A/77/5/Add.10

United Nations

United Nations Office on Drugs and Crime

Financial report and audited financial statements

for the year ended 31 December 2021

and

Report of the Board of Auditors

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

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Report of the Board of Auditors

United Nations • New York, 2022

Note

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

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[21 July 2022]

Contents

Letters of transmittal

Letter dated 31 March 2022 from the Executive Director of the United Nations Office on Drugs and Crime addressed to the Chair of the Board of Auditors

In accordance with United Nations Office on Drugs and Crime financial rule 406.3, I have the honour to transmit the financial statements of the United Nations Office on Drugs and Crime for the year ended 31 December 2021, which I hereby approve.

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

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

Letter dated 21 July 2022 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors, together with the financial report and the audited financial statements of the United Nations Office on Drugs and Crime for the year ended 31 December 2021.

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

Chapter I

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

Opinion

We have audited the financial statements of the United Nations Office on Drugs and Crime (UNODC), which comprise the statement of financial position (statement I) as at 31 December 2021 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 UNODC as at 31 December 2021 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

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

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

Management is responsible for the other information, which comprises the financial report for the year ended 31 December 2021, contained in chapter IV below, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

We communicate with those charged with governance 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 UNODC that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

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

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

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

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

21 July 2022

Chapter II
Long-form report of the Board of Auditors

Summary

The United Nations Office on Drugs and Crime (UNODC) was established – in general terms – to implement the Organization's drug and crime programmes in an integrated manner, addressing the interrelated issues of drug control, crime prevention and international terrorism in the context of sustainable development and human security (ST/SGB/2004/6). The entity carries out a broad range of initiatives, including alternative development projects, illicit crop monitoring and anti-money-laundering programmes, among others.

The Board of Auditors has audited the financial statements and reviewed the operations of UNODC for the year ended 31 December 2021. Owing to the coronavirus disease (COVID-19) pandemic, the interim audit was carried out through a combination of field audit and remote audit at headquarters in Vienna from 15 November to 17 December 2021; and at the UNODC Country Office in Colombia and Peru from 31 January to 25 February 2022. The final audit of the financial statements was carried out from 4 April to 6 May 2022 at UNODC headquarters.

Scope of the report

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

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNODC as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

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

The Board also reviewed a detailed follow-up of actions taken in response to recommendations made in previous years.

Audit opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UNODC as at 31 December 2021 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Overall conclusion

The Board did not identify significant errors, omissions or misstatements from the review of the financial records of UNODC for the year ended 31 December 2021. However, the Board identified scope for improvements in the areas of strategic

matters, human resources management, programme management, implementing partners and information and communications technology.

With total revenue of $417.78 million (an increase of $23.35 million compared with 2020) and expenses of $356.52 million, the financial statements reflected a surplus of $61.26 million during 2021 (2020: $58.33 million). Moreover, the overall financial position of UNODC remained sound and steady during 2021, with current assets of more than five times the current liabilities and total assets of more than three times the total liabilities.

Key findings

The Board's key findings are as follows:

Strategy on gender equality not accomplished

Regarding the cross-cutting commitment to reach gender parity at all levels and the full implementation by the United Nations Office at Vienna of the UNODC strategy on gender equality and the empowerment of women, it was observed that, despite the steady advances made during the period 2018–2021, UNODC had low levels of female representation at the P-4 and P-5 levels.

Continuous extensions of service contracts at the UNODC Country Office in Peru

The Board noted continuous extensions of service contracts through the years, as well as the lack of competitive processes when service contract holders were assigned from one project to another.

Deficiencies in the implementation of the integrated planning, management and reporting solution tool

As the Board observed deficiencies in the functionalities of the new integrated planning, management and reporting solution tool, such as maintaining records of staff members involved in the preparation, review and approval of annual project progress reports, it was not possible to obtain evidence of compliance with the time limits imposed by UNODC for the implementation of the tool or evidence reflecting a proper verification of segregation of duties during this process.

Delayed project revisions at the UNODC Country Offices in Colombia and Peru

There were several project revisions with delays in the approvals requested under the related procedures.

Outdated programme and projects' management instructions

The Board noted that there were four management instructions that did not consider the use of the integrated planning, management and reporting solution tool. What is more, one management instruction regarding direct approval of programmes and projects had not been updated since 2010. In addition, the UNODC programme and operations guidance map did not contain all of the recent documents and/or guidelines developed to support the programme and/or projects management cycle. Further, the latest changes regarding the integrated planning, management and reporting solution had not been incorporated in the guidance map.

Absence of monitoring of data centre access logs at UNODC headquarters

It was noted that data centre access logs had not been requested and/or provided on a regular basis to the Information Technology Service with the aim of having them periodically monitored by the Information Technology Service data centre manager.

Main recommendations

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

Strategy on gender equality not accomplished

(a) **Make the necessary adjustments in the upcoming annual targets on gender parity, including their redefinition if needed, to reach the established indicators;**

Continuous extensions of service contracts at the UNODC Country Office in Peru

(b) **Ensure that its Country Office in Peru, in coordination with UNODC headquarters, assesses and adopts measures regarding those service contract holders recruited for a long period of time, in order to avoid an improper use of this contract modality;**

(c) **Also ensure that its Country Office in Peru complies with competitive recruitment processes when hiring through the service contract modality in the future, thereby avoiding the extension of such contracts when their holders are assigned from one project to another;**

Deficiencies in the implementation of the integrated planning, management and reporting solution

(d) **Evaluate, in cooperation with United Nations Headquarters, the feasibility of making improvements to the integrated planning, management and reporting solution monitoring module, with the aim of ensuring an adequate segregation of duties by recording the roles involved in the development, review and approval processes for the annual project progress reports within the solution tool, including their respective dates;**

(e) **Describe, within its established procedures, the roles involved in the development, review, and approval of the annual project progress reports once such improvement is defined within the system;**

Delayed project revisions at the UNODC Country Offices in Colombia and Peru

(f) **Ensure that its project revisions are approved in a timely manner, following the current instructions on this matter;**

(g) **Also ensure that its Country Offices in Colombia and Peru enhance the approval and workflow process for project revisions within the integrated planning, management and reporting solution tool, with the aim of avoiding delays between those revisions' original end dates and their approval dates, as well as preventing interruptions in the implementation and delivery of the projects;**

Outdated programme and projects management instructions

(h) **Review and update its management instructions and internal procedures related to programme and project management, considering the incorporation and use of the integrated planning, management and reporting**

solution tool, as well as consolidate all the new and relevant information into the programme and operations guidance map;

Absence of monitoring of data centre access logs at UNODC headquarters

(i) **Make the necessary efforts to ensure that the data centre access logs are received and reviewed quarterly by the Information Technology Service data centre manager.**

Follow-up of previous recommendations

The Board noted that there were 29 outstanding recommendations in the year ended 31 December 2020, of which 13 (45 per cent) had been fully implemented, 12 (41 per cent) were under implementation and 4 (14 per cent) were overtaken by events. Details regarding the status of implementation of previous years' recommendations are provided in the annex to chapter II of the present report.

Key facts	
903 staff members distributed in 80 countries	
$417.78 million	Revenue in 2021
$356.52 million	Expenses in 2021
$61.26 million	Surplus for the year
$1,277.20 million	Assets
$395.66 million	Liabilities
$881.54 million	Net assets
$325.10 million	Extrabudgetary resources in 2021 (final)
$24.30 million	Regular budget in 2021 (final)

A. Mandate, scope and methodology

1. The United Nations Office on Drugs and Crime (UNODC) has been established, in general terms, to implement the Organization's drug and crime programmes in an integrated manner, addressing the interrelated issues of drug control, crime prevention and international terrorism in the context of sustainable development and human security (ST/SGB/2004/6). The entity carries out a broad range of initiatives, including alternative development projects, illicit crop monitoring and anti-money-laundering programmes, among others. As at December 2021, UNODC had approximately 585 international and 318 local staff members worldwide and operated in more than 115 physical office locations around the world, covering over 80 countries. Almost all activities of UNODC are undertaken through individual projects at the global, regional and country levels.

2. The Board of Auditors audited the financial statements of UNODC and reviewed its activities for the year ended 31 December 2021, in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations (ST/SGB/2013/4) and the Financial Rules of the Fund of the United Nations International Drug Control Programme and of the Fund of the United Nations Crime Prevention and Criminal Justice Programme (ST/SGB/2015/4, annex III) as well as the International Standards on Auditing. Those standards require the Board to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatements.

3. The audit was conducted to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNODC as at 31 December 2021 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenditure recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations.

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

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

5. The Board also reviewed UNODC operations pursuant to financial regulation 7.5 of the Financial Regulations and Rules of the United Nations, according to which the Board may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of UNODC operations.

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

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

B. Findings and recommendations

1. Follow-up of previous recommendations

8. The Board noted that there were 29 outstanding recommendations up to the year ended 31 December 2020, of which 13 (45 per cent) had been fully implemented, 12 (41 per cent) were under implementation and 4 (14 per cent) were overtaken by events. Details of the status of implementation of the previous years' recommendations are presented in the annex to chapter II. Table II.1 sets out the status of implementation of recommendations for the financial statements as reported by UNODC.

Table II.1
Status of implementation of recommendations

Report and audit year	*Number of recommendations*	*Recommendations pending as at 31 December 2020*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Recommendations pending as at 31 December 2021*
A/71/5/Add.10, chap. II (2015)	17	1	–	1	–	–	1
A/72/5/Add.10, chap. II (2016)	24	2	2	–	–	–	–
A/73/5/Add.10, chap. II (2017)	49	4	2	–	–	2	–
A/74/5/Add.10, chap. II (2018)	10	3	1	2	–	–	2
A/75/5/Add.10, chap. II (2019)	13	5	3	2	–	–	2
A/76/5/Add.10, chap. II (2020)	14	14	5	7	–	2	7

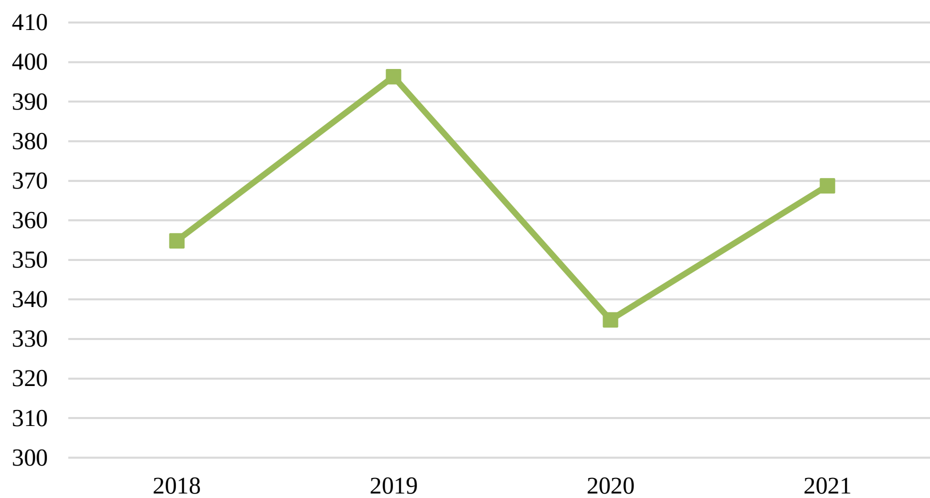
9. The Board acknowledges management's efforts towards the implementation of its recommendations, especially regarding the earliest pending recommendations. The Board nevertheless expresses its concern with regard to one recommendation pertaining to the financial report and audited financial statements for the year ended 31 December 2015 which remains pending. Actions are still to be taken by management to address this recommendation which is under implementation.

2. Financial overview

Financial performance

10. As shown in figure II.I below, during 2021 the level of voluntary contributions and other transfers income increased by 10.13 per cent (from $334.84 million in 2020 to $368.77 million in 2021) when compared with 2020. This reversed the drop of 15.51 per cent observed in 2020 in comparison with 2019 which was seen as a consequence of the outbreak of the COVID-19 pandemic and the decline in the receipt of voluntary contributions overall at that time.

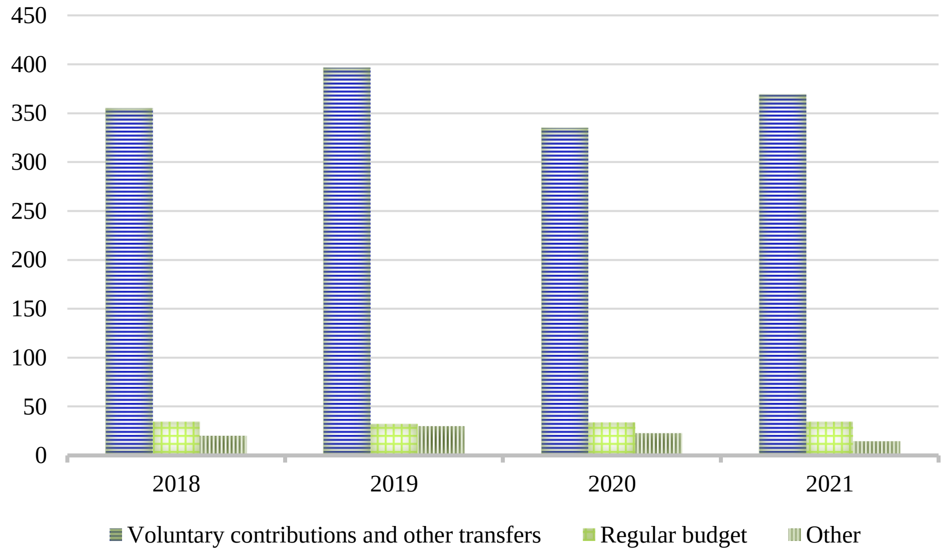
Figure II.I
Voluntary contributions and other transfers income in 2018–2021
(Millions of United States dollars)



Source: UNODC statement of financial performance for the years 2018 to 2021.

11. As shown in figure II.II, the trend in UNODC income over the years demonstrates a heavy reliance on voluntary contributions and other transfers income. As at 31 December 2021, both lines of income together accounted for 88.27 per cent ($368.77 million) of total income, while the remaining 11.73 per cent was accounted for by the regular budget ($34.52 million) and other income ($14.49 million).

Figure II.II
Composition of UNODC income in 2018–2021
(Millions of United States dollars)



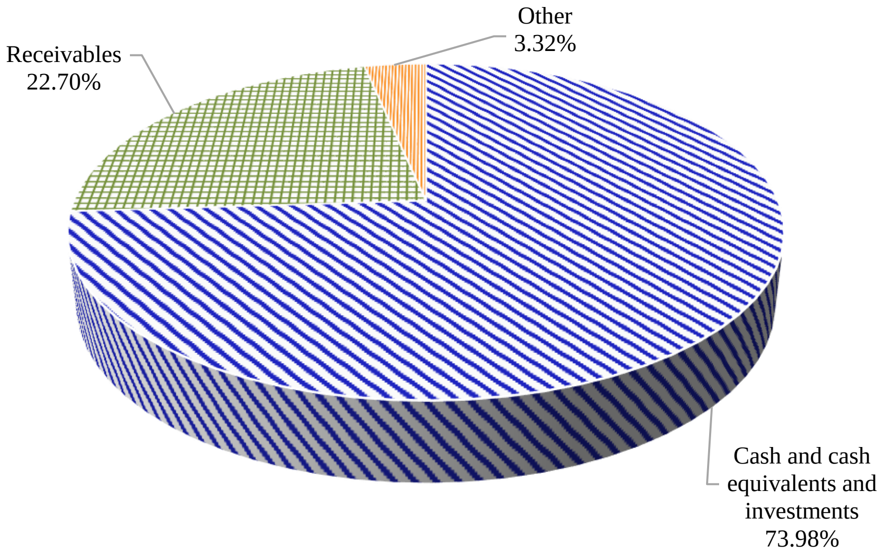
Source: UNODC statement of financial performance for the years 2018 to 2021.

12. Total revenue in 2021 amounted to $417.78 million (2020: $391.43 million), while expenses for the year reached $356.52 million (2020: $333.10 million), resulting in a surplus of $61.26 million (2020: $58.33 million). The increase in expenses was attributable mainly to a rise of 131.44 per cent (from $9.09 million in 2020 to $21.04 million in 2021) in travel expenses stemming from the gradual lift of travel restrictions on the movement of personnel which had been triggered by the COVID-19 pandemic.

Financial position

13. As at 31 December 2021, as displayed in figure II.III, the two major components of the UNODC asset base were cash and cash equivalents and investment balances, which totalled $944.86 million (2020: $871.89 million) and receivables (voluntary contributions and other) amounting to $289.94 million (2020: $308.79 million). In total, cash and cash equivalents, investments and receivables represented 96.68 per cent ($1,234.80 million) of total assets of $1,277.20 million (2020: $1,180.68 million (96.81 per cent) out of a total of $1,219.57 million of assets (restated)). Cash and cash equivalents and investment balances are managed under a cash pool arrangement operated by the United Nations Secretariat in New York. The returns on the UNODC cash balances totalled $0.07 million (2020: $13.84 million).

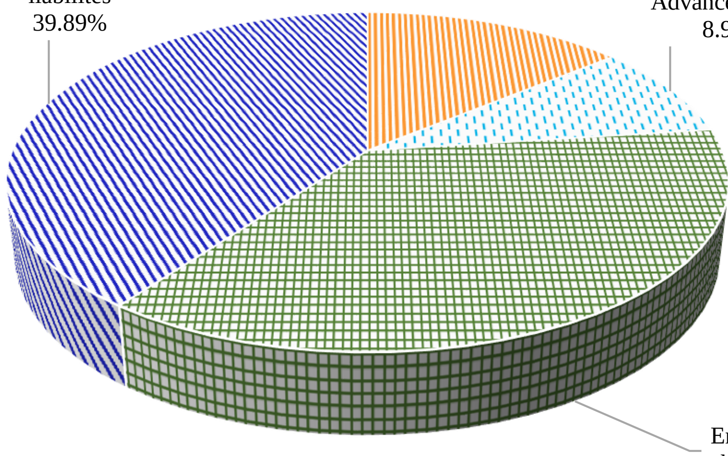
Figure II.III
Composition of UNODC assets as at 31 December 2021



Source: UNODC statement of financial position for the year ended 31 December 2021.

14. The most significant part of a total liability of $395.66 million comprises conditional liabilities of $157.82 million (2020: $187.73 million) related to conditional arrangements stemming mainly from European Commission agreements. The second most significant element of UNODC liabilities encompasses employee benefits of $147.15 million (2020: $135.07 million). Together, both balances account for 77.08 per cent of total liabilities (2020: 81.35 per cent). Employee benefits liabilities represent obligations incurred at year end, the largest element being the estimate for the cost of after-service health insurance of $102.04 million (2020: $96.13 million). The increase of the discount rate partially offset by the increase of the medical cost trend rate resulted in an overall actuarial gain for after-service health insurance amounting to $1.175 million (2020: loss of $8.944 million), as disclosed in note 14 to the financial statements of UNODC. Figure II.IV displays the composition of liabilities of UNODC as at 31 December 2021.

Figure II.IV
Composition of UNODC liabilities as at 31 December 2021



Source: UNODC statement of financial position for the year ended 31 December 2021.

15. The Board conducted a trend and ageing analysis of voluntary contributions receivable and other receivables from 2018 to 2021 (table II.2), noting that the net amount totalled $289.94 million as at 31 December 2021, representing an increase of 11.28 per cent compared with the net amount as of 31 December 2018. Regarding the ageing of the voluntary contributions' receivable and other receivables, the portion of outstanding receivables for more than one year of the total has remained steady between 2018 and 2021, with an average portion of 0.82 per cent between 2018 and 2021.

Table II.2
Ageing of voluntary contributions receivable and other receivables
(Millions of United States dollars)

Year	*Amount outstanding for less than one year*[a]	*Amount outstanding for more than one year*	*Total*	*Amount outstanding for more than one year (percentage)*
2018	260.55	–	260.55	–
2019	272.85	–	272.85	–
2020	299.76	9.03	308.79	2.92
2021	288.90	1.05	289.94	0.36
			Average	**0.82**

Source: UNODC financial statements and its notes for the years 2018 to 2021.
[a] Including amounts neither past due nor impaired.

Financial ratios

16. The Board's analysis of key financial ratios (table II.3) demonstrates that despite the competitive environment for donor funds and the impact of the COVID-19 pandemic, the current financial position of UNODC remains sound. Although there had been a decrease trend in the ratios during 2019 and 2020, this tendency was broken during 2021, with a slight rise in the ratio of assets to liabilities ($3.23 of

assets for every $1 of liabilities) (2020 (restated): $3.07 for every $1). When excluding non-current assets and liabilities, the current ratio remains robust, with $5.17 of current assets for every $1 of current liabilities (2020: $4.65 for every $1).

Table II.3
Ratio analysis

Ratio	*31 December 2021*	*31 December 2020 (restated)*	*31 December 2019*
Total assets: total liabilities[a]			
Assets: liabilities	3.23	3.07	3.17
Current ratio[b]			
Current assets: current liabilities	5.17	4.65	5.14
Quick ratio[c]			
(Cash + short-term investments + accounts receivable): current liabilities	5.04	4.51	4.88
Cash ratio[d]			
(Cash + short-term investments):current liabilities	4.19	3.60	4.11

Source: UNODC financial statements for the years 2021, 2020 and 2019.

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

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

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

[d] The cash ratio is an indicator of an entity's liquidity and serves to measure the amount of cash, cash equivalents or invested funds available in current assets to cover current liabilities.

3. Strategic management

Strategy on gender equality not accomplished

17. In order to achieve progress towards systematically and effectively mainstreaming gender and promoting gender equality and the empowerment of women in its programmatic activities and organizational policies and practices, in 2018, the United Nations Office at Vienna/UNODC developed a strategy for gender equality and the empowerment of women for the period 2018–2021.

18. Goal B.6 of the strategy is to attain and sustain gender parity in the United Nations Office at Vienna/UNODC, with the commitment of achieving the ratings of "meeting requirements" by 2019 and "exceeds requirements" by 2021 (the two highest performance indicator levels).

19. Under goal B.6, UNODC committed to reaching gender parity at all levels and, in particular, the annual targets for P-5 and P-4 staff levels were to achieve 50 per cent participation of women in 2018 and 2019, respectively.

20. The Board observed that, despite the steady advances made during the period 2018–2021 in the implementation of the strategy on gender equality and the empowerment of women, gender parity had not been achieved. In this regard, UNODC had 45 per cent female representation at the P-4 level and 44 per cent female representation at the P-5 level as at 30 November 2021, against the 50 per cent representation committed for each level during 2021.

21. The Board acknowledges the progress made in UNODC in terms of gender equality. It is considered, however, that performance against targets and indicators

still needs to be improved; otherwise, the commitment of UNODC to reaching gender parity could be affected.

