



**United Nations**

**United Nations Human  
Settlements Programme**

# **Financial report and audited financial statements**

**for the year ended 31 December 2021**

**and**

# **Report of the Board of Auditors**

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





**United Nations Human Settlements Programme**

**Financial report and audited  
financial statements**

**for the year ended 31 December 2021**

**and**

**Report of the Board of Auditors**



United Nations • New York, 2022

*Note*

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

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Letters of transmittal

**Letter dated 31 March 2022 from the Executive Director of the United Nations Human Settlements Programme addressed to the Chair of the United Nations Board of Auditors**

In accordance with regulation 6.2 and rule 106.1 of the Financial Regulations and Rules of the United Nations, I am transmitting the financial report and accounts of the United Nations Human Settlements Programme, and other related accounts, for the year ended 31 December 2021, which I approve on the basis of the attestations of the Chief Finance Officer, United Nations Office at Nairobi, and the Director, Management, Advisory and Compliance Service of the United Nations Human Settlements Programme.

Copies of these financial statements are made available to both the Advisory Committee on Administrative and Budgetary Questions and the Board of Auditors.

*(Signed)* Maimunah Mohd **Sharif**  
Executive Director  
United Nations Human Settlements Programme

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

I have the honour to transmit to you the Board of Auditors report, together with the financial report and the audited financial statements of the United Nations Human Settlements Programme for the year ended 31 December 2021.

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



## Chapter I

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

#### **Opinion**

We have audited the financial statements of the United Nations Human Settlements Programme (UN-Habitat), which comprise the statement of financial position (statement I) as at 31 December 2021 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UN-Habitat as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

#### **Basis for Opinion**

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled “Auditor’s responsibilities for the audit of the financial statements”. We are independent of UN-Habitat, 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 overview for the year ended 31 December 2021, contained in chapter IV below, but does not include the financial statements and our auditor’s report thereon.

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

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

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

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

In preparing the financial statements, management is responsible for assessing the ability of UN-Habitat 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 UN-Habitat 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 UN-Habitat.

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

(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 UN-Habitat 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 UN-Habitat to cease to continue as a going concern; and

(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**

Furthermore, in our opinion, the transactions of UN-Habitat 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 UN-Habitat.

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

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

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

21 July 2022

## Chapter II

### Long-form report of the Board of Auditors

#### *Summary*

The Board of Auditors audited the financial statements and reviewed the operations of the United Nations Human Settlements Programme (UN-Habitat) for the year ended 31 December 2021.

#### **Audit opinion**

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UN-Habitat as at 31 December 2021 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

#### **Overall conclusion**

The Board did not identify material deficiencies in accounts and records that might affect the fair presentation of the financial statements of UN-Habitat. However, the Board noted scope for improvement in a number of areas, specifically with regard to financial and budget management, human resources management, project management and implementing partner management.

#### **Key findings**

##### **Financial and budget management**

###### *Insolvency risk for Foundation non-earmarked fund*

The Foundation non-earmarked fund experienced a deficit of revenue over expenditure during the past five years. Revenue dropped sharply, from \$4.9 million in 2020 to \$2.6 million in 2021, experiencing a 46.9 per cent decrease. In 2020 and 2021, the Foundation had negative net assets consecutively. The solvency ratio and liquidity ratios declined from 2017 to 2021. In 2020 and 2021, the ratios were all below one, indicating that the Foundation faced an insolvency and liquidity risk.

##### **Human resources management**

###### *The need for austerity measures and shortage of stable, professional and experienced staff*

The worsened cash inflow to the Foundation non-earmarked fund during the past 10 years, and in particular the negative net asset situation of past two years, led UN-Habitat to take strict austerity measures, while high turnover and shortage of professional staff restricted its capability to perform the duties well and achieve the expected targets set in the strategic plan for the period 2020–2023.

###### *Inadequate control over non-staff personnel*

The number of non-staff personnel was more than 5.5 times that of staff members, and accounted for 85 per cent of the UN-Habitat workforce in the past three years. However, UN-Habitat non-staff personnel hiring was project-motivated and decentralized. The headquarters human resources unit can only access non-staff personnel data on an ex post facto basis.

*Lack of policy for management of non-staff personnel hired through the United Nations Development Programme and UNOPS*

As of 31 December 2021, the contracts of 95 non-staff personnel hired through the United Nations Development Programme (UNDP) and 168 non-staff personnel hired through the United Nations Office for Project Services (UNOPS) had exceeded the maximum of 24 months in a 36-month period as a result of repeated amendments to their contracts. Such staff accounted for 18 per cent and 26 per cent of non-staff personnel hired through UNDP and UNOPS respectively. Non-staff personnel hired through UNOPS were entitled to extra insurance and paid leave. The Board noted that there was no clear policy or monitoring mechanism in place for non-staff personnel hired through UNDP and UNOPS.

### **Project management**

*Insufficient use of integrated planning, management and reporting solution and fragmented project data adversely affect project monitoring and management*

UN-Habitat had adopted the integrated planning, management and reporting solution as its main project information management system to manage the life cycle of its projects and programmes since 1 April 2021. The Board noted that, as at 26 April 2022, of the 226 approved projects recorded in IPMR, 147 projects only had a project title and estimated start and end dates, but no budget data or attachments. The project data for the remaining 79 projects had only limited supporting documentation.

### **Implementing partner management**

*Donor intervention in implementing partner selection imposes extra risks in terms of fairness, integrity and transparency*

The Board noted that UN-Habitat allowed donors to influence the selection of implementing partners, as UN-Habitat stated in its implementing partner policy that the requirement for competitive selection may be waived when the implementing partner was defined in a contribution agreement with the donor. However, there were no further requirements on justifying the waiver from programmatic and financial aspects.

The Board further sampled 40 agreements of cooperation and noted that in 16 cases, the agreements were signed with implementing partners without comparative selection or awarded to the implementing partner with the second highest score owing to “donor requirement”. For two projects, the reviews of implementing partner selection proposals by the UN-Habitat headquarters implementing partner screening committee or legal office were simplified and bypassed by splitting agreements of cooperation into several agreements with values not exceeding \$200,000.

### **Main recommendations**

With regard to the above findings, the Board recommends that UN-Habitat:

### **Financial and budget management**

*Insolvency risk for Foundation non-earmarked fund*

- (a) (i) **Continue to prioritize resource mobilization of core funds and encourage the involvement of the UN-Habitat senior management team to support the Executive Director in this regard;**

(ii) **Develop a regular report on core fund performance to increase transparency and improve accountability to donors;**

(iii) **Prepare a report based on surveys and communications with previous, present and potential core funds donors to identify the gap between donor expectations and the current situation.**

#### **Human resources management**

*The need for austerity measures and shortage of stable, professional and experienced staff*

(b) (i) **Prepare a comprehensive austerity action plan and ensure its effective implementation, in order to address the ongoing financial shortage;**

(ii) **Review its post distribution and human resources regularly to further analyse its employment priorities and resource distribution and to facilitate the selection process when the necessary funding is in place;**

*Inadequate control over non-staff personnel*

(c) **Draft an annual plan for non-staff personnel engagement, including a demand analysis and hiring plan to ensure a better control over non-staff personnel;**

*Lack of policy for management of non-staff personnel hired through the United Nations Development Programme and the United Nations Office for Project Services*

(d) **In consultation with the relevant department at United Nations Headquarters, further clarify the contract limits and scope of entitlements to set up a management mechanism for non-staff personnel hired through UNDP and UNOPS;**

#### **Project management**

*Insufficient use of the integrated planning, management and reporting solution and fragmented project data adversely affect project monitoring and management*

(e) (i) **Complete the information for “converted” projects and update project information in the integrated planning, management and reporting solution appropriately and in a timely manner;**

(ii) **Monitor the completeness and quality of integrated planning, management and reporting solution project data at the entity level and include the monitoring and updating of project progress in the solution in the performance evaluation of project managers;**

#### **Implementing partner management**

*Donor intervention in implementing partner selection imposes extra risks in terms of fairness, integrity and transparency*

(f) (i) **Review its implementing partner policy and standard operating procedures for implementing partner selection to ensure that implementing partner selection is compliant with general principles of fairness, integrity, transparency and effective competitiveness set by the Financial Regulations and Rules of the United Nations; and that**

**any necessary waiver should provide, among others, programmatic and financial justifications and detail the exceptional circumstances;**

**(ii) Take necessary actions, including but not limited to reviewing its implementing partner policy and standard operating procedures for implementing partners selection, to avoid splitting contracts.**

**Follow-up to previous recommendations**

As at 31 December 2021, of the 88 outstanding recommendations issued up to the year ended 31 December 2020, 35 recommendations (40 per cent) were implemented, 48 (55 per cent) were under implementation, 1 was not implemented (1 per cent) and 4 were overtaken by events (4 per cent).

