United Nations

United Nations Office on Drugs and Crime

Financial report and audited financial statements

for the year ended 31 December 2023

and

Report of the Board of Auditors

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

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A/79/5/Add.10

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Report of the Board of Auditors

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Note

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

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Contents

Letters of transmittal

Letter dated 31 March 2024 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 2023, 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 24 July 2024 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 2023.

(*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 2023 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 2023 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 2023, 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*) Dorothy **Pérez Gutiérrez**
Acting Comptroller General of the Republic of Chile
(Lead Auditor)

(*Signed*) Pierre **Moscovici**
First President of the French Cour des comptes

24 July 2024

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 assistance to Member States in preventing corruption, countering terrorism and combating organized crime, among other areas of activity.

The Board of Auditors has audited the financial statements and reviewed the operations of UNODC for the year ended 31 December 2023. The interim audit was carried out at headquarters, in Vienna, from 23 October to 17 November 2023, at the UNODC Regional Office for Southern Africa, in Pretoria, from 22 November to 13 December 2023 and at the UNODC Regional Office for Central Asia, in Tashkent, from 17 January to 7 February 2024. The final audit of the financial statements was carried out from 2 April to 2 May 2024 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 2023 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 2023 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Overall conclusion

The Board identified no significant errors, omissions or misstatements from the review of the financial records of UNODC for the year ended 31 December 2023. However, the Board identified scope for improvements in the areas of implementing partners and travel management.

With total revenue of $529.42 million (an increase of $98.78 million compared with 2022) and expenses of $451.51 million, the financial statements reflected a surplus of $77.91 million during 2023 (2022: $32.16 million (restated)). Moreover, the overall financial position of UNODC remained sound and steady during 2023, with current assets of more than five times the current liabilities and total assets of more than three times the total liabilities.

Key findings

The Board's key findings are as follows:

Implementing partners' performance evaluations remained overdue

The Board observed an average delay of 15 months in the submission of partners' performance evaluations, with long-outstanding cases since 2021, 2022 and 2023. The Board also observed that the late return of unspent balances by implementing partners was not taken into consideration in their performance evaluations.

Delay in the refund of unspent balances by implementing partners

The analysis of agreements completed as at 30 September 2023 showed a significant amount of unspent balances pertaining to UNODC, which had been returned with a delay ranging from 17 to 460 days after the agreement's completion.

Non-compliance with the advance purchase policy on official travel

After analysing the official travel performed by UNODC in 2022 and 2023, the Board noted low compliance rates with the instructions on submitting travel requests at least 21 calendar days prior to the commencement of travel and the processing rule of approval 16 calendar days before the commencement of travel.

Main recommendations

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

Implementing partners' performance evaluations remained overdue

(a) **Review retrospectively, at least since the issuance of the partnership policy, all finalized agreements with implementing partners and conduct the pending performance evaluations;**

(b) **Ensure that all performance evaluations for implementing partners are conducted in a timely manner;**

(c) **Include the delay in the return of the unspent balances by the implementing partner when assessing its performance;**

Delay in the refund of unspent balances by implementing partners

(d) **Encourage its implementing partners to refund their unspent balances in a timely manner;**

(e) **Include in its partnership policy a standard deadline for the refund of unspent balances by implementing partners;**

Non-compliance with the advance purchase policy on official travel

(f) **Analyse the root causes of the low compliance rates by each office for the submission and approval of travel requests and take actions to strengthen and increase compliance with the travel processing requirements;**

(g) **Include in its periodic reports a more detailed analysis of the advance purchase policy by including, at least, the rates related to the 21 days and a narrative analysis of the non-compliance and disseminate the results across its staff.**

Follow-up of previous recommendations

The Board noted 24 outstanding recommendations up to the year ended 31 December 2022, of which 10 (42 per cent) had been fully implemented, 12 (50 per cent) were under implementation, 1 (4 per cent) had not been implemented and 1 (4 per cent) had been overtaken by events.

Key facts	
$529.42 million	Revenue in 2023
$451.51 million	Expenses in 2023
$77.91 million	Surplus for the year
$1,392.31 million	Assets
$376.75 million	Liabilities
$1,015.56 million	Net assets
$441.97 million	Actual extrabudgetary resources in 2023
$23.54 million	Actual regular budget in 2023

A. Mandate, scope and methodology

1. 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 support for Member States in tackling the world drug problem, preventing corruption, countering terrorism, combating organized crime and preventing crime and promoting criminal justice. As at December 2023, UNODC had approximately 576 international and 367 local staff members worldwide and operated in more than 137 physical office locations around the world, covering more than 90 countries. Almost all activities of UNODC are undertaken through projects at the global and regional levels.

2. The Board of Auditors audited the financial statements of UNODC and reviewed its activities for the year ended 31 December 2023, 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 2023 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 that there were 24 recommendations pending as at 31 December 2022, of which 10 (42 per cent) had been fully implemented, 12 (50 per cent) were under implementation, 1 (4 per cent) was not implemented and 1 (4 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. The status of implementation of recommendations for the financial statements are set out in table II.1.

Table II.1
Status of implementation of recommendations, by report

Report and audit year	*Recommendations pending as at 31 December 2022*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Recommendations pending as at 31 December 2023*
A/74/5/Add.10, chap. II (2018)	1	–	1	–	–	1
A/75/5/Add.10, chap. II (2019)	2	1	1	–	–	1
A/76/5/Add.10, chap. II (2020)	2	–	1	–	1	1
A/77/5/Add.10, chap. II (2021)	4	–	4	–	–	4
A/78/5/Add.10, chap. II (2022)	15	9	5	1	–	6
Total number of recommendations	**24**	**10**	**12**	**1**	**1**	**13**
Percentage	**100**	**42**	**50**	**4**	**4**	

8. The Board noted that the implementation rate for the outstanding recommendations decreased by 25 per cent from 2022 (67 per cent) to 2023 (42 per cent). In this regard, the Board encourages UNODC to take further steps to address the recommendations that are under implementation, with special emphasis on those outstanding from reports A/74/5/Add.10, chap. II (2018), A/75/5/Add.10, chap. II (2019) and A/76/5/Add.10, chap. II (2020), of which the first two refer to the timely submission and approval of the annual project progress reports, while the latter relates to the review of the disaster recovery plan, which is expected to be merged with the business continuity plan of UNODC.

Recommendations issued over the past six audit periods

9. As a result of the audits performed from 2018 to 2023, the Board has issued 85 recommendations and conducted 242 assessments on previous years' recommendations. A breakdown of recommendations submitted in the indicated audit period is detailed in table II.2.

Table II.2
Implementation rates of issued recommendations, 2018–2023

Report (audit year)	*Number of audit recommendations issued*	*Number of outstanding audit recommendations as at end of audit period*	*Audit recommendations fully implemented as at end of audit period*	
			(Number)	*(Percentage)*
A/74/5/Add.10, chap. II (2018)	10	65	25	38
A/75/5/Add.10, chap. II (2019)	13	50	21	42
A/76/5/Add.10, chap. II (2020)	14	41	25	61
A/77/5/Add.10, chap. II (2021)	21	29	13	45
A/78/5/Add.10, chap. II (2022)	15	33	22	67
A/79/5/Add.10, chap. II (2023)	12	24	10	42
Total/average percentage	**85**	**242**	**116**	**48**

10. Among the 85 recommendations issued in the previous six audit periods, the most observed area was programme and project management (including implementing partners). This is directly linked to Office's core work, which requires implementing global and regional programmes. Other areas to highlight are related to recommendations focused on information and communications technology, human resources management and financial and accounting management.

11. Regarding the 242 outstanding recommendations assessed over the past six years, the implementation rate trend remained at about 40 per cent, except for the third and fifth audit cycles, when the rates exceeded 60 per cent.

2. Financial overview

Accounting change in the recognition of property, plant and equipment

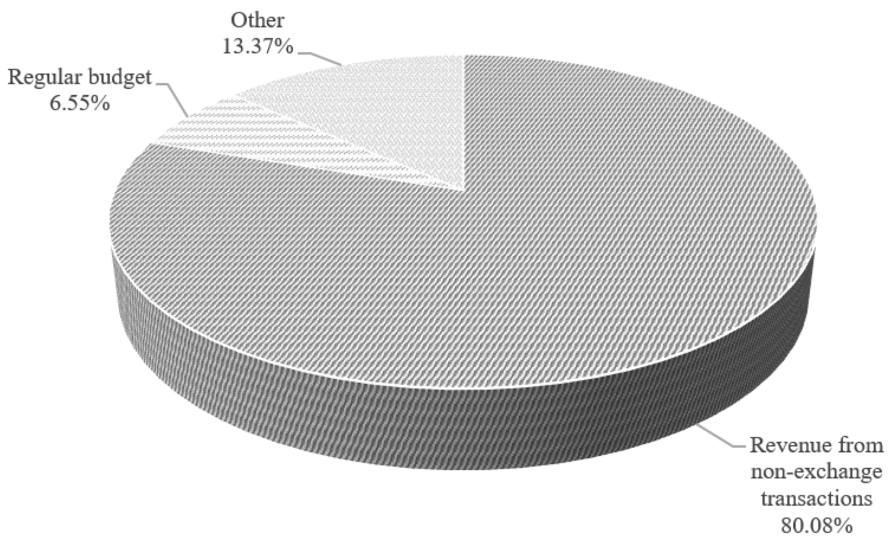
12. Following a previous recommendation issued by the Board in its 2022 report (A/78/5/Add.10, chap. II), in which it was recommended that UNODC conduct a complete assessment of property, plant and equipment recognition criteria, UNODC management decided to expense rather than capitalize construction works that are intended to be used by the end beneficiaries, as the control over these items is limited by UNODC. This change in the accounting treatment resulted in the derecognition of buildings constructed or in progress, and the 2022 prior-year comparative figures have been restated by UNODC to reflect the above accounting change. For instance, the 2022 property, plant and equipment figures decreased, from $10.25 million to $3.47 million, as well as the other operating expenses, which also decreased, from $104.27 million to $97.17 million in 2022. The restatement also resulted in an increase in the surplus for 2022, from $25.06 million to the restated amount of $32.16 million. The comparative figures in this financial overview incorporate the restated figures for the 2022 year-end, while note 10 of the financial statements of UNODC for the year ended 31 December 2023 provides further details on the restated figures.

Financial performance

13. As at 31 December 2023, revenues amounted to $529.42 million (2022: $430.65 million), while expenses in the same period reached $451.51 million (2022: $398.49 million (restated)). As a result, an increase of $45.75 million in the surplus was noted, from $32.16 million (restated) in 2022 to $77.91 million in 2023.

14. Of the total revenue, $423.99 million (2022: $383.71 million) consisted of revenue from non-exchange transactions, which reflects the heavy reliance of UNODC on voluntary contributions received from Governments and other donors. As shown in figure II.I below, the smallest portion of the revenue of UNODC is the regular budget, which amounted to $34.66 million in 2023 (2022: $33.99 million).

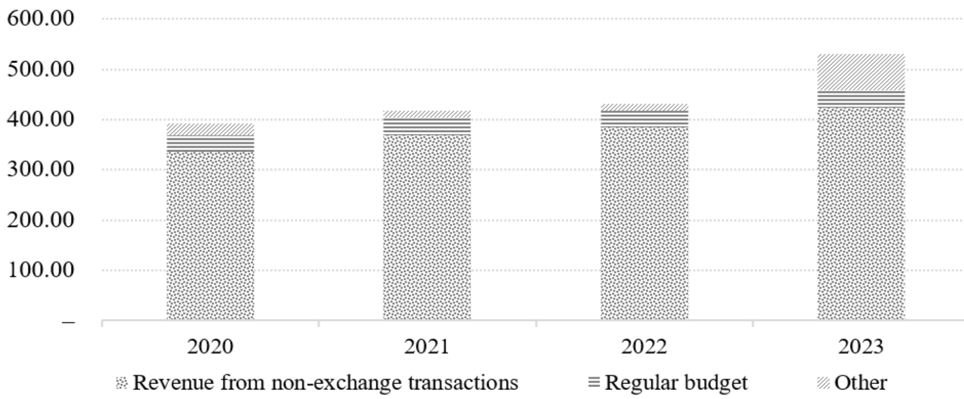
Figure II.I
Composition of United Nations Office on Drugs and Crime revenue as at 31 December 2023
(Percentage)



Source: UNODC statement of financial performance for the year ended 31 December 2023.

15. The Board analysed the evolution of UNODC revenue from 2020 to 2023 and noted an upward trend in the total revenue, from $391.43 million in 2020 to $529.42 million in 2023, being the revenue from non-exchange transactions, the only component that has been continuously rising over the past four years. The regular budget, on average, has remained with no significant variations, representing an average of 7.49 per cent of total revenue. Regarding other sources of revenue (such as revenue from services rendered and investment revenue), during 2023, this component broke the descending trend noted over recent years, with an increase from $12.96 million in 2022 to $70.78 million in 2023, attributable mainly to a rise in investment revenue. The trend in the composition of UNODC revenue from 2020 to 2023 is displayed in figure II.II.

Figure II.II
Trend in the composition of United Nations Office on Drugs and Crime revenue, 2020–2023
(Millions of United States dollars)



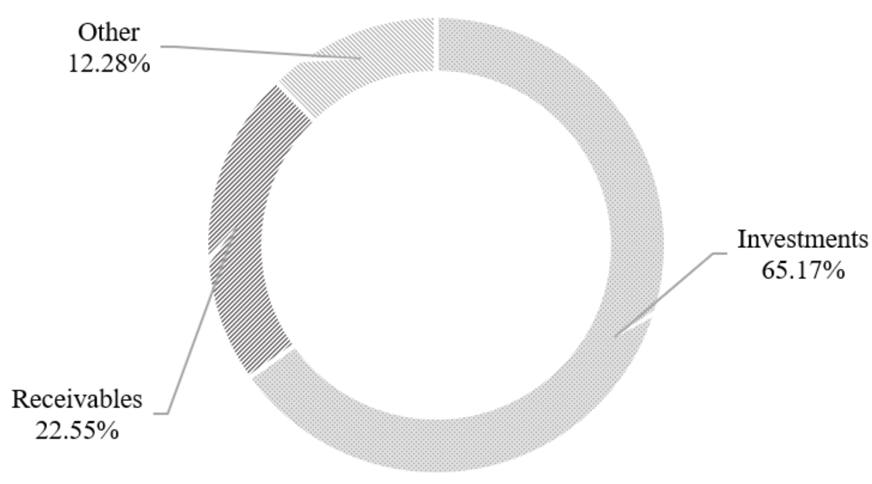
Source: UNODC statement of financial performance from the years 2020 to 2023.

16. Regarding expenses, an increase of 13.31 per cent was noted, from $398.49 million in 2022 (restated) to $451.51 million in 2023, attributable mainly to an increase of 148.47 per cent (from $18.48 million in 2022 to $45.91 million in 2023) in the grants and other transfers component, which includes the expenses under transfers to implementing partners for programmatic delivery executed on behalf of UNODC.

Financial position

17. As displayed in figure II.III, as at 31 December 2023, the two major components of the UNODC assets base were investments, which totalled $907.38 million (2022: $813.70 million) and receivables (voluntary contributions and other), amounting to $313.92 million (2022: $326.40 million). Other asset components relate to cash and cash equivalents, advance transfers and advances to the United Nations Development Programme.

Figure II.III
Composition of United Nations Office on Drugs and Crime assets as at 31 December 2023
(Percentage)

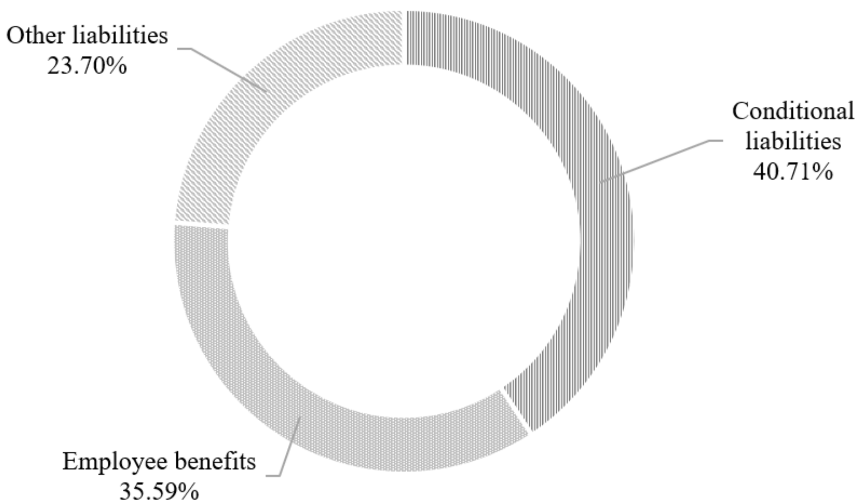


Source: UNODC statement of financial position for the year ended 31 December 2023.

18. Of total UNODC liabilities of $376.75 million (2022: $376.30 million), the most significant part comprised conditional liabilities of $153.36 million (2022: $161.11 million) related to conditional arrangements stemming mainly from European Commission agreements. The second most significant element of UNODC liabilities consisted of employee benefits of $134.09 million (2022: $115.51 million). Other liabilities of $89.31 million (2022: $99.68 million) comprised accounts payable and advance receipts. Figure II.IV displays the composition of liabilities of UNODC as at 31 December 2023.

19. Employee benefits liabilities represent obligations incurred at year end, the largest element being the estimate for the cost of after-service health insurance of $89.57 million (2022: $75.70 million). The decrease in the discount rate, increase in medical inflation rates and changes in currency mix assumption, offset in part by the effect of changes in demographic assumptions and experience adjustments, resulted in an overall actuarial loss for after-service health insurance amounting to $7.38 million (2022: gain of $34.35 million), as disclosed in note 14 to the financial statements of UNODC for the year ended 31 December 2023.

Figure II.IV
Composition of United Nations Office on Drugs and Crime liabilities as at 31 December 2023
(Percentage)



Source: UNODC statement of financial position for the year ended 31 December 2023.

20. The Board conducted a trend and ageing analysis of voluntary contributions receivable and other receivables from 2020 to 2023 (see table II.3), noting that the net amount in both categories totalled $313.92 million as at 31 December 2023, representing an increase of 1.63 per cent compared with the net amount as at 31 December 2020 ($308.79 million). Regarding the ageing of the voluntary contributions receivable and other receivables, the portion of outstanding receivables for more than one year as a percentage of the total receivables decreased, from $9.10 million (2.79 per cent) in 2022 to $1.91 million (0.61 per cent) in 2023.

Table II.3
Ageing of voluntary contributions receivable and other receivables
(Millions of United States dollars)

Year	*Amount outstanding for less than one year*[a]	*Amount outstanding for more than one year*	*Total*	*Amount outstanding for more than one year (percentage)*
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
2023	312.01	1.91	313.92	0.61

Source: UNODC financial statements and the notes thereto for the years 2020 to 2023.
[a] Including amounts neither past due nor impaired.

