A/78/5/Add.10

United Nations

## United Nations Office on Drugs and Crime

# Financial report and audited financial statements

## for the year ended 31 December 2022

## and

# Report of the Board of Auditors

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

**General Assembly**
Official Records
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**United Nations Office on Drugs and Crime**

# Financial report and audited financial statements

**for the year ended 31 December 2022**

**and**

# Report of the Board of Auditors

United Nations • New York, 2023

*Note*

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

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# Contents

# Letters of transmittal

## Letter dated 31 March 2023 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 2022, 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 26 July 2023 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 2022.

(*Signed*) **Hou** Kai
Auditor General of the People's Republic of China
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 2022 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 2022 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 and the International Standards of Supreme Audit Institutions. Our responsibilities under those standards are described in the section 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 2022, contained in chapter IV, 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 owing 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 owing 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 owing 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*) **Hou** Kai
Auditor General of the People's Republic of China
Chair of the Board of Auditors

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

(*Signed*) Pierre **Moscovici**
First President of the Court of Accounts of France

26 July 2023

# 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 2022. The interim audit was carried out at headquarters, in Vienna, from 3 October to 4 November 2022; at the UNODC Regional Office for Central America and the Caribbean, in Panama, from 21 November to 21 December 2022; at the UNODC Regional Office for West and Central Africa, in Dakar, and at the UNODC Regional Office for South Asia, in New Delhi, from 23 January to 24 February 2023. The final audit of the financial statements was carried out from 11 April to 12 May 2023 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 2022 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 2022 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 2022. However, the Board identified scope for improvement in the areas of financial

and accounting management, enterprise risk management, procurement management, programme and project management, and information and communications technology.

With total revenue of $430.65 million (an increase of $12.87 million compared with 2021) and expenses of $405.59 million, the financial performance reflected a surplus of $25.06 million in 2022 (2021: $61.26 million). Moreover, the overall financial position of UNODC remained sound and steady in 2022, with current assets of more than four 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:

*Need for reassessing the recognition criteria for property, plant and equipment*

In its review of assets recognized as property, plant and equipment at UNODC, the Board noted several items that did not meet the criteria to be recognized as such.

*Excess income under the full cost recovery fund*

The Board observed that the income of the fund "64DCR" amounted $22.32 million, approximately three times the expenditure registered as at 31 December 2022, resulting in excess income of $15.59 million in the same period.

*Need for strengthening the risk management process*

After analysing the UNODC risk register, the Board observed that some elements had not been properly updated. In addition, a delay in the risk management process was observed, as it had been extended for more than one year. The Board also noted that some actions established in the report provided to the UNODC Executive Committee in December 2021 had not been included in the risk treatment and response plan, and that some risk treatment actions did not include enough information with regard to the impact of the mitigation measures.

*Expired grants with outstanding balances*

The review of grants registered in Umoja showed a large number of expired grants with pending operational closure, delayed for more than six months as at 31 December 2022.

**Main recommendations**

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

*Need for reassessing the recognition criteria for property, plant and equipment*

(a) **Conduct a complete assessment of the property, plant and equipment recognition criteria by evaluating whether a change in this approach could better represent the nature of the construction assets currently classified as property, plant and equipment in the financial statements of UNODC, as well as the financial impact of a possible change in this approach;**

*Excess income under the full cost recovery fund*

(b) **Take the actions necessary to further ensure that the balance of the fund "64DCR" is maintained at an appropriate level in accordance with relevant policies and guidance;**

*Need for strengthening the risk management process*

(c) **Update the risk register, as well as the risk response and treatment plan, which should also include specific and measurable risk treatment actions, to ensure that the results of the risk management process are accurately reflected and aligned in both documents;**

*Expired grants with outstanding balances*

(d) **Implement further effective measures and timelines, such as those implemented in its field offices, to allow for the efficient management of grants with extended operational closing status.**

**Follow-up of previous recommendations**

The Board noted 33 outstanding recommendations up to the year ended 31 December 2021, of which 22 (67 per cent) had been fully implemented, 9 (27 per cent) were under implementation and 2 (6 per cent) had been overtaken by events.

| | |
|---|---|
| **Key facts** | |
| **911 staff members distributed in more than 80 countries** | |
| **$430.65 million** | Revenue in 2022 |
| **$405.59 million** | Expenses in 2022 |
| **$25.06 million** | Surplus for the year |
| **$1,324.01 million** | Assets |
| **$376.30 million** | Liabilities |
| **$947.71 million** | Net assets |
| **$371.76 million** | Revised extrabudgetary resources in 2022 |
| **$22.97 million** | Revised regular budget in 2022 |

## 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. In December 2022, UNODC had approximately 557 international and 354 local staff members worldwide and operated in more than 115 physical office locations around the world, covering more than 80 countries. Nearly 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 2022, 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 and the International Standards of Supreme Audit Institutions. 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 2022 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 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

7. The Board noted 33 outstanding recommendations up to the year ended 31 December 2021, of which 22 (67 per cent) had been fully implemented, 9 (27 per cent) were under implementation and 2 (6 per cent) had been overtaken by events. Details of the status of implementation of the previous years' recommendations are presented in the annex to chapter II of the present report. The status of implementation of recommendations for the financial statements as reported by UNODC are set out in table II.1.

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

| *Report and audit year* | *Number of recommendations* | *Recommendations pending as at 31 December 2021* | *Implemented* | *Under implementation* | *Not implemented* | *Overtaken by events* | *Recommendations pending as at 31 December 2022* |
|---|---|---|---|---|---|---|---|
| A/71/5/Add.10, chap. II (2015) | 17 | 1 | – | – | – | 1 | – |
| A/74/5/Add.10, chap. II (2018) | 10 | 2 | 1 | 1 | – | – | 1 |
| A/75/5/Add.10, chap. II (2019) | 13 | 2 | – | 2 | – | – | 2 |
| A/76/5/Add.10, chap. II (2020) | 14 | 7 | 4 | 2 | – | 1 | 2 |
| A/77/5/Add.10, chap. II (2021) | 21 | 21 | 17 | 4 | – | – | 4 |
| **Total** | **75** | **33** | **22** | **9** | **–** | **2** | **9** |

8. The Board acknowledges the progress made by management towards implementing its recommendations, especially those issued in report A/77/5/Add.10, chap. II (2021), whose implementation rate reached 81 per cent. However, management still needs to take action to address the pending recommendations that are under implementation, focusing on those that are outstanding from reports A/74/5/Add.10, chap. II (2018), and A/75/5/Add.10, chap. II (2019), in the areas of programme management and information and communications technology.

### 2. Financial overview

*Financial performance*

9. As at 31 December 2022, revenues amounted to $430.65 million (2021: $417.78 million), while expenses in the same period reached $405.59 million (2021:

$356.52 million). As a result, a decrease of $36.19 million (59.08 per cent) in the surplus, from $61.26 million in 2021 to $25.06 million in 2022, was noted.

10. In terms of the evolution of UNODC revenue from 2019 to 2022, a decrease of 15.51 per cent in voluntary contributions and other transfers in 2020 was observed compared with 2019, which could be attributable mainly to the effects of the outbreak of the coronavirus disease (COVID-19) pandemic. However, since 2020, there has been a slight upward trend in revenue from this source. With respect to the regular budget of UNODC, on average, this income component has remained stable over the past four years, representing an average of 7.95 per cent of UNODC total income. In general, other sources of income (such as investment income, services rendered and other miscellaneous income) have experienced an average year-on-year decrease of 23.5 per cent over the past four years. The trend in the composition of UNODC revenue from 2019 to 2022 is displayed in figure II.I.

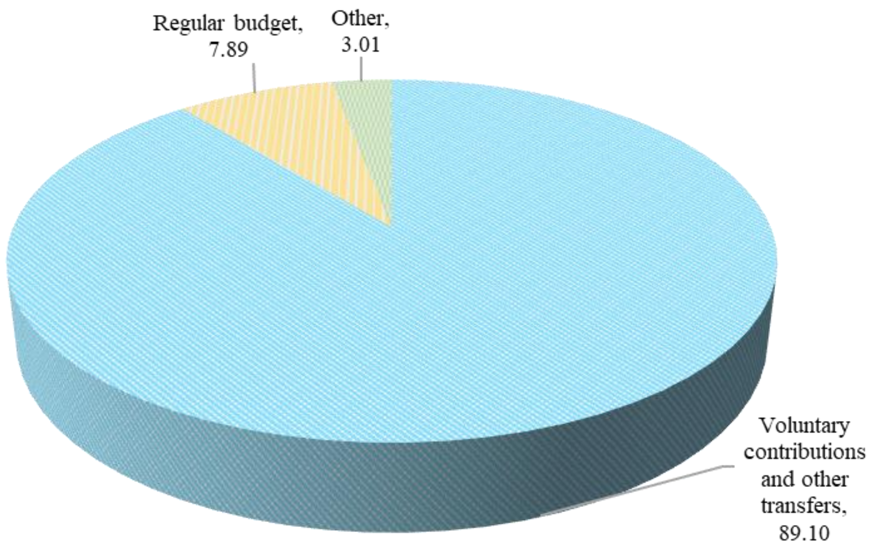
Figure II.I
**Trend in the composition of United Nations Office on Drugs and Crime revenue, 2019–2022**

(Millions of United States dollars)


*Source*: UNODC statement of financial performance for the years 2019 to 2022.

11. As shown in figure II.II, the composition of UNODC revenue indicates heavy reliance on voluntary contributions and other transfers and allocation. In 2022, the category amounted to $383.71 million (2021: $368.77 million), which accounted for 89.10 per cent of the revenue in that period.

Figure II.II
**Composition of United Nations Office on Drugs and Crime income as at 31 December 2022**
(Percentage)




*Source*: UNODC statement of financial performance for the year ended 31 December 2022.

12. The increase in expenses was attributable mainly to an increase of 125.11 per cent in travel expenses, which amounted to $47.36 million in 2022 (2021: $21.04 million), resulting from the gradual lifting of restrictions on the movement of personnel, which had been triggered by the COVID-19 pandemic. In the same vein, contracted services, under other operating expenses, increased by 25.98 per cent, amounting to $58.57 million in 2022 (2021: $46.49 million), owing to an increase in various expenses related to the facilitation of in-person meetings, workshops and travel services.

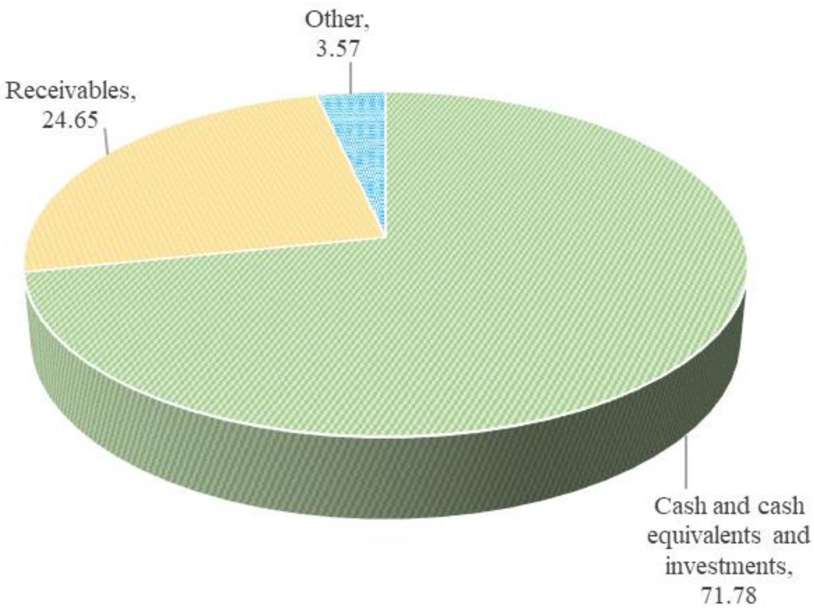
13. In accordance with UNODC accounting policies, foreign currency transactions are translated into United States dollars at the United Nations operational rate of exchange as at the date of the transaction, and resulting exchange gains and losses are presented in the statement of financial performance. In this regard, in 2022, the expenses associated with net foreign exchange losses amounted $9.19 million (2021: $2.43 million in exchange gains).

*Financial position*

14. As displayed in figure II.III, as at 31 December 2022, the two major components of the UNODC asset base were cash and cash equivalents and investments, which totalled $950.37 million (2021: $944.86 million), and receivables (voluntary contributions and other), amounting to $326.40 million (2021: $289.94 million). In total, cash and cash equivalents, investments and receivables amounted to $1,276.78 million (2021: $1,234.80 million), representing 96.43 per cent of total assets of $1,324.01 million (2021: $1,277.20 million). Cash and cash equivalents and investments are managed under a cash pool arrangement operated by the United Nations Secretariat. Returns on the UNODC cash balances totalled $3.92 million (2021: $0.07 million).

Figure II.III
**Composition of United Nations Office on Drugs and Crime assets as at 31 December 2022**

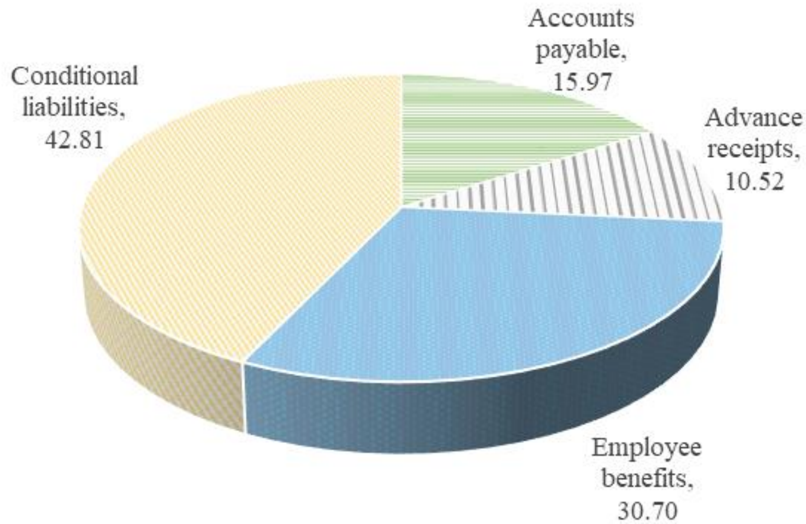
(Percentage)




*Source*: UNODC statement of financial position for the year ended 31 December 2022.

15. Of total UNODC liabilities of $376.30 million (2021: $395.66 million), the most significant part comprised conditional liabilities of $161.11 million (2021: $157.82 million) related to conditional arrangements stemming mainly from European Commission agreements. The second most significant element of UNODC liabilities encompassed employee benefits of $115.51 million (2021: $147.15 million). Together, both balances amounted to $276.62 million (2021: $304.97 million), representing 73.51 per cent of total liabilities. Employee benefits liabilities represented obligations incurred at year end, the largest element being the estimate of the cost of after-service health insurance of $75.70 million (2021: $102.04 million). The increase in the discount rate, offset in part by the increase in the medical cost trend rate, resulted in an overall actuarial gain on after-service health insurance amounting to $34.35 million (2021: gain of $1.18 million), as disclosed in note 14 to the financial statements of UNODC. The composition of UNODC liabilities as at 31 December 2022 is displayed in figure II.IV.

Figure II.IV
**Composition of United Nations Office on Drugs and Crime liabilities as at 31 December 2022**
(Percentage)




*Source*: UNODC statement of financial position for the year ended 31 December 2022.

16. The Board conducted a trend and ageing analysis of voluntary contributions receivable and other receivables from 2019 to 2022 (see table II.2), noting that the net amount totalled $326.40 million as at 31 December 2022, representing an increase of 19.63 per cent compared with the net amount of $272.85 million as at 31 December 2019. Regarding the ageing of voluntary contributions receivable and other receivables, the portion of receivables outstanding for more than one year as a percentage of the total receivables increased, from $1.05 million (0.36 per cent) in 2021 to $9.10 million (2.79 per cent) in 2022, attributable mainly to delays in project implementation and their effect on the subsequent receipt of voluntary contributions. However, the share’s low level of 2.79 per cent reflects the fact that most of the receivables continued to be maintained in the short term.

Table II.2
**Ageing of voluntary contributions receivable and other receivables, 2019–2022**
(Millions of United States dollars)

| *Year* | *Amount outstanding for less than one year*[a] | *Amount outstanding for more than one year* | *Total* | *Receivables outstanding for more than one year (percentage of the total)* |
|---|---|---|---|---|
| 2019 | 272.85 | – | 272.85 | – |
| 2020 | 299.76 | 9.03 | 308.79 | 2.92 |
| 2021 | 288.90 | 1.05 | 289.95 | 0.36 |
| 2022 | 317.31 | 9.10 | 326.40 | 2.79 |

*Source*: UNODC financial statements and their notes for the years 2019 to 2022.
[a] Including amounts neither past due nor impaired.

*Financial ratios*

17. The Board's analysis of key financial ratios (see table II.3) demonstrates that the main financial ratios indicated an overall steady trend during the past three years, with a slight decrease in the ratios in 2022, except for the assets-to-liabilities ratio (from 3.23 in 2021 to 3.52 in 2022). In addition, despite the decrease in the cash ratio in 2022 (from 4.19 in 2021 to 3.55 in 2022), the overall liquidity situation of UNODC remained sound.

Table II.3
**Ratio analysis**

| *Ratio* | *31 December 2022* | *31 December 2021* | *31 December 2020 (restated)* |
|---|---|---|---|
| **Total assets: total liabilities**[a] | | | |
| Assets: liabilities | 3.52 | 3.23 | 3.07 |
| **Current ratio**[b] | | | |
| Current assets: current liabilities | 4.77 | 5.17 | 4.65 |
| **Quick ratio**[c] | | | |
| (Cash + short-term investments + accounts receivable): current liabilities | 4.58 | 5.04 | 4.51 |
| **Cash ratio**[d] | | | |
| (Cash + short-term investments): current liabilities | 3.55 | 4.19 | 3.60 |

*Source*: UNODC financial statements.

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

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

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

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

## 3. Financial and accounting management

*Need for reassessing the recognition criteria for property, plant and equipment*

18. In paragraph 5.1.1 of the United Nations IPSAS corporate guidance on property, plant and equipment, issued in December 2016, it is indicated that an asset should be recognized as property, plant and equipment under IPSAS if, among other conditions, it is probable that future economic benefits or service potential associated with the item will flow to the United Nations.

19. In addition, in paragraph 5.1.2 of the above-mentioned corporate guidance, it is stated that control over the assets arises when the United Nations can use or otherwise benefit from the asset in pursuit of its objectives and exclude or otherwise regulate the access of others to that benefit.

20. On the other hand, project assets are often grant-funded and can be purchased (using grant funds), donated as a part of the grant or constructed (as a result of an asset under construction). In this regard, in paragraph 4.2.1 of the United Nations IPSAS corporate guidance on funding arrangements, issued in December 2016, it is stated that the key to deciding whether project assets will be capitalized as property, plant and equipment in the books of the United Nations, the implementing agency or the end beneficiary is the determination of who controls those assets. The project

assets should be capitalized in the books of the entity that controls the project assets as property, plant and equipment.

21. The Board reviewed the records classified as property, plant and equipment by UNODC, and the following was observed:

(a) Between 1 January and 30 September 2022, one construction asset, amounting $1.06 million, was capitalized by UNODC and then transferred to the end beneficiary during the same period. Therefore, this case did not meet the criteria to be recognized as property, plant and equipment, such as flow to UNODC of future economic benefits, as well as control over the assets;

(b) From the list of assets under construction as at 30 September 2022, four assets, with a total value of $7.77 million, were recognized as property, plant and equipment by UNODC. However, all the cases did not comply with the following criteria to be recognized as such: the future economic benefits that should flow to UNODC, as well as control over the assets, given that the construction projects were intended to be used by the end beneficiary and not by UNODC.

22. The Board considers that an assessment needs to be made by UNODC to determine whether or not those items meet the criteria to be recognized as property, plant and equipment. If UNODC concludes that the items do not meet the criteria, it would indicate that the assets capitalization process carried out by UNODC would not adequately assess whether the Office has control and future economic benefits over those assets, which results in an asset misclassification that could have an impact on the financial presentation and disclosures included in the financial statements.

23. **The Board recommends that UNODC conduct a complete assessment of the property, plant and equipment recognition criteria by evaluating whether a change in this approach could better represent the nature of the construction assets currently classified as property, plant and equipment in the financial statements of UNODC, as well as the financial impact of a possible change in this approach.**

24. UNODC accepted the recommendation.

*Deficiencies in the property, plant and equipment capitalization process*

25. In paragraph 5.1.1 of the corporate guidance on property, plant and equipment, it is stated that an asset should be recognized as an item of property, plant and equipment if, among other conditions, the asset meets the minimum established cost threshold for capitalization. Under this criterion, the overall capitalization threshold for equipment has been defined as $20,000, except for five classes of property, plant and equipment (vehicles, prefabricated buildings, satellite communication systems, generators and network equipment), for which a $5,000 threshold has been defined.

26. At UNODC, the property, plant and equipment standard capitalization process is performed automatically – after the receipt of the goods is posted – if the product identification number for materials classified as "ZAST" was previously selected in the shopping cart process and account assignment "A" was reflected as well.