**Key facts**

<b>\$25.42 million</b>	Original annual resources (regular budget and Foundation non-earmarked fund)
<b>\$567.16 million</b>	Total assets
<b>\$187.10 million</b>	Total liabilities
<b>\$204.08 million</b>	Total revenue
<b>\$156.13 million</b>	Voluntary contributions revenue
<b>\$172.80 million</b>	Total expenses

**A. Mandate, scope and methodology**

1. The United Nations Human Settlements Programme (UN-Habitat) is mandated by the General Assembly to promote socially and environmentally sustainable towns and cities. It is the focal point for all urbanization and human settlement matters within the United Nations system. The Assembly, through its resolution [73/239](#), established a new governance structure for UN-Habitat, consisting of the universal UN-Habitat Assembly, the Executive Board and the Committee of Permanent Representatives.

2. The headquarters of UN-Habitat is in Nairobi, with four main regional offices covering Africa, the Arab States, Asia and the Pacific, and Latin America and the Caribbean. UN-Habitat also has liaison offices, country offices and project offices in 67 countries across the world. As at 31 December 2021, it employed 308 staff, together with fluctuating numbers of non-staff personnel on specific contracts, in particular in field offices.

3. The Board has audited the financial statements of UN-Habitat and has reviewed its operations for the financial period ended 31 December 2021 in accordance with General Assembly resolution [74 \(I\)](#) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations, as well as the International Standards on Auditing. The Standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

4. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UN-Habitat as at 31 December 2021 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). That effort included an assessment as to whether the expenses 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. 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 UN-Habitat operations under financial regulation 7.5 of the Financial Regulations and Rules of the United Nations, which requires the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal controls and, in general, the administration and



management of operations. The report also includes a brief commentary on the status of implementation of the recommendations made in previous years.

6. Owing to the impact of the coronavirus disease (COVID-19) pandemic, the interim audit of UN-Habitat headquarters and the Regional Office for Arab States was carried out remotely from Beijing from 15 October to 10 November 2021. The final audit was carried out on-site at UN-Habitat headquarters in Nairobi from 30 March to 5 May 2022.

7. The Board's observations and conclusions were discussed with UN-Habitat management, whose views had been appropriately reflected in the report.

## **B. Findings and recommendations**

### **1. Follow-up of previous recommendations**

8. The Board followed the implementation status of its recommendations of previous years and acknowledged that progress had been made in implementing the outstanding recommendations. Of the 88 outstanding recommendations issued up to the year ended 31 December 2020, 35 recommendations (40 per cent) were implemented, 48 (55 per cent) were under implementation, 1 was not implemented (1 per cent) and 4 were overtaken by events (4 per cent). The relevant details are provided in the annex to the present report.

9. On the basis of an analysis of 49 recommendations with a status of "under implementation" and "not implemented", the Board noted that 12 recommendations were referred to financial management; 10 involved human resources management; 8 fell with the category of project and implementing partner management; 7 were related to asset management. The remaining 12 recommendations were related to areas of risk management, travel, procurement, and information and communication technology.

10. With regard to the aging of the above-mentioned 49 outstanding recommendations, 6 (12 per cent) were pending for more than three years; 13 (27 per cent) remained open for three years; 18 (37 per cent) were two years old; and 12 (24 per cent) were issued one year ago.

### **2. Financial overview**

#### *Revenue and expenses*

11. UN-Habitat revenue includes assessed contributions (regular budget), voluntary contributions, investment revenue, other transfers and allocations, and other revenue. During the period under review, total revenue increased by \$18.1 million (9.7 per cent), from \$186 million in 2020 to \$204.1 million in 2021. The increase was mainly attributable to an increment in voluntary contributions from \$138.5 million in 2020 to \$156.1 million 2021.

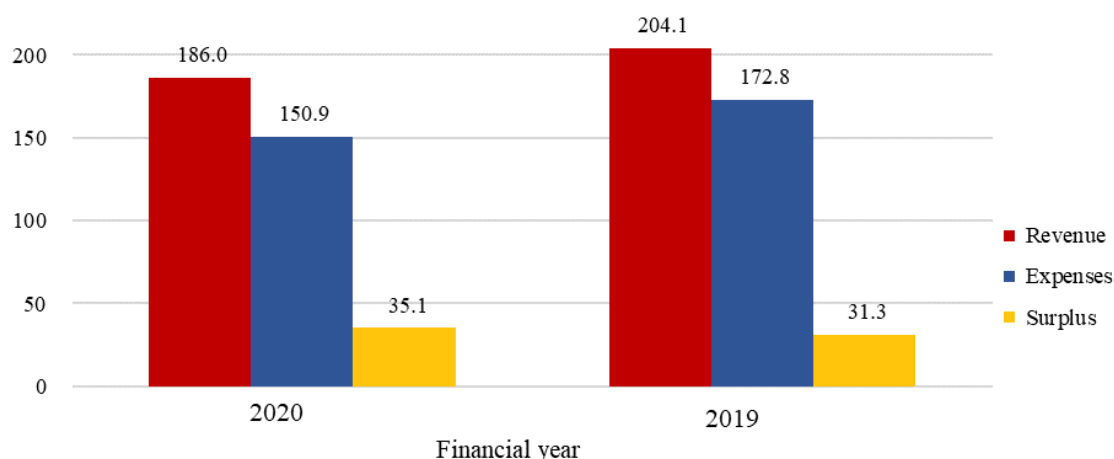
12. With regard to the expenses, total expenses increased by \$21.9 million (14.5 per cent), from \$150.9 million in 2020 to \$172.8 million in 2021. The increase mainly relates to the implementation of projects. The major categories of expenses included employee benefit expenses of \$47.8 million (2020: \$46.7 million), non-employee compensation costs of \$40.1 million (2020: \$38.4 million), grants and transfers amounting to \$36.3 million (2020: \$33.9 million) and other operating expenses of \$44.9 million (2020: \$27.3 million).

13. As a result of the increase in revenues and expenses, UN-Habitat recorded a total surplus of \$31.3 million in 2021, a decrease of \$3.8 million compared with 2020

(\$35.1 million). A comparison of revenue and expenses for 2021 and 2020 is represented in figure II.I.

Figure II.I  
**Comparison of revenue and expenses**

(Millions of United States dollars)



Source: UN-Habitat financial statements for 2020 and 2021.

#### Ratio analysis

14. Table II.1 contains key financial ratios analysed from the financial statements, mainly from the statements of financial position and financial performance.

Table II.1  
**Ratio analysis**

Ratio	31 December 2021	31 December 2020	31 December 2019
<b>Cash ratio<sup>a</sup></b>			
Cash plus short-term investments: current liabilities	1.77	1.26	1.68
<b>Quick ratio<sup>b</sup></b>			
Cash plus short-term investments plus accounts receivable: current liabilities	3.06	2.29	2.83
<b>Current ratio<sup>c</sup></b>			
Current assets: current liabilities	3.23	2.48	3.12
<b>Solvency ratio<sup>d</sup></b>			
Total assets: total liabilities	3.03	2.63	3.10

Source: UN-Habitat 2021 financial statements.

<sup>a</sup> The cash ratio is an indicator of an entity's liquidity by measuring the amount of cash, cash equivalents or invested funds there are in current assets to cover current liabilities.

<sup>b</sup> 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.

<sup>c</sup> A high ratio indicates an entity's ability to pay off its short-term liabilities.

<sup>d</sup> A high ratio is a good indicator of solvency.

15. UN-Habitat key financial indicators remain sound, as shown by the high ratios of current assets to current liabilities and total assets to total liabilities. The ratios increased slightly compared with the financial year 2020. The increase is attributable to an increase in investments and a decrease in liabilities for conditional arrangements.

16. Revenue for the Foundation non-earmarked fund (hereinafter referred to as the Foundation) decreased by \$2.3 million (46.9 per cent), from \$4.9 million in 2020 to \$2.6 million in 2021. The expenses for the Foundation decreased by \$3.2 million (50 per cent), from \$6.4 million in 2020 to \$3.2 million in 2021. For the financial year ended 31 December 2021, the Foundation incurred a deficit of revenue over expenses, resulting in an operating loss of \$0.6 million. In addition, as at 31 December 2021, the Foundation had a negative net assets position of \$1.1 million. These circumstances indicate that the Foundation has not been able to generate enough donor contributions and cash flows to meet its obligations.

### 3. Financial and budget management

#### *Insolvency risk for Foundation non-earmarked fund*

17. In paragraph 26 of resolution [67/226](#), adopted by the General Assembly on 21 December 2012, the Assembly stressed that “core resources, because of their untied nature, continue to be the bedrock of the operational activities for development of the United Nations system, in this regard notes with concern that the share of core contributions to United Nations funds and programmes has declined in recent years, and recognizes the need for organizations to address, on a continuous basis, the imbalance between core and non-core resources”.