21. The Board noted that the decrease in the receivables outstanding for more than one year between 2022 and 2023 was attributable mainly to an update made by UNODC in the payment schedule of an agreement originally signed with a donor in 2019, for a total amount of $24.95 million. In this regard, since the beginning of the agreement implementation in 2020, and as at 31 December 2023, only the first of a total of five committed instalments had been received by UNODC. Nevertheless, in April 2024, UNODC agreed with the donor an extension of the duration of the agreement, updating the payment schedule and therefore reclassifying the ageing of the outstanding instalments (see table II.4).

Table II.4
Detailed initial and updated payment schedule of the contribution

Payment schedule	*Initial payment date*	*Updated payment date*	*Amount in millions of United States dollars*	*Payment status as at 31 December 2023*
First payment	1 January 2020	From June 2023 to June 2024	1.55	Paid
Second payment	1 January 2021	June 2024	5.45	Not paid
Third payment	1 January 2022	June 2025	5.77	Not paid
Fourth payment	1 January 2023	June 2026	5.98	Not paid
Fifth payment	1 January 2024	June 2027	6.20	Not paid
Total			**24.95**	

Source: Based on the initial signed agreement and the updated payment schedule of the agreement.

Financial ratios

22. The Board's analysis of key financial ratios (table II.5) demonstrates that, despite the competitive environment for donor funds, UNODC remains in a solvent position, with an increase in all the ratios from 2022 to 2023. In addition, the overall liquidity situation of UNODC remained sound, with an increase in the ratio from 3.55 in 2022 to 4.28 in 2023.

Table II.5
Ratio analysis

Ratio	*31 December 2023*	*31 December 2022 (restated)*
Total assets: total liabilities[a]		
Assets: liabilities	3.70	3.50[e]
Current ratio[b]		
Current assets: current liabilities	5.44	4.77
Quick ratio[c]		
(Cash + short-term investments + accounts receivable): current liabilities	5.28	4.58
Cash ratio[d]		
(Cash + short-term investments): current liabilities	4.28	3.55

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.

[e] Restated, from 3.52 to 3.50.

3. Implementing partners

Implementing partners' performance evaluations remained overdue

23. In accordance with the United Nations Office at Vienna/UNODC partnership policy, issued in November 2021, the programme and/or project manager responsible must undertake a review of the partner's performance and document as to whether the experience with the partner warrants continued or future engagements with the external partner. This information must be documented, including lessons learned for future engagements.

24. Annex I to the partnership policy stipulates that the implementing partner's performance report should be submitted to the External Party Engagement Unit of UNODC within four months of the end of the agreement.

25. As part of the performance evaluations conducted by UNODC to the implementing partners upon the closure of the agreement, the partnership policy stipulates that the programme manager should rate (i.e. poor, good, excellent) compliance with agreement terms, among other requirements.

26. Out of a total of 35 agreements with implementing partners ended as at 30 September 2023, 12 cases concerning performance evaluations remained overdue, with an average delay of 15 months (457 days). In addition, three performance evaluations had been due since 2021, six cases remained pending from 2022 and three from 2023.

27. From the review of the return of the unspent balances by the implementing partners to UNODC, it was noted that the late refund of the unspent balances was not assessed or considered in the evaluations conducted on the implementing partners' performance. In this regard, in four of the seven performance evaluations available as at the date of the review, the criterion "compliance with agreement terms" was rated

as “good” or “excellent”, dismissing any statement or comment related to the late return of the unspent balances.

28. The Board considers that the unconducted performance evaluations for implementing partners, or delays in their issuance, could limit the ability of UNODC to conduct a comprehensive assessment of the tasks assigned to the implementing partners. Consequently, it exposes the Office to several risks, such as rehiring partners with no evaluation and insufficient performance.

29. Likewise, the Board is of the view that UNODC needs to consider the timely or late refund of the unspent balances by the implementing partner when conducting its performance evaluations, since this could provide UNODC with more accurate information to complement the assessment of the financial performance of the implementing partner, which may also be considered for future engagements with UNODC.

30. **The Board recommends that UNODC review retrospectively, at least since the issuance of the partnership policy, all finalized agreements with implementing partners and conduct the pending performance evaluations.**

31. **The Board recommends that UNODC ensure that all performance evaluations for implementing partners are conducted in a timely manner.**

32. **The Board recommends that UNODC include the delay in the return of unspent balances by the implementing partner when assessing its performance.**

33. UNODC accepted the recommendations.

Delay in the refund of unspent balances by implementing partners

34. As part of the closure activities undertaken within the engagement cycle for implementing partners, the United Nations Office at Vienna/UNODC partnership policy indicates that the financial closure of an external party engagement normally includes, among other activities, the reimbursement of unspent funds. Annexes I and II of the policy therefore indicate that the programme manager of the substantive office must ensure that unspent funds are returned to the United Nations.

35. Although there is no formal provision in the partnership policy regarding the deadline for the return of unspent funds, the agreements signed between UNODC and implementing partners stipulate in their clauses that the implementing partner further agrees to return any unspent funds or unused supplies made available by UNODC at the end of the agreement or the completion of the project, whichever is earlier, within 30 calendar days.

36. The Board noted that 13 out of a total of 14 agreements signed with implementing partners which had been completed as at 30 September 2023, presented unspent balances of $740,040.87. It should be noted that 5 of the 13 agreements were concluded during 2022, while the 8 remaining cases dated from 2023. In this regard, the Board observed that the implementing partners returned the unspent balances to UNODC with a delay ranging from 17 to 460 days after the agreement’s completion.

37. The Board deems that the delays observed in the return of unspent balances by implementing partners limit the ability of UNODC to ensure that such funds would be properly recovered. However, the Board considers it critical for UNODC to ensure a timely refund so that unspent balances can be used efficiently. To this end, UNODC could set a standard deadline in its partnership policy, allowing a harmonization of criteria to ensure a timely refund.

38. **The Board recommends that UNODC ensure that its implementing partners refund their unspent balances in a timely manner.**

39. **The Board recommends that UNODC include in its partnership policy a standard deadline for the return of the unspent balances by implementing partners.**

40. UNODC accepted the recommendations.

Delay in the payment of instalments to implementing partners

41. The United Nations Office at Vienna/UNODC partnership policy stipulates that, once an engagement is approved, it is the responsibility of the programme/project manager to ensure that funds are obligated in Umoja, that cash is available and that the payment process is initiated in accordance with the agreement.

42. Although there is no formal provision in the partnership policy regarding the deadline for releasing the instalments to the implementing partners, the agreements signed between UNODC and the implementing partner stipulate the payment schedule. For instance, it is agreed that the first instalment will be paid either upon the signature of the agreement or within 30 working days following its signing, while the subsequent instalments will normally be paid after the receipt and acceptance of the previous financial reports related to the activities performed by the implementing partner.

43. On a sample basis, the Board reviewed the payment of instalments made by UNODC to 25 implementing partners during 2023 and noted that, in seven cases, the payments released were not made according to the terms of the agreements. The first instalment to the implementing partners was paid more than 30 days after the signing of the agreement by all parties. The delays ranged from 63 to 322 days.

44. The Board deems that delays in the payment of instalments by UNODC to the implementing partners could impact the partner's ability to implement the activities handed over by UNODC in a timely and proper manner. Consequently, project implementation could be affected since deliverables and activities committed to by the implementing partners may be delayed.

45. In addition, it is crucial for UNODC to reinforce proper accountability by its programme managers in ensuring that the payment process is managed in accordance with the agreements signed.

46. **The Board recommends that UNODC establish a control mechanism for the programme managers to ensure that the instalments to implementing partners are paid in accordance with the agreements signed.**

47. UNODC accepted the recommendation.

Inaccuracy of the information available in the grantor management module in Umoja

48. The grantor management module in Umoja is the solution through which the United Nations transfers money to external partners and enables project managers to record, track and analyse the entire business life cycle of the relationship that the Organization has with its implementing partners, from the creation of the partner's agreement until its closure in the module.

49. In accordance with the United Nations course guide on implementing partners management, Grantor Management Overview, dated 18 June 2021, an application identification is generated when an application form is created in order to respond to a call for proposals to receive funding from the United Nations for the implementation of activities. An agreement identification is subsequently created when the agreement is generated in the system based on the approved application.

50. In addition, the United Nations course guide on implementing partners management, "Grantor Agreement Closure-Partner Performance Evaluation", issued on 7 December 2020, indicates that the grantor agreement closure starts when the grantor agreement reaches the agreement implementation end date. This is the date when the operational closure of the agreement starts, i.e. no new obligations or changes to obligations are allowed.

51. Likewise, annex II to the United Nations Office at Vienna/UNODC partnership policy indicates that the External Party Engagement Unit of the United Nations Office at Vienna/UNODC monitors the timely closure of implementing partnerships.

52. The Board performed a review of the information available in the grantor management module of the implementing partners managed by UNODC as at 30 September 2023 and noted the following:

(a) There were 109 agreement identifications pending closure since 2020, 2021 and 2022. Through further analysis, 10 agreement identifications were reviewed, and it was noted that the closure activities had already been completed in all of them;

(b) UNODC had six application identifications in process for at least three months prior to the audit, with no further updates. Two of these cases date back to 2021 and one to 2020.

53. The Board considers that the inaccuracy of the information available in the grantor management module may hinder the ability of UNODC to obtain relevant and updated data regarding the implementing partners and therefore impede the proper use of these inputs to analyse further information for reporting purposes.

54. Likewise, the Board deems that accurately tracking and recording information related to the implementing partners in the grantor management module may contribute to strengthening the management of the entire business life cycle of interactions with the implementing partners.

55. **The Board recommends that UNODC keep the information on implementing partners updated in the Umoja grantor management module to ensure its accuracy and consistency.**

56. UNODC accepted the recommendation and stated that it had established a monthly monitoring system to track agreements that need to be closed. The action reported by UNODC will be assessed in the next audit period.

4. Travel management

Non-compliance with the advance purchase policy on official travel

57. The information circular on official travel (ST/IC/2019/16), issued by the United Nations Secretariat on 8 July 2019, stipulates in paragraph 14 that individuals travelling on behalf of the United Nations by commercial air paid for by the United Nations (including on self-ticketed itineraries that are reimbursed by the United Nations) should obtain the approval of the travel processing office for the Umoja travel request 16 calendar days in advance of the commencement of the official travel.

58. In addition, paragraph 15 of the information circular indicates that staff members or travel administrators are required to submit travel requests at least 21 calendar days prior to the commencement of travel to ensure timely finalization of the travel arrangements in accordance with the instruction.

59. In this regard, in March 2022, the Under-Secretary-General for Management Strategy, Policy and Compliance, pursuant to General Assembly resolution 75/253 B, adopted by the Assembly on 16 April 2021, cited the reiteration by the Assembly of "… its serious concern at the low compliance with the advance purchase policy

directive in all travel categories, and requests the Secretary-General to intensify his efforts to improve the situation in order to reduce air travel costs, taking into account the patterns and nature of official travel and the reasons for noncompliance by each department, office and field mission", adding that "while adherence may have increased marginally compared to previous years, more robust and sustained efforts must be employed to adhere to the advance ticket purchase requirement to the extent possible".

60. Lastly, the report of the Executive Director of UNODC regarding the consolidated budget for the biennium 2022–2023 (E/CN.7/2022/16-E/CN.15/2022/16) contained, in its annex V, a summary of the follow-up actions taken to implement relevant recommendations of the oversight bodies. For example, the Advisory Committee on Administrative and Budgetary Questions recalled the low compliance rates on the policy for advance booking of air travel and stated that "the Committee trusts that UNODC will redouble its efforts to increase the rate of compliance with the policy for advance booking of air travel".

61. To assess the trend with regard to the compliance rates with the above-mentioned policy, the Board analysed the 29,088 and 23,153 official trips (involving air tickets) made by UNODC in 2022 and 2023, respectively, noting that in only 4,808 cases for 2022 (16.53 per cent) and 5,521 cases for 2023 (23.85 per cent) had travel requests been sent at least 21 days prior to the commencement of travel, while only 7,065 (24.29 per cent) and 7,678 (33.16 per cent) complied with the requirement for the purchase of the ticket within 16 days in advance of the commencement of travel during 2022 and 2023, respectively.

62. It is worth noting that, during 2022 and 2023, according to the information provided in Umoja for each year, the main reasons for the non-compliance with the 21-day rule were the late nomination of the traveller, as well as late event planning.

63. In addition, the Board reviewed the compliance rates at the UNODC Regional Offices for Southern Africa and Central Asia to further understand the low compliance rates shown by UNODC and, even though the information circular on official travel does not distinguish between trips by category of personnel (i.e. staff and non-staff), the following was observed:

Table II.6

Compliance with the 21-day and 16-day rules by United Nations Office on Drugs and Crime regional offices

	Staff				*Non-staff*			
	Southern Africa		*Central Asia*		*Southern Africa*		*Central Asia*	
Trips in compliance	*Number*	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*
Compliance with the 21-day rule	31	28.44	22	20.37	69	11.40	308	24.06
Compliance with the 16-day rule	40	36.70	40	37.04	157	25.95	502	39.22
Total trips	**109**		**108**		**604**		**1 280**	

Source: Based on the information provided by the Regional Offices for Southern Africa and Central Asia.

64. However, regarding the mechanisms put in place by UNODC to monitor the compliance rates, the Board noted that the 21-day parameter was not tracked or reported by UNODC headquarters as part of its compliance reports.

65. The Board is of the opinion that the historically low compliance by UNODC with the advance purchase policy in all travel categories could restrict the Office's

access to potential savings in the procurement of air tickets, which also affects the timely processing of travel requests.

66. Likewise, the Board deems that the current scope of the reporting mechanism on compliance with the policy is limited in terms of comprehensiveness and the parameters to be analysed since the reports provide information only on 16 compliance with the 16-day rule by divisions, sections and field offices, disregarding the reporting on compliance with the 21-day rule.

67. **The Board recommends that UNODC analyse the root causes of the low compliance rates by each office for the submission and approval of travel requests and take actions to strengthen and increase compliance with the travel processing requirements.**

68. **The Board recommends that UNODC include in its periodic reports a more detailed analysis of the advance purchase policy by including, at least, the rates related to the 21 day-rule and a narrative analysis of the non-compliance, and disseminate the results across its staff.**

69. UNODC accepted the recommendations.

Lack of monitoring mechanism and follow-up on travel expense reports

70. Paragraph 46 of the information circular on official travel stipulates that staff members and travel administrators must submit the expense report for their or their travellers' trips within two weeks of the authorized return travel date.

71. However, the 2023 year-end closing instructions of UNODC indicates that the expense reports should be processed and approved by 31 December 2023.

72. The Board reviewed the overall compliance of UNODC with the submission of travel expenditure reports for official trips recorded in Umoja between 1 January and 30 September 2023 and noted that, of a total of 34,616 trips reported during the period, 14,477 (41.82 per cent) of the expenditure reports were submitted late or were yet to be submitted, despite the fact that the deadline for submitting the reports had already expired.

73. In this connection, and as part of the field visits, the Board also reviewed the submission of travel expenditure reports of the UNODC Regional Offices for Southern Africa and Central Asia, noting the following:

(a) Out of a total of 621 official business trips recorded in Umoja, 215 (34.62 per cent) expenditure reports of the UNODC Regional Office for Southern Africa were submitted late or were pending submission;

(b) At the UNODC Regional Office for Central Asia, out of 1,666 official business trips, 308 (18.49 per cent) expenditure reports were submitted late or had not been submitted at the time of the audit.

74. To further understand the reasons for and the nature of the late or pending submission of the expense reports, the Board sampled 25 trips and categorized the justifications provided by both Regional Offices for the non-compliance, noting that the main reasons were related to a lack of oversight or follow-up on the expense reports and a lack of supporting documents provided by the traveller. Details are presented in table II.7.

Table II.7
Categorization of delayed submission of expense reports by United Nations Office on Drugs and Crime Regional Offices

	Southern Africa		*Central Asia*	
Category	*Number*	*Percentage*	*Number*	*Percentage*
Lack of supporting documents provided by the traveller	9	36	4	16
Planning issues by the responsible person to submit the report	6	24	3	12
Lack of oversight or follow-up on the reports	10	40	18	72

Source: Based on the information provided by the Regional Offices for Southern Africa and Central Asia.

75. The Board is concerned that almost 42 per cent of the travel expense reports of UNODC were submitted late or were yet to be submitted at the time of the audit, which is not in compliance with the current instructions on this matter. In this regard, in previous reports (A/73/5/Add.10, paras. 159–165; and A/75/5/Add.10, paras. 81–96), the Board of Auditors had noted delays in the submission and approval of expense reports and had recommended that UNODC make the necessary efforts to ensure that all the expense reports were submitted in a timely manner. The Board is therefore of the opinion that the oversight and follow-up mechanisms to closely monitor the compliance of the applicable regulations offer room for improvement.

76. **The Board recommends that UNODC establish a follow-up and review mechanism to ensure that all expenditure reports are submitted in a timely manner, as required by the current instructions.**

77. UNODC accepted the recommendation.

Inconsistencies in the information related to the mechanisms for travel management at the field offices of UNODC

78. Paragraph 11.6 of the United Nations Procurement Manual defines a long-term agreement as a written agreement between an organization of the United Nations system and a vendor that is established for a defined period of time for specific goods or services at prescribed prices or pricing provisions and with no legal obligation to order any minimum or maximum quantity. Long-term agreements are used to safeguard a reliable source of supply for goods and services at a competitive price, in accordance with predefined terms and conditions.

79. In this regard, UNODC headquarters informed the Board that, for the procurement of plane tickets within the travel management process, a long-term agreement mechanism should always be in place or work through an in-place contract from another United Nations entity.

80. Upon request, UNODC headquarters informed the Board that, to support the travel procurement process, a total of 61 long-term agreements were in force across its respective offices as at 31 December 2023, with each office having at least one long-term agreement in force during the period. Of this list, five were related to the UNODC Regional Office for Central Asia and three to the UNODC Regional Office for Southern Africa. In this regard, the Board reviewed the travel management process and noted the following discrepancies between the information managed by UNODC headquarters and the actual scenario in both regional offices:

(a) To purchase travel tickets, the UNODC Regional Office for Central Asia was supported by three travel agencies with their respective long-term agreements in force. Nevertheless, two of the agreements reported as being in force by UNODC headquarters had expired in 2022;

(b) At the UNODC Regional Office for Southern Africa, contrary to the information provided by UNODC headquarters, since the end of the long-term agreement for the procurement of travel services in September 2019 and as at December 2023, the Regional Office had been operating without the coverage of this kind of agreement.

81. With regard to paragraph 80 (b), in the absence of an agreement with a travel agency, and as part of its internal procedures, the UNODC Regional Office for Southern Africa has instructed that, to procure this type of service, a minimum of three quotations should be obtained to ensure transparency and best value for money.

82. Thus, to verify the compliance with the procedures developed by the UNODC Regional Office for Southern Africa, the Board reviewed a sample of 23 air trips processed by the regional office as at 30 September 2023, noting that none of them were backed by a minimum of three quotations.

83. The Board deems that the inconsistencies observed in the information managed by UNODC headquarters on the long-term agreements for the Regional Offices for Central Asia and Southern Africa, besides concealing the dissimilar performance of the travel process on the field offices, might denote a recurring issue on them. The Board considers that the lack of awareness of the field offices might obstruct adequate and comprehensive oversight and support by UNODC headquarters.