27. In addition, in the policy and guidance on physical verification of property, issued in June 2020 by the Department of Management Strategy, Policy and Compliance of the United Nations, it is stated that, under rule 105.21 of the Financial Regulations and Rules of the United Nations, physical verification of property, plant and equipment must be undertaken in accordance with the established policies of the Organization. Thus, it was defined that capitalized property should be physically verified at least once per year, in advance of financial

reporting deadlines, in order to allow sufficient time for reconciliation of discrepancies and adjustment of records prior to the generation of the financial statements.

28. The Board reviewed the property, plant and equipment capitalization process conducted by UNODC and noted the following:

(a) Sixteen items procured prior to 2022, which were included in the property, plant and equipment list managed by UNODC as at 30 September 2022, amounting $472,254 (with a depreciation expense value of $271,694) were post-capitalized and consequently recognized as property, plant and equipment in 2022;

(b) Eleven capitalizable items in Umoja, with a total value of $235,730, had not been capitalized, although they were above the capitalization thresholds. For those cases, it was observed that:

(i) Seven pieces of equipment had not been capitalized as at the date of the review, of which four had been procured prior to 2022;

(ii) Four cases of equipment procured in prior years had been transferred to the end beneficiaries; however, the items had not been capitalized.

29. Although UNODC performed a review of asset records with the aim of adjusting errors from the previous years, the Board considers that the internal financial controls over the property, plant and equipment capitalization process need further improvement, since the late capitalization and recognition of these kinds of items could result in an under-representation of assets in the financial statements. In addition, the expenses could be overstated, given that the depreciation expense of these assets is being recognized in one period and not uniformly since their acquisition date.

30. Moreover, the Board considers that the non-capitalization of assets above the minimum thresholds as an automatic process of capitalization may not be effectively meeting its established objectives or contributing to enhancing the management of this area.

31. **The Board recommends that UNODC ensure that a control review mechanism be continuously applied to ensure that capitalization of property, plant and equipment is done in a timely manner.**

32. UNODC accepted the recommendation.

*Excess income under the full cost recovery fund*

33. In accordance with the cost recovery policy and guidelines, issued in February 2022 by the Department of Management Strategy, Policy and Compliance, an entity supplying a service should fully recover all costs that are properly associated with providing that service. Profit or loss should be avoided, as United Nations entities are not-for-profit organizations, and profit or loss in such a scenario leads to a redistribution of funding between entities.

34. The guidelines also provide that, for cost recovery funds, the overall fund balance should not exceed one year of operating expenses, and the difference between income and expenditure per year should not vary more than plus or minus 10 per cent of the cost incurred.

35. As part of its activities, UNODC provides services to both external and internal clients. Within its services, the Office administers business transactions in Umoja through the fund “64DCR”, which combines full cost recovery and exchange transactions.

36. The Board analysed business transactions under the fund "64DCR" and noted that, as at 31 December 2022, the fund had recorded a balance of $15.59 million. It was observed that the fund's income amounted to $22.32 million, approximately three times the expenditure registered for the same period ($6.74 million).

37. In a further analysis of the balance, of the $15.59 million, $14.39 million (92.3 per cent) related to information technology services exchange transactions, namely software support and maintenance fees for ongoing information technology projects, while the remaining $1.20 million (7.7 per cent) resulted from other miscellaneous activities.

38. It is important to mention that one of the measures taken by UNODC to address the balance recorded in the fund "64DCR" was the approval, on 21 April 2023, of a cost plan for 2023–2026, which includes strategic initiatives to use it.

39. The Board acknowledges the actions carried out by UNODC to address the excess income, such as the approval of the cost plan and the architecture transformation projects endorsed by Member States. Nevertheless, the Board is of the view that an internal planning process must be further enhanced to better account for external factors and growing demand for information technology services to ensure that funds are expeditiously utilized, thereby avoiding stagnation of resources.

40. **The Board recommends that UNODC take the actions necessary to further ensure that the balance of the fund "64DCR" is maintained at an appropriate level in accordance with relevant policies and guidance.**

41. UNODC accepted the recommendation.

*Outdated service-level agreements on information and technology services*

42. In accordance with IPSAS 9: Revenue from exchange transactions, the amount of revenue arising from a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service.

43. Following the IPSAS 9 criteria, in chapter 4 of the IPSAS manual on revenue from exchange transactions, it is stipulated that the rendering of services typically involves the performance by an entity of an agreed task over an agreed period of time.

44. As part of its activities, UNODC provides services to both external and internal clients. Within its services, it provides information and technology services software solutions to governments, such as software development, remote support and provision of technical solutions, whose conditions are stipulated and formalized through a service-level agreement.

45. In its analysis of the revenue from exchange transactions, the Board reviewed the information technology services provided by UNODC to various governments and noted that three service-level agreements that had supported that kind of revenue and that related to the development of National Drug Control System software had expired. It is important to mention that those agreements, amounting to $118,000 in total, were signed between 2008 and 2012, and that no further written consent, amendments or formal communication has been observed since the initial signature of the agreements.

46. The Board considers that recognizing revenue on the basis of expired service-level agreements cannot be aligned with the provisions of IPSAS 9, since the basis of the services rendered by UNODC must be concurred with in an appropriate signed agreement. In this regard, the Board holds that UNODC should continuously monitor the validity of the relevant documents that support the rendered services

and their related revenue, as well as assess whether an open-ended agreement and/or addendum can be signed in coordination with their counterparts to further ensure proper revenue recognition.

47. **The Board recommends that UNODC conduct a complete review of the expired service-level agreements and update, as necessary, those that are outdated to accurately reflect the duration of the signed documents.**

48. UNODC accepted the recommendation.

### 4. Property management

*Ex post facto approval of transfers of assets to end beneficiaries*

49. In paragraph 13.2.29 of the United Nations policy framework for IPSAS, dated December 2013, it is stated that assets can be disposed of through transfer, donation, sale or scrapping.

50. Moreover, in March 2022, UNODC issued a standard operating procedure regarding the process of transfer of assets in the context of programme and project implementation that described two scenarios in which an asset can be transferred to an end beneficiary. In the first scenario, the steps to transfer an asset when it is procured and delivered first to UNODC, or it is previously maintained by the Office and subsequently handed over to the end beneficiary, are described. In the second scenario, the steps of the transfer process when the assets are procured by UNODC and sent directly to an end beneficiary are described. Both scenarios require, prior to the transfer, the submission of approval by the delegated authority (the property management team at UNODC headquarters) and the asset transfer request form (by the project staff) indicating the list of equipment.

51. Taking into consideration the restatement of the UNODC financial statements for the year ended 31 December 2021, amounting to $3.50 million, to reflect the completion of an asset under construction and transferred to the beneficiary in 2019, the Board continued to analyse the internal controls established by the Office regarding this matter.

52. Therefore, the Board requested the list of assets transferred to end beneficiaries as at 30 September 2022, and the following was observed:

(a) Thirty-six assets were procured and sent first to UNODC (or previously maintained by UNODC), then handed over to the end beneficiary. Of these cases, 15 assets (42 per cent), amounting to $4.09 million, obtained the approval of the transfer to the end beneficiary after the effective handover date (an average delay of 336 days);

(b) Six assets ($221,429) were procured by UNODC and transferred directly to the end beneficiaries. All of them were first delivered to the end beneficiaries and, subsequently, the asset transfer approval was obtained (an average delay of 40 days).

53. Regarding the results of the findings detailed in paragraph 52 (a) and (b), the Board noted that the internal control mechanism established by UNODC for this process was ineffective, as the assets had been transferred to end beneficiaries without the Office's proper authorization.

54. The Board considers that an ex post facto approval of the assets transferred to end beneficiaries might increase the risk of loss of control over UNODC property, given that the assets could be misused or used for different purposes than expected.

55. Likewise, not approving and regularizing the transferred assets in a timely manner may lead to altered recognition of the expenses for the financial period.

56. **The Board recommends that UNODC strengthen its internal controls in the framework of programme and project implementation to avoid the reiteration of ex post facto approval of assets transferred to end beneficiaries.**

57. UNODC accepted the recommendation.

*Discrepancies in property, plant and equipment records*

58. It is indicated in paragraph 2 of the policy and guidance on physical verification of property, issued by the Department of Management Strategy, Policy and Compliance, that physical verification is required to confirm the existence of property and validate the reliability and accuracy of property records.

59. In paragraphs 3 and 4 of this guidance, it is established that capitalized and non-capitalized property should be physically verified at least once per year and that the records in the asset register should be reconciled with the findings of the physical verification to ensure that the information in the asset register is accurate and reliable.

60. In the same vein, in paragraph 6 of the guidance, it is stated that, during the physical verification process, the property is checked for existence, and the data details on the property, including description, location, end-user information, and status, are cross-checked for accuracy and confirmed against the system records. Any discrepancies between the data details resulting from the physical verification and the data details in the system records should be documented and subject to further review and reconciliation.

61. In this sense, the UNODC property physical verification process is carried out in two phases during the year: between May and June for equipment (non-capitalized property), and between October and November for assets (capitalized property). This process is led by UNODC headquarters, which provides the data to be physically verified by each field office.

62. The Board performed a review of the records for capitalized and non-capitalized property in Umoja as at 31 December 2022 in the UNODC Regional Offices for South Asia, West and Central Africa, and Central America and the Caribbean. From this analysis, the following situations were observed:

(a) In the Regional Office for South Asia:

(i) Two capitalized items and seven non-capitalized items, with a total acquisition value of $36,137, were assigned in Umoja to staff who were no longer part of the Regional Office;

(ii) Seventeen non-capitalized items, with an acquisition value of $31,260, were allocated under the functional location of the Regional Office for South Asia; however, they were based in a different physical location than the office;

(iii) Twenty-one non-capitalized items, with an acquisition value of $23,439, did not have any accountable user assigned in Umoja, although, given their nature, they should have been allocated for the sole use of an individual;

(b) In the Regional Office for West and Central Africa:

(i) A total of 336 non-capitalized items, with an acquisition value of $393,403, had no user accountable assigned in Umoja, although, owing to their nature, it was required to have one (for sole use by an individual);

(ii) Fifty-eight non-capitalized items, with an acquisition value of $85,425, were categorized as write-offs in the results of the physical verification exercise carried out in June 2022; however, they remained classified as idle in Umoja;

(iii) Forty-seven non-capitalized items, with an acquisition value of $75,508, were not included in the physical verification list provided by UNODC headquarters to the Regional Office for West and Central Africa; therefore, they were not verified by the field office;

(iv) One capitalized asset, with an acquisition value of $23,859, was verified by the Regional Office for West and Central Africa during the physical verification exercise in December 2022 and reported as "no discrepancies"; however, the item had been donated to an end beneficiary in January 2022.

63. With regard to the situations observed in the Regional Office for South Asia, it is important to highlight that the Regional Office notified UNODC headquarters of most of them during the physical verification exercise performed in June 2022; nevertheless, in February 2023, the records reviewed by the field office had not been updated in Umoja.

64. On the other hand, it is relevant to note that, in January 2023, the Regional Office for West and Central Africa established a task force on property management, composed of staff members from across the Regional Office. The purpose of the task force was to reinforce the physical verification process by establishing a monthly verification exercise, as well as rectifying the data and developing internal guidance notes and workflows on property management. After the implementation of the task force, several discrepancies in equipment records were identified in the Regional Office for West and Central Africa; however, although the capitalized asset was rectified in Umoja by the Regional Office, the non-capitalized records persisted, with discrepancies in Umoja in February 2023.

65. The Board considers that the discrepancies observed between the property records extracted from Umoja and the physical verification exercise may affect the reliability of the data allocated in the system, which could also have an impact on the efficiency of the UNODC property management process. In this regard, it is important to mention that the physical count should be compared with the Umoja equipment register to ensure completeness and that, when items not registered in Umoja are identified, they must be reported accordingly.

66. The Board is also of the view that additional measures could be adopted by UNODC to enhance the process of reviewing the equipment records. For instance, UNODC may consider some practices put in place by its regional offices to be replicated across its field network after assessing the effectiveness of the measures and/or initiatives, such as property management work teams and office internal guidance notes and workflows on property management, including the steps, deadlines and accountabilities throughout the process, as well as evaluation of the increase in the periodicity of the physical verification exercises, among others.

67. **The Board recommends that UNODC put additional measures in place, such as those implemented in its field offices, to ensure compliance with the established property management procedures and timelines.**

68. UNODC accepted the recommendation.

### 5. Enterprise risk management

*Absence of a comprehensive enterprise risk management framework*

69. In accordance with the enterprise risk management and internal control framework, a guide for managers issued in August 2021 by the Department of Management Strategy, Policy and Compliance, enterprise risk management provides

a framework to facilitate effective, strategic decision-making in a modern organization. With regard to UNODC, the enterprise risk management framework, issued in July 2014, included the definition of risk management roles and responsibilities, such as the Executive Committee and the Management Coordination Committee. The UNODC Executive Committee has overall responsibility for the implementation of the framework.

70. The Board reviewed the framework developed by UNODC, and the following was observed:

(a) The framework developed by the Office did not provide a comprehensive view of the enterprise risk management perspective, since relevant dispositions related to this process and the methodology on this matter were not included, such as:

(i) The alignment of the framework with UNODC strategy;

(ii) The frequency of reportability of the risk register and the risk treatment and response plan;

(iii) A systematic risk assessment process, along with the techniques used for data collection, the calculation of residual risk and the process of prioritizing the identified risks, among others;

(iv) A systematic procedure for monitoring the implementation of the risk treatment actions;

(b) The framework assigned roles and responsibilities to the Management Coordination Committee, which no longer exists. Currently, these functions are assumed by the UNODC Executive Committee.

71. The Board is of the opinion that the absence of a comprehensive and updated framework regarding enterprise risk management could result in an ineffective risk management process, since there is no clarity on the roles, responsibilities and key activities, which are essential for successful enterprise risk management. Moreover, an adequate framework would help to reach a common understanding of the risk management process through a systematic and integrated approach to proactively identify, assess, prioritize, manage and control risks that could have an impact on UNODC operations.

72. **The Board recommends that UNODC review its enterprise risk management framework and make the revisions and updates necessary to ensure that a comprehensive framework is continuously updated and accurately reflects the risk assessment process.**

73. UNODC accepted the recommendation.

*Lack of quarterly presentations on risk management*

74. In the UNODC framework, it is stated that the Management Coordination Committee is accountable for risk management and that it should review potential institutional risks on a quarterly basis and report all significant risk areas to the UNODC Executive Committee. The framework also requires that a standard quarterly agenda item on risk management be included in the regular meetings of the UNODC Executive Committee.

75. In line with the quarterly presentations required in the framework, the guide for managers defines as a mandatory reporting activity that enterprise risk management focal points provide an upgraded presentation to the local risk management committee (a function that is undertaken by the UNODC Executive Committee) to ensure the continued attention of the entire senior management team to the most critical risk areas that the entity is facing, thereby achieving prompt

identification of significant changes in the UNODC overall risk profile, as well as consideration of emerging risks.

76. In addition, the above-mentioned framework requires that the risk owners report to the risk management committee on a quarterly basis on the progress of the risk treatment and response plan regarding the managerial response to the risks identified at the organizational unit level.

77. The Board reviewed the UNODC Executive Committee minutes from December 2021 to September 2022 and verified that no items on risk management had been included in the standard quarterly agenda. Moreover, no items on risk management had been presented to the Executive Committee at the required frequency (quarterly). Instead, a report on the status of the enterprise risk management process had been issued in December 2021 by the Office of the Executive Director of UNODC, which covered the period from December 2020 to November 2021.

78. The Board considers that the absence of quarterly presentations and discussions on the status of the implementation of risk responses and their consideration by the UNODC Executive Committee could deprive senior management of important information, which may hinder the feasibility of carrying out general guidance tasks regarding the implementation of enterprise risk management at the unit level.

79. **The Board recommends that UNODC ensure that quarterly presentations on enterprise risk management are made properly to the UNODC Executive Committee.**

80. UNODC accepted the recommendation.

*Need for strengthening the risk management process*

81. In accordance with the guide for managers, the continuous monitoring and reviewing of risk information is crucial to ensure its continued adequacy for effective decision-making.

82. In the guide for managers, it is established that the final risk register should fully reflect the results of the discussions, with the aim of reaching a consensus on the critical risks, response strategies and risk ownership, and that it should be distributed to the head of department or office, the senior management team and the enterprise risk management function following its formal annual revision.

83. In addition, regarding risk reporting and frequency, it is stated in the guide that, “Notwithstanding the annual reporting requirement, the risk register should be treated as a living document and reviewed regularly to monitor any changes in the risk profile and identify emerging risks”.

84. In this context, the risk response and treatment plan at the entity level should reflect the managerial response to the risks identified at the organizational unit level, and the enterprise risk management function should provide overall coordination and guidance to the process. Following the endorsement of the UNODC Executive Committee, the Executive Director approved the United Nations Office at Vienna/ UNODC risk register in July 2014. The risk register was updated in December 2019, and in November 2020, a risk response and treatment plan was developed.

85. Through the analysis of the Office’s risk register and risk response and treatment plan, the Board observed 26 cases in which UNODC had updated elements of the risk response and treatment plan, such as key drivers, internal controls and risk responses. However, these modifications were not included in the risk register, limiting the alignment of both documents.

86. In addition, in its review of the risk register, the Board noted the following:

(a) Out of a sample of eight risk responses, two had not been updated by the Office;

(b) In 13 out of 14 risks, the reference defined in the risk register had not been properly linked with the United Nations Secretariat's risk universe;

(c) UNODC had been conducting a risk assessment process to update its risk register; however, this activity had been extended for over a year (i.e. since July 2021).

87. Likewise, in its analysis of the risk response and treatment plan, the Board noted the following:

(a) In the enterprise risk management status report provided to the Executive Committee in December 2021, nine "actions planned within the next three to six months" had been identified; however, in September 2022, the actions were not included in the risk treatment and response plan;

(b) Out of a sample review of eight risk treatment actions, five did not include enough information on the impact of the mitigation measures, such as the due date to implement the risk responses.

88. The Board considers that the lack of review of and updates on the products of enterprise risk management (the risk register and the risk response and treatment plan) could lead to inadequate UNODC management of and response to risks, which could limit the effectiveness of the outlined actions to address them. Moreover, if mitigation actions to respond to the identified risks do not provide specific definitions, the effectiveness of the risk assessment process could be hindered.

89. The Board concludes that the delay in the updating of the risk register and the risk response and treatment plan, which has been extended for more than a year, is not aligned with the living document approach and, therefore, the risk register and the risk response and treatment plan would not take into consideration possible changes in the risk profile or identification of possible emerging risks.

90. **The Board recommends that UNODC update the risk register, as well as the risk response and treatment plan, which should also include specific and measurable risk treatment actions, to ensure that the results of the risk management process are accurately reflected and aligned in both documents.**

91. UNODC accepted the recommendation.

### 6. Procurement management

*Ex post facto procurement*

92. In the United Nations Procurement Manual, issued in June 2020, it is set out in numerous paragraphs (e.g. paras. 6.3.2.1 (n), 9.6 and 10.1) that ex post facto cases should be rare exceptions and that, when they occur, written justification should be provided in the case presentation to explain the reasons that timely submission was not possible. Such justification should identify the reasons for the ex post facto situation and propose how to address the root cause in order to avoid reoccurrence.

93. In addition, in paragraph 7 of the section on procurement of the "delegation of authority from the Secretary-General to head of entity", issued in January 2019, it is stated that ex post facto cases can be avoided through adequate internal controls, proper planning and timely action by end users, requisitioners, contract managers, certifying offices and procurement staff.

94. At UNODC, the ex post facto notification process starts with the issuance of an inter-office memorandum signed by the field representative/regional representative (in the case of staff in field offices), which must provide, among other requirements, identification and explanation of the reasons leading to the ex post facto situation and a proposal on how to address the root cause thereof in order to avoid reoccurrence.

95. Once the inter-office memorandum is signed, it should be submitted to UNODC headquarters. After the memorandum is received, the United Nations Office at Vienna/UNODC Procurement Unit can take note (or not) of the request. If the request is noted, the respective field office may initiate the payment process.

96. The Board requested the ex post facto procurement cases submitted between 1 January and 31 December 2022 by UNODC field offices to UNODC headquarters through the inter-office memorandums and noted that, of 15 cases, 5 (33.33 per cent) had been submitted by the Regional Office for Central America and the Caribbean, while 1 case (6.6 per cent) had been submitted by the Regional Office for West and Central Africa. It is important to highlight the fact that the Regional Office for West and Central Africa had reported six ex post facto cases through one inter-office memorandum.

97. For both offices, all the cases related to catering and accommodation services. Through further analysis, the Board noted the following:

(a) The Regional Office for Central America and the Caribbean submitted the inter-office memorandums to UNODC headquarters, on average, 122 days after the services had been provided. All the cases arose in 2021, but were reported by the field office in 2022;

(b) The Regional Office for West and Central Africa submitted an inter-office memorandum to UNODC headquarters, including six ex post facto cases in which services had been provided to the field office, on average, 112 days prior to the submission of the document;

(c) The mitigation actions proposed by the Regional Office for Central America and the Caribbean and the Regional Office for West and Central Africa did not address the root causes of ex post facto, as the reoccurrence of the situation was noted in four procurement actions for the Regional Office for Central America and the Caribbean and five cases for the Regional Office for West and Central Africa, where an increase in catering or accommodation services had been requested. It must be noted that, in all the cases, and regardless of what had caused the ex post facto situation, the mitigation measures proposed to prevent the reoccurrence of such a situation were the same.