18. The Board analysed the financial performance of the Foundation from 2017 to 2021 and noted that the Foundation experienced a deficit of revenue over expenditure during the past five years. Revenue dropped sharply, from \$4.9 million in 2020 to \$2.6 million in 2021 (\$2.6 million and €0.3 million were received in 2021, but only \$2.6 million was reflected in the 2021 financial statements and €0.3 million was recorded in 2022), experiencing a 50 per cent decrease. Net assets decreased in the past five years, and in 2020 and 2021 the Foundation had negative net assets consecutively. Further details are shown in table II.2 and figure II.II below.

Table II.2

#### **Financial performance of Foundation non-earmarked fund, 2017 to 2021**

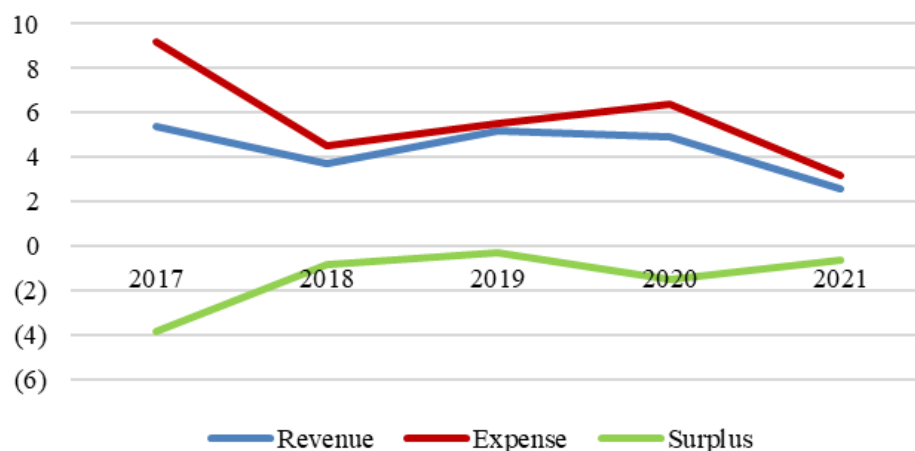
(Millions of United States dollars)

<i>Items</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>
Revenue	5.4	3.7	5.2	4.9	2.6
Expense	9.2	4.5	5.5	6.4	3.2
Surplus	(3.8)	(0.8)	(0.3)	(1.5)	(0.6)
Net assets	2.3	1.3	0.1	(0.5)	(1.1)

*Source:* Data from financial statements.

Figure II.2  
**Trend analysis of Foundation non-earmarked fund, 2017 to 2021**

(Millions of United States dollars)



Source: Data from financial statements.

19. The Board also conducted a ratio analysis for the Foundation and noticed that the solvency ratio and liquidity ratios declined from 2017 to 2021. In 2020 and 2021, the ratios were all below one, indicating an insolvency and liquidity risk faced by the Foundation. The details are shown in table II.3 below.

Table II.3  
**Ratios of Foundation non-earmarked fund, 2017 to 2021**

Ratio	2017	2018	2019	2020	2021
Solvency ratio	1.71	1.41	1.32	0.85	0.67
Current ratio	1.35	1.3	1.11	0.72	0.59
Quick ratio	1.21	1.2	1.01	0.58	0.47
Cash ratio	1.2	1.17	0.92	0.4	0.42

Source: Data from financial statements.

20. The Board further noted that owing to lack of resources, of eight planned publications for 2021, only one was delivered. Important publications like UN-Habitat flagship reports and the World Cities Report were all delayed.

21. The management stated that the Foundation was underfunded for the past 10 years. Now UN-Habitat was taking austerity measures to reduce costs.

22. The Board reviewed the budget documents for 2021 and 2022 and noted that the reporting for core funds, especially expected work delivery, was insufficient. There were no reports specifically focusing on core funds' performance, which might help increase the transparency of core funds and improve accountability for donors.

23. The Board acknowledged and noted that substantial effort and time had been invested in winning over core contributors, including through intelligence gathering, the appointment of specific focal points, bilateral meetings organized by the Executive Director and continuous follow-up engagement with Member States.

However, there were still gaps identified, especially in financial transparency and internal coordination.

24. The Board is of the view that core resources are key to operational activities, the lack of which will have negative impacts on the ability of UN-Habitat to provide sufficient support to its normative and operational work to fulfil its obligations and strategic goals. This may also lower donors' expectations with respect to UN-Habitat.

**25. The Board recommends that UN-Habitat continue to prioritize resource mobilization of core funds and encourage the involvement of the UN-Habitat senior management team to support the Executive Director in this regard.**

**26. The Board also recommends that UN-Habitat develop a regular report on core funds to increase transparency and improve accountability to donors.**

**27. The Board further recommends that UN-Habitat prepare a report based on surveys and communications with previous, present and potential core funds donors to identify the gap between donor expectations and current situations.**

28. UN-Habitat accepted the recommendations.

*Positive cash balance of closed grants*

29. In paragraph 12 of its standard operating procedure 114 on the financial closure of grants (2021 revision), the United Nations Office at Nairobi states that financial closure of a grant can only be completed once all technical and financial transactions for the donor agreement(s) are completed, a final financial report is issued to the donor, and any unspent balance is refunded to the donor, or (if the donor approves) reprogrammed to another project or transferred to another grant.

30. The Board reviewed the grants cash position of UN-Habitat and noted that there were 10 grants in closed status with a positive balance of \$188,874.92 as at 31 December 2021.

31. The Board acknowledges the efforts made by UN-Habitat to clear the positive balance of closed grants, considering the amount has decreased by \$292,066.92 compared with 31 October 2021, and encourages UN-Habitat to continuously improve the grant closure process.

**32. The Board recommends that UN-Habitat, coordinating with the United Nations Office at Nairobi, make continuous efforts to review the cash balance of grants regularly and clean the closed grants with a positive cash balance.**

33. UN-Habitat accepted the recommendation.

*Inaccurate recognition of voluntary contributions revenue, receivables and expenses and payables*

34. In the International Public Sector Accounting Standards (IPSAS) Accounting Manual, chapter 3, "Revenue from non-exchange transactions", it is stated that voluntary contributions and other transfers, which are supported by legally enforceable agreements, are recognized as revenue at the time the agreement becomes binding.

35. In the IPSAS Accounting Manual, chapter 5, "Expenses", section 2.1, "Timing of recognition – delivery principle", it is stated that under the delivery principle, the timing of recognition of expenses and assets will occur when the goods and/or services are received by ("delivered" to) the United Nations, and not on receipt of an invoice or payment in cash.

36. The Board reviewed the transactions of voluntary contributions revenue, expenses and supporting documents and noted that \$0.62 million in revenue and \$0.16 million in expenses were not recognized in 2021 in accordance with IPSAS.

37. UN-Habitat acknowledged the observation and stated that it would make the adjustment in 2022, as the misstatements were immaterial and would not affect stakeholders' understanding of its financial status.

38. The Board is of the view that IPSAS-compliant accounting lays the basis for financial reporting. UN-Habitat shall be accountable for the financial statements and conduct regular reviews, especially the year-end review, to ensure the accuracy of financial statements.

**39. The Board recommends that UN-Habitat, cooperating with the United Nations Office at Nairobi, strengthen internal controls to perform regular monitoring and review to ensure the accuracy of accounting records.**

40. UN-Habitat accepted the recommendation.

*Overdue receivables of closing grants need to be examined*

41. In the IPSAS Accounting Manual, chapter 13, "Accounts receivable", section 3.3, "Subsequent measurement – write offs and allowance" states that the write-off process will start when there is an open receivable that is past due and accounts receivable is not able to collect it in spite of all the possible collection efforts.

42. The Board reviewed the ending balance of voluntary contributions receivables by grants and noted that 20 closing grants (3 were operationally closed over one year) had long overdue balances of \$13.58 million, of which \$9.65 million had exceeded the due date by over three years.

43. The Board was informed by management that for the write-down of voluntary contributions receivable, confirmation was requested from donors or from clients that the contributions were no longer collectible. During 2019 and 2021, management did not communicate with donors or clients to further check the possibility of collecting long overdue receivables.

44. The Board is of the view that it is necessary for UN-Habitat to communicate with donors to evaluate the possibility of recollecting long overdue contributions and write down or write off uncollectible receivables to ensure the ending balance of allowance for doubtful receivables is not overstated. Furthermore, the Board holds that it is necessary to clear receivables in time to ensure a timely closure of grants.

**45. The Board recommends that UN-Habitat regularly communicate with donors about the possibility of recollecting voluntary contribution receivables, especially for grants with closing status, and start the write-off or write-down process in time when eligible.**

46. UN-Habitat accepted the recommendation.

*Inconsistency in presenting resource requirements for consultants in the work programme and budget may cause confusions*

47. Regulation 5.3 of the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation ([ST/SGB/2018/3](#)) states that "In the proposed programme budget, the requested resources shall be justified in terms of the requirements of output delivery in contributing to the expected accomplishments".

