has taken up the issue with the Office of Legal Affairs, seeking clarification on the delegation. Recently a follow-up has been made and a response is expected shortly. Management considers this recommendation as under implementation.	The Board considers this recommendation as under implementation. It reiterates the importance of the matter and urges UNITAR to follow up immediately.		X		
13	A/71/5/Add.5, chap. II, para. 24 2015	The Board recommended 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.	UNITAR developed a plan for preparation of the 2016 financial statements that was agreed to by the Office of the Controller at Headquarters. In accordance with the plan, the first draft of the 2016 financial statements was submitted on 24 February 2017 and the final draft on 6 March 2017. Presentation to the Controller was made on 20 March 2017. This enabled the Controller to submit the 2016 financial statements on time on 31 March 2017. UNITAR was also able to facilitate early audit and testing. Management considers this recommendation as fully implemented.	The Board considers this recommendation as implemented.	X			
14	A/71/5/Add.5, chap. II, para. 26 2015	The Board recommended that UNITAR either prepare an investment strategy or consider the extent to which UNDP investment strategies	An investment strategy was prepared and was approved by the UNITAR Board of Trustees in November 2016. Management considers this recommendation as fully implemented.	The Board considers this recommendation as implemented.	X			

No.	Report reference and financial period in which first made	Summary of recommendation	UNITAR response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
		were in line with the Board of Trustees requirements.						
15	A/71/5/Add.5, chap. II, para. 30 2015	The Board recommended 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.	UNITAR has developed a regular cash forecast report that is submitted to UNDP as well as a quarterly review process with the aim of improving the return on the UNITAR investment portfolio. UNDP has started to invest in instruments with longer maturities and higher returns. The investment revenue for 2016 was $114,000, as compared with $16,000 for 2015. An investment strategy was prepared and was approved by the UNITAR Board of Trustees in November 2016. Management considers this recommendation as fully implemented.	The Board considers this recommendation as implemented.	X			
16	A/71/5/Add.5, chap. II, para. 36 2015	The Board recommended that UNITAR review the operation of the revised guidelines of the International Training Centres for Authorities and Leaders (CIFAL centres) to ensure their consistent application and to assess whether there was a need for revision in the light of the practice being established. The Board further recommended that UNITAR demonstrate that the CIFAL affiliation fees achieved full cost recovery associated with management of the network.	A revised guideline and circular has just been developed and is under review by management. The revised circular addresses the control issues and associated accounting issues under IPSAS that have been raised by the auditors. The final administrative circular is expected to be released by the end of March 2017. Also in accordance with the recommendation, the costs of supporting CIFAL centres have been calculated and the affiliations fees have been found to fully cover the costs associated with UNITAR collaboration with the CIFAL network. Management considers this recommendation as fully implemented.	The Board considers this recommendation as implemented.	X			
17	A/71/5/Add.5, chap. II, para. 41 2015	The Board recommended that UNITAR develop a standard format for reporting project budgets,	During the year, standard budgeting formats have been included in the "grant-out" agreement templates. The feasibility of standardization of budgets is still being	The Board considers this recommendation as under implementation.		X		

No.	Report reference and financial period in which first made	Summary of recommendation	UNITAR response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
		including details on variances from forecast levels of expense.	evaluated with respect to important donors such as UNEP, the European Commission, Switzerland and Germany, whose budget requirements are specific and detailed. UNITAR continues to respect the budget formats that have been agreed to in the past. For the projects funded by the rest of the donors, UNITAR will be working on building a budget monitoring tool in Atlas in the second quarter of 2017 to facilitate frequent monitoring of progress and variances. Management considers this recommendation as under implementation and to be completed in the second quarter of 2017.					
18	A/71/5/Add.5, chap. II, para. 45 2015	The Board recommended that UNITAR establish an entity-level risk register to identify and manage risks outside the scope of its current project risk management.	UNITAR management has discussed the item in management meetings and is in the process of developing appropriate policies and practices for enterprise risk management. The target date agreed to with the Advisory Committee on Administrative and Budgetary Questions is the second quarter of 2017. Management considers this recommendation as under implementation.	The Board considers this recommendation as under implementation.		X		
19	A/71/5/Add.5, chap. II, para. 53 2015	The Board recommended 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.	Although the target date agreed to with the Advisory Committee on Administrative and Budgetary Questions was the second quarter of 2017, UNITAR completed its anti-fraud and anti-corruption policy and issued the related administrative circular on 20 March 2017. Management considers this recommendation as fully implemented.	The Board considers this recommendation as implemented.	X			
	Total				**10**	**9**	–	–
	Percentage				**53**	**47**	–	–

Chapter III
Certification of the financial statements

Letter dated 31 March 2017 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 2016 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 2016

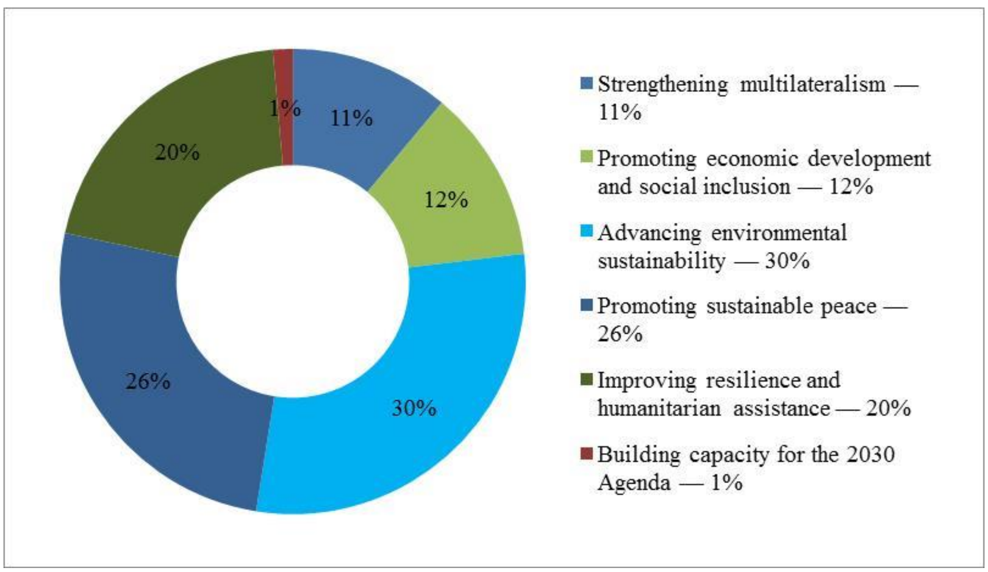
A. Introduction

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 2016.

2. The present report is designed to be read in conjunction with the financial statements for UNITAR for the year ended 31 December 2016. 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. Under the present strategic framework (2014-2017), the Institute works in six broad programming areas: strengthening multilateralism, promoting economic development and social inclusion, advancing environmental sustainability and green growth, promoting sustainable peace, improving resilience and humanitarian assistance and strengthening the implementation of the 2030 Agenda for Sustainable Development. The proportion of the 2016-2017 budget corresponding to each programme area is shown in figure IV.I below.

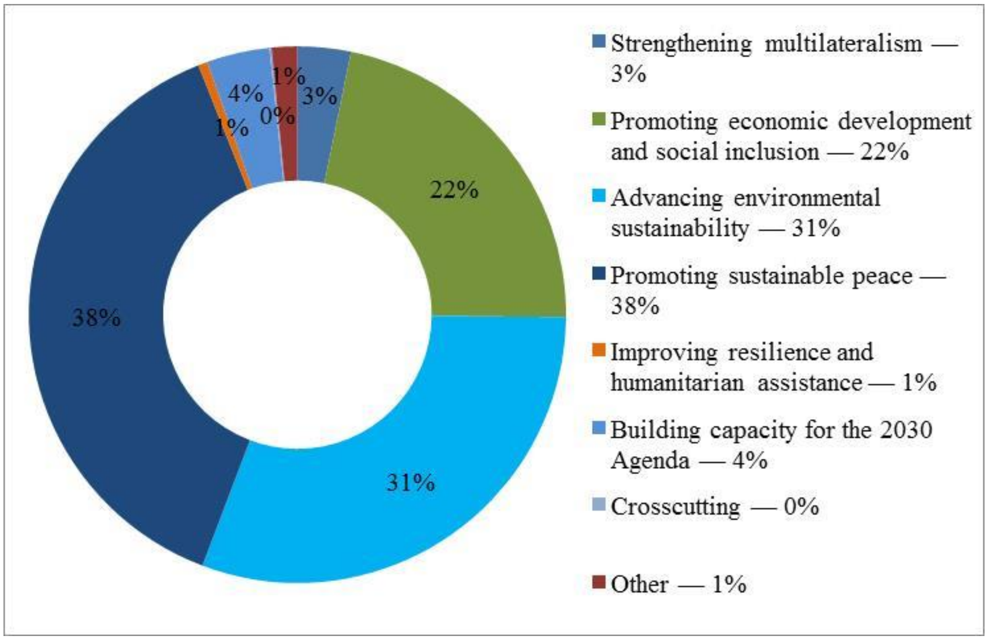
Figure IV.I
2016-2017 programme budget by strategic programme area



4. Over the course of 2014-2015 biennium, UNITAR made progress towards the achievement of its objectives through the provision of training, learning and knowledge-sharing services to 73,610 beneficiaries (representing an increase of 45 per cent from the 2012-2013 figure). In 2016, UNITAR continued to provide training, learning and knowledge-sharing services and reached out to 54,840 individuals, reflecting a 28 per cent overall increase from 2015. As shown in

figure IV.II below, 69 per cent of beneficiaries were associated with programming related to the advancement of environmental sustainability and green development and the promotion of sustainable peace. As in 2015, 62 per cent of training-related beneficiaries were associated with specific learning outcomes. The number of such beneficiaries increased by 35 per cent, from 25,243 in 2015 to some 34,000 in 2016. 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 expansion of the series of pre-deployment peacekeeping training courses targeting African peacekeepers. Participants in knowledge-sharing conferences and related events increased by 48 per cent, from 10,886 in 2015 to 16,148 in 2016.

Figure IV.II
Beneficiaries by programme area



5. The 2016 outputs were produced with a budget of $25.677 million (2015: $26.138 million), actual expenditure of $23.755 million (2015: $22.503 million) on a budget basis and the delivery of 456 events (2015: 482 events), equivalent to 2,963 event days (2015: 2,220 event days) over the calendar year. The overall male-to-female gender ratio of beneficiaries shifted marginally from 63:37 in 2015 to 66:34 in 2016. This ratio reflected the high proportion of male military and related personnel enrolled in peacekeeping training courses. Without peacekeeping training, the ratio for 2016 was 56:44.