22. **The Board recommends that UNODC make the necessary adjustments in the upcoming annual targets on gender parity, including their redefinition if needed, to reach the established indicators.**

23. UNODC accepted the recommendation. Additionally, UNODC informed that this had been implemented and mentioned that the recently published United Nations Office at Vienna/UNODC strategy for gender equality and the empowerment of women for the period 2022–2026 specified the goal of achieving gender parity at all levels by 2028. The measures indicated by UNODC will be assessed in the next audit period.

4. Human resources management

Continuous extensions of service contracts at the UNODC Country Office in Peru

24. In 2012, the United Nations Development Programme (UNDP) and the UNODC Country Office in Peru signed a service-level agreement with the aim of establishing the conditions for the services to be provided by UNDP, such as human resources, general administrative and procurement services, among others. Among the human resources services provided to UNODC, UNDP hires service contractors under a non-staff contract. This contractual modality is governed by terms of reference and a signed agreement between those individuals and UNDP.

25. Since UNODC was in the process of developing an internal policy and operational framework on service contracts at the time of the current audit (with an expected implementation date of December 2022), the 2018 UNDP policy on service contractors is currently the sole formal guidance on service contractor management employed by UNODC through UNDP.

26. In paragraph 6 of this policy, it is mentioned that improper use of the service contract occurs when it is used for hiring local office personnel for core functions, for instance, staff functions that are of a continuing nature and are part of central work, except for support services that would normally be outsourced to a company, functions that are within the development project context and internal control functions performed by office personnel hired locally.

27. With respect to the engagement of a service contract holder, in paragraph 39 of the above-mentioned UNDP policy it is indicated that "usually a service contract is issued for a minimum period of 6 months, renewable, but no more than 12 months at a time. In the case of project personnel, the maximum period for the use of a service contract is normally for the duration of the project".

28. Further, as indicated in the policy, service contracts are not intended to be of an indefinite duration.

29. The Board reviewed the 13 extensions of contracts issued during 2021 to service contract holders of the UNODC Country Office in Peru and noted the following two situations in each of three cases:

(a) Contracts were extended for between 6 and 15 years;

(b) When service contract holders were assigned from one project to another, consecutive amendments were released instead of a competitive recruitment process being developed.

30. The Board is of the view that continuous extensions of service contracts through the years could generate an unfavourable and uncertain contractual position as compared with that of staff members. Such an adverse scenario could result in

workforce losses (e.g. through service contract personnel quitting their jobs) and therefore in the disappearance of knowledge and skills acquired during the years spent serving at UNODC. This would consequently entail training of new service contract holders to perform new tasks and thus investment of additional time and efforts in their knowledge processes.

31. The Board considers that this situation may not harmonize with the aim in creating this contract modality or with its policy. Under this modality, before an extension is issued as the result of a change from one project to another there must be a new competitive selection process instead of an issuing of amendments.

32. **The Board recommends that the UNODC Country Office in Peru, in coordination with UNODC headquarters, assess and adopt measures regarding those service contract holders recruited for a long period of time, in order to avoid an improper use of this contract modality.**

33. **The Board recommends that the UNODC Country Office in Peru ensure competitive recruitment processes when hiring through the service contract modality in the future, thereby avoiding the extension of such contracts when their holders are assigned from one project to another.**

34. The UNODC Country Office in Peru accepted the recommendations.

Non-compliance with mandatory learning programmes at UNODC headquarters

35. In accordance with Secretary-General's bulletin ST/SGB/2018/4 on United Nations mandatory learning programmes, which superseded information circulars ST/IC/2017/17 and ST/IC/2016/15, the aim of the mandatory programmes is to build a common foundation of knowledge and promote a shared organizational culture among staff of the Organization.

36. In section 2 of the Secretary-General's bulletin it is stated that staff members are to complete the self-paced mandatory learning programmes within six months of the issuance of the bulletin or within six months of joining the Organization.

37. In this regard, the following learning programmes were defined as mandatory for all staff members: basic and advanced security in the field; prevention of sexual harassment and abuse by United Nations personnel; HIV/AIDS in the workplace orientation programme; ethics and integrity at the United Nations; information security awareness; United Nations human rights responsibilities; I know gender: an introduction to gender equality for United Nations staff; and preventing fraud and corruption at the United Nations.

38. The Board reviewed the completion of the mandatory training programmes by staff members of UNODC as at 15 December 2021 and noted that despite the high compliance rates (91 per cent) at headquarters, 87 staff members (e.g. drug control and crime prevention officers, crime prevention and criminal justice officers, HIV/AIDS officers and programme assistants, among others) had not completed 155 training courses in total from 2016 to 2020. Further, the Board observed an average delay of 25 months between the last update recorded in Umoja and the review date registered in all these cases.

39. Finally, from among those cases, 24 courses (related to 15 staff members) remained where there had been no progress made since 2016, 2017 and 2018.

40. The Board deems that non-completion of mandatory courses as defined in Secretary-General's bulletin ST/SGB/2018/4 could affect the activities and functions of UNODC personnel in different positions and offices, hindering the development of capacities in its units and impacting the effective fulfilment of the institutional objectives of UNODC.

41. Indeed, allocating sufficient time for staff members to complete those courses as part of their official duties would enhance the feasibility of promoting a shared organizational culture on ethics and integrity, information security and fraud prevention, among other topics.

42. **The Board recommends that UNODC and its staff members ensure timely completion of the pending mandatory training courses, with special emphasis on those cases where an excessive amount of time has elapsed without course completion.**

43. UNODC accepted the recommendation.

Non-compliance with mandatory learning programmes for service contracts at the UNODC Country Office in Colombia

44. Part of the services provided by UNDP to the Country Office in Colombia, as detailed in the service-level agreement signed in 2015, includes use of the service contract modality by the UNODC Country Office in Colombia in hiring most of its workforce.

45. One of the provisions included in the individual agreements signed between service contract holders and UNODC specifies compliance with the standard of conduct, with the aim of ensuring that all service contract holders are aligned with the principles of the United Nations and its specialized organizations. In this regard, the UNODC Country Office in Colombia has required that its service contract holders complete mandatory training programmes within three months of the start of their work for the Country Office.

46. Although the UNODC Country Office in Colombia has requested that its service contract personnel complete mandatory trainings within the deadline of three months of the start of their work for the Country Office, the Board noted the absence of a formal procedure or instruction provided by UNODC headquarters regarding this obligation.

47. Considering that the UNODC Country Office in Colombia monitored the compliance of service contract holders with the mandatory course requirements, the Board reviewed completion status as at 30 September 2021[1] and noted that despite the Country Office's high compliance rates (93.6 per cent), 22 service contract holders had not completed all nine mandatory training courses requested by the Country Office.

48. The Board considers that the lack of formal instructions or guidelines regarding compliance of holders of service contracts with mandatory course requirements may diminish the feasibility of establishing a consistent and coherent approach to the management of those types of contracts.

49. The Board also considers that the non-completion of mandatory courses defined in the Secretary General's bulletin and established by the UNODC Country Office in Colombia as mandatory for service contract personnel as well could affect the activities and functions of service contract holders in the Country Office in Colombia in their different positions, hindering the development of capacities within the Country Office.

50. Having clear instructions regarding the use of service contracts, however, and in that context allocating sufficient time for completion of those mandatory courses as part of service contract holders' duties would enhance the feasibility of promoting

[1] The service contract holders recruited between October and December 2021 were still within the timeline for compliance with the trainings requirements.

a shared organizational culture on ethics and integrity, information security and fraud prevention, among other topics.

51. **The Board recommends that UNODC headquarters assess the feasibility of establishing, through a formal instruction, the requisite of completion of the mandatory training courses by all its service contract holders within certain deadlines.**

52. **The Board recommends that the UNODC Country Office in Colombia ensure timely completion of pending mandatory training courses by its service contract holders, with special emphasis on those cases of non-completion of all mandatory courses.**

53. UNODC headquarters and the UNODC Country Office in Colombia accepted the recommendations.

Absence of standard criteria in the recruitment process for service contracts

54. With regard to the service-level agreement signed between UNDP and the UNODC Country Offices in Colombia and Peru for the provision of services associated with the recruitment process for service contracts, both offices follow the procedures issued by UNDP.

55. In August 2021, the human resources area of the UNODC Country Office in Colombia introduced, as a good practice, the requirement that members of its evaluation panel, who participate in the evaluation of service contract candidates, complete the competency-based interviewing course. Along the same lines, the human resources area has implemented the use of a certified panel list, which is updated on a weekly basis, for registration of members when they complete the competency-based interviewing course.

56. The human resources area of the UNODC Country Office in Colombia has also required that, after finishing the competency-based interviewing course, each member of the certified panel sign a document entitled “UNODC panellist impartiality declaration”. By signing this declaration, certified panel members manifest their compliance with confidentiality, independence and impartiality. For instance, in the case where a conflict of interest involving the candidate arises, the member concerned immediately ceases participation in the evaluation process.

57. Based on its audit conducted in the UNODC Country Offices in Colombia and Peru for the recruitment procedure under the service contracts modality, the Board noted that those country offices used different criteria. The Board noted in particular that the Country Office in Peru did not follow some of the good practices exercised by the Country Office in Colombia, such as:

(a) Keeping a certified panel list;

(b) Requiring its members to complete the competency-based interviewing course;

(c) Requesting that panel members sign an impartiality declaration.

58. The Board considers that lack of established and uniform criteria related to control procedures in the recruitment process may increase risks for panel members associated with confidentiality, independence and impartiality.

59. Moreover, the Board is of the view that the absence of uniform criteria and instructions at UNODC headquarters defining the recruitment process under the service contracts modality could hinder the effectiveness of the minimal controls or standard procedures implemented by the field offices.

60. Indeed, the Board considers that uniform and updated instructions developed by headquarters would allow UNODC and its field offices to accomplish the implementation of transversal and minimum procedures, which may improve and help enhance the impartiality of the recruitment process.

61. **The Board recommends that UNODC assess the establishment of minimum procedures for regulating the recruitment process under the service contracts modality, while adopting the good practices already implemented by the UNODC Country Office in Colombia.**

62. UNODC accepted the recommendation.

Lack of proper use of the field office human resources management system

63. The UNODC field office human resources management application is used to maintain a repository of detailed information on personnel hired under all types of contracts at United Nations field offices administered locally. It also provides automated workflows of human resources processes for those personnel and reports tailored to the requirements of UNODC management and human resources management services.

64. Information regarding personnel records, leaves records, trainings records and human resources reports are uploaded into the aforementioned management system.

65. In the context of its review of compliance with the requirements related to mandatory training courses at the UNODC Country Office in Colombia, the Board noted that the office managed a separate Excel spreadsheet as a manual control mechanism for the actual compliance status of each service contract holder with respect to mandatory training course requirements, which was the consequence of training codes' not being updated on the field office human resources management application.

66. In this regard, the UNODC Country Office in Colombia requested UNODC headquarters to carry out an updating of the codes. The only suggestion offered by UNODC, however, was that service contract holders should update in the field office human resources management system, on a personal basis, the information related to their compliance status.

67. The Board considers that managing service contract information through an auxiliary mechanism and bypassing the established procedures may not be aligned with proper management of organizational internal controls, inasmuch as utilization of such a manual mechanism hinders obtaining and overseeing information compiled on training status and may result in loss of information and foster unauthorized modifications.

68. In this regard, UNODC should ensure the proper use of the tool available for the management of service contracts at the field office level by providing the assistance required by its field offices as well as by promoting the correct use of the system available.

69. **The Board recommends that UNODC, in coordination with the UNODC Country Office in Colombia, update the information regarding the status of compliance by contract service holders with mandatory training course requirements and keep that information updated in the field office human resources management system.**

70. UNODC accepted the recommendation.

5. Programme management

Deficiencies in the implementation of the integrated planning, management and reporting solution

71. The integrated planning, management and reporting solution, launched in April 2021 by the Secretary-General, integrates several Umoja modules such as the strategic management, budget formulation and project system modules, in order to offer a holistic, end-to-end solution to managing the life cycle of United Nations programmes and projects. In April 2021, the integrated planning, management and reporting solution replaced the ProFi system, a platform administered locally by UNODC and within which the programmes and projects cycle had been managed at the headquarters and field office levels.

72. The monitoring tool is among the features of the integrated planning, management and reporting solution developed at United Nations Headquarters. The aim in developing the tool was to provide managers with the ability to proactively track and measure the indicators and risks associated with project plans in order to determine if each project is being implemented according to the plan.

73. In this regard, one of the main components of the monitoring and reporting phase, as established by UNODC, is the completion of the annual project progress reports, which are now generated from the monitoring tool within the integrated planning, management and reporting solution. The due date established by UNODC for approving these reports is 31 March 2022.

74. The Board reviewed the progress made by UNODC with regard to the process of implementation of the integrated planning, management and reporting solution, particularly in the monitoring stage. In this respect, after engagement in consultations regarding the annual project progress reports within the framework of the monitoring tool of the integrated planning, management and reporting solution, the Board noted that:

(a) The monitoring application did not permit records to be maintained on the staff and/or roles involved in the preparation, review and approval of the annual project progress reports, which prevented verification of whether or not an adequate segregation of duties had been followed during this process;

(b) It was therefore not possible to obtain systemic evidence regarding the approval date of the annual project progress reports in order to verify whether the reports had been approved within the deadlines imposed by UNODC.

75. In the absence of a proper means of verification with respect to reviewing the approval date of the annual project progress reports, UNODC had provided the instruction that starting in February 2022, the following sentence should be incorporated manually at the very end of each report: “This report has been approved by [project manager] on [date]”.

76. It is important to mention that while the integrated planning, management and reporting solution did not allow UNODC to maintain an accurate record of the approval process for the reports, the previous platform (ProFi) had contained such functionalities, allowing UNODC to reflect the monitoring process accordingly.

77. The Board is of the opinion that the lack of functionalities in the integrated planning, management and reporting solution monitoring tool does not allow for ensuring adequate management and compliance as related to the organization’s internal controls within the project management process, which should assure, inter alia, that there is a correct segregation of duties and evidence of those internal controls in the integrated planning, management and reporting solution.

78. Along the same lines, managing key information manually such as the approval date (which was previously reflected automatically within the ProFi system) could result in unauthorized modifications of the data.

79. On the other hand, accurate tracking and recording of the preparation, review and approval process for the annual project progress reports may enhance transparency and accountability of the management of programme and projects within UNODC.

80. **The Board recommends that UNODC evaluate, in cooperation with United Nations Headquarters, the feasibility of making improvements to the integrated planning, management and reporting solution monitoring module, with the aim of ensuring an adequate segregation of duties by recording the roles involved in the development, review and approval process for the annual project progress reports within the framework of this solution, including their respective dates.**

81. **The Board recommends that UNODC describe, within its established procedures, the roles involved in the development, review and approval of the annual project progress reports once such improvements are defined within the system.**

82. UNODC accepted the recommendations and informed that it has already requested the Umoja team at United Nations Headquarters to formulate several provisions to ensure that there is a workflow process for the approval of the annual project progress reports and space for storing and viewing such reports. Information on measures provided by UNODC will be assessed in the next audit period.

Delayed project revisions at the UNODC Country Offices in Colombia and Peru

83. In paragraph 13 of the management instruction on direct approval of programme and projects (at headquarters and field offices) (UNODC/MI/2010/2), issued on 21 June 2010, it is indicated that upon receipt of endorsement, designated managers and/or field representatives are authorized to approve project documents and revisions and record their approval in ProFi.

84. In paragraph 14 of the above-mentioned instruction, it is stated that any changes, inter alia, in the overall programme and/or project budget, duration, objectives and/or outcomes must be approved through a project revision.

85. In this regard, in paragraph 16, it is stated that approval of revisions to extend a programme and/or project duration beyond its originally envisaged end date, particularly programmes and/or projects with staff components, must be recorded in ProFi at least four months before their original end date.

86. The Board reviewed two local projects managed at the UNODC Country Office in Colombia, as well as four projects at the UNODC Country Office in Peru, all of which presented project revisions through direct approvals during 2021. Based on the review conducted of those projects, the Board noted that none of them were approved before the four-month period of their original end date as requested in the management instruction on direct approval. What is more, an average delay of 73 days between the original end date and the approval date was noted at the UNODC Country Office in Colombia and a delay of 64 days was noted at the Country Office in Peru.

87. It is important to mention that while the revision was not approved within the integrated planning, management and reporting solution by the representative of the country office, the projects can continue only using the last approved logical framework and budget.

88. Both country offices indicated that the implementation of the integrated planning, management and reporting solution had had an impact on the delay of approval of the project revision, owing, inter alia, to the fact that the system had been introduced without clear guidance and during the period when staff, who had not yet been familiarized with the new system's operations, were being trained.

89. The Board considers that the delay in the project revisions approval process may affect the delivery of local projects at the UNODC Country Offices in Colombia and Peru, since as long as the project revision is not approved in the integrated planning, management and reporting system a new budget cannot be released and therefore no new costs can be charged to the projects.

90. The Board also considers that the implementation of a new system, such as the integrated planning, management and reporting solution, without clear guidance, training and staff familiarization with the operations of the new system may cause delays in approval of project revisions.

91. **The Board recommends that the UNODC Country Offices in Colombia and Peru ensure that project revisions are approved in a timely manner, following the current instructions in this regard.**

92. **The Board recommends that UNODC headquarters, in coordination with the Country Offices in Colombia and Peru, enhance the approval and workflow process for project revisions within the integrated planning, management and reporting solution, with the aim of avoiding delays between original end dates and approval dates as well as preventing interruptions in project implementation and delivery.**

93. UNODC headquarters and its country offices accepted the recommendations and UNODC headquarters stated that it would take actions in coordination with both country offices to ensure that upcoming and future revisions are reviewed and approved in a timely manner. Information on measures provided by UNODC will be assessed in the next audit period.

Outdated programmes and projects management instructions

94. In October 2021, UNODC launched the programme and operations guidance map in SharePoint as a tool for gathering and organizing information (e.g. management instructions, guidance and workflows) related to the programme and project management cycle. The guidance map structures information for various programme cycle stages such as planning, formulation, approval, implementation, monitoring and reporting, revision, evaluation and closure. Several management instructions were issued by UNODC with respect to the management of programmes and projects at the Office which are now being stored in the guidance map in SharePoint.

95. In January 2022, the Department of Management Strategy, Policy and Compliance of the United Nations Secretariat issued a document entitled guide to project and programme planning and use of the integrated planning, management and reporting to support the process to provide comprehensive guidance to programme managers, programme assistants and other relevant staff members on how to formulate and develop plans and use the integrated planning, management and reporting solution to provide help in achieving this task.

96. The Board reviewed the management instructions and guidance in force regarding the programme and project management process as well as the information kept in the UNODC programme and operations guidance map. In this regard, it was noted that:

(a) There were four UNODC management instructions currently in force that did not consider the use of integrated planning, management and reporting as a programme and project management tool, referring instead to the ProFi system, which had been replaced by the integrated planning, management and reporting solution. What is more, management instruction UNODC/MI/2010/2, on direct approval of programmes and projects (at headquarters and field offices), had not been updated since 2010;

(b) The UNODC programme and operations guidance map did not contain all of the recent documents and/or guidelines developed to support the programmes and/or projects management cycle such as the guide to project and programme planning and use of integrated planning, management and reporting to support the process. Further, there was an integrated planning, management and reporting project management guide dated September 2021, in which the latest changes made on the reporting solution after that date had not been incorporated.

97. The Board considers that the lack of updates to the management instructions that support the programme and project management process could result in inadequate fulfilment of the project management procedures and possible delays in the project implementation. Furthermore, maintaining outdated guides may generate confusion among staff regarding the use of this new tool.

98. Indeed, it is considered that clear and updated management instructions would allow UNODC headquarters and its field offices to facilitate the transition from the ProFi system to the integrated planning, management and reporting solution and thereby fulfil tasks and provide information needed by users to manage programmes and/or projects in the new system.

99. **The Board recommends that UNODC review and update its management instructions and internal procedures related to programme and project management, while considering the incorporation and use of the integrated planning, management and reporting solution, as well as consolidate all of the new and relevant information within the programme and operations guidance map.**

100. UNODC accepted the recommendation and stated that it was in the process of updating all of its management instructions and that it would continue to update the programme and operations guidance map, where additional and updated guidance on the use of the integrated planning, management and reporting solution had not been readily available at the time of the audit. Information on measures provided by UNODC will be assessed in the next audit period.

6. Implementing partners

Outdated annex to the United Nations Office at Vienna/UNODC partnership policy

101. On 15 July 2021, the United Nations Office at Vienna/UNODC released the new United Nations Office at Vienna/UNODC partnership policy for the purpose of providing a unified and consistent framework for the engagement of external partners and to ensure adherence to the regulatory parameters set out in the Financial Regulations and Rules of the United Nations. This new partnership policy replaced the 2014 framework for engagement of external parties.

102. Annex III of the policy sets out a detailed process applicable to the UNODC Country Office in Colombia, entitled "UNODC Alternative Development Programme in Colombia". This end-to-end process for engaging external partners in the implementation of alternative development programmes administered by the Country Office in Colombia is intended to serve as a standard operating procedure and annex III thereto is intended to serve as a reference manual for the staff of the Country

Office involved in the implementation of alternative development programmes. The policy had been developed by the External Party Engagement Unit of UNODC at headquarters and at the UNODC Country Office in Colombia.

103. It is important to consider that the United Nations Office at Vienna client support portal (based on SharePoint) was developed by the United Nations Office at Vienna/ UNODC to support such different activities as finance, human resources, procurement, travel and external partnerships., The United Nations Office at Vienna/ UNODC partnership policy was uploaded under this last activity into the SharePoint site used by both offices.

104. As part of the audit process, the Board requested the list of implementing partners hired by the UNODC Country Office in Colombia during 2021, which showed that out of a total of 31 implementing partners, 30 had been managed under the alternative development programme.

105. In considering the above-mentioned information, the Board reviewed the available contents of annex III to the United Nations Office at Vienna/UNODC partnership policy and noted that several dispositions were outdated and/or had not been included in that document. For example:

(a) In paragraphs 12-25, two specific projects (COLK53 and COLW40) were referred to as part of the alternative development programme. According to information provided by the UNODC Country Office in Colombia, project COLAD3 was also part of the alternative development programme; however, it was not included in the document;

(b) In paragraphs 18-23 four components of project COLW40 were detailed; however, component 1 was no longer operational;

(c) On 1 June 2021, a delegation of authority was granted to the representative of the UNODC Country Office in Colombia related to signatory functions limited up to the amount of $60,000. However, in paragraph 81 of the policy it was established that agreements could be signed by the representative in Colombia on behalf of the Director of the Division for Management of UNODC, with no limits on the amount indicated;

(d) In paragraph 99 of the policy, it was indicated that monitoring activities included monthly visits to the project's sites by the UNODC field teams and programme managers from Bogota. Owing to the COVID-19 pandemic and its related travel restrictions, however, the monitoring process was performed through virtual meetings with the local technical committees. Nevertheless, consideration of alternative monitoring mechanisms under the new emerging scenarios had not been included in the policy.