48. Rule 105.3 of the above-mentioned regulation also states that "For all activities, programme budget submissions provided to the Secretary-General will include, at the

appropriate level of detail, data on the resources required, such as requirements for posts, travel, consultants and other relevant objects of expenditure. These data will be used in internal budget formulation procedures as a basis for programme budget proposals”.

49. The Board reviewed the work programme and budget for the years 2021, 2022 and 2023 and noticed that the presentation rules of expenditures related to non-staff personnel were inconsistent.

50. The Board noticed that the proposed budget for consultants for the year 2023 contained not only core funds but also earmarked funds, while for the years 2021 and 2022, earmarked funds were excluded.

51. Management confirmed that consultancies for earmarked/project funds were categorized as other staff costs in consolidated budgets for the years 2021 and 2022 and excluded from the category of consultants.

52. Therefore, the Board pointed out that expenditures related to non-staff personnel funded by earmarked/project funds were supposed to be categorized as other staff costs and instead were wrongfully categorized as consultants in the 2023 budget.

53. The Board is of the view that an accurate prediction of consultant resource requirements is important to UN-Habitat human resources optimization and resource allocation and is crucial to improving the transparency of predictable and detailed resources that require consultant expenditure, which will be used as a basis for programme budget proposals.

**54. The Board recommends that UN-Habitat amend the budget for the year 2023 and improve the budget review process to ensure that all future budgets are consistent and comparable.**

55. UN-Habitat accepted the recommendation.

#### **4. Human resources management**

*The need for austerity measures and shortage of stable, professional and experienced staff*

56. In paragraph 19 of the report of the Executive Director on financial, budgetary and administrative matters of UN-Habitat on 6 September 2019 (HSP/EB.1/6), she states that to address the financial challenges described above, she continued to run a range of austerity measures against Foundation non-earmarked fund and programme support funds. The measures included a recruitment freeze that encompasses on-going and new recruitments, and the suspension of the granting or extension of special post allowances.

57. In his report entitled “Global human resources strategy 2019–2021: building a more effective, transparent and accountable United Nations” (A/73/372), the Secretary-General states that “Proactive talent management will drive organizational results by ensuring that the global staffing profile continuously evolves to meet strategic and operational needs. The comprehensive approach outlined” in the report “will create a diverse, gender-balanced, geographically mobile and multitalented workforce” (ibid., para. 15).

58. In paragraph 147 of the UN-Habitat strategic plan 2020-2023, UN-Habitat states that its “capacity to meaningfully address the social inclusion dimensions must therefore be radically strengthened to fulfil its ambitious objectives, including in the

context of its organizational structure, staffing and related performance management indicators and targets”.<sup>1</sup>

59. The Board noted that UN-Habitat was taking austerity measures owing to the insolvency issue faced by the Foundation non-earmarked fund. However, the austerity requirements were not strictly followed. From 2019 to 2021, nine new staff members financed by the Foundation non-earmarked fund were recruited and appointed, and seven staff members were granted special post allowances, which was not in line with its own requirements in this regard.

60. The Board identified a difficult situation facing UN-Habitat. The worsened cash inflow to the Foundation non-earmarked fund over the previous 10 years, especially the negative net asset situation of past two years, required UN-Habitat to take strict austerity measures, while high turnover and a shortage of professional staff restricted its capability to perform its duties and achieve the expected targets set in the strategic plan 2020–2023.

61. The Board noted that, as at 31 December 2021, there was a total of 406 approved posts, of which 98 (24 per cent) were vacant. In addition, the vacancy rate of the posts funded by the Foundation non-earmarked fund were extremely high: 49 (84 per cent) out of 58 approved posts were vacant. Of the 58 approved posts, there were 32 Professional and higher posts, including one Assistant Secretary-General, two D-2 and seven D-1 posts, and only one of these 10 posts above the professional level were occupied as at 31 December 2021.

62. The Board noted that the lack of resources and professional staff had a negative impact on normative work. For example, the quarterly progress reports for the programme of work were not prepared as requested in the strategic plan 2020–2023.

63. The Board acknowledges the fact that, owing to limited cash inflows, the posts funded by Foundation non-earmarked funds are seriously reduced and employment is frozen. Under this crucial and exceptional status, it is necessary for UN-Habitat to develop and implement a comprehensive austerity plan to overcome the difficulties.

64. The Board is also of the view that UN-Habitat needs to give due consideration to human resources planning, since a lack of stable, professional and experienced staff, especially those at the professional level or above, would lead to a significantly negative impact on achieving the objective of the UN-Habitat strategic plan.

**65. The Board recommends that UN-Habitat prepare a comprehensive austerity action plan and ensure its effective implementation, in order to address the ongoing financial shortage.**

**66. The Board also recommends that UN-Habitat review its post distribution and human resources regularly to further analyse its employment priorities and resources distribution and to facilitate the selection process when the necessary funding is in place.**

67. UN-Habitat accepted the recommendation.

#### *Non-staff personnel management*

68. In accordance with the administrative instruction on consultants and individual contractors (ST/AI/2013/4), no consultant shall provide services for more than 24 months in a 36-month period. Moreover, the services of an individual contractor

<sup>1</sup> UN-Habitat, “The strategic plan 2020-2023”, para. 147, available at <https://unhabitat.org/the-strategic-plan-2020-2023>.



shall be limited to 6 or, in special circumstances, 9 work-months in any period of 12 consecutive months.

69. Regulation 5.12 of the Financial Regulations and Rules of the United Nations states that “procurement functions include all actions necessary for the acquisition, by purchase or lease, of property, including products and real property, and of services, including works. The following general principles shall be given due consideration when exercising the procurement functions of the United Nations: (a) best value for money”.

70. Sections 5.22 and 5.23 of [ST/AI/2013/4](#) states that “The United Nations does not provide or arrange life or health insurance coverage for consultants and individual contractors”. “Consultants and individual contractors are fully responsible for arranging, at their own expense, such life, health and other forms of insurance covering the period of their services as they consider appropriate”.

71. Section 5.16 of [ST/AI/2013/4](#) also states that “Consultants and individual contractors shall not be entitled to any paid leave, including annual leave, sick leave, special leave or official holidays. The fees of consultants and individual contractors, other than those paid on the basis of a lump sum, shall be prorated for any period of absence”.

72. UN-Habitat employed non-staff personnel by itself and through service providers such as the United Nations Office at Nairobi, UNDP and UNOPS. Non-staff personnel hired by UN-Habitat and through the United Nations Office at Nairobi were classified as consultants and individual contractors.

(a) *Inadequate control over non-staff personnel*

73. The Board reviewed the data regarding staff and non-staff personnel within the period from 2019 to 2021 and noted that the total number of non-staff personnel remained at the same level throughout the period: the number of non-staff personnel was over 5.5 times that of staff, accounting for 85 per cent of total personnel in the past three years. Further details are shown in table II.4 below.

Table II.4  
**Staff and non-staff personnel data from 2019 to 2021**

Year	Posts		Non-staff personnel		Total personnel (posts occupied and non-staff personnel)
	Approved	Occupied	Number hired	As percentage of total personnel	
2019	437	298	1 740	85	2 038
2020	449	299	1 693	85	1 992
2021	406	308	1 689	85	1 997

Source: Data provided by UN-Habitat.

74. The Board further reviewed the actual payments to non-staff personnel from 2019 to 2021 and noted that the total payments to non-staff personnel in 2021 were \$30.86 million. This represents an 11 per cent and 9 per cent increase, respectively, compared with 2020 and 2019. Table II.5 provides more details.

Table II.5  
**Actual payments to non-staff personnel from 2019 to 2021**

(Millions of United States dollars)

<i>Service provider</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>
United Nations consultants/ individual contractors	11.98	11.38	11.35
UNOPS	6.63	5.89	6.53
UNDP	9.77	10.45	12.98
<b>Total</b>	<b>28.38</b>	<b>27.72</b>	<b>30.86</b>

*Source:* Data provided by UN-Habitat.

75. Regarding non-staff personnel hired through UNDP and UNOPS on behalf of UN-Habitat, the data was recorded in UNDP and UNOPS systems. UN-Habitat was not authorized to have access to those systems, and can only request relevant data from these two organizations. Daily management of non-staff personnel hired through UNDP and UNOPS was carried out by the field offices and their supervisors.

76. The Board was informed that UN-Habitat non-staff personnel hiring was project-motivated and decentralized. It was difficult for UN-Habitat to make advanced and accurate plans of non-staff personnel for each year. The headquarters human resources unit could only obtain non-staff personnel hiring data on an ex post facto basis.

77. The Board is concerned that, considering that non-staff personnel comprise approximately 85 per cent of the UN-Habitat workforce, clear non-staff personnel planning is vitally important to UN-Habitat human resources management and optimization and will also benefit the internal control over non-staff personnel acquisition, hiring and management.