6. UNITAR serves a broad-based group of constituencies, with 53 per cent (2015: 45 per cent) of its training-related beneficiaries coming from government; 27 per cent (2015: 33 per cent) from non-State sectors, including non-governmental organizations, academia and businesses; 4 per cent (2015: 9 per cent) from the United Nations and 16 per cent (2015: 13 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. Eighty-six per cent of beneficiaries participated in training-related events implemented with partners, up from 78 per cent reported in 2015. Partners have

included organizations as diverse as other United Nations entities, regional organizations, national training institutes, foundations, universities, non-governmental organizations and the private sector.

B. Overview of the financial statements for the year ended 31 December 2016

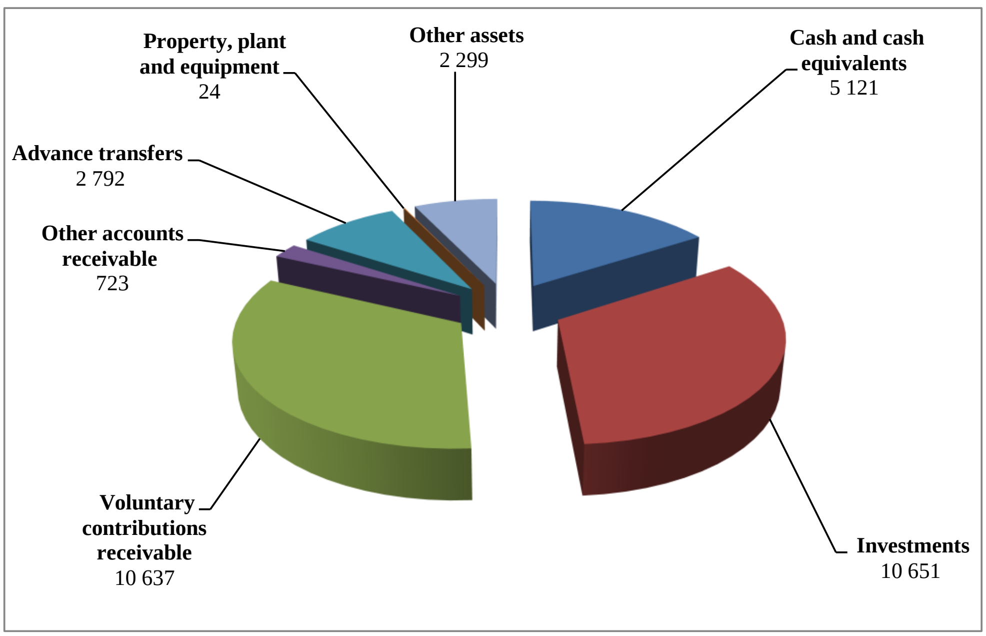
8. Financial statements I, II, III, IV and V show the financial results of the activities of UNITAR and its financial position as at 31 December 2016. The notes to the financial statements explain the Institute's accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

Financial position

Assets

9. UNITAR reports an increase in total assets of $0.703 million as at 31 December 2016 from the balance of $31.544 million reported as at 31 December 2015, to the current $32.247 million. Figure IV.III below sets out the structure of the Institute's assets as at 31 December 2016.

Figure IV.III
Total assets as at 31 December 2016
(Thousands of United States dollars)



10. As shown in figure IV.III above, the Institute's assets largely comprised voluntary contributions receivable from donors of $10.637 million or 33.0 per cent (2015: $12.514 or 39.7 per cent), investments reported at $10.651 million or 33.0 per cent (2015: $10 million or 31.7 per cent) and cash and cash equivalents totalling $5.121 million or 15.9 per cent (2015: $6.115 million or 19.4 per cent). The remaining 18.1 per cent (2015: 9.2 per cent) comprised advances transferred to implementing partners of $2.792 million (2015: $1.421 million), other accounts receivable of $0.723 million (2015: $0.437 million), other assets of $2.299 million

(2015: $1.024 million) and property, plant and equipment of $0.024 million (2015: $0.033 million).

11. Cash and cash equivalents and investments at 31 December 2016 are reported at $15.772 million (2015: $16.115 million) comprising $1.7 million (2015: $14 million) invested in time deposits, $10.952 million invested in non-call bonds and $3.120 million (2015: $2.115 million) in cash. The overall cash, cash equivalents and investments balance represents a reduction of $0.343 million (2.1 per cent) compared with the balance held at the end of 2015.

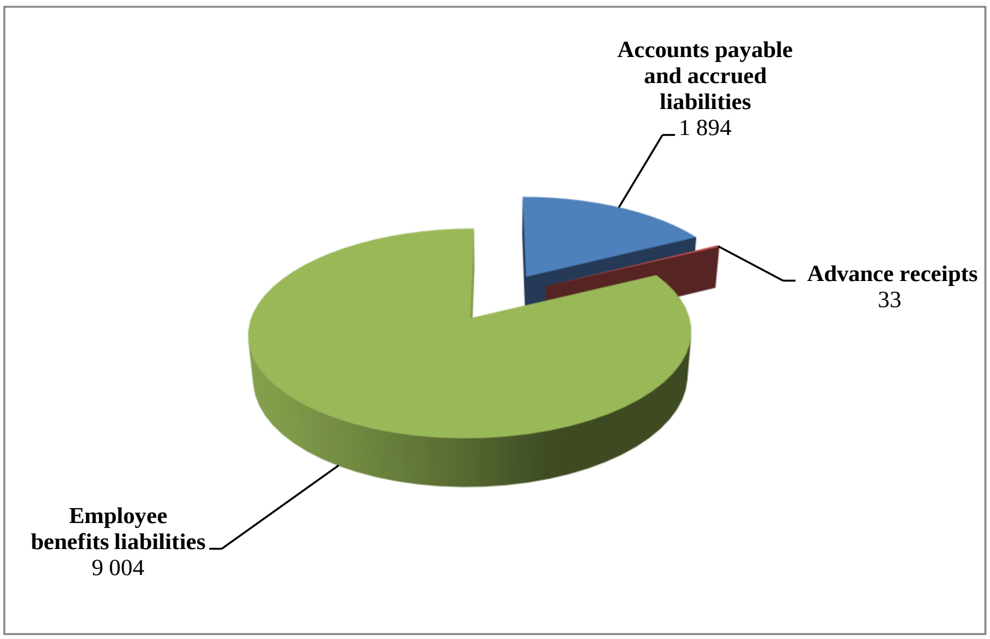
12. From the total accounts receivable value of $10.637 million due at 31 December 2016, $7.674 million is expected to be received in 2017 and the balance of $2.963 million is expected after 2017.

Liabilities

13. Liabilities as at 31 December 2016 totalled $10.931 million compared with the balance of $10.447 million at 31 December 2015.

14. Figure IV.IV below sets out the structure of the Institute's liabilities as at 31 December 2016.

Figure IV.IV
Total liabilities as at 31 December 2016
(Thousands of United States dollars)

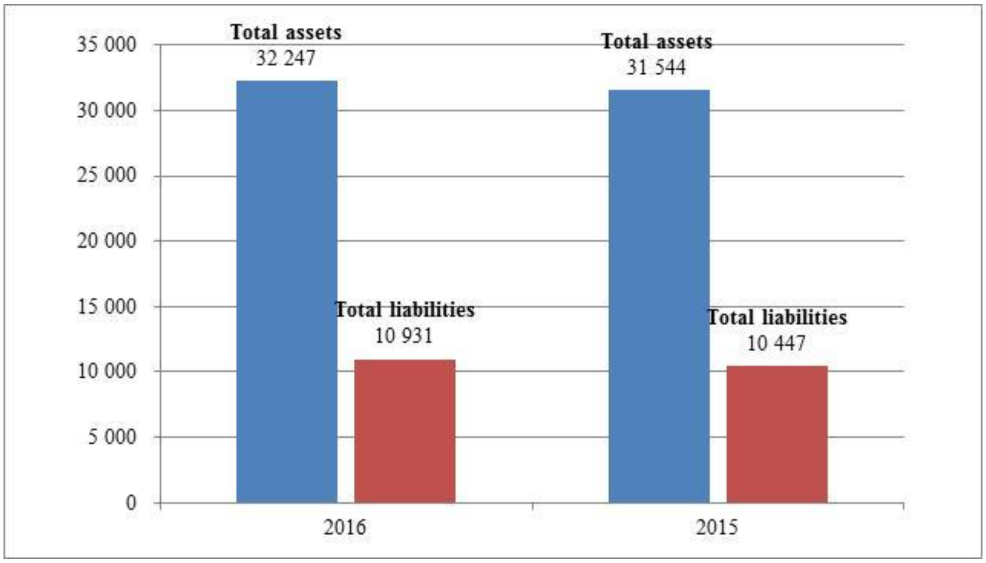


15. The main component of the Institute's liabilities was the employee benefits earned by staff members and retirees but not paid at the reporting date; primarily, these were liabilities for after-service health insurance. Employee benefit liabilities accounted for $9.004 million, representing 82.4 per cent of the Institute's total liabilities, and are explained in detail in note 15 of the financial statements. The increase in employee benefit liabilities by $0.430 million from the $8.574 million reported in 2015 (82.1 per cent of total liabilities) was due to recognizing interest and service costs of $0.951 million. However, the increase from recognizing current-year charges was offset by actuarial gains of $0.391 million (2015:

$3.136 million) that arose from changes in financial assumptions (mainly discount rates) and by benefits paid during the year.

16. The other significant liability was the accounts payable and accrued liabilities of $1.894 million (2015: $1.712 million). This amount relates primarily to payables to vendors in the amount of $1.214 million. The remaining $0.68 million represents payables to other United Nations reporting entities as well as accruals for goods and services received in 2016.

Figure IV.V
Movement in assets and liabilities as at 31 December 2016
(Thousands of United States dollars)



17. Figure IV.V shows a slight of increase of 2.2 per cent in the assets held, from $31.544 million reported in 2015 to $32.247 million reported for 2016, and a 4.6 per cent increase in liabilities, from $10.447 million reported in 2015 to $10.931 million reported in 2016. Therefore, the liability/asset ratio remained steady in 2016 at 33.9 per cent, compared with 33.1 per cent reported for 2015.