84. In addition, the Board considers that the lack of an adequate procurement mechanism for travel services at the UNODC Regional Office for Southern Africa may put at stake the principles of best value for money, fairness, integrity, transparency and the best interests of UNODC.

85. However, the establishment of an adequate contractual mechanism would offer the UNODC Regional Office for Southern Africa with more competitive prices through economies of scale and simplified processes.

86. **The Board recommends that UNODC compile and review the data regarding the procurement mechanisms for travel management across its offices to manage accurate and updated information supporting the travel management process.**

87. **The Board recommends that UNODC conduct due diligence assessment and establish an appropriate contractual mechanism for the procurement of travel services in its respective offices.**

88. UNODC accepted both recommendations.

C. Transmissions of information by management

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

89. UNODC stated that it had formally written off advances and other receivable balances of $0.31 million in 2023 ($0.02 million in 2022). There was no write-off of losses of property, plant and equipment reported by UNODC.

2. Ex gratia payments

90. UNODC reported to the Board that there were no ex gratia payments in 2023.

3. Cases of fraud and presumptive fraud

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

92. 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.

93. At UNODC, cases of fraud and presumptive fraud are handled either by 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.

94. 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.

95. In 2023, UNODC notified the Board of 51 cases of fraud or presumptive fraud. In all, 30 of the cases were investigated through OIOS, while the remaining 21 cases were reported through the Office of Audit and Investigations of UNDP. However, of the 51 cases, 17 effectively pertained to cases reported or opened in 2023, while the remaining 34 cases dated back to previous years (see table II.8).

Table II.8
Cases of fraud and presumptive fraud

	OIOS	*Office of Audit and Investigations of UNDP*	*Total of cases*
Cases reported or opened in 2023	12	5	17
Cases reported or opened in previous years	18	16	34
Total of cases	**30**	**21**	**51**

Source: Based on the data provided by UNODC.

96. The Board analysed the 51 cases notified by UNODC in 2023, regardless of the date when the cases were reported or opened, and noted that 37 were closed, while the remaining 14 cases remained open from 2019 to 2023 (see table II.9). These outstanding cases relate mostly to fraud in relation to the United Nations entitlement (3 cases) as well as to allegations on procurement fraud (3 cases), with an estimated amount of $29,809.

Table II.9
Open cases of fraud and presumptive fraud

Open cases	*OIOS*	*Office of Audit and Investigations of UNDP*	*Total of cases*
Since 2023	3	3	6
Since 2022	1	–	1
Since 2021	–	1	1
Since 2020	2	–	2
Since 2019	2	2	4
Total cases	**8**	**6**	**14**

Source: Based on the data provided by UNODC.

D. Acknowledgement

97. 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*) Dorothy **Pérez Gutiérrez**
Acting Comptroller General of the Republic of Chile
(Lead Auditor)

(*Signed*) Pierre **Moscovici**
First President of the French Cour des comptes

24 July 2024

Annex

Status of implementation of recommendations up to the financial year ended 31 December 2022

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
1.	2018	A/74/5/Add.10, chap. II, para. 64	The Board recommends that UNODC strengthen its internal controls in order to ensure the segregation of duties in every project or, at the very least, implement a compensating control.	The segregation of duties within the integrated planning, management and reporting solution, in particular related to monitoring and reporting processes, was extensively covered in training sessions conducted at the UNODC Regional Office for South Asia and the UNODC Regional Office for South-East Asia and the Pacific in 2023. In addition, UNODC has continuously updated related parts of its project management guide. While all related workflows have been established and staff members trained extensively, the topic will be covered in all planned related training activities to continue to ensure the segregation of duties.	The Board verified that UNODC had conducted activities related to monitoring and reporting processes, such as training sessions and updates to the integrated planning, management and reporting solution guide. However, the sample review of eight ongoing projects in the integrated planning, management and reporting solution showed that, in two of them, the annual project progress reports were yet to be approved; therefore, it was not possible to verify the compliance with the segregation of duties. Consequently, this recommendation is considered as under implementation.		X		
2.	2019	A/75/5/Add.10, chap. II, para. 104	The Board recommends that UNODC make efforts, in liaison with the United Nations Secretariat, to update the administrative instruction on the official status file as well as try to find ways to link Umoja and Inspira into the Unite Docs website.	The revision of the administrative instruction on official status files is still in progress. The Office of Human Resources/the Department of Management Strategy contributed to a process guide which will supplement the new administrative instruction, and the Office informed the Board that this process guide should be issued soon. UNODC actively participates in meetings on the new electronic filing system for official status files and was	The Board noted that UNODC had received instructions from the Office of Human Resources Management of the Department of Management Strategy, Policy and Compliance of the United Nations concerning the development of a new system related to electronic documents, which was in process. In addition, the Board noted that work by United Nations Headquarters was still under way regarding the issuance of the administrative instruction on	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
				informed about the new system in SharePoint. On 8 December 2023, a memorandum was sent to heads of entity on the introduction of the new electronic filing system instead of paper-based filing.	official status files, a process beyond the control of UNODC. Taking into account the time taken for United Nations Headquarters to update the administrative instruction on official status files, the Board verified, through a sample review, that the official status files contained all the mandatory documents during 2023. Therefore, the Board considers the recommendation as implemented.				
3.	2019	A/75/5/Add.10, chap. II, para. 115	The Board recommends that UNODC make a review of the United Nations Office at Vienna/UNODC information technology services disaster recovery plan and add all the missing elements that the current United Nations disaster recovery plan technical procedures require.	The disaster recovery plan reflects the needs and requirements expressed in the business continuity plan, to enable UNODC to sustain critical processes in various business scenarios. As an increasing number of technologies are globalized and centralized in the United Nations, and data and processes move to the cloud, local requirements for disaster recovery are also expected to evolve. To ensure that disaster recovery procedures are aligned with the business continuity plan, UNODC believes that these procedures need to be included as an annex to the business continuity plan and reviewed and updated together. Consequently, UNODC will include an annex to the United Nations Office at Vienna/UNODC business continuity plan detailing the related disaster recovery procedures for the systems in scope.	The Board noted that UNODC was still working to integrate the United Nations Office at Vienna/UNODC disaster recovery plan with the business continuity plan, which was expected to be completed in October 2024. Given the ongoing work, the Board considers this recommendation as under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
4.	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.	The delay in the implementation of the progress reports is due to the migration, in 2020, to the new integrated planning, management and reporting system, a lengthy process, as almost all the 13 ongoing projects at the regional office required a revision so that they could be extended in the system.	The Board noted that UNODC had requested its staff to complete the 2023 annual project progress reports by 29 February 2024. In this regard, out of a total of 13 ongoing projects at the UNODC Regional Office for the Middle East and North Africa as at 30 September 2023, only two annual project progress reports had been issued in the integrated planning, management and reporting solution. Therefore, the recommendation is considered as under implementation.		X		
5.	2020	A/76/5/Add.10, chap. II, para. 74	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.	The delay in the implementation of the progress reports is due to the migration, in 2020, to the new integrated planning, management and reporting system, which was a lengthy process as for almost all the 13 ongoing projects that required a revision at the regional office so that they could be extended in the system. Segregation of duties is mandatory in the integrated planning, management and reporting system, and the Regional Office for Middle East and North Africa is following the approval process.	As a previous recommendation was issued related to the segregation of duties in the preparation and approval of the project progress reports (A/74/5/Add.10, chap. II, para. 64), which is addressed to UNODC as a whole (including its Regional Office for the Middle East and North Africa), the recommendation is considered as overtaken by events.				X
6.	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.	UNDP service contracts are undergoing a transition to a new modality, which will include all service contract holders at the UNODC country office in Peru. The country office is 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 was in a process of transition to a partner personnel service agreement, a new modality for replacing the management of service contract holders. Since this process has yet to be finalized, 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
7.	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.	The Division for Operations translated and shared the Regional Office for the Andean Region and the Southern Cone good practices with all field offices more than a year ago. In the regional office, the practice is being implemented, and in the other field offices it has inspired local workflow and standard operating procedures. UNODC may consider drafting a user-friendly guidance note for field offices once the new partner personnel services agreement form of contract is rolled out.	The Board noted that, on 24 July 2023, UNODC shared with the programme managers the standard operating procedure on service contract recruitment issued by the Regional Office for the Andean Region and the Southern Cone. Nevertheless, it was noted that no instances of the incorporation of good practices were included in the document, such as keeping a certified panel list, requiring its members to complete the competency-based interviewing course and requesting panel members to sign an impartiality declaration. On the other hand, as UNODC is transitioning to a new modality for service contract holders, the partner personnel services agreement, the Office is considering drafting a user-friendly guidance note for field offices once the new form of contract is rolled out. Hence, the recommendation is considered as under implementation.		X		
8.	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 Regional Office for the Andean Region and the Southern Cone and the Country Office in Peru ensured that upcoming project revisions were submitted and approved in a timely manner, in accordance with existing instructions.	Out of a total of three project revisions at the UNODC Regional Office for the Andean Region and the Southern Cone, approved through direct approval during 2023 (no project revisions at the UNODC Country Office in Peru), the Board noted that only one was approved within the deadline imposed by UNODC (i.e. four months before the original end date). In addition, the Board		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
					noted that UNODC was still in the process of updating the management instruction on direct approval, whose update had been extended for more than one year. Thus, this recommendation is considered as under implementation.				
9.	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 revision of the management instruction related to direct approval of programmes is ongoing and close to finalization. In parallel, UNODC is revising the management instructions on global programmes and regional/country programmes. To ensure that there is no contradiction among the programmatic management instructions, it was decided to review the aforementioned management instructions, including the one on direct approval, as an overall package. The revision of the management instruction related to reporting on programme and operational issues will be taken up by the interdivisional working group on the review of the management instructions led by the Office of the Executive Director during the third quarter of 2024.	The Board noted that, on 5 December 2023, UNODC updated the project management guide. However, the Board detected that the following management instructions were yet to be updated: direct approval of programme and projects (at headquarters and field offices); field office reporting on programme and operational issues; regional and country programme development, approval and revision process; and the global programme development, approval and revision process. This recommendation is therefore considered as under implementation.		X		
10.	2022	A/78/5/Add.10, chap. II, para. 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	A complete assessment of the ongoing construction projects in 2022 and 2023 has been completed, and it was concluded that these construction projects did not meet the recognition criteria for project assets. Relevant accounting	The Board noted that UNODC had assessed the recognition criteria and decided to cease the capitalization of items built solely for the end beneficiaries, which had resulted in a change in accounting policies as well as in relevant accounting	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
			classified as property, plant and equipment in the financial statements of UNODC, as well as the financial impact of a change in this approach.	adjustments were put in place in Umoja and disclosed in the 2023 financial statements of UNODC.	adjustments, with the derecognition of buildings constructed or in progress for beneficiaries. In addition, the figures for the financial year 2022 have been restated in the financial statements of UNODC for the year ended 31 December 2023, to reflect the change in this approach. The recommendation is therefore considered as implemented.				
11.	2022	A/78/5/Add.10, chap. II, para. 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.	The Department of Operational Support of the United Nations provides regular supply chain performance reports via a power business intelligence link, which encompasses various property management quality checks. Continuous checks of the reports by the property management team of UNODC, the implementation of necessary corrective actions and the submission of updates by completing the entities review and feedback template to the Department of Operational Support is carried out accordingly. The most recent checks and submissions were completed on 26 November 2023.	The Board noted that UNODC has been performing quality checks with regard to the accuracy of the records in Umoja for assets and equipment, in which no discrepancies had been identified as at January 2024. In addition, and as stated in the financial statements of UNODC for the year ended 31 December 2023, no items were post-capitalized and disclosed in the movements for property, plant and equipment. Lastly, through a sample review, it was noted that all items purchased by UNODC during the year 2023 were properly capitalized in the same year. Thus, the recommendation is considered as implemented.	X			
12.	2022	A/78/5/Add.10, chap. II, para. 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.	UNODC has initiated action to implement this recommendation. A plan and implementation road map have been established and agreed with Member States. The process will continue as a matter of practice, with an annual review conducted by UNODC and Member States in October 2023, and future revisions are	The Board noted that, as at 31 December 2023, the excess income under the information technology services exchange transactions recorded a balance of $16.69 million, which is $2.33 million more than the balance recorded as at 31 December 2022 ($14.39 million). Therefore, 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
				expected annually. UNODC expects that the multi-year execution plan will bring the 64DCR fund balance to the appropriate levels by the end of December 2027.	Board considers the recommendation as not implemented.				
13.	2022	A/78/5/Add.10, chap. II, para. 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.	The Information Technology Service of UNODC has recruited a resource to review processes and workflows and revise existing service-level agreements for services provided to Member States to implement this recommendation. A technical account manager has been recruited who identified, reviewed and archived all service-level agreements that are still active; established a SharePoint-based dashboard for tracking core service-level agreement-related information including terms and conditions, status and expiration date; and established workflows and internal processes for standardizing service-level agreement-related procedures.	The Board noted that progress has been made by UNODC in updating the outdated service-level agreements. In addition, through a sample review, the Board noted that UNODC had updated the agreements that supported the revenue from information technology services provided by the Office to various Governments. Based on the actions taken, the recommendation is considered as implemented.	X			
14.	2022	A/78/5/Add.10, chap. II, para. 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.	The standard operating procedure on transfer of property to end beneficiaries was issued in March 2022 and shared with all UNODC field offices. An updated standard operating procedure was shared by the Director of the Division for Management in March 2023 with all UNODC management, including UNODC field office representatives. This procedure outlines the end-to-end handover	The Board noted that, in February 2023, UNODC updated the standard operating procedure for equipment and asset transfer to end beneficiaries, incorporating workflows with the responsibilities and timelines for the process. In addition, it was verified that UNODC was still working on a pilot proposal to decentralize property		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, emphasizing the importance of obtaining preapproval from the relevant authority. In addition, the "Policy interpretation and guidance for disposal of property" document, provided by the Global Asset Management Policy Service, has been shared, together with the standard operating procedure, through the property management Microsoft Teams channel with UNODC field offices.	management roles to UNODC field offices. Lastly, as nine assets, with a total value of $154,960.50, had already been transferred to end beneficiaries on an ex post facto basis during 2023, replicating the situation previously observed, the recommendation is considered as under implementation.				
15.	2022	A/78/5/Add.10, chap. II, para. 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.	UNODC has taken action to ensure that offices are informed of property management procedures and timelines. A dedicated Microsoft Teams channel has been created to facilitate communication, policies and procedures have been made available, and updated standard operating procedures have been published and circulated. Field offices have benefited from support provided by the General Support Section at UNODC headquarters and from the issuance of corporate guidance on property management rules and procedures. As a corollary, most field offices upscaled efforts to undertake a physical count against the Umoja equipment register with the aim of addressing discrepancies. In 2022 and 2023, selected field offices also received visits from UNODC headquarters experts. In addition, Improved accountability is being promoted	The Board noted that UNODC had created a Microsoft Teams channel for property management to exchange communication and information between headquarters and each of its field offices. In this regard, the Board verified that relevant documents on property management had been shared through this channel, such as a standard operating procedure for equipment and asset transfer to end beneficiaries, as well as the strategic guidance and performance framework for the management of property for the financial year 2023, issued by the Department of Management Strategy, Policy and Compliance of the United Nations. This document outlined the strategic priorities in reviewing the completeness of the data in Umoja and ensuring that the physical verification process is performed thoroughly to improve data accuracy, requesting management to, inter	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
				through the inclusion of this work aspect into relevant managers' workplans. Field offices will continue to ensure compliance with the established property management procedures and timelines and regularly review equipment records.	alia, prioritize the physical verification of all categories of material as a key action for ensuring property record accuracy and data reliability. Based on the actions taken by UNODC, the Board considers the recommendation as implemented.				
16.	2022	A/78/5/Add.10, chap. II, para. 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.	The risk management framework, as well as the governance document, risk register and risk treatment plan, were updated throughout 2022, taking into account the relevant strategic documents. These documents have been synchronized to reflect the same risks and to include specific and measurable action plans where possible. The risk register has also been aligned with the overall Secretariat risk universe.	The Board noted that UNODC had updated the risk management framework, as well as the risk register and risk treatment plan. The risk register had also been aligned with the overall United Nations Secretariat risk universe. The new enterprise risk management framework had also been adopted by the UNODC Executive Committee. Taking into consideration the actions taken by UNODC, the Board considers the recommendation as implemented.	X			
17.	2022	A/78/5/Add.10, chap. II, para. 79	The Board recommends that UNODC ensure that quarterly presentations on enterprise risk management are made properly to the UNODC Executive Committee.	Enterprise risk management reporting takes place on a quarterly basis, whereby all the risk management barometer is reviewed in terms of risk ratings. In addition, enterprise risk management focal point meetings have been held.	In December 2022, UNODC amended the previous version of the enterprise risk management framework. Under the new framework, the divisions of UNODC would assess institutional risks on a quarterly basis, and the results would be reported to the UNODC Executive Committee. In this regard, the Board noted that a quarterly monitoring of enterprise risk management was carried out through a barometer, which measured the residual risk level for 15 institutional risks of	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
					UNODC. The Board then noted that two presentations related to enterprise risk management were made to the UNODC Executive Committee, in July and December 2023. Based on the actions taken by UNODC, the Board considers the recommendation as implemented.				
18.	2022	A/78/5/Add.10, chap. II, para. 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.	The risk management framework, as well as the governance document, risk register and risk treatment plan, were updated throughout 2022, taking into account the relevant strategic documents. These documents have been synchronized to reflect the same risks and to include specific and measurable action plans where possible. The risk register has also been aligned with the overall Secretariat risk universe.	The Board noted that UNODC had updated the risk management framework, as well as the risk register and risk treatment plan. In this regard, during the current review, the Board noted that more specific and measurable risk treatment actions had been put in place. The risk register had also been aligned with the Secretariat's overall risk universe. Taking into consideration the actions taken by UNODC, the Board considers the recommendation as implemented.	X			
19.	2022	A/78/5/Add.10, chap. II, para. 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.	The United Nations Office at Vienna/UNODC Procurement Unit updated and shared a frequently asked questions document and an ex post facto template in the United Nations Office at Vienna/UNODC procurement forum and client support portal. In addition, three briefings to go through the documents had been conducted.	The Board noted that UNODC had developed "frequently asked questions" and "ex post facto template" documents, which incorporate information such as the timelines for processing the ex post facto cases, whose documents were disseminated through the client support portal of UNODC. Therefore, the recommendation is considered as implemented.	X			