**78. The Board recommends that UN-Habitat draft an annual plan for non-staff personnel engagement, including a demand analysis and hiring plan to ensure a better control over non-staff personnel.**

79. UN-Habitat accepted the recommendation.

*(b) Exceeding maximum hiring periods and inaccurate contract records for consultants/  
individual contractors hired through the United Nations Office at Nairobi  
and UN-Habitat*

80. The Board reviewed the Umoja data of 871 consultants/individual contractors with contracts in 2021 and noted that the services of 31 consultants had exceeded the maximum of 24 months in a 36-month period through repeated renewal of their contracts, and the services of four individual contractors exceeded the maximum of 9 work-months in a period of 12 consecutive months.

81. Management replied that a tool was being developed to mitigate the risk of services extending beyond established limits and would soon be rolled out for testing by the Non-Staff Capacities Unit at the United Nations Office at Nairobi.

82. The Board is of the view that exceeding maximum hiring periods for consultants/individual contractors is not in line with the purpose of utilizing temporary assistance to respond quickly, flexibly and effectively to organizational priorities and that this practice reflects insufficient supervision and communication at UN-Habitat in the consultants/individual contractors hiring process.

83. **The Board recommends that UN-Habitat, in coordination with the United Nations Office at Nairobi, ensure that contracts with consultants and individual contractors do not exceed the maximum hiring periods established in [ST/AI/2013/4](#).**

84. UN-Habitat accepted the recommendation.

(c) *Lack of timely and comprehensive output evaluation of consultants/individual contractors*

85. Section 5.29 of [ST/AI/2013/4](#) states that “a formal output evaluation shall be conducted at the time of completion of assignment on a designated form and recorded in the rosters maintained by the respective department, office or mission for consideration for future contracts”.

86. Section 5.30 of [ST/AI/2013/4](#) states that, “in cases of contract periods longer than six months, interim evaluations should be undertaken by the direct supervisor”.

87. Section 5.31 of [ST/AI/2013/4](#) states that “the output evaluation shall measure the achievement of goals and the quality and timeliness of work, as stipulated in the terms of reference”.

88. The Board sampled 19 consultants/individual contractors hired by the United Nations Office at Nairobi for 101 contracts and whose service periods were longer than six months within the period from 2019 to 2021.

89. The Board reviewed the evaluation forms provided by UN-Habitat, and noticed that, for 24 contracts for 11 consultants/individual contractors, neither the interim evaluation forms nor the final evaluation forms had been submitted as at 23 April 2022. There was no evidence to prove that the requested evaluations had been conducted in accordance with the administrative instruction.

90. Moreover, 8 of the 11 consultants/individual contractors were subsequently awarded new contracts with UNDP, and 2 were subsequently awarded new contracts with UNOPS without evaluations.

91. The Board further reviewed the evaluation forms for the remaining 77 contracts and identified some deficiencies in evaluation forms for 10 contracts, such as evaluation dates that were earlier than contract signing dates, no dates, no signature from the head of department or the consultants/individual contractors, and no detailed assessment of the quality of the work and results achieved.

92. The Board is of the view that the output evaluation is a necessary procedure for measuring the quality of work provided by consultants/individual contractors and plays as an important basis for payments. Lack of timely and comprehensive evaluation reflects inadequate internal control over the management and monitoring of consultants/individual contractors, which is not conducive to consultants/individual contractors’ outputs quality control and provides insufficient guidance for future engagement or the extension or renewal of the consultants/individual contractors’ contracts.

93. **The Board recommends that UN-Habitat fulfil its duties with respect to the management of consultants/individual contractors to ensure that comprehensive evaluations of consultants/individual contractors’ performance are conducted in a timely manner and to enhance the documentation of relevant evaluation records.**

94. UN-Habitat accepted the recommendation.

(d) *Lack of policy for management of non-staff personnel hired through UNDP and UNOPS*

95. The Board reviewed the data pertaining to UN-Habitat non-staff personnel within the period from 2019 to 2021 and noted that non-staff personnel hired through UNDP and UNOPS on behalf of UN-Habitat comprised approximately 50 per cent of UN-Habitat non-staff personnel. Table II.6 provides more details.

Table II.6  
**Non-staff personnel from 2019 to 2021**

Service provider	2019		2020		2021	
	Numbers hired	Percentage	Numbers hired	Percentage	Numbers hired	Percentage
United Nations consultants/individual contractors	868	50	901	53	871	51
UNOPS	532	31	342	20	283	17
UNDP	340	19	450	27	535	32
<b>Total</b>	<b>1 740</b>		<b>1 693</b>		<b>1 689</b>	

Source: Data provided by UN-Habitat.

96. The Board noted that, as at 31 December 2021, the contracts of 95 non-staff personnel hired by UNDP and 168 non-staff personnel hired by UNOPS exceeded the maximum of 24 months in a 36-month period through repeated amendments to their contracts. Such contracts accounted for 18 per cent and 26 per cent of non-staff personnel hired through UNDP and UNOPS, respectively.

97. The Board sampled the salary data of 184 non-staff personnel hired through UNOPS and noted they all received life or health insurance, which ranged in cost from \$6.56 to \$9,776.43.

98. The Board further sampled 18 UNOPS contracts signed in 2021, and only four contracts were provided as at 23 April 2022. The Board noted that four non-staff personnel were entitled to paid sick leave without a reduction to their fee or annual leave. Two of them were also entitled to maternity/paternity leave.

99. Management replied that there was a policy vacuum due to the ambiguous management and monitoring mechanism for non-staff personnel hired through UNDP and UNOPS.

100. The Board is of the view that the administrative instruction provides general and basic guidance for managing non-staff personnel, which should be followed by UN-Habitat. UNDP and UNOPS hiring services are designed to provide support in the best interest of United Nations and should not be used as shortcuts to avoid necessary procedures or limits. Considering that non-staff personnel comprise an important part of the UN-Habitat workforce, it is the responsibility of UN-Habitat to improve internal control over non-staff personnel hired through UNDP and UNOPS to ensure that non-staff personnel contracted with different agencies are managed in compliance with the spirit of the Secretariat's established principles.

101. The Board is also of the view that non-staff personnel hired through UNOPS are entitled to extra insurance and paid leave compared with non-staff personnel hired through the United Nations Office at Nairobi or by UN-Habitat, which increases the cost of contracting non-staff personnel. Moreover, the unfairness of policies applying to different contract terms may lead to potential legal risks.

102. **The Board recommends that UN-Habitat, in consultation with the relevant department at United Nations Headquarters, further clarify the contract limits and scope of entitlements and set up a management mechanism for non-staff personnel hired through UNDP and UNOPS.**

103. UN-Habitat accepted the recommendation.

(e) *Bypassing the service period limit by converting contracts between human resources service providers*

104. The Board noted that 63 non-staff personnel signed contracts with the United Nations Office at Nairobi and UNDP successively in 2021 and, among them, 16 non-staff personnel converted their contracts from the United Nations Office at Nairobi to UNDP to bypass the service period limits, which resulted in service periods exceeding the limits set in the administrative instruction.

105. The Board further noted that 42 non-staff personnel had contracts with both the United Nations Office at Nairobi and UNOPS within the period from 1 January 2019 to 31 December 2021. A total of 14 of them exceeded the limit of 24 months in a 36-month period by converting contracts between the United Nations Office at Nairobi and UNOPS.

106. The Board compared the service rates of UNDP, UNOPS and the United Nations Office at Nairobi and noted that the service price of UNDP and UNOPS for non-staff personnel recruitment was higher than that for the United Nations Office at Nairobi. For example, UNDP had 21 different rates for consultant recruitment services across the world, with the lowest price being \$187.97 per contract, while the United Nations Office at Nairobi charge for consultant recruitment was \$177.17 per contract. When it came to UNOPS, the recruitment fees were even higher: 8 per cent in total applied to the individual budget in the agreement for personnel selected by UN-Habitat, or \$1,150 to \$1,450 for personnel selected by UNOPS.

107. Management stated that UN-Habitat was not authorized to have access to UNDP or UNOPS systems and might not be able to cross-check the records.

108. The Board is of the view that converting contracts from the United Nations Office at Nairobi to UNDP or UNOPS to bypass the limits on service periods increases the average cost of contracts and is not in line with the purpose of utilizing temporary assistance in order to respond quickly, flexibly and effectively to organizational priorities, as stipulated in the administrative instruction. UN-Habitat is obliged to maintain effective control over non-staff personnel employment.

109. **The Board recommends that UN-Habitat establish a mechanism that gathers and cross-checks the data and hiring records of non-staff personnel, in compliance with further clarified Secretariat requirements, giving due consideration to the principle of obtaining the best value for the money.**

110. UN-Habitat accepted the recommendation.

## 5. Project management

*Insufficient use of the integrated planning, management and reporting solution and fragmented project data adversely affect project monitoring and management*

111. The policy guide on operationalizing the Umoja integrated planning, management and reporting solution states that the solution is a holistic, end-to-end project management tool, spanning multiple Umoja modules. It is used to manage the life cycle of United Nations programmes and projects from the beginning to end (planning to closure and reporting).