Net assets

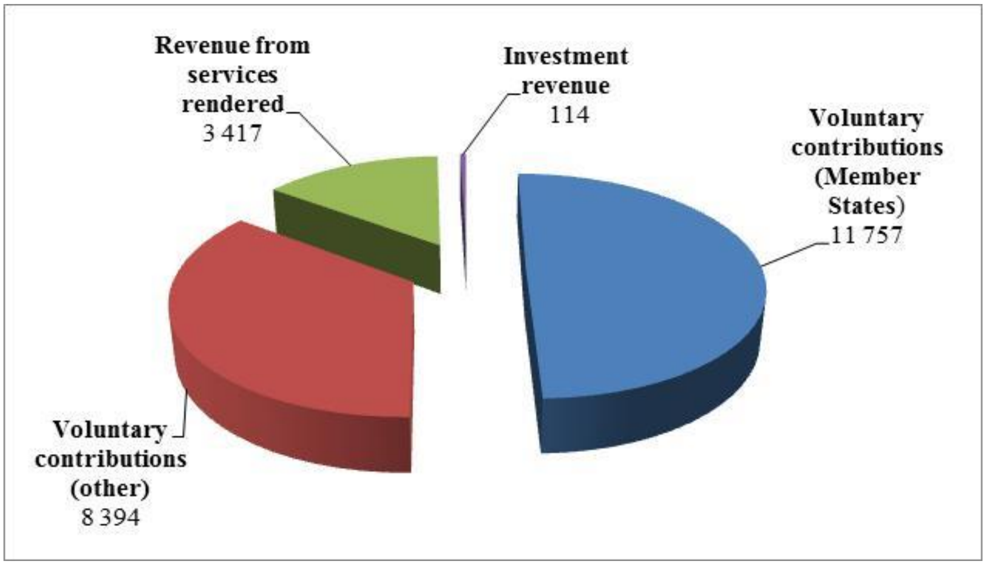
18. The movement in net assets during the year shows an increase of $0.219 million from the net assets of $21.097 million at the end of 2015, reflecting an operating deficit of $0.172 million offset by actuarial gains of $0.391 million.

Financial performance

Revenue

19. In 2016, total revenue amounted to $23.682 million and was structured as shown in figure IV.VI below.

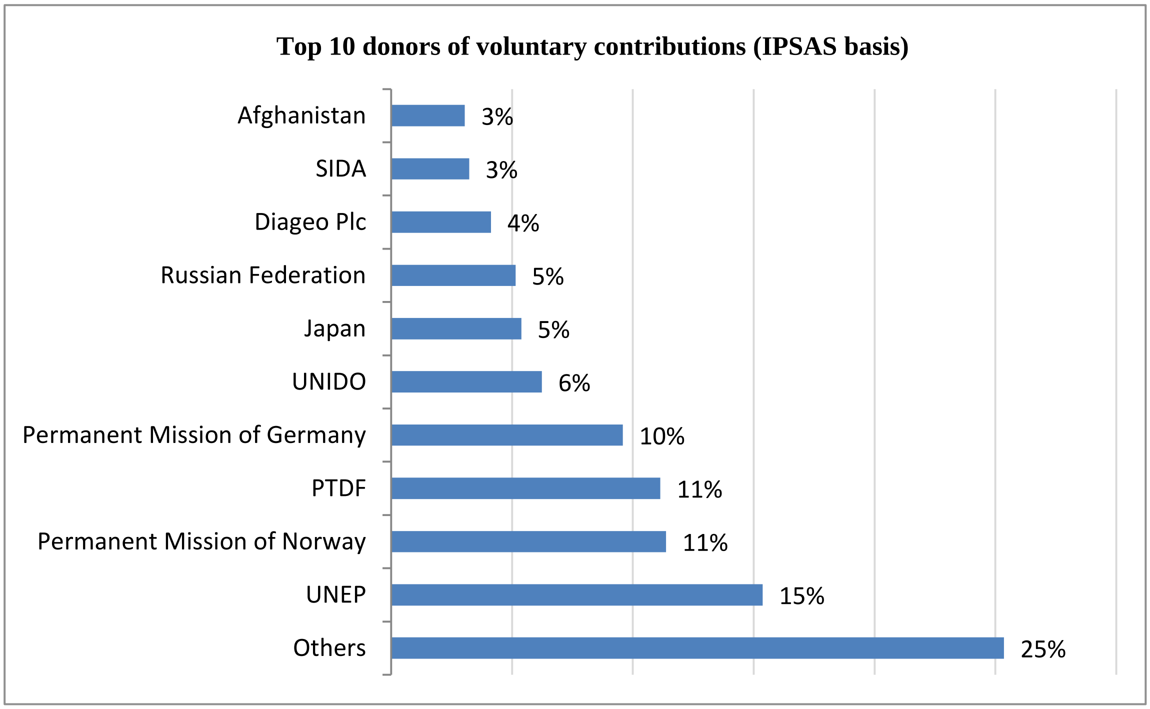
Figure IV.VI
Total revenue as at 31 December 2016
(Thousands of United States dollars)



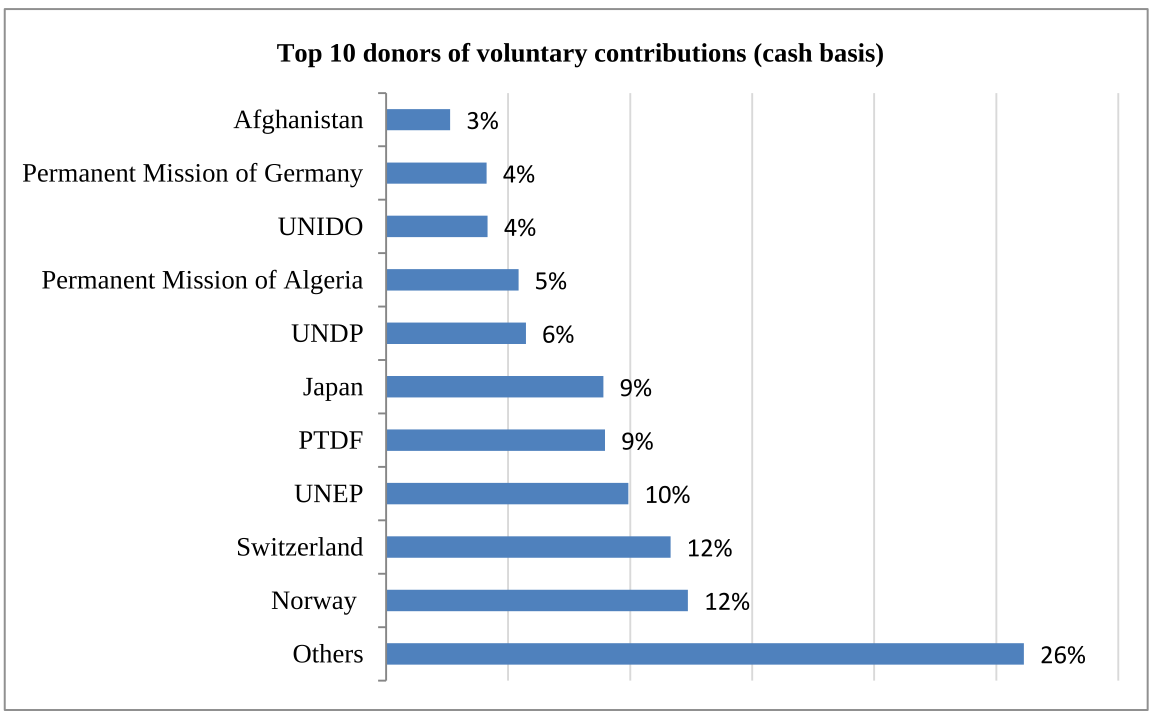
20. As shown in figure IV.VI, the main sources of revenue were: (a) voluntary contributions of $11.757 million received from Member States, or 49.7 per cent of total revenue (2015: $13.686 million or 53.8 per cent); (b) other voluntary contributions of $8.394 million or 35.4 per cent (2015: $8.294 million or 32.6 per cent), comprising (i) contributions of $7.677 million received from other donors and (ii) contributions in kind of $0.717 million, consisting of rental subsidy of $0.411 million (2015: $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 the satellite images received from the United States Government valued at $0.306 million; and (c) revenue from services rendered of $3.417 million or 14.4 per cent (2015: $3.425 million or 13.5 per cent). The revenue for rendering services includes fees collected for a range of face-to-face and e-learning training courses, sales of satellite imagery and affiliations fees. Investment revenue, which represented 0.5 per cent of total revenue, increased significantly to $0.114 million from the $0.016 million reported in 2015.

21. UNITAR is heavily reliant on a small number of donors; it was noted that the top 10 donors contributed some 72 per cent of the total donor contributions for the year. Figure IV.VII shows the top 10 donors of voluntary contributions on an International Public Sector Accounting Standards (IPSAS) basis and cash basis.

Figure IV.VII
Top 10 donors of voluntary contributions



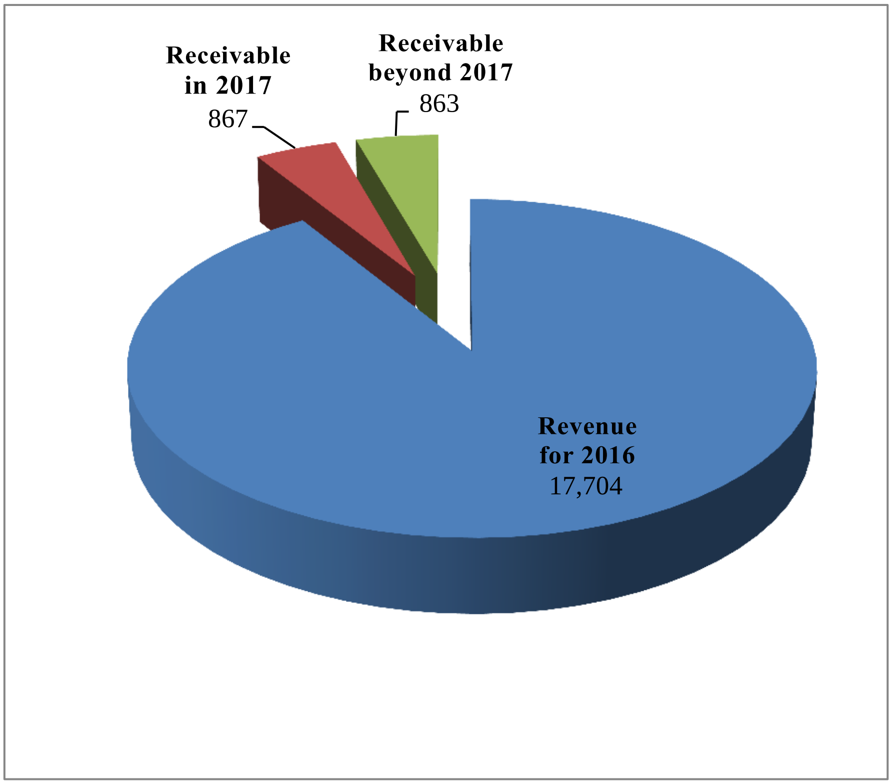
Abbreviations: SIDA, Swedish International Development Cooperation Agency; UNIDO, United Nations Industrial Development Organization; PTDF, Petroleum Technology Development Fund; UNEP, United Nations Environment Programme.