106. The Board is of the opinion that through establishment of clear and updated regulations in this regard, confusion and errors arising in the performance of activities at all stages may be avoided, since different users and/or roles (as programme and/or project managers) must follow the procedures indicated in this policy.

107. In addition, given the major relevance of the alternative development programme at the UNODC Country Office in Colombia, it is fundamentally important for the alignment of the policy to be maintained with revolving scenarios, involving, for example, new projects, delegation of authority and alternative monitoring mechanisms, in order to support the management process of implementing partners, with special consideration for monitoring activities.

108. **The Board recommends that UNODC, in coordination with the UNODC Country Office in Colombia, update annex III to the United Nations Office at Vienna/UNODC partnership policy by including all of the new scenarios as well**

as removing the outdated ones. Once the update was made, the updated version of the policy would be uploaded on a regular basis into the client support portal.

109. UNODC accepted the recommendation.

7. Information and communications technology (ICT)

Absence of monitoring of data centre access logs at UNODC headquarters

110. United Nations Secretariat ICT technical procedure INF.04.PROC on data centre access of 12 August 2020 defines standards, procedures and restrictions with respect to accessing United Nations data centres. The overarching goal of this technical procedure is to protect United Nations ICT resources and data from unauthorized use and/or malicious attacks through regulation of physical access to the data centres.

111. The procedure establishes the activities performed by data centre managers, which are, among others, updating and monitoring the access list, reviewing the access records on a quarterly basis and requesting data centre access logs on a monthly basis.

112. With respect to data centre access management at UNODC, a list and logs were maintained by the Security and Safety Service. In this regard, it was noted that data centre access logs were not requested and/or provided on a regular basis to the Information Technology Service with the aim of having them periodically monitored by the Information Technology Service data centre manager.

113. While UNODC explained that provision and monitoring of access logs could have been provided by the Security and Safety Service upon request, there was no evidence regarding these actions during 2021, excepting when requested by the Board.

114. The Board is of the opinion that the absence of data centre access logs for monitoring by the Information Technology Service data centre manager on a regular and timely basis could hinder the conducting of an efficient review and monitoring process by the UNODC Information Technology Service in the event of unauthorized access by individuals to the data centre.

115. **The Board recommends that UNODC make the necessary efforts to ensure that the data centre access logs are received and reviewed quarterly by the Information Technology Service data centre manager.**

116. UNODC accepted the recommendation. In addition, UNODC informed that this had been implemented and mentioned that the review of the data centre access logs for the first quarter of 2022 had been completed in April 2022, while quarterly reviews would be undertaken in a timely manner. Information on measures provided by UNODC will be assessed in the next audit period.

Inadequate management of data centre facilities at the UNODC Country Office in Colombia

117. In section 3.4 of the United Nations Secretariat ICT technical procedure on data centre access, it is determined that the Security and Safety Section and/or the buildings management office are responsible for the fire protection and physical security of the data centre including its assets.

118. In section 4.1 of the procedure, it is established that all data centres as well as server and communications rooms must have appropriate physical access controls in place to protect them from unauthorized physical access. Minimum access controls

should include door locks which are controlled only by designated individuals. Data centres must not have windows.

119. In this regard, in section 4.14 of the procedure it is indicated that in locations where an electronic access control system does not exist, the data centre manager must maintain a data centre access list which includes individuals with authorized unescorted access to the data centre. The list must be reviewed and updated at least every six months.

120. Additionally, in section 4.24 of the indicated technical procedure, it is established that all entries to the data centre must be logged. Logging can be done either electronically for persons having a badge or on paper through a site access logbook.

121. In section 4.7, it is stated that all data centres should have a perimeter/indoor monitoring system in place with video cameras on doors and surrounding areas for video monitoring and/or recording of facilities twenty-four hours a day.

122. In section 5.1, it is stated that all personnel should be familiar with safety instructions placed on the doors before entering and strictly observe them while inside the data centre.

123. The Board performed a visual inspection of the primary data centre facilities where different developed systems, which include the main distribution framework and the intermediate distribution framework at the UNODC Country Office in Colombia, are stored locally by the Country Office. The Board also requested information related to the secondary data centre. The following observations emerged from the review. In particular:

(a) In reference to data centre access management at the UNODC Country Office in Colombia, the Board noted that neither a data centre access list nor a site access logbook was maintained for both centres. Additionally, cameras for monitoring access and conduct into the data centre were installed only inside the main distribution framework, while the intermediate distribution framework and the secondary data centre did not have indoor monitoring cameras. Further, the camera located at the main distribution framework had some blind spots;

(b) The main distribution framework room had two windows (covered by blinds), while the secondary data centre access door had a window as well;

(c) Safety instructions and emergency exits were not placed at the main distribution framework or the intermediate distribution framework;

(d) The secondary data centre was not protected by security locks; instead, the door had two latches.

124. Despite the information provided by the Information Technology Unit regarding information technology personnel being the staff solely authorized to access the data centre, the Board is of the opinion that the absence of elements related to access management could hinder the traceability, effectiveness, and security of the data centre in case of incidents or disruption of services.

125. Additionally, physical security elements such as avoidance of data centre room windows, implementation of security signals in the facilities and adequate security lock mechanisms are minimum requirements for maintaining a safe and secure environment and protecting the Office's information assets in both primary and secondary data centres.

126. **The Board recommends that the UNODC Country Office in Colombia ensure adequate management and monitoring mechanisms for access to the primary and secondary data centres.**

127. **The Board recommends that the UNODC Country Office in Colombia assess and implement the physical security measures required by the technical procedure.**

128. The UNODC Country Office in Colombia accepted the recommendations.

Incomplete disaster recovery plan at the UNODC Country Office in Colombia

129. United Nations Secretariat ICT technical procedure SEC.08.PROC on disaster recovery planning of July 2014 establishes the requirements that ensure the high availability of United Nations ICT resources and data for the purpose of providing the continuation of critical ICT services in the event of service disruption.

130. In this regard, in section 4.1 of the procedure it is indicated that, among other provisions, disaster recovery planning shall:

(a) Provide recovery point objective and recovery time objective, restoration priorities and metrics (recovery prioritization will allow the most critical resources to be recovered first);

(b) Outline disaster recovery roles and responsibilities as well as indicate the individuals assigned to those roles and responsibilities along with their contact information;

(c) Be reviewed and approved by relevant business units.

131. In section 4.5, it is established that disaster recovery planning documentation must include:

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

(b) Documentation of all major systems and services, including system architecture diagram identifying major system components and their relationship with key subsystems and/or components;

(c) All agreements regarding actions during execution of the plan including internal personnel and any external party agreements.

132. The Board analysed the disaster recovery plan provided by the UNODC Country Office in Colombia and noted that the following elements were missing in the document:

(a) Detailed recovery objectives, restoration priorities and metrics for each one of the critical systems and applications;

(b) Duties and responsibilities of the emergency response teams;

(c) Detailed procedures and guidelines for the restoration of local systems, with consideration given, for example, to recovery scenarios;

(d) System architecture diagram identifying major system components and their relationship with key subsystems and/or components;

(e) Agreements regarding actions during execution of the plan including internal personnel and any external party agreements.

133. Additionally, it was noted that the risk assessment did not include an impact rating, potential consequences or remedial actions for all the threats presented in the document.

134. Further, the disaster recovery plan did not exhibit approval by the relevant business unit at the UNODC Country Office in Colombia or the approval date in the document section intended for it.

135. The Board considers that the absence of the elements mentioned above could hinder actions to be performed in cases where services were disrupted. The presentation of detailed recovery objectives and detailed procedures giving consideration to likely scenarios could contribute to a more efficient and effective response and an adequate level of understanding of information technology staff involved in this process.

136. **The Board recommends that the UNODC Country Office in Colombia complement all the missing elements in the disaster recovery plan as established by technical procedure SEC.08.PROC.**

137. The UNODC Country Office in Colombia accepted the recommendation.

Delays in help desk response times at the UNODC Country Office in Colombia

138. One of the services provided by the Information Technology Unit at the UNODC Country Office in Colombia is provision of help desk support to all users across Colombia.

139. The help desk procedure defined by the Information Technology Unit was established in the local guidance provided by the information technology procedures manual of 8 September 2020. In this regard, the UNODC Country Office in Colombia defined the following target times for tickets registered at the help desk:

(a) Tickets classified as “requirement”: between 8 and 16 hours;

(b) Tickets classified as “major” and “important”: less than eight hours;

(c) Tickets classified as “critical” and “urgent”: immediate.

140. The Board conducted a performance analysis of the help desk response time for the 2,696 tickets supported by the Information Technology Unit during 2021 and noted that seven cases created in 2021 and classified as “requirement” had remained open as at February 2022.

141. With regard to the remaining 2,689 closed tickets, it was noted that:

(a) Out of 2,670 tickets classified as “requirement”, 1,294 cases (48 per cent) were closed within more than two working days (more than 16 hours). What is more, 114 of those tickets were closed within more than 60 working days;

(b) For seven tickets categorized as “major” and “important”, three (43 per cent) were closed within more than one working day and one was closed almost three months after the creation date;

(c) Out of 12 cases grouped as “urgent” and “critical”, five tickets (71 per cent) were closed within more than one working day and one was closed 15 working days after the creation date.

142. The Board is of the view that not resolving the incidents reported by the users at the UNODC Country Office in Colombia in a timely manner, especially urgent and critical cases, could affect the proper performance of the regular users’ activities and consequently some regular office operations.

143. **The Board recommends that the UNODC Country Office in Colombia assess the nature of the causes of delays and take the necessary measures to ensure a timely response for local incidents reported through the help desk.**

144. The UNODC Country Office in Colombia accepted the recommendation and stated that factors such as the availability of additional resources as well as the need for revised target times for ticket processing would be addressed by the Country Office in taking follow-up actions, as needed.

Lack of testing documentation for system changes management

145. According to the information technology procedures manual, one of the procedures developed by information technology staff at the UNODC Country Office in Colombia concerns software development, the workflow and documentation for which are described in that document. Regarding this procedure, the change management process follows the process described for software development, which requires testing script and user acceptance testing.

146. Additionally, United Nations Secretariat technical procedure APP.02.PROC on software development of July 2021 defines the controls required in the software development process. They include, inter alia, quality assurance processes, definition of testing procedures and plans for each application, user acceptance testing and sign-off by the predefined application owner and are required prior to the system's deployment to the production environment.

147. The Board conducted a review of change management at Gestiona, which is a local system developed at the UNODC Country Office in Colombia for some administrative and operational processes in the areas of finance, administration, procurement and human resources, among others.

148. Out of a total of six changes requested for the Gestiona system during 2021, the Board evaluated the requirement definition, testing script and user acceptance testing for three of them. The three cases were categorized as medium priority and normal severity requirements for the petty cash, training and personnel modules.

149. From this review, it was observed that all of the analysed changes did not have the matching test script for unit and integration testing nor the user acceptance testing documentation.

150. The Board considers that, regardless of the nature of the change, the lack of performance and documentation of acceptance testing by the end user could result in unsatisfactory system changes, leading to urgent additional development and ongoing efforts in case of eventual deficiencies in the production environment.

151. In addition, user acceptance testing is a practice required to determine whether the end user has or has not achieved a satisfactory result with respect to the functions or changes developed and to verify whether they are consistent with the initial requirement and operating without errors before the deployment of the functionality. At the same time, the related documentation enables transparency and tracking over the range of changes accepted by the end user and it represents a milestone with respect to release of the changes.

152. **The Board recommends that the UNODC Country Office in Colombia establish and document the extent of testing performed by the Information Technology Unit as regards the risk and impact of system changes.**

153. **The Board recommends that the UNODC Country Office in Colombia ensure that acceptance testing is documented by end users for all system changes.**

154. The UNODC Country Office in Colombia accepted the recommendations.

C. Disclosures by management

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

155. UNODC stated that it had formally written off advances and other receivable balances of $0.03 million in 2021. There was no write-off of losses of property, plant and equipment informed by UNODC.

2. Ex gratia payments

156. UNODC reported to the Board that there were no ex gratia payments in 2021.

3. Cases of fraud and presumptive fraud

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

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

159. At UNODC, cases of fraud and presumptive fraud are handled either by the Office of Internal Oversight Services or by an investigations panel composed of the responsible officials when the subject is administered by UNODC. In cases where the subject is administered by UNDP, the Office of Audit and Investigations of UNDP conducts the related investigations.

160. In 2021, UNODC notified the Board of 30 cases of fraud and presumptive fraud (table II.4). Eight of them were investigated through the Office of Internal Oversight Services, while the remaining 22 cases were reported as under investigation by the Office of Audit and Investigations of UNDP.

Table II.4
Cases of fraud and presumptive fraud

	Office of Internal Oversight Services	*Office of Audit and Investigations of UNDP*	*Total of cases*
Cases reported as under investigation during the reporting period	5	17	22
Cases reported as closed during the reporting period	3	5	8
Total of cases	**8**	**22**	**30**

Source: Based on data provided by UNODC.

161. From the eight cases investigated by the Office of Internal Oversight Services, the Board noted that one case, where the investigation had been initiated in May 2019, was reported late by UNODC (in 2021). With regard to the 22 investigations through the Office of Audit and Investigations of UNDP, nine cases opened between 2018 and 2019 were reported to the Board in 2021. Two reported cases of fraud managed by the Office of Internal Oversight Services relate to bid manipulation, while a third

case, of presumptive fraud, refers to billing irregularities. The estimated defrauded amount for the last-mentioned case is $819.51.

D. Acknowledgement

162. The Board expresses its sincere appreciation and gratitude to the management and staff of UNODC for the assistance and cooperation extended during the conduct of the audit.

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

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

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

21 July 2022

Annex

Status of implementation of recommendations up to the financial year ended 31 December 2020

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
1.	2015	A/71/5/Add.10, chap. II, para. 86	The Board recommends that UNODC consider the scope for simplifying the reporting structure, for example, by only reporting changes from the previous submissions, through better use of graphics to show progress against targets, and through the inclusion of key expenditure data to identify departures from the agreed forecasts and to highlight reasons for variances in spending and activity.	UNODC declared that this recommendation has been partially implemented. With the deployment of the monitoring application within the integrated planning, management and reporting solution, progress is clearly reported against targets and with the use of visual aids such as graphics. The narrative part has been simplified and, in addition, UNODC will hold information sessions for personnel on using the new tool. A new monitoring approver role has also been introduced for the integrated planning, management and reporting system in the first quarter of 2022 so that monitoring data and subsequent reports are approved by a quality assurance focal point designated by the respective project.	The Board reviewed a sample of eight ongoing projects in the integrated planning, management and reporting solution and noted that no annual project progress reports were available in the system after the deadline imposed by UNODC (i.e. 31 March 2022). Therefore, it was not possible to evaluate (after the above-mentioned deadline) the annual project progress report reporting structure and monitoring application. In consequence, this recommendation is considered as under implementation.		X		
2.	2016	A/72/5/Add.10, chap. II, para. 62	The Board recommends that UNODC set up standards for accessibility of field office premises.	In July 2021 UNODC developed a guidance note on disability inclusion for field offices which provided some standard pointers and suggestions for the implementation of the UNODC/ United Nations Office at Vienna Action Plan on Disability Inclusion which was launched in December 2020 in line with the United Nations Disability Inclusion Strategy.	The Board verified the development of the guidance note, whose purpose is to enhance the knowledge base on improving how UNODC delivers technical assistance; mainstream disability inclusion in UNODC mandate areas for members of United Nations country and regional teams; and provide an orientation on United Nations guidelines on disability-inclusive language along with key concepts and definitions. Taking into	X			

						Status after verification			
No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
					account the above-mentioned information, the Board considers the recommendation as implemented.				
3.	2016	A/72/5/Add.10, chap. II, para. 63	The Board also recommends that UNODC consider cooperating with UNDP to implement standards for accessibility in UNDP-administered premises.	In July 2021, UNODC developed a guidance note on disability inclusion for field offices which provided some standard pointers and suggestions for the implementation of the UNODC/ United Nations Office at Vienna Action Plan on Disability Inclusion which was launched in December 2020 in line with the United Nations Disability Inclusion Strategy.	The Board verified the development of the guidance note, whose purpose is to enhance the knowledge base on improving how UNODC delivers technical assistance; mainstream disability inclusion in UNODC mandate areas for members of United Nations country and regional teams; and provide an orientation on United Nations guidelines on disability-inclusive language along with key concepts and definitions. Therefore, the Board considers the recommendation as implemented.	X			
4.	2017	A/73/5/Add.10, chap. II, para. 99	The Board recommends that UNODC review the Programme section of the Programme and Operations Manual, update it as soon as possible and keep it up to date and accurate.	The Programme and Operations Manual was considered outdated on 6 October 2021, when the programme and operations guidance map was launched by the Director of the Division for Policy Analysis and Public Affairs of UNODC.	Considering that programme and projects are managed in the integrated planning, management and reporting solution and that consequently the Programme and Operations Manual has been outdated since October 2021, the Board considers this recommendation as overtaken by events.				X
5.	2017	A/73/5/Add.10, chap. II, para. 101	The Board recommends that UNODC make the knowledge in the Programme and Operations Manual available in such a way that users could easily print a copy.	The Programme and Operations Manual was considered outdated on 6 October 2021, when the programme and operations guidance map was launched by the Director of the Division for Policy Analysis and Public Affairs of UNODC.	Considering that programme and projects are managed in the integrated planning, management and reporting solution and that consequently the Programme and Operations Manual has been outdated since October 2021, the Board considers this recommendation as overtaken by events.				X