112. The Board noted that UN-Habitat had adopted the integrated planning, management and reporting solution as its main project information management system to manage the life cycle of its projects and programmes since 1 April 2021.

113. The Board reviewed the integrated planning, management and reporting system and noted that it was insufficiently used. As at 26 April 2022, there were 287 ongoing projects recorded in the system, 226 of which were approved, 58 of which were under “draft” status, and three of which were under “submitted” status. Among 226 approved projects, 147 projects had only a project title and estimated start/end dates, but no project budget data or project-related supporting attachments, and project data for the remaining 79 projects had only limited supporting documentation.

114. Management explained that 147 projects were all ongoing projects started before 1 April 2021 (“converted” projects) and had been converted into the integrated planning, management and reporting solution from the Umoja enterprise core component module.

115. The Board further sampled 30 “converted” projects, with a total budget of \$144,651,781, and noted that 20 projects (67 per cent) had an estimated end date later than 1 January 2024, with a total project budget of \$120,480,528, accounting for 83 per cent of the total sampled project budgets. Of the above-mentioned 20 projects, 16 (53 per cent of the total sampled projects) had an estimated end date later than 30 May 2025, with a total project budget of \$77,371,656, accounting for 53 per cent of the total sampled project budgets.

116. The above-mentioned finding indicated that long-term “converted” projects accounted for a large proportion of all “converted” projects, either from the quantity perspective or from the financial perspective. Fragmented data in the integrated planning, management and reporting solution would have an impact on the management and monitoring of projects, especially the “converted” projects.

117. The Board noted that the life cycle project management data was scattered in the Project Accrual and Accountability System (the UN-Habitat project system used before 1 January 2018), the integrated planning, management and reporting solution and even Teams SharePoint folders. Project monitoring was highly decentralized and scattered, and there was no systematic life cycle project management and monitoring at the UN-Habitat headquarters level. The application of the new system and the quality of the data relied heavily on project managers’ contributions and efforts, since they were the ones responsible for project implementation, monitoring, data input and document uploading.

118. The Board is of the view that management may not be able to effectively monitor the overall project progress owing to incomplete project data in the integrated planning, management and reporting solution, and the baseline may not be properly set for effective project monitoring and reporting.

119. As project implementation is one of the most important duties of UN-Habitat as a programme and a focal point for Sustainable Development Goal 11, its insufficient use of the integrated planning, management and reporting solution and fragmented project data impedes comprehensive management and monitoring of the projects and may have an adverse impact its programme work delivery and contributions to the implementation and monitoring of the Sustainable Development Goals.

**120. The Board recommends that UN-Habitat complete the information for “converted” projects and update project information in the integrated planning, management and reporting solution appropriately and in a timely manner.**

**121. The Board also recommends that UN-Habitat monitor the completeness and quality of the integrated planning, management and reporting solution project**

**data at the entity level and include the monitoring and updating of project progress in the solution in the performance evaluation of project managers.**

122. UN-Habitat accepted the recommendations.

*Lack of monitoring of the implementation of deliverables at the project level*

123. In paragraph 206 of its strategic plan 2020-2023, UN-Habitat stated that “monitoring delivery of the programme of work in terms of implementation of deliverables at the project level will be undertaken continuously and reported upon on a quarterly basis through both the Umoja Extension 2 module and the UN-Habitat internal performance measurement system”.<sup>2</sup>

124. The Board reviewed the Performance Monitor Display module, which is part of the Umoja strategic management application and went live on 31 January 2020. The new module was a key component of the Umoja Extension 2 to support the Secretary-General’s vision of empowering managers and staff while increasing transparency and providing greater effectiveness and strengthened accountability, thereby improving on the delivery of UN-Habitat mandates.

125. The Board noted that the UN-Habitat programme of work for 2021 consisted of 94 subcategories of deliverables. In the strategic management application module, all of these subcategories were linked to the four subprogrammes but not to individual projects. It was therefore difficult for management to identify and monitor the achievement of results at the project level.

126. The Board also noted that projects were linked to the related subprogramme(s) in the integrated planning, management and reporting solution. However, the monitoring data in the solution was inadequate.

127. The Board sampled 44 projects and noted that there were no supporting documents for 22 projects, which might indicate that the deliverables of these projects were not monitored.

128. The Board is of the view that monitoring the implementation of deliverables at the project level is important to ensuring the implementation of the strategic plan for 2020–2023.

**129. The Board recommends that UN-Habitat strengthen monitoring on the deliverables at the project level in the integrated planning, management and reporting solution and keep clear and comprehensive documentation of monitoring records.**

130. UN-Habitat accepted the recommendation.

*Insufficient project risk management*

131. Paragraph 16 of the UN-Habitat enterprise risk management implementation guidelines states that the risk treatment and response plan template shall outline for each risk identified the main mitigating controls already in place. In the case of projects, the risk treatment and response plan template will continue to be embedded in individual project documents in Project Accrual and Accountability System and strengthened accordingly. The risk register serves as the consolidated inventory list of all risks and risk information maintained by the organization.

132. The Board noted that 26 out of 30 sampled projects requested at least one extension during its implementation. Of 26 extended projects, 8 had been extended at

<sup>2</sup> Ibid., para. 206.

least three times and 1 was extended seven times. Moreover, the average length of project extension was 15 months, with the longest extension being 37 months.

133. The Board further noted that 9 out of the 26 extended projects did not conduct a risk analysis or prepare risk treatments or response plans. Therefore, it was unable to submit the risk register required by the UN-Habitat enterprise risk management implementation guidelines.

134. The Board is of the view that insufficient risk management could increase the total cost of project implementation and have a negative impact on the delivery of output, which may adversely affect UN-Habitat's reputation.

**135. The Board recommends that UN-Habitat, in line with the enterprise risk management implementation guidelines, enhance risk management by completing the risk treatment and response plan template and the project risk register, and upload these project documents to the integrated planning, management and reporting solution to regularly monitor project risks.**

136. UN-Habitat accepted the recommendation.

*Incomplete and non-transparent evaluation plans*

137. Section 3 of the UN-Habitat evaluation manual (April 2018) states that the projects by branches and regional offices that are to be evaluated are included in the UN-Habitat evaluation plan. The checklist for preparation of the UN-Habitat evaluation plan, contained in table 1 of the manual, contains seven components: evaluation title and type; accountabilities and responsibilities; UN-Habitat programme relevance for branch or regional office; resources and budget; scope; work schedule; and status.

138. The manual also states that the UN-Habitat evaluation plan is shared by the Evaluation Unit via the intranet (Habnet) to ensure transparency and accountability regarding UN-Habitat evaluations.

139. The Board examined the evaluation plans of 2020 and 2021 provided by management and noted that the budget amount was not included in the evaluation plans as required by the manual. In addition, the evaluation plans had not been updated on Habnet since 2018.

140. The Board is of the view that the lack of necessary components in the evaluation plans and the delay in updating evaluation plans on the intranet will affect the transparency and accountability.

**141. The Board recommends that UN-Habitat prepare complete evaluation plans and share them on its intranet in a timely manner to enhance transparency and accountability.**

142. UN-Habitat accepted the recommendation.

## **6. Implementing partner management**

*Donors' intervention in implementing partner selections imposes extra risks on fairness, integrity and transparency*

143. Regulation 5.12 of the Financial Regulations and Rules of the United Nations states that "The following general principles shall be given due consideration when exercising the procurement functions of the United Nations: (a) best value for money; (b) fairness, integrity and transparency; (c) effective international competition; (d) the interest of the United Nations".



144. Paragraph 3, step 3, of the standard operating procedure for the selection of implementing partners states that the Legal Office will review all submissions involving amounts higher than \$200,000 and not exceeding \$500,000, and the headquarter Implementing Partner Screening Committee will review all proposals involving sums higher than \$500,000.

145. The Board noted that the Secretariat statement on internal control identified monitoring, evaluation and oversight of implementing partners as one of the six internal control issues arising during 2020. In the tenth progress report on accountability, on strengthening accountability in the United Nations Secretariat (A/75/686), the Secretary General also identified implementing partners as one of the 16 critical areas of strategic and operational risks that emerged from the exercise.

146. The Board noted that UN-Habitat allowed donors to influence the implementing partners selection, as UN-Habitat stated, in its policy for implementing partners, that the requirement for competitive selection may be waived when the implementing partner was defined in a contribution agreement with the donor. There were no further requirements to justify the waiver from the programmatic and financial points of view.

147. The Board sampled 40 agreements of cooperation signed by UN-Habitat with implementing partners with a total value of \$11,033,043 and noted that, in 16 cases, the implementing partner selection process was influenced by donors and the agreements of cooperation were signed without comparative selection or awarded to implementing partner with the second highest score. The value of 16 agreements of cooperation was \$4,186,766, accounting for 38 per cent of the total value.