						Status after verification			
No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
20.	2022	A/78/5/Add.10, chap. II, para. 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.	UNODC offices are in the process of reviewing the current mitigation measures with a view to identifying potential ways to enhance contract management locally so that ex post facto cases can be prevented.	From the detailed ex post facto procurement cases during 2023, the Board reviewed the mitigation actions and noted that, even though there had been an improvement in the assessment made, there were still other actions that continued to be general in terms of how ex post facto could be avoided in the future. For instance, there were mitigation actions, such as "enhance coordination between project assistant and vendor to ensure that the purchase order is aligned with the requirements", or "enhance coordination between the key institutions and the project manager to ensure better organization of the activities", which do not provide more detailed information on how the coordination could be improved. Therefore, the recommendation is considered as under implementation.		X		
21.	2022	A/78/5/Add.10, chap. II, para. 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.	The Accounts Section of UNODC has assessed the time spent on different steps in the payment process and is implementing concrete steps to addressing these root causes. The implementation is ongoing.	The Board noted that progress has been made in terms of identifying the causes of delays in the payment process at the UNODC Regional Offices for Central America and the Caribbean and for West and Central Africa. However, UNODC is still assessing measures to provide a solution and expedite the payment process. Hence, 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
22.	2022	A/78/5/Add.10, chap. II, para. 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.	An interdivisional working group on grant monitoring and closure was set up in September 2023 and is now finalizing the list of recommended measures and timelines to be submitted to management for further review and implementation. The document is still a draft pending management review for potential revisions and/or endorsement. UNODC has meanwhile developed a grant monitoring tool which generates information that is sent on a monthly basis to relevant branches managing global programmes. The tool highlights grants which are nearing the end of their implementation period but have below linear expenditure. The aim of the tool is to maximize the utilization of funds or provide sufficient time to request a no-cost extension.	The Board noted that UNODC was still working on a document with regard to the list of recommended measures and timelines, which was being refined to reflect management comments. In addition, UNODC provided evidence on a pilot regarding grant monitoring, whose development is also pending the establishment of new corporate measures from management. Therefore, the recommendation is considered as under implementation.		X		
23.	2022	A/78/5/Add.10, chap. II, para. 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.	Two training sessions on monitoring and reporting using the integrated planning, management and reporting solution were conducted on 10 and 11 October 2023. These sessions served to remind UNODC staff about reporting requirements and to refresh technical skills related to this task. In addition, the topic was covered in training sessions conducted at the UNODC Regional Office for South Asia and the UNODC Regional Office for South-East Asia and	The Board noted that UNODC had conducted activities related to the reporting process of the annual project progress reports, such as training sessions and updates to the integrated planning, management and reporting solution guide. In addition, the Board reviewed a sample of eight ongoing projects and noted that the indicators and monitoring results in the monitoring tool of the solution had been updated within the deadline imposed by UNODC for issuing the annual project	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
				the Pacific in 2023. Lastly, information on monitoring and reporting using the integrated planning, management and reporting solution was updated in the UNODC project management guide in 2023.	progress reports (i.e. 29 February 2024). Hence, the recommendation is considered implemented.				
24.	2022	A/78/5/Add.10, chap. II, para. 136	The Board recommends that UNODC ensure that reporting obligations to be met by implementing partners are timely and properly delivered.	The External Party Engagement Unit of UNODC has stressed to programme managers the importance of timely reporting by the implementing partners and reminded them of their responsibilities in this regard. With regard to the monitoring of general contractual compliance and performance, including quality of implementation and reporting, timely implementation and response to United Nations requests, these are elements that are assessed at the closure of the agreement with a partner, as they help to document lessons learned and gather information for future engagements.	The Board conducted a sample review of global programmes conducted by eight implementing partners on behalf of UNODC and noted that three of them did not present the narrative or the financial reports as requested in the agreement signed between UNODC and the partner. Therefore, the recommendation is considered as under implementation.		X		
	Total number of recommendations				**24**	**10**	**12**	**1**	**1**
	Percentage of total number of recommendations				**100**	**42**	**50**	**4**	**4**

Chapter III
Certification of the financial statements

Letter dated 31 March 2024 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 2023 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 2023

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 2023 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 2023, UNODC continued to make good progress in implementing its Strategy 2021–2025. The strategy positions UNODC as a facilitator and impartial knowledge broker to help Member States to identify comprehensive and innovative solutions to respond to drug and crime challenges, strengthen good governance and build inclusive, equitable and resilient societies. UNODC continued to expand its strong field presence and thematic expertise to deepen cross-sectoral partnerships, promote transborder cooperation and ensure systematic coordination across its mandates. The implementation of specific thematic and geographic strategies and the development of new regional and subregional programmes and frameworks for the Arab States, South Asia, South-Eastern Europe and East, Southern and West Africa continued to guide the Office in better supporting Member States in addressing priorities and emerging threats.

6. 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 at July 2023, the Office had provided support for 149 countries and territories through either cooperation frameworks or common country analyses and was part of 110 United Nations country teams. 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.

7. UNODC worked with a large number of United Nations entities through established and ad hoc inter-agency coordination mechanisms, such as the United Nations Network on Migration, the Global Task Force on Corruption, the Global Focal Point for the Rule of Law, the Inter-Agency Coordination Group against Trafficking in Persons and the International Consortium on Combating Wildlife Crime. UNODC deepened its operational partnerships with a growing number of United Nations entities and international and regional organizations, as well as with academia and think tanks. Regular dialogue with civil society continued through partnerships with umbrella networks of non-governmental organizations and knowledge hubs. Private sector stakeholders engaged in consultations on topics such as transnational organized crime, corruption and cybercrime.

C. Activity overview

8. In 2023, UNODC continued to support Member States in the implementation of all international drug policy commitments through the Commission on Narcotic Drugs. At its regular session, in March 2023, the Commission decided on the modalities of the midterm review of progress made in the implementation of the international drug policy commitments, to be held in 2024. Through the Commission on Crime Prevention and Criminal Justice, UNODC continued to support Member 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 third round of thematic discussions on promoting the rule of law.

9. In 2023, Bhutan and South Sudan acceded to the United Nations Convention against Transnational Organized Crime and Bhutan to the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children. Nearly all parties to the United Nations Convention against Transnational Organized Crime (Organized Crime Convention) are engaged in the Mechanism for the Review of the Implementation of the Organized Crime Convention, focusing first on criminalization and jurisdiction. UNODC serviced and provided substantive support for the Ad Hoc Committee to Elaborate a Comprehensive International Convention on Countering the Use of Information and Communications Technologies for Criminal Purposes, established pursuant to General Assembly resolutions 74/247 and 75/282.

10. UNODC continued to provide support to the Conference of the States Parties to the United Nations Convention against Corruption and its subsidiary bodies, including with respect to the consideration of ways to accelerate the implementation of the Convention, the implementation of Sustainable Development Goal 16 and measures required for the follow-up process to the first-ever special session of the General Assembly against corruption, held in 2021.

11. UNODC promoted adherence to the 19 international conventions and protocols against terrorism, with 16 States becoming parties to the legal instruments in 2023. UNODC strengthened its partnerships under the United Nations Global Counter-Terrorism Coordination Compact and continued to work closely with the Office of Counter-Terrorism.

12. UNODC continued to enhance its research capacity by leveraging modern technologies, including machine learning, to process large volumes of open-source data in order to identify and record individual drug seizures, and for tasks such as classification, the extraction of structured data from unstructured text and the provision of metadata about events. UNODC also enhanced its geospatial analysis capacity by using Earth observation and other data to monitor illegal activities, such as crimes that affect the environment, illicit crop cultivation and drug trafficking.

13. In terms of cross-cutting commitments, UNODC continued to facilitate the mainstreaming of human rights into its mandates and programmes, including through the development of internal guidance and participation in inter-agency consultations led by the Office of the United Nations High Commissioner for Human Rights. As part of the efforts to implement the UNODC Youth Empowerment Accelerator Framework, the Office delivered training to staff and personnel and hosted its first-ever intergenerational retreat. An institutional action plan was developed to provide practical guidance on the implementation of the Strategy for Gender Equality and the Empowerment of Women (2022–2026) of the United Nations Office at Vienna and UNODC. The second iteration of the action plan on disability inclusion (2023–2024) of the United Nations Office at Vienna and UNODC was launched in January 2023, and the Office carried out a number of activities to promote disability inclusion.

14. More information on the activities conducted in 2023 can be found in the report of the Executive Director on the activities of UNODC (E/CN.7/2024/2-E/CN.15/2024/2).

D. Budget performance highlights

15. 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.

16. 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).

17. 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.

18. 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 second year of the biennium, the budget is revised to reflect the final projections for the biennium. The final budget is approved/endorsed by the Commissions within the context of the consolidated budget for the biennium 2024–2025. The final budget for 2022–2023 was presented to the Commissions at the end of 2023.

19. Table IV.1 shows 2022 and 2023 performance comparatives in aggregate.

Table IV.1
United Nations Office on Drugs and Crime 2022–2023 income, budget, expenditure and implementation rate overview (including regular budget) (United Nations system accounting standards basis)
(Millions of United States dollars)

	2023	*2022*
Income	465.5	413.1
Budget (final) (A)	429.7	394.7
Expenditure (B)	443.3	389.3
Implementation rate (B over A)	103.2%	98.6%

20. The initial 2023 budget approved/endorsed by the Commissions at their sessions in 2021 amounted to $308.0 million in extrabudgetary resources (2022: $337.6 million). In December 2023, the Commissions approved/endorsed a final 2023 budget of $405.5 million in extrabudgetary resources (2022: $371.8 million). Including the regular budget, the UNODC final budget for 2023 was $429.7 million (2021: $394.7 million). The implementation rate for 2023 was 103.2 per cent against the final budget (2022: 98.6 per cent).

21. Table IV.1 depicts that, year-on-year, UNODC encountered an increase in income of $52.4 million (12.7 per cent) and an increase in expenditure of $54.0 million (13.9 per cent).

22. Table IV.2 shows 2022 and 2023 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 2022–2023 expenditure by funding source (United Nations system accounting standards basis)
(Millions of United States dollars, regular budget includes sections 16 and 23)

	2023		*2022*	
	Amount	*Percentage*	*Amount*	*Percentage*
Extrabudgetary resources				
Special purpose funds	383.9	87	339.5	87
Programme support cost funds	31.6	7	23.2	6
General purpose funds	4.3	1	3.7	1
Subtotal	**419.8**	**95**	**366.4**	**94**
Regular budget	23.5	5	22.9	6
Total	**443.3**	**100**	**389.3**	**100**

23. The world is facing multiple crises, which have brought about a highly unstable global financial environment. This has resulted in sudden increases in inflation and cost escalations. Notwithstanding these challenging circumstances, UNODC continues to implement its Strategy 2021–2025. In 2023, programme delivery (special purpose funds) increased to $383.9 million in 2023, an increase of $44.4 million compared with 2022.

24. Compared with 2022, the increase in programme performance was most noticeable in: the programmes on alternative development in Colombia (an increase of $13.9 million); the Global Programme on Crimes that Affect the Environment and Climate (an increase of $10.0 million); the project on criminal procedure reform in Panama (an increase of $8.1 million); the Global Programme to Prevent and Combat Corruption through Effective Implementation of the United Nations Convention against Corruption in Support of Sustainable Development Goal 16 (an increase of $5.8 million); the regional programme for South-East Asia and the Pacific 2022–2026 (an increase of $3.4 million); and a new country programme in Uganda (an increase of $2.4 million).

25. 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 2023, the two subprogrammes accounted for 52.9 per cent of expenditure. Aside from the global programmes (32.9 per cent), the largest regions in terms of volume were Africa and the Middle East (24.5 per cent) and Latin America and the Caribbean (21.0 per cent). Together, in 2023, the three regions accounted for 78.4 per cent of expenditure.

Figure IV.I
United Nations Office on Drugs and Crime expenditure by subprogramme (including regular budget), 2023 (United Nations system accounting standards basis)

(Millions of United States dollars)

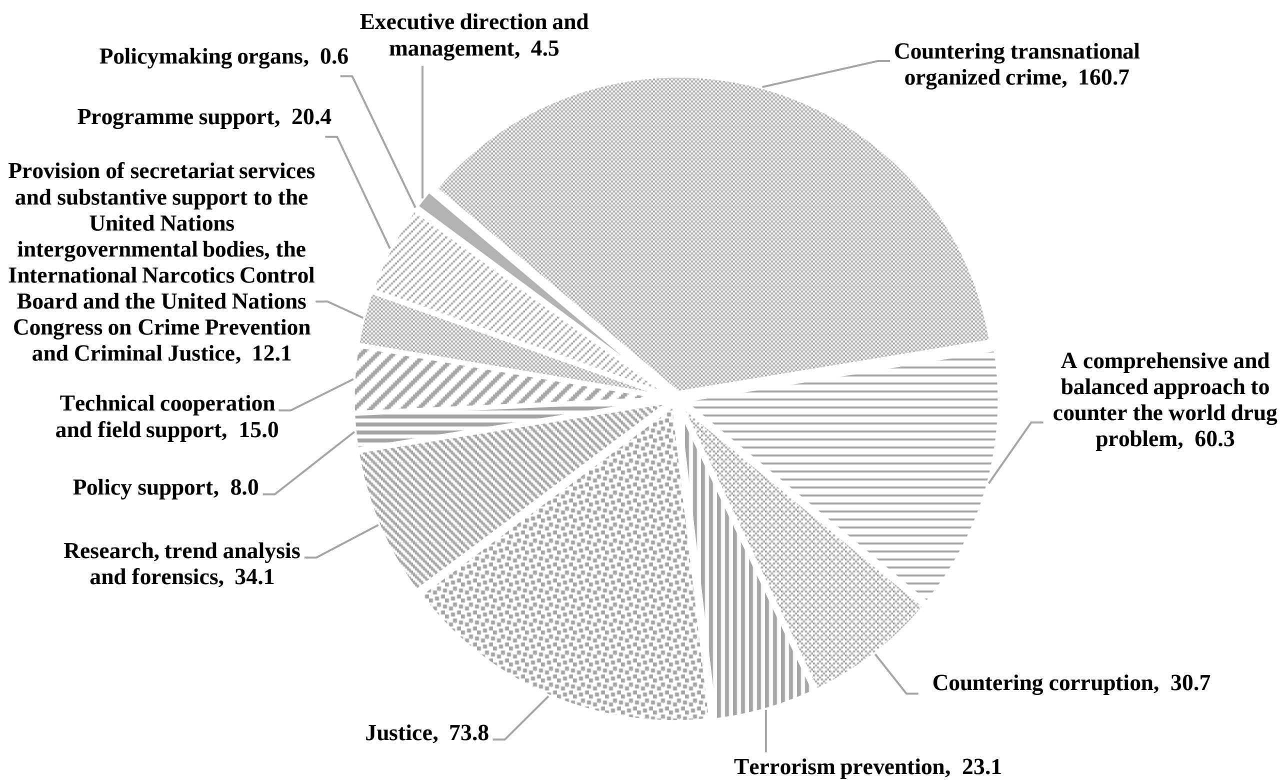
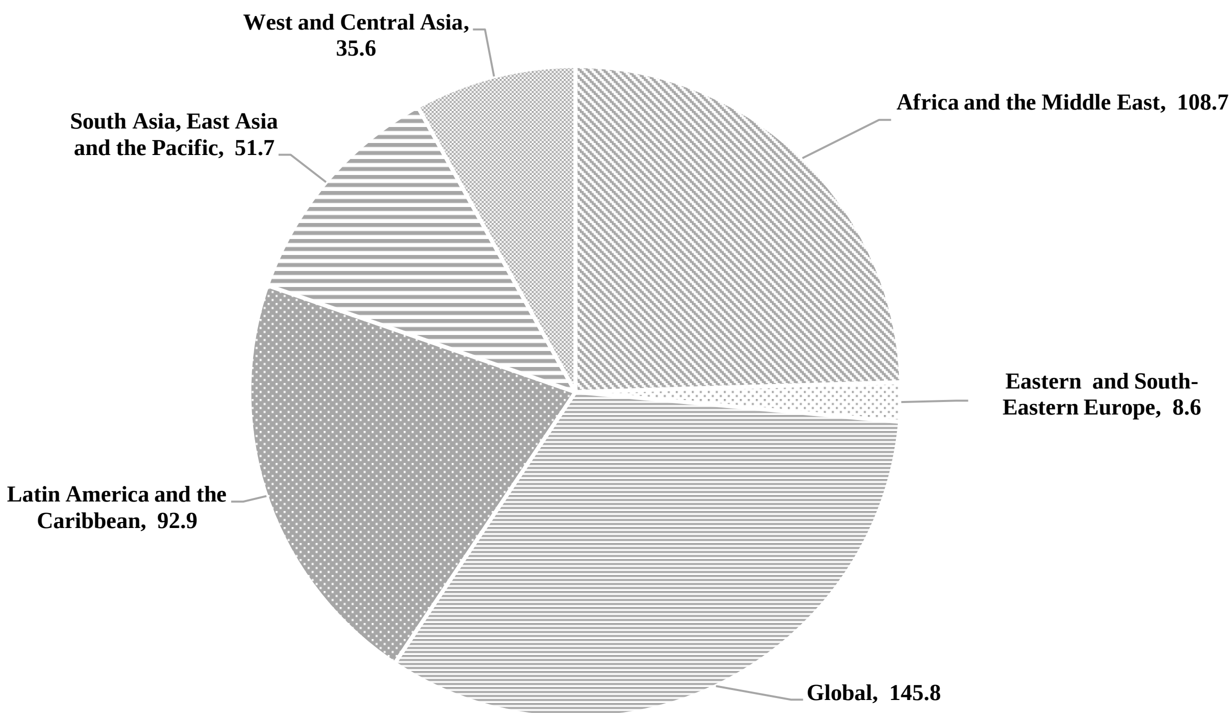


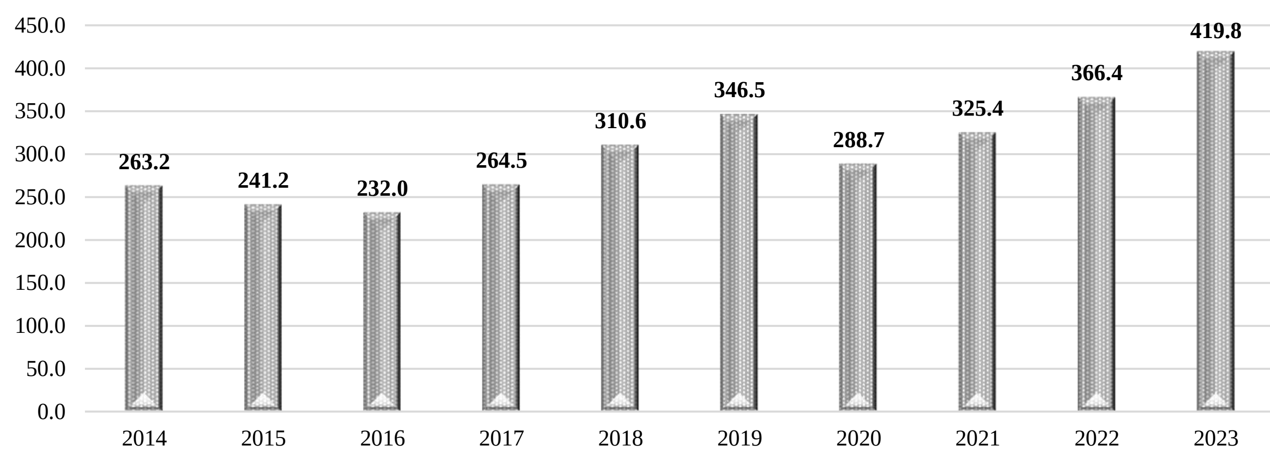
Figure IV.II
United Nations Office on Drugs and Crime expenditure by region of implementation (including regular budget), 2023 (United Nations system accounting standards basis)
(Millions of United States dollars)



Note: Based on country/region of implementation.