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
6.	2017	A/73/5/Add.10, chap. II, para. 107	The Board recommends that UNODC integrate the Handbook for Results-Based Management and the 2030 Agenda for Sustainable Development and the document "UNODC: The Integrated Programme Approach (IPA): A 'How To' Guide" into the Programme and Operations Manual.	The Programme and Operations Manual was considered outdated on 6 October 2021, when the programme and operations guidance map was launched by the Director of the Division for Policy Analysis and Public Affairs of UNODC.	The Programme and Operations Manual has been outdated since October 2021. On the other hand, the Board noted that both documents were included in the programme and operations guidance map as part of the relevant documents for the formulation stage. Considering the above, the Board considers the recommendation as implemented.	X			
7.	2017	A/73/5/Add.10, chap. II, para. 183	The Board recommends that UNODC analyse the root causes of the reasons for ex post facto procurement cases and establish specific measures to prevent the recurrence of such cases.	As of September 2021, the recommendation has been implemented and UNODC requests closure by the Board. UNODC conducted an analysis of the root causes of ex post facto procurement cases. The results were documented and reviewed to ensure that recurrence of ex post facto cases is prevented. A tool for monitoring ex post facto cases has been fully developed and is already in operation. The Procurement Unit held trainings for all field offices and headquarters on ex post facto issues, with the last training having been held on 30 September 2021.	The Board noted that UNODC had developed different measures to effectively address and analyse the root causes of ex post facto procurement cases. Based on actions developed by UNODC, the Board considers the recommendation to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
8.	2018	A/74/5/Add.10, chap. II, para. 49	The Board recommends that UNODC: (a) formalize the electronic endorsement by the Programme Review Committee on the basis of proper justification in a revised management instruction on the Committee; and (b) keep a record of the documents.	On 30 March 2022, UNODC proposed to task an interdivisional technical working group with reviewing the four management instructions related to programme and project management (including the terms of reference for the Programme Review Committee) and to harmonize the guidance and reconcile it, inter alia, with the introduction of the integrated planning, management and reporting solution. This technical group is expecting to finalize the review process before the end of 2022. In addition, UNODC informed that records of the Programme Review Committee meetings continue to be kept by the strategic planning and inter-agency affairs unit as the Programme Review Committee secretariat.	Given that the review process to harmonize the guidance and management instructions on programme and project management is still in progress and expected to be finalized by the end of 2022, this recommendation is considered as under implementation.		X		
9.	2018	A/74/5/Add.10, chap. II, para. 64	The Board recommends that UNODC strengthen its internal controls in order to ensure the segregation of duties in every project or, at the very least, implement a compensating control.	The recommendation has been implemented and UNODC requested closure by the Board. Within the integrated planning, management and reporting solution, segregation of duties is ensured by the creation of workflow groups which allow approval processes in the system to run through different levels, with evidence of the Executive Director's approval being attached to the project and/or programme entry in the integrated planning, management	The Board noted that no evidence had been granted of an adequate segregation of duties in the preparation, review and approval process of the annual project progress report within the integrated planning, management and reporting solution. Therefore, the recommendation is considered as under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
				and reporting solution. Each approver can leave a note for the record that will provide clarification in case the person is approving on behalf of a senior manager (director or executive director). UNODC is in the process of establishing the workflow groups.					
10.	2018	A/74/5/Add.10, chap. II, para. 100	The Board recommends that UNODC management devise a suitable mechanism to ensure better coordination between the entity and the Office of Internal Oversight Services for the complete and comprehensive reporting of cases of fraud and presumptive fraud.	UNODC has reconciled the reported cases of fraud and presumptive fraud with both the Office of Internal Oversight Services and the Office of Programme Planning, Finance and Budget of the Department of Management Strategy, Policy and Compliance, for completeness and accuracy.	Several activities were carried out with the aim of enhancing coordination between UNODC and the Office of Internal Oversight Services (i.e. inclusion of specific instructions on 2021 year-end closing instructions for United Nations Office at Vienna/ UNODC and adoption of guidelines on reporting of cases of fraud and presumptive fraud to the Board of Auditors, issued by the Department of Management Strategy, Policy and Compliance). Consequently, the Board considers this recommendation to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
11.	2019	A/75/5/Add.10, chap. II, para. 39	The Board recommends that UNODC make the necessary efforts in order to ensure that all the entity's fixed assets that must be derecognized every financial year are removed from the financial statements in a timely manner and ensure that no assets are transferred to beneficiaries before approval from the Local Property Survey Board/Headquarters Property Survey Board, as appropriate.	Monthly reports of asset records were run in order to check for the correctness of the records and the nature of asset acquisitions. Regular online training sessions were held with field offices regarding asset derecognition and other property management issues and separate procedures were established for the disposal of assets to end beneficiaries in order to ensure proper and timely reflection in UNODC accounts.	UNODC established a procedure in order to review and reconcile asset records on a monthly basis, which included, among other activities, the review of newly capitalized assets for the correctness of the records and a full reconciliation of the assets to be transferred to the end beneficiaries carried out during the asset physical verification exercise. In addition, evidence of trainings and troubleshooting sessions held during 2021 was provided. Therefore, the recommendation is considered as implemented.	X			
12.	2019	A/75/5/Add.10, chap. II, para. 50	The Board recommends that UNODC improve the internal controls for the service receipt process to ensure that proper evidence is provided regarding the receipt of every service.	UNODC continued with the holding of knowledge-sharing sessions emphasizing the requirement of proper internal controls and timely processing. In addition, detailed guidance on the goods and services reception process issued through the client support portal and as part of year-end instructions will be reissued, highlighting the importance of timely invoice payment processing, including accurate reception of goods and services.	As part of the year-end instructions and based on IPSAS, UNODC established the delivery of goods and services, as the milestone of expense recognition. The Board reviewed a sample of 16 purchase orders and the related entry sheets and noted that the documents informing the receipt of goods and/or services satisfied the delivery date established in the entry sheet. The Board therefore considers this recommendation to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
13.	2019	A/75/5/Add.10, chap. II, para. 93	The Board recommends that UNODC make the necessary efforts to ensure that all staff submit their travel requests, security clearances and expense reports in a timely manner, in accordance with the applicable regulations.	Owing to the COVID-19 pandemic which had continued into 2021, all UNODC travel was subject to multiple restrictions which at times had been lifted or imposed on short notice, resulting many times in last minute changes or cancellations of meetings and related travel. Furthermore, airlines made fare-related changes through promoting and increasing more flexibility and refund options. Given this operating environment, most recent compliance rates have been significantly impacted and their interpretation poses a challenge. Nevertheless, and together with the prospect of a potentially more stable travel environment, UNODC is currently investing further efforts in increasing compliance rates by more regularly sharing related information and increasing the number and frequency of trainings for staff on the most salient points of the United Nations travel policy, including the advance purchasing requirement.	Based on the evidence provided by UNODC, the Board noted that the Office had developed online training courses during 2021, as well as a workshop and webinar made available by the travel unit. In addition, continuous monitoring of compliance rates for travel-related advance purchasing has been conducted by UNODC during 2019, 2020 and 2021, showing a slight improvement in the advance ticket compliance rate. Acknowledging the measures taken by the Office despite the effects of the COVID-19 pandemic, the Board considers this recommendation as implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
14.	2019	A/75/5/Add.10, chap. II, para. 104	The Board recommends that UNODC make efforts, in liaison with the United Nations Secretariat, to update the administrative instruction on the official status file as well as try to find ways to link Umoja and Inspira into the Unite Docs website.	The Office of Human Resources of the Department of Management Strategy, Policy and Compliance of the United Nations Secretariat is responsible for publishing administrative instructions. The administrative instruction on personnel records is still in draft status and UNODC has no information regarding when it is expected to be finalized. In accordance with standard practice, the Human Resources Management Service of the United Nations Office at Vienna/ UNODC will provide comments on draft administrative instructions once they are shared by United Nations Headquarters. Furthermore, the Office of Human Resources of the Department of Management Strategy, Policy and Compliance is finalizing the functional requirements for the official status file system which includes linking Umoja and Inspira, the project proposal for which is expected to be provided during 2022. Both items are beyond the scope of control of UNODC and it suggests that the recommendation be closed.	No evidence was provided by UNODC on actions taken in order to follow up the approval of the administrative instructions at United Nations Headquarters. Hence, this recommendation is considered as under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
15.	2019	A/75/5/Add.10, chap. II, para. 115	The Board recommends that UNODC make a review of the United Nations Office at Vienna/ UNODC information technology services disaster recovery plan and add all of the missing elements that the current United Nations disaster recovery plan technical procedures require.	UNODC informed that the current disaster recovery plan has been developed along with the disaster recovery exercise report dated November 2021.	The Board noted that UNODC had made a review of the disaster recovery plan as well as documented the disaster recovery exercise dated November 2021. Additionally, regarding the system architecture diagram used when identifying major system components and their relationship with key subsystems and/or components, the Board verified that while Information Technology Services had the architecture diagrams of the services, they were not included or referenced in the disaster recovery plan version updated as at April 2021. This recommendation is therefore considered under implementation.		X		
16.	2020	A/76/5/Add.10, chap. II, para. 24	The Board recommends that UNODC headquarters, together with the UNODC Country Office in Afghanistan, continue to take the measures related to the critical full cost recovery tier faced by the country office and manage the actions tending to approach a desirable or manageable full cost recovery level.	The actual 2021 full cost recovery rate stands at 15.3 per cent, reflecting a decrease of 2.3 per cent compared with the budgeted full cost recovery rate of 17.6 per cent. The UNODC Country Office in Afghanistan decreased the number of staff and personnel charged against full cost recovery, effective 1 January 2022, including by abolishing and/or freezing some positions in Kabul and Vienna. On resource mobilization and programme delivery, in late 2021 UNODC developed the strategic stability grid and secured $6 million for alternative development and health (with $20 million in the pipeline).	UNODC stated that the actual full cost recovery rate for the Country Office in Afghanistan had reached 15.3 per cent compared with the budgeted rate of 17.6 per cent (a decrease of 2.3 per cent). No supporting documents were provided, however, to confirm the data provided and the measures that had made this rate possible. Hence, the Board considers this recommendation as under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
17.	2020	A/76/5/Add.10, chap. II, para. 34	The Board recommends that UNODC carry out a risk assessment in the strategic, governance, compliance, operations and financial pillars, as included in the Secretariat's risk universe, and update the risk register and the risk response and treatment plan accordingly.	The risk assessment exercise is ongoing and the timeline for the exercise (to be completed midyear) still stands. The latest updates from the exercise are that the updated risk dashboard, which reflects divisional inputs, had been endorsed by directors and that inputs for the risk register and treatment plan are being collected.	UNODC did not provide further evidence for the risk assessment exercise needed to update the risk register and risk response and treatment plan accordingly. Furthermore, it is noted that there were pending activities to be finalized. Hence, this recommendation is considered as under implementation.		X		
18.	2020	A/76/5/Add.10, chap. II, para.35	The Board recommends that UNODC update the risk areas and/or categories on the risk register and risk profile as a product of the consideration of new emerging risks.	In line with the updated Secretariat risk management framework, the interdivisional exercise to update and revise the enterprise risk register and risk treatment plan has been initiated and it is ongoing and expected to continue until mid-2022.	Based on the information provided by UNODC, the Board noted that there were pending activities to update the risk register that were to be finalized. This recommendation is therefore considered as under implementation.		X		
19.	2020	A/76/5/Add.10, chap. II, para. 42	The Board recommends that the UNODC Regional Office for the Middle East and North Africa carry out a proper risk register and risk response and treatment plan, considering the reality of the Regional Office and the main risks that might affect its operations.	The risk register for the Regional Office for the Middle East and North Africa has been provided.	Following enterprise risk management as well as the Secretary General's guidelines for the period 2021–2022 in this matter, it was noted that the Regional Office for the Middle East and North Africa had issued a risk register including an identification of the main risks as well as the treatment plan involving responsible persons. The Board therefore considers the recommendation as implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
20.	2020	A/76/5/Add.10, chap. II, para. 51	The Board recommends that UNODC define, through a formal document and in a comprehensive way, the form, duties, responsibilities, expected results and geographical coverage for its field office network structure.	UNODC indicated that its Division for Operations has advanced in the discussion and mapping of the field presence. Additional concrete proposals and adjustments related to field categories, naming, geographical scope and expected functions were developed and a draft document is available. Currently, specific contents and annexed revised terms of reference are being reviewed in coordination with field managers as well as the Division for Management, with the aim of reflecting current duties and responsibilities of field offices and managers.	The Board noted that UNODC had advanced in the development of a draft document regarding the nomenclature of the field office network structure. However, as the update process is still in development, the recommendation is considered as under implementation.		X		
21.	2020	A/76/5/Add.10, chap. II, para. 58	The Board recommends that the UNODC Regional Office for the Middle East and North Africa develop an organization chart with clear reporting lines, responsibilities and graphic representation of each section and/or unit within its structure, to be published in the next annual internal oversight report for UNODC.	Updated organization charts have been issued and information has been provided in the 2020 annual internal oversight report.	The Regional Office for the Middle East and North Africa developed organization charts and information has been provided in the 2020 annual internal oversight report as well. Therefore, the recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
22.	2020	A/76/5/Add.10, chap. II, para. 65	The Board recommends that UNODC update and align the management instruction regarding the Programme Review Committee with the current composition, roles, functions and organization of work.	UNODC informed that an interdivisional technical group was established to review different management instructions, including those related to the Programme Review Committee, with the aim of harmonizing the guidance with, inter alia, the introduction of the integrated planning, management and reporting system. This working group would finalize the process before the end of 2022.	Given the information provided by UNODC as well as the fact that the inter-divisional technical working group is still working on the review of the management instruction, the recommendation is considered as under implementation.		X		
23.	2020	A/76/5/Add.10, chap. II, para. 73	The Board recommends that the UNODC Regional Office for the Middle East and North Africa carry out, in a timely manner, the mandatory project progress reports as required under the current Programme and Operations Manual.	UNODC stated that the recommendation has been implemented. All of the annual project progress reports for 2020 were approved in June 2021.	No evidence was provided with respect to ensuring that the 2021 annual project progress reports of the Regional Office for the Middle East and North Africa would be approved within the deadline imposed by UNODC (31 March 2022). In addition, none of the project progress reports were found in the integrated planning, management and reporting solution. The recommendation is therefore considered as under implementation.		X		
24.	2020	A/76/5/Add.10, chap. II, para. 74	In addition, the Board recommends that the UNODC Regional Office for the Middle East and North Africa ensure that further segregation of duties be properly guaranteed in the preparation of a progress report for every project.	UNODC monitors whether segregation of duty is respected and takes corrective measures as necessary. No cases of non-compliance with the segregation of duty were found in the last round of annual project progress reports. UNODC considered this recommendation to have been implemented and requested its closure by the Board.	No evidence was granted of an adequate segregation of duties in the preparation, review and approval process of the annual project progress report within the integrated planning, monitoring and reporting solution. Therefore, the recommendation is considered as under implementation.		X		

						Status after verification			
No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
25.	2020	A/76/5/Add.10, chap. II, para. 83	The Board recommends that UNODC carry out the mandatory evaluations as required under the current evaluation policy, especially with those projects with no evaluation performed during their life cycle.	UNODC has, in alignment with the administrative instruction on evaluations in the United Nations Secretariat (ST/AI/2021/3) and United Nations reforms, given greater emphasis to strategic and thematic evaluations. In addition, the UNODC project cycle is often extended, requiring the evaluation timeline to be extended as well. Finally, while the Independent Evaluation Section is responsible for the evaluation policy, identified project/ programme managers and senior management are responsible for ensuring that evaluations are planned, budgeted for and conducted in a timely manner. In this regard, the projects identified have been or will be evaluated at a later date, have been included in cluster and/or thematic and/or strategic evaluations and/or have not been planned or budgeted for by the programme managers.	The Board noted that the Evaluation Policy of the United Nations Office on Drugs and Crime, the revised and approved new evaluation policy, is in line with the administrative instruction on evaluations in the United Nations Secretariat (ST/AI/2021/3) and United Nations reforms. In addition, this new evaluation policy has established new evaluation timelines, extending their period from four to six years. Given the information provided above and the new standard and requirements at the evaluation level, the recommendation is considered to be overtaken by events.				X

No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management response*	*Board's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
26.	2020	A/76/5/Add.10, chap. II, para. 84	In addition, the Board recommends that UNODC assess whether current deadlines for the programme and/or projects evaluations remain applicable, in order to build this process more realistically and achievably within the life cycle of the programmes and/or projects. If not, the evaluation policy should be updated and aligned with the specific needs of UNODC.	The evaluation policy has been finalized and endorsed by the Executives Committee and the Executive Director. In terms of timelines and requirements for evaluations, these have been updated to be aligned with the administrative instruction on evaluations in the United Nations Secretariat (ST/AI/2021/3).	The evaluation policy entitled "Evaluation Policy of the United Nations Office on Drugs and Crime" has been revised and approved during February 2022 by the Executive Committee and the Executive Director of UNODC. Regarding the timelines and requirements for evaluations, it was noted, as stated by the Independent Evaluation Section, that they have been updated to be in line with the administrative instruction on evaluations in the United Nations Secretariat (ST/AI/2021/3). Pursuant to this administrative instruction, for programme and/or subprogramme evaluation by entities, the frequency shall be at least once every six years and in other cases evaluation shall be carried out on the basis of risk assessment and/or specific donor requirements or the entity's specific evaluation policy. Considering the revision made to the evaluation deadlines as well as the fact that a new evaluation policy was issued during 2022, the Board considers this recommendation as implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
27.	2020	A/76/5/Add.10, chap. II, para. 95	The Board recommends that UNODC make the necessary efforts to ensure the completion of the mandatory information security awareness course by its staff members.	The completion rate for the information security awareness course for UNODC staff remained at 92 per cent as of 31 January 2022.	The Board acknowledges progress made with regards to the completion rate of the information security awareness course. A new recommendation was nonetheless issued in the current report, which refers to non-compliance with requirements for several mandatory training courses. A consolidated assessment would therefore be made in this regard during the next audit process. The recommendation is therefore considered as overtaken by events.				X
28.	2020	A/76/5/Add.10, chap. II, para. 96	In addition, the Board recommends that UNODC remind its staff members of the mandatory course and their duty to comply with that requirement on a regular basis.	The Human Resources Management Services of UNODC published regular reminders in the August and November 2021 editions of the United Nations Office at Vienna/ UNODC Human Resources Newsletters. In addition, during the fourth quarter of 2021, the Human Resources Management Services sent more than 300 personalized emails to individual staff members reminding them of their enrolment status and the courses to be finalized, offering support for individual queries; and individual emails were sent to UNODC directors by the Chief of Human Resources Management Services, updating them on training status in their respective divisions.	UNODC provided evidence of individual reminders issued to its staff and managers, as well as two publications issued at the Human Resources Management Services newsletter portal regarding mandatory training compliance status. Based on actions taken by UNODC, the Board considers this recommendation as implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
29.	2020	A/76/5/Add.10, chap. II, para. 103	The Board recommends that UNODC undertake efforts to conclude the incident response plan, in accordance with the provisions established in the Secretariat's information and communications technology technical procedure.	UNODC informed that an incident response plan had been concluded and is fully aligned with the relevant technical procedure.	On 2 February 2022, the United Nations Office at Vienna/ UNODC incident response plan was approved. It included, inter alia, the standard operating procedures for security incident response, metrics for measuring security incident response capability and effectiveness and a road map for maturing the security incident response capability. Considering the information provided above, the recommendation is considered to be implemented.	X			
Total number of recommendations					**29**	**13**	**12**	**–**	**4**
Percentage of the total number of recommendations					**100**	**45**	**41**	**–**	**14**

Chapter III
Certification of the financial statements

Letter dated 31 March 2022 from the Chief of the Financial Resources Management Service of the United Nations Office on Drugs and Crime addressed to the Chair of the Board of Auditors

The financial statements of the United Nations Office on Drugs and Crime (UNODC) for the year ended 31 December 2021 have been prepared in accordance with financial rule 106.1 of the Financial Regulations and Rules of the United Nations.

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

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

(*Signed*) Monica **Hemmerde**
Chief, Financial Resources Management Service
United Nations Office on Drugs and Crime

Chapter IV
Financial report for the year ended 31 December 2021

A. Introduction

1. In accordance with General Assembly resolutions 46/185 C and 61/252, the Executive Director of the United Nations Office on Drugs and Crime (UNODC) is herewith submitting the financial report and financial statements for the year ended 31 December 2021 for UNODC.

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

3. The financial report should be read in conjunction with the audited financial statements and the accompanying notes. The financial report is intended to provide readers with a better understanding of the financial performance and position of UNODC. It presents programmatic highlights and focuses mainly on the financial operations, strategies and results.

B. Objectives and strategies

4. UNODC is responsible for supporting Member States in making the world safer from drugs, crime and terrorism with a view to promoting security and justice for all. The mandate derives from the priorities established in relevant United Nations conventions and General Assembly resolutions, including resolutions 45/179, 46/152 and 46/185 C.

5. Under the tenure of the new Executive Director, UNODC developed a new strategy for the period from 2021 to 2025. The strategy takes a people-centred approach and outlines the Office's unique positioning with respect to the United Nations pillars of peace and security, development and human rights. It is built around five thematic areas: preventing and countering transnational organized crime; corruption; terrorism; addressing the world drug problem; and strengthening criminal justice systems. The strategy identifies change and efficiency enablers to ensure a more transparent, accountable and effective delivery of the Office's mandates, leveraging synergies with a wider range of actors and establishing new partnerships, including with civil society organizations, academia and the private sector.

6. In 2021, UNODC worked on regional strategic visions aimed at providing a regional approach to the implementation of the strategy. After a comprehensive consultation process, the Strategic Vision for Africa 2030 was launched in February 2021. The development of the vision for Latin America and the Caribbean was presented in early 2022. The new cycles of the regional programme for Afghanistan and neighbouring countries (2022–2025) and the programme for Central Asia (2022–2025) were launched in the last quarter of 2021. Preparations were also undertaken for the launch of the new cycles of the country programme for Pakistan and the country partnership programme in the Islamic Republic of Iran (2022–2025). The development of these programmes took into account the unprecedented challenges in Afghanistan. Preparations were also undertaken for the launch of the new regional programme for South-East Asia and the Pacific (2022–2026) and the development of the new regional programme for South Asia (2023–2027).

7. Since the start of the United Nations development system reform, UNODC has taken concrete measures to implement the reform initiatives, including strengthening cooperation with United Nations country teams and participating in the development and roll-out of sustainable development cooperation frameworks and other system-wide strategic planning frameworks. As an active member of the United Nations Evaluation Group and in the spirit of the reform, UNODC continued to develop innovative tools and methods to mitigate risks posed by current or potential crises and to position evaluation at all political levels, supporting evidence-based decision-making.

8. Out of 131 United Nations country teams worldwide, UNODC is engaged in 110, supporting the development of sustainable cooperation frameworks and actively participating in common country analyses by providing data and carrying out impact assessments in mandate areas. UNODC is also involved in the reform at the regional level. For instance, in Africa, UNODC is the co-convener of the opportunity/issue-based coalition on the theme "Towards peace, security and respect for human rights", together with the United Nations Office to the African Union, the United Nations Development Programme (UNDP) and the Office of the United Nations High Commissioner for Human Rights. In Latin America and the Caribbean, UNODC co-chairs the issue-based coalitions on crime and violence (jointly with the United Nations Children's Fund and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)) and on governance and institutions (jointly with the United Nations Office for Project Services and UNDP).

9. Across its mandate areas, UNODC engaged in partnerships with other entities and organizations. They include gender equality and women's empowerment (UN-Women); drug prevention, treatment and rehabilitation (the World Health Organization); law enforcement (the International Criminal Police Organization); border management (the World Customs Organization); corruption (UNDP); trafficking in persons and the smuggling of migrants (the International Organization for Migration, the Office of the United Nations High Commissioner for Refugees and the Inter-Agency Coordination Group against Trafficking in Persons); terrorism prevention (the Office of Counter-Terrorism of the Secretariat and the entities cooperating in connection with the United Nations Global Counter-Terrorism Coordination Compact); access to justice for children (the United Nations Children's Fund); education for justice (United Nations Educational, Scientific and Cultural Organization); and ensuring coherence in the collection of statistics pertaining to its mandates in coordination with the Statistics Division of the Department of Economic and Social Affairs of the Secretariat. The Office remains an active co-sponsor of the Joint United Nations Programme on HIV/AIDS and is the substantive leader in the area of HIV prevention, treatment and care among people who use drugs and in prison settings.

C. Activity overview

10. In 2021, UNODC continued to support States through the Commission on Narcotic Drugs in the implementation of all international drug policy commitments, in particular the follow-up to the 2019 ministerial declaration, by facilitating an exchange of good practices, challenges and lessons learned. UNODC supported Member States in negotiating the Kyoto Declaration on Advancing Crime Prevention, Criminal Justice and the Rule of Law: Towards the Achievement of the 2030 Agenda for Sustainable Development, which was adopted by the fourteenth United Nations Congress on Crime Prevention and Criminal Justice, held in Kyoto, Japan, from 7 to 12 March 2021.

11. UNODC also supported the negotiation of the political declaration entitled "Our common commitment to effectively addressing challenges and implementing measures to prevent and combat corruption and strengthen international cooperation", which was adopted at the first-ever special session of the General Assembly against corruption, held in June 2021. UNODC provided secretariat services to the ninth session of the Conference of the States Parties to the United Nations Convention against Corruption, held in Sharm el-Sheikh, Egypt, from 13 to 17 December 2021. UNODC also supported the Office of the President of the General Assembly throughout the quadrennial process of appraisal of the United Nations Global Plan of Action to Combat Trafficking in Persons, in particular by providing expertise in relation to the negotiation of its 2021 political declaration on the implementation of the United Nations Global Plan of Action to Combat Trafficking in Persons.

12. In January 2021, UNODC launched the second phase of the global programme on implementing the United Nations Convention against Transnational Organized Crime, which streamlines the provision of technical and legislative assistance to States in relation to the implementation of the Convention and observations from its implementation review mechanism. In November 2021, UNODC launched the Synthetic Drug Strategy, which presents a framework for action to address the global challenges posed by the dynamic nature of synthetic drug markets.

13. Adjusting to the coronavirus disease (COVID-19) pandemic, UNODC mainstreamed lessons learned, including the understanding that offering events in a virtual and hybrid format strengthens the remote participation of a wider range of stakeholders, shifting from the delivery of in-person services and activities to virtual or hybrid formats. As part of its response to the pandemic, UNODC issued another set of policy documents on topics relating to COVID-19 and crime prevention and criminal justice, including emergency release of prisoners, infection prevention and control measures in prisons, and cybercrime and COVID-19 in South-East Asia. UNODC also contributed to the United Nations-wide policy paper entitled "Corruption and COVID-19: challenges in crisis response and recovery", which was developed by the Global Task Force on Corruption, co-chaired by UNODC. Furthermore, UNODC published a study that illustrated the devastating impact of COVID-19 on victims and survivors of trafficking in persons and highlighted the increased targeting and exploitation of children. All programmatic and intergovernmental work continued to be carried out in online and hybrid formats.

14. In 2021, the Office continued to conduct high-quality research and policy analysis on issues under the five thematic areas of the UNODC Strategy 2021–2025. The Office also continued to collect data to document the impact and potential long-term consequences of COVID-19 on drugs and crime, in order to help Member States to anticipate and address future challenges. UNODC flagship reports were launched, notably, the *Global Report on Trafficking in Persons 2020* and the *World Drug Report 2021*.