148. The Board noted that the competitive implementing partner selection for five agreements of cooperation was waived, with a total value of \$620,000, by the Regional Office for Arab States. The main reason for issuing a waiver was “donor requirement”. The five agreements of cooperation were all from the same project and awarded to the same implementing partner. Three of the five agreements of cooperation were awarded in 2021, with a total amount of \$500,000, exceeding the threshold for Legal Office review.

149. In another three cases implemented by the Regional Office for Arab States, agreements of cooperation were awarded to the implementing partners with the second-highest marks instead of implementing partners with the highest score, following instructions from the donor. Two of the three cases were from one project and awarded to the same implementing partner, with agreement values of \$150,000 and \$250,000 respectively. The agreement value of the second agreement of cooperation was later amended from \$250,000 to \$443,364 (the signing date of the amendment was blank). Therefore, the total value of these two agreements of cooperation exceeded the threshold for review by the Implementing Partner Screening Committee.

150. The Board noted that in the above-mentioned cases implemented by the Regional Office for Arab States, as the agreements of cooperation were split into agreements with lower values not exceeding \$200,000, the reviews of the implementing partner selection proposals by the UN-Habitat headquarters Implementing Partner Screening Committee or Legal Office were simplified and bypassed.

151. The Board is of the view that implementing partner management is one of the areas identified with high risks and is always the focus of efforts to strengthen accountability emphasized by the Secretary-General. Awarding agreements of cooperation should be based on implementing partners’ capabilities rather than simply on donor requests without proper justification, which may put the reputation of UN-Habitat at risk.

152. The Board is also concerned that splitting contracts to bypass oversight from the Legal Office and the Implementing Partner Screening Committee reflects a weakness in implementing partner contract management, which may increase the operational and fraud risks, especially for cases in which the implementing partner was designated or recommended by the donor.

**153. The Board recommends that UN-Habitat review its implementing partner policy and standard operating procedures for implementing partner selection to ensure that implementing partner selection is compliant with the general principles of fairness, integrity, transparency and effective competitiveness set by the Financial Regulations and Rules of the United Nations; and any necessary waiver should provide, among others, programmatic and financial justifications and detail the exceptional circumstances.**

**154. The Board recommends that UN-Habitat take necessary actions, including but not limited to reviewing its implementing partner policy and standard operating procedures for implementing partner selection to avoid splitting contracts.**

155. UN-Habitat accepted the recommendations.

*Lack of implementing partner database*

156. In its implementing partner policy, UN-Habitat states that a database of properly screened implementing partners with previously successful agreements of cooperation in a variety of geographical and technical areas will be maintained in the Project Accrual and Accountability System. This database is meant to assist in expediting the selection of implementing partners.

157. The standard operating procedures for implementing partner selection stipulates that in order to ensure maximum competition and value-for-money, the minimum number of three prospective implementing partners is requested for proposals involving amounts more than \$5,000 and not exceeding \$500,000, while for proposals involving amounts more than \$500,000, the minimum number of prospective implementing partners is five.

158. The Board logged into the Implementing Partner Management Module, the only online implementing partner management module for UN-Habitat, and noted that the database designed to assist in expediting the implementing partner selection was not established.

159. The Board was informed that the roster of implementing partners was maintained by each region or division and selecting prospective implementing partners relied on project managers' individual experience rather than a well-designed implementing partner database for UN-Habitat. Each region would maintain a relationship with a specific group of implementing partners.

160. The Board reviewed 30 copies of the implementing partner capacity assessment tool and noted that 19 such tools had only one prospective implementing partner responding to each call for proposal. The implementing partner selection did not meet the minimum number of prospective implementing partners required in the standard operating procedures for implementing partner selection.

161. The Board is of the view that it is the responsibility of UN-Habitat to enlarge the selection base of prospective implementing partners and ensure maximum competition in the implementing partner selection process. Lack of a well-developed and well-maintained implementing partner database for the entire UN-Habitat restricts the possibility for project managers to look for more suitable prospective implementing partners.

162. **The Board recommends that UN-Habitat build up and maintain a database of properly screened implementing partners for all of UN-Habitat to facilitate the implementing partner selection process and link it to the Umoja Implementing Partner Management Module to strengthen implementing partner data-sharing.**

163. UN-Habitat accepted the recommendation.

*Lack of guidance on prospective implementing partner selection and threshold in the implementing partner capacity assessment tool for accepting recommended implementing partners*

164. Paragraph 3, step 2 of the standard operating procedures for implementing partner selection states the submitting officer should evaluate and rank all proposals received on a comparative basis against the predetermined criteria in the implementing partner capacity assessment tool.

165. The Board sampled 41 agreements of cooperation and noted that 11 such agreements were awarded to implementing partners without using the implementing partner capacity assessment tool.

166. The Board reviewed 30 sets of implementing partner selection documents, including checklists, the implementing partner capacity assessment tool and scoring tables for the tool, and noted that the prospective implementing partners' scores varied from 0 to 18 (the maximum mark was 18). A total of 27 awarded or recommended implementing partners were scored from 12 to 18. For the remaining three implementing partners, the implementing partner capacity assessment tool and scoring tables were blank, with only implementing partners' names.

167. The Board further noted that 19 of the 30 cases had only one prospective implementing partner joining the implementing partner capacity assessment tool scoring session and then being awarded agreements of cooperation, including the above-mentioned three implementing partners with blank scoring tables.

168. The Board noticed that there was no specific requirement as to how to select suitable prospective implementing partners. In addition, there was no clear requirement in the standard operating procedures setting the threshold score for the signatory and Implementing Partner Screening Committee to accept the panel's recommendations.

169. The Board is of the view that the implementing partner capacity assessment tool is an important tool for selecting the most suitable implementing partners for the projects and identifying implementing partners without adequate capacities, and the thresholds for selecting either prospective implementing partners or recommended implementing partners should be clearly stated. Unqualified implementing partners taking part in the panel would reduce competition, which is not compliant with the Financial Regulations and Rules of the United Nations. Selected implementing partners with low assessment scores also pose risks to project implementation.

170. **The Board recommends that UN-Habitat improve its standard operating procedures for implementing partner selection by setting up guidance for selecting prospective implementing partners and the threshold for accepting recommended implementing partners.**

171. UN-Habitat accepted the recommendation.

*Inadequate monitoring, evaluation and reporting of implementing partners*

172. The UN-Habitat implementing partner policy requests project managers to capture the documentation of financial and narrative reports and evaluation reports in

a timely and comprehensive manner. It also states that the evaluation of performance is important to ascertain whether UN-Habitat has received good value for money for work done. The evaluation of performance is mandatory upon the completion of work performed by implementing entities and should be conducted in a timely manner, upon completion of the work annually. These must be managed within the time frame outlined for delivery in the agreement of cooperation.

173. The Board sampled 29 closed agreements of cooperation and noted that, as at 25 April 2022, 15 agreements of cooperation (52 per cent) did not submit any of the financial, narrative or performance evaluation reports. 13 agreements of cooperation (45 per cent) had performance evaluations submitted, while seven of them did not clearly state whether the implementing partner's performance was satisfactory.

174. The Board is of the view that monitoring, evaluation and oversight of implementing partners is an important component of the project management cycle, which provides a basis for reporting UN-Habitat performance to Member States, donors, partners and other stakeholders. All the relevant forms and reports should be well documented and uploaded to the Implementing Partner Management Module to facilitate the selection, monitoring and evaluation process.

**175. The Board recommends that UN-Habitat monitor the timeliness, completeness and quality of implementing partner engagement, including performance evaluation, monitoring and reporting, and include this function in the performance evaluation of project managers.**

176. UN-Habitat accepted the recommendation.

## 7. Strategy management

### *Unachieved goal for diversifying the donor base*

177. The primary goal of the UN-Habitat resource mobilization strategy (HSP/EB.2022/2/Add.2) is "to ensure sufficient predictable, flexible, long-term funding to implement the approved activities under the strategic plan".

178. The strategy puts forward major actions to achieve six major objectives, one of which is to diversify the UN-Habitat donor base, and the main strategic actions related to this objective is to increase engagement with the corporate sector to secure greater investment in urban programmes and with foundations and high-net-worth individuals.

179. The Board noted that UN-Habitat did not set annual income targets by donor types, although income targets by donor types for the period 2020–2023 had been set out in the UN-Habitat resource mobilization strategy.

180. The Board further noted that the accomplishments against the objective of diversifying the UN-Habitat donor base were not satisfactory. For 2021, contributions from the private sector were \$0.8 million, only 21 per cent of private sector contributions received in 2020 and 0.4 per cent of total income in 2021. Moreover, the private sector's contribution to core resources was zero in the previous two years. Table II.7 provides more details.