Abbreviations: UNIDO, United Nations Industrial Development Organization; UNDP, United Nations Development Programme; PTDF, Petroleum Technology Development Fund; UNEP, United Nations Environment Programme.

22. Voluntary contributions recognized in 2016 on an IPSAS basis include a few high-value multi-year donor agreements with contributions balances receivable during the period 2017-2020. The revenues from such multi-year agreements that are recognized in 2016 with receivables in future years are shown in figure IV.VIII.

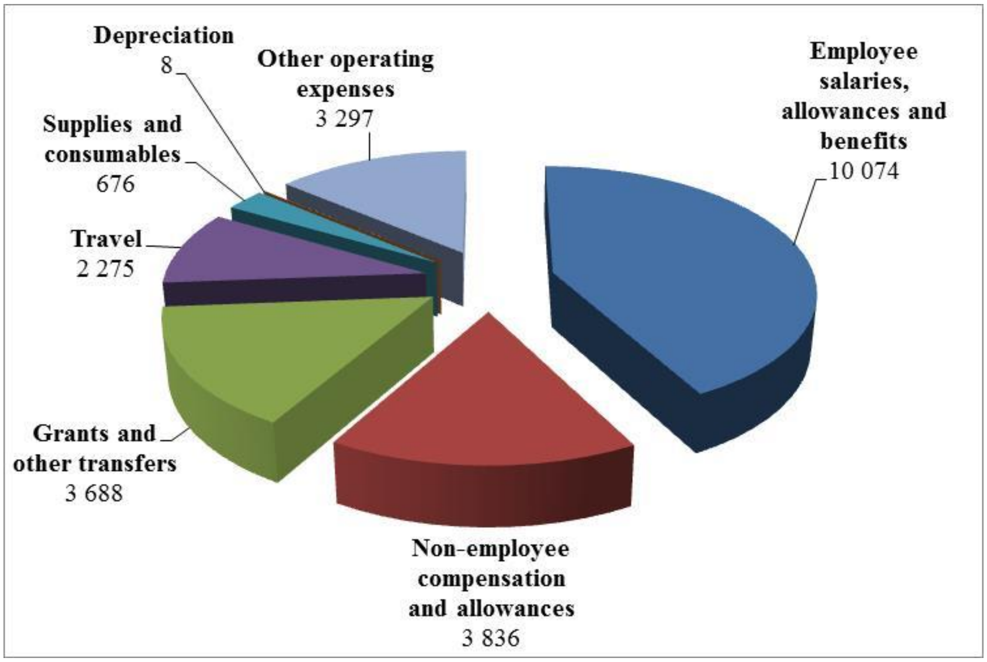
Figure IV.VIII
Voluntary contributions for 2016 showing current-year and future-year portions
(Thousands of United States dollars)



Expenses

23. For the year ended 31 December 2016, expenses totalled $23.854 million. The various categories of expenditure are shown in figure IV.IX.

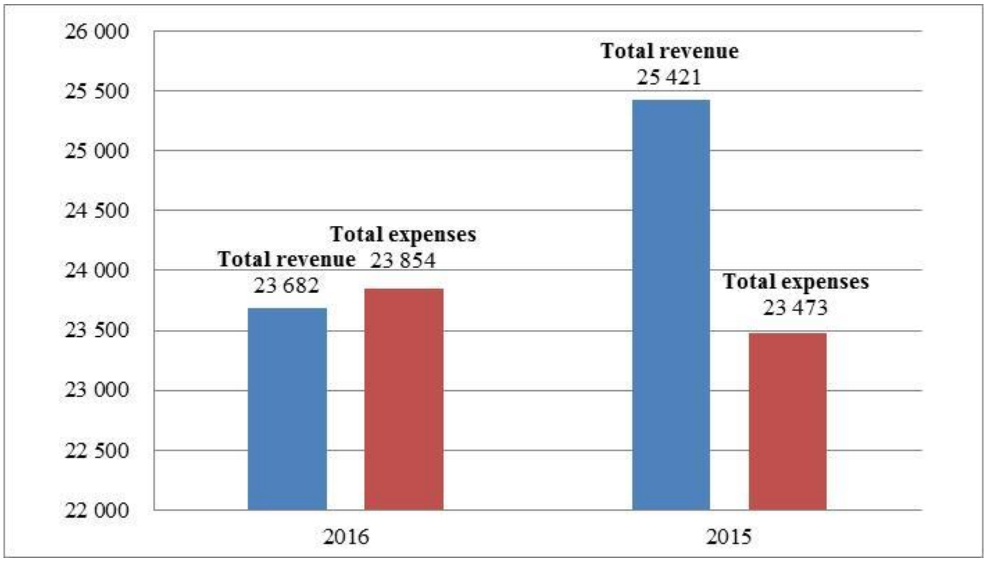
Figure IV.IX
Total expenses as at 31 December 2016
(Thousands of United States dollars)



24. A slight increase of 1.6 per cent in total expenses was reported from the total expense amount of $23.473 million reported in 2015. The main expense categories were staff costs of $10.074 million or 42.2 per cent (2015: $9.194 million or 39.2 per cent), non-employee compensation and allowances of $3.836 million or 16.1 per cent (2015: $4.193 million or 17.9 per cent), grants and other transfers of $3.688 million or 15.5 per cent (2015: $3.678 million or 15.7 per cent) and travel of $2.275 million or 9.5 per cent (2015: $1.756 million or 7.5 per cent). Other operating expenses of $3.297 million (2015: $3.740 million), supplies and consumables of $0.676 million (2015: $0.904 million) and depreciation of $0.008 million (2015: $0.008 million) make up the remaining 16.7 per cent of total expenses (2015: 19.7 per cent of total expenses for 2015). Other operating costs exclude $1.364 million in programme support costs as well as $2.059 million in direct service costs generated by the implementation of project activities. As set by the UNITAR Board of Trustees, all special purpose grants income is assessed at an aggregate rate of 18 or 13 per cent, depending on expected expenditure structure, to provide for programme support costs and direct service costs generated by the implementation of project activities. Programme support costs and direct service costs are included in the project expenses and constitute revenue for the operations/support services segment, but are eliminated for financial statement reporting purposes. Details of the elimination are included in paragraph 73 (note 3) and paragraphs 85 and 86 (note 5) of the notes to the financial statements.

25. Total personnel costs, which include employee and non-employee compensation and allowances, amounted to $13.910 million (2015: $13.387 million). Total personnel costs represent 58.7 per cent of the total revenue, which was reported at $23.682 million for the year.

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



26. There was an overall decrease of $1.739 million (6.8 per cent) in total revenue when compared to the revenue reported in 2015. The decrease in voluntary contributions of $1.829 million includes $1.087 million in accounting adjustments to revenues, which were impaired arising out of a case-by-case assessment of the contributions receivable. The main reasons for these adjustments were: (a) completion of project at lower than agreed contribution amounts; (b) amendments made by the donors to the original agreement in subsequent years after the contributions had been recorded; and (c) waiving of affiliation fee in prior years. On the other hand, overall expenditure levels remained stable, showing a marginal increase of $0.381 million (1.6 per cent). The increases of $0.880 million (9.6 per cent) in expenses for employee salaries, allowances and benefits and of $0.519 million (29.6 per cent) in travel costs were offset by decreases of $0.357 million (8.5 per cent) in spending for non-employee compensation and allowances, $0.443 million (11.8 per cent) in other operating expenses and $0.228 million (25.2 per cent) in spending on supplies and consumables.

Operating results

27. The net deficit in revenue over expense in 2016 is reported at $0.172 million, compared with the surplus of $1.948 million in 2015. The deficit for the current year is attributed to the decrease in voluntary contributions and accounting adjustments to revenues as explained in paragraph 26 above. Fluctuations in operating results were also attributed to the timing difference in respect of recognizing revenue and related expenditure in line with provisions of IPSAS, whereby revenue from non-exchange transactions can be recognized in one financial year and the related expenses recorded in another, in particular where agreements are signed late in the financial year and span a multi-year period.

Liquidity position

28. At 31 December 2016, the liquidity position of UNITAR was stable; the entity had sufficient liquid assets to settle its obligations. Liquid funds showed a marginal decrease of $0.717 million from the level of $24.886 million reported at 31 December 2015. The total liquid funds of $24.169 million comprise cash and

cash equivalents of $5.121 million or 21.2 per cent (2015: $6.115 million or 24.6 per cent), short-term investments of $10.651 million or 44.1 per cent (2015: $10.000 million or 40.2 per cent) and accounts receivables of $8.397 million or 34.7 per cent (2015: $8.771 million or 35.2 per cent). UNITAR invested its funds in short-term time deposits and non-call bonds. Total current liabilities amounted to $1.948 million (2015: $2.131 million) and total liabilities amounted to $10.931 million (2015: $10.447 million).

29. The table below summarizes four key liquidity indicators for the financial year ended 31 December 2016 with comparatives for the year ended 31 December 2015.

	Year ended 31 December	
Liquidity indicator	*2016*	*2015*
Ratio of liquid assets to current liabilities	12.4:1	11.7:1
Ratio of liquid assets less accounts receivable to current liabilities	8.1:1	7.6:1
Ratio of liquid assets to total assets	0.75:1	0.8:1
Average months of liquid assets less accounts receivable on hand	7.9	8.0

30. The ratio of liquid assets to current liabilities indicates the ability of UNITAR to pay its short-term obligations from its liquid resources. The ratio of 12.4:1 indicates that current liabilities are covered in excess of 12 times by liquid assets and, therefore, there are sufficient liquid assets available to fully pay current liabilities should the need arise. When accounts receivables are excluded from the analysis, the coverage of current obligations is at 8.1 for the current year, as compared with 7.6 for the previous year.