15. The Office continued to support youth mainstreaming efforts by participating in high-level meetings and events, which included co-moderating a session on inclusive peace at the 2021 Economic and Social Council Youth Forum and participating in the high-level steering committee for the implementation of the United Nations Youth Strategy.

16. Through the global programme on gender equality and the empowerment of women in the United Nations Office at Vienna and UNODC, several key initiatives were advanced, including capacity-building, the development of gender-mainstreaming tools, advocacy and inter-agency collaboration.

17. In February 2021, the first United Nations Office at Vienna and UNODC action plan for disability inclusion (2021–2022) was launched. Under the action plan, the Office carried out a number of activities, including the development of a guidance

note for field offices on operationalizing disability inclusion, the development of a disability inclusion checklist, the organization of a dedicated webinar series and the launch of the internship initiative for persons with disabilities.

18. More information on the activities conducted in 2021 can be found in the annual report on the activities of UNODC (E/CN.7/2022/2-E/CN.15/2022/2).

D. Budget performance highlights

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

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

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

22. Subsequent to the approval of the consolidated budget, UNODC issues allocations of funds for the implementation of programmes and projects on the basis of fund availability. At the end of the second year of the biennium, the budget is revised to reflect the final evolving needs for the biennium. The final budget is approved/endorsed by the Commissions within the context of the consolidated budget for the biennium 2022–2023. The final budget for 2020–2021 was presented to the Commissions at the end of 2021.

23. Table IV.1 shows 2020 and 2021 performance comparatives in aggregate.

Table IV.1
United Nations Office on Drugs and Crime 2020–2021 income, budget, expenditure and implementation rate overview (including regular budget) (United Nations system accounting standards basis)

(Millions of United States dollars)

	2021	*2020*
Income	399.7	363.8
Budget (final) (A)	349.4	320.0
Expenditure (B)	348.8	311.2
Implementation rate (B over A)	99.8%	97.3%

24. The initial 2021 budget approved/endorsed by the Commissions at their sessions in 2019 amounted to $360.8 million in extrabudgetary resources (2020: $402.5 million). In December 2021, the Commissions approved/endorsed a final 2021 budget of $325.1 million in extrabudgetary resources (2020: $297.6 million). Including regular

budget, the UNODC final budget for 2021 was $349.4 (2020: $320.0 million). The implementation rate for 2021 was 99.8 per cent against the revised budget (2020: 97.3 per cent).

25. Table IV.1 above depicts that, year-on-year, UNODC encountered an increase of income of $35.9 million (9.9 per cent) and an increase in expenditure of $37.6 million (12.1 per cent).

26. Table IV.2 shows 2020 and 2021 expenditures, broken down by funding source in terms of special purpose funds (earmarked contributions), programme support cost funds (administrative and programme support cost budget), general purpose funds (unearmarked voluntary contributions), and the regular budget.

Table IV.2

United Nations Office on Drugs and Crime 2020–2021 expenditure by funding source (United Nations system accounting standards basis)

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

	2021		*2020*	
	Amount	*Percentage*	*Amount*	*Percentage*
Extrabudgetary resources				
Special purpose funds	297.8	85	260.8	84
Programme support cost funds	23.2	7	24.5	8
General purpose funds	4.4	1	3.4	1
Subtotal	**325.4**	**93**	**288.7**	**93**
Regular budget	23.4	7	22.5	7
Total	**348.8**	**100**	**311.2**	**100**

27. The second year of the COVID-19 pandemic continued to affect programme delivery, although improvements could be seen overall. As a result of the measures taken by UNODC to support implementation at headquarters and in the field, programme delivery increased to $297.8 million in 2021, an increase of $37.0 million compared to 2020.

28. Compared to 2020, the increase in programme performance was most noticeable in: the global maritime crime programme (increase of $10.3 million); the global programme to prevent and combat corruption (increase of $5.1 million); the global programme for combating wildlife and forest crime (increase of $3.8 million); the global programme against money-laundering (increase of $3.3 million); global container control programme (increase of $3.2 million); the global programme on strengthening the legal regime against terrorism (increase of $3.0 million); the global programme on countering transnational illicit arms trafficking through the implementation of the United Nations Convention against Transnational Organized Crime and its Firearms Protocol (increase of $2.8 million); and the project on strengthening criminal justice systems in the Sahel (increase of $2.5 million).

29. Figures IV.I and IV.II below show expenditures by subprogramme and by region respectively. The two largest subprogrammes in terms of volume were subprogramme 1: Countering transnational organized crime and subprogramme 5: Justice. Together, in 2021, these two subprogrammes accounted for 55.1 per cent of expenditures. Aside from the global programmes (39.2 per cent), the largest regions in terms of volume were Africa and the Middle East (27.6 per cent) and the Latin America and the Caribbean (13.2 per cent). Together, in 2021, the three regions accounted for 80.1 per cent of expenditures.

Figure IV.I

United Nations Office on Drugs and Crime expenditure by subprogramme (including regular budget), 2021 (United Nations system accounting standards basis)

(Millions of United States dollars)

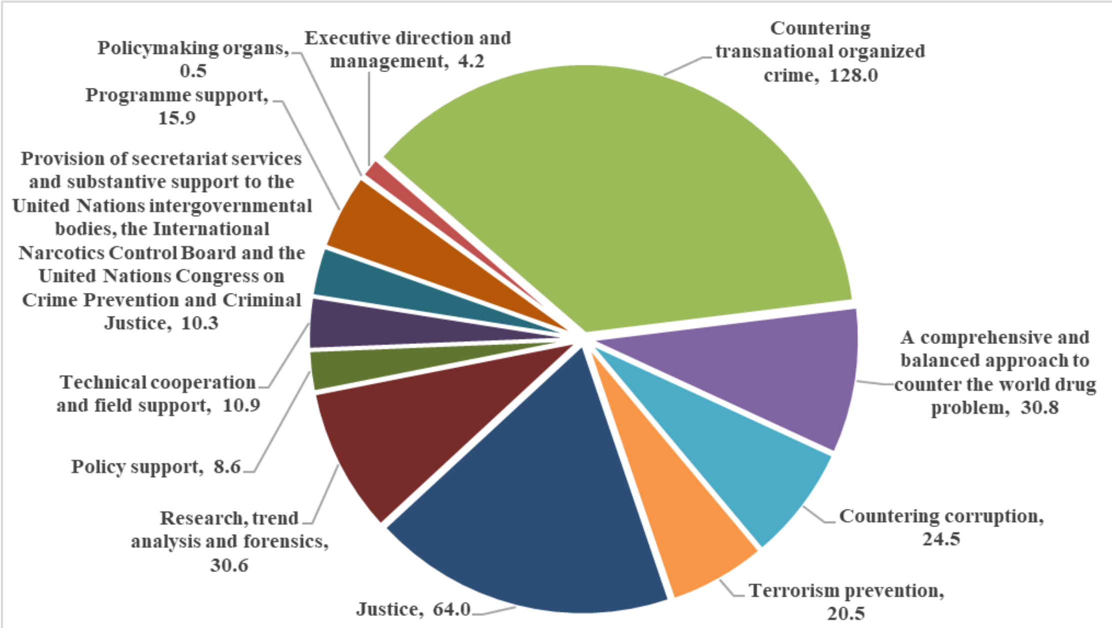
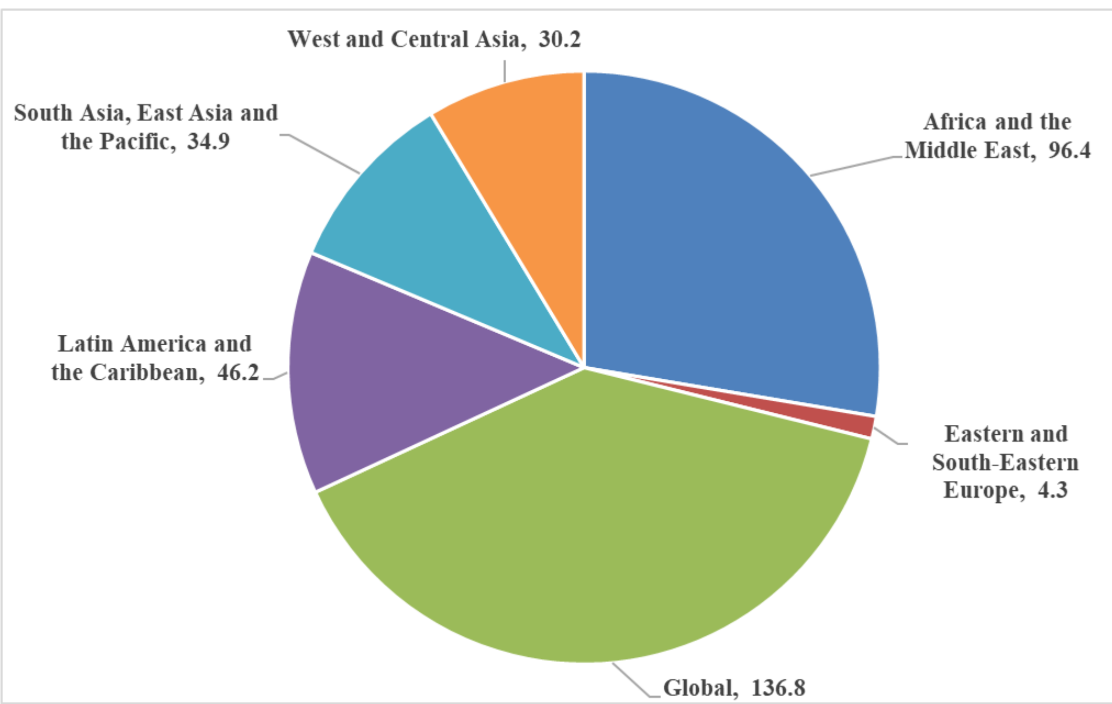


Figure IV.II

United Nations Office on Drugs and Crime expenditure by region (including regular budget), 2021 (United Nations system accounting standards basis)

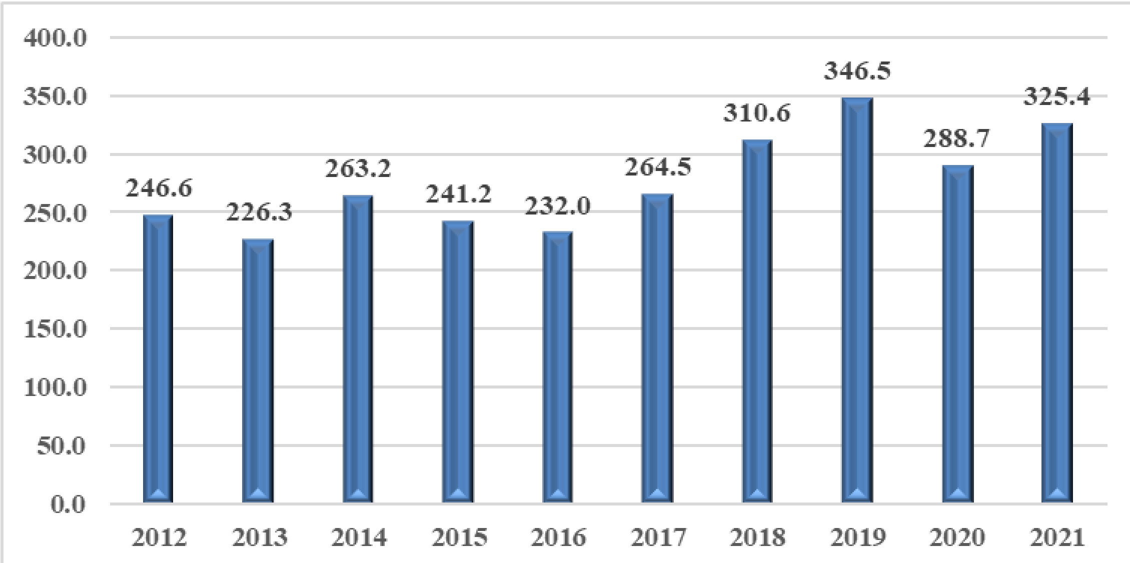
(Millions of United States dollars)



Note: Based on country/region of implementation.

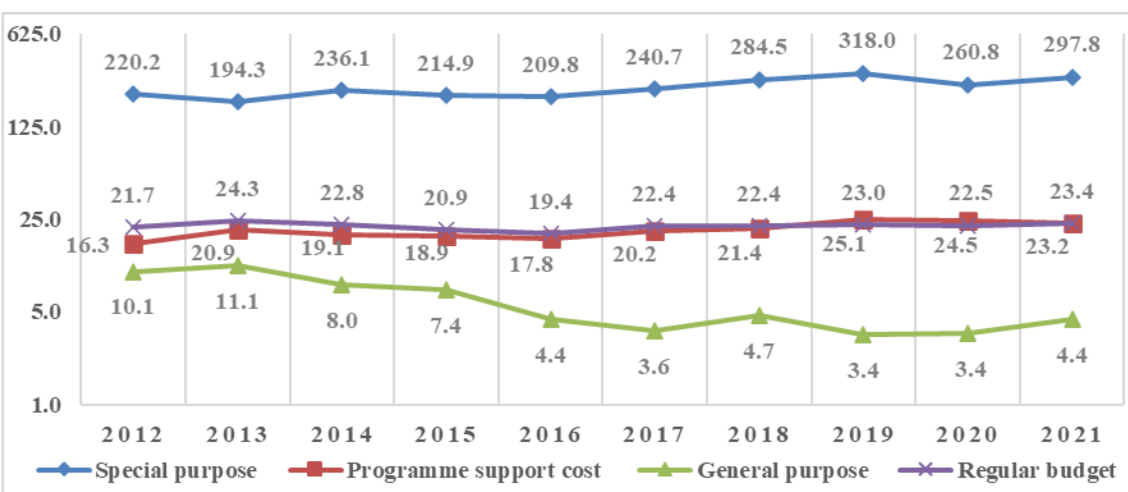
30. Figures IV.III and IV.IV show the 10-year trends of United Nations system accounting standards technical assistance expenditure.

Figure IV.III
United Nations Office on Drugs and Crime technical assistance expenditure trend (excluding regular budget), 2012–2021 (United Nations system accounting standards basis)
(Millions of United States dollars)



31. Although the COVID-19 pandemic continued throughout 2021, the mitigation measures UNODC put in place allowed for an improvement in the delivery of technical assistance (extrabudgetary implementation) by 12.7 per cent. The 2021 expenditure stood at $325.4 million, an increase of $36.6 million compared with 2020.

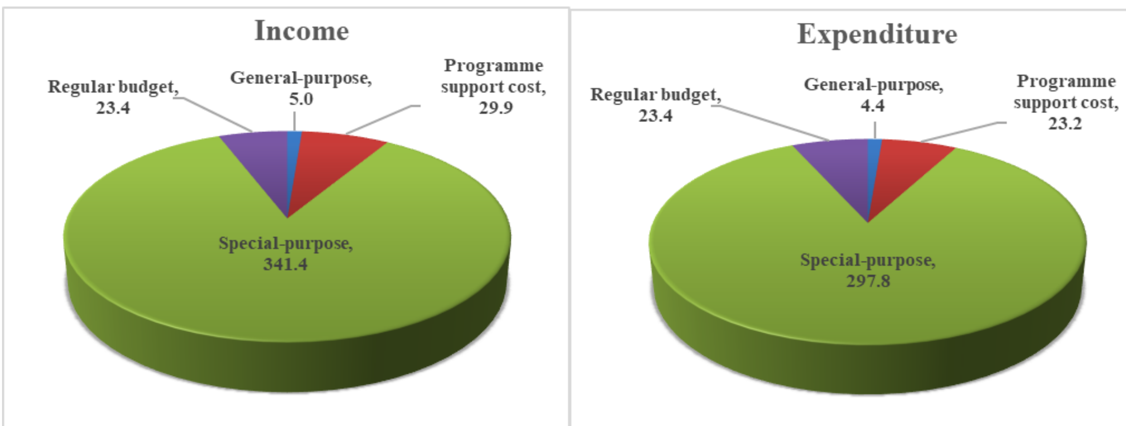
Figure IV.IV
United Nations Office on Drugs and Crime expenditure by funding source, 2012–2021 (United Nations system accounting standards basis)
(Millions of United States dollars)



32. Figure IV.III highlights the continuous deterioration of the funding mix between earmarked and unearmarked contributions over the years. In 2012, the ratio of general purpose (unearmarked) funding to special purpose (earmarked) was 5:95, whereas the same ratio was only 1:99 in 2021. In numbers, general purpose funding (expenditure) stood at $10.1 million in 2012 but declined by 56.5 per cent to $4.4 million in 2021, whereas the earmarked funding (expenditure) stood at $220.2 million in 2012 and increased by 35.2 per cent, to $297.8 million, by 2021.

33. Figure IV.V presents 2021 income and expenditure by source of funding (general purpose funds, programme support cost funds and special purpose funds).

Figure IV.V
United Nations Office on Drugs and Crime income and expenditure by funding source, 2021 (United Nations system accounting standards basis)
(Millions of United States dollars)



34. Figure IV.V highlights that the general purpose (unearmarked) income represented a mere 1.3 per cent of the total income and funded a mere 1.3 per cent of the yearly delivery (expenditure). As the flow of sustained unearmarked resources is key to the Office's viability, UNODC continues to call upon Member States to pledge adequate general-purpose contributions. Furthermore, UNODC is also placing greater emphasis on providing soft-earmarked contributions as part of its corporate fundraising plan, whereby Member States make a commitment to contributing more core resources and increasing the flexibility of voluntary contributions.

35. The improved delivery under special purpose funds resulted in higher programme support costs income earned in 2021: $29.9 million, compared with $23.6 million in 2020.

E. Financial analysis

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

37. As at 31 December 2021, the net assets amounted to $881.5 million (statement I), which represented an increase of $58.7 million (or 7.1 per cent) compared to $822.8 million as at 31 December 2020. That increase was a result of a net surplus in 2021 of $61.3 million (statement II) together with a loss arising from the actuarial valuation of employee benefits of $2.5 million (statement III).

38. Cash and cash equivalents and investments amounted to $944.9 million (74.0 per cent of total assets at 31 December 2021), an increase of $73.0 million (or 8.4 per cent) over the 2020 amount of $871.9 million (see notes 5 and 6).

39. At the end of 31 December 2021, voluntary contributions receivable represented uncollected earmarked pledges totalling $262.0 million (2020: $289.0 million), net of allowance for doubtful receivables of $11.1 million (2020: $5.2 million) (see note 7).

40. Implementing programmatic activities in partnership with other United Nations programmes and agencies, international and regional organizations, government institutions and non-governmental organizations is an important element of the UNODC business model. Under the new United Nations Office at Vienna/UNODC partnership policy for the engagement of external partners, which supersedes and replaces the UNODC framework of engagement with external parties, the Office transfers advances to its implementing partners and subsequently measures their utilization through partner reporting in a timely manner. As of the end of December 2021, a balance of $17.4 million (2020: $16.5 million) of advances remained outstanding. Of this amount, $1.5 million (2020: $5.0 million) related to advances made in support of the implementation and monitoring of an integrated and sustainable strategy to reduce illicit crops and promote alternative development and a culture of legality in Colombia (see note 8).

41. As at 31 December 2021, UNODC held property, plant and equipment of $16.6 million (2020: $12.1 million). At the end of 2021, ongoing construction projects amounted to $13.6 million (see note 10).

42. As at 31 December 2021, UNODC reported advance receipts of $35.4 million (2020: $35.3 million). That amount represented funds received from exchange transactions for services that had not been delivered by year-end (see note 13).

43. UNODC liability for employee benefits amounted to $147.1 million as at 31 December 2021 (2020: $135.1 million), of which $138.1 million (2020: $127.5 million) represented liabilities under defined benefit plans (see note 14).

44. The total revenue of $417.8 million during 2021 (2020: $391.4 million) consisted primarily of $345.5 million (2020: $313.0 million) of non-exchange revenue (82.7 per cent of total revenue) (see note 19); and $34.5 million (2020: $33.8 million) of allocations from the United Nations regular budget (see note 18). Within other revenue of $14.4 million (2020: $8.9 million), $11.9 million (2020: $8.8 million) represent income derived from exchange transactions such as services rendered on software support and training to Member States and other international organizations (see note 20).

45. The total expenditures for the period amounted to $356.5 million (2020: $333.1 million), comprising mainly staff-related costs of $147.5 million (41.4 per cent of total expenses) (2020: $132.3 million), and non-employee compensation and allowances of $73.5 million (2020: $60.0 million) (20.6 per cent of total expenses). Furthermore, $23.5 million (2020: $58.1 million) of expenditures represented the work delivered by the implementing partners and grants to end beneficiaries under authorized small-grants schemes.

F. Risks, challenges and improvements, 2021 and beyond

Strategic planning and dependence on extrabudgetary contributions

46. One of the principal risks affecting the financial situation of UNODC has been the ability to determine strategic priorities to allocate the appropriate resources for effective mandate execution. The new strategy for 2021–2025 guides and sets

priorities in the implementation of UNODC mandates, and its implementation therefore addresses this risk in some ways. To step up its efforts on results-based management, further to the launch of the strategy for 2021–2025, UNODC developed an implementation matrix, including workplans under the five thematic areas, to turn commitments into action. UNODC also reviewed its internal processes and issued standard operating procedures on the strategic planning and budgeting process linking resource requirements to the strategic areas of UNODC following the launch of Umoja Extension 2.

47. To ensure better strategic financial resources management, the Executive Director also gave new impetus to the discussion on the funding model for UNODC through interdivisional discussions, with the aim of proposing practical recommendations to address insufficient funding and a more effective use of funds.

48. Over the years, the heavy reliance by UNODC on earmarked extrabudgetary contributions has increased, with the proportion of unearmarked funds being reduced over time. This poses a risk to the long-term funding sustainability of the Office, which requires sufficient, stable and predictable income to achieve its objectives. It also affects the independence and delivery capacity of UNODC.

49. In that respect, UNODC also approved a new fundraising plan linked to the strategy that strives to expand and diversify the partnership base, matching partner priorities with UNODC mandates, expertise and cross-cutting themes. Donor briefings and outreach have been intensified on thematic and regional programmes promoting more flexible funding for strategic priorities. UNODC also increased the number of high-level strategic dialogues with donor partners in which the general-purpose shortfalls are part of the discussions.

50. UNODC conducted regular briefings to Member States, including through the intergovernmental working group on improving the governance and financial situation of UNODC, apprised the group of the general-purpose situation and requested it to favourably address the general-purpose shortfall. Throughout the year, UNODC also continued to closely monitor the COVID-19 situation; reviewed the overall financial situation of the Office and closely monitored budget implementation, identifying gaps and risk areas; took measures to support programme implementation; and reported to Member Sates accordingly.

51. Information on financial risk management (credit risk, liquidity risk and market risk) is provided in note 21 of the financial statements.