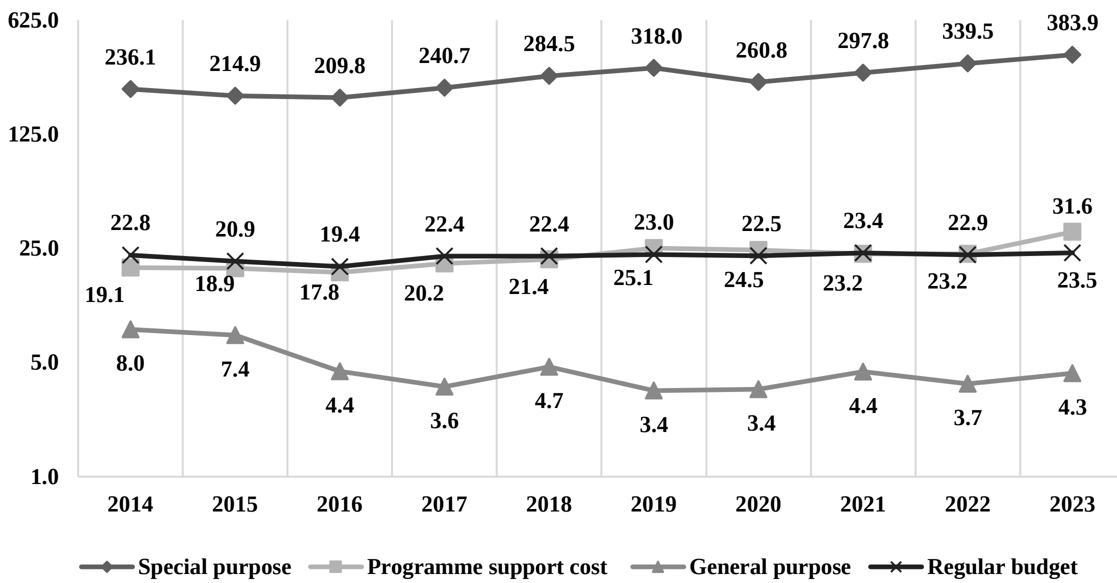
26. Figures IV.III and IV.IV show the 10-year trend of technical assistance expenditure.

Figure IV.III
United Nations Office on Drugs and Crime technical assistance expenditure trend (excluding regular budget), 2014–2023 (United Nations system accounting standards basis)
(Millions of United States dollars)



27. Despite global crises, UNODC showed its relevance more than ever by reaching a record high implementation in the delivery of technical assistance of $419.8 million in 2023, an increase of $53.4 million, or 14.6 per cent, compared with 2022.

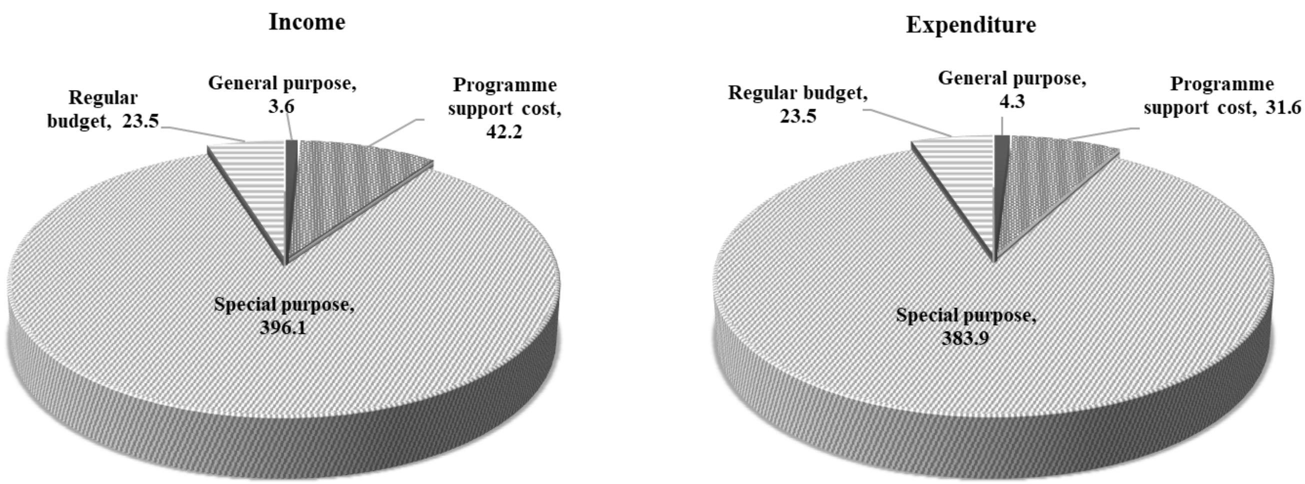
Figure IV.IV
United Nations Office on Drugs and Crime expenditure by funding source, 2014–2023 (United Nations system accounting standards basis)
(Millions of United States dollars)



28. Figure IV.IV highlights the continuous deterioration of the funding mix between earmarked and unearmarked contributions over the years. In 2014, the ratio of general purpose (unearmarked) funding to special purpose (earmarked) funding was 3:97, whereas the same ratio was only 1:99 in 2023. In numbers, general purpose funding (expenditure) stood at $8.0 million in 2014, but declined by 46.1 per cent to $4.3 million in 2023, whereas earmarked funding (expenditure) stood at $236.1 million in 2014 and increased by 62.6 per cent, to $383.9 million, in 2023.

29. Figure IV.V presents 2023 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, 2023 (United Nations system accounting standards basis)
(Millions of United States dollars)



30. Figure IV.V highlights the fact that general purpose (unearmarked) income represented a mere 0.8 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 also placing greater emphasis on providing soft-earmarked contributions as part of its corporate fundraising strategy, whereby Member States are encouraged to make a commitment to contributing more core resources and increasing the flexibility of voluntary contributions.

31. The high delivery under special purpose funds resulted in higher programme support cost income earned in 2023: $42.2 million, compared with $37.4 million in 2022.

E. Financial analysis

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

33. As at 31 December 2023, net assets amounted to $1,015.6 million (statement I), which represented an increase of $74.7 million (or 7.9 per cent), compared with $940.9 million (restated) as at 31 December 2022. That increase was a result of a net surplus in 2023 of $77.9 million (statement II), together with a loss from various adjustments to the reserves (actuarial loss on employee benefits liabilities, adjustment on allowance for credit loss for receivables attributable to IPSAS 41 implementation and fair value losses on investments) totalling $3.2 million (statement III).

34. Cash and cash equivalents and investments amounted to $1,041.3 million (74.8 per cent of total assets as at 31 December 2023), an increase of $90.9 million (or 9.6 per cent) over the 2022 amount of $950.4 million (see notes 5 and 6 to the financial statements).

35. At the end of 31 December 2023, voluntary contributions receivable represented uncollected earmarked pledges totalling $297.4 million (2022: $303.8 million), net of allowance for doubtful receivables of $1.4 million (2022: $2.6 million) (see note 7).

36. 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 2023, a balance of $15.3 million (2022: $21.4 million) of advances remained outstanding. Of that amount, $7.1 million (2022: $5.0 million) related to advances made in support of the implementation and monitoring of an integrated and sustainable strategy to reduce illicit crops and promote alternative development and a culture of legality in Colombia (see note 8).

37. As at 31 December 2023, UNODC held property, plant and equipment of $5.3 million (2022, restated: $3.5 million (see note 10).

38. As at 31 December 2023, UNODC reported advance receipts of $34.7 million (2022: $39.6 million). That amount represented funds received from exchange transactions for services that had not been delivered by year end (see note 13).

39. UNODC liability for employee benefits amounted to $134.1 million as at 31 December 2023 (2022: $115.5 million), of which $122.9 million (2022: $105.3 million) represented liabilities under defined-benefit plans (see note 14).

40. The total revenue of $529.4 million during 2023 (2022: $430.6 million) consisted primarily of $388.5 million (2022: $353.5 million) of non-exchange revenue (73.4 per cent of total revenue) (see note 19) and $34.7 million (2022: $34.0 million) of allocations from the United Nations regular budget (see note 18). Within other revenue of $29.1 million (2022: $9.0 million), $21.4 million (2022: $8.8 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).

41. As of 1 January 2023, under IPSAS 41, the fair value loss on investments is recorded directly under net assets, whereas until 31 December 2023 it was recorded in the statement of financial performance. In 2023, UNODC earned investment revenue of $41.7 million less a fair value loss on investments of $3.2 million recorded into the net assets (2022: $14.8 million offset by a fair value loss on investments of $10.9 million, resulting in a net revenue of $3.9 million) (see notes 17 and 21).

42. The total expenditure for the period amounted to $451.5 million (2022, restated: $398.5 million), comprising mainly staff-related costs of $161.9 million (2022: $150.6 million) representing 35.9 per cent of total expenses, non-employee compensation and allowances of $78.9 million (2022: $78.8 million) equivalent to 17.5 per cent of total expenses, other operating expenses of $101.1 million (2022, restated: $97.2 million) equivalent to 22.4 per cent of total expenses, and travel costs of $57.3 million (2022: $47.4 million) representing 12.7 per cent of total expenses. Furthermore, $45.9 million (2022: $18.5 million) equivalent to 10.2 per cent of total expenses represented the work delivered by the implementing partners and end beneficiaries receiving grants under authorized small-grants schemes (see note 24).

F. Risks, challenges and improvements, 2023 and beyond

Strategic planning and dependence on extrabudgetary contributions

43. UNODC continued to support United Nations reform processes, including development system reform, management reform, the report of the Secretary-General

entitled *Our Common Agenda* and, in particular, his United Nations 2.0 “Quintet of change” initiative. As part of the latter, UNODC continued to undertake efforts to strengthen its results-based management and monitoring framework. The Office rolled out capacity-building workshops in two regional offices and conducted multiple training sessions in Vienna. In addition, four online workshops on the Secretariat’s project management system were implemented. In 2023, 17 independent evaluations and other evaluation work, covering multiple UNODC subprogrammes and regions, were undertaken, including joint evaluations and meta-syntheses of the work of UNODC in Mexico and East Africa. Evaluation results were used to enhance the work of UNODC, with evaluations conducted in line with new guidance on inclusive, gender-responsive and human rights-sensitive evaluations.

44. The continuing imbalance between earmarked and unearmarked resources poses significant challenges for UNODC, affecting its ability to respond to rapidly changing global priorities, to deliver on global mandates and to strengthen enablers of development. Special-purpose contributions reached $396.1 million by the end of 2023, while general-purpose contributions stood at $3.6 million, a mere 0.8 per cent of the total income. UNODC continues to engage with its partners in high-level strategic dialogues in which the challenges posed by further reduced general purpose funds are underscored. This approach is generating sympathy, with interest in potentially increasing soft-earmarked portions of voluntary contributions in some cases. The continued efforts of UNODC to attract more development-related funding as part of its portfolio diversification and efforts to expand its partner base through innovative fundraising with non-traditional partners, such as individuals, the private sector and foundations, will ultimately bolster voluntary contributions. This will require a revamping of social media outreach methodologies and cultivation of the UNODC brand.

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

United Nations management reforms

46. In the area of delegation of authority, UNODC continues to collaborate closely with the Department of Management Strategy, Policy and Compliance on the development of improved tools, targeted guidance and analyses to ensure that performance is visible and that issues are identified and addressed at the entity level, with clearer escalation measures.

47. UNODC has supported the annual issuance of the statement on internal control by monitoring and enhancing relevant internal control and self-assessment tools, which are essential for evaluating the effectiveness of and compliance with key controls. The 2022 statement was issued in June 2023, and the 2023 statement is planned for mid-2024.

48. Following the adoption of a revised enterprise risk management framework in December 2022, the risk management governance structure was streamlined and simplified, allowing for a more effective and agile response. In addition, a risk management barometer tool was introduced to facilitate strategic planning, decision-making and oversight by senior management through the regular monitoring and timely identification of risks to be prioritized for response.

49. UNODC has also continued to review organizational processes and structures, both at headquarters and in field offices, considering changes coming from the Secretariat-wide reform streams and ensuring that field office structures respond to actual programme needs, including through a clear categorization of field offices. One of the outcomes was the updating of the Office’s nomenclature for its field office network, typologies, scope and functions, with a view to enhancing management and

accountability in the field and bringing coherence and rationale to the UNODC field presence.

50. To improve the underlying stability of the Umoja platform, a key technical upgrade project was initiated in 2023. Key process experts were involved in the verification and testing of existing functionalities as part of the implementation of the major technical upgrade. In addition, with the anticipated deployment of a new Umoja analytics reporting platform in the second quarter of 2024, focal points from each process area have been trained to ensure that operational reporting requirements are available on the new platform and are able to support analytical end users. These two initiatives will further strengthen the longevity of the Umoja platform, as well as continue to enhance functional capabilities with a more efficient process to support the operational needs of UNOV and UNODC.

Chapter V

Financial statements for the year ended 31 December 2023

United Nations Office on Drugs and Crime

I. Statement of financial position as at 31 December 2023

(Thousands of United States dollars)

	Reference	*31 December 2023*	*31 December 2022 (restated)*
Assets			
Current assets			
Cash and cash equivalents	Note 5	133 880	136 674
Investments	Note 6	691 172	548 227
Voluntary contributions receivable	Note 7	175 282	182 144
Other receivables	Note 7	16 486	15 876
Advance transfers	Note 8	15 256	21 392
Advances to UNDP and other assets	Note 9	16 251	15 173
Total current assets		**1 048 327**	**919 486**
Non-current assets			
Investments	Note 6	216 205	265 473
Voluntary contributions receivable	Note 7	122 151	121 623
Other receivables	Note 7	–	6 761
Property, plant and equipment	Note 10	5 288	3 468[a]
Intangible assets	Note 11	339	420
Total non-current assets		**343 983**	**397 745**
Total assets		**1 392 310**	**1 317 231**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	Note 12	54 115	53 332
Advance receipts	Note 13	34 731	39 590
Employee benefits liabilities	Note 14	9 288	7 769
Provisions	Note 15	460	–
Conditional liabilities	Note 16	93 988	92 233
Total current liabilities		**192 582**	**192 924**
Non-current liabilities			
Accounts payable and accrued liabilities	Note 12	–	6 761
Employee benefits liabilities	Note 14	124 799	107 741
Conditional liabilities	Note 16	59 373	68 874
Total non-current liabilities		**184 172**	**183 376**
Total liabilities		**376 754**	**376 300**
Net of total assets and total liabilities		**1 015 556**	**940 931**
Net assets			
Accumulated surpluses/(deficits) – unrestricted	Note 17	129 316	113 040
Accumulated surpluses/(deficits) – restricted	Note 17	886 240	827 891[a]
Total net assets		**1 015 556**	**940 931**

Abbreviation: UNDP, United Nations Development Programme.

[a] The 2022 comparative statements have been restated. Notes 10 and 17 provide further details.

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

United Nations Office on Drugs and Crime

II. Statement of financial performance for the year ended 31 December 2023

(Thousands of United States dollars)

	Reference	*31 December 2023*	*31 December 2022 (restated)*
Revenue			
United Nations regular budget allocation	Note 18	34 657	33 986
Voluntary contributions	Note 19	388 463	353 472
Other transfers and allocations	Note 19	35 525	30 234
Other revenue	Note 20	29 105	9 033
Investment revenue	Note 21	41 674	3 924
Total revenues		**529 424**	**430 649**
Expenses			
Employee salaries allowances and benefits	Note 22	161 878	150 571
Non-employee compensation and allowances	Note 23	78 862	78 795
Grants and other transfers	Note 24	45 908	18 476
Supplies and consumables	Note 25	5 584	5 315
Depreciation	Note 10	858	632
Amortization	Note 11	81	115
Travel	Note 26	57 278	47 359
Other operating expenses	Note 27	101 058	97 174[a]
Other expenses	Note 28	5	49
Total expenses		**451 512**	**398 486**
Surplus/(deficit) for the year	**Note 17**	**77 912**	**32 163**

[a] The 2022 comparative statements have been restated. Note 10 provides further details.

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 2023

(Thousands of United States dollars)

	Reference	*Accumulated surpluses/ (deficits) – unrestricted*	*Accumulated surpluses/ (deficits) – restricted (restated)*	*Total (restated)*
Net assets as at 1 January 2022	Note 17	**53 971**	**827 568**	**881 539**
Impact of accounting policy change	Notes 10, 17		(13 877)[a]	(13 877)
Net assets as at 1 January 2022 (restated)	Note 17	**53 971**	**813 691**	**867 662**
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 (restated)	Notes 10, 17	18 644	13 519[a]	32 163[a]
Total as at 31 December 2022	**Statement I**	**113 040**	**827 891**	**940 931**
Impact of IPSAS 41 adoption	Notes 2, 17	2 428[b]	7 573[b]	10 001
Net assets as at 1 January 2023		**115 468**	**835 464**	**950 932**
Change in net assets				
Transfers to/from unrestricted/restricted reserve funds		(615)	615	–
Actuarial gain/(loss)	Note 14	(10 054)	–	(10 054)
Fair value changes in investments recognized directly in net assets		(836)	(2 398)	(3 234)
Surplus/(deficit) for the year	Statement II	25 353	52 559	77 912
Total as at 31 December 2023	**Statement I**	**129 316**	**886 240**	**1 015 556**

[a] Notes 10 and 17 provide further details.
[b] Notes 2 and 17 provide further details.

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 2023

(Thousands of United States dollars)

	Reference	*31 December 2023*	*31 December 2022 (restated)*
Cash flow from operating activities			
Surplus/(deficit) for the year	Statement II	**77 912**	**32 163**[a]
Non-cash movements			
Depreciation and amortization	Notes 10, 11	939	747
Actuarial gain/(loss) on employee benefits liabilities	Note 14	(10 054)	41 106
Post-capitalized property, plant and equipment items	Note 10	–	(236)
Transfers and donated property, plant and equipment and intangibles received	Notes 10, 11	–	(144)
Net loss on disposal of property, plant and equipment	Note 10	2 635	2 223[a]
(Increase)/decrease in unrealized loss on assets	Note 4	6 767	–
Changes in assets			
(Increase)/decrease in voluntary contributions receivable	Note 7	6 334	(41 741)
(Increase)/decrease in other receivables	Note 7	6 151	5 281
(Increase)/decrease in advance transfers	Note 8	6 136	(3 951)
(Increase)/decrease in other assets	Note 9	(1 078)	(7 371)
Changes in liabilities			
Increase/(decrease) in accounts payable – Member States	Note 12	(14)	718
Increase/(decrease) in accounts payable – other	Note 12	(5 964)	4 058
Increase/(decrease) in advance receipts	Note 13	(4 859)	4 221
Increase/(decrease) in employee benefits payable	Note 14	18 577	(31 639)
Increase/(decrease) in provisions	Note 15	460	–
Increase/(decrease) in conditional liabilities	Note 16	(7 746)	3 283
Investment revenue presented as investing activities	Note 21	(41 674)	(3 924)
Net cash flows from operating activities	Note 4	**54 522**	**4 794**
Cash flows from investing activities			
Pro rata share of net increase/(decrease) in the cash pool	Note 6	(93 677)	27 461
Investment revenue presented as investing activities	Note 21	41 674	3 924
Acquisitions of property, plant and equipment	Note 10	(5 313)	(3 203)[a]
Net cash flows from/(used in) investing activities	Note 4	**(57 316)**	**28 182**
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	(2 794)	32 976
Cash and cash equivalents – beginning of year	Note 5	136 674	103 698
Cash and cash equivalents – end of year	Statement I	**133 880**	**136 674**

[a] Notes 10 and 17 provide further details.