31. At 31 December 2016, the Institute's liquid assets were about 75 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 $1.987 million for 7.9 months, as compared with 8 months at the end of 2015.

32. As at the reporting date, UNITAR had employee benefits liabilities of $9.004 million, of which $8.847 million relates to defined-benefit liabilities. With total cash and cash equivalents and investments of $15.772 million, the employee benefits liability is covered by 175 per cent. Furthermore, 22.6 per cent of the defined-benefit liability is funded up to $1.998 million included in cash and cash equivalents.

C. Future outlook

33. For the past six months, UNITAR has been laying the groundwork for preparation of its 2018-2021 strategic framework. This process has resulted in a six-point vision statement focusing on growth, modernization, innovation, quality, visibility, openness and inclusiveness, as well as a concept paper entitled "The UNITAR we want", which outlines how the Institute intends to reorganize itself to best respond to the new framework for international cooperation. UNITAR has engaged with its Board of Trustees and other stakeholders on how to best position the organization to make a meaningful, cost-effective and impactful contribution towards the 2030 Agenda for Sustainable Development. A central feature of the 2018-2021 strategic framework will be close programme alignment with the 2030 Agenda.

34. UNITAR has also embarked on a new resource mobilization strategy with the overall objective of increasing budget and revenue by 9 per cent per annum from the

present revised programme budget of $52 million to some $64 million by 2020-2021. In addition to this overall objective, the strategy includes various sub-objectives, such as increasing the number and scale of multi-year projects; further diversifying donors and enhancing engagement with the private sector; maintaining the proportion of non-earmarked voluntary contributions to overall income; and improving the return on funds invested. UNITAR will be monitoring progress in the implementation of the strategy and reporting to its Board of Trustees at the annual regular sessions.

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 2016 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 write-offs/disposal of dysfunctional, non-expendable property for the United Nations Institute for Training and Research with respect to the financial statements for 2016. The cost of the disposed property was $0.121 million, with accumulated depreciation of $0.119 million. A net loss on disposal for $0.001 million is charged to the statement of financial performance.

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 2016 with respect to the United Nations Institute for Training and Research.

Ex gratia payments

5. There were no ex gratia payments in 2016.

Chapter V

Financial statements for the year ended 31 December 2016

United Nations Institute for Training and Research

I. Statement of financial position as at 31 December 2016

(Thousands of United States dollars)

	Note	*31 December 2016*	*31 December 2015*
Assets			
Current assets			
Cash and cash equivalents	7	5 121	6 115
Investments	20	10 651	10 000
Voluntary contributions receivable	8	7 674	8 334
Other accounts receivable	9	723	437
Advance transfers	10	2 792	1 421
Other assets	11	2 299	1 024
Total current assets		**29 260**	**27 331**
Non-current assets			
Voluntary contributions receivable	8	2 963	4 180
Property, plant and equipment	12	24	33
Total non-current assets		**2 987**	**4 213**
Total assets		**32 247**	**31 544**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	13	1 618	1 712
Advance receipts	14	33	161
Employee benefits liabilities	15	297	258
Total current liabilities		**1 948**	**2 131**
Non-current liabilities			
Accounts payable and accrued liabilities	13	276	–
Employee benefits liabilities	15	8 707	8 316
Total non-current liabilities		**8 983**	**8 316**
Total liabilities		**10 931**	**10 447**
Net total assets and total liabilities		**21 316**	**21 097**
Net assets			
Accumulated surpluses	16	21 316	21 097
Total net assets		**21 316**	**21 097**

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

United Nations Institute for Training and Research

II. Statement of financial performance for the year ended 31 December 2016

(Thousands of United States dollars)

	Note	*2016*	*2015*
Revenue			
Voluntary contributions — Member States	17	11 757	13 686
Voluntary contributions — other	17	8 394	8 294
Revenue from services rendered	18	3 417	3 425
Investment revenue	20	114	16
Total revenue		**23 682**	**25 421**
Expenses			
Employee salaries, allowances and benefits	19	10 074	9 194
Non-employee compensation and allowances	19	3 836	4 193
Grants and other transfers	19	3 688	3 678
Travel	19	2 275	1 756
Supplies and consumables	19	676	904
Depreciation	12	8	8
Other operating expenses	19	3 297	3 740
Total expenses		**23 854**	**23 473**
(Deficit)/surplus for the year		**(172)**	**1 948**

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

United Nations Institute for Training and Research

III. Statement of changes in net assets for the year ended 31 December 2016

(Thousands of United States dollars)

Net assets as at 1 January 2015	**16 013**
Change in net assets	
Actuarial gains on employee benefits liabilities (note 15)	3 136
Surplus for the year	1 948
Total changes in net assets	**5 084**
Net assets as at 31 December 2015	**21 097**
Change in net assets	
Actuarial gains on employee benefits liabilities (note 15)	391
Deficit for the year	(172)
Total changes in net assets	**219**
Net assets as at 31 December 2016	**21 316**

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 2016

(Thousands of United States dollars)

	Note	*2016*	*2015*[a]
Cash flows from operating activities			
(Deficit)/surplus for the year		**(172)**	**1 948**
Non-cash movements			
Depreciation	12	8	8
Amortization of premiums/discount on investments	20	14	–
Actuarial gains and losses[a]	15	391	3 136
Loss on disposal of property, plant and equipment	12	1	–
Changes in assets			
Decrease/(increase) in voluntary contributions receivable	8	1 876	(2 832)
(Increase)/decrease in other receivables	9	(286)	380
Increase in advance transfers	10	(1 371)	(643)
Increase in other assets	11	(1 274)	(906)
Changes in liabilities			
Increase/(decrease) in other accounts payable and accrued Liabilities	13	182	(237)
Decrease in transfers payable		–	(619)
Decrease in advance receipts	14	(128)	(810)
Increase/(decrease) in employee benefits liabilities	15	430	(1 990)
Investment revenue presented as investing activities	20	(114)	(16)
Net cash flows used in operating activities		**(443)**	**(2 581)**
Cash flows from investing activities			
Contributions from/(to) United Nations cash pool (net)		–	14 657
Purchases of investments	20	(20 115)	(44 000)
Proceeds from investments	20	19 450	34 000
Investment revenue presented as investing activities	20	114	16
Net cash flows (used in)/from investing activities		**(551)**	**4 673**
Net (decrease)/increase in cash and cash equivalents		**(994)**	**2 092**
Cash and cash equivalents — beginning of year	7	6 115	4 023
Cash and cash equivalents — end of year	**7**	**5 121**	**6 115**

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

[a] Restated as a result of change in presentation of movement in employee benefit liabilities (note 4).

United Nations Institute for Training and Research

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2016

(Thousands of United States dollars)

	Publicly available budget[a]				*Actual annual revenue and expenditure (budget basis)*	*Difference (percentage)*[b]
	Original biennial	*Revised biennial*	*Original annual*	*Final annual*		
Income						
Programme contributions	45 890	49 803	22 945	24 901	23 100	(7.2)
Non-earmarked						
Voluntary contributions	1 675	2 000	837	1 000	1 355	35.5
Other/miscellaneous income	300	300	150	150	223	48.7
Total income	**47 865**	**52 103**	**23 932**	**26 051**	**24 678**	**(5.3)**
Expenditure						
Office of Executive Director	2 540	2 983	1 270	1 492	1 219	(18.3)
Operations/support services	6 070	6 425	3 035	3 213	2 268	(29.4)
Programmes	38 519	41 944	19 260	20 972	20 268	(3.4)
Total expenditure	**47 129**	**51 352**	**23 565**	**25 677**	**23 755**	**(7.5)**
Net total	**736**	**751**	**367**	**374**	**923**	**–**

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 (2016-2017) pursuant to document UNITAR/BT/57/02.rev. Material differences between the original and final budgets are explained in note 6.

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

United Nations Institute for Training and Research
Notes to the 2016 financial statements

Note 1
Reporting entity

The United Nations and its activities

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

(a) The maintenance of international peace and security;

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

(c) The universal observance of human rights;

(d) The administration of international justice and law.

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

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

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

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

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

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

The reporting entity

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

directly to the Economic and Social Council, one of the organs of the United Nations. UNITAR is funded by voluntary contributions from Governments, intergovernmental organizations, foundations, the private sector and other non-governmental sources as well as by individuals paying for their training participation.

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

(a) Strengthening multilateralism;

(b) Promoting economic development and social inclusion;

(c) Advancing environmental sustainability and green development;

(d) Promoting sustainable peace;

(e) Improving resilience and humanitarian assistance;

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

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

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

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 transmitted the financial statements as at 31 December 2016 to the Board of Auditors by 31 March 2017. In accordance with financial regulation 7.12, the reports of the Board of Auditors are to be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements authorized for issue on 30 July 2017.

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 progress of the following future accounting pronouncements of the IPSAS Board and their potential impact on the Institute's financial statements continue to be monitored:

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

(c) 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;

(d) Revenue: The aim of the project is to develop new standard-level requirements and guidance on revenue to amend or supersede what is currently found in IPSAS 9: Revenue from exchange transactions; IPSAS 11: Construction contracts; and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers);

(e) Consequential amendments arising from chapters 1 to 4 of the conceptual framework for general-purpose financial reporting by public sector entities: This project's objective 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;

(f) Leases: The objective of the project is to develop revised requirements for lease accounting covering both lessees and lessors in order to maintain alignment with the underlying International Financial Reporting Standard. The project will result in a new standard that will replace IPSAS 13. Approval of the new standard is projected for June 2018, with publication in July 2018.

Future requirements of IPSAS

19. On 30 January 2015, the IPSAS Board published six new standards: IPSAS 33, First-time adoption of accrual basis International Public Sector Accounting 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. IPSAS 33 has no impact on UNITAR, which adopted IPSAS with effect from 1 January 2014 before the standard was issued. Of the other five 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 currently 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.

20. In July 2016 the IPSAS Board issued IPSAS 39: Employee benefits, repealing IPSAS 25: Employee benefits, to assure alignment with the underlying International Accounting Standard, IAS 19: Employee benefits. For the moment IPSAS 39 will have no impact on UNITAR since the "corridor method" on actuarial gains or losses, which is being eliminated, has never been applied from the inception of IPSAS in 2014. The Institute does not have any plan assets; therefore there is no impact from application of the net interest approach prescribed by the standard. Further analysis will be carried out in the future should the Institute procure plan assets.