98. The Board is of the view that the late submission of ex post facto cases to be noted by UNODC headquarters could result in untimely expense recognition and, therefore, in subsequent untimely payment related to the services provided by the vendors, as the disbursement may only be initiated after the case has been noted by UNODC headquarters.

99. In addition, the Board holds that UNODC and its field offices must settle the most frequent cases by reassessing their current mitigation measures and proposing more concrete solutions to keep the occurrence of ex post facto cases to a minimum.

100. **The Board recommends that UNODC and its field offices define responsibilities and timelines with respect to the notification process in ex post facto procurement cases.**

101. **The Board recommends that UNODC and its field offices evaluate their current mitigation measures and establish more specific actions to prevent the reoccurrence of ex post facto procurement cases.**

102. UNODC accepted the recommendations.

*Delay in payments made to vendors*

103. In paragraph 13.4 of the United Nations Procurement Manual, it is established as a standard contractual provision, unless otherwise amended by the parties to the contracts, that the United Nations is obligated to pay for goods or services net 30 days upon the vendor's satisfactory completion of its delivery obligations, in accordance with the delivery terms.

104. In this regard, and as indicated in the payment terms of each purchase order, the standard payment terms of UNODC are within 30 days after the receipt of whichever of the following occurs later: (a) shipment in good condition and/or satisfactory completion of services, as applicable, and final acceptance thereof by UNODC; or (b) a proper and/or correct invoice accompanied by other documents, as specified in the purchase order.

105. In addition, in module 3 of the Umoja requisitioning user guide, issued in December 2016, it is indicated that a goods receipt is a document generated to acknowledge the receipt of delivered goods, while a service entry sheet is a system document generated to acknowledge receipt and/or delivery of services.

106. The Board analysed a sample of 30 payments made by the UNODC Regional Offices for Central America and the Caribbean, West and Central Africa, and South Asia between 1 January and 31 December 2022 and observed that the payments were not made within the standard payment terms of 30 days. In this regard, the following was noted:

(a) The Regional Office for Central America and the Caribbean presented 22 cases with an average 80-day delay between the receipt of goods or services and the actual payment. The amount of the payments was $278,873;

(b) The Regional Office for West and Central Africa presented 23 cases with an average 96-day delay between the receipt of goods or services and the actual payment. The amount of the payments was $379,552.

107. The Board is concerned that the delays in the observed cases could denote a lack of efficiency in the overall payment process and that, therefore, the UNODC reputation might be damaged, since the payments to vendors are not made in a timely manner. This reputational risk could negatively affect the vendor's response to participate in the provision of goods or services, as the external reputation of UNODC may be called into question.

108. **The Board recommends that UNODC, in liaison with its field offices, analyse the root causes of delays in the payments, and that concrete measures be established to improve the overall payment process in order to avoid reputational damage.**

109. UNODC accepted the recommendation.

## 7. Programme and project management

*Expired grants with outstanding balances*

110. According to the information available in the UNODC programme and operations guidance map, the closure of grants is divided into two main stages: operational closing and financial closing. A grant is considered as operationally

closed when the project end date has been reached and all the project activities completed, while a grant is financially closed when there are no open items and the final financial report has been issued. Once the grant has been defined as financially closed, the unspent balances must be returned or reprogrammed in coordination with donors. The grant is then closed.

111. On the other hand, in the Umoja grants management guide for UNODC, issued in September 2018, it is indicated that the operational closing of grants should occur six months after the donor agreement end date.

112. The Board noted that UNODC had 585 expired grants in Umoja, with a total cash balance of $32.57 million, with pending operational closure for more than six months as at 31 December 2022. Of those grants, 259 ($9.61 million in value) had been outstanding for more than three years.

113. Furthermore, the Board noted that, of the 585 expired grants with overdue operational closure, 35 ($2.49 million in value) related to the Regional Office for West and Central Africa 2 ($246,055 in value) corresponded to the Regional Office for Central America and the Caribbean and 3 ($21,656 in value) were pending under the Regional Office for South Asia.

114. The Board also noted that the Regional Office for West and Central Africa had established a task force on grants management. The task force aimed to manage and close long-standing grants using targeted deadlines to ensure timely financial reports to donors, as well as delivering several practical and hands-on meetings on grants closure.

115. Although the decision as to whether to reprogramme or to return unspent balances ultimately falls to donors, the Board is of the view that UNODC programme managers should further expedite coordination with donors on whether to reprogramme or to return the funds, with the aim of ensuring a timely closing process for grants.

116. The Board acknowledges the efforts made by UNODC regarding this issue, such as the issuance of guidelines, the monthly sharing of the status of expired grants with project managers, and the holding of several online and in-person training sessions; however, the Board considers that UNODC should issue further guidance and instructions with specific timelines to its field offices to address the maintenance of grants for a long period of time. Practices being put in place by the Regional Office for West and Central Africa could be seen as a first step.

117. **The Board recommends that UNODC implement further effective measures and timelines, such as those implemented in its field offices, to allow for the efficient management of grants with extended operational closing status.**

118. UNODC accepted the recommendation.

*Irregular use of the monitoring tool of the integrated planning, management and reporting solution*

119. In the UNODC Handbook for Results-Based Management and the 2030 Agenda for Sustainable Development, issued in October 2018, it is established that results-based monitoring is a critical component for effective project and programme management at UNODC.

120. In the above-mentioned Handbook, it is also stated that monitoring and systematic reporting must be undertaken for all UNODC programmes and projects, regardless of duration and budget. In this vein, the accountability, improvement and development of knowledge systems at the organizational and global levels are recognized in the Handbook as main reporting process objectives, and the

paramount role of reporting interim programme progress to participants, managers and stakeholders is highlighted.

121. In this regard, UNODC makes use of several reporting mechanisms, such as the annual project progress reports, which are concise outcome-based documents that provide UNODC headquarters and external stakeholders with essential information about project progress.

122. Following the general provision related to the annual project progress reports, in the UNODC project management guide, issued in May 2022, it is stated that annual project progress reports must be issued on an annual basis using the monitoring tool and using the standard reporting template, which is generated automatically from the integrated planning, management and reporting solution and contains all the indicators and monitoring results.

123. It is also important to mention that, in October 2022, the Division for Policy Analysis and Public Affairs of UNODC informed all programme managers that the corporate deadline to finalize the annual project progress reports for 2022 was 28 February 2023. To meet the deadline, all project teams were required to enter the information in the monitoring tool of the integrated planning, management and reporting solution to generate the progress reports.

124. The Board reviewed the use of the monitoring tool of the integrated planning, management and reporting solution by the UNODC regional offices as at 28 February 2023, in particular with regard to the indicator and monitoring results data for 2022. In this regard, the Board noted that 2 of the 10 regional projects in the UNODC Regional Office for Central America and the Caribbean and 5 of the 12 regional projects in the UNODC Regional Office for West and Central Africa did not contain any indicator and monitoring results data in the monitoring tool of the solution.

125. The Board considers that the lack of proper and timely entry of the indicator and monitoring results in the integrated planning, management and reporting solution may hinder the UNODC capability to issue the annual project progress reports and, therefore, the use of these inputs for internal information-sharing and knowledge management purposes, as well as for accountability and fundraising purposes, since the reports inform internal and external stakeholders of programme results.

126. **The Board recommends that UNODC ensure the proper and timely use of the monitoring tool of the integrated planning, management and reporting solution by the programme managers in order to guarantee the prompt issuance of the annual project progress reports.**

127. UNODC accepted the recommendation.

*Non-compliance with mandatory reporting obligations by implementing partners*

128. The United Nations Office at Vienna/UNODC partnership policy, issued in November 2021, is focused on the engagement of organizations with whom the United Nations shares values and interests. In this regard, all engagements with external partners are governed by several principles that must be upheld throughout the engagement process. One of them is ensuring that the partner's values and actions are aligned with the values of the United Nations.

129. With regard to the process of engaging with implementing partners, one of the steps therein is implementation, monitoring and reporting, in which the UNODC programme manager is responsible for monitoring the performance of the external

partner by reviewing all reports and confirming that funds have been used for the intended purposes, in line with the requirements of the agreement.

130. Following the process of monitoring implementing partners, in paragraph 101 of the United Nations Office at Vienna/UNODC partnership policy, it is indicated that there are three elements of monitoring the performance of the external partner:

(a) The substantive performance of the external partner in achieving the outcomes, outputs and activities agreed in the project document;

(b) The financial performance, relating to the payments received from the United Nations Office at Vienna/UNODC against the milestones and/or conditions of the agreement and consumption of the budget, compliance with agreement covenants, such as eligible costs and/or activities, audits, and fraud reporting;

(c) The statutory and contract compliance-related performance, including compliance with codes such as the United Nations standards of conduct, human rights, and gender equality.

131. In this regard, the Board conducted a sample review of global programmes carried out by eight implementing partners on behalf of UNODC, with a total transferred amount (as at 31 December 2022) of $2.18 million. In this regard, and following the required reporting obligations, it was observed that:

(a) One implementing partner did not present the narrative or the financial reports as requested in the agreement signed between UNODC and the implementing partner (on a monthly basis), both of which are needed to monitor the substantive and financial performance, respectively. It is important to mention that UNODC provided some of the missing narrative and financial reports after the Board had pointed out the issue;

(b) None of the implementing partners presented reports related to the statutory and contract compliance-related performance.

132. In addition, as part of the review conducted at the UNODC Regional Office for West and Central Africa, it was observed that two implementing partners in regional projects, with a transferred amount of $294,342 (as at 31 December 2022) had not presented reports related to the statutory and contract compliance-related performance.

133. The Board holds that the lack of submission of the mandatory reports by the implementing partners may hinder the UNODC capability to monitor external partners effectively.

134. Likewise, the Board is of the view that statutory and contract-related compliance is a key element of performance monitoring, as risks such as reputation-affecting, unethical or unlawful activities need to be constantly monitored in order to bring risks to an acceptable tolerance level and thereby reduce their potential impact.

135. The Board, therefore, stresses that concerted efforts by the programme managers are needed for more effective monitoring, bearing in mind the significant amount of funds transferred to implementing partners and the paramount role that the partners play in compliance with the UNODC mandate.

136. **The Board recommends that UNODC ensure that reporting obligations to be met by implementing partners are timely and properly delivered.**

137. UNODC accepted the recommendation; however, it reported that the reason for the missing narrative and financial reports was that implementation and spending by the specific implementing partner had begun only in October 2022.

138. The Board holds that, despite the delay in implementation, some of the monthly narrative and financial reports were issued prior to October 2022, when the implementing partner informed UNODC that no funds had been utilized for the project and no groundwork had been achieved. Therefore, the Board maintains its observation related to the missing narrative and financial reports, as they should have been issued in accordance with the reporting obligations stipulated in the signed agreement.

## C. Transmission of information by management

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

139. UNODC stated that it had formally written off advances and other receivable balances of $0.02 million in 2022 (2021: $0.03 million). There was no write-off of losses of property, plant and equipment reported by UNODC.

### 2. Ex gratia payments

140. UNODC reported to the Board that there were no ex gratia payments in 2022.

### 3. Cases of fraud and presumptive fraud

141. 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 on, however, to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

142. During the audit, the Board made enquiries of management regarding its oversight responsibility for assessing the risks of material misstatements owing 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.

143. At UNODC, cases of fraud and presumptive fraud are handled by either of the following:

(a) The Office of Internal Oversight Services (OIOS) or by an investigations panel composed of the responsible officials when the subject is administered by UNODC;

(b) The Office of Audit and Investigations of the United Nations Development Programme (UNDP), which conducts the related investigations in cases in which the subject is administered by UNDP.

144. Along with the reported cases investigated by OIOS, UNODC began to report to the Board the cases managed by UNDP when it submitted the financial statements for the year ended 31 December 2021.

145. In 2022, UNODC notified the Board of 40 cases of fraud and presumptive fraud (see table II.4). In all, 20 of the cases were investigated through OIOS, while the remaining 20 were reported through the Office of Audit and Investigations of UNDP. However, only 11 cases effectively pertained to cases that had arisen in 2022.

Table II.4
**Cases of fraud and presumptive fraud**

| | *Office of Internal Oversight Services* | *Office of Audit and Investigations of the United Nations Development Programme* | *Total cases* |
|---|---|---|---|
| New cases pertaining to 2022 | 6 | 5 | 11 |
| Previous cases reported in 2022 | 14 | 15 | 29 |
| **Total cases** | **20** | **20** | **40** |

*Source*: Data provided by UNODC.

146. The Board analysed the 11 new cases reported by UNODC in 2022 and noted that 1 of the cases investigated by OIOS had been initiated in 2020; however, the Board had not been notified of it in previous years. Similarly, two cases investigated through the UNDP Office of Audit and Investigations had been initiated in 2020; however, they were reported to the Board in 2022. In addition, seven cases remained under investigation, while the remaining four cases were closed in 2022.

## D. Acknowledgement

147. 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*) **Hou** Kai
Auditor General of the People’s Republic of China
Chair of the Board of Auditors

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

(*Signed*) Pierre **Moscovici**
First President of the Court of Accounts of France

26 July 2023

# Annex

## Status of implementation of recommendations up to the financial year ended 31 December 2021

| | | | | | | 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* |
| 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. | The monitoring application in the integrated planning, management and reporting solution in Umoja is not linked to the financial performance. The Umoja team at United Nations Headquarters is in the process of developing a project management dashboard that is expected to present the financial data by results. The United Nations Office on Drugs and Crime (UNODC) was informed that the dashboard was expected to be delivered in 2022. However, the implementation of the dashboard at UNODC could take additional time, as the Office needs to ensure that the displayed data are correct. | The Board noted that several changes had been made in the reporting process with the introduction of the integrated planning, management and reporting solution. For instance, the current annual project progress reports did not include expenditure or financial data. In addition, new reporting structures have been introduced within the implementation of the tool, as well as the launch, in March 2023, of the management dashboard solution to track the progress of the projects using traffic lights and indicators, among other tools. Taking into consideration the development of a new tool to report on project progress, the Board considers this recommendation as overtaken by events. | | | | X |
| 2. | 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. | After clearance by all four directors in November 2022, the Executive Director approved the management instruction on the terms of reference of the Programme Review Committee in January 2023. The Executive Committee formally endorsed the management instruction on 8 February 2023. | Regarding part (a) of the recommendation, the Board noted that, in February 2023, UNODC had issued the management instruction related to the terms of reference of the Programme Review Committee, which formalized the electronic endorsement modality when reviewing programmes or projects. Hence, the Board considers this recommendation as implemented. It should be noted that part (b) of the recommendation was already implemented by UNODC as stated in A/75/5/Add.10, chap. II. | 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 |
|---|---|---|---|---|---|---|---|---|---|
| 3. | 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. | Guidance and instructions have been provided to work on monitoring and reporting, ensuring that there are three different roles involved in the approval of reports. With the implementation of the 2023 annual project progress report, there should be enough evidence of segregation of duties in the annual project progress reports process. | The Board reviewed a sample of eight ongoing projects in the integrated planning, management and reporting solution, and noted that two annual project progress reports were available in the system by the deadline imposed by UNODC (28 February 2023). From those two reports, the Board observed that none had described the roles involved in the drafting, monitoring and approval of the reports. Consequently, this recommendation is considered as under implementation. | | X | | |
| 4. | 2019 | A/75/5/Add.10, chap. II, para. 104 | The Board recommends that UNODC make efforts, in liaison with the United Nations Secretariat, to update the administrative instruction on the official status file as well as trying to find ways to link Umoja and Inspira to the Unite Docs website. | The process is entirely under the leadership of the Office of Human Resources/the Department of Management Strategy, Policy and Compliance. UNODC actively participates in meetings. At a recent meeting, UNODC was informed that Unite Docs has been decommissioned, hence this part of the recommendation is overtaken by events. The new Secretariat administrative instruction related to a new official status filing system is still in draft mode. The promulgation of the policy by responsible offices at United Nations Headquarters is planned for the fourth quarter of 2023. Full implementation of this recommendation is beyond UNODC control. | The Board noted that ongoing work was still being developed by United Nations Headquarters with regard to the issuance of the administrative instruction on official status files. 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 |
|---|---|---|---|---|---|---|---|---|---|
| 5. | 2019 | A/75/5/Add.10, chap. II, para. 115 | The Board recommends that UNODC make a review of the UNOV/UNODC information technology services disaster recovery plan and add all the missing elements that the current United Nations disaster recovery plan technical procedures require. | Integration of safety and security services into the United Nations Office at Vienna/UNODC Information Technology Service infrastructure is not funded in the current United Nations Office at Vienna/UNODC Information Technology Service budget and requires funding under the existing cost-sharing agreement for Vienna-based organizations, which is the appropriate funding mechanism for this activity.<br>The availability of funding is expected in 2026. Implementation of this recommendation is expected to take 12 months following resource and funding availability, after which Safety and Security Service information and communications technology systems will be fully incorporated into the United Nations Office at Vienna/ UNODC information technology services disaster recovery plan. | The Board noted that UNODC had updated the disaster recovery plan and documented the results of the disaster recovery exercise in February 2023. However, activities such as architecture diagrams of the security and safety services were pending incorporation. Hence, the Board considers this recommendation as under implementation. | | X | | |
| 6. | 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 full cost recovery rate for 2022 was improved and stood at 15.5 per cent against the approved rate of 18.3 per cent. Following the review of the structure of the UNODC Country Office in Afghanistan, the Country Office identified a few positions that could be streamlined and that would minimize the impact of the full cost recovery. The thrust of the | The Board noted that, between 2021 and 2022, the full cost recovery rate had decreased, from an approved rate of 18.3 per cent to 15.5 per cent. The Board also noted that UNODC had replaced the full cost recovery barometer with a more frequent monitoring system and interventions conducted by a finance task force. The task force served as an early warning mechanism to address potential | 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 |
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| | | | | recommendation has been consistently addressed since its issuance, and supporting documents have been provided. | issues. Taking into consideration the actions taken by UNODC, the recommendation is considered as implemented. | | | | |
| 7. | 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 revised enterprise risk management framework, including the risk register and treatment plan, was approved by the Executive Committee at the end of 2022. | The Board noted that, in 2021 and 2022, UNODC had conducted a risk assessment and review of the enterprise risk management framework. As a result, UNODC issued, in December 2022, the document "risk management framework: governance mechanism and structure", which provides a description of the governance mechanism and the roles and responsibilities for key functions involved in the enterprise risk management framework. Thus, the Board considers the recommendation as implemented. | X | | | |
| 8. | 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. | The updated institutional risk register and the risk response and treatment plan are being drafted. It is anticipated that the revised risk register and treatment plan, as well as the revised risk governance structure, will be finalized by the third quarter of 2022. Extensive internal and external consultations on the changes to be implemented in the new risk register, as well as the development of a new risk management tool, have consumed a significant amount of time and have led to a delay in implementation. | The Board acknowledges the actions developed by UNODC to update the risk register and risk profile. Nonetheless, a new recommendation has been issued in the present report, which relates to the need for strengthening the risk management process. Hence, a consolidated assessment will be made by the Board during the next audit process. Therefore, the recommendation is considered 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 |
|---|---|---|---|---|---|---|---|---|---|
| 9. | 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. | On 14 October 2022, a new document on the field office network was approved by the Executive Director of UNODC. | The Board noted that, on 12 October 2022, the Executive Director of UNODC had approved the document on the Office's field office network, including the typology, scope and functions of each of the offices. Hence, the recommendation is considered as implemented. | X | | | |
| 10. | 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. | The management instruction on the terms of reference of the Programme Review Committee was formally approved by the UNODC Executive Committee on 8 February 2023. | The Board noted that, in February 2023, UNODC had issued a management instruction on the Programme Review Committee. The document provides the terms of reference for the Committee, including its composition, role, function and organization of work, as well as the role of its Secretariat. Taking into consideration the above, the Board considers the recommendation as implemented. | X | | | |
| 11. | 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. | Implementation is in progress. The UNODC Regional Office for the Middle East and North Africa finalized the 2022 annual project progress reports in the integrated planning, management and reporting system in May 2023, with few exceptions. | The Board noted that UNODC had requested its staff to complete the 2022 annual project progress reports by 28 February 2023. In this regard, the list of ongoing projects as at 30 September 2022 from the UNODC Regional Office for the Middle East and North Africa was analysed, and it was noted that none of the projects had issued the progress reports 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 |
|---|---|---|---|---|---|---|---|---|---|
| 12. | 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. | Implementation is in progress. The UNODC Regional Office for the Middle East and North Africa finalized the 2022 annual project progress reports in the integrated planning, management and reporting system in May 2023, with few exceptions. | The Board noted that UNODC had requested its staff to complete the 2022 annual project progress reports by 28 February 2023. In this regard, and in the list of ongoing projects as at 30 September 2022 at the UNODC Regional Office for the Middle East and North Africa, it was observed that none of them had issued the annual project progress reports within the integrated planning, management and reporting solution. Therefore, it was not possible to verify whether the annual project progress reports had been issued with adequate segregation of duties. Hence, the recommendation is considered as under implementation. | | X | | |
| 13. | 2021 | A/77/5/Add.10, chap. II, para. 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. | In the United Nations Office at Vienna/UNODC Strategy for Gender Equality and the Empowerment of Women (2022–2026), published in June 2022, the goal of achieving gender parity at all levels by 2028 was specified. | The Board noted that, in its new Strategy for Gender Equality and the Empowerment of Women (2022–2026), UNODC had committed to attaining and sustaining gender parity at all levels in the Professional and General Service categories, in line with the system-wide strategy on gender parity promulgated by the Secretary-General. In this regard, the Board noted that, in the new Strategy, UNODC had decided to follow the targets set by the Secretary-General rather than including its own targets. Therefore, this recommendation is considered as implemented. | X | | | |