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 2023

(Thousands of United States dollars)

	Publicly available budget[a]			
	Original 2023 annual[b]	*Final 2023 annual*[c]	*Actual 2023 (budget basis)*	*Difference*[d] *(percentage)*
Revenue				
United Nations regular budget allocation	24 244	24 244	23 539	(3)
Voluntary contributions	297 045	386 187	441 972	14
Total revenue	**321 289**	**410 431**	**465 511**	**13**
Expense				
A. Policymaking organs	815	815	644	(21)
B. Executive direction and management	5 141	4 968	4 475	(10)
C. Programme of work				
1. Countering transnational organized crime	130 395	161 994	160 697	(1)
2. A comprehensive and balanced approach to counter the world drug problem	32 054	49 178	60 318	23
3. Countering corruption	20 682	28 346	30 652	8
4. Terrorism prevention	18 626	23 027	23 130	–
5. Justice	44 998	77 781	73 796	(5)
6. Research, trend analysis and forensics	30 586	30 850	34 061	10
7. Policy support	8 229	7 879	7 983	1
8. Technical cooperation and field support	12 610	14 469	15 004	4
9. Provision of secretariat services and substantive support to the United Nations intergovernmental bodies, the International Narcotics Control Board and the United Nations Congress on Crime Prevention and Criminal Justice	11 167	12 110	12 126	–
D. Programme support	16 932	18 320	20 390	11
Total expenses (note 4)	**332 235**	**429 737**	**443 276**	**3**
Net surplus/(deficit)	**(10 946)**	**(19 306)**	**22 235**	**–**

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

[b] Original approved budget for 2023 of $332.2 million covers extrabudgetary resources of $308.0 million approved by the Commission on Narcotic Drugs and the Commission on Crime Prevention and Criminal Justice (E/CN.7/2021/11-E/CN.15/2021/18). It also includes the 2023 initial appropriation for regular budget section 16 ($23.1 million) and section 23 ($1.1 million). The amount for extrabudgetary resources includes the United Nations Interregional Crime and Justice Research Institute.

[c] Final budget for 2023 of $429.7 million covers extrabudgetary resources of $405.5 million as reflected in E/CN.7/2023/13-E/CN.15/2023/17. It also includes the 2023 final appropriation for regular budget section 16 ($23.1 million) and section 23 ($1.1 million). The amount for extrabudgetary resources includes the United Nations Interregional Crime and Justice Research Institute.

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

United Nations Office on Drugs and Crime
Notes to the 2023 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 support

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[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).

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 2023. 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 notes are rounded to the nearest thousand dollars.

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.

Adoption of IPSAS 41

17. Effective 1 January 2023, the Organization adopted IPSAS 41: Financial instruments, which was issued in August 2018. The Standard replaced IPSAS 29: Financial instruments: recognition and measurement and substantially improves the relevance of information for financial assets and financial liabilities by introducing:

(a) Simplified classification and measurement requirements for financial assets;

(b) A forward-looking impairment model;

(c) A flexible hedge accounting model.

18. The changes from the initial adoption of the Standard are effective on that date, thus not requiring the restatement of the prior period amounts. As a result, the financial assets, financial liabilities, non-exchange and exchange receivables and investment revenue as at 31 December 2022 presented in these financial statements have been accounted for in accordance with the accounting policies as stated in the 2022 financial statements.

New classification and measurement principles for financial assets

19. IPSAS 41 introduces a principles-based approach to the classification of financial assets and requires the use of two criteria: the entity's model for managing its financial assets and the contractual cash-flow characteristics of those assets. Depending on these criteria, financial assets are classified into the following categories: "financial assets at amortized cost", "financial assets at fair value through net assets/equity", or "financial assets at fair value through surplus or deficit".

20. On 1 January 2023, the application of the new criteria led to the reclassification of all cash pool investments from the financial assets at fair value through surplus or deficit to the financial assets at fair value through net assets/equity category. The fair value reserve was classified to accumulated surplus or deficit of net assets.

New impairment model

21. Whereas the previous impairment model was based on incurred losses, IPSAS 41 has introduced a forward-looking impairment model based on expected credit losses over the lifetime of the financial asset. The expected credit losses take into account possible default events and the evolution of the credit quality of the financial assets. The new impairment model applies to all financial assets measured at amortized cost or at financial assets at fair value through net assets/equity.

22. The following table shows the original measurement categories under IPSAS 29 as applied to the 2022 financial statements and the new measurement categories under IPSAS 41 for UNODC financial assets as at 1 January 2023. There were no changes to the measurement categories for the financial liabilities of UNODC.

(Thousands of United States dollars)

Financial assets	*Measurement category prior to IPSAS 41 adoption*	*Net carrying amount at 31 December 2022*	*Measurement category under IPSAS 41*	*Net carrying amount at 1 January 2023*
Pro rata share of investments in the cash pools	Financial assets at fair value through surplus or deficit	813 700	Financial assets at fair value through net assets/equity	813 700
Cash and cash equivalents (investment pool)	Amortized cost	136 646	Amortized cost	136 646
Cash and cash equivalents, other	Amortized cost	28	Amortized cost	28
Voluntary contributions receivable (notes 7 and 21)	Amortized cost	303 767	Amortized cost	303 767
Other receivables (note 7)	Amortized cost	22 637	Amortized cost	22 637
Other assets (excluding advances) (note 21)	Amortized cost	16	Amortized cost	16

23. The following table provides an analysis of the impact of the transition to IPSAS 41 of the Organization's financial assets and receivables. It shows the reconciliation of the carrying amounts from their previous measurement category under IPSAS 29 as applied to the 2022 financial statements, with their new measurement categories upon transition to IPSAS 41 on 1 January 2023.

(Thousands of United States dollars)

				Balance at 1 January 2023		
	Balance at 31 December 2022	*Reclassification*	*Remeasurement*	*Financial assets at fair value through net assets/equity*	*Financial assets at amortized cost*	*Total*
Financial assets (investment and cash and cash equivalents)						
Short-term investments (note 6)	548 227	(548 227)	–	548 227	–	548 227
Long-term investments (note 6)	265 473	(265 473)	–	265 473	–	265 473
Cash and cash equivalents (note 5)	136 646	–	–	–	136 646	136 646
Total financial assets (investment and cash and cash equivalents)	**950 346**	**(813 700)**	**–**	**813 700**	**136 646**	**950 346**
Receivables balance (note 21)	326 420	–	(292)	–	326 128	326 128
Total impact of IPSAS 41 adoption	**–**	**(813 700)**	**(292)**	**813 700**	**–**	**(292)**

Cash flow convention

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

Revenue

Regular budget allocation

25. 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.

26. 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

27. 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.

28. Voluntary contributions receivable balances represent uncollected revenue from enforceable agreements and are stated at nominal value, less specific impairments, using the expected credit loss model applicable to the donor or customer type.

In-kind contributions

29. 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

30. 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

31. 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.

32. 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

33. 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.

34. 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

35. 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.

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

37. 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

38. 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

39. The classification of financial assets depends primarily on the purpose for which the financial assets are acquired. Paragraphs 17 to 23 set out a change in classification owing to the adoption of IPSAS 41 effective 1 January 2023.

40. 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.

41. 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. With the adoption of IPSAS 41, such financial assets have been reclassified to fair value through net asset after an assessment of their contractual cash flow characteristics, as well as the determination of the UNODC management model for such financial assets, which is to both collect contractual cash flows and sell the financial assets. 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 net assets in the year in which they arise.

42. 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.

43. 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.

44. 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

45. 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.

46. 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.

47. The investment pools are subject to an expected credit loss assessment for the reporting period. The expected credit loss on investments is calculated by the United

Nations Treasury using the Fitch Default Rating with a combination of the Fitch issuer rating and the type of issuer. The expected default rates are derived by Fitch using historical data over a period of 32 years, 1990–2022. The Fitch rating by type of issuer is obtained for each investment position. The default rate is obtained from the transition matrix for the specific type of issuer, for example, supranational, sovereign, corporate, etc.

Cash and cash equivalents

48. 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

49. Voluntary contributions receivable represent uncollected revenue from voluntary contributions committed to UNODC by Governments and other donors on the basis of enforceable agreements. These receivables are subject to impairment using the expected credit loss model applicable to the donor type and are stated at nominal value, less impairment for estimated irrecoverable amounts, i.e. the loss allowance. Owing to the inherent variability of the pledged amounts, the flexibility of due dates and the relatively insignificant historical number of write-off instances, UNODC assesses the loss allowance for voluntary contributions on a case-by-case basis, therefore creating a 100 per cent loss allowance for delinquent receivables which are identified as uncollectible.

Other receivables

50. 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.

51. Other receivables are categorized by customer types with homogeneous characteristics, for example with the same debt settlement patterns. The evolution of the outstanding balances is assessed over a period of years to determine the historical loss rate. The transition rate is reassessed at the end of each reporting period and applied to the outstanding accounts receivable balance to determine the loss allowance.

Advances to the United Nations Development Programme and other assets

52. 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

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

Property, plant and equipment

54. 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.

55. 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.

56. 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.

57. The estimated 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. The estimated useful lives have been reviewed by Headquarters and have been revised prospectively starting 1 January 2023. The following table summarizes the latest estimated useful lives and capitalization thresholds for various asset classes.

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	4–10
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.

58. 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 are handed over to the local governments. In previous years, UNODC capitalized such items as project assets and derecognized them upon transfer to end beneficiaries. In 2023, following an assessment of the level of actual control that UNODC has over buildings intended for use by end beneficiaries, management determined that these items did not warrant asset recognition, and decided that these items should be expensed rather than capitalized. This accounting change resulted in the derecognition of buildings constructed or in progress for beneficiaries. The restatement of comparative amounts for prior-year asset balances is indicated in note 10.

59. 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.

60. 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

61. 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.

62. 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

63. 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

64. 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.

65. 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

66. 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

67. 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

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

Employee benefits liabilities

69. 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.

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

71. 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

72. Other long-term employee benefits are those not falling due within 12 months and include annual leave.

Post-employment benefits

73. 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

74. 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

75. 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.

76. 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.

77. **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.

78. **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.

79. **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

80. 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.

81. 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

82. 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

83. 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.

84. 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.

85. 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

86. 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

87. The progress and impact of the following significant future accounting pronouncements of the International Accounting Standards Board on UNODC financial statements continue to be monitored:

(a) Improvements to IPSAS: in exposure draft 85, Improvements to IPSAS, 2023, the IPSAS Board proposes minor improvements to accrual basis IPSAS that arise through publications of the International Accounting Standards Board (IASB). The proposals in the exposure draft may be modified in the light of comments received before being issued in final form. Comments were due by December 18, 2023;

(b) Natural resources: the IPSAS Board approved exposure draft 86, Exploration for and evaluation of mineral resources, which provides the accounting guidance related to the costs incurred in the exploration and evaluation of mineral resources, and exposure draft 87, Stripping costs in the production phase of a surface mine (amendments to IPSAS 12, Inventories), which provides guidance on how to account for costs incurred to remove waste material in a surface mining operation. The Board agreed on revised recognition criteria and initial measurement proposals, consistent with the Conceptual Framework and IPSAS for tangible assets. The Board also decided that guidance on natural resources should be in a stand-alone IPSAS;

(c) Public sector leasing issues: the IPSAS Board will continue consideration of public sector specific leasing issues, such as concessionary leases, in its Other Lease-Type Arrangements project. The Board decided to develop and then expose a stand-alone exposure draft with non-authoritative guidance on the remaining arrangements included in the Request for Information, Concessionary and Other Arrangements Similar to Leases. The new exposure draft will complement exposure draft 84, Concessionary leases and right-of-use assets in-kind and is proposed to update the most recent IPSAS on Revenue and Transfer Expenses on this topic;

(d) The IPSAS Board reviewed the objectives, scope and conceptual foundations for the development of the draft Climate-related disclosures standard for the public sector. The Board emphasized the public sector specificities, including its main objective to deliver services, its role as a policy setter and regulator, and its various responsibilities at different levels of government. The Board sought feedback on technical topics and issues planned for consideration in March 2024 related to governance, strategy and risk management sections of the developing draft standard;

(e) The IPSAS Board agreed on a consultation paper on the presentation of financial statements that would explore an approach allowing different presentation approaches in IPSAS. The provision of different presentation approaches was supported based on the increased flexibility that it would provide to public sector entities to provide a presentational approach more useful to the entities' specific users. In breakout sessions, Board members, technical advisers, observers and staff considered topics related to potential categorization and subtotals in the statement of financial performance.

Recent and future requirements of the International Public Sector Accounting Standards

88. The IPSAS Board issued the following standards:

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

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

(c) IPSAS 45: *Property, plant and equipment*, issued in May 2023 and effective 1 January 2025;

(d) IPSAS 46: *Measurement*, issued in May 2023 and effective 1 January 2025;

(e) IPSAS 47: *Revenue*, issued in May 2023 and effective 1 January 2026;

(f) IPSAS 48: *Transfer expenses*, issued in May 2023 and effective 1 January 2026;

(g) IPSAS 49: *Retirement benefit plans*, issued in November 2023 and effective 1 January 2026.

89. 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 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 continue to be assessed over the 2024 calendar year 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.

Standard	*Anticipated impact in the year of adoption*
IPSAS 45	IPSAS 45: Property, plant, and equipment replaces IPSAS 17: Property, plant and equipment. IPSAS 45 removes the scope exclusion for heritage property, plant and equipment, provides application and implementation guidance on infrastructure assets and captures property, plant and equipment-related measurement impacts from IPSAS 46. Adoption of the standard is mandatory for the financial year ending 31 December 2025. The impact of IPSAS 45 will be assessed prior to the 1 January 2025 effective date.
IPSAS 46	IPSAS 46: Measurement, is the IPSAS Board’s first measurement-dedicated standard and draws upon International Financial Reporting Standard 13: Fair Value Measurement, with the addition of elements specific to the public sector, including the current operational value measurement basis. The impact of IPSAS 46 will be assessed prior to the 1 January 2025 effective date. The adoption of IPSAS 46 is not expected to change the Organization’s accounting policy choice to apply the historical cost model to tangible and intangible assets.
IPSAS 47	IPSAS 47: Revenue, replaces the three existing revenue standards: (a) IPSAS 9: Revenue from exchange transactions; (b) IPSAS 11: Construction contracts; (c) IPSAS 23: Revenue from non-exchange transactions (taxes and transfers). IPSAS 47 aligns with the IPSAS Board’s Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and presents two accounting models based on the existence of a binding arrangement. Where a binding arrangement exists, revenue accounting is aligned with International Financial Reporting Standard 15: Revenue from contracts with customers. Otherwise, the accounting model is consistent with the core principles of IPSAS 23. Adoption of the standard is mandatory for the financial year ending 31 December 2026. The impact of IPSAS 47 will be assessed prior to the 1 January 2026 effective date of the Standard.
IPSAS 48	IPSAS 48: Transfer expenses, provides guidance on accounting for transfer expenses. The transfer expense model aligns with the Conceptual Framework and presents two accounting models based on the existence of a binding arrangement. Adoption of the standard is mandatory for the financial year ending 31 December 2026. The impact of IPSAS 48 will be assessed prior to the 1 January 2026 effective date of the standard.
IPSAS 49	IPSAS 49: Retirement Benefit Plans, aligns with International Accounting Standard 26: Accounting and reporting by retirement benefit plans, and prescribes 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 IPSAS 49. The standard does not deal with other forms of employment benefits such as employment termination benefit or health and welfare plans. Adoption of the standard is mandatory for the financial year ending 31 December 2026. The preliminary assessment is that IPSAS 49 will have no impact on the financial reporting of UNODC. The detailed impact of IPSAS 49 will be assessed prior to the 1 January 2026 effective date of the standard.

Note 3
Segment reporting

90. 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.

91. 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.

92. 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 2023

(Thousands of United States dollars)

	31 December 2023			*31 December 2022*		
	Drug programme	*Crime programme*	*Total*	*Drug programme (restated)*	*Crime programme (restated)*	*Total (restated)*
Assets						
Current assets						
Cash and cash equivalents	62 442	71 438	133 880	49 106	87 568	136 674
Investments	242 420	448 752	691 172	196 976	351 251	548 227
Voluntary contributions receivable	39 646	135 636	175 282	38 914	143 230	182 144
Advance transfers and other receivables	8 867	22 875	31 742	7 272	29 996	37 268
Advances to UNDP and other assets	9 296	6 955	16 251	11 672	3 501	15 173
Total current assets	**362 671**	**685 656**	**1 048 327**	**303 940**	**615 546**	**919 486**
Assets						
Non-current assets						
Investments	75 831	140 374	216 205	95 384	170 089	265 473
Voluntary contributions receivable	10 593	111 558	122 151	7 691	113 932	121 623
Other receivables	–	–	–	–	6 761	6 761
Property, plant and equipment and intangible assets	2 093	3 534	5 627	1 399	2 489	3 888[a]
Total non-current assets	**88 517**	**255 466**	**343 983**	**104 474**	**293 271**	**397 745**
Total assets	**451 188**	**941 122**	**1 392 310**	**408 414**	**908 817**	**1 317 231**
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities	6 543	47 572	54 115	7 577	45 755	53 332
Advance receipts	5 090	29 641	34 731	4 576	35 014	39 590
Employee benefits liabilities	3 199	6 089	9 288	2 710	5 059	7 769
Provisions	221	239	460	–	–	–
Conditional liabilities	6 344	87 644	93 988	7 348	84 885	92 233
Total current liabilities	**21 397**	**171 185**	**192 582**	**22 211**	**170 713**	**192 924**

	31 December 2023			31 December 2022		
	Drug programme	*Crime programme*	*Total*	*Drug programme (restated)*	*Crime programme (restated)*	*Total (restated)*
Non-current liabilities						
Accounts payable and accrued liabilities	–	–	–	–	6 761	6 761
Employee benefits liabilities	48 879	75 920	124 799	43 314	64 427	107 741
Conditional liabilities	1 331	58 042	59 373	3 292	65 582	68 874
Total non-current liabilities	**50 210**	**133 962**	**184 172**	**46 606**	**136 770**	**183 376**
Total liabilities	**71 607**	**305 147**	**376 754**	**68 817**	**307 483**	**376 300**
Net of total assets and total liabilities	**379 581**	**635 975**	**1 015 556**	**339 597**	**601 334**	**940 931**
Net assets						
Accumulated surpluses/(deficits) – unrestricted	67 443	61 873	129 316	62 728	50 312	113 040
Accumulated surpluses/(deficits) – restricted	312 138	574 102	886 240	276 869	551 022	827 891[a]
Total net assets	**379 581**	**635 975**	**1 015 556**	**339 597**	**601 334**	**940 931**

[a] The 2022 comparative statements have been restated. Notes 10 and 17 provide further details.