21. On 31 January 2017, the IPSAS Board published IPSAS 40: Public sector combinations, which prescribes the accounting treatment for public sector combinations and sets out the classification and measurement of public sector combinations, i.e. transactions or other events that bring two or more separate operations into a single public sector entity. There is no impact on UNITAR at the moment as there have been no public sector combinations so far. Any impact of IPSAS 40 on the Institute's financial statements will be evaluated by 1 January 2018, the effective date of the standard, should such combinations occur.

Note 3
Significant accounting policies

Financial assets: classification

22. 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.

23. 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, non-callable bonds
Loans and receivables	Cash and cash equivalents and receivables (non-exchange and exchange)

Held-to-maturity investments

24. 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.

25. 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.

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

Cash and cash equivalents

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

Receivables from non-exchange transactions — contributions receivable

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

Financial assets: receivables from exchange transactions — other receivables

29. 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.

30. 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

31. 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

32. 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

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

Recognition of property, plant and equipment

34. 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.

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

36. 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.

37. 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

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

39. The organization chose the cost model for measurement of property, plant and equipment after initial recognition instead of the revaluation model. 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.

40. 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.

41. 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

42. 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.

Accounts payable and accrued liabilities

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

Transfers payable

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

Advance receipts

45. 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

46. 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.

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

Donated right-to-use arrangements

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

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

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

Employee benefits

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

Short-term employee benefits

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

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

Post-employment benefits

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

Defined-benefit plans

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

value of the defined-benefit obligation. Changes in the liability for defined-benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The organization has chosen to recognize changes in the liability for defined-benefit plans from actuarial gains and losses directly through the statement of changes in net assets. As at 31 December 2016, UNITAR did not hold any plan assets as defined by IPSAS 25: Employee benefits.

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

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

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

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

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

61. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligations, plan assets and costs to individual organizations participating in the Fund. The Pension Fund and UNITAR, in line with other participating organizations, are not in a position to identify the Institute's proportionate share of the defined-benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNITAR has treated this plan as if it were a defined-contribution plan in line with the requirements of IPSAS 25. The Institute's contributions to the Pension Fund during the financial year are recognized as expenses in the statement of financial performance.

Termination benefits

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

Other long-term benefits

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

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

Provisions

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

Contingent liabilities

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

Contingent assets

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

Commitments

68. 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

69. 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.

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

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

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

73. An indirect cost recovery of 7 per cent, designated as "programme support cost", is charged to trust funds and other activities that are funded from voluntary contributions to ensure that the additional costs of supporting activities from voluntary contributions are not borne by unearmarked funds and/or other core resources of UNITAR. In addition, a direct cost recovery of 6 to 11 per cent,

designated as "direct support cost", is charged to ensure that the implementation support costs incurred are not borne by the unearmarked funds and other core resources. In line with the full cost recovery policy approved by the Board of Trustees, the programme support cost charges and direct support costs are included as part of voluntary contributions. They are expressed as a percentage of direct costs (actual expenditure and unliquidated obligations). The programme support costs and the direct support costs are eliminated for the purposes of financial statement preparation, as disclosed in note 5: Segment reporting.

Exchange revenue

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

Investment revenue

75. 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

76. 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.

77. 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.

78. 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.

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

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

81. 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 presentation change

Presentation change in cash flow statement

82. In 2016, non-cash movements included actuarial gains from employee benefit liabilities that were recognized in the statement of changes in net assets, in line with the United Nations IPSAS policy framework. In 2015, non-cash movements included current service and interest costs of employee benefits liabilities. In order to enhance comparability with other financial statements of the United Nations Secretariat, current service and interest costs of employee benefits liabilities are excluded from operating cash flows and replaced with actuarial gains and losses. The net movement in employee benefit liabilities is likewise adjusted.

Extract of statement of cash flows: 2015

(Thousands of United States dollars)

	Note	*2015*	*Presentation change*	*2015 (restated)*
Surplus for the year		1 948	–	1 948
Non-cash movements				
Actuarial losses on employee benefits liabilities	15	–	3 136	3 136
Current service cost and interest cost of employee benefits liabilities	15	1 499	(1 499)	–
Changes in liabilities				
Decrease in employee benefits liabilities	15	(353)	353	–
Decrease in employee benefits liabilities	15	–	(1 990)	(1 990)

Note 5
Segment reporting

83. 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.

84. As established in the UNITAR programme budget for the biennium 2016-2017 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 six thematic areas: (i) strengthening multilateralism; (ii) promoting economic development and social inclusion; (iii) advancing environmental sustainability and green development; (iv) promoting sustainable peace; (v) improving resilience and humanitarian assistance; and (vi) building capacity for the Agenda 2030 for Sustainable Development. These programme activities are implemented by the following: Green Development and Climate Change Programme; Chemicals and Waste Management Programme; Multilateral Diplomacy Programme; Peacemaking and Conflict Prevention Programme; Peacekeeping Training Programme; Public Finance and Trade Programme; Decentralized Cooperation Programme; Knowledge Systems Innovation Section; UNITAR Operational Satellite Applications Programme; Strengthening the Implementation of the 2030 Agenda and Research Department; 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.

85. Inter-segment transactions include internal programme support cost charges and direct implementation support fees between programmes and operations/support costs in line with paragraph 73 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.

86. Eliminations comprise inter-fund allocations between various segments that are eliminated upon consolidation of funds of UNITAR, that is, the financial reporting entity. Among eliminated values are programme support cost charges and direct support costs between programmes and operations support. Current-year eliminations comprise programme support costs of $1.364 million and direct service costs of $2.059 million.

Statement of financial performance by segment as at 31 December 2016

(Thousands of United States dollars)

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Eliminations*	*Total*
Segment revenue					
Voluntary contributions	709	19 192	250	–	20 151
Exchange revenue	58	3 361	3 421	(3 423)	3 417
Investment revenue	16	96	2	–	114
Total revenue	**783**	**22 649**	**3 673**	**(3 423)**	**23 682**
Segment expenses					
Employee salaries, allowances and benefits	1 063	7 416	1 595	–	10 074
Non-employee compensation and allowances	49	3 571	216	–	3 836
Grants and other transfers	–	3 688	–	–	3 688
Travel	79	2 193	3	–	2 275
Supplies and consumables	2	627	47	–	676
Depreciation	1	7	–	–	8
Other operating expenses	66	5 561	1 093	(3 423)	3 297
Total segment expense	**1 260**	**23 063**	**2 954**	**(3 423)**	**23 854**
Surplus/(deficit) for the year	**(477)**	**(414)**	**719**	**–**	**(172)**

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**

Statement of financial position by segment as at 31 December 2016

(Thousands of United States dollars)

	Office of Executive Director	*Programmes*	*Operations/ support services*	*Total*
Assets				
Current assets				
Cash and cash equivalents	741	4 283	97	5 121
Investments	1 542	8 908	201	10 651
Voluntary contributions receivable	300	7 313	61	7 674
Other accounts receivable	–	723	–	723
Advance transfers	–	2 792	–	2 792
Other assets	2 662	27	(390)	2 299
Total current assets	**5 245**	**24 046**	**(31)**	**29 260**
Non-current assets				
Voluntary contributions receivable	–	2 963	–	2 963
Property, plant and equipment	4	20	–	24
Total non-current assets	**4**	**2 983**	**–**	**2 987**
Total assets	**5 249**	**27 029**	**(31)**	**32 247**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	33	1 584	1	1 618
Advance receipts	–	33	–	33

	Office of Executive Director	Programmes	Operations/ support services	Total
Employee benefits liabilities	31	219	47	297
Total current liabilities	**64**	**1 836**	**48**	**1 948**
Non-current liabilities				
Accounts payable and accrued liabilities	–	–	276	276
Employee benefits liabilities	918	6 410	1 379	8 707
Total non-current liabilities	**918**	**6 410**	**1 655**	**8 983**
Total liabilities	**982**	**8 246**	**1 703**	**10 931**
Net total assets and total liabilities	**4 267**	**18 783**	**(1 734)**	**21 316**
Net assets				
Accumulated surplus	4 267	18 783	(1 734)	21 316
Total net assets	**4 267**	**18 783**	**(1 734)**	**21 316**

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**

Note 6
Comparison to budget

87. UNITAR prepares its budgets on the modified cash basis as opposed to the IPSAS full accrual basis as presented in the statement of financial performance. Statement V (statement of comparison of budget and actual amounts) presents the difference between budget amounts and actual income and expense on a comparable basis.

88. 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.

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

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

Budget area	*Explanation of material differences*
Expenditure	
Office of Executive Director	Final annual budget revised up by 17.4 per cent to reflect additional anticipated costs for human resources supporting strategic management. Actual expense was lower than the final annual budget by $0.273 million (18.3 per cent), of which $0.172 million was due to less travel undertaken and the rest due to lower personnel-related costs than budgeted.
Operations/support services	A significant portion of the difference was due to payments to the United Nations Office at Geneva and UNDP being lower than forecast in the budget owing to the deferred payments plan agreed to with Geneva. The use of a new enterprise resource planning system resulted in some efficiency gains.

Budget area	*Explanation of material differences*
Income	
Non-earmarked voluntary contributions	Actual income was 35.5 per cent higher thanks to contributions being $0.355 million higher than forecast.
Other/miscellaneous income	Actual income was 48.7 per cent higher thanks to e-learning fees exceeding the budget amount by $0.073 million.

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

91. 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: 2016

(Thousands of United States dollars)

	Operating	*Investing*	*Total*
Actual amount on a comparable basis (statement V)	**(23 755)**	–	**(23 755)**
Basis differences	(830)	114	(716)
Presentation differences	24 142	(665)	23 477
Net cash flows in the statement of cash flows (statement IV)	**(443)**	**(551)**	**(994)**

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**

(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 2016.