| No. | Audit report year | Report reference | Board's recommendation | Management response | Board's assessment | Status after verification | | | |
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| | | | | | | Implemented | Under implementation | Not implemented | Overtaken by events |
| 14. | 2021 | A/77/5/Add.10, chap. II, para. 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. | United Nations Development Programme (UNDP) service contracts are currently in transition to a new modality. All service contract holders at the UNODC Country Office in Peru will be in transition to the new modality. The Country Office is currently waiting for UNDP to share details on the schedule for the completion of the transition, which is expected to take place by the end of 2023. | The Board noted that UNODC, along with its field offices, had begun to analyse the cases of service contract holders recruited for a long period of time (more than 15 years) with the aim of establishing further measures. Given the ongoing work done by UNODC, the recommendation is considered as under implementation. | | X | | |
| 15. | 2021 | A/77/5/Add.10, chap. II, para. 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. | All recruitments conducted by the Country Office in Peru in 2022 were completed through a proper competitive process, in line with the UNDP manual on service contracts and the UNDP recruitment and selection framework policy. | The Board noted that a competitive recruitment process had been carried out for all service contract holders who had been transferred from one project to another in 2022 at the UNODC Country Office in Peru. Furthermore, it was observed that an email had been sent by UNODC to its field offices, in which it was requested that a competitive selection process be ensured when service contract holders were reassigned from one project to another. Hence, the recommendation is considered as implemented. | X | | | |
| 16. | 2021 | A/77/5/Add.10, chap. II, para. 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. | The overall rate of completion of mandatory courses as at 31 December 2022 was 88 per cent. Given the relatively high overall rate, UNODC considers the recommendation as implemented and requests its closure. | On the basis of a comparison of 2022 and 2021, the Board noted that, although the general compliance rate of 88 per cent had been maintained, the compliance rate for the long-pending course completion represented an improvement. For instance, as at 31 December 2022, there were no pending courses starting in 2016 and 2017, while the | 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 |
| | | | | | non-compliance rate for the courses pending from 2018 declined by 77 per cent. Therefore, the Board considers the recommendation as implemented. | | | | |
| 17. | 2021 | A/77/5/Add.10, chap. II, para. 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. | The Division for Operations sent an email to all field office representatives requesting that they ensure that all service contract holders complete all required mandatory training courses within three months of the start of their contract and allocate sufficient time for completion of those courses as part of service contract holders' duties. | The Board noted that, through email dated 17 March 2023, UNODC had informed its field offices of the requirement that service contract holders comply with the mandatory training courses within three months of the start of their contract. Therefore, the recommendation is considered as implemented. | X | | | |
| 18. | 2021 | A/77/5/Add.10, chap. II, para. 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. | The Regional Office for the Andean Region and the Southern Cone has achieved 100 per cent compliance regarding the completion of mandatory training courses by its service contract holders who have been on board for three or more months. The Regional Office will ensure that service contractors who have been on board for less than three months complete the courses within the three-month deadline. UNODC considers the recommendation to have been implemented and requests its closure by the Board. | On the basis of a sample review, the Board noted that the active service contracts in 2022 had complied with the requirement for completion of mandatory training courses. Therefore, the recommendation is considered 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 |
|---|---|---|---|---|---|---|---|---|---|
| 19. | 2021 | A/77/5/Add.10, chap. II, para. 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. | Implementation is still continuing and is expected to be completed by the end of 2023. | The Board noted that UNODC had been in the process of assessing the establishment of minimal procedures for regulating the recruitment process under the service contracts modality. Hence, the recommendation is considered as under implementation. | | X | | |
| 20. | 2021 | A/77/5/Add.10, chap. II, para. 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. | Information on the status of compliance regarding mandatory training courses for contract service holders at the Regional Office for the Andean Region and the Southern Cone of UNODC has been uploaded. | The Board reviewed a sample of contract service holders from the Regional Office for the Andean Region and the Southern Cone of UNODC and noted that the information on the status of mandatory training courses had been uploaded and updated in the system. Therefore, the Board considers this recommendation as implemented. | X | | | |
| 21. | 2021 | A/77/5/Add.10, chap. II, para. 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. | The integrated planning, management and reporting team in New York indicated that it would be unlikely that it would introduce the requirements put forward by UNODC related to reporting in the solution. UNODC has clear procedures regarding the annual project progress reports, outlined in both the UNODC project guide and an email sent to all staff. | The Board noted that, in May 2022, UNODC had engaged in consultations with United Nations Headquarters on reporting processes and features in the integrated planning, management and reporting solution. In response, Headquarters indicated that it was unlikely to completely replace all functionalities provided by the previous system for managing programmes and progress. Taking into consideration the assessment and consultations conducted, which are beyond UNODC control, the Board deems 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 |
| 22. | 2021 | A/77/5/Add.10, chap. II, para. 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. | There have been no changes related to United Nations Headquarters regarding roles related to report approval. The project guide to the integrated planning, management and reporting solution was shared with all staff on 25 October 2022. | Notwithstanding communications with Headquarters concerning improvements in the integrated planning, management and reporting solution, the Board noted that UNODC had developed, in October 2022, a project guide in which roles to input monitoring data, as well as to approve indicators and the annual project progress report, had been defined. Hence, the Board considers the recommendation as implemented. | X | | | |
| 23. | 2021 | A/77/5/Add.10, chap. II, para. 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. | The UNODC Country Offices in Colombia and Peru are working to ensure that upcoming project revisions are submitted and approved in a timely manner, in line with existing relevant instructions. | The Board noted that none of the project revisions at the Regional Office for the Andean Region and the Southern Cone or at the UNODC Country Office in Peru had been approved within the deadlines to perform the revisions. The Board also noted that UNODC was in the process of updating the management instruction on direct approval, whose deadline for project revision was being revised. Thus, this recommendation is considered as under implementation. | | X | | |
| 24. | 2021 | A/77/5/Add.10, chap. II, para. 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. | UNODC has replaced its existing approval and workflow process in the integrated planning, management and reporting solution with a more precise and rapid system. There are now at least three different workflows for project/ programme approval, which allows for the selection of the precise type of approval that is required. Through this measure, only staff who are involved in the respective workflow receive notification of the approval | The Board noted several modifications in the approval and workflow process within the integrated planning, management and reporting solution. One is the incorporation of three different workflows, depending on the type of project revision, along with enhancement of the process through the sending of notifications to only staff involved in the respective workflow. Therefore, this recommendation is considered 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 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | process from the system, and the overall duration of the individual approval process can be reduced. | | | | | |
| 25. | 2021 | A/77/5/Add.10, chap. II, para. 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. | The revised management instruction that provides an outline of the role and responsibilities of the UNODC Programme Review Committee was adopted in March 2023. The revision of the management instruction related to direct approval of programmes is currently being finalized. It is the last management instruction on procedures related to programme and project management that needs to be revised. Information is continuously updated and shared within the programme and operations guidance map. The UNODC integrated planning, management and reporting solution project management guide is also regularly updated to reflect any changes in management instructions and internal procedures, as it pertains to programme and project management. | The Board verified that, in February 2023, UNODC had approved one of the management instructions on programme management that relates to the Programme Review Committee. Nevertheless, the Board noted that there were pending activities related to updating the remaining management instructions and internal procedures relating to programme and project management. This recommendation is therefore 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 |
|---|---|---|---|---|---|---|---|---|---|
| 26. | 2021 | A/77/5/Add.10, chap. II, para. 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. | In coordination with the Regional Office for the Andean Region and the Southern Cone, UNODC will update annex III to the United Nations Office at Vienna/UNODC partnership policy, as applicable. The updated document will be uploaded to the client support portal and will be updated regularly to reflect any new changes. | The Board verified that UNODC had updated annex III to the partnership policy by making the necessary adjustments, such as the incorporation of a new project, as well as a paragraph on performance monitoring and reporting. In addition, it was noted that the revised document had been uploaded to the client support portal of UNODC. Therefore, the Board considers this recommendation as implemented. | X | | | |
| 27. | 2021 | A/77/5/Add.10, chap. II, para. 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. | The review of the data centre access logs for the first quarter of 2022 was completed in April 2022. Quarterly reviews will continue to be undertaken in a timely manner. | The Board noted that UNODC had performed a revision of the data centre access logs during the first three quarters of 2022. In addition, a workflow regarding data centre access monitoring was created by UNODC for both the data centre access logs and the data centre access list. Hence, the recommendation is considered as implemented. | X | | | |
| 28. | 2021 | A/77/5/Add.10, chap. II, para. 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. | The Regional Office for the Andean Region and the Southern Cone is taking action to ensure adequate management and monitoring mechanisms for access to the primary and secondary data centres, in line with information and communications technology technical procedures for data centre access. | The Board noted that a biometric system and security video cameras had been installed in the primary data centre of the UNODC Regional Office for the Andean Region and the Southern Cone. The Board also verified that the secondary data centre of the Regional Office was no longer operational. Therefore, the recommendation is considered 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. | 2021 | A/77/5/Add.10, chap. II, para. 127 | The Board recommends that the UNODC Country Office in Colombia assess and implement the physical security measures required by the technical procedure. | Emergency exits were placed in the main distribution framework and the intermediate distribution framework. The secondary data centre is no longer operational, and an off-site backup has been set up. Lastly, regarding the two windows in the main distribution framework room, they are part of the external structure of the building, which cannot be modified by UNODC, which is a tenant of the premises. Windows were located on a fourth floor and made of reinforced glass, which did not represent a threat to the security of the data centre. | The Board noted that the Regional Office for the Andean Region and the Southern Cone had implemented physical security measures to address the requirements of the technical procedure, such as safety instructions and the identification of emergency exits. In addition, the Board verified the development of an off-site backup, which had replaced the secondary data centre. Hence, the Board considers the recommendation as implemented. | X | | | |
| 30. | 2021 | A/77/5/Add.10, chap. II, para. 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. | The Regional Office for the Andean Region and the Southern Cone has approved a revised and updated version of its disaster recovery plan. | The Board noted that the Regional Office for the Andean Region and the Southern Cone had updated its disaster recovery plan, including all missing elements, such as detailed recovery objectives, restoration priorities and metrics for each of the critical systems, as well as the applications, duties and responsibilities of the emergency response teams. Hence, the recommendation is considered as implemented. | X | | | |
| 31. | 2021 | A/77/5/Add.10, chap. II, para. 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. | The Regional Office for the Andean Region and the Southern Cone has assessed the situation and concluded that responding to local incidents reported through the help desk within timelines would require the recruitment of additional personnel. Given that financial resources are not available to | The Board noted that, after assessing the current timelines to process tickets through the help desk, the Regional Office for the Andean Region and the Southern Cone defined new timelines, taking into consideration the field office's resources and capacities. Therefore, this recommendation is considered 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 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | increase the capacity of the information and technology team, timelines for ticket processing have been revised on the basis of existing capacity. | | | | | |
| 32. | 2021 | A/77/5/Add.10, chap. II, para. 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. | The Regional Office for the Andean Region and the Southern Cone has established and documented the extent of testing performed by its Information Technology Unit, as well as of acceptance testing by end users for information technology developments, in line with its manual of information technology process. | The Board verified that the Regional Office for the Andean Region and the Southern Cone had reviewed and updated its manual of information technology process, making the adjustments necessary to specify the tests performed by the Information Technology Unit in terms of the risk and impact of system changes. The Board, therefore, considers this recommendation as implemented. | X | | | |
| 33. | 2021 | A/77/5/Add.10, chap. II, para. 153 | The Board recommends that the UNODC Country Office in Colombia ensure that acceptance testing is documented by end users for all system changes. | The Regional Office for the Andean Region and the Southern Cone has documented the testing performed by its Information Technology Unit, as well as of acceptance testing by end users for the information technology developments. | The Board noted that, in 2022, one system change request had been made at the Regional Office for the Andean Region and the Southern Cone, whose acceptance testing was documented accordingly. Therefore, the recommendation is considered as implemented. | X | | | |
| | **Total number of recommendations** | | | | **33** | **22** | **9** | – | **2** |
| | **Percentage of the total number of recommendations** | | | | **100** | **67** | **27** | – | **6** |

# Chapter III
# Certification of the financial statements

## Letter dated 31 March 2023 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 2022 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 2022

## 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 2022 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 is focused mainly on 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. In 2022, UNODC continued to implement its Strategy 2021–2025, in which the Office is positioned as a facilitator and impartial knowledge broker to help Member States to identify comprehensive and innovative solutions to respond to drug and crime challenges while addressing interlinkages, strengthening good governance and building inclusive, equitable and resilient societies. Despite compounding crises related to consequences of the coronavirus disease (COVID-19) pandemic, climate change and the environment, as well as new and protracted conflicts, important steps have been taken to realign and consolidate the work of the Strategy's thematic areas and to streamline programmes within those thematic areas. New strategic documents and programmes have been launched, such as "UNODC Strategic vision for Latin America and the Caribbean 2022–2025", the new regional programme for South-East Asia and the Pacific (2022–2026), "Regional framework for the Arab States" (2023–2028), "Strategic vision for Nigeria 2030", the new Global Programme on Preventing and Countering Terrorism (2022–2027) and the Global Programme on People-centred Crime Prevention and Criminal Justice. In accordance with resolution 9/4 of the ninth session of the Conference of the States Parties to the United Nations Convention against Corruption, regional anti-corruption hubs are being established with a view to working closer to the point of delivery of technical assistance. In addition, and following the political developments in Afghanistan in August 2021, UNODC developed the strategic stability grid to address existing and emerging transnational challenges stemming from drugs, crime and terrorism in and around Afghanistan.

6. In July 2022, UNODC presented the first results-based progress report on the implementation of its Strategy 2021–2025 to the standing open-ended intergovernmental working group on improving the governance and financial situation of UNODC. Progress has been made in turning internal strategies and action plans derived from the Strategy, including a fundraising strategy and a communications action plan, into actions and deliverables. UNODC introduced measures to realign its structure in order to better deliver on its commitments to increasing internal coordination, integrated programming, cross-sectoral approaches and policy coherence. The realignment included, inter alia, the establishment of the Border Management Branch and of the Drugs, Laboratory and Scientific Services Branch.

7. Since the start of the reform of the United Nations development system, UNODC has remained committed to and actively engaged in the roll-out and implementation of the United Nations Sustainable Development Cooperation Framework across regions in response to national priorities and the achievement of the Sustainable Development Goals. As of May 2022, the Office had provided support for 134 countries and territories through either cooperation frameworks or common country analyses. 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. UNODC deepened its partnerships with United Nations entities and international organizations on the basis of the thematic areas set out in the UNODC Strategy 2021–2025. The Office worked with several United Nations entities through inter-agency coordination mechanisms, such as the United Nations Network on Migration, the Global Task Force on Corruption, the Inter-Agency Coordination Group against Trafficking in Persons, the United Nations system coordination task team on the implementation of the United Nations system common position on drug-related matters, the Global Focal Point for the Rule of Law, and the climate security mechanism. UNODC started new agreements or initiatives with the World Health Organization, the European Union, the African Union and the Organization for Security and Cooperation in Europe and explored ways to enhance cooperation with the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) and the World Intellectual Property Organization, among others. Regular dialogue continued with civil society organizations, the private sector, academia and parliamentary groups.

## C. Activity overview

9. In 2022, 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 on Strengthening Our Actions at the National, Regional and International Levels to Accelerate the Implementation of Our Joint Commitments to Address and Counter the World Drug Problem. In September, the Commission held the fourth round of thematic discussions on the challenges identified in the Ministerial Declaration of 2019 related to responses that were not in conformity with the three international drug control conventions and not in conformity with applicable international human rights obligations. Through the Commission on Crime Prevention and Criminal Justice, UNODC continued to support States in the implementation of the Kyoto Declaration on Advancing Crime Prevention, Criminal Justice and the Rule of Law: Towards the Achievement of the 2030 Agenda for Sustainable Development, and

held the second round of thematic discussions on advancing the criminal justice system.

10. With the support of UNODC as the secretariat, nearly all States parties to the United Nations Convention against Transnational Organized Crime officially engaged in a peer review of the implementation of the Convention, focusing first on criminalization and jurisdiction. UNODC also provided support for the Conference of the States Parties to the United Nations Convention against Corruption and its subsidiary bodies in conducting the follow-up to the first special session of the General Assembly against corruption, held in 2021. To address the use of information and communications technologies for criminal purposes, UNODC has continued to provide its secretariat services to the Ad Hoc Committee to Elaborate a Comprehensive International Convention on Countering the Use of Information and Communications Technologies for Criminal Purposes for the development of such a convention, expected to be finalized in 2024.

11. UNODC continued to provide support to major bodies of the United Nations. On several occasions, the Executive Director briefed the Security Council on threats posed by crime, drugs, corruption and terrorism in Africa and in Afghanistan and Haiti. During the twenty-seventh session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, held in Sharm el-Sheikh, Egypt, UNODC highlighted the need to address crimes affecting the environment, including waste trafficking, and to promote sound waste management practice.

12. The continuation of the COVID-19 pandemic had an impact on the implementation of mandates, in particular on UNODC intergovernmental and normative meetings and capacity-building activities, for which the Office changed its approach from in-person to virtual activities and adjusted its programmes and operations to rapidly respond to Member States' evolving needs. In response to the multifaceted impact of the pandemic on drugs and organized crime, the Office conducted research and analysis to develop and disseminate evidence-based policy briefs, guidance notes and operational advice and developed virtual methodologies for Member States to meet critical needs. Using the challenges posed by the pandemic as a catalyst, UNODC identified new ways of communicating with the ever-growing number of social media users worldwide and, in cooperation with Member States, managed to increase the visibility of its work.

13. In 2022, UNODC continued to develop capacities in the field and at headquarters to produce high-quality research, strengthening the evidence base to inform programming and policy advice, support States and help to ensure that the Office can deliver and communicate for maximum impact. New publications in 2022 included the *World Drug Report 2022*, "Conflict in Ukraine: key evidence on drug demand and supply", the UNODC "Drugs Monitoring Platform brief: patterns and trends in trafficking routes of heroin and methamphetamine originating in Afghanistan" and many more.

14. In terms of cross-cutting commitments, UNODC sustained its efforts to facilitate the mainstreaming of human rights into its mandates and programmes through the development of operational checklists for internal use and the development of specific publications with a focus on human rights. The Office launched the Youth Empowerment Accelerator Framework to streamline youth mainstreaming actions and support youth-focused initiatives. The Strategy for Gender Equality and the Empowerment of Women (2022–2026) of the United Nations Office at Vienna and UNODC was finalized and endorsed by the Executives Committee of the United Nations Office at Vienna and UNODC. The second iteration of the action plan for disability inclusion (2023–2024) of the United

Nations Office at Vienna and UNODC was developed, and the Office carried out a number of activities to promote disability inclusion.

15. More information on the activities conducted in 2022 can be found in the report of the Executive Director on the activities of UNODC (E/CN.7/2023/2-E/CN.15/2023/2).

## D. Budget performance highlights

16. 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.

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

18. 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.

19. Subsequent to the approval of the consolidated budget, UNODC issues allocations of funds for the implementation of programmes and projects on the basis of the funds' availability. At the end of the first year of the biennium, the budget is revised to adjust to evolving needs. Such adjustments are approved/endorsed by the Commissions within the context of the implementation report on the first year of the biennium. The revised budget for 2022–2023 was presented to the Commissions at the end of 2022.

20. Table IV.1 shows 2021 and 2022 performance comparatives in aggregate.

Table IV.1
**United Nations Office on Drugs and Crime 2021–2022 income, budget, expenditure and implementation rate overview (including regular budget) (United Nations system accounting standards basis)**
(Millions of United States dollars)

| | *2022* | *2021* |
|---|---|---|
| Income | 413.1 | 399.7 |
| Budget (final) (A) | 394.7 | 349.4 |
| Expenditure (B) | 389.3 | 348.8 |
| Implementation rate (B over A) | 98.6% | 99.8% |

21. The initial 2022 budget approved/endorsed by the Commissions at their sessions in 2021 amounted to $337.6 million in extrabudgetary resources (2021: $360.8 million). In December 2022, the Commissions approved/endorsed a revised

2022 budget of $371.7 million in extrabudgetary resources (2021: $325.1 million). Including the regular budget, the UNODC revised budget for 2022 was $394.7 million (2021: $349.4 million). The implementation rate for 2022 was 98.6 per cent against the revised budget (2020: 99.8 per cent).

22. Table IV.1 depicts that, year-on-year, UNODC encountered an increase in income of $13.4 million (3.4 per cent) and an increase in expenditure of $40.5 million (11.6 per cent).