Funding model

52. In response to the requests made by the Commissions in their resolutions 62/9 and 28/4, UNODC conducted a review of the use and allocation of programme support cost funds and explored proposals for a more flexible and effective use of programme support cost funds at headquarters and in the field, as appropriate. Internal discussions continued throughout 2021, and three options were identified, taking into account the UNODC strategy for 2021–2025: (a) income growth strategies to be addressed through the UNODC fundraising plan; (b) continuous reviews of organizational processes and structures at headquarters and in field offices, considering changes coming from the Secretariat-wide United Nations reform streams; (c) direct cost-recovery of actual work for transaction services related to the processing of funding agreements, implementing partner agreements, consultant contract services and payroll to be implemented on a pilot basis in 2022.

United Nations management reforms

53. To enhance accountability and compliance with policy guidelines issued by the Department of Management Strategy, Policy and Compliance, UNODC is monitoring on a regular basis the related dashboards, which compare UNODC information against a standard set of key performance indicators, and performing management reviews. The efficiency of the senior manager compacts for 2020–2021 has been strengthened through the inclusion of new indicators on the statement of internal controls; providing a safe and healthy workplace for mission personnel; the consideration of placement of qualified staff affected by downsizing; and conduct and discipline, including preventing and addressing sexual exploitation and abuse of authority.

54. UNODC also participated in the roll-out of the Secretariat-wide statement of internal controls. The first statement of internal controls for all operations carried out by the United Nations Secretariat in 2020 was signed by the Secretary-General on 27 May 2021. The issuance of the second statement of internal controls for all 2021 operations of the Secretariat is planned for mid-2022, following the submission of the signed and revised self-assessment checklists and assurance statements by all heads of entities.

Enterprise risk management initiative

55. Following the adoption of a new Secretariat-wide risk register in July 2021, the United Nations Office at Vienna/UNODC began the process of reviewing its institutional enterprise risk management framework with a view to aligning it to the UNODC strategy for 2021–2025. The United Nations Office at Vienna/UNODC is closely cooperating with the enterprise risk management team of the Department of Management Strategy, Policy and Compliance in New York and has been proposed as one of the pilot entities to test a new Secretariat-wide application for enterprise risk management.

Umoja

56. The main deployment efforts continued to be focused on completion and further enhancements of the Umoja Extension 2 project solution for voluntary contributions, especially those related to the integrated planning, management and reporting component and the introduction of the United Nations partner portal to further strengthen the end-to-end process of the implementing partner management component. In addition, the supply chain management tool was introduced and gradually deployed for better management of procurement services. Progress was also made in requirement definition and the design of the fundraising and donor relationship component and of the conference management solution, with further discussions expected in 2022.

57. To successfully deploy Umoja processes, the permanent forum of process experts established by the United Nations Office at Vienna/UNODC liaises with Headquarters on a regular basis regarding Umoja Extension 2 functionality, integration and deployment. Furthermore, a revised training approach, together with an improved client support model, was deployed to ensure a holistic technical support mechanism for end users. Efforts are aimed at improving the Office’s organizational agility and effectiveness by leveraging the benefits of an integrated enterprise resource planning system for both programmatic and administrative areas.

Chapter V

Financial statements for the year ended 31 December 2021

United Nations Office on Drugs and Crime

I. Statement of financial position as at 31 December 2021

(Thousands of United States dollars)

	Reference	*31 December 2021*	*31 December 2020 (restated)[a]*
Assets			
Current assets			
Cash and cash equivalents	Note 5	103 698	95 283
Investments	Note 6	708 687	584 279
Voluntary contributions receivable	Note 7	148 869	164 653
Other receivables	Note 7	15 200	7 823
Advance transfers	Note 8	17 441	16 540
Advances to UNDP and other assets	Note 9	7 802	9 951
Total current assets		**1 001 697**	**878 529**
Non-current assets			
Investments	Note 6	132 474	192 326
Voluntary contributions receivable	Note 7	113 157	124 316
Other receivables	Note 7	12 718	12 000
Property, plant and equipment	Note 10	16 617	12 145[a]
Intangible assets	Note 11	535	256
Total non-current assets		**275 501**	**341 043**
Total assets		**1 277 198**	**1 219 572**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	Note 12	42 599	26 705
Advance receipts	Note 13	35 369	35 280
Employee benefits liabilities	Note 14	7 280	4 835
Conditional liabilities	Note 16	108 433	122 166
Total current liabilities		**193 681**	**188 986**
Non-current liabilities			
Accounts payable and accrued liabilities	Note 12	12 718	12 000
Employee benefits liabilities	Note 14	139 869	130 233
Conditional liabilities	Note 16	49 391	65 559
Total non-current liabilities		**201 978**	**207 792**
Total liabilities		**395 659**	**396 778**
Net of total assets and total liabilities		**881 539**	**822 794**
Net assets			
Accumulated surpluses/(deficits) – unrestricted	Note 17	53 971	44 897
Accumulated surpluses/(deficits) – restricted	Note 17	827 568	777 897[a]
Total net assets		**881 539**	**822 794**

[a] The 2020 comparatives have been restated. Notes 10 and 17 provide further details.

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

United Nations Office on Drugs and Crime

II. Statement of financial performance for the year ended 31 December 2021

(Thousands of United States dollars)

	Reference	*2021*	*2020 (reclassified)*[a]
Revenue			
United Nations regular budget allocation	Note 18	34 518	33 827
Voluntary contributions	Note 19	345 462	312 980
Other transfers and allocations	Note 19	23 305	21 859
Other revenue	Note 20	14 418	8 920
Investment revenue	Note 21	72	13 840
Total revenues		**417 775**	**391 426**
Expenses			
Employee salaries allowances and benefits	Note 22	147 520	132 258
Non-employee compensation and allowances	Note 23	73 541	60 026
Grants and other transfers	Note 24	23 473	58 076
Supplies and consumables	Note 25	6 115	8 029
Depreciation	Note 10	571	658
Amortization	Note 11	86	122
Travel	Note 26	21 038	9 090
Other operating expenses	Note 27	84 058	64 842[a]
Other expenses	Note 28	118	–[a]
Total expenses		**356 520**	**333 101**
Surplus/(deficit) for the year	**Note 17**	**61 255**	**58 325**

[a] The 2020 comparatives have been reclassified as Other operating expenses and Other expenses to align with the United Nations system wide classification updates. Notes 27 and 28 provide further details.

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

United Nations Office on Drugs and Crime

III. Statement of changes in net assets for the year ended 31 December 2021

(Thousands of United States dollars)

	Reference	*Accumulated surpluses/(deficits) – unrestricted*	*Accumulated surpluses/(deficits) – restricted (restated)*[a]	*Total (restated)*[a]
Net assets as at 1 January 2020		**50 479**	**724 912** [a]	**775 391**[a]
Change in net assets				
Transfers to/from unrestricted/restricted reserve funds		(5 601)	5 601	–
Actuarial gain/(loss)		(10 922)	–	(10 922)
Surplus/(deficit) for the year		10 941	47 384	58 325
Total as at 31 December 2020		**44 897**	**777 897**	**822 794**
Net assets as at 1 January 2021	Statement I	**44 897**	**777 897**	**822 794**
Change in net assets				
Transfers to/from unrestricted/restricted reserve funds	Note 17	(638)	638	–
Actuarial gain/(loss)	Note 14	(2 510)	–	(2 510)
Surplus/(deficit) for the year	Statement II	12 222	49 033	61 255
Total as at 31 December 2021	**Statement I**	**53 971**	**827 568**	**881 539**

[a] The 2020 comparatives have been restated. Notes 10 and 17 provide further details.

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

United Nations Office on Drugs and Crime

IV. Statement of cash flows for the year ended 31 December 2021

(Thousands of United States dollars)

	Reference	*2021*	*2020*
Cash flow from operating activities			
Surplus/(deficit) for the year	Statement II	**61 255**	**58 325**
Non-cash movements			
Depreciation and amortization	Note 10, 11	657	780
Actuarial loss on employee benefits liabilities	Note 14	(2 510)	(10 922)
Net loss on disposal of property, plant and equipment	Note 10	1 593	8 372
Changes in assets			
(Increase)/decrease in voluntary contributions receivable	Note 7	26 943	(34 674)
(Increase)/decrease in other receivables	Note 7	(8 095)	(1 267)
(Increase)/decrease in advance transfers	Note 8	(901)	9 632
(Increase)/decrease in other assets	Note 9	2 149	5 989
Changes in liabilities			
Increase/(decrease) in accounts payable – Member States	Note 12	9 281	(888)
Increase/(decrease) in accounts payable – other	Note 12	7 332	(7 520)
Increase/(decrease) in advance receipts	Note 13	88	(40)
Increase/(decrease) in employee benefits payable	Note 14	12 081	18 041
Increase/(decrease) in provisions	Note 15	–	(25)
Increase/(decrease) in conditional liabilities	Note 16	(29 901)	28 378
Investment revenue presented as investing activities	Note 21	(72)	(13 840)
Net cash flows from operating activities	Note 4	**79 900**	**60 341**
Cash flows from investing activities			
Pro rata share of net increases in the cash pool	Note 6	(64 556)	(186 657)
Investment revenue presented as investing activities	Note 21	72	13 840
Acquisitions of property, plant and equipment	Note 10	(6 636)	(7 788)
Acquisitions of intangibles	Note 11	(365)	(128)
Net cash flows from/(used in) investing activities	Note 4	**(71 485)**	**(180 733)**
Cash flows from financing activities			
Other inflows/(outflows) of cash		–	–
Net cash flows from financing activities	Note 4	–	–
Net increase/(decrease) in cash and cash equivalents	Note 4	8 415	(120 392)
Cash and cash equivalents – beginning of year	Note 5	95 283	215 675
Cash and cash equivalents – end of year	Statement I	**103 698**	**95 283**

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

United Nations Office on Drugs and Crime

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2021

(Thousands of United States dollars)

	Publicly available budget[a]			
	Original 2021 annual[b]	*Final 2021 annual*[c]	*Actual 2021 (budget basis)*	*Difference*[d] *(percentage)*
Revenue				
United Nations regular budget allocation	24 297	24 297	23 429	(4)
Voluntary contributions	309 992	304 540	376 233	23
Total revenue	**334 289**	**328 837**	**399 662**	**21**
Expense				
A. Policymaking organs	1 208	1 208	541	(55)
B. Executive direction and management	5 004	4 198	4 224	1
C. Programme of work				
1. Countering transnational organized crime	117 456	118 842	127 999	8
2. A comprehensive and balanced approach to counter the world drug problem	107 077	51 336	30 789	(40)
3. Countering corruption	16 920	26 311	24 432	(7)
4. Terrorism prevention	15 319	16 158	20 458	27
5. Justice	39 529	54 087	64 026	18
6. Research, trend analysis and forensics	31 591	29 795	30 620	3
7. Policy support	7 706	8 489	8 607	1
8. Technical cooperation and field support	13 390	11 727	10 885	(7)
9. Provision of secretariat services and substantive support to the United Nations intergovernmental bodies, the International Narcotics Control Board and the United Nations Congress on Crime Prevention and Criminal Justice	11 387	10 808	10 269	(5)
D. Programme support	18 473	16 442	15 933	(3)
Total expenses (Note 4)	**385 060**	**349 401**	**348 783**	–
Net surplus/(deficit)	**(50 771)**	**(20 563)**	**50 879**	–

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

[b] Original approved budget for 2021 of $385.1 million covers extrabudgetary resources of $360.8 million approved by the Commission on Narcotic Drugs and the Commission on Crime Prevention and Criminal Justice (E/CN.7/2019/14-E/CN.15/2019/16). It also includes the 2021 initial appropriation for regular budget section 16 ($23.4 million) and section 23 ($0.9 million). The amount for extrabudgetary resources includes the United Nations Interregional Crime and Justice Research Institute.

[c] Final budget for 2021 of $349.4 million covers extrabudgetary resources of $325.1 million as reflected in E/CN.7/2021/11-E/CN.15/2021/18. It also includes the 2021 final appropriation for regular budget section 16 ($23.4 million) and section 23 ($0.9 million). The amount for extrabudgetary resources includes the United Nations Interregional Crime and Justice Research Institute.

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

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

Note 1
Reporting entity

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

1. The United Nations Office on Drugs and Crime (UNODC) was established in 1997[2] through a merger between the United Nations International Drug Control Programme[3] and the Centre for International Crime Prevention.[4] The mission of UNODC is to contribute to global peace and security, human rights and development by making the world safer from drugs, crime, corruption and terrorism by working for and with Member States to promote justice and the rule of law and to build resilient societies.

2. The mandate derives from the priorities established in relevant United Nations conventions and General Assembly resolutions, including Assembly resolutions 45/179, 46/152 and 46/185 C. The work of the Office is grounded in a series of international instruments for which the Office acts as guardian and advocate. They include the three international drug control conventions, the United Nations Convention against Corruption, the United Nations Convention against Transnational Organized Crime and the Protocols thereto, the 19 international conventions and protocols against terrorism and the United Nations standards and norms in crime prevention and criminal justice.

3. UNODC assists Member States in their fight against crime in all its dimensions, in countering the world drug problem, and in preventing international terrorism through: (a) normative work, including policy advocacy and legislative assistance to promote the ratification and implementation of the relevant international treaties and the provision of secretariat and substantive services to the treaty-based, governing and other Member State-driven bodies in relevant mandate areas; (b) research and policy support work to expand the evidence base, as well as its interface with the policymaking processes at the national, regional and global levels through increased knowledge and understanding; and (c) technical cooperation to enhance the capacity of Member States and other stakeholders to counteract illicit drugs, crime and terrorism at the national, regional and global levels through the Office's extensive field network and headquarters.

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

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[2] See A/51/950, paras. 143–145.

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

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

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

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

6. Headquartered in Vienna, UNODC operates in all regions of the world through an extensive network of regional offices (9), country offices (6), liaison and partnership offices (2), and other field project and programme offices locations (104).

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

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

Note 2
Accounting policies

Basis of preparation

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

10. The financial statements have been prepared on a going-concern basis. The assertion is based on the approval by the Commissions and the General Assembly of the budget requirements for 2020–2021, and the historical trend of collection of assessed and voluntary contributions over the past years.

11. These financial statements cover the calendar year ended 31 December 2021. The reporting period coincides with the calendar year.

Authorization for issue

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

Functional and presentation currency

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

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

Materiality and use of judgment and estimates

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

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

Cash flow convention

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

Revenue

Regular budget allocation

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

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

Voluntary contributions

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

21. Voluntary contributions receivable balances represent uncollected revenue from enforceable agreements and are stated at nominal value, less specific impairments. An allowance for doubtful receivables is applied on the basis of historical collection experience.

In-kind contributions

22. Outright in-kind contributions and donated rights to use of goods over $5,000 are recognized as revenue to the extent that future economic benefits or service potential to the Office is probable and reliably measurable. Contributions in kind are initially measured at their fair value at the date of receipt, determined by reference to observable market values or by independent appraisals. In-kind contributions of services are not recognized as revenue but rather disclosed in the notes to the financial statements to the extent that they exceed $20,000.

Exchange revenue

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

Investment revenue

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

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

Expenses

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

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

Leases

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

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

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

Donated rights to use

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

Assets

Classification

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

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

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

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

36. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred along with all substantial risks and rewards.

Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Investment in cash pools

37. The United Nations Treasury invests funds pooled from Secretariat entities and other participating entities. These pooled funds are combined in two internally managed cash pools. Participation in a cash pool implies sharing the risk and returns on investments with the other participants. Given that the funds are commingled and invested on a pool basis, each participant is exposed to the overall risk of the investment portfolio to the extent of the amount of cash invested.

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

Cash and cash equivalents

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

Voluntary contributions receivable

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

Other receivables

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

Advances to the United Nations Development Programme and other assets

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

Heritage assets

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

Property, plant and equipment

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

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

46. Property, plant and equipment items are fully depreciated over their estimated useful life using the straight-line method. Land, assets under construction and project assets in transit are not subject to depreciation. The estimated useful lives and capitalization thresholds for the various classes of property, plant and equipment are determined by the United Nations IPSAS corporate guidance on property, plant and equipment and are as follows.

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

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

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

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

49. Impairment reviews for property, plant and equipment are undertaken yearly or when events or changes in circumstances indicate that carrying amounts may not be recoverable and if no indicators for impairment are identified during the year the impairment reviews are undertaken during the annual physical verification.

Intangible assets

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

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

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

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

Advance transfers (to implementing partners) and grants

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

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

Liabilities

Classification

55. Financial liabilities include accounts payable, transfers payable, unspent funds held for future refunds and other liabilities such as balances payable to other United Nations entities. Financial liabilities classified as other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities with a duration of less than 12 months are recognized at their nominal value. The Office re-evaluates the classification of financial liabilities at each reporting date and derecognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

Accounts payable and accrued liabilities

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

Advance receipts

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

Employee benefits liabilities

58. Employees comprise staff members, as described under Article 97 of the Charter of the United Nations, whose employment and contractual relationship is defined by a letter of appointment subject to regulations promulgated by the General Assembly pursuant to Article 101, paragraph 1, of the Charter.

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

60. UNODC recognizes liabilities and accruals for:

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

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

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

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

Short-term employee benefits

61. Short-term employee benefits (other than termination benefits) are those payable within 12 months after the end of the year in which the employee renders the related services. Short-term employee benefits comprise first-time employee benefits (assignment grants), regular daily/weekly/monthly benefits (wages, salaries and allowances), compensated absences (paid sick leave, maternity/paternity leave) and other short-term benefits (death grant, education grant, reimbursement of taxes and home leave travel). All such benefits that are accrued but not yet paid at the reporting date are recognized as current liabilities within the statement of financial position.

Other long-term employee benefits

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

Post-employment benefits

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

Termination benefits

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

Defined-benefit plans

65. The following benefits are accounted for as defined-benefit plans: after-service health insurance, repatriation benefits (post-employment benefits) and accumulated annual leave that is commuted to cash upon separation from the Office (other long-term benefits). Defined-benefit plans are those where the Office's obligation is to provide agreed benefits and therefore UNODC bears the actuarial risks. The liability for defined-benefit plans is measured at the present value of the defined-benefit obligation. Changes in the liability for defined-benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. UNODC has chosen to recognize changes in the liability for defined-benefit plans from actuarial gains and losses directly through the statement of changes in net assets. As at the end of the reporting year, UNODC held no plan assets as defined by IPSAS 39: Employee benefits.

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

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

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

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

under the category of other long-term benefits, while noting that the portion of the accumulated annual leave benefit that is expected to be settled via monetary payment within 12 months after the reporting date is classified as a current liability. In line with IPSAS 39: Employee benefits, other long-term benefits must be valued similarly to post-employment benefits; therefore, UNODC values its accumulated annual leave benefit liability as a defined, post-employment benefit that is actuarially valued.

Pension plan: United Nations Joint Staff Pension Fund

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

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

Non-employee compensation

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

Provisions and contingent liabilities

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

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

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

Commitments

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

Future accounting pronouncements

77. The progress and impact of the following significant future IPSAS Board accounting pronouncements on the Organization's financial statements continue to be monitored:

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

(b) Non-exchange expenses: the aim of the project is to develop a standard or standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits. The new standard would result in a change in accounting policy for the recognition of expenses whereby the transfer provider will recognize an expense as the transfer recipient satisfies an obligation by transferring goods or service to a third-party beneficiary. The IPSAS Board is expected to issue the standard by the end of 2022. In order to prepare for the adoption of this new standard, data collection efforts and a revision of the agreement template are under way;

(c) Revenue: the scope of the project is to develop new standard-level requirements and guidance on revenue to amend or supersede that currently located in IPSAS 9: Revenue from exchange transactions, IPSAS 11: Construction contracts, and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers). The IPSAS Board is expected to issue the standard by the end of 2022;

(d) Leases: the objective of the project is to replace IPSAS 13 for lease accounting in order to maintain alignment with International Financial Reporting Standard 16. IPSAS 43 was issued in January 2022;

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

(f) Infrastructure assets: the objective of the project is to research and identify issues preparers have when applying IPSAS 17: Property, plant and equipment to infrastructure assets. Informed by this research, the aim is to provide additional guidance on accounting for infrastructure assets.

Recent and future requirements of the International Public Sector Accounting Standards

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

Standard	*Anticipated impact in the year of adoption*
IPSAS 41	IPSAS 41: Financial instruments, substantially improves the relevance of information for financial assets and financial liabilities. It will replace IPSAS 29: Financial instruments: recognition and measurement, and improves that standard's requirements by introducing: (a) Simplified classification and measurement requirements for financial assets; (b) A forward-looking impairment model; (c) A flexible hedge accounting model. The effective date of IPSAS 41: Financial instruments, was deferred to 1 January 2023 owing to the COVID-19 pandemic and the challenges it has created. The impact of IPSAS 41: Financial instruments, on the financial statements will be assessed prior to that date, and the Organization will be ready for its implementation by the time it becomes effective.
IPSAS 42	IPSAS 42: Social benefits, provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include state retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment. The effective date of IPSAS 42 was deferred to 1 January 2023 owing to the COVID-19 pandemic and the challenges it created. Currently, there are no such social benefits applicable to UNODC.

Note 3
Segment reporting

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

80. In segment reporting, the Office's revenue, expenses, assets and liabilities are presented by reference to two major pillars of its mandate: the United Nations International Drug Control Programme and the United Nations Crime Prevention and Criminal Justice Programme, which includes the United Nations Interregional Crime and Justice Research Institute. Activities that are not earmarked for specific programmes are reported on the basis of the performance ratio of the drug and crime programmes for the purpose of segment reporting.