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

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

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Budget expenditure as set out in statement V	23 755	22 503
Adjustments:		
Elimination of unliquidated obligations	(2 063)	(1 947)
Accruals of expenses	680	973
After-service health insurance expenses	757	1 157
Expenses for contributions in kind	717	593
Depreciation of property, plant and equipment	8	8
Provision of allowance on receivables	–	186
Total IPSAS expenses as set out in statement II	**23 854**	**23 473**

Note 7
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Cash held in UNITAR bank accounts	3 114	2 109
Investments: time deposits	1 100	4 000
Investments: non-call bonds	901	–
Petty cash and project cash	6	6
Total cash and cash equivalents	**5 121**	**6 115**

93. The Institute's investments are held in short-term time deposits and non-call bonds.

Note 8
Voluntary contributions receivable: non-exchange transactions

(Thousands of United States dollars)

	31 December 2016			*31 December 2015*		
	Current	*Non-current*	*Total*	*Current*	*Non-current*	*Total*
Voluntary contributions	7 674	2 963	10 637	8 393	4 180	12 573
Allowance for doubtful voluntary contributions receivable	–	–	–	(59)	–	(59)
Total voluntary contributions receivable	**7 674**	**2 963**	**10 637**	**8 334**	**4 180**	**12 514**

94. The large voluntary contributions receivable balance relates to a few high-value multi-year donor agreements with contributions balances receivable during the period from 2017 to 2020.

95. A detailed case-by-case review of the voluntary contributions receivable was undertaken at the end of year 2016 and consequently accounting adjustments to contribution revenues were made in the amount of $1.087 million, with corresponding reduction to voluntary contributions receivable. The main reasons for making these accounting adjustments were: (a) completion of project deliverables with lower contribution amounts than those in the agreements; (b) amendments made by donors to amounts in agreements in years after the contributions were recorded; and (c) waiver for affiliation fee granted in previous years. Consequent to these accounting adjustments, the allowance made in 2015 for an amount of $0.058 million for doubtful voluntary contributions has been removed.

Note 9
Other accounts receivable: exchange transactions

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Exchange		
Receivables from non-governmental entities	263	89
Receivables from other United Nations Secretariat reporting entities	209	122
Receivables from Government entities	186	351
Allowance for doubtful other accounts receivable	–	(129)
Subtotal	**658**	**433**
Interest receivable	65	4
Total other accounts receivable	**723**	**437**

96. Following a detailed case-by-case review of other receivables and accounting adjustments made (see paragraph 95 in note 8: Voluntary contributions receivable: non-exchange transactions), the allowance for doubtful other receivables for the related cases, in the amount of $0.129 million, has been removed.

Note 10
Advance transfers

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Implementing partners/executing agencies	2 628	1 257
Project clearing account receivables from UNDP	132	164
Service clearing account receivables from UNDP	32	–
Total advance transfers	**2 792**	**1 421**

97. Service clearing account receivables from UNDP represent advances made to UNDP field offices for payments that UNDP would disburse locally as authorized by UNITAR. Project clearing account receivables represent funds to be received from UNDP for implementation of UNDP projects in the field.

Note 11
Other assets

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Inter-fund receivables from UNDP	2 220	943
Staff members	74	68
Prepayments to vendors	5	13
Total other assets	**2 299**	**1 024**

98. 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. The significant increase in the receivables from UNDP is due to the reporting period corresponding to a full-year operation in the "Atlas" enterprise resource planning system as compared with a half year in the previous year.

Note 12
Property, plant and equipment

Property, plant and equipment: 2016

(Thousands of United States dollars)

	Information and communications technology	*Vehicles*	*Total*
Cost at 1 January 2016	29	154	183
Disposals	(6)	(114)	(120)
Cost at 31 December 2016	**23**	**40**	**63**
Accumulated depreciation at 1 January 2016	20	130	150
Disposals	(6)	(113)	(119)
Depreciation for the year	2	6	8
Accumulated depreciation at 31 December 2016	**16**	**23**	**39**
Net carrying amount			
1 January 2016	9	24	33
31 December 2016	**7**	**17**	**24**

Property, plant and equipment: 2015

(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**

99. During the year there were disposals in relation to property, plant and equipment. Dysfunctional information technology equipment with a net book value of $0.001 million and a dysfunctional motor vehicle with a net book value of $0.001 million were disposed of with no sales proceeds. A loss on disposal of $0.001 million has been charged to the statement of financial performance.

Note 13
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2016	*31December 2015*
Vendor payables	1 214	414
Payables to other United Nations Secretariat reporting entities	426	983
Accruals for goods and services	254	285
Other	–	30
Total accounts payable and accrued liabilities	**1 894**	**1 712**

100. UNITAR migrated from the Integrated Management Information System to the Atlas enterprise resource planning system effective 1 July 2015. The vendor payables indicated for 2015 reflect data only for the six months of accounts payable in Atlas. Of the payables to the Secretariat of $0.426 million, $0.150 million is a current liability payable in 2017 and $0.276 million is a non-current liability, payable in future years in accordance with the agreed deferred payment plan.

Note 14
Advance receipts

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Payments received in advance	33	161
Total advance receipts	**33**	**161**

Note 15
Employee benefits liabilities

(Thousands of United States dollars)

	31 December 2016			*31 December 2015*		
	Current	*Non-current*	*Total*	*Current*	*Non-current*	*Total*
After-service health insurance	37	6 655	6 692	34	6 416	6 450
Repatriation benefits	60	1 090	1 150	69	1 031	1 100
Annual leave	43	962	1 005	45	869	914
Subtotal: defined-benefit liabilities	**140**	**8 707**	**8 847**	**148**	**8 316**	**8 464**
Home leave	133	–	133	102	–	102
Appendix D/workers' compensation	24	–	24	8	–	8
Total employee benefits liabilities	**297**	**8 707**	**9 004**	**258**	**8 316**	**8 574**

Employee benefits accounted for on a defined-benefit basis

101. 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 and the liabilities have been rolled forward to 31 December 2016. The cumulative amount of actuarial gains and losses recognized in net assets is a net gain of $1.132 million (2015: net gain of $0.741 million).

Actuarial valuation: assumptions

102. 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 and for rolling forward to 31 December 2016 are set out below.

Actuarial assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates, 31 December 2016	0.82%	3.47%	3.62%
Discount rates, 31 December 2015	0.60%	3.61%	3.77%
Inflation, 31 December 2016	4.0-6.0%	2.25%	–
Inflation, 31 December 2015	4.0-6.4%	2.25%	–

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

104. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption reflects the current short-term expectations of the after-service health insurance plan cost increases and the economic environment. Medical cost trend assumptions used for the valuation at 31 December 2016 were updated to include escalation rates for future years. As at 31 December 2016, these escalation rates were a flat health-care yearly escalation rate of 4.0 per cent (2015: 4.0 percent) for non-United States medical plans and a health-care escalation rate of 6.0 per cent (2015: 6.4 per cent) for all other medical plans, except 5.7 per cent (2015: 5.9 per cent) for the United States Medicare plan, and 4.9 per cent (2015: 4.9 per cent) for the United States dental plan, grading down to 4.5 per cent over eight years.

105. With regard to the valuation of repatriation benefits as at 31 December 2015, inflation in travel costs was assumed at 2.22 per cent (2015: 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 maintained in order to be consistent with the former valuation and to provide a long-term projection.

106. 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.

107. 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 2016

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
Net defined-benefit liability at 1 January 2016	**6 450**	**1 100**	**914**	**8 464**
Current service cost	685	67	88	840
Interest cost	39	38	34	111
Subtotal: costs recognized in the statement of financial performance	**724**	**105**	**122**	**951**
Actuarial gains recognized directly in the statement of changes in net assets	(448)	(5)	62	(391)
Actual benefits paid	(34)	(50)	(93)	(177)
Net recognized liability at 31 December 2016	**6 692**	**1 150**	**1 005**	**8 847**

108. For the year 2016, actuarial gains of $0.391 million are credited directly to the net assets and an amount of $0.951 million towards the current-year service and interest costs is charged to the statement of financial performance.

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**

Medical costs sensitivity analysis

109. 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 2016		*31 December 2015*	
	Increase	*Decrease*	*Increase*	*Decrease*
Effect on the defined-benefit obligation	2 249	(2 257)	2 168	(2 175)
Effect on the aggregate of the current service cost and interest cost	273	(236)	263	(228)

Discount rate sensitivity to end-of-year liability

110. 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 2016	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 1 per cent	(919)	(113)	(97)
As a percentage of end-of-year liability	-14%	-10%	-10%
Decrease of discount rate by 1 per cent	1 044	125	113
As a percentage of end-of-year liability	16%	11%	11%

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%

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	*2016*	*2015*	*2014*	*2013*	*2011*
After-service health insurance	6 692	6 450	7 838	4 897	3 720
Repatriation benefits	1 150	1 100	1 319	1 136	837
Annual leave	1 005	914	1 124	371	347
Total present value of defined-benefit obligation	**8 847**	**8 464**	**10 281**	**6 404**	**4 904**

Funded liabilities

111. UNITAR has commenced funding plans for the defined-benefit liabilities. The balance of liability funded as at 31 December 2016 is shown in the table below:

(Thousands of United States dollars)

	Funded	*Unfunded*	*Total liability as at 31 December 2016*	*Percentage funded*
After-service health insurance	76	6 616	6 692	1.1
Repatriation benefits	1 150	–	1 150	100.0
Annual leave	772	233	1 005	76.8
Total employee benefits liabilities under defined-benefit plans	**1 998**	**6 849**	**8 847**	**22.6**

112. The funded amount of $1.998 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

113. 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.

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

115. The actuarial valuation performed as at 31 December 2013 revealed an actuarial deficit of 0.72 per cent (a deficit of 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 23.70 per cent. The next actuarial valuation will be conducted for 31 December 2017.

116. At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.5 per cent (130 per cent in the 2011 valuation). The funded ratio was 91.20 per cent (86.20 per cent in the 2011 valuation) when the current system of pension adjustments was taken into account.

117. After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2013, for deficiency payments under article 26 of the Regulations of the Pension 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.

118. In 2016, the contributions paid by UNITAR to the Pension Fund amounted to $0.946 million (2015: $1.0 million). Expected contributions due in 2017 are $1.07 million.

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

Impact of General Assembly resolutions on staff benefits

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

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

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

121. The impact of the changes will be fully reflected in the actuarial valuation to be conducted in 2017.

Note 16
Net assets

(Thousands of United States dollars)

	2016	*2015*
Net assets as at 1 January	**21 097**	**16 013**
Actuarial gains/(losses) on employee benefits liabilities	391	3 136
(Deficit)/surplus for the year	(172)	1 948
Net assets as at 31 December	**21 316**	**21 097**

122. Fluctuations in operating results were also attributed to the timing difference in respect of recognizing revenue and related expenditure in line with the provisions of IPSAS, whereby revenue from non-exchange transactions can be recognized in one financial year and the related expenses recorded in another, in particular where agreements are signed late in the financial year and span a multi-year period.