23. Table IV.2 shows 2021 and 2022 expenditure 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 2021–2022 expenditure by funding source (United Nations system accounting standards basis)**

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

| | *2022* | | *2021* | |
|---|---|---|---|---|
| | *Amount* | *Percentage* | *Amount* | *Percentage* |
| *Extrabudgetary resources* | | | | |
| Special purpose funds | 339.5 | 87 | 297.8 | 85 |
| Programme support cost funds | 23.2 | 6 | 23.2 | 7 |
| General purpose funds | 3.7 | 1 | 4.4 | 1 |
| **Subtotal** | **366.4** | **94** | **325.4** | **93** |
| Regular budget | 22.9 | 6 | 23.4 | 7 |
| **Total** | **389.3** | **100** | **348.8** | **100** |

24. Despite the uncertainty caused by the continuation of the COVID-19 pandemic and current global events, programme delivery continued to improve. UNODC programme delivery increased to $339.5 million in 2022, an increase of $41.7 million compared with 2021.

25. Compared with 2021, the increase in programme performance was most noticeable in: the programmes on alternative development in Colombia (an increase of $13.9 million); the Global Maritime Crime Programme (an increase of $6.6 million); the regional programme for South-East Asia and the Pacific (2022–2026) (an increase of $6.2 million); the global Container Control Programme (an increase of $4.8 million); the Airport Communication Programme (an increase of $4.2 million); the Global Programme on Cybercrime (an increase of $3.6 million); and the Global Programme against Money-Laundering (an increase of $2.0 million).

26. Figures IV.I and IV.II show expenditure by subprogramme and by region of implementation, respectively. The two largest subprogrammes in terms of volume were subprogramme 1, Countering transnational organized crime, and subprogramme 5, Justice. Together, in 2022, the two subprogrammes accounted for 56.0 per cent of expenditure. Aside from the global programmes (33.0 per cent), the largest regions in terms of volume were Africa and the Middle East (28.2 per cent) and Latin America and the Caribbean (17.7 per cent). Together, in 2022, the three regions accounted for 79.0 per cent of expenditure.

Figure IV.I

**United Nations Office on Drugs and Crime expenditure by subprogramme (including regular budget), 2022 (United Nations system accounting standards basis)**

(Millions of United States dollars)

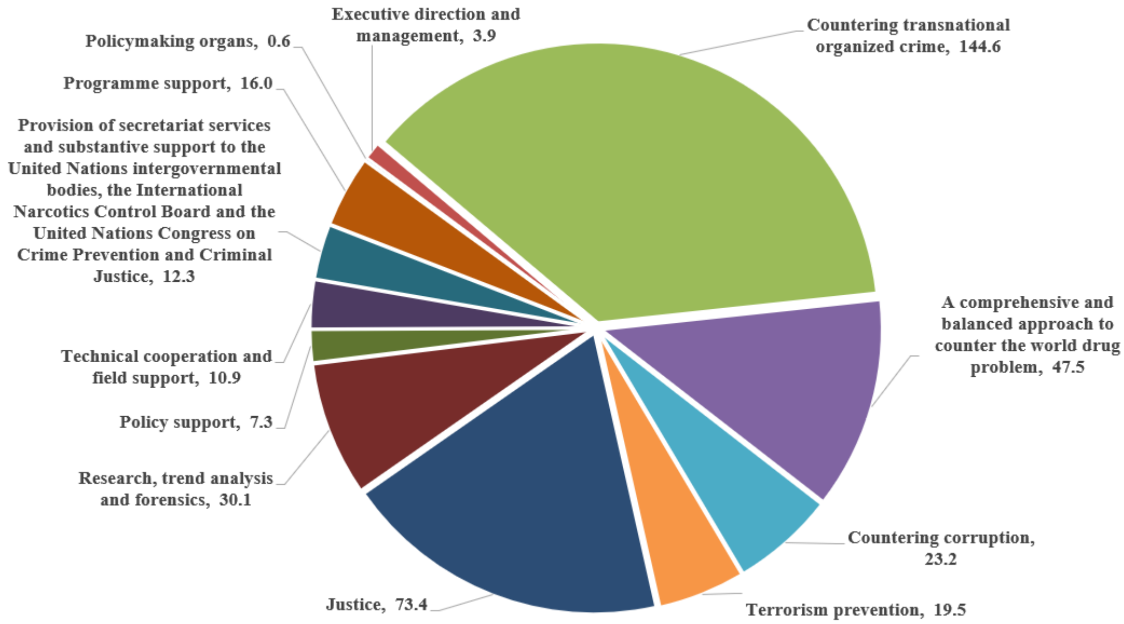
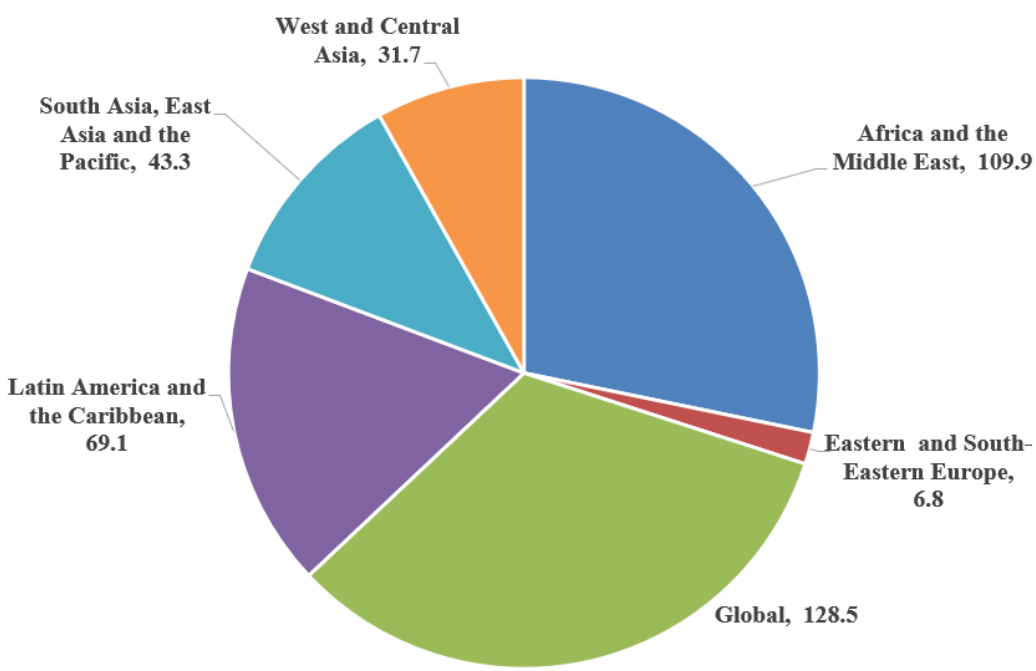



Figure IV.II

**United Nations Office on Drugs and Crime expenditure by region of implementation (including regular budget), 2022 (United Nations system accounting standards basis)**

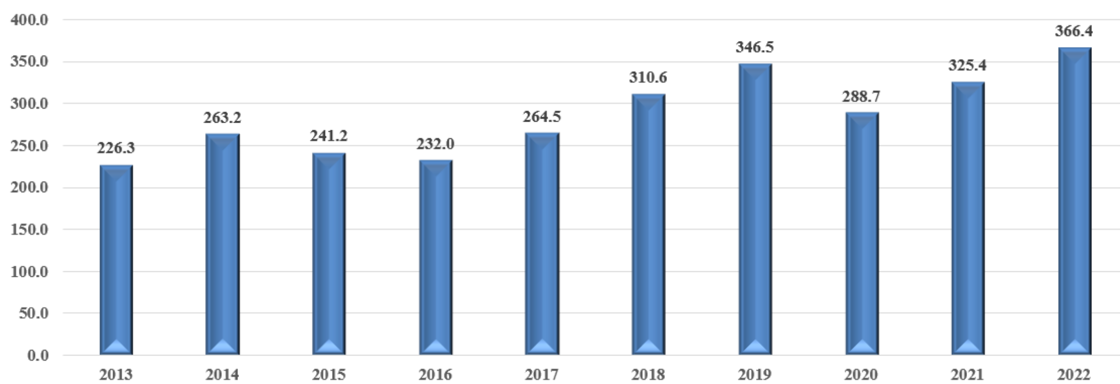
(Millions of United States dollars)




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

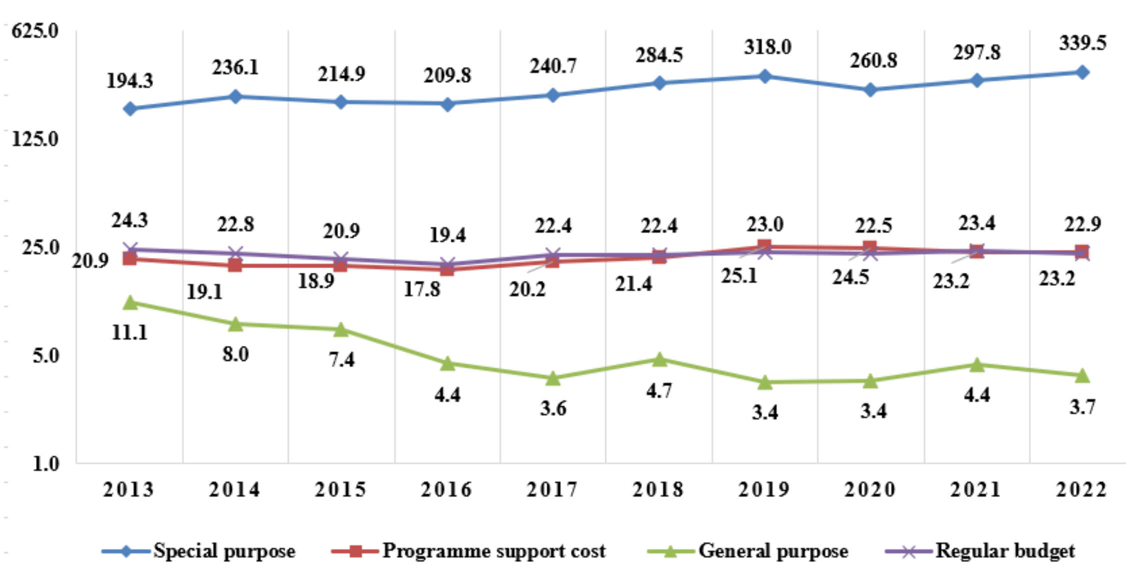
27. Figures IV.III and IV.IV show the 10-year trend of technical assistance expenditure.

Figure IV.III
**United Nations Office on Drugs and Crime technical assistance expenditure trend (excluding regular budget), 2013–2022 (United Nations system accounting standards basis)**
(Millions of United States dollars)




28. Although the continuation of the COVID-19 pandemic and current global events resulted in unprecedented stress on the global economy, the measures taken by UNODC to adapt its programmes to shifting realities and priorities allowed for an improvement in the delivery of technical assistance (extrabudgetary implementation) of 12.6 per cent in 2022. Expenditure stood at $366.4 million, an increase of $41.0 million compared with 2021.

Figure IV.IV
**United Nations Office on Drugs and Crime expenditure by funding source, 2013–2022 (United Nations system accounting standards basis)**
(Millions of United States dollars)




29. Figure IV.IV highlights the continuous deterioration of the funding mix between earmarked and unearmarked contributions over the years. In 2013, the ratio of general purpose (unearmarked) funding to special purpose (earmarked) funding

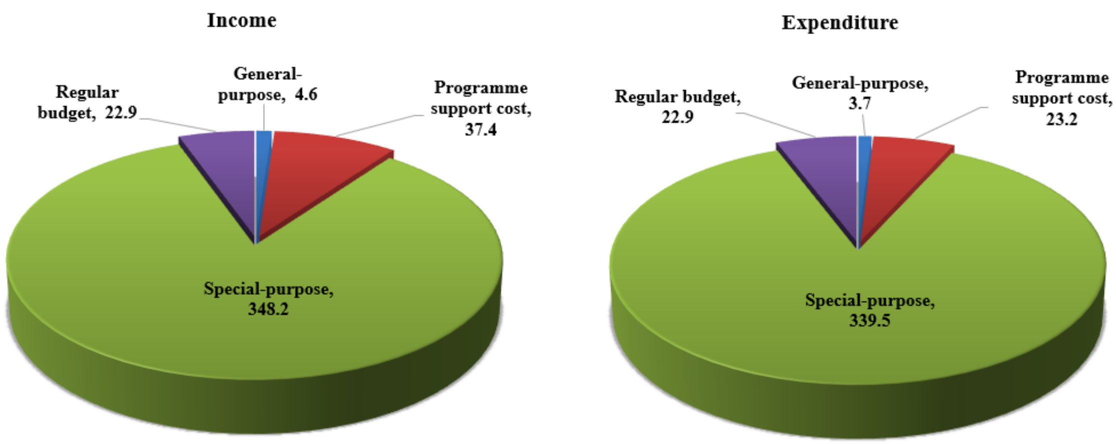
was 5:95, whereas the same ratio was only 1:99 in 2022. In numbers, general purpose funding (expenditure) stood at $11.1 million in 2013, but declined by 66.7 per cent to $3.7 million in 2022, whereas earmarked funding (expenditure) stood at $194.3 million in 2013 and increased by 74.7 per cent, to $339.5 million, in 2022.

30. Figure IV.V presents 2022 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, 2022 (United Nations system accounting standards basis)**

(Millions of United States dollars)




31. Figure IV.V highlights the fact that general purpose (unearmarked) income represented a mere 1.1 per cent of the total income and funded a mere 1.0 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 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.

32. The improved delivery under special purpose funds resulted in higher programme support cost income earned in 2022: $37.4 million, compared with $29.9 million in 2021.

## E. Financial analysis

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

34. As at 31 December 2022, net assets amounted to $947.7 million (statement I), which represented an increase of $66.2 million (or 7.5 per cent), compared with $881.5 million as at 31 December 2021. That increase was a result of a net surplus in 2022 of $25.1 million (statement II), together with a gain arising from the actuarial valuation of employee benefits of $41.1 million (statement III).

35. Cash and cash equivalents and investments amounted to $950.4 million (71.8 per cent of total assets as at 31 December 2022), an increase of $5.5 million

(or 0.6 per cent) over the 2021 amount of $944.9 million (see notes 5 and 6 to the financial statements).

36. At the end of 31 December 2022, voluntary contributions receivable represented uncollected earmarked pledges totalling $303.8 million (2021: $262.0 million), net of allowance for doubtful receivables of $2.6 million (2021: $11.1 million) (see note 7).

37. 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. At the end of December 2022, a balance of $21.4 million (2021: $17.4 million) of advances remained outstanding. Of that amount, $5.0 million (2021: $1.5 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).

38. As at 31 December 2022, UNODC held property, plant and equipment of $10.2 million (2021: $16.6 million). At the end of 2022, ongoing construction projects amounted to $2.9 million (see note 10).

39. As at 31 December 2022, UNODC reported advance receipts of $39.6 million (2021: $35.4 million). That amount represented funds received from exchange transactions for services that had not been delivered by year end (see note 13).

40. UNODC liability for employee benefits amounted to $115.5 million as at 31 December 2022 (2021: $147.1 million), of which $105.3 million (2021: $138.1 million) represented liabilities under defined-benefit plans (see note 14).

41. The total revenue of $430.6 million during 2022 (2021: $417.8 million) consisted primarily of $353.5 million (2021: $345.5 million) of non-exchange revenue (82.1 per cent of total revenue) (see note 19) and $34.0 million (2021: $34.5 million) of allocations from the United Nations regular budget (see note 18). Within other revenue of $9.0 million (2021: $14.4 million), $8.8 million (2021: $11.9 million) represented income derived from exchange transactions, such as services rendered for software support and training to Member States and other international organizations (see note 20).

42. The total expenditure for the period amounted to $405.6 million (2021: $356.5 million), comprising mainly staff-related costs of $150.6 million (37.1 per cent of total expenses) (2021: $147.5 million), non-employee compensation and allowances of $78.8 million (2021: $73.5 million) (19.4 per cent of total expenses), and other operating expenses of $104.3 million (2021: $84.1 million) (25.7 per cent of total expenses). Furthermore, $18.5 million (2021: $23.5 million) of expenditure represented the work delivered by the implementing partners and grants to end beneficiaries under authorized small-grants schemes.

## F. Risks, challenges and improvements, 2022 and beyond

### Strategic planning and dependence on extrabudgetary contributions

43. In line with the Secretary-General's management reform, UNODC stepped up its efforts to strengthen results-based management by streamlining it into all

programmes and seeking alignment with the UNODC Strategy 2021–2025, the annual programme plan of the Secretariat and the Sustainable Development Cooperation Frameworks at the country level. UNODC promoted standards and good practices in results-based management within the change management process in relation to the integrated planning, monitoring and reporting solution under Umoja Extension 2. UNODC also updated its management instructions related to project and programme development and fundraising and revised its evaluation policy. In 2022, 14 independent evaluations were finalized, discussed and disseminated. That included the first strategic evaluation of the work of the United Nations Office at Vienna/UNODC to promote gender equality and the empowerment of women, with its results integrated into the development of the United Nations Office at Vienna/UNODC gender strategy for 2022–2026. In addition, an innovative meta-synthesis of UNODC evaluations for 2019–2021 was finalized, offering information at the aggregate level.

44. Discussions on the funding model for UNODC, with the aim of proposing practical recommendations to address insufficient funding and a more effective use of funds, continued, including consultations with Member States in the context of the standing open-ended intergovernmental working group on improving the governance and financial situation of UNODC.

45. The heavy reliance by UNODC on earmarked extrabudgetary contributions 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.

46. Special purpose contributions reached $348.2 million by the end of 2022, on par with the pre-pandemic and pre-conflict levels. UNODC intensified its efforts to further diversify the donor base for its programmes beyond traditional sources through the expansion of cooperation with bilateral development agencies in areas such as crimes that affect the environment and corruption. The Office continued to work closely with United Nations partners at the country team level, which resulted in increasing cooperation through United Nations to United Nations agreements and expanding multi-partner trust fund arrangements.

47. UNODC conducted regular briefings for 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 and the risks posed by current global events; 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 States accordingly. The reviews were conducive to the reallocation of resources to priority areas that had emerged from compounded crises, conflicts and other global events (e.g. in the context of the implementation report on the consolidated budget of UNODC for 2022–2023, additional resources were allocated to Ukraine).

48. Information on financial risk management (credit risk, liquidity risk and market risk) is provided in note 21.

### Funding model

49. 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 2022, and three options were identified, taking into account the UNODC Strategy 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 at field offices, considering changes coming from the Secretariat-wide United Nations reform streams; and (c) direct cost recovery of actual work for transaction services that can be transparently and cost-efficiently linked as direct support for programme activities financed by extrabudgetary contributions. Work in these areas will continue throughout 2023.

**United Nations management reforms**

50. To enhance accountability and compliance with policy guidelines issued by the Department of Management Strategy, Policy and Compliance, the Office is monitoring the related dashboards, on which UNODC information is compared against a standard set of key performance indicators, as well as performing management reviews. The senior manager compacts for 2022 were further streamlined to reflect the priorities of the Secretary-General and incorporate new quantitative indicators.

51. UNODC supported the annual issuance of the statement of internal control. The statement of internal control for all operations carried out by the Secretariat in 2021 was signed by the Secretary-General on 28 June 2022. The issuance of the statement of internal control for all 2022 operations of the Secretariat is planned for mid-2023, following the submission of the signed and revised self-assessment checklists and assurance statements by all heads of entities.

**Enterprise risk management initiative**

52. Following the adoption of a new Secretariat-wide risk register in July 2021, UNODC began the process of reviewing its institutional enterprise risk management framework, also with a view to aligning it with the UNODC Strategy 2021–2025 and including elements related to the COVID-19 pandemic and the evolving risk landscape. Throughout the exercise, UNODC captured emerging risks and streamlined and simplified risk management governance, including monitoring and reporting, to allow for a more effective and agile response. Furthermore, the Office has been participating in the pilot testing of the Secretariat enterprise risk management framework application developed by the Department of Management Strategy, Policy and Compliance.

**Umoja**

53. The main deployment efforts continued to be focused on the completion and further enhancements of the Umoja Extension 2 project solution, especially those related to the integrated planning, management and reporting component, including self-analytical tools, and the deployment of dashboard reporting.