Segment reporting by pillars

Statement of financial performance for the year ended 31 December 2023

(Thousands of United States dollars)

	31 December 2023			*31 December 2022*		
	Drug programme	*Crime programme*	*Total*	*Drug programme (restated)*	*Crime programme (restated)*	*Total (restated)*
Revenue						
United Nations regular budget allocation	15 836	18 821	34 657	16 012	17 974	33 986
Voluntary contributions	117 707	270 756	388 463	98 587	254 885	353 472
Other transfers and allocations	16 902	18 623	35 525	19 688	10 546	30 234
Other revenue	8 902	20 203	29 105	1 148	7 885	9 033
Investment revenue	14 926	26 748	41 674	1 321	2 603	3 924
Total revenues	**174 273**	**355 151**	**529 424**	**136 756**	**293 893**	**430 649**
Expenses						
Employee salaries allowances and benefits	49 238	112 640	161 878	46 665	103 906	150 571
Non-employee compensation and allowances	19 709	59 153	78 862	20 440	58 355	78 795
Grants and other transfers	26 087	19 821	45 908	10 059	8 417	18 476
Depreciation and amortization	318	621	939	303	444	747
Travel	12 586	44 692	57 278	10 920	36 439	47 359
Other operating expenses	22 348	78 710	101 058	25 688	71 486	97 174[a]
Supplies, consumables and other expenses	2 746	2 843	5 589	2 214	3 150	5 364
Total expenses	**133 032**	**318 480**	**451 512**	**116 289**	**282 197**	**398 486**
Surplus/(deficit) for the year	**41 241**	**36 671**	**77 912**	**20 467**	**11 696**	**32 163**

[a] The 2022 comparative statements have been restated. Note 10 provides further details.

Segment reporting by geographical region for the year ended 31 December 2023

(Thousands of United States dollars)

	2023	*2022 (restated)*
Africa and the Middle East	112 922	113 371[a]
Eastern and South-Eastern Europe	9 478	6 122
Global programmes	154 857	143 467
Latin America and the Caribbean	86 740	64 512[a]
South Asia, East Asia and the Pacific	52 090	42 818[a]
West and Central Asia	35 425	28 196[a]
Total expenses	**451 512**	**398 486**

[a] The 2022 comparative statements have been restated. Note 10 provides further details.

Segment reporting by subprogramme for the year ended 31 December 2023

(Thousands of United States dollars)

	2023	*2022 (restated)*
A. Policymaking organs	624	604
B. Executive direction and management	4 620	3 949
C. Programme of work		
1. Countering transnational organized crime	163 703	149 798[a]
2. A comprehensive and balanced approach to counter the world drug problem	53 399	31 878
3. Countering corruption	31 266	24 890
4. Terrorism prevention	23 376	20 283
5. Justice	81 501	71 870[a]
6. Research, trend analysis and forensics	35 245	31 906
7. Policy support	8 710	8 469
8. Technical cooperation and field support	18 341	21 607[a]
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	12 705	13 616
D. Programme support	18 022	19 616
Total expenses	**451 512**	**398 486**

[a] The 2022 comparative statements have been restated. Note 10 provides further details.

Note 4
Comparison to budget

93. 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.

94. 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 2023 of $332.235 million is included in this statement.

95. The final budget for the biennium 2022–2023 of $822.422 million covers extrabudgetary resources of $775.210 million approved by the Commission on Narcotics Drugs and the Commission on Crime Prevention and Criminal Justice (see E/CN.7/2023/13-E/CN.15/2023/17) 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 $822.422 million, the final budget for 2023 of $429.737 million is included in these statements.

96. The explanations on material differences of 10 per cent or more for 2023 are provided below.

Budget caption	*Material differences*
Revenue	The variance of $55.081 million is attributable mainly to higher-than-expected voluntary contributions mainly from Canada, Colombia, Norway and the United States of America.
Policymaking organs	The variance of $0.171 million is attributable to lower-than-expected expenditures related to the travel of representatives of the International Narcotics Control Board.
Executive direction and management	The variance of $0.493 million is attributable mainly to the lower-than-budgeted implementation of the project on gender equality as well as delayed recruitment of staff.
Subprogramme 2, A comprehensive and balanced approach to counter the world drug problem	The variance of $11.140 million is mainly attributable to higher-than-budgeted implementation of project activities on alternative development in Colombia.
Subprogramme 6, Research, trend analysis and forensics	The variance of $3.211 million is attributable mainly to higher-than-budgeted implementation of activities by the United Nations Interregional Crime and Justice Research Institute and the Global Scientific and Forensic Programme.
Programme support	The variance of $2.070 million is attributable mainly to higher-than-budgeted implementation of activities pertaining to the provision of software products to Member States within the thematic areas of the substantive mandates of UNODC.

97. 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, 2023

(Thousands of United States dollars)

	Operating	*Investing*	*Financing*	*Total 31 December 2023*
Actual amounts on a comparable basis (statement V)	**(443 276)**	**–**	**–**	**(443 276)**
Basis differences	502 218	–	–	502 218
Entity differences	(9 458)	–	–	(9 458)
Presentation differences	5 038	(57 316)	–	(52 278)
Actual amounts in the statement of cash flows (statement IV)	**54 522**	**(57 316)**	**–**	**(2 794)**

98. Basis differences capture the differences resulting from preparing a budget on a modified cash basis. To reconcile the budgetary results with the statement of cash flows, the non-cash elements, such as budgetary commitments of $56.810 million (2022: $69.849 million) and payment against prior-year budgetary commitments of $47.047 million (2022: $59.608 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.

99. 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).

100. 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 $52.003 million (2022: $31.385 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 $5.768 million (2022, restated: $3.203 million).

101. Within the basis differences of the operating activities, there is a $6.767 million increase in the unrealized loss on assets attributable to the adoption of IPSAS 41 (see table below for details).

(Thousands of United States dollars)

Impact attributable to adoption of IPSAS 41	*2023*
2023 opening adjustments for fair value changes in investments	10 293
2023 opening adjustments for expected credit loss on other receivables	(292)
2023 fair value changes in investments	(3 234)
Total changes in net assets	**6 767**

102. Timing differences occur if the budget period differs from that of the financial statements. As the budget results under statement V reflect only the 2023 proportion of the biennium, there are no timing differences.

Note 5
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Cash at bank and on hand	23	28
Cash pool cash and term deposits	133 857	136 646
Total cash and cash equivalents (statement I)	**133 880**	**136 674**

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

104. 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 2023	*31 December 2022*
Current		
Main pool	691 172	548 227
Euro pool	–	–
Subtotal, current (statement I)	**691 172**	**548 227**
Non-current		
Main pool	216 205	265 473
Subtotal, non-current (statement I)	**216 205**	**265 473**
Total	**907 377**	**813 700**

105. 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 2023	*31 December 2022*
Current voluntary contributions receivable		
Governments	428	503
Other governmental organizations	159 979	169 527
United Nations organizations	10 060	7 588
Private donors	6 185	7 112
Total current voluntary contributions receivable before allowance	**176 652**	**184 730**
Non-current voluntary contributions receivable		
Governments	–	–
Other governmental organizations	117 319	119 812
United Nations organizations	3 544	123
Private donors	1 291	1 688
Total non-current voluntary contributions receivable before allowance	**122 154**	**121 623**
Allowance for voluntary contributions receivable, current	(1 370)	(2 586)
Allowance for voluntary contributions receivable, non-current	(3)	–
Total allowance for doubtful receivables	**(1 373)**	**(2 586)**
Net voluntary contributions receivable, current (statement I)	**175 282**	**182 144**
Net voluntary contributions receivable, non-current (statement I)	**122 151**	**121 623**
Total voluntary contributions receivable	**297 433**	**303 767**

Other receivables
(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Current other receivables		
Governments	417	176
Receivables from other United Nations entities	185	154
Other revenue receivables	16 212	15 561
Total other receivables before allowance, current	**16 814**	**15 891**
Allowance for other receivables, current	(328)	(15)
Total other receivables (statement I)	**16 486**	**15 876**
Non-current other receivables		
Other exchange revenue receivables	–	6 761
Total other receivables, non-current (statement I)	**–**	**6 761**

Movements in loss allowances for receivables

(Thousands of United States dollars)

	Voluntary contributions receivable	*Other receivables*	*Total*
As at 31 December 2022	**2 586**	**15**	**2 601**
Remeasurement of loss allowance	–	292[a]	292
As at 1 January 2023	**2 586**	**307**	**2 893**
Amounts written off[b]	(718)	(9)	(727)
Adjustment of loss allowance for current year	(495)	30	(465)
Closing loss allowance	**1 373**	**328**	**1 701**

[a] The loss allowance opening balance was remeasured as a result of IPSAS 41 implementation (see note 17).

[b] 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 2023		*31 December 2022*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Neither past due nor impaired	271 198	(1 073)	262 732	–
Less than one year	42 515	(628)	55 229	(652)
One to two years	1 436	–	10 483	(1 546)
Two to three years	–	–	411	(253)
More than three years	471	–	150	(150)
Total	**315 620**	**(1 701)**	**329 005**	**(2 601)**

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

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

108. 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 the Government of Panama on judicial system construction and capacity-building activities (current: $14.215 million, non-current: nil).

Note 8
Advance transfers

(Thousands of United States dollars)

	31 December 2023	31 December 2022
United Nations Office for Project Services	1 644	3 964
Advances to other United Nations entities	3 365	7 471
Implementing partners (Colombia)	7 143	4 966
Other implementing partners	3 104	4 991
Total advance transfers (statement I)	**15 256**	**21 392**

109. 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 relevant programme manager.

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

(Thousands of United States dollars)

	31 December 2023	31 December 2022
Advances to UNDP and other United Nations entities	11 754	10 813
Advances to vendors	213	259
Advances to staff	3 034	2 653
Advances to other personnel	1 213	1 283
Other assets	37	165
Total advances to UNDP and other assets (statement I)	**16 251**	**15 173**

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

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

Note 10
Property, plant and equipment

112. The movements and balances for property, plant and equipment of UNODC as at 31 December 2023 are provided below.

Movements and balances for property, plant and equipment, 2023

(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 2023	663	512	9	1 363	8 287	1 783	–	12 617
Additions	590	–	–	502	1 674	2 547	–	5 313
Disposals[a]	(244)	–	–	(190)	(978)	(1 592)	–	(3 004)
Completed assets under construction	–	–	–	–	–	–	–	–
Transfers	–	–	–	6	–	(6)	–	–
Cost as at 31 December 2023	**1 009**	**512**	**9**	**1 681**	**8 983**	**2 732**	**–**	**14 926**
Accumulated depreciation								
As at 1 January 2023	403	210	6	1 173	6 580	777	–	9 149
Depreciation	108	102	2	76	457	113	–	858
Disposals[a]	(33)	–	–	(64)	(231)	(41)	–	(369)
Transfers	–	–	–	6	–	(6)	–	–
Accumulated depreciation as at 31 December 2023	**478**	**312**	**8**	**1 191**	**6 806**	**843**	**–**	**9 638**
Net carrying amount								
As at 1 January 2023	260	302	3	190	1 707	1 006	–	3 468
As at 31 December 2023 (statement I)	**531**	**200**	**1**	**490**	**2 177**	**1 889**	**–**	**5 288**

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

Movements and balances for property, plant and equipment, 2022

(Thousands of United States dollars)

	Buildings (restated)	*Leasehold improvements*	*Furniture and fixtures*	*Communications and information technology equipment*	*Vehicles*	*Machinery and equipment*	*Assets under construction (restated)*	*Total (restated)*
Cost								
As at 1 January 2022 – restated	491	307	9	1 346	8 199	1 224	–	11 576
Additions – restated	222	205	–	485	1 010	1 425	–	3 347
Disposals[a] – restated	(67)	–	–	(628)	(1 192)	(991)	–	(2 878)
Completed assets under construction – restated	–	–	–	–	–	–	–	–
Post-capitalization	17	–	–	160	270	125	–	572
Cost as at 31 December 2022	**663**	**512**	**9**	**1 363**	**8 287**	**1 783**	**–**	**12 617**
Accumulated depreciation								
As at 1 January 2022	359	138	4	1 078	6 490	767	–	8 836
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	**403**	**210**	**6**	**1 173**	**6 580**	**777**	**–**	**9 149**
Net carrying amount								
As at 1 January 2022	132	169	5	268	1 709	457	–	2 740
As at 31 December 2022 (statement I)	**260**	**302**	**3**	**190**	**1 707**	**1 006**	**–**	**3 468**

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

113. 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 are handed over to the local governments. In previous years, UNODC capitalized such items as project assets and derecognized them upon transfer to end beneficiaries. In 2023, following an assessment of the level of actual control that UNODC has over buildings intended for use by end beneficiaries, management determined that these items did not warrant asset recognition and decided to cease capitalizing such items built solely for the end beneficiaries, resulting in the derecognition of buildings constructed or in progress for beneficiaries.

114. The 2022 prior-year comparative figures have been restated to reflect the above accounting change. The impact of the change was to reduce the opening accumulated surpluses and the opening cost of property, plant and equipment for 2022 by $13.877 million and to reduce the amount of other operating expenses as well as the current year movements for buildings and assets under construction by $7.099 million. This resulted in an increased surplus for 2022 of $7.099 million, from $25.064 million to $32.163 million. The effect of the change on 2022 balances and movements for buildings and assets under construction is tabulated below.

(Thousands of United States dollars)

Adjustments made to	*Increase/ (decrease) in buildings*	*Increase/ (decrease) in assets under construction*	*Total*
Cost as at 1 January 2022	**(303)**	**(13 574)**	**(13 877)**
Movements in 2022			
Additions in 2022	(816)	(1 147)	(1 963)
Disposals in 2022	9 062	–	9 062
Completed assets under construction in 2022	(11 807)	11 807	–
Subtotal: movements in 2022	**(3 561)**	**10 660**	**7 099**
Total	**(3 864)**	**(2 914)**	**(6 778)**

115. Impairment reviews are undertaken for all classes of property, plant and equipment, and UNODC did not identify additional impairment during 2023.

Note 11
Intangible assets

(Thousands of United States dollars)

	Software internally developed	*Assets under development*	*Total*
Cost as at 31 December 2022	1 475	122	1 597
Additions	–	–	–
Disposals	–	–	–
Completed assets under development	–	–	–
Cost as at 31 December 2023	**1 475**	**122**	**1 597**

	Software internally developed	*Assets under development*	*Total*
Accumulated amortization as at 31 December 2022	1 177	–	1 177
Amortization	81	–	81
Impairment and write-offs in year	–	–	–
Accumulated amortization as at 31 December 2023	**1 258**	**–**	**1 258**
Net carrying amount			
31 December 2022	298	122	420
31 December 2023 (statement I)	**217**	**122**	**339**

116. 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 2025. 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 2023	*31 December 2022*
Vendor payables	16 671	14 981
Payables to other United Nations entities	584	837
Accruals for goods and services	16 336	16 254
Other	6 309	7 031
Subtotal	**39 900**	**39 103**
Accounts payable, Member States and Governments	14 215	14 229
Total accounts payable and accrued liabilities, current (statement I)	**54 115**	**53 332**
Non-current accounts payable, Member States and Governments	–	6 761
Total accounts payable and accrued liabilities, non-current (statement I)	**–**	**6 761**

117. The “Other” category includes $0.118 million payable to the European Union under conditional liability arrangements (2022: $1.294 million).

118. The sum of Accounts payable, Member States and Governments and Non-current accounts payable, Member States and Governments includes $14.215 million (2022: $20.988 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 2023	31 December 2022
United Nations Interregional Crime and Justice Research Institute training fees	718	449
National Drug Control System	1 576	2 006
Various software products for Member States and Governments	13 374	12 329
Judicial systems construction and capacity-building	18 022	23 933
Other advance receipts	1 041	873
Total advance receipts (statement I)	**34 731**	**39 590**

119. 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 2023

(Thousands of United States dollars)

	Current	Non-current	Total
After-service health insurance	585	88 986	89 571
Annual leave	1 177	10 885	12 062
Repatriation benefits	2 220	18 997	21 217
Subtotal, defined-benefit liabilities	**3 982**	**118 868**	**122 850**
Accrued salaries and allowances	5 306	5 931	11 237
Total employee benefits liabilities (statement I)	**9 288**	**124 799**	**134 087**

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**

120. 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 2023 was 25 years.

121. The $89.571 million (2022: $75.704 million) after-service health insurance liability comprises $20.228 million (2022: $16.929 million) regular budget liabilities and $69.343 million (2022: $58.775 million) non-regular budget liabilities. As at 31 December 2023, $70.933 million (2022: $61.951 million) of the non-regular budget liabilities had been funded.

122. 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.

123. The $21.217 million (2022: $17.324 million) repatriation liability comprises $4.286 million (2022: $3.665 million) regular budget liabilities and $16.931 million (2022: $13.659 million) non-regular budget liabilities. As at 31 December 2023, $28.429 million (2022: $25.977 million) of the non-regular budget liabilities had been funded.

124. The $12.062 million annual leave (2022: $12.282 million) liability comprises $1.894 million (2022: $1.977 million) regular budget liabilities and $10.168 million (2022: $10.305 million) non-regular budget liabilities. The annual leave liabilities are unfunded.

125. 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 $7.189 million for 2023 (2022: $6.670 million). These end-of-service liabilities are unfunded.

126. 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 2023.

Actuarial valuation: assumptions

127. The principal actuarial assumptions used to determine the employee benefits obligations as at 31 December 2023 are as follows:

Actuarial assumptions

(Percentage)

Assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates, 31 December 2023	3.79	4.94	4.96
Discount rates, 31 December 2022	4.29	5.11	5.14
Inflation, 31 December 2023	3.65–3.95	2.30	–
Inflation, 31 December 2022	3.85–4.15	2.50	–

128. Discount rates are calculated using a yield curve approach. This involves considering the yields on high-grade corporate bonds at the measurement date, as well as expected cash flows and assumed currency exposure for each zone. For 2023 the following yield curves were used: 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).

129. The 2023 actuarial valuation reports a net $10.054 million actuarial loss as being a $7.378 million loss on after-service health insurance, a $3.512 million loss on repatriation benefits and a $0.836 million gain on annual leave. The actuarial loss for after-service health insurance is mainly attributable to changes in financial assumptions ($10.971 million), in particular the decrease in the discount rate, the increase in medical inflation rates and changes in currency mix assumption, offset in part by the effect of changes in demographic assumptions and experience adjustments ($3.593 million). The actuarial loss for repatriation benefits and gain for annual leave are attributable mainly to experience adjustments.

130. 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.

131. The per capita claims costs were calculated on the basis of actual claims and enrolment experiences from 2018 to 2022 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.