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

Segment reporting by pillars

Statement of financial position as at 31 December 2021

(Thousands of United States dollars)

	31 December 2021			*31 December 2020*		
	Drug programme	*Crime programme*	*Total*	*Drug programme*	*Crime programme (restated)* [a]	*Total (restated)*[a]
Assets						
Current assets						
Cash and cash equivalents	51 609	52 089	103 698	50 424	44 859	95 283
Investments	247 898	460 789	708 687	223 280	360 999	584 279
Voluntary contributions receivable	23 620	125 249	148 869	33 957	130 696	164 653
Advance transfers and other receivables	2 296	30 345	32 641	7 071	17 292	24 363
Advances to UNDP and other assets	7 199	603	7 802	7 176	2 775	9 951
Total current assets	**332 622**	**669 075**	**1 001 697**	**321 908**	**556 621**	**878 529**
Assets						
Non-current assets						
Investments	46 339	86 135	132 474	73 497	118 829	192 326
Voluntary contributions receivable	11 026	102 131	113 157	11 219	113 097	124 316
Other receivables	–	12 718	12 718	–	12 000	12 000
Property, plant and equipment and intangible assets	2 752	14 400	17 152	2 708	9 693[a]	12 401[a]
Total non-current assets	**60 117**	**215 384**	**275 501**	**87 424**	**253 619**	**341 043**
Total assets	**392 739**	**884 459**	**1 277 198**	**409 332**	**810 240**	**1 219 572**
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities	5 456	37 143	42 599	7 844	18 861	26 705
Advance receipts	4 023	31 346	35 369	5 061	30 219	35 280
Employee benefits liabilities	2 772	4 508	7 280	1 881	2 954	4 835
Conditional liabilities	14 281	94 152	108 433	18 576	103 590	122 166
Total current liabilities	**26 532**	**167 149**	**193 681**	**33 362**	**155 624**	**188 986**

	31 December 2021			31 December 2020		
	Drug programme	*Crime programme*	*Total*	*Drug programme*	*Crime programme (restated)* [a]	*Total (restated)*[a]
Non-current liabilities						
Accounts payable and accrued liabilities	–	12 718	12 718	–	12 000	12 000
Employee benefits liabilities	53 751	86 118	139 869	51 056	79 177	130 233
Conditional liabilities	4 860	44 531	49 391	4 401	61 158	65 559
Total non-current liabilities	**58 611**	**143 367**	**201 978**	**55 457**	**152 335**	**207 792**
Total liabilities	**85 143**	**310 516**	**395 659**	**88 819**	**307 959**	**396 778**
Net of total assets and total liabilities	**307 596**	**573 943**	**881 539**	**320 513**	**502 281**	**822 794**
Net assets						
Accumulated surpluses/(deficits) – unrestricted	44 736	9 235	53 971	42 310	2 587	44 897
Accumulated surpluses/(deficits) – restricted	262 860	564 708	827 568	278 203	499 694[a]	777 897[a]
Total net assets	**307 596**	**573 943**	**881 539**	**320 513**	**502 281**	**822 794**

[a] The 2020 comparatives have been restated. Notes 10 and 17 provide further details.

Segment reporting by pillars

Statement of financial performance for the year ended 31 December 2021

(Thousands of United States dollars)

	2021			2020 (reclassified)[a]		
	Drug programme	*Crime programme*	*Total*	*Drug programme*	*Crime programme*	*Total*
Segment revenue						
United Nations regular budget allocation	15 932	18 586	34 518	15 570	18 257	33 827
Voluntary contributions	68 708	276 754	345 462	93 147	219 833	312 980
Other transfers and allocations	5 813	17 492	23 305	3 461	18 398	21 859
Other revenue	1 363	13 055	14 418	913	8 007	8 920
Investment revenue	53	19	72	5 759	8 081	13 840
Total revenues	**91 869**	**325 906**	**417 775**	**118 850**	**272 576**	**391 426**
Expenses						
Employee salaries allowances and benefits	48 735	98 785	147 520	47 276	84 982	132 258
Non-employee compensation and allowances	20 126	53 415	73 541	20 337	39 689	60 026
Grants and other transfers	8 960	14 513	23 473	49 437	8 639	58 076
Depreciation and amortization	268	389	657	369	411	780
Travel	4 741	16 297	21 038	3 234	5 856	9 090
Other operating expenses	19 718	64 340	84 058	25 339[a]	39 503[a]	64 842[a]
Supplies, consumables and other expenses	1 983	4 250	6 233	3 820[a]	4 209[a]	8 029[a]
Total expenses	**104 531**	**251 989**	**356 520**	**149 812**	**183 289**	**333 101**
Surplus/(deficit) for the year	**(12 662)**	**73 917**	**61 255**	**(30 962)**	**89 287**	**58 325**

[a] The 2020 comparatives have been reclassified as Other operating expenses and Other expenses to align with the United Nations system-wide classification updates. Notes 27 and 28 provide further details.

Segment reporting by geographical region for the year ended 31 December 2021

(Thousands of United States dollars)

	2021	*2020*
Africa and the Middle East	93 367	62 978
Eastern and South-Eastern Europe	3 789	2 102
Global programmes	142 016	124 619
Latin America and the Caribbean	51 266	82 016
South Asia, East Asia and the Pacific	34 800	25 143
West and Central Asia	31 282	36 243
Total expenses	**356 520**	**333 101**

Segment reporting by subprogramme for the year ended 31 December 2021

(Thousands of United States dollars)

	2021	*2020*
A. Policymaking organs	1 466	455
B. Executive direction and management	4 317	4 027
C. Programme of work		
1. Countering transnational organized crime	123 582	87 407
2. A comprehensive and balanced approach to counter the world drug problem	33 307	78 753
3. Countering corruption	29 776	20 427
4. Terrorism prevention	19 045	14 457
5. Justice	58 433	40 216
6. Research, trend analysis and forensics	30 316	27 161
7. Policy support	7 552	6 954
8. Technical cooperation and field support	15 034	22 822
9. Provision of secretariat services and substantive support to the United Nations intergovernmental bodies, the International Narcotics Control Board and the United Nations Congress on Crime Prevention and Criminal Justice	10 802	8 673
D. Programme support	22 890	21 749
Total expenses	**356 520**	**333 101**

Note 4
Comparison to budget

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

83. The original budget for the biennium 2020–2021 of $810.184 million covers extrabudgetary resources of $763.300 million approved by the Commission on Narcotic Drugs and the Commission on Crime Prevention and Criminal Justice (see E/CN.7/2019/14-E/CN.15/2019/16), and regular budget resources of $46.884 million approved by the General Assembly (resolutions 74/264 A–C and 75/254 A–C) for

sections 16 and 23. Of the $810.184 million, the original budget for 2021 of $385.060 million is included in this statement.

84. The final budget for the biennium 2020–2021 of $660.673 million covers extrabudgetary resources of $613.789 million approved by the Commission on Narcotics Drugs and the Commission on Crime Prevention and Criminal Justice (see E/CN.7/2021/11-E/CN.15/2021/18), and regular budget resources of $46.884 million allocated by the Secretariat and approved by the General Assembly (resolutions 74/264 A–C and 75/254 A–C) for sections 16 and 23. Of the $660.673 million, the final budget for 2021 of $349.401 million is included in these statements.

85. The explanations on material differences of 10 per cent or more for 2021 are provided below:

Budget caption	*Material differences*
Revenue	The variance of $71.693 million is due to higher-than-expected voluntary contributions mainly from the United Stated of America and the European Union.
Policymaking organs	The variance of $0.667 million is due to lower-than-expected travel of representatives of the fourteenth United Nations Congress on Crime Prevention and Criminal Justice (Kyoto), the International Narcotics Control Board, the Commission on Narcotic Drugs and the Commission on Crime Prevention and Criminal Justice, as a result of the coronavirus disease (COVID-19) pandemic.
Subprogramme 2, A comprehensive and balanced approach to counter the world drug problem	The variance of $20.547 million is due mainly to the reduction of programme activities on alternative development within the framework of the implementation of the peace agreement in Colombia.
Subprogramme 4, Terrorism prevention	The variance of $4.300 million is due mainly to higher-than-budgeted implementation of the global programme on strengthening the legal regime against terrorism and regional programme on terrorism prevention in South- East Asia.
Subprogramme 5, Justice	The variance of $9.939 million is due mainly to higher-than-budgeted implementation of the global programmes on maritime crime and prison challenges.

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

Reconciliation of actual amounts on a comparable basis to the statement of cash flows, 2021

(Thousands of United States dollars)

	Operating	*Investing*	*Financing*	*Total 31 December 2021*
Actual amounts on a comparable basis (statement V)	**(348 783)**	**–**	**–**	**(348 783)**
Basis differences	436 903	–	–	436 903
Entity differences	(10 360)	–	–	(10 360)
Presentation differences	2 140	(71 485)	–	(69 345)
Actual amounts in the statement of cash flows (statement IV)	**79 900**	**(71 485)**	**–**	**(8 415)**

87. Basis differences capture the differences resulting from preparing budget on a modified cash basis. In order to reconcile the budgetary results to the statement of cash flows, the non-cash elements such as budgetary commitments of $63.066 million (2020: $21.763 million) and payment against prior year budgetary commitments $45.879 (2020: $44.506 million) are included as basis differences. In addition, other IPSAS-specific differences such as the treatment of employee benefits and indirect cash flows relating to changes in receivables and accrued liabilities are included.

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

89. Presentation differences are the differences in the format and classification schemes between the statement of cash flows and the statement of comparison of budget and actual amounts. The latter does not include the changes in cash pool balances of $64.484 million (2020: $172.817 million). Other presentation differences include the fact that the amounts included in the statement of comparison of budget and actual amounts are not segregated into operating, investing and financing activities such as cash flows on property, plant and equipment including intangibles $7.001 million (2020: $7.916 million).

90. Timing differences occur if the budget period differs from that of the financial statements. As the budget results under statement V reflect only the 2021 proportion of the biennium, there are no timing differences.

Note 5
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Cash at bank and on hand	32	41
Cash pool cash and term deposits	103 666	95 242
Total cash and cash equivalents (statement I)	**103 698**	**95 283**

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

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

Note 6
Investments

(Thousands of United States dollars)

	Total 31 December 2021	*Total 31 December 2020*
Current		
Main pool	708 687	584 279
Euro pool	–	–
Subtotal, current (statement I)	**708 687**	**584 279**
Non-current		
Main pool	132 474	192 326
Subtotal, non-current (statement I)	**132 474**	**192 326**
Total	**841 161**	**776 605**

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

Note 7
Outstanding voluntary contributions receivable and other receivables

Outstanding voluntary contributions receivable

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Current voluntary contributions receivable		
Governments	712	889
Other governmental organizations	148 825	154 071
United Nations organizations	5 733	11 513
Private donors	4 707	3 414
Total current voluntary contributions receivable before allowance	**159 977**	**169 887**
Non-current voluntary contributions receivable		
Governments	–	–
Other governmental organizations	108 032	122 269
United Nations organizations	–	244
Private donors	5 125	1 803
Total non-current voluntary contributions receivable before allowance	**113 157**	**124 316**

	31 December 2021	*31 December 2020*
Allowance for doubtful receivables, current	(11 108)	(5 234)
Total allowance for doubtful receivables	**(11 108)**	**(5 234)**
Net voluntary contributions receivable, current (statement I)	**148 869**	**164 653**
Net voluntary contributions receivable, non-current (statement I)	**113 157**	**124 316**
Total voluntary contributions receivable	**262 026**	**288 969**

Other receivables

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Current other receivables		
Governments	13 595	4 386
Receivables from other United Nations entities	195	82
Other revenue receivables	1 425	3 355
Total other receivables before allowance, current	**15 215**	**7 823**
Allowance for doubtful receivables, current	(15)	–
Total other receivables (statement I)	**15 200**	**7 823**
Non-current other receivables		
Other exchange revenue receivables	12 718	12 000
Total other receivables, non-current (statement I)	**12 718**	**12 000**

Movements in allowances for doubtful receivables

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Opening allowance for doubtful receivables	5 234	3 465
Amounts written off[a]	(3 292)	(611)
Doubtful receivables adjustment for current year	9 181	2 380
Closing allowance for doubtful receivables	**11 123**	**5 234**

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

Ageing of voluntary contributions receivable and other receivables

(Thousands of United States dollars)

	31 December 2021		*31 December 2020*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Neither past due nor impaired	254 082	–	281 057	(191)
Less than one year	35 988	(1 173)	20 674	(1 780)
One to two years	1 212	(315)	12 258	(3 241)
Two to three years	9 751	(9 601)	37	(22)
More than three years	34	(34)	–	–
Total	**301 067**	**(11 123)**	**314 026**	**(5 234)**

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

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

96. Other receivables include amounts due from employees or from United Nations and other entities for goods supplied, services rendered and operating lease arrangements. The balance mainly represents an exchange revenue arrangement with a Government on judicial system construction and capacity building activities (current: $13.500 million, non-current: $12.718 million).

Note 8
Advance transfers

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
United Nations Office for Project Services	3 872	143
Advances to other United Nations entities	9 217	9 183
Implementing partners (Colombia)	1 476	5 031
Other implementing partners	2 876	2 183
Total advance transfers (statement I)	**17 441**	**16 540**

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

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

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Advances to UNDP and other United Nations entities	4 502	6 218
Advances to vendors	160	198
Advances to staff	2 398	3 259
Advances to other personnel	673	107
Other assets	69	169
Total advances to UNDP and other assets (statement I)	**7 802**	**9 951**

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

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

Note 10
Property, plant and equipment

100. The movements and balances for property, plant and equipment of UNODC as at 31 December 2021 are provided below:

Movements and balances for property, plant and equipment, 2021

(Thousands of United States dollars)

	Buildings	*Leasehold improvements*	*Furniture and fixtures*	*Communications and information technology equipment*	*Vehicles*	*Machinery and equipment*	*Assets under construction*	*Total*
Cost								
As at 1 January 2021	519	307	9	1 294	7 935	1 006	9 395	20 465
Additions	286	–	–	403	1 042	617	4 288	6 636
Disposals[a]	(118)	–	–	(351)	(778)	(399)	–	(1 646)
Completed assets under construction	109	–	–	–	–	–	(109)	–
Cost as at 31 December 2021	**796**	**307**	**9**	**1 346**	**8 199**	**1 224**	**13 574**	**25 455**
Accumulated depreciation								
As at 1 January 2021	334	77	2	1 074	6 136	697	–	8 320
Depreciation	30	61	2	41	367	70	–	571
Disposals[a]	(3)	–	–	(37)	(13)	–	–	(53)
Accumulated depreciation as at 31 December 2021	**361**	**138**	**4**	**1 078**	**6 490**	**767**	**–**	**8 838**
Net carrying amount								
As at 1 January 2021	185	230	7	220	1 799	309	9 395	12 145
As at 31 December 2021 (statement I)	**435**	**169**	**5**	**268**	**1 709**	**457**	**13 574**	**16 617**

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

Movements and balances for property, plant and equipment, 2020

(Thousands of United States dollars)

	Buildings	Leasehold improvements	Furniture and fixtures	Communications and information technology equipment	Vehicles	Machinery and equipment	Assets under construction (restated)[a]	Total (restated)[a]
Cost								
As at 1 January 2020[a]	562	307	69	1 373	8 180	2 981	7 965[a]	21 437[a]
Additions	209	725	9	661	2 699	882	2 603	7 788
Disposals[b]	(1 214)	(936)	(69)	(746)	(2 944)	(2 857)	–	(8 766)
Completed assets under construction	962	211	–	–	–	–	(1 173)	–
Transfers	–	–	–	6	–	–	–	6
Cost as at 31 December 2020	**519**	**307**	**9**	**1 294**	**7 935**	**1 006**	**9 395**	**20 465**
Accumulated depreciation								
As at 1 January 2020	420	15	–	1 085	5 816	714	–	8 050
Depreciation	29	62	2	57	455	53	–	658
Disposals[b]	(115)	–	–	(74)	(135)	(70)	–	(394)
Transfers	–	–	–	6	–	–	–	6
Accumulated depreciation as at 31 December 2020	**334**	**77**	**2**	**1 074**	**6 136**	**697**	–	**8 320**
Net carrying amount								
As at 1 January 2020	142	292	69	288	2 364	2 267	7 965	13 387
As at 31 December 2020 (statement I)	**185**	**230**	**7**	**220**	**1 799**	**309**	**9 395**	**12 145**

[a] Amount restated to reflect transfer to beneficiary made in 2019.
[b] Disposals include the assets transferred to end beneficiaries as part of UNODC programme delivery.

101. The 2020 comparatives have been restated to reflect the completion of an asset under construction and transfer to the beneficiary in 2019 totalling $3.502 million. Note 17 provides further detail.

102. At the end of 31 December 2021, UNODC held a total of $16.617 million (2020: $12.145 million) in property, plant and equipment. The increase in net carrying amount of $4.472 million (2020: decrease of $1.242 million) from the prior period was mainly attributable to the increase of assets under construction. UNODC does not maintain items of property, plant and equipment as securities for liabilities.

103. UNODC enters into construction works such as building of prisons, police stations and courthouses for the benefit of Member States and other end beneficiaries. Once completed, these assets are handed over to the local governments, and ownership of the property is then fully transferred. During 2021, there were construction projects amounting to $0.109 million completed and transferred to end beneficiaries. Ongoing construction projects amounting to $13.574 million at the end of 2021 are anticipated to be completed in 2022 and beyond, after which they will be handed over to the beneficiaries.

104. Impairment reviews are undertaken for all classes of property, plant and equipment and UNODC did not identify additional impairment, in the context of the COVID-19 situation.

Note 11
Intangible assets

(Thousands of United States dollars)

	Software internally developed	*Assets under development*	*Total*
Cost as at 31 December 2020	1 104	128	1 232
Additions	–	365	365
Disposals	–	–	–
Completed assets under development	371	(371)	–
Cost as at 31 December 2021	**1 475**	**122**	**1 597**
Accumulated amortization as at 31 December 2020	976	–	976
Amortization	86	–	86
Impairment and write-offs in year	–	–	–
Accumulated amortization as at 31 December 2021	**1 062**	**–**	**1 062**
Net carrying amount			
31 December 2020	128	128	256
31 December 2021 (statement I)	**413**	**122**	**535**

105. As part of its programme delivery, UNODC has developed several software products, namely goAML, goCase, goPRS and RevMod. In addition, a software product called goIFAR is under development and anticipated to be completed in 2022. These software products are provided for use to Member States and other international organizations under service-level agreements.

Note 12
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Vendor payables	10 802	5 339
Payables to other United Nations entities	282	1 801
Accruals for goods and services	13 415	9 086
Other	4 589	6 249
Subtotal	**29 088**	**22 475**
Accounts payable, Member States and Governments	13 511	4 230
Total accounts payable and accrued liabilities, current (statement I)	**42 599**	**26 705**
Non-current accounts payable, Member States and Governments	12 718	12 000
Total accounts payable and accrued liabilities, non-current (statement I)	**12 718**	**12 000**

106. Other includes $0.702 million payables to the European Union under conditional liability arrangements. (2020: $0.934 million).

107. Accounts payable – Member States and Governments, current and non-current, include $26.229 million in liabilities on exchange revenue arrangements for the cash not yet received; the contra amount is reported within other receivables (see note 7).

Note 13
Advance receipts

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
United Nations Interregional Crime and Justice Research Institute Training Fees	582	592
National Drug Control System	1 488	1 240
Various software products for Member States and Governments	11 266	10 251
Judicial systems construction and capacity-building	21 218	20 426
Other advance receipts	815	2 771
Total advance receipts (statement I)	**35 369**	**35 280**

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

Note 14
Employee benefits liabilities

Summary of employee benefits liabilities as at 31 December 2021

(Thousands of United States dollars)

	Current	*Non-current*	*Total*
After-service health insurance	477	101 562	102 039
Annual leave	1 233	13 485	14 718
Repatriation benefits	1 924	19 453	21 377
Subtotal, defined-benefit liabilities	**3 634**	**134 500**	**138 134**
Accrued salaries and allowances	3 646	5 369	9 015
Total employee benefits liabilities (statement I)	**7 280**	**139 869**	**147 149**

Summary of employee benefits liabilities as at 31 December 2020

(Thousands of United States dollars)

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

109. UNODC began the funding of after-service health insurance liabilities on its activities funded by extrabudgetary resources by imposing a levy on the salary costs with effect from December 2012. The level of the levy is reviewed and updated periodically taking into account the funding levels achieved and changes in actual versus projected participants demographics, economic factors and medical cost trends. The current levy for after-service health insurance is 9 per cent of the gross salary plus post adjustment.

110. The $102.039 million after-service health insurance liability comprises $22.998 million regular budget liabilities and $79.041 million non-regular budget liabilities. As at 31 December 2021, $53.541 million (2020: $45.385 million) of the non-regular budget liabilities have been funded.

111. The Organization accrues 8 per cent on gross salary less staff assessment for staff funded from extrabudgetary resources as a reserve to cover the Organization’s repatriation grant obligation.

112. The $21.377 million repatriation liability comprises $4.518 million regular budget liabilities and $16.859 million non-regular budget liabilities. As at 31 December 2021, $23.742 million (2020: $21.412 million) of the non-regular budget liabilities have been funded.

113. The $14.718 million annual leave liability comprises $2.497 million (2020: $1.902 million) regular budget liabilities and $12.221 million (2020: $9.482 million) non-regular budget liabilities. The annual leave liabilities are unfunded.

114. Location-specific post-employment benefits for end-of-service allowance for General Service category staff are calculated internally at UNODC and reported within accrued salaries and allowances. These amounted to $6.493 million for 2021 (2020: $6.010 million). These end-of-service liabilities are unfunded.

115. The liabilities arising from end-of-service/post-employment benefits are determined by independent actuaries and are established in accordance with the Staff Regulations and Rules of the United Nations. An actuarial valuation is usually undertaken every two years, with a roll-forward for the second year. The most recent full actuarial valuation was conducted as at 31 December 2021.

Actuarial valuation: assumptions

116. The principal actuarial assumptions used to determine the employee benefits obligations at 31 December 2021 are as follows.

Actuarial assumptions

(Percentage)

Assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates, 31 December 2020	1.60	2.26	2.33
Discount rates, 31 December 2021	2.11	2.75	2.80
Inflation, 31 December 2020	3.25-3.65	2.20	–
Inflation, 31 December 2021	3.75-3.95	2.50	–

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

118. The 2021 actuarial valuation reports a net $2.510 million actuarial loss being a $1.175 million gain on after-service health insurance, a $1.097 million loss on repatriation benefits and a $2.588 million loss on annual leave. The actuarial gain for after-service health insurance is mainly due to the increase of the discount rate partially offset by the increase of the per medical cost trend rate. The actuarial loss for repatriation benefits and annual leave is mainly due to the experience adjustment, partially offset by the increase of the discount rate.