54. In order to ensure that Umoja operational matters are discussed and addressed efficiently, the forum of process experts at UNODC will continue to liaise with Headquarters on a regular basis on matters related to Umoja Extension 2 functionality. In addition, new guidelines and training activities are deployed regularly. Those 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 2022

## United Nations Office on Drugs and Crime

### I. Statement of financial position as at 31 December 2022

(Thousands of United States dollars)

| | *Reference* | *31 December 2022* | *31 December 2021* |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | Note 5 | 136 674 | 103 698 |
| Investments | Note 6 | 548 227 | 708 687 |
| Voluntary contributions receivable | Note 7 | 182 144 | 148 869 |
| Other receivables | Note 7 | 15 876 | 15 200 |
| Advance transfers | Note 8 | 21 392 | 17 441 |
| Advances to UNDP and other assets | Note 9 | 15 173 | 7 802 |
| **Total current assets** | | **919 486** | **1 001 697** |
| **Non-current assets** | | | |
| Investments | Note 6 | 265 473 | 132 474 |
| Voluntary contributions receivable | Note 7 | 121 623 | 113 157 |
| Other receivables | Note 7 | 6 761 | 12 718 |
| Property, plant and equipment | Note 10 | 10 246 | 16 617 |
| Intangible assets | Note 11 | 420 | 535 |
| **Total non-current assets** | | **404 523** | **275 501** |
| **Total assets** | | **1 324 009** | **1 277 198** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | Note 12 | 53 332 | 42 599 |
| Advance receipts | Note 13 | 39 590 | 35 369 |
| Employee benefits liabilities | Note 14 | 7 769 | 7 280 |
| Conditional liabilities | Note 16 | 92 233 | 108 433 |
| **Total current liabilities** | | **192 924** | **193 681** |
| **Non-current liabilities** | | | |
| Accounts payable and accrued liabilities | Note 12 | 6 761 | 12 718 |
| Employee benefits liabilities | Note 14 | 107 741 | 139 869 |
| Conditional liabilities | Note 16 | 68 874 | 49 391 |
| **Total non-current liabilities** | | **183 376** | **201 978** |
| **Total liabilities** | | **376 300** | **395 659** |
| **Net of total assets and total liabilities** | | **947 709** | **881 539** |
| **Net assets** | | | |
| Accumulated surpluses/(deficits) – unrestricted | Note 17 | 113 040 | 53 971 |
| Accumulated surpluses/(deficits) – restricted | Note 17 | 834 669 | 827 568 |
| **Total net assets** | | **947 709** | **881 539** |

The accompanying notes are an integral part of these financial statements.
*Abbreviation*: UNDP, United Nations Development Programme.

## United Nations Office on Drugs and Crime

## II. Statement of financial performance for the year ended 31 December 2022

(Thousands of United States dollars)

| | *Reference* | *31 December 2022* | *31 December 2021* |
|---|---|---|---|
| **Revenue** | | | |
| United Nations regular budget allocation | Note 18 | 33 986 | 34 518 |
| Voluntary contributions | Note 19 | 353 472 | 345 462 |
| Other transfers and allocations | Note 19 | 30 234 | 23 305 |
| Other revenue | Note 20 | 9 033 | 14 418 |
| Investment revenue | Note 21 | 3 924 | 72 |
| **Total revenues** | | **430 649** | **417 775** |
| **Expenses** | | | |
| Employee salaries allowances and benefits | Note 22 | 150 571 | 147 520 |
| Non-employee compensation and allowances | Note 23 | 78 795 | 73 541 |
| Grants and other transfers | Note 24 | 18 476 | 23 473 |
| Supplies and consumables | Note 25 | 5 315 | 6 115 |
| Depreciation | Note 10 | 632 | 571 |
| Amortization | Note 11 | 115 | 86 |
| Travel | Note 26 | 47 359 | 21 038 |
| Other operating expenses | Note 27 | 104 273 | 84 058 |
| Other expenses | Note 28 | 49 | 118 |
| **Total expenses** | | **405 585** | **356 520** |
| **Surplus/(deficit) for the year** | **Note 17** | **25 064** | **61 255** |

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

## United Nations Office on Drugs and Crime

## III. Statement of changes in net assets for the year ended 31 December 2022

(Thousands of United States dollars)

| | *Reference* | *Accumulated surpluses/(deficits) – unrestricted* | *Accumulated surpluses/(deficits) – restricted* | *Total* |
|---|---|---|---|---|
| **Net assets as at 1 January 2021** | | **44 897** | **777 897** | **822 794** |
| **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** | | **53 971** | **827 568** | **881 539** |
| **Net assets as at 1 January 2022** | Statement I | **53 971** | **827 568** | **881 539** |
| **Change in net assets** | | | | |
| Transfers to/from unrestricted/restricted reserve funds | Note 17 | (681) | 681 | – |
| Actuarial gain/(loss) | Note 14 | 41 106 | – | 41 106 |
| Surplus/(deficit) for the year | Statement II | 18 644 | 6 420 | 25 064 |
| **Total as at 31 December 2022** | **Statement I** | **113 040** | **834 669** | **947 709** |

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

## United Nations Office on Drugs and Crime

## IV. Statement of cash flows for the year ended 31 December 2022

(Thousands of United States dollars)

| | *Reference* | *31 December 2022* | *31 December 2021* |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| **Surplus/(deficit) for the year** | Statement II | **25 064** | **61 255** |
| *Non-cash movements* | | | |
| Depreciation and amortization | Note 10, 11 | 747 | 657 |
| Actuarial gain/(loss) on employee benefits liabilities | Note 14 | 41 106 | (2 510) |
| Post-capitalized property, plant and equipment items | Note 10 | (236) | – |
| Transfers and donated property, plant and equipment and intangibles | Note 10 | (144) | – |
| Net loss on disposal of property, plant and equipment | Note 10 | 11 285 | 1 593 |
| *Changes in assets* | | | |
| (Increase)/decrease in voluntary contributions receivable | Note 7 | (41 741) | 26 943 |
| (Increase)/decrease in other receivables | Note 7 | 5 281 | (8 095) |
| (Increase)/decrease in advance transfers | Note 8 | (3 951) | (901) |
| (Increase)/decrease in other assets | Note 9 | (7 371) | 2 149 |
| *Changes in liabilities* | | | |
| Increase/(decrease) in accounts payable – Member States | Note 12 | 718 | 9 281 |
| Increase/(decrease) in accounts payable – other | Note 12 | 4 058 | 7 332 |
| Increase/(decrease) in advance receipts | Note 13 | 4 221 | 88 |
| Increase/(decrease) in employee benefits payable | Note 14 | (31 639) | 12 081 |
| Increase/(decrease) in conditional liabilities | Note 16 | 3 283 | (29 901) |
| Investment revenue presented as investing activities | Note 21 | (3 924) | (72) |
| **Net cash flows from operating activities** | Note 4 | **6 757** | **79 900** |
| **Cash flows from investing activities** | | | |
| Pro rata share of net increase/(decrease) in the cash pool | Note 6 | 27 461 | (64 556) |
| Investment revenue presented as investing activities | Note 21 | 3 924 | 72 |
| Acquisitions of property, plant and equipment | Note 10 | (5 166) | (6 636) |
| Acquisitions of intangibles | Note 11 | – | (365) |
| **Net cash flows from/(used in) investing activities** | Note 4 | **26 219** | **(71 485)** |
| **Cash flows from financing activities** | | | |
| Other inflows/(outflows) of cash | | – | – |
| **Net cash flows from financing activities** | | – | – |
| Net increase/(decrease) in cash and cash equivalents | Note 4 | 32 976 | 8 415 |
| Cash and cash equivalents – beginning of year | Note 5 | 103 698 | 95 283 |
| **Cash and cash equivalents – end of year** | Statement I | **136 674** | **103 698** |

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

## United Nations Office on Drugs and Crime

### V. Statement of comparison of budget and actual amounts for the year ended 31 December 2022

(Thousands of United States dollars)

| | *Publicly available budget*[a] | | | |
|---|---|---|---|---|
| | *Original 2022 annual*[b] | *Revised 2022 annual*[c] | *Actual 2022 (budget basis)* | *Difference*[d] *(percentage)* |
| **Revenue** | | | | |
| United Nations regular budget allocation | 22 968 | 22 968 | 22 866 | – |
| Voluntary contributions | 311 785 | 352 162 | 390 274 | 11 |
| **Total revenue** | **334 753** | **375 130** | **413 140** | **10** |
| **Expense** | | | | |
| A. Policymaking organs | 719 | 719 | 605 | (16) |
| B. Executive direction and management | 5 137 | 4 518 | 3 875 | (14) |
| C. Programme of work | | | | |
| 1. Countering transnational organized crime | 141 178 | 143 823 | 144 627 | 1 |
| 2. A comprehensive and balanced approach to counter the world drug problem | 34 835 | 51 609 | 47 465 | (8) |
| 3. Countering corruption | 24 181 | 25 609 | 23 171 | (10) |
| 4. Terrorism prevention | 20 352 | 20 171 | 19 538 | (3) |
| 5. Justice | 54 521 | 67 703 | 73 429 | 8 |
| 6. Research, trend analysis and forensics | 30 463 | 30 150 | 30 065 | 0 |
| 7. Policy support | 8 483 | 8 665 | 7 299 | (16) |
| 8. Technical cooperation and field support | 13 621 | 12 587 | 10 931 | (13) |
| 9. Provision of secretariat services and substantive support to the United Nations intergovernmental bodies, the International Narcotics Control Board and the United Nations Congress on Crime Prevention and Criminal Justice | 10 299 | 12 414 | 12 350 | (1) |
| D. Programme support | 16 776 | 16 765 | 15 985 | (5) |
| **Total expenses (note 4)** | **360 565** | **394 733** | **389 340** | **(1)** |
| **Net surplus/(deficit)** | **(25 812)** | **(19 603)** | **23 800** | **–** |

[a] Statement V budget reported on an annual basis for reporting purposes. See note 4, Comparison to budget, for details on the 2022–2023 biennial budget.

[b] Original approved budget for 2022 of $360.6 million covers extrabudgetary resources of $337.6 million approved by the Commission on Narcotic Drugs and the Commission on Crime Prevention and Criminal Justice (see E/CN.7/2021/11-E/CN.15/2021/18). It also includes the 2022 initial appropriation for regular budget section 16 ($22.0 million) and section 23 ($1.0 million). The amount for extrabudgetary resources includes the United Nations Interregional Crime and Justice Research Institute.

[c] Revised budget for 2022 of $394.7 million covers extrabudgetary resources of $371.7 million as reflected in E/CN.7/2022/16-E/CN.15/2022/16. It also includes the 2022 revised appropriation for regular budget section 16 ($22.0 million) and section 23 ($1.0 million). The amount for extrabudgetary resources includes the United Nations Interregional Crime and Justice Research Institute.

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

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

### Note 1
### Reporting entity

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

1. The United Nations Office on Drugs and Crime (UNODC) was established in 1997[1] through a merger between the United Nations International Drug Control Programme[2] and the Centre for International Crime Prevention.[3] 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

[1] See A/51/950, paras. 143–145.

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

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

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

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

6. Headquartered in Vienna, UNODC operates in all regions of the world through an extensive network of regional offices (10), country offices (8) and other field project and programme office locations (113). In addition, UNODC has two liaison offices.

7. UNODC is funded primarily 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 2022–2023 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 2022. 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 the 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 therefore does not 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 right-to-use 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 right-to-use arrangements can be treated as operating or finance leases. Long-term donated right-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 a 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 the United Nations Development Programme (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. Historical cost comprises the purchase price, any costs directly attributable to bringing the asset to its location and

condition, and the initial estimate of dismantling and site restoration costs. A standard rate of 12 per cent of the cost of purchase is used in place of actual associated costs. 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 the 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; they are initially recognized as assets and subsequently expensed on the basis of 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. 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 include 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 UNODC financial statements continue to be monitored:

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

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.

(b) The IPSAS Board plans to issue a new standard on property, plant and equipment replacing IPSAS 17, adding public sector guidance on heritage and infrastructure assets and aligning with the new measurement principles. The standard is expected to be issued in the first half of 2023 together with the measurement-related guidance;

(c) 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. The IPSAS Board expects to approve and issue the standard on measurement in the first half of 2023. The related section of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (chapter 7, on the measurement of assets and liabilities), will also be updated in line with the new standard;

(d) Non-exchange expenses: the aim of the project is to develop a standard or standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits. The new standard would result in a change in accounting policy for the recognition of expenses whereby the transfer provider will recognize an expense when the transfer recipient satisfies an obligation by transferring goods or services to a third-party beneficiary. The draft standard is in the final review phase by the IPSAS Board and is expected to be issued in the first half of 2023. In order to prepare for the adoption of this new standard, data-collection efforts and the revision of the agreement template are under way;

(e) 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 finished discussing principle-related issues and plans to issue the standard in the first half of 2023;

(f) "Accounting and reporting by retirement benefit plans" is a new project of the IPSAS Board and an adaptation of International Accounting Standard 26. The objective of developing the exposure draft is to prescribe the accounting and reporting requirements for public sector retirement benefit plans, which primarily provide benefits to retired public sector employees. A retirement benefit plan that prepares and presents financial statements under the accrual basis of accounting shall apply this guidance;

(g) "Other lease-type arrangements" is another new project of the Board, with the aim of developing additional guidance for identifying and addressing lease-related accounting issues associated with lease-type arrangements. The exposure draft was published for comment in January 2023 and proposes amendments to IPSAS 43, Leases, on accounting for concessionary leases, as well as new guidance on right-of-use assets in kind and consequential amendments to IPSAS 23, Revenue from non-exchange transactions.

### Recent and future requirements of the International Public Sector Accounting Standards

78. The IPSAS Board issued the following standards:

(a) IPSAS 41: Financial instruments, issued in August 2018 and effective 1 January 2023;

(b) IPSAS 42: Social benefits, issued in January 2019 and effective 1 January 2023;

(c) IPSAS 43: Leases, issued in January 2022 and effective 1 January 2025;

(d) IPSAS 44: Non-current assets held for sale and discontinued operations, issued in May 2022 and effective 1 January 2025.

The impact of these standards on UNODC financial statements and the comparative period therein has been evaluated to be as follows:

| *Standard* | *Anticipated impact in the year of adoption* |
|---|---|
| IPSAS 41 | IPSAS 41: Financial instruments, substantially improves the relevance of information for financial assets and financial liabilities. It will replace IPSAS 29: Financial instruments: recognition and measurement, and improves that standard's requirements by introducing:<br>(a) Simplified classification and measurement requirements for financial assets;<br>(b) A forward-looking impairment model;<br>(c) A flexible hedge accounting model.<br>Compliance with the IPSAS 41: Financial instruments, is mandatory for the financial year ending 31 December 2023. UNODC is in the process of assessing the new requirements for the recording, valuation and reporting of the investment cash pool in line with IPSAS 41. The assessment results will be used to develop an accounting policy document and update the corporate guidance. |
| 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.<br>Currently, there are no such social benefits applicable to UNODC, therefore the standard will have no impact on UNODC financial reporting. |
| IPSAS 43 | IPSAS 43: Leases, replaced IPSAS 13: Leases, aligning guidance with International Financial Reporting Standard 16. The newly issued standard introduces new contract and leases definitions and prescribes a right-of-use recognition and measurement model for all leases, apart from those meeting short-term and low-value exemption categories. IPSAS 43 also provides additional guidance on the application of the risks and rewards model for lessor accounting. Adoption of the standard is mandatory for the financial year ending 31 December 2025. The impact of IPSAS 43 will be assessed over the 2023 and 2024 calendar years prior to the 1 January 2025 effective date. The broadened leases definition is estimated to result in the recognition of more binding arrangements as leases, with a corresponding increase in lease liabilities and right-of-use assets. |
| IPSAS 44 | IPSAS 44: Non-current assets held for sale and discontinued operations, promulgates accounting for assets held for sale and the presentation and disclosure requirements of discontinued operations, in alignment with International Financial Reporting Standard 5. Adoption of the standard is mandatory for the financial year ending 31 December 2025. The impact of IPSAS 44 will be assessed to prepare UNODC for its implementation prior to the 1 January 2025 effective date. Given the definitions and scope of non-current assets held for sale, the recognition and measurement impacts are preliminarily estimated as not significant for UNODC, as the presentation and disclosure changes will depend on the identification of discontinued operations, if any, in the future, starting on 1 January 2025. |

### 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 expenditure on a subprogramme and geographical region basis.

## Segment reporting by pillars

### Statement of financial position as at 31 December 2022

(Thousands of United States dollars)

| | *31 December 2022* | | | *31 December 2021* | | |
|---|---|---|---|---|---|---|
| | *Drug programme* | *Crime programme* | *Total* | *Drug programme* | *Crime programme* | *Total* |
| **Assets** | | | | | | |
| **Current assets** | | | | | | |
| Cash and cash equivalents | 49 106 | 87 568 | 136 674 | 51 609 | 52 089 | 103 698 |
| Investments | 196 976 | 351 251 | 548 227 | 247 898 | 460 789 | 708 687 |
| Voluntary contributions receivable | 38 914 | 143 230 | 182 144 | 23 620 | 125 249 | 148 869 |
| Advance transfers and other receivables | 7 272 | 29 996 | 37 268 | 2 296 | 30 345 | 32 641 |
| Advances to UNDP and other assets | 11 672 | 3 501 | 15 173 | 7 199 | 603 | 7 802 |
| **Total current assets** | **303 940** | **615 546** | **919 486** | **332 622** | **669 075** | **1 001 697** |
| **Assets** | | | | | | |
| **Non-current assets** | | | | | | |
| Investments | 95 384 | 170 089 | 265 473 | 46 339 | 86 135 | 132 474 |
| Voluntary contributions receivable | 7 691 | 113 932 | 121 623 | 11 026 | 102 131 | 113 157 |
| Other receivables | – | 6 761 | 6 761 | – | 12 718 | 12 718 |
| Property, plant and equipment and intangible assets | 2 578 | 8 088 | 10 666 | 2 752 | 14 400 | 17 152 |
| **Total non-current assets** | **105 653** | **298 870** | **404 523** | **60 117** | **215 384** | **275 501** |
| **Total assets** | **409 593** | **914 416** | **1 324 009** | **392 739** | **884 459** | **1 277 198** |
| **Liabilities** | | | | | | |
| **Current liabilities** | | | | | | |
| Accounts payable and accrued liabilities | 7 577 | 45 755 | 53 332 | 5 456 | 37 143 | 42 599 |
| Advance receipts | 4 576 | 35 014 | 39 590 | 4 023 | 31 346 | 35 369 |
| Employee benefits liabilities | 2 710 | 5 059 | 7 769 | 2 772 | 4 508 | 7 280 |
| Conditional liabilities | 7 348 | 84 885 | 92 233 | 14 281 | 94 152 | 108 433 |
| **Total current liabilities** | **22 211** | **170 713** | **192 924** | **26 532** | **167 149** | **193 681** |

| | *31 December 2022* | | | *31 December 2021* | | |
|---|---|---|---|---|---|---|
| | *Drug programme* | *Crime programme* | *Total* | *Drug programme* | *Crime programme* | *Total* |
| **Non-current liabilities** | | | | | | |
| Accounts payable and accrued liabilities | – | 6 761 | 6 761 | – | 12 718 | 12 718 |
| Employee benefits liabilities | 43 314 | 64 427 | 107 741 | 53 751 | 86 118 | 139 869 |
| Conditional liabilities | 3 292 | 65 582 | 68 874 | 4 860 | 44 531 | 49 391 |
| **Total non-current liabilities** | **46 606** | **136 770** | **183 376** | **58 611** | **143 367** | **201 978** |
| **Total liabilities** | **68 817** | **307 483** | **376 300** | **85 143** | **310 516** | **395 659** |
| **Net of total assets and total liabilities** | **340 776** | **606 933** | **947 709** | **307 596** | **573 943** | **881 539** |
| **Net assets** | | | | | | |
| Accumulated surpluses/(deficits) – unrestricted | 62 728 | 50 312 | 113 040 | 44 736 | 9 235 | 53 971 |
| Accumulated surpluses/(deficits) – restricted | 278 048 | 556 621 | 834 669 | 262 860 | 564 708 | 827 568 |
| **Total net assets** | **340 776** | **606 933** | **947 709** | **307 596** | **573 943** | **881 539** |

## Segment reporting by pillars

### Statement of financial performance for the year ended 31 December 2022

(Thousands of United States dollars)

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | *Drug programme* | *Crime programme* | *Total* | *Drug programme* | *Crime programme* | *Total* |
| **Revenue** | | | | | | |
| United Nations regular budget allocation | 16 012 | 17 974 | 33 986 | 15 932 | 18 586 | 34 518 |
| Voluntary contributions | 98 587 | 254 885 | 353 472 | 68 708 | 276 754 | 345 462 |
| Other transfers and allocations | 19 688 | 10 546 | 30 234 | 5 813 | 17 492 | 23 305 |
| Other revenue | 1 148 | 7 885 | 9 033 | 1 363 | 13 055 | 14 418 |
| Investment revenue | 1 321 | 2 603 | 3 924 | 53 | 19 | 72 |
| **Total revenues** | **136 756** | **293 893** | **430 649** | **91 869** | **325 906** | **417 775** |
| **Expenses** | | | | | | |
| Employee salaries allowances and benefits | 46 665 | 103 906 | 150 571 | 48 735 | 98 785 | 147 520 |
| Non-employee compensation and allowances | 20 440 | 58 355 | 78 795 | 20 126 | 53 415 | 73 541 |
| Grants and other transfers | 10 059 | 8 417 | 18 476 | 8 960 | 14 513 | 23 473 |
| Depreciation and amortization | 303 | 444 | 747 | 268 | 389 | 657 |
| Travel | 10 920 | 36 439 | 47 359 | 4 741 | 16 297 | 21 038 |
| Other operating expenses | 26 050 | 78 223 | 104 273 | 19 718 | 64 340 | 84 058 |
| Supplies, consumables and other expenses | 2 214 | 3 150 | 5 364 | 1 983 | 4 250 | 6 233 |
| **Total expenses** | **116 651** | **288 934** | **405 585** | **104 531** | **251 989** | **356 520** |
| **Surplus/(deficit) for the year** | **20 105** | **4 959** | **25 064** | **(12 662)** | **73 917** | **61 255** |

### Segment reporting by geographical region for the year ended 31 December 2022

(Thousands of United States dollars)

| | *2022* | *2021* |
|---|---|---|
| Africa and the Middle East | 113 288 | 93 367 |
| Eastern and South-Eastern Europe | 6 122 | 3 789 |
| Global programmes | 143 467 | 142 016 |
| Latin America and the Caribbean | 71 332 | 51 266 |
| South Asia, East Asia and the Pacific | 42 828 | 34 800 |
| West and Central Asia | 28 548 | 31 282 |
| **Total expenses** | **405 585** | **356 520** |

### Segment reporting by subprogramme for the year ended 31 December 2022

(Thousands of United States dollars)

| | *2022* | *2021* |
|---|---|---|
| A. Policymaking organs | 604 | 1 466 |
| B. Executive direction and management | 3 949 | 4 317 |
| C. Programme of work | | |
| 1. Countering transnational organized crime | 156 970 | 123 582 |
| 2. A comprehensive and balanced approach to counter the world drug problem | 31 878 | 33 307 |
| 3. Countering corruption | 24 890 | 29 776 |
| 4. Terrorism prevention | 20 283 | 19 045 |
| 5. Justice | 71 787 | 58 433 |
| 6. Research, trend analysis and forensics | 31 906 | 30 316 |
| 7. Policy support | 8 469 | 7 552 |
| 8. Technical cooperation and field support | 21 617 | 15 034 |
| 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 | 13 616 | 10 802 |
| D. Programme support | 19 616 | 22 890 |
| **Total expenses** | **405 585** | **356 520** |

## 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 2022–2023 of $692.800 million covers extrabudgetary resources of $645.588 million, approved by the Commission on Narcotic 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 $47.212 million, approved by the General Assembly (resolutions 76/247 A–C and 77/264 A–C) for

sections 16 and 23. Of the $692.800 million, the original budget for 2022 of $360.6 million is included in the statement.