132. 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)

	2023	*2022*
Net defined-benefit liability as at 1 January	105 310	138 134
Current service cost	5 879	8 916
Interest cost	4 688	3 100
Benefits paid	(3 081)	(3 734)
Total net costs recognized in the statement of financial performance	**7 486**	**8 282**
Actuarial (gain)/losses recognized in the statement of changes in net assets	10 054	(41 106)
Net defined-benefit liability as at 31 December	**122 850**	**105 310**

Discount rate sensitivity analysis

133. 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 2023	*After-service health insurance*	*Repatriation grant*	*Annual leave*
Increase in discount rate by 0.5 per cent	(11 004)	(787)	(469)
As a percentage of end-of-year liability	(12.3)	(3.7)	(3.9)
Decrease in discount rate by 0.5 per cent	13 082	845	501
As a percentage of end-of-year liability	14.6	4.0	4.2

Medical cost sensitivity analysis

134. 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)

2023	*Effects on the defined-benefit obligations*	*Effects on current service cost and interest cost*
Increase in discount rate by 0.5 per cent	12 635	1 438
As a percentage of end-of-year liability/service and interest cost	14.1	20.7
Decrease in discount rate by 0.5 per cent	(10 767)	(1 193)
As a percentage of end-of-year liability/service and interest cost	(12.0)	(17.2)

United Nations Joint Staff Pension Fund

135. 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.

136. 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.

137. 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.

138. 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.

139. The latest actuarial valuation for the Fund was completed as at 31 December 2021, and the valuation as at 31 December 2023 is currently being performed. A roll forward of the participation data as at 31 December 2021 to 31 December 2022 was used by the Fund for its 2022 financial statements.

140. 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.

141. 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.

142. 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 (2020, 2021 and 2022) amounted to $8,937.68 million, of which 0.99 per cent was contributed by UNODC.

143. During 2023, contributions paid to the Fund by UNODC amounted to $23.106 million (2022: $20.860 million). Expected contributions due in 2024 are anticipated to be at the same level.

144. 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.

145. 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

146. 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 2023, UNODC recorded a provision which met the criteria in the amount of $0.460 million.

Note 16
Conditional liabilities

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Liabilities (cash received)	46 101	51 244
Current liabilities (cash not received)	47 887	40 989
Total conditional liabilities, current (statement I)	**93 988**	**92 233**
Non-current liabilities (cash not received)	59 373	68 874
Total conditional liabilities, non-current (statement I)	**59 373**	**68 874**

147. Liabilities for conditional arrangements consist of cash received from the European Union and not yet utilized in the amount of $46.101 million (2022: $51.244 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 (restated)*	*Total*
Net assets as at 1 January 2022	**53 971**	**827 568**	**881 539**
Impact of accounting policy change	–	(13 877)	(13 877)
Net assets as at 1 January 2022	**53 971**	**813 691**	**867 662**
Net assets as at 1 January 2022 (restated)	**53 971**	**813 691**	**867 662**
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	13 519	32 163
Total as at 31 December 2022	**113 040**	**827 891**	**940 931**
Impact of IPSAS 41 adoption	2 428	7 573	10 001
Net asset opening as at 1 January 2023	**115 469**	**835 463**	**950 932**

	Accumulated surpluses/(deficits) – unrestricted	*Accumulated surpluses/ (deficits) – restricted (restated)*	*Total*
Change in net assets			
Transfers to/from unrestricted/restricted reserve funds	(615)	615	–
Actuarial gain/(loss)	(10 054)	–	(10 054)
Fair value changes in investments recognized directly in net assets	(836)	(2 398)	(3 234)
Surplus/(deficit) for the year	25 353	52 559	77 912
Total as at 31 December 2023 (statement I)	**129 316**	**886 240**	**1 015 556**

148. It has been determined that, since UNODC has no control or benefits over assets under construction and buildings constructed to be transferred to end beneficiaries, they should not have been capitalized but rather initially expensed. This change in accounting policy has been accounted for retrospectively. The adjustments required have resulted in a decrease in the 2022 opening net assets balance of $13.877 million. In addition, there is an upward amendment of the surplus for 2022 by $7.099 million. This represents the total of assets expensed on transfer in 2022, which should have been expensed prior to 2022, and assets capitalized in 2022 but which should have been expensed in 2022.

149. With the adoption of IPSAS 41 as of 1 January 2023, adjustments on the fair value of financial assets are to be recorded through net asset/equity rather than the profit and loss. This adoption has resulted in an upward adjustment in the 1 January 2023 opening net assets balance of $10.293 million being the fair value changes on investments together with a downward adjustment of $0.292 million for the expected credit losses on other receivables.

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

Note 18
United Nations regular budget allocation

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Revenue		
United Nations regular budget allocation	34 657	33 986
Expenditure		
Direct programme activities	26 824	26 768
Support (administrative) activities	7 833	7 218
Total expenditure (statement II)	**34 657**	**33 986**
Excess of income over expenditure	–	–

151. 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.

152. 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 33.4 per cent of the total administrative budget of the Office. The remainder of the administrative operations of the Office (66.6 per cent) supports other United Nations Secretariat entities residing in Vienna. For 2023, the expenses under direct programme activities consisted of $22.411 million (2022: $22.477 million) under section 16, $0.875 million (2022: $0.890 million) under section 23, $0.329 million (2022: $0.432 million) under section 35, $3.209 million (2022: $2.969 million) under section 36 and, for support (administrative) activities, $7.833 million (2022: $7.218 million) under section 29G.

Note 19
Revenue from non-exchange transactions

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Voluntary contributions		
Voluntary contributions in cash	418 684	368 394
Voluntary contributions in kind	1 741	1 515
Total voluntary contributions received	**420 425**	**369 909**
Refunds	(31 962)	(16 437)
Net voluntary contributions received (statement II)	**388 463**	**353 472**
Other transfers and allocations		
Inter-organizational arrangements	35 525	30 234
Total other transfers and allocations (statement II)	**35 525**	**30 234**

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

154. Other transfers and allocations consist of inter-organizational arrangements, which are amounts received from other United Nations entities.

Services in kind

155. 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. In-kind services of $1.094 million were provided comprising satellite imagery interpretation, venue organization services and other technical assistance. There were no in-kind services above the materiality threshold received in 2023.

Note 20
Other revenue

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Revenue from services rendered	21 371	8 757
Rental income	85	62
Revenue producing activities and other miscellaneous revenue	7 649	214
Total other revenue (statement II)	**29 105**	**9 033**

156. Other revenue represents exchange revenue.

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

158. Revenue producing activities and other miscellaneous income includes net foreign exchange gains of $7.566 million (2022: $9.185 million exchange losses were reported under other operating expenses).

Note 21
Financial instruments and financial risk management

(Thousands of United States dollars)

Financial instruments	*31 December 2023*	*31 December 2022*
Financial assets		
Fair value through net asset/equity		
Short-term investments, main pool	691 172	548 227
Total short-term investments	**691 172**	**548 227**
Long-term investments, main pool	216 205	265 473
Total long-term investments	**216 205**	**265 473**
Total fair value through net asset/equity investments	**907 377**	**813 700**
Loans and receivables		
Cash and cash equivalents, main pool	133 857	136 646
Cash and cash equivalents, other	23	28
Cash and cash equivalents	**133 880**	**136 674**
Voluntary contributions receivable	297 433	303 767
Other receivables	16 486	22 637
Other assets (excluding advances)	17	16
Total loans and receivables	**313 936**	**326 420**
Total carrying amount of financial assets	**1 355 193**	**1 276 794**

Financial instruments	*31 December 2023*	*31 December 2022*
Of which relates to financial assets held in main pool	1 041 234	950 346
Financial liabilities at amortized cost		
Accounts payable and accrued payables (excluding deferred payables)	54 115	60 093
Total carrying amount of financial liabilities	**54 115**	**60 093**
Summary of net income from financial assets		
Investment revenue	41 674	3 924
Total net income from financial assets (statement II)[a]	**41 674**	**3 924**

[a] Unrealized loss from cash pools mark-to-market revaluation is reported under the statement of net assets in accordance with IPSAS 41 during 2023. In 2022, the corresponding unrealized loss was included as part of the investment revenue from cash pools.

Cash pools

159. 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.

160. 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.

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

162. 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.

163. 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.

164. As at 31 December 2023, the cash pools held total assets of $11,548.660 million (2022: $11,873.869 million), of which $1,041.234 million was attributable to UNODC (2022: $950.346 million), and its share of revenue from cash pools was $41.670 million (2022: $3.920 million).

Summary of assets and liabilities of the main pool as at 31 December 2023

(Thousands of United States dollars)

	Main pool
Fair value through net asset/equity	
Short-term investments	7 554 712
Long-term investments	2 397 703
Total fair value through net asset/equity investments	**9 952 415**
Loans and receivables	
Cash and cash equivalents	1 485 897
Accrued investment revenue	110 348
Total loans and receivables	**1 596 245**
Total carrying amount of financial assets	**11 548 660**
Cash pool liabilities	
Payable to UNODC[a]	1 041 363
Payable to other cash pool participants	10 507 297
Total liabilities	**11 548 660**
Net assets	**–**

[a] Includes $0.129 million in cash returned by bank.

Summary of revenue and expenses of the main pool for the year ended 31 December 2023

(Thousands of United States dollars)

	Main pool
Investment revenue	488 377
Investment revenue from main pool[a]	**488 377**
Foreign exchange gains/(losses)	9 194
Bank fees	(808)
Operating gains (losses) from main pool	**8 386**
Revenue and expenses from main pool	**496 763**

[a] Unrealized loss from cash pools mark-to-market revaluation is reported under the statement of net assets in accordance with IPSAS 41 during 2023. In 2022, the corresponding unrealized loss was included as part of the investment revenue from cash pools.

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**

Financial risk management: overview

165. UNODC has exposure to the following financial risks:

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk.

166. 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.

167. 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

168. 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

169. 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 expected credit loss is the maximum exposure to credit risk.

170. 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.

171. 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.

172. 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 that the investments were made.

173. 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 2023*					*Ratings as at 31 December 2022*			
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	37.1%	62.9%			S&P	33.8%	65.9%		0.3%
	AAA	*AA+/AA/AA-*		*NA/NR*		*AAA*	*AA+/AA/AA-*		*NA/NR*
Fitch	28.4%	53.3%	1.3%	17.0%	Fitch	61.9%	22.5%	0.2%	15.4%
	Aaa	*Aa1/Aa2/Aa3*	*A1*	*NA*		*Aaa*	*Aa1/Aa2/Aa3*	*A1*	*NA*
Moody’s	61.9%	30.5%		7.6%	Moody’s	66.7%	30.9%		2.4%
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	98.8%			1.2%	Fitch	97.7%			2.3%
	P-1/P-2					*P-1/P-2*			
Moody’s	100.0%				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	23.8%	76.2%			Fitch	35.9%	64.1%		

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

174. 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.

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

176. 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.

177. UNODC had financial assets of $1,355.193 million as at 31 December 2023, which is the maximum credit exposure on these assets (2022: $1,276.794 million).

Liquidity risk

178. 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.

179. 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.

180. UNODC and United Nations Headquarters perform cash flow forecasting and monitor rolling forecasts of liquidity requirements to ensure that sufficient cash is available to meet operational needs. Investments are made by Headquarters with due consideration 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.

181. 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.

182. The cash pools are exposed to liquidity risk associated with the requirement of participants to make withdrawals at 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

183. 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.

184. The cash pools comprise the Organization's main exposure to interest rate risk with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the cash pools had invested primarily in securities with shorter terms to maturity, with the maximum being less than four years (2022: five years). The average duration of the main pool on 31 December 2023 was 0.65 years (2022: 0.77 years), which is considered to be an indicator of low risk.

185. 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 net assets/equity, the change in fair value represents the increase or decrease in 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 2023

(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	144.78	108.58	72.38	36.19	–	(36.19)	(72.37)	(108.55)	(144.73)

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)

Market risk

186. 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.

187. 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.

188. 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.

189. 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, Canadian dollars and British pounds sterling. Other currencies comprise 38 different currencies, with various balances.

Currency exposure as at 31 December 2023

(Thousands of United States dollars)

	United States dollar	*Euro*	*Colombian peso*	*Norwegian krone*	*Canadian dollar*	*British pound sterling*	*Other*	*Total*
Short-term investments	691 172	–	–	–	–	–	–	691 172
Long-term investments	216 205	–	–	–	–	–	–	216 205
Cash and cash equivalents, cash pools	133 857	–	–	–	–	–	–	133 857
Cash and cash equivalents, other	–	–	7	–	–	–	16	23
Subtotal, cash pools and other holdings	**1 041 234**	**–**	**7**	**–**	**–**	**–**	**16**	**1 041 257**
Voluntary contributions receivable	108 996	107 049	14 327	23 859	14 183	11 000	18 019	297 433
Other receivables/other assets	14 980	5	238	–	–	544	736	16 503
Total	**1 165 210**	**107 054**	**14 572**	**23 859**	**14 183**	**11 544**	**18 771**	**1 355 193**

190. A strengthening or weakening of the euro exchange rate as at 31 December 2023 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 2023

(Thousands of United States dollars)

	Net assets/surplus or deficit	
	Strengthening	*Weakening*
Euro (10 per cent movement)	10 705	(10 705)
Colombian peso (10 per cent movement)	1 457	(1 457)
Norwegian krone (10 per cent movement)	2 386	(2 386)
British pound sterling (10 per cent movement)	1 554	(1 554)
Canadian dollar (10 per cent movement)	1 418	(1 418)
Other (10 per cent movement)	1 877	(1 877)

Other market price risk

191. 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.

192. 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.

Classification and measurement

193. All investments in the cash pool are reported though net asset/equity. Cash and cash equivalents carried at nominal value are deemed to be an approximation of fair value. Receivables, including non-current voluntary contributions receivable, which are reported at amortized cost calculated using the effective interest method and accounts payable are valued at amortized cost, which is a fair approximation of fair value as at 31 December 2023.

Fair value hierarchy

194. The table below provides an analysis of financial instruments carried at fair value, by the fair value hierarchy levels. 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).

195. 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.

196. 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.

197. 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 2023			*31 December 2022*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds – corporate	118 115	–	118 115	65 200	–	65 200
Bonds – non-United States agencies	2 468 680	–	2 468 680	1 974 662	–	1 974 662
Bonds – supranational	770 234	–	770 234	789 587	–	789 587
Bonds – United States treasuries	1 185 059	–	1 185 059	1 348 056	–	1 348 056
Bonds – non-United States sovereigns	97 824	–	97 824	96 713	–	96 713
Main pool – commercial papers	–	510 193	510 193	–	1 747 461	1 747 461
Main pool – certificates of deposit	–	2 982 310	2 982 310	–	2 654 637	2 654 637
Main pool – term deposits	–	1 820 000	1 820 000	–	1 430 000	1 430 000
Total	**4 639 912**	**5 312 503**	**9 952 415**	**4 274 218**	**5 832 098**	**10 106 316**

Note 22
Employee salaries, allowances and benefits

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Salary and wages	125 220	115 684
Pension, insurance and other benefits	36 658	34 887
Total employee salaries, allowances and benefits (statement II)	**161 878**	**150 571**

198. 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 2023	*31 December 2022*
United Nations Volunteers	8 698	8 015
Consultants and contractors	36 734	37 855
Non-employee, other	33 430	32 925
Total non-employee compensation and allowances (statement II)	**78 862**	**78 795**

199. 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 2023	*31 December 2022*
Grants to end beneficiaries	3 645	4 210
Transfers to implementing partners	42 263	14 266
Total (statement II)	**45 908**	**18 476**

200. Expenses under transfers to implementing partners relate to programmatic delivery executed on behalf of UNODC by other organizations. The amount of $42.263 million (2022: $14.266 million) represents the work delivered for the year 2023 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 2023, are shown as advance transfers in statement I (see note 8 for details). Within the total of $45.908 million in programmatic delivery by implementing partners and transfers to end beneficiaries, $16.091 million (2022: $2.784 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 2023	*31 December 2022*
Fuel and lubricants	455	473
Rations	217	240
Spare parts	530	364
Consumables	4 382	4 238
Total supplies and consumables (statement II)	**5 584**	**5 315**

Note 26
Travel

201. 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 $57.278 million (2022: $47.359 million).

Note 27
Other operating expenses

(Thousands of United States dollars)

	31 December 2023	*31 December 2022 (restated)*
Contracted services	75 540	58 574
Acquisitions of goods	11 217	11 262
Acquisitions of intangible assets	1 019	809
Rental of offices and premises	6 103	7 260
Rental of equipment	439	265
Bad debt expense	(162)	2 227
Net foreign exchange losses	–	9 185
Contributions in kind	1 741	1 515
Other/miscellaneous operating expenses	5 161	6 077[a]
Total other operating expenses (statement II)	**101 058**	**97 174**

[a] Other/miscellaneous operating expenses include a downward adjustment of $7.099 million relating to accounting policy change relating to construction works detailed in notes 10 and 17.

202. Contracted services under other operating expenses consist of various services by individuals or institutions. Within the total of $75.540 million, $31.934 million (2022: $25.826 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 $11.257 million (2022: $10.740 million) represents communications and information technology services.

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

204. Bad debt expense, totalling a credit of $0.162 million, consists of write-offs totalling $1.029 million in uncollected pledges and other receivables and advances (2022: $10.749 million) and a decrease in the loss allowance of $1.191 million (2022: increase of $8.522 million). The write-offs of uncollected pledges include $0.318 million from Colombia, $0.179 million from USAID, $0.115 million from the United Kingdom of Great Britain and Northern Ireland and $0.105 million from Panama. The write-off of other receivables and advances amount to $0.312 million.

205. Other/miscellaneous operating expenses includes $3.091 million in donations/ transfers of assets (2022: $11.285 million).

Note 28
Other expenses

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Ex gratia and compensation claims	–	19
Other/miscellaneous expenses	5	30
Total other expenses (statement II)	**5**	**49**

Note 29
Related parties

Key management personnel

206. 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 2023	*31 December 2022*
Salary and post adjustment	1 177	1 068
Other monetary entitlements	481	435
Total remuneration for the period	**1 658**	**1 503**

207. 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.

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

209. 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 2023.

Note 30
Leases and commitments

Operating leases

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Due in less than one year	850	554
Due in one to five years	460	147
Total minimum operating lease obligations	**1 310**	**701**

210. The total minimum operating lease obligations in 2023 of $1.310 million (2022: $0.701 million) consist of the non-cancellable portion of rental agreements in various UNODC field offices. The increase is attributable mainly to the renewal of various rental agreements and new rental agreements. As at 31 December 2023, UNODC had no finance leases.

Contractual commitments

211. As at the reporting date, the commitments for property, plant and equipment, intangible assets and goods and services contracted but not delivered remained at approximately the same level, $55.170 million (2022: $55.598 million).

(Thousands of United States dollars)

	31 December 2023	*31 December 2022*
Property, plant and equipment	3 128	2 949
Goods and services	52 042	52 649
Total open contractual commitments	**55 170**	**55 598**

Note 31
Contingent liabilities and contingent assets

212. A contingent liability arises where there is significant uncertainty about a number of aspects regarding the liability. As at 31 December 2023, 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.

213. In addition, as at 31 December 2023, 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 might ultimately be decided in favour of the claimants. The cases were estimated to result in a possible liability of $0.8 million as at 31 December 2023.

Note 32
Events after the reporting date

214. The reporting date for these financial statements is 31 December 2023, and they were authorized for issuance by the Executive Director of UNODC on 31 March 2024, 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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