Movements in employee benefits liabilities accounted for as defined benefit plans

Reconciliation of opening to closing total defined-benefits liability

(Thousands of United States dollars)

	2021	*2020*
Net defined-benefits liability as at 1 January	127 494	109 530
Current service cost	8 468	7 260
Interest cost	2 230	2 560
Benefits paid	(2 568)	(2 778)
Total net costs recognized in the statement of financial performance	**8 130**	**7 042**
Actuarial (gain)/losses recognized in the statement of changes in net assets	2 510	10 922
Net defined-benefits liability as at 31 December	**138 134**	**127 494**

Discount rate sensitivity analysis

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

Discount rate sensitivity analysis: year-end employee benefits liabilities

(Thousands of United States dollars)

31 December 2021	*After-service health insurance*	*Repatriation grant*	*Annual leave*
Increase of discount rate by 0.5 per cent	(12 420)	(879)	(643)
As a percentage of end-of-year liability	(13)	(4)	(4)
Decrease of discount rate by 0.5 per cent	14 842	946	699
As a percentage of end-of-year liability	16	4	5

Medical cost sensitivity analysis

120. The principal assumption in the valuation of the after-service health insurance is the rate at which medical costs are expected to increase in the future. The sensitivity analysis looks at the change in liability resulting from changes in the medical cost rates while holding other assumptions, such as the discount rate, constant. Should the medical cost trend assumption vary by 0.5 per cent, this would have an impact on the measurement of the defined-benefits obligations, as shown below:

(Thousands of United States dollars)

2021	*Effects on the defined-benefits obligations*	*Effects on current service cost and interest cost*
Increase of discount rate by 0.5 per cent	14 202	1 584
As a percentage of end-of-year liability/ service and interest cost	14.9	19.4
Decrease of discount rate by 0.5 per cent	(12 060)	(1 302)
As a percentage of end-of-year liability/ service and interest cost	(12.6)	(16.2)

United Nations Joint Staff Pension Fund

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

122. The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the Fund. UNODC and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify the Office's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient

reliability for accounting purposes. Hence, UNODC has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39: Employee benefits. UNODC's contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

123. The Fund's Regulations 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 Fund will be sufficient to meet its liabilities.

124. The UNODC financial obligation to the Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the 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.

125. The latest actuarial valuation for the Fund was completed as of 31 December 2019, and the valuation as of 31 December 2021 is currently being performed. A roll forward of the participation data as at 31 December 2019 to 31 December 2020 was used by the Fund for its 2020 financial statements.

126. The actuarial valuation as at 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.4 per cent. The funded ratio was 107.1 per cent when the current system of pension adjustments was taken into account.

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

128. Should article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2018, 2019 and 2020) amounted to $7,993.15 million, of which 0.94 per cent was contributed by UNODC.

129. During 2021, contributions paid to the Fund amounted to $19.937 million (2020 $18.212 million). Contributions due in 2022 are expected to be at the same level.

130. Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and

liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

131. The Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board on the audit every year. The Pension Fund publishes quarterly reports on its investments, which are available at www.unjspf.org.

Note 15
Provisions

132. Provisions are recorded for pending claims when it is determined that an unfavourable outcome is probable and the amount of the loss can be reasonably estimated. As at 31 December 2021, UNODC had no provisions which met the criteria.

Note 16
Conditional liabilities

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Liabilities (cash received)	53 546	60 041
Current liabilities (cash not received)	54 887	62 125
Total conditional liabilities, current (statement I)	**108 433**	**122 166**
Non-current liabilities (cash not received)	49 391	65 559
Total conditional liabilities, non-current (statement I)	**49 391**	**65 559**

133. Liabilities for conditional arrangements consist of cash received from the European Union and not yet utilized in the amount of $53.546 million (2020: $60.041 million). The liabilities for the cash not yet received has a contra amount reported within voluntary contributions receivable (other governmental organizations, see note 7).

Note 17
Net assets

(Thousands of United States dollars)

	Accumulated surpluses/ (deficits) – unrestricted	*Accumulated surpluses/ (deficits) – restricted*	*Total (restated)*
Net assets as at 1 January 2020 (restated)	**50 479**	**724 912**	**775 391**
Change in net assets			
Transfers to/from unrestricted/restricted reserve funds	(5 601)	5 601	–
Actuarial gain/(loss)	(10 922)	–	(10 922)
Surplus/(deficit) for the year	10 941	47 384	58 325
Total as at 31 December 2020 (restated)	**44 897**	**777 897**	**822 794**
Net assets as at 1 January 2021 (restated)	**44 897**	**777 897**	**822 794**

	Accumulated surpluses/ (deficits) – unrestricted	*Accumulated surpluses/ (deficits) – restricted*	*Total (restated)*
Change in net assets			
Transfers to/from unrestricted/restricted reserve funds	(638)	638	–
Actuarial gain/(loss)	(2 510)	–	(2 510)
Surplus/(deficit) for the year	12 222	49 033	61 255
Total as at 31 December 2021 (statement I)	**53 971**	**827 568**	**881 539**

134. The restricted balances consist of donor contributions earmarked to specific activities.

135. The 2020 opening restricted reserve has been restated to reflect a reduction of $3.502 million due to the transfer of an asset under construction to the beneficiary, which took place in 2019.

136. The net unrestricted balance consists of unearmarked project fund balances of $84.910 million (2020: $74.447 million) and a negative balance of $30.939 million (2020: negative $29.550 million) representing the unfunded end-of-service liability originating from the regular budget.

Note 18
United Nations regular budget allocation

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Revenue		
United Nations regular budget allocation	34 518	33 827
Expenditure		
Direct programme activities	23 744	23 518
Support (administrative) activities	10 774	10 309
Total expenditure (statement II)	**34 518**	**33 827**
Excess of income over expenditure	–	–

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

138. Support activities represent administrative services, including finance, human resources and procurement, provided by the United Nations Office at Vienna to UNODC under section 29 of the United Nations regular budget. Activities under this caption represent 34.8 per cent of the total administrative budget of the United Nations Office at Vienna. The remainder of the United Nations Office at Vienna's administrative operations (65.2 per cent) supports other United Nations Secretariat entities residing in Vienna. For 2021, the expenses under direct programme activities consisted of $22.017 million (2020: $21.315 million) under section 16, $0.974 million (2020: $0.911 million) under section 23, $0.753 million (2020: $1.293 million) under section 35, $3.100 million (2020: $ 2.851 million) under section 36 and for support (administrative) activities $7.674 million (2020: $7.457 million) under section 29G.

Note 19
Revenue from non-exchange transactions

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Voluntary contributions		
Voluntary contributions in cash	360 100	315 845
Voluntary contributions in kind	1 399	1 430
Total voluntary contributions received	**361 499**	**317 275**
Refunds	(16 037)	(4 295)
Net voluntary contributions received (statement II)	**345 462**	**312 980**
Other transfers and allocations		
Interorganizational arrangements	23 305	21 859
Total other transfers and allocations (statement II)	**23 305**	**21 859**

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

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

Services in kind

141. In-kind contributions of services received during the year are not recognized as revenue and are, therefore, not included in the above voluntary contributions in kind. In-kind services above the materiality threshold received in 2021 in the amount of $0.548 million (2020: $0 million) consisted of satellite imaging and ad hoc expert analyst advice.

Note 20
Other revenue

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Revenue from services rendered	11 892	8 762
Rental income	75	91
Revenue producing activities and other miscellaneous revenue	2 451	67
Total other revenue (statement II)	**14 418**	**8 920**

142. Other revenue represents exchange revenue.

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

144. Revenue producing activities and Other miscellaneous revenue includes net foreign exchange gains of $2.434 million (2020: $3.742 million exchange losses were reported under other operating expenses).

Note 21
Financial instruments and financial risk management

(Thousands of United States dollars)

Financial instruments	*31 December 2021*	*31 December 2020*
Financial assets		
Fair value through surplus or deficit[a]		
Short-term investments, main pool	708 687	584 279
Total short-term investments	**708 687**	**584 279**
Long-term investments, main pool	132 474	192 326
Total long-term investments	**132 474**	**192 326**
Total fair value through surplus or deficit investments	**841 161**	**776 605**
Loans and receivables		
Cash and cash equivalents, main pool	103 666	95 242
Cash and cash equivalents, other	32	41
Cash and cash equivalents	**103 698**	**95 283**
Voluntary contributions receivable	262 026	288 969
Other receivables	27 918	19 823
Other assets (excluding advances)	5	–
Total loans and receivables	**289 949**	**308 792**
Total carrying amount of financial assets	**1 234 808**	**1 180 680**
Of which relates to financial assets held in main pool	944 827	871 847
Financial liabilities at amortized cost		
Accounts payable and accrued payables (excluding deferred payables)	55 317	38 705
Total carrying amount of financial liabilities	**55 317**	**38 705**
Summary of net income from financial assets		
Investment revenue	72	13 840
Total net income from financial assets (statement II)[a]	**72**	**13 840**

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

Cash pools

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

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

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

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

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

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

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

150. As at 31 December 2021, the cash pools held total assets of $11,799.725 million (2020: $10,652.389 million), of which $944.827 million was due to UNODC (2020: $871.847 million), and its share of revenue from cash pools was $0.072 million (2020: $13.840 million).

Summary of assets and liabilities of the cash pools as at 31 December 2021

(Thousands of United States dollars)

	Main pool
Fair value through surplus or deficit	
Short-term investments	8 839 722
Long-term investments	1 654 439
Total fair value through surplus or deficit investments	**10 494 161**
Loans and receivables	
Cash and cash equivalents	1 294 660
Accrued investment revenue	10 903
Total loans and receivables	**1 305 563**
Total carrying amount of financial assets	**11 799 724**
Cash pool liabilities	
Payable to UNODC	944 827
Payable to other cash pool participants	10 854 897
Total liabilities	**11 799 724**
Net assets	–

Summary of revenue and expenses of the cash pools for the year ended 31 December 2021

(Thousands of United States dollars)

	Main pool
Investment revenue	46 322
Unrealized gains/(losses)	(37 495)
Investment revenue from cash pools	**8 827**
Foreign exchange gains/(losses)	(1 626)
Bank fees	(1 805)
Operating gains (losses) from cash pools	**(3 431)**
Revenue and expenses from cash pools	**5 396**

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

(Thousands of United States dollars)

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

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

(Thousands of United States dollars)

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

Financial risk management: overview

151. UNODC has exposure to the following financial risks:

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk.

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

153. The United Nations Treasury is responsible for investment and risk management for the cash pools, including conducting investment activities in accordance with the Investment Management Guidelines.

Risk management framework

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

Credit risk

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

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

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

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

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

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

(Percentage)

Main pool	*Ratings as at 31 December 2021*			
Bonds (long-term ratings)				
	AAA/AAAu	*AA+u/AA+/AA*	*A+*	*NA*
S&P	47.8%	48.1%	0.4%	3.7%
	AAA	*AA+/AA/AA-*		*NA/NR*
Fitch	61.3%	15.7%		23.0%
	Aaa	*Aa1/Aa2/Aa3*	*A1*	*NA*
Moody's	61.1%	34.9%	0.4%	3.6%
Commercial papers/certificates of deposit (short-term ratings)				
	A-1+/A-1			
S&P	100.0%			
	F1+/F1			*NR*
Fitch	96.7%			3.3%
	P-1/P2			
Moody's	100.0%			
Reverse repurchase agreement (short-term ratings)				
	A-1+u			
S&P	100.0			
	F1+			
Fitch	100.0			
	WR			
Moody's	100.0			
Term deposits/demand deposit account (Fitch viability ratings)				
	aa-	*a+/a/a-*		*NA*
Fitch	34.1%	65.9%		

	Ratings as at 31 December 2020			
Bonds (long-term ratings)				
	AAA	*AA+/AA/AA-*	*A+*	*Not rated/WD*
S&P	44.0%	53.2%		2.8%
Fitch	61.4%	15.5%		23.1%
	Aaa	*Aa1/Aa2/Aa3*	*A1*	
Moody's	61.1%	34.9%	0.4%	3.6%
Commercial papers/certificates of deposit (short-term ratings)				
	A-1+/A-1			
S&P	100.0%			
	F1+/F1			*NR*
Fitch	98.0%			2.0%
	P-1			
Moody's	100.0%			
Term deposits demand deposit account (Fitch viability ratings)				
	aaa	*aa/aa-*	*a+/a*	
Fitch	–	27.5%	72.5%	

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

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

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

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

163. UNODC had financial assets of $1,234.808 million at 31 December 2021 which is the maximum credit exposure on these assets.

Liquidity risk

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

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

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

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

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

Interest rate risk

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

170. The cash pools comprise the Organization's main exposure to interest rate risk with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the cash pools had invested primarily in securities with shorter terms to maturity, with the maximum being less than three years (2020: four years). The average duration of the main pool on 31 December 2021 was 0.49 years (2020: 0.72 years), which is considered to be an indicator of low risk.

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

Main pool interest rate risk sensitivity analysis as at 31 December 2021

(Millions of United States dollars)

	Shift in yield curve (basis points)								
	-200	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value									
Main pool total	113.63	85.22	56.81	28.40	–	(28.40)	(56.80)	(85.19)	(113.58)

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

(Millions of United States dollars)

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

Market risk

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

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

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

175. The most significant exposure to currency risk relates to the cash pool, cash, cash equivalents and voluntary contributions. As at the reporting date, the non-United

States dollar denominated balances in these financial assets were primarily euros, British pound sterling and Canadian dollars. Other currencies comprise of 34 different currencies, with various balances.

Currency exposure as at 31 December 2021

(Thousands of United States dollars)

	United States dollar	*Euro*	*British pound sterling*	*Canadian dollar*	*Other*	*Total*
Short-term investments	708 687	–	–	–	–	708 687
Long-term investments	132 474	–	–	–	–	132 474
Cash and cash equivalents, cash pools	103 666	–	–	–	–	103 666
Cash and cash equivalents, other	1	–	–	–	31	32
Subtotal, cash pools and other holdings	**944 828**	–	–	–	**31**	**944 859**
Voluntary contributions receivable	107 248	105 570	14 876	13 990	20 342	262 026
Other receivables	25 845	–	606	–	1 467	27 918
Total	**1 077 921**	**105 570**	**15 482**	**13 990**	**21 840**	**1 234 803**

176. A strengthening or weakening of the euro exchange rate as at 31 December 2021 would have affected the measurement of receivables and cash and cash equivalents – other denominated in a foreign currency and increased or decreased net assets and surplus or deficit by the amounts shown in the table below. This analysis is based on foreign currency exchange rate variances considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

Currency exposure sensitivity analysis as at 31 December 2021

(Thousands of United States dollars)

	Net assets/surplus or deficit	
	Strengthening	*Weakening*
Euro (10 per cent movement)	10 557	(10 557)
British pound sterling (10 per cent movement)	1 548	(1 548)
Canadian dollar (10 per cent movement)	1 399	(1 399)
Other (10 per cent movement)	2 184	(2 184)

Other market price risk

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

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

Accounting classifications and fair value

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

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

181. The levels are defined as follows:

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

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

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

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

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

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

Fair value hierarchy for investments as at 31 December: cash pools

(Thousands of United States dollars)

Main pool

	31 December 2021			*31 December 2020*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds – corporate	29 997	–	29 997	15 379	–	15 379
Bonds – non-United States agencies	1 595 405	–	1 595 405	1 368 666	–	1 368 666
Bonds – supranational	812 539	–	812 539	847 288	–	847 288
Bonds – United States treasuries	197 390	–	197 390	502 462	–	502 462
Bonds – non-United States sovereigns	90 163	–	90 163	90 910	–	90 910

	31 December 2021			*31 December 2020*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Main pool – commercial papers	–	3 033 880	3 033 880	–	2 062 987	2 062 987
Main pool – certificates of deposit	–	2 824 787	2 824 787	–	2 762 615	2 762 615
Main pool – term deposits	–	1 910 000	1 910 000	–	1 820 000	1 820 000
Total	**2 725 494**	**7 768 667**	**10 494 161**	**2 824 705**	**6 645 602**	**9 470 307**
Euro pool						
Bonds – corporate	963	–	963	1 194	–	1 194
Bonds – non-United States sovereigns	458	–	458	570	–	570
Subtotal, euro pool	**1 421**	–	**1 421**	**1 764**	–	**1 764**
Total	**2 726 915**	**7 768 667**	**10 495 582**	**2 826 469**	**6 645 602**	**9 472 071**

Note 22
Employee salaries, allowances and benefits

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Salary and wages	113 315	101 908
Pension, insurance and other benefits	34 205	30 350
Total employee salaries, allowances and benefits (statement II)	**147 520**	**132 258**

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

Note 23
Non-employee compensation and allowances

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
United Nations volunteers	6 631	4 045
Consultants and contractors	36 154	27 563
Non-employee, other	30 756	28 418
Total non-employee compensation and allowances (statement II)	**73 541**	**60 026**

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

Note 24
Grants and other transfers

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Grants to end beneficiaries, direct	4 673	3 861
Grants to end beneficiaries, indirect	–	–
Transfers to implementing partners	18 800	54 215
Total (statement II)	**23 473**	**58 076**

187. Expenses under transfers to implementing partners relate to programmatic delivery executed on behalf of UNODC by other organizations. The amount of $18.800 million (2020: $54.215 million) represents the work delivered for the year 2021 on the basis of certified financial reports provided by the implementing partners. In the absence of certified reports, UNODC estimated the work performed by reference to the duration of the agreement and in consultation with the responsible programme managers. Related outstanding advances, that is cash transfers given to implementing partners for which work was yet to be delivered as at 31 December 2021, are shown as advance transfers in statement I (see note 8 for details). Within the total of $23.473 million programmatic delivery, by implementing partners, $8.797 million (2020: $41.694 million) relates to grant awards to farming cooperatives under the alternative livelihoods programmes in Colombia.

Note 25
Supplies and consumables

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Fuel and lubricants	453	276
Rations	39	43
Spare parts	773	998
Consumables	4 850	6 712
Total supplies and consumables (statement II)	**6 115**	**8 029**

Note 26
Travel

188. Owing to the worldwide gradual removal of restrictions on the movement of personnel caused by the COVID-19 pandemic, travel expenses have increased to $21.038 million (2020: $9.090 million).

Note 27
Other operating expenses

(Thousands of United States dollars)

	31 December 2021	*31 December 2020 (reclassified)*
Contracted services	46 491	31 265
Acquisitions of goods	15 239	9 561
Acquisitions of intangible assets	1 436	405
Rental of offices and premises	6 519	5 715
Rental of equipment	216	76
Bad debt expense	9 203	2 374
Net foreign exchange losses	–	3 742
Contributions in kind	1 399	1 430
Other/miscellaneous operating expenses	3 555	10 274
Total other operating expenses (statement II)	**84 058**	**64 842**

189. The 2020 comparatives include the contributions in kind that were previously classified under other expenses so as to ensure alignment with the United Nations-wide classification system.

190. Contracted services under other operating expenses consist of various services by individuals or institutions. Within the total of $46.491 million, $14.733 million (2020: $5.003 million) represents various contracted services for the facilitation of meetings, workshop and travel services, a significant increase from the prior year due to the gradual removal of worldwide restrictions on the travel and meeting of personnel due to the COVID-19 pandemic, and $11.261 million (2020: $8.226 million) for communications and information technology services.

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

192. Bad debt expense totalling $9.203 million consists of write-offs of $3.292 million uncollected pledges and other receivables (2020 $0.586 million), an increase in the allowance for doubtful debts of $5.889 million (2020: $1.766 million), and a write-off of an advance of $0.023 million. The write-offs of uncollected pledges consist of $2.918 million from United Kingdom of Great Britain and Northern Ireland, $0.210 million from Norway, $0.150 million from Germany and $0.007 million from the United States of America. The write-off of other receivables amounts to $0.007 million.

193. Other/miscellaneous operating expenses includes $1.593 million donations/transfers of assets (2020: $8.378 million).

194. Contributions in kind totalling $1.430 million that were included in the 2020 comparatives have been transferred from other expenses to other operating expenses so as to ensure alignment with the United Nations-wide classification system.

Note 28
Other expenses

(Thousands of United States dollars)

	31 December 2021	*31 December 2020 (reclassified)*
Contributions in kind	–	–
Other/miscellaneous expenses	118	–
Total other expenses (statement II)	**118**	–

195. Contributions in kind totalling $1.430 million that were included in the 2020 comparatives have been transferred to Other operating expenses so as to ensure alignment with the United Nations-wide classification system.

Note 29
Related parties

Key management personnel

196. Key management personnel are those with the ability to exercise significant influence over the financial and operating decisions of the entity. The key management personnel of UNODC are the Executive Director, the directors of the four UNODC divisions and the director of the United Nations Interregional Crime and Justice Research Institute, as they all have authority and responsibility for planning, directing and controlling the activities of UNODC. No close family member of key management personnel was employed by the entity at the management level. Their compensation is as follows:

(Thousands of United States dollars)

	31 December 2021	*31 December 2020 (reclassified)*
Salary and post adjustment	1 124	984
Other monetary entitlements	445	484
Non-monetary benefits	–	–
Total remuneration for the period	**1 569**	**1 468**

197. Key management personnel earn post-employment benefits at the same level as other employees. With the exception of Pension Fund benefits, post-retirement benefits cannot be reliably quantified, as the actuarial information is presented at the entity level.

198. Other monetary entitlements include home leave, rental subsidy and pension and health insurance.

199. The key management personnel do not hold any other interests in UNODC and did not receive any loans that are not widely available to persons who are not key management personnel nor loans whose availability is not widely known by members of the public during 2021.

200. Non-monetary and indirect benefits paid to key management personnel were not material. In 2020 pension and health insurance of 0.283 million were included under non-monetary benefits, which has been reclassified as other monetary entitlements,

so as to correctly reflect the nature of these entitlements and ensure alignment with the United Nations-wide classification system.

Note 30
Leases and commitments

Operating leases

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Due in less than one year	754	982
Due in one to five years	462	469
Total minimum operating lease obligations	**1 216**	**1 451**

201. The total minimum operating lease obligations in 2021 of $1.216 million (2020: $1.451 million) consist of the non-cancellable portion of rental agreements in various UNODC field offices. The decrease is due to expired rental agreements in various field offices. As of 31 December 2021, UNODC had no financial leases.

Contractual commitments

202. As at the reporting date, the commitments for property, plant and equipment, intangible assets and goods and services contracted but not delivered increased to $58.169 million (2020: $24.792 million) due to higher operational activity across all field offices and headquarters.

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Property, plant and equipment	1 874	2 088
Goods and services	56 295	22 704
Total open contractual commitments	**58 169**	**24 792**

Note 31
Contingent liabilities and contingent assets

203. A contingent liability arises where there is significant uncertainty about a number of aspects regarding the liability. As at 31 December 2021, four possible claims relating to a labour dispute in a country field office remained unsettled. In the light of the privileges and immunities of the United Nations before national courts, management does not expect the resolution of the claim to have an adverse impact on UNODC. The assessment of this case is performed on an ongoing basis, and any changes will be reported accordingly.

204. In addition, as at 31 December 2021, there were claims against UNODC through the United Nations Dispute Tribunal and the United Nations Appeals Tribunal in which it has been determined that it is possible that the claims may ultimately be decided in favour of the claimants. If the claimants for these unresolved cases are ultimately successful, it is estimated that the cost to UNODC could be approximately $0.1 million.

Note 32
Events after the reporting date

205. The reporting date for these financial statements is 31 December 2021 and they were authorized for issuance by the Executive Director of UNODC on 31 March 2022, on which date they were also submitted to the Board of Auditors. All information relevant to the preparation of the financial statements was considered in the present document. There have been no material events that occurred between the date of the financial statements and the date when the financial statements were authorized for issue that would have had a material impact on these statements.

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