84. The revised budget for the biennium 2022–2023 of $800.681 million covers extrabudgetary resources of $753.469 million, approved by the Commission on Narcotics Drugs and the Commission on Crime Prevention and Criminal Justice (see E/CN.7/2022/16-E/CN.15/2022/16), and regular budget resources of $47.212 million, allocated by the Secretariat and approved by the General Assembly (resolutions 76/247 A–C and 77/264 A–C) for sections 16 and 23. Of the $800.681 million, the revised budget for 2022 of $394.733 million is included in the statements. The explanations on material differences of 10 per cent or more for 2022 are provided below.

| *Budget caption* | *Material differences* |
|---|---|
| Revenue – voluntary contributions | The variance of $38.112 million is attributable to higher-than-expected voluntary contributions mainly from the United States of America, Norway and the Kingdom of the Netherlands. |
| Policymaking organs | The variance of $0.114 million is attributable to lower-than-expected travel of representatives of the International Narcotics Control Board. |
| Executive direction and management | The variance of $0.643 million is attributable mainly to lower-than-budgeted implementation of the project on gender equality, as well as delayed recruitment of staff. |
| Subprogramme 3, Countering corruption | The variance of $2.438 million is attributable mainly to lower-than-budgeted implementation of the anti-corruption component under the regional programme for South-East Asia and the Pacific (2022–2026) and the programme against corruption and money-laundering in the Middle East and North Africa region. It also includes a reduction owing to closure of outstanding commitments for the Global Programme for the Implementation of the Doha Declaration, closed in 2022. |
| Subprogramme 7, Policy support | The variance of $1.366 million is attributable mainly to lower-than-budgeted implementation of the global programme on partnership and engagement with non-governmental stakeholders and the global programme on enhancing communication and public information, as well as of the United Nations voluntary trust fund for victims of trafficking in persons, especially women and children. |
| Subprogramme 8, Technical cooperation and field support | The variance of $1.656 million is attributable mainly to delayed recruitment and reduced temporary support to field offices. |

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

### Reconciliation of actual amounts on a comparable basis to the statement of cash flows, 2022

(Thousands of United States dollars)

| | *Operating* | *Investing* | *Financing* | *Total 31 December 2022* |
|---|---|---|---|---|
| **Actual amounts on a comparable basis (statement V)** | **(389 340)** | **–** | **–** | **(389 340)** |
| Basis differences | 402 729 | – | – | 402 729 |
| Entity differences | (9 013) | – | – | (9 013) |
| Presentation differences | 2 381 | 26 219 | – | 28 600 |
| **Actual amounts in the statement of cash flows (statement IV)** | **6 757** | **26 219** | **–** | **32 976** |

86. Basis differences capture the differences resulting from preparing a budget on a modified cash basis. In order to reconcile the budgetary results with the statement of cash flows, the non-cash elements, such as budgetary commitments of $69.849 million (2021: $63.066 million) and payment against prior-year budgetary commitments of $59.608 million (2021: $45.879 million), are included as basis differences. In addition, other IPSAS-specific differences, such as the treatment of employee benefits and indirect cash flows relating to changes in receivables and accrued liabilities, are included.

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

88. Presentation differences are the differences in the format and classification schemes between the statement of cash flows and the statement of comparison of budget and actual amounts. The latter does not include the changes in cash pool balances of $31.385 million (2021: $64.484 million). Other presentation differences include the fact that the amounts included in the statement of comparison of budget and actual amounts are not segregated into operating, investing and financing activities, such as cash flows on property, plant and equipment, including intangibles of $5.165 million (2021: $7.001 million).

89. Timing differences occur if the budget period differs from that of the financial statements. As the budget results under statement V reflect only the 2022 proportion of the biennium, there are no timing differences.

## Note 5
## Cash and cash equivalents

(Thousands of United States dollars)

| | *31 December 2022* | *31 December 2021* |
|---|---|---|
| Cash at bank and on hand | 28 | 32 |
| Cash pool cash and term deposits | 136 646 | 103 666 |
| **Total cash and cash equivalents (statement I)** | **136 674** | **103 698** |

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

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

## Note 6
## Investments

(Thousands of United States dollars)

| | *31 December 2022* | *31 December 2021* |
|---|---|---|
| **Current** | | |
| Main pool | 548 227 | 708 687 |
| Euro pool | – | – |
| **Subtotal, current (statement I)** | **548 227** | **708 687** |
| **Non-current** | | |
| Main pool | 265 473 | 132 474 |
| **Subtotal, non-current (statement I)** | **265 473** | **132 474** |
| **Total** | **813 700** | **841 161** |

92. Investments comprise amounts held in the United Nations cash pools and comprise current investments and non-current investments. Further details on 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 2022* | *31 December 2021* |
|---|---|---|
| **Current voluntary contributions receivable** | | |
| Governments | 503 | 712 |
| Other governmental organizations | 169 527 | 148 825 |
| United Nations organizations | 7 588 | 5 733 |
| Private donors | 7 112 | 4 707 |
| **Total current voluntary contributions receivable before allowance** | **184 730** | **159 977** |
| **Non-current voluntary contributions receivable** | | |
| Governments | – | – |
| Other governmental organizations | 119 812 | 108 032 |
| United Nations organizations | 123 | – |
| Private donors | 1 688 | 5 125 |
| **Total non-current voluntary contributions receivable before allowance** | **121 623** | **113 157** |

| | *31 December 2022* | *31 December 2021* |
|---|---|---|
| Allowance for doubtful receivables, current | (2 586) | (11 108) |
| **Total allowance for doubtful receivables** | **(2 586)** | **(11 108)** |
| **Net voluntary contributions receivable, current (statement I)** | **182 144** | **148 869** |
| **Net voluntary contributions receivable, non-current (statement I)** | **121 623** | **113 157** |
| **Total voluntary contributions receivable** | **303 767** | **262 026** |

## Other receivables

(Thousands of United States dollars)

| | *31 December 2022* | *31 December 2021* |
|---|---|---|
| **Current other receivables** | | |
| Governments | 176 | 13 595 |
| Receivables from other United Nations entities | 154 | 195 |
| Other revenue receivables | 15 561 | 1 425 |
| **Total other receivables before allowance, current** | **15 891** | **15 215** |
| Allowance for doubtful receivables, current | (15) | (15) |
| **Total other receivables (statement I)** | **15 876** | **15 200** |
| **Non-current other receivables** | | |
| Other exchange revenue receivables | 6 761 | 12 718 |
| **Total other receivables, non-current (statement I)** | **6 761** | **12 718** |

## Movements in allowances for doubtful receivables

(Thousands of United States dollars)

| | *31 December 2022* | *31 December 2021* |
|---|---|---|
| Opening allowance for doubtful receivables | 11 123 | 5 234 |
| Amounts written off[a] | (10 749) | (3 292) |
| Doubtful receivables adjustment for current year | 2 227 | 9 181 |
| **Closing allowance for doubtful receivables** | **2 601** | **11 123** |

[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 2022* | | *31 December 2021* | |
|---|---|---|---|---|
| | *Gross receivable* | *Allowance* | *Gross receivable* | *Allowance* |
| Neither past due nor impaired | 262 732 | – | 254 082 | – |
| Less than one year | 55 229 | (652) | 35 988 | (1 173) |
| One to two years | 10 483 | (1 546) | 1 212 | (315) |
| Two to three years | 411 | (253) | 9 751 | (9 601) |
| More than three years | 150 | (150) | 34 | (34) |
| **Total** | **329 005** | **(2 601)** | **301 067** | **(11 123)** |

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

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

95. Other receivables include amounts due from employees or from United Nations and other entities for goods supplied, services rendered and operating lease arrangements. The balance represents mainly an exchange revenue arrangement with a government on judicial system construction and capacity-building activities (current: $14.227 million, non-current: $6.761 million).

## Note 8
## Advance transfers

(Thousands of United States dollars)

| | *31 December 2022* | *31 December 2021* |
|---|---|---|
| United Nations Office for Project Services | 3 964 | 3 872 |
| Advances to other United Nations entities | 7 471 | 9 217 |
| Implementing partners (Colombia) | 4 966 | 1 476 |
| Other implementing partners | 4 991 | 2 876 |
| **Total advance transfers (statement I)** | **21 392** | **17 441** |

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

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

(Thousands of United States dollars)

| | *31 December 2022* | *31 December 2021* |
|---|---|---|
| Advances to UNDP and other United Nations entities | 10 813 | 4 502 |
| Advances to vendors | 259 | 160 |
| Advances to staff | 2 653 | 2 398 |
| Advances to other personnel | 1 283 | 673 |
| Other assets | 165 | 69 |
| **Total advances to UNDP and other assets (statement I)** | **15 173** | **7 802** |

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

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

## Note 10
## Property, plant and equipment

99. The movements and balances for property, plant and equipment of UNODC as at 31 December 2022 are provided below.

## Movements and balances for property, plant and equipment, 2022

(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 2022 | 796 | 307 | 9 | 1 346 | 8 199 | 1 224 | 13 574 | 25 455 |
| Additions | 1 038 | 205 | – | 485 | 1 010 | 1 425 | 1 147 | 5 310 |
| Disposals[a] | (9 129) | – | – | (628) | (1 192) | (991) | – | (11 940) |
| Completed assets under construction | 11 807 | – | – | – | – | – | (11 807) | – |
| Post-capitalization | 17 | – | – | 160 | 270 | 125 | – | 572 |
| **Cost as at 31 December 2022** | **4 529** | **512** | **9** | **1 363** | **8 287** | **1 783** | **2 914** | **19 397** |
| **Accumulated depreciation** | | | | | | | | |
| As at 1 January 2022 | 361 | 138 | 4 | 1 078 | 6 490 | 767 | – | 8 838 |
| Depreciation | 31 | 72 | 2 | 62 | 374 | 91 | – | 632 |
| Disposals[a] | – | – | – | (28) | (528) | (99) | – | (655) |
| Post-capitalization depreciation adjustment | 13 | – | – | 61 | 244 | 18 | – | 336 |
| **Accumulated depreciation as at 31 December 2022** | **405** | **210** | **6** | **1 173** | **6 580** | **777** | **–** | **9 151** |
| **Net carrying amount** | | | | | | | | |
| As at 1 January 2022 | 435 | 169 | 5 | 268 | 1 709 | 457 | 13 574 | 16 617 |
| **As at 31 December 2022 (statement I)** | **4 124** | **302** | **3** | **190** | **1 707** | **1 006** | **2 914** | **10 246** |

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

### 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.

100. On 31 December 2022, UNODC held a total of $10.246 million (2021: $16.617 million) in property, plant and equipment. The decrease in the net carrying amount of $6.371 million (2021: increase of $4.472 million) from the prior period was attributable mainly to the increase in assets under construction completed and transferred to end beneficiaries. UNODC does not maintain items of property, plant and equipment as securities for liabilities.

101. UNODC enters into construction works, such as the building of prisons, police stations and courthouses, for the benefit of Member States and other end beneficiaries. Once completed, these assets are handed over to the local governments, and ownership of the property is then fully transferred. During 2022, there were construction projects amounting to $11.807 million completed, from which $9.129 million was transferred to end beneficiaries before end of the year. Ongoing construction projects amounting to $2.914 million at the end of 2022 are anticipated to be completed in 2023 and beyond, after which they will be handed over to the beneficiaries.

102. Impairment reviews are undertaken for all classes of property, plant and equipment, 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 2021** | 1 475 | 122 | 1 597 |
| Additions | – | – | – |
| Disposals | – | – | – |
| Completed assets under development | – | – | – |
| **Cost as at 31 December 2022** | **1 475** | **122** | **1 597** |
| **Accumulated amortization as at 31 December 2021** | 1 062 | – | 1 062 |
| Amortization | 115 | – | 115 |
| Impairment and write-offs in year | – | – | – |
| **Accumulated amortization as at 31 December 2022** | **1 177** | **–** | **1 177** |
| **Net carrying amount** | | | |
| 31 December 2021 | 413 | 122 | 535 |
| **31 December 2022 (statement I)** | **298** | **122** | **420** |

103. 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 2023. The software products are provided for the use of Member States and other international organizations under service-level agreements.

## Note 12
## Accounts payable and accrued liabilities

(Thousands of United States dollars)

| | *31 December 2022* | *31 December 2021* |
|---|---|---|
| Vendor payables | 14 981 | 10 802 |
| Payables to other United Nations entities | 837 | 282 |
| Accruals for goods and services | 16 254 | 13 415 |
| Other | 7 031 | 4 589 |
| **Subtotal** | **39 103** | **29 088** |
| Accounts payable, Member States and Governments | 14 229 | 13 511 |
| **Total accounts payable and accrued liabilities, current (statement I)** | **53 332** | **42 599** |
| Non-current accounts payable, Member States and Governments | 6 761 | 12 718 |
| **Total accounts payable and accrued liabilities, non-current (statement I)** | **6 761** | **12 718** |

104. The "Other" category includes $1.294 million payable to the European Union under conditional liability arrangements (2021: $0.702 million).

105. The sum of Accounts payable, Member States and Governments and Non-current accounts payable, Member States and Governments includes $20.99 million (2021: $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 2022* | *31 December 2021* |
|---|---|---|
| United Nations Interregional Crime and Justice Research Institute training fees | 449 | 582 |
| National Drug Control System | 2 006 | 1 488 |
| Various software products for Member States and Governments | 12 329 | 11 266 |
| Judicial systems construction and capacity-building | 23 933 | 21 218 |
| Other advance receipts | 873 | 815 |
| **Total advance receipts (statement I)** | **39 590** | **35 369** |

106. 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 2022

(Thousands of United States dollars)

| | *Current* | *Non-current* | *Total* |
|---|---|---|---|
| After-service health insurance | 568 | 75 136 | 75 704 |
| Annual leave | 1 021 | 11 261 | 12 282 |
| Repatriation benefits | 1 545 | 15 779 | 17 324 |
| **Subtotal, defined-benefit liabilities** | **3 134** | **102 176** | **105 310** |
| Accrued salaries and allowances | 4 635 | 5 565 | 10 200 |
| **Total employee benefits liabilities (statement I)** | **7 769** | **107 741** | **115 510** |

### 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** |

107. UNODC began the funding of after-service health insurance liabilities on its activities funded by extrabudgetary resources by imposing a levy on 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 participant 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. The estimated duration of the after-service health insurance liability as at 31 December 2022 was 25 years.

108. The $75.704 million (2021: $102.039 million) after-service health insurance liability comprises $16.929 million (2021: $22.998 million) regular budget liabilities and $58.775 million (2021: $79.041 million) non-regular budget liabilities. As at 31 December 2022, $61.951 million (2021: $53.541 million) of the non-regular budget liabilities had been funded.

109. 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.

110. The $17.324 million (2021: $21.377 million) repatriation liability comprises $3.665 million (2021: $4.518 million) regular budget liabilities and $13.659 million (2021: $16.859 million) non-regular budget liabilities. As at 31 December 2022, $25.977 million (2021: $23.742 million) of the non-regular budget liabilities had been funded.

111. The $12.282 million annual leave liability comprises $1.977 million (2021: $2.497 million) regular budget liabilities and $10.305 million (2021: $12.221 million) non-regular budget liabilities. The annual leave liabilities are unfunded.

112. Location-specific post-employment benefits for the end-of-service allowance for General Service category staff are calculated internally at UNODC and reported within accrued salaries and allowances. They amounted to $6.670 million for 2022 (2021: $6.493 million). These end-of-service liabilities are unfunded.

113. 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 on 31 December 2021.

*Actuarial valuation: assumptions*

114. The principal actuarial assumptions used to determine the employee benefits obligations as at 31 December 2022 are as follows:

### Actuarial assumptions

(Percentage)

| *Assumptions* | *After-service health insurance* | *Repatriation benefits* | *Annual leave* |
|---|---|---|---|
| Discount rates, 31 December 2022 | 4.29 | 5.11 | 5.14 |
| Discount rates, 31 December 2021 | 2.11 | 2.75 | 2.80 |
| Inflation, 31 December 2022 | 3.85–4.15 | 2.50 | – |
| Inflation, 31 December 2021 | 3.75–3.95 | 2.50 | – |

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

116. The 2022 actuarial valuation reports a net $41.106 million actuarial gain as being a $34.347 million gain on after-service health insurance, a $3.872 million gain on repatriation benefits and a $2.887 million gain on annual leave. The actuarial gains for after-service health insurance are attributable to the increase in the discount rate ($45.418 million), offset in part by the effect of changes in the health-care trend rates ($11.071 million). The actuarial gains for repatriation benefits and annual leave are attributable to the increase in the discount rates.

117. Another assumption that had an impact on the actuarially valued employee benefits liabilities, in addition to the discount rates discussed above, were changes in the per capita claims costs by age.

118. The per capita claims costs were calculated on the basis of actual claims and enrolment experiences for the calendar years 2016, 2017 and 2018 provided by the various third-party administrators (trended with the past medical inflation rates). The valuation of the per capita claims costs are based on an average of the adjusted per capita costs.

119. Pre-retirement mortality, as well as withdrawal and retirement assumptions, is consistent with what is used by the United Nations Joint Staff Pension Fund in making its actuarial valuation.

*Movements in employee benefits liabilities accounted for as defined-benefit plans*

**Reconciliation of opening to closing total defined-benefit liability**

(Thousands of United States dollars)

| | *2022* | *2021* |
|---|---:|---:|
| **Net defined-benefit liability as at 1 January** | 138 134 | 127 494 |
| Current service cost | 8 916 | 8 468 |
| Interest cost | 3 100 | 2 230 |
| Benefits paid | (3 734) | (2 568) |
| **Total net costs recognized in the statement of financial performance** | **8 282** | **8 130** |
| Actuarial (gain)/losses recognized in the statement of changes in net assets | (41 106) | 2 510 |
| **Net defined-benefit liability as at 31 December** | **105 310** | **138 134** |

*Discount rate sensitivity analysis*

120. The changes in discount rates are driven by the discount curve, which is calculated on the basis of government and 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 in the table below.

**Discount rate sensitivity analysis: year-end employee benefits liabilities**

(Thousands of United States dollars)

| *31 December 2022* | *After-service health insurance* | *Repatriation grant* | *Annual leave* |
|---|---:|---:|---:|
| Increase in discount rate by 0.5 per cent | (8 582) | (714) | (535) |
| As a percentage of end-of-year liability | (11.3) | (4.1) | (4.4) |
| Decrease in discount rate by 0.5 per cent | 9 727 | 748 | 560 |
| As a percentage of end-of-year liability | 12.8 | 4.3 | 4.6 |

*Medical cost sensitivity analysis*

121. 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 concerns 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, it would have an impact on the measurement of the defined-benefit obligations, as shown in the table below.

(Thousands of United States dollars)

| *2022* | *Effects on the defined-benefit obligations* | *Effects on current service cost and interest cost* |
|---|---:|---:|
| Increase in discount rate by 0.5 per cent | 10 820 | 1 367 |
| As a percentage of end-of-year liability/service and interest cost | 14.3 | 16.1 |
| Decrease in discount rate by 0.5 per cent | (9 166) | (1 139) |
| As a percentage of end-of-year liability/service and interest cost | (12.1) | (13.4) |

*United Nations Joint Staff Pension Fund*

122. UNODC is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The 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.

123. The Pension 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 organizations participating in the Fund, are not in a position to identify the proportionate share of the Office in 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 contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

124. It is stated in the Regulations of the Pension Fund 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.

125. 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 the determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at 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.

126. The latest actuarial valuation for the Fund was completed as at 31 December 2021, and a roll forward of the participation data as at 31 December 2021 to 31 December 2022 will be used by the Fund for its 2022 financial statements.