Note 17
Revenue from non-exchange transactions

Voluntary contributions — Member States

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Voluntary contributions — Member States	11 851	13 727
Refunds to Member States	(94)	(41)
Total revenue from voluntary contributions — Member States	**11 757**	**13 686**

123. The decrease in voluntary contributions from Member States consists of $1.087 in accounting adjustments to revenues, which were impaired as a result of case-by-case assessment of the contributions receivable.

Voluntary contributions — other

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Voluntary contributions — other	7 677	7 701
Voluntary in-kind contributions	717	593
Total revenue from voluntary contributions — other	**8 394**	**8 294**

124. The contributions in kind include a rental subsidy of $0.411 million (2015: $0.593 million) for the year, which represents the difference between the market value and the actual amount paid for the rental of the buildings occupied by UNITAR, and the satellite images received from the United States Government valued at $0.306 million that were used for the implementation of the UNITAR Operational Satellite Applications Programme.

Note 18
Revenue from services rendered: exchange transactions

125. Exchange revenue from services rendered includes fees collected for a range of face-to-face and e-learning training courses, sales of satellite imagery and affiliations fees. UNITAR designs and delivers capacity development and research activities to address the needs of individuals, organizations and institutions under various thematic areas. Some of the key training courses generating exchange revenue were 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.

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

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

128. The UNITAR Decentralized Cooperation Programme has established a global network of 15 training centres called the International Training Centres for Authorities and Leaders (CIFAL) Global Network. These centres are affiliated with UNITAR and are required to pay a mandatory annual affiliation fee. Located across Asia, Africa, Europe, the Americas and the Caribbean, the centres deliver many training events to the UNITAR target audience.

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Training fees	2 311	2 499
UNITAR Operational Satellite Applications Programme activities	442	567
Affiliation fee from training centres	437	181
Other revenue	227	178
Total revenue from services rendered	**3 417**	**3 425**

Note 19
Expenses

Employee salaries, allowances and benefits

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

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Salaries	5 138	3 791
Allowance and benefits	2 823	3 208
Post adjustment	2 113	2 195
Total employee salaries, allowances and benefits	**10 074**	**9 194**

Non-employee compensation and allowances

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

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Consultant fees	3 836	4 193
Total non-employee compensation and allowances	**3 836**	**4 193**

Grants and other transfers

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

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Contractual services	2 008	532
Outright grants	1 098	994
Staff and personnel costs	268	1 774
Travel	246	189
Supplies, commodities and materials	43	31
Programme support costs	18	158
Equipment, vehicles and furniture	7	–
Total grants and other transfers	**3 688**	**3 678**

132. During 2016, a total amount of $0.215 million relating to individual grants of $30,000 or below provided to implementing partners was expensed outright, in line with the United Nations accounting policy on advance transfers to implementing partners.

Travel

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Travel of staff, consultants and non-staff	2 275	1 756
Total travel	**2 275**	**1 756**

Supplies and consumables

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Satellite images	306	–
Acquisition of office equipment and supplies	277	627
Operational maps	91	274
Other supplies	2	3
Total supplies and consumables	**676**	**904**

Other operating expenses

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

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Training	989	760
Rent — office and premises	593	552
Contracted services	515	598
Communications utilities	426	207
Expense recognized for contributions in kind — premises	411	593
Joint administrative fees	198	247
Other expenses	42	164
Net exchange loss	44	358
Stationery and office supplies	49	49
Shipping/freight services	29	26
Loss on disposal of property, plant and equipment	1	0
Doubtful debt expenses	–	186
Total other operating expenses	**3 297**	**3 740**

Note 20
Financial instruments and financial risk management

Financial instruments

(Thousands of United States dollars)

	Note	*31 December 2016*	*31 December 2015*
Financial assets			
Held-to-maturity			
Investments — time deposits		600	10 000
Non-call bonds		10 051	–
Total investments		**10 651**	**10 000**
Loans and receivables			
Cash and cash equivalents: internally managed	7	3 120	2 115
Cash and cash equivalents: time deposits	7	1 100	4 000
Cash and cash equivalents: non-call bonds	7	901	–
Total cash and cash equivalents		**5 121**	**6 115**
Voluntary contributions	8	10 637	12 514
Other receivables	9	723	437
Other assets (excluding staff advances and prepayments)	11	2 220	943
Total loans and receivables		**13 580**	**13 894**
Total carrying amount of financial assets		**29 352**	**30 009**

	Note	*31 December 2016*	*31 December 2015*
Financial liabilities at amortized cost			
Accounts payable and accrued liabilities	13	1 894	1 712
Total carrying amount of financial liabilities		**1 894**	**1 712**
Net revenue and expense from financial assets			
Investment revenue — time deposits		76	10
Interest income on non-call bonds		56	–
Amortized income on non-call bonds		(18)	–
United Nations main cash pool investment revenue		–	49
United Nations main cash pool financial exchange losses		–	(48)
United Nations main cash pool unrealized gains		–	5
Total net revenue from financial assets		**114**	**16**

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

(Thousands of United States dollars)

	2016	*2015*
Balance as at 1 January	**10 000**	**–**
Purchases of investments	20 115	44 000
Sale of investments	(19 450)	(34 000)
Amortization	(14)	–
Balance as at 31 December 2016	**10 651**	**10 000**

Financial risk management: overview

134. UNITAR has exposure to the following financial risks:

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk.

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

Risk management framework

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

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

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

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

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

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

139. The risk management practices of UNITAR are in accordance with the UNDP investment management guidelines. An investment committee periodically evaluates investment performance and assesses compliance with the guidelines and makes recommendations for updates thereto. Other than those disclosed, UNITAR has not identified any further risk concentrations arising from financial instruments. There were no significant changes in the UNITAR risk management framework in 2016, as the existing framework was applied to the UNDP service-level agreement arrangement adopted in 2015.

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

Credit risk

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

Credit risk management

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

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

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

145. Credit ratings from the three leading credit rating agencies, Moody's, Standard & Poor's and Fitch, are used to evaluate the credit risk of financial instruments. As at 31 December 2016, 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 2016	*AAA*	*AA+*	*AA*	*AA-*	*A+*	*A*	*Total*
Money market instruments	–	–	–	1 700	–	–	1 700
Bonds	3 004	–	535	3 506	2 907	1 000	10 952
Total	**3 004**	**–**	**535**	**5 206**	**2 907**	**1 000**	**12 652**

Credit risk: receivables

146. A large proportion of receivables is due from entities that do not have significant credit risk. As at the reporting date, UNITAR did not hold any collateral as security for receivables. UNITAR evaluates the allowance for doubtful receivables at each reporting date. An allowance for doubtful receivables occurs when there is objective evidence that UNITAR will not collect the full amount due. Allowances credited to the allowance for doubtful receivables general ledger account are utilized when management approves write-offs under the Financial Regulations and Rules or are reversed when the previously impaired receivables are received. 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 2016	*31 December 2015*
As at 1 January	187	1
Increase/(decrease) in allowance for doubtful receivables	(187)	186
As at 31 December	**(0)**	**187**

Ageing of total receivables

(Thousands of United States dollars)

	31 December 2016		*31 December 2015*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Neither past due nor impaired	9 963	–	12 726	–
Less than one year	941	–	100	100
One to two years	256	–	289	72
Two to three years	200	–	23	15
Total	**11 360**	**–**	**13 138**	**187**

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

Credit risk: cash and cash equivalents

148. UNITAR held cash and cash equivalents of $5.121 million at 31 December 2016, which is the maximum credit exposure on these assets.

Liquidity risk

149. Liquidity risk is the risk that UNITAR might not have adequate funds to meet its obligations as they fall due. The Institute's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Institute's reputation.

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

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

Liquidity risk: financial liabilities

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

Maturities for financial liabilities based on the earliest date at which UNITAR can be required to settle the financial liabilities: as at 31 December 2016, undiscounted

(Thousands of United States dollars)

	On demand	*Within 3 months*	*3-12 months*	*> 1 year*	*Total*
Accounts payable and accrued liabilities	–	1 468	150	276	1 894
Total financial liability	**–**	**1 468**	**150**	**276**	**1 894**

Market risk

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

Currency risk

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

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

Interest rate risk

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

Accounting classifications and fair value

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

Note 21
Related parties

Governance of UNITAR

157. UNITAR is governed by a Board of Trustees, which is composed of 16 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.

158. 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.

159. 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

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

161. 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.

162. UNITAR had two key management personnel, whose remuneration was $0.674 million over the financial year ended 31 December 2016 (2015: $1.2 million for five key management personnel); such payments are in accordance with the Staff

Regulations and Rules of the United Nations, the published salary scales of the United Nations and other publicly available documents.

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

United Nations Development Programme

164. In 2015, UNITAR contracted UNDP under three service-level agreements for provision of services on a cost-recovery basis for the implementation of UNDP-hosted Atlas enterprise resource planning software, for ongoing management of treasury and UNITAR cash and investment activities and for payroll services. These transactions are consistent with normal operating relationships between the entities, are undertaken on terms and conditions that are normal for such transactions in these circumstances and are at arm's length. These three service-level agreements remained valid in 2016.

United Nations system

165. 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.

166. 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

167. 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.

168. 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.

169. 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 $0.437 million (2015: $0.181 million) in affiliation fees, which is included in the revenue from exchange transactions.

Note 22
Leases and commitments

Finance leases

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

Operating leases and commitments

171. 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 183,680 (at 31 December 2016 rates: $0.179 million) (2015: CHF 182,764 — at 31 December 2015 rates: $0.184 million); and one five-year lease agreement between FIPOI and UNITAR, whereby FIPOI rents spaces out to UNITAR for an annual payment of CHF 283,484 (at 31 December 2016 rates: $0.277 million) (2015: 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.

172. The total lease payments recognized in expenses for the period was $0.941 million (2015: $1.138 million). The total operating lease rental expense for the year includes $0.411 million (2015: $0.593 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 2016	*31 December 2015*
Due in less than one year	530	560
Due in one to five years	599	955
Due in more than five years	–	–
Total minimum lease obligations (undiscounted)	**1 129**	**1 515**

173. 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.

174. At the reporting date, open contractual commitments relating to goods and services contracted but not delivered were $0.868 million (2015: $0.708 million).

175. At the reporting date, the Institute's commitments to transfer funds to implementing partners, based on agreements, amounted to $1.291 million (2015: $1.238 million).

Note 23
Contingent liabilities and contingent assets

176. 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.

177. 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.

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

Note 24
Events after the reporting date

179. 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.

17-09713 (E) 150817