127. The actuarial valuation as at 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0 per cent (107.1 per cent in the 2019 valuation). The funded ratio was 158.2 per cent (144.4 per cent in the 2019 valuation) when the current system of pension adjustments was not taken into account.

128. After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2021, for deficiency payments under article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued

liabilities as at the valuation date. At the time of reporting, the General Assembly had not invoked the provision of article 26.

129. Should article 26 be invoked owing to an actuarial deficiency, either during the ongoing operation or owing to the termination of the Fund, deficiency payments required from each member organization would be based on 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 (2019, 2020 and 2021) amounted to $8,505.27 million, of which 0.97 per cent was contributed by UNODC.

130. During 2022, contributions paid to the Fund by UNODC amounted to $20.860 million (2021: $19.937 million). Contributions due in 2023 are expected to be at the same level.

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

132. The Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the General Assembly on the audit every year. The Fund publishes quarterly reports on its investments, which can be viewed at www.unjspf.org.

## Note 15
## Provisions

133. 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 2022, UNODC had no provisions that met the criteria.

## Note 16
## Conditional liabilities

(Thousands of United States dollars)

| | *31 December 2022* | *31 December 2021* |
|---|---:|---:|
| Liabilities (cash received) | 51 244 | 53 546 |
| Current liabilities (cash not received) | 40 989 | 54 887 |
| **Total conditional liabilities, current (statement I)** | **92 233** | **108 433** |
| Non-current liabilities (cash not received) | 68 874 | 49 391 |
| **Total conditional liabilities, non-current (statement I)** | **68 874** | **49 391** |

134. Liabilities for conditional arrangements consist of cash received from the European Union and not yet utilized in the amount of $51.244 million (2021: $53.546 million). The liabilities for the cash not yet received have a contra amount reported within voluntary contributions receivable (other governmental organizations) (see note 7).

### Note 17
### Net assets

(Thousands of United States dollars)

| | *Accumulated surpluses/ (deficits) – unrestricted* | *Accumulated surpluses/ (deficits) – restricted* | *Total* |
|---|---|---|---|
| **Net assets as at 1 January 2021 (restated)** | **44 897** | **777 897** | **822 794** |
| 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** | **53 971** | **827 568** | **881 539** |
| **Net assets as at 1 January 2022** | **53 971** | **827 568** | **881 539** |
| Change in net assets | | | |
| Transfers to/from unrestricted/restricted reserve funds | (681) | 681 | – |
| Actuarial gain/(loss) | 41 106 | – | 41 106 |
| Surplus/(deficit) for the year | 18 644 | 6 420 | 25 064 |
| **Total as at 31 December 2022 (statement I)** | **113 040** | **834 669** | **947 709** |

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

136. The net unrestricted balance consists of unearmarked project fund balances of $136.591 million (2021: $84.910 million) and a negative balance of $23.551 million (2021: negative $30.939 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 2022* | *31 December 2021 (restated)* |
|---|---|---|
| **Revenue** | | |
| United Nations regular budget allocation | 33 986 | 34 518 |
| **Expenditure** | | |
| Direct programme activities | 26 768 | 26 844 |
| Support (administrative) activities | 7 218 | 7 674 |
| **Total expenditure (statement II)** | **33 986** | **34 518** |
| **Excess of income over expenditure** | – | – |

137. The 2021 comparatives have been restated to include section 36, under Direct programme activities.

138. 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.

139. 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 that caption represent 35.1 per cent of the total administrative budget of the Office. The remainder of the administrative operations of the Office (64.9 per cent) supports other United Nations Secretariat entities residing in Vienna. For 2022, the expenses under direct programme activities consisted of $22.477 million (2021: $22.017 million) under section 16, $0.890 million (2021: $0.974 million) under section 23, $0.432 million (2021: $0.753 million) under section 35, $2.969 million (2021: $3.100 million) under section 36 and, for support (administrative) activities, $7.218 million (2021: $7.674 million) under section 29G.

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

(Thousands of United States dollars)

| | *31 December 2022* | *31 December 2021* |
|---|---|---|
| **Voluntary contributions** | | |
| Voluntary contributions in cash | 368 394 | 360 100 |
| Voluntary contributions in kind | 1 515 | 1 399 |
| **Total voluntary contributions received** | **369 909** | **361 499** |
| Refunds | (16 437) | (16 037) |
| **Net voluntary contributions received (statement II)** | **353 472** | **345 462** |
| **Other transfers and allocations** | | |
| Interorganizational arrangements | 30 234 | 23 305 |
| **Total other transfers and allocations (statement II)** | **30 234** | **23 305** |

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

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

*Services in kind*

142. In-kind contributions of services received during the year are not recognized as revenue and are therefore not included in the above-mentioned voluntary contributions in kind. There were no in-kind services above the materiality threshold received in 2022 (2021: $0.548 million).

## Note 20
## Other revenue

(Thousands of United States dollars)

| | *31 December 2022* | *31 December 2021* |
|---|---|---|
| Revenue from services rendered | 8 757 | 11 892 |
| Rental income | 62 | 75 |
| Revenue producing activities and other miscellaneous revenue | 214 | 2 451 |
| **Total other revenue (statement II)** | **9 033** | **14 418** |

143. Other revenue represents exchange revenue.

144. 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.

145. Revenue producing activities and other miscellaneous revenue includes donation of property, plant and equipment of $0.144 million received in 2022. In 2021, $2.434 million in exchange gains was reported under other miscellaneous revenue.

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

(Thousands of United States dollars)

| *Financial instruments* | *31 December 2022* | *31 December 2021* |
|---|---|---|
| **Financial assets** | | |
| **Fair value through surplus or deficit**[a] | | |
| Short-term investments, main pool | 548 227 | 708 687 |
| **Total short-term investments** | **548 227** | **708 687** |
| Long-term investments, main pool | 265 473 | 132 474 |
| **Total long-term investments** | **265 473** | **132 474** |
| **Total fair value through surplus or deficit investments** | **813 700** | **841 161** |
| **Loans and receivables** | | |
| Cash and cash equivalents, main pool | 136 646 | 103 666 |
| Cash and cash equivalents, other | 28 | 32 |
| **Cash and cash equivalents** | **136 674** | **103 698** |
| Voluntary contributions receivable | 303 767 | 262 026 |
| Other receivables | 22 637 | 27 918 |
| Other assets (excluding advances) | 16 | 5 |
| **Total loans and receivables** | **326 420** | **289 949** |
| **Total carrying amount of financial assets** | **1 276 794** | **1 234 808** |
| Of which relates to financial assets held in main pool | 950 346 | 944 827 |

| *Financial instruments* | *31 December 2022* | *31 December 2021* |
|---|---|---|
| **Financial liabilities at amortized cost** | | |
| Accounts payable and accrued payables (excluding deferred payables) | 60 093 | 55 317 |
| **Total carrying amount of financial liabilities** | **60 093** | **55 317** |
| **Summary of net income from financial assets** | | |
| Investment revenue | 3 924 | 72 |
| **Total net income from financial assets (statement II)**[a] | **3 924** | **72** |

[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*

146. 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.

147. 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.

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

149. 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.

150. 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.

151. As at 31 December 2022, the cash pools held total assets of $11,873.869 million (2021: $11,799.725 million), of which $950.346 million was attributable to UNODC (2021: $944.827 million), and its share of revenue from cash pools was $3.920 million (2021: $0.072 million).

### Summary of assets and liabilities of the cash pools as at 31 December 2022

(Thousands of United States dollars)

| | *Main pool* |
|---|---|
| **Fair value through surplus or deficit** | |
| Short-term investments | 6 789 427 |
| Long-term investments | 3 316 889 |
| **Total fair value through surplus or deficit investments** | **10 106 316** |
| **Loans and receivables** | |
| Cash and cash equivalents | 1 707 288 |
| Accrued investment revenue | 60 265 |
| **Total loans and receivables** | **1 767 553** |
| **Total carrying amount of financial assets** | **11 873 869** |
| **Cash pool liabilities** | |
| Payable to UNODC | 950 346 |
| Payable to other cash pool participants | 10 923 523 |
| **Total liabilities** | **11 873 869** |
| **Net assets** | – |

### Summary of revenue and expenses of the cash pools for the year ended 31 December 2022

(Thousands of United States dollars)

| | *Main pool* |
|---|---|
| Investment revenue | 178 646 |
| Unrealized gains/(losses) | (137 034) |
| **Investment revenue from cash pools** | **41 612** |
| Foreign exchange gains/(losses) | (7 670) |
| Bank fees | (772) |
| **Operating gains (losses) from cash pools** | **(8 442)** |
| **Revenue and expenses from cash pools** | **33 170** |

### 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** |
| Financial exchange gains/(losses) | (1 626) |
| Bank fees | (1 805) |
| **Operating expenses from cash pools** | **(3 431)** |
| **Revenue and expenses from cash pools** | **5 396** |

*Financial risk management: overview*

152. UNODC has exposure to the following financial risks:

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk.

153. 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.

154. 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*

155. 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*

156. 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.

157. 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.

158. 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.

159. 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.

160. 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 2022* | | | | | *Ratings as at 31 December 2021* | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Bonds (long-term ratings)** | | | | | **Bonds (long-term ratings)** | | | | |
| | *AAA/AAAu* | *AA+u/AA+/AA* | *A+* | *NA* | | *AAA/AAAu* | *AA+u/AA+/AA* | *A+* | *NA* |
| S&P | 33.8% | 65.9% | | 0.3% | S&P | 47.8% | 48.1% | 0.4% | 3.7% |
| | *AAA* | *AA+/AA/AA-* | | *NA/NR* | | *AAA* | *AA+/AA/AA-* | | *NA/NR* |
| Fitch | 61.9% | 22.5% | 0.2% | 15.4% | Fitch | 61.3% | 15.7% | | 23.0% |
| | *Aaa* | *Aa1/Aa2/Aa3* | *A1* | *NA* | | *Aaa* | *Aa1/Aa2/Aa3* | *A1* | *NA* |
| Moody's | 66.7% | 30.9% | | 2.4% | Moody's | 61.1% | 34.9% | 0.4% | 3.6% |
| **Commercial papers/certificates of deposit (short-term ratings)** | | | | | **Commercial papers/certificates of deposit (short-term ratings)** | | | | |
| | *A-1+/A-1* | | | | | *A-1+/A-1* | | | |
| S&P | 100.0% | | | | S&P | 100.0% | | | |
| | *F1+/F1* | | | *NR* | | *F1+/F1* | | | *NR* |
| Fitch | 97.7% | | | 2.3% | Fitch | 96.7% | | | 3.3% |
| | *P-1/P-2* | | | | | *P-1/P-2* | | | |
| Moody's | 100.0% | | | | 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)** | | | | | **Term deposits demand deposit account (Fitch viability ratings)** | | | | |
| | *aa-* | *a+/a/a-* | | *NA* | | *aa-* | *a+/a/a-* | | *NA* |
| Fitch | 35.9% | 64.1% | | | Fitch | 34.1% | 65.9% | | |

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

161. 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.

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

163. 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.

164. UNODC had financial assets of $1,276.794 million as at 31 December 2022, which is the maximum credit exposure on these assets (2021: $1,234.808 million).

*Liquidity risk*

165. 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.

166. 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.

167. 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 for 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.

168. 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.

169. 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 is available within a day's notice to support operational requirements. The cash pool liquidity risk is therefore considered to be low.

*Interest rate risk*

170. Interest rate risk is the risk of variability in financial instruments' fair values or future cash flows owing 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.

171. 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 five years (2021: three years). The average duration of the main pool on 31 December 2022 was 0.77 years (2021: 0.49 years), which is considered to be an indicator of low risk.

172. 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 2022

(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 | 168.98 | 126.73 | 84.48 | 42.24 | – | (42.23) | (84.46) | (126.69) | (168.91) |

### 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) |

*Market risk*

173. 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.

174. 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.

175. 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.

176. 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, Colombian pesos, Norwegian kroner and British pounds sterling. Other currencies comprise 42 different currencies, with various balances.

### Currency exposure as at 31 December 2022

(Thousands of United States dollars)

| | *United States dollar* | *Euro* | *Colombian peso* | *Norwegian krone* | *British pound sterling* | *Other* | *Total* |
|---|---|---|---|---|---|---|---|
| Short-term investments | 548 227 | – | – | – | – | – | 548 227 |
| Long-term investments | 265 473 | – | – | – | – | – | 265 473 |
| Cash and cash equivalents, cash pools | 136 646 | – | – | – | – | – | 136 646 |
| Cash and cash equivalents, other | – | – | 11 | – | – | 17 | 28 |
| **Subtotal, cash pools and other holdings** | **950 346** | – | 11 | – | – | **17** | **950 374** |
| Voluntary contributions receivable | 115 159 | 112 640 | 20 561 | 18 145 | 13 541 | 23 721 | 303 767 |
| Other receivables | 21 376 | – | 35 | – | 606 | 620 | 22 637 |
| **Total** | **1 086 881** | **112 640** | **20 607** | **18 145** | **14 147** | **24 358** | **1 276 778** |

177. A strengthening or weakening of the euro exchange rate as at 31 December 2022 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 2022

(Thousands of United States dollars)

| | *Net assets/surplus or deficit* | |
|---|---|---|
| | *Strengthening* | *Weakening* |
| Euro (10 per cent movement) | 11 264 | (11 264) |
| Colombian peso (10 per cent movement) | 2 061 | (2 061) |
| Norwegian krone (10 per cent movement) | 1 815 | (1 815) |
| British pound sterling (10 per cent movement) | 1 415 | (1 415) |
| Other (10 per cent movement) | 2 436 | (2 436) |

*Other market price risk*

178. 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.

179. 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*

180. 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.

181. 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.

182. 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 assets or liabilities, either directly (as prices) or indirectly (derived from prices);

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

183. 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.

184. 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.

185. The following fair value hierarchy presents the cash pool assets that are measured at fair value on 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 2022* | | | *31 December 2021* | | |
|---|---|---|---|---|---|---|
| | *Level 1* | *Level 2* | *Total* | *Level 1* | *Level 2* | *Total* |
| **Financial assets at fair value through surplus or deficit** | | | | | | |
| Bonds – corporate | 65 200 | – | 65 200 | 29 997 | – | 29 997 |
| Bonds – non-United States agencies | 1 974 662 | – | 1 974 662 | 1 595 405 | – | 1 595 405 |
| Bonds – supranational | 789 587 | – | 789 587 | 812 539 | – | 812 539 |
| Bonds – United States treasuries | 1 348 056 | – | 1 348 056 | 197 390 | – | 197 390 |
| Bonds – non-United States sovereigns | 96 713 | – | 96 713 | 90 163 | – | 90 163 |
| Main pool – commercial papers | – | 1 747 461 | 1 747 461 | – | 3 033 880 | 3 033 880 |
| Main pool – certificates of deposit | – | 2 654 637 | 2 654 637 | – | 2 824 787 | 2 824 787 |
| Main pool – term deposits | – | 1 430 000 | 1 430 000 | – | 1 910 000 | 1 910 000 |
| **Total** | **4 274 218** | **5 832 098** | **10 106 316** | **2 725 494** | **7 768 667** | **10 494 161** |

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

(Thousands of United States dollars)

| | *31 December 2022* | *31 December 2021* |
|---|---|---|
| Salary and wages | 115 684 | 113 315 |
| Pension, insurance and other benefits | 34 887 | 34 205 |
| **Total employee salaries, allowances and benefits (statement II)** | **150 571** | **147 520** |

186. 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 2022* | *31 December 2021* |
|---|---|---|
| United Nations Volunteers | 8 015 | 6 631 |
| Consultants and contractors | 37 855 | 36 154 |
| Non-employee, other | 32 925 | 30 756 |
| **Total non-employee compensation and allowances (statement II)** | **78 795** | **73 541** |

187. 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 2022* | *31 December 2021* |
|---|---|---|
| Grants to end beneficiaries | 4 210 | 4 673 |
| Transfers to implementing partners | 14 266 | 18 800 |
| **Total (statement II)** | **18 476** | **23 473** |

188. Expenses under transfers to implementing partners relate to programmatic delivery executed on behalf of UNODC by other organizations. The amount of $14.266 million (2021: $18.800 million) represents the work delivered for the year 2022 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, which are cash transfers given to implementing partners for which work had yet to be delivered as at 31 December 2022, are shown as advance transfers in statement I (see note 8 for details). Within the total of $18.476 million in programmatic delivery, by

implementing partners, $2.784 million (2021: $8.797 million) relates to grant awards to farming cooperatives under alternative livelihoods programmes in Colombia.

### Note 25
### Supplies and consumables

(Thousands of United States dollars)

| | *31 December 2022* | *31 December 2021* |
|---|---|---|
| Fuel and lubricants | 473 | 453 |
| Rations | 240 | 39 |
| Spare parts | 364 | 773 |
| Consumables | 4 238 | 4 850 |
| **Total supplies and consumables (statement II)** | **5 315** | **6 115** |

### Note 26
### Travel

189. Owing to the worldwide removal of restrictions on the movement of personnel resulting from the COVID-19 pandemic, coupled with soaring airfares, travel expenses have increased to $47.359 million (2021: $21.038 million).

### Note 27
### Other operating expenses

(Thousands of United States dollars)

| | *31 December 2022* | *31 December 2021* |
|---|---|---|
| Contracted services | 58 574 | 46 491 |
| Acquisitions of goods | 11 262 | 15 239 |
| Acquisitions of intangible assets | 809 | 1 436 |
| Rental of offices and premises | 7 260 | 6 519 |
| Rental of equipment | 265 | 216 |
| Bad debt expense | 2 227 | 9 203 |
| Net foreign exchange losses | 9 185 | – |
| Contributions in kind | 1 515 | 1 399 |
| Other/miscellaneous operating expenses | 13 176 | 3 555 |
| **Total other operating expenses (statement II)** | **104 273** | **84 058** |

190. Contracted services under other operating expenses consist of various services by individuals or institutions. Within the total of $58.574 million, $25.826 million (2021: $14.733 million) represents various contracted services for the facilitation of meetings, workshop and travel services, a significant increase from the prior year owing to the removal of worldwide restrictions on the travel and meeting of participants resulting from the COVID-19 pandemic, and $10.740 million (2021: $11.261 million) represents 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 $2.227 million, consists of write-offs of $10.749 million in uncollected pledges and other receivables (2021: $3.292 million)

and an increase in the allowance for doubtful debts of $8.522 million (2021: $5.889 million). The write-offs of uncollected pledges consist of $9.601 million from Panama, $0.668 million from Germany, $0.381 million from the United States of America, $0.031 million from Belgium, $0.030 million from Colombia and $0.022 million from the United Kingdom of Great Britain and Northern Ireland. The write-off of other receivables amounts to $0.016 million.

193. Other/miscellaneous operating expenses includes $11.285 million in donations/ transfers of assets (2021: $1.593 million).

### Note 28
### Other expenses

(Thousands of United States dollars)

| | *31 December 2022* | *31 December 2021* |
|---|---|---|
| Ex gratia and compensation claims | 19 | 100 |
| Other/miscellaneous expenses | 30 | 18 |
| **Total other expenses (statement II)** | **49** | **118** |

### Note 29
### Related parties

*Key management personnel*

194. 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 2022* | *31 December 2021* |
|---|---|---|
| Salary and post adjustment | 1 068 | 1 124 |
| Other monetary entitlements | 435 | 445 |
| **Total remuneration for the period** | **1 503** | **1 569** |

195. 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.

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

197. 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 2022.

## Note 30
## Leases and commitments

*Operating leases*

(Thousands of United States dollars)

| | *31 December 2022* | *31 December 2021* |
|---|---:|---:|
| Due in less than one year | 554 | 754 |
| Due in one to five years | 147 | 462 |
| **Total minimum operating lease obligations** | **701** | **1 216** |

198. The total minimum operating lease obligations in 2022 of $0.701 million (2021: $1.216 million) consist of the non-cancellable portion of rental agreements in various UNODC field offices. The decrease is attributable to expired rental agreements in various field offices. As at 31 December 2022, UNODC had no financial leases.

*Contractual commitments*

199. As at the reporting date, the commitments for property, plant and equipment, intangible assets, and goods and services contracted but not delivered decreased to $55.598 million (2021: $58.169 million) owing to anticipated slightly lower operational activity across all field offices and headquarters.

(Thousands of United States dollars)

| | *31 December 2022* | *31 December 2021* |
|---|---:|---:|
| Property, plant and equipment | 2 949 | 1 874 |
| Goods and services | 52 649 | 56 295 |
| **Total open contractual commitments** | **55 598** | **58 169** |

## Note 31
## Contingent liabilities and contingent assets

200. A contingent liability arises where there is significant uncertainty about a number of aspects regarding the liability. As at 31 December 2022, three 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 claims to have an adverse impact on UNODC. The assessment of these cases is performed on an ongoing basis, and any changes will be reported accordingly.

201. In addition, as at 31 December 2022, there were administration of justice claims filed by former and current staff members in which it had been determined that it was more than remotely possible that the claims may ultimately be decided in favour of the claimants. The cases were estimated to result in a possible liability ranging from $1 million to $1.5 million as at 31 December 2022.

**Note 32**
**Events after the reporting date**

202. The reporting date for these financial statements is 31 December 2022, and they were authorized for issuance by the Executive Director of UNODC on 31 March 2023, 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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