Table II.7  
**Contributions from the private sector by income streams**

(Millions of United States dollars)

Categories	Actual income raised		Actual income contributed by private sector	
	2020	2021	2020	2021
Regular budget	15.4	15.9	0	0
Foundation non-earmarked	4.9	2.9	0	0
Foundation earmarked	43.9	37.4	1.19	0.6
Technical cooperation	107.7	147.2	2.66	0.2
<b>Total</b>	<b>171.9</b>	<b>203.4</b>	<b>3.85</b>	<b>0.8</b>

Source: Data provided by UN-Habitat.

181. Management replied that fundraising targets were set each year for the different donor types in the annual work programme and budget, while the Board is of the view that the annual work programme and budget were focused more on resource requirements, including funds that had already been raised, and could not reflect the real annual resource mobilization targets for different donor types as set in the strategy.

182. The Board acknowledges that efforts have been made by UN-Habitat to fulfil the objective of diversifying the donor base. For instance, the private sector engagement strategy was launched in January 2022, and the “donate” feature on the UN-Habitat website has been implemented and is fully functional for the purposes of individual contributions and crowdsourcing.

183. The Board is concerned that the lack of a clear annual funding plan by donor types is neither in line with the resource mobilization strategy nor conducive to the development of targeted action plan to diversify the donor base, which in turn will affect the realization of UN-Habitat’s strategic objectives.

**184. The Board recommends that UN-Habitat set up a clear resource mobilization target by donor type in order to make a feasible action plan accordingly and in turn expand UN-Habitat funding sources in compliance with United Nations policies.**

185. UN-Habitat accepted the recommendation.

*Delayed completion of the performance measurement plan and internal performance measurement system*

186. Paragraph 208 of the UN-Habitat strategic plan 2020–2023 states that a performance measurement plan will be developed to facilitate systematic tracking of the implementation and performance of the Strategic Plan. It will include development of performance indicator data sheets for strategic results and outcome level. Paragraph 206 states that monitoring delivery of the programme of work in terms of implementation of deliverables at the project level will be undertaken continuously and reported upon on a quarterly basis through both the Umoja Extension 2 module and the UN-Habitat internal performance measurement system.

187. The Board noted that the performance measurement plan was designed to provide a specific methodology for measuring each indicator of the results framework to ensure coherent reporting on progress in the implementation of the strategic plan.

188. The Board also noted that the completion of the performance measurement plan was the prerequisite of developing the UN-Habitat internal performance measurement system.

189. However, as at 31 December 2021, the performance measurement plan had not been finalized, resulting in a delay in completing the development of the UN-Habitat internal performance measurement system.

190. Management explained that the completion of the performance measurement plan had been delayed for a number of reasons, including staff turnover in the strategic planning branch.

191. The Board is of the view that the completion of the performance measurement plan and the internal performance measurement system plays a crucial role in ensuring the implementation of the UN-Habitat strategic plan 2020–2023.

**192. The Board recommends that UN-Habitat complete the performance measurement plan and the internal performance measurement system in a timely manner to ensure implementation of the strategic plan 2020–2023.**

193. UN-Habitat accepted the recommendation.

*Inadequate monitoring on programme of work implementation*

194. According to the report of the Secretary-General (A/54/456), there are five key elements in the results-based budgeting logical framework: objectives; expected accomplishments; performance indicators; outputs (deliverables); and external factors. The outputs (deliverables) of the Organization are the products or the services that it provides.

195. Rule 105.4 of Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation (ST/SGB/2018/3) states that “all final outputs included in the proposed programme budget shall clearly contribute to the achievement of a subprogramme objective identified in the strategic framework”.

196. The Board reviewed the programme of work planned for 2021, its implementation status reported in the budget document for 2023 and the monitoring data of the programme work for 2021 in the strategic management application suite generated on 18 April 2022. The Board noted some deficiencies in programme of work monitoring as follows:

(a) Inadequate monitoring and disclosure of results. Three of the eight results planned in 2021 were neither monitored nor reported in the budget document for 2023;

(b) Inadequate link between the supporting documents and the deliverables. For 14 of 94 deliverables, the Board was unable to identify which documents should be those that counted as the outputs from website links provided by UN-Habitat;

(c) Delays in data updates. One performance result was incomplete, with an implementation status of 12 against the target 32, and one subcategory was incomplete, with an implementation status of 9 against the targeted 21.

197. The Board is of view that monitoring is one of the critical pillars for results-based management and informed planning, learning, management decision-making and accountability, evaluation, and performance improvement. It also lays the foundation for results-based budgeting in terms of allocating resources and evaluating performances. The inaccurate programme of work implementation status data and delayed updates on monitoring evidence may have negative impacts on accurately

monitoring the implementation status of its subprogrammes and even four-year strategy.

198. **The Board recommends that UN-Habitat ensure the expected performance measures and deliverables are clearly indicated, accurately recorded and properly justified, and regularly review the delivery of performance of work.**

199. UN-Habitat accepted the recommendation.

## 8. Information and communications technology

### *Incomplete and inaccurate information disclosure in Open UN-Habitat*

200. In his report on information and communications technology in the United Nations, the Secretary-General states that “Among the primary objectives of the strategy are improving transparency and strengthening accountability” (A/69/517, para. 46).

201. Section 4.3.2 of the UN-Habitat information and communications technology strategy (2017–2021) states that UN-Habitat in turn has been one of lead agencies in adopting International Aid Transparency Initiative standards and publishing its project information using [open.unhabitat.org](https://open.unhabitat.org).

202. The Board noted that Open UN-Habitat,<sup>3</sup> as a public advocacy website, provided project and donor information to the external community.

203. The Board sampled 20 projects from the integrated planning, management and reporting solution in Umoja and found that none of these projects were listed on Open UN-Habitat.

204. The Board reviewed the website and noted that the income distribution had not been updated since 2019. Total income for 2020 was inaccurately disclosed as \$44.3 million instead of \$193.7 million.

205. The Board is of the view that Open UN-Habitat is a portal established in accordance with United Nations transparency and accountability requirements. Lack of maintenance will diminish UN-Habitat efforts to improve its transparency and accountability. The objective of the UN-Habitat information and communications technology strategy (2017–2021) of ensuring the accessibility and effectiveness of supported organizational digital platforms and applications has not yet been accomplished.

206. **The Board recommends that UN-Habitat maintain its website, including by updating information, and monitor the effectiveness of the website on a regular basis, to improve transparency and accountability and further facilitate its business delivery.**

207. UN-Habitat accepted the recommendation.

### *Information and communications technology strategic plan not updated*

208. Paragraph 178 of the UN-Habitat strategic plan for 2020–2023 states that the design and adaptation of UN-Habitat systems and processes in line with the strategic plan will involve more than rearranging workflows and general conditions. It requires a realignment of information systems so that they help cross-functional processes to work smoothly, rather than simply supporting projects or units.

209. The Board noted that UN-Habitat had adopted the information and communications strategy (2017–2021) without further update in accordance with

<sup>3</sup> <https://open.unhabitat.org/>.

UN-Habitat strategic plan for 2020–2023. For example, the current information and communications technology strategy indicated that the Project Accrual and Accountability System was the primary system to support UN-Habitat knowledge management, information workflows and business processes in the current strategy. However, the integrated planning, management and reporting solution was deployed to all Secretariat agencies, including UN-Habitat, and went partially live in December 2020 and fully live in April 2021, with the purpose of supporting the Secretary-General's commitment and efforts in implementing results-based management culture.

210. Management explained that several factors might result in a delay in completing the new information and communications technology strategic plan, including the implementation of digital data transformation which involves time, effort and human resources.

211. The Board is of the view that the information and communications technology strategy is important for the achievement of the overall strategic plan, strengthening the decision-making processes of management and further developing information and knowledge platforms.

**212. The Board recommends that UN-Habitat update its information and communications technology strategy according to the strategic plan for 2020–2023.**

213. UN-Habitat accepted the recommendation.

## **9. Property, plant and equipment management**

### *Assigning laptops/computers to non-staff personnel*

214. Section 9 of the UN-Habitat information and communications technology operating guidelines (version 2.0, released on 24 August 2021) states that a workstation is required for each staff and intern.

215. The Board interviewed the management and confirmed that the word “staff” used in the operating guidelines refers to staff members only and that the word “workstation” refers to laptops and personal computers.

216. The Board noted that, as at 31 December 2021, UN-Habitat had 308 staff members and 51 local interns with 1,557 laptops/computers (this includes only those with a positive book value).

217. The Board analysed the workstation-employee ratio using the number of laptops/computers (1,557) that had not reached the end of their useful life by the end of 2021 and found that the ratio was 5.06, which means on average each staff member/intern could have had more than 5 laptops/computers distributed to them.

218. The Board noted that, despite the high workstation/employee ratio, there were 175 and 406 laptops/computers being procured in 2020 and 2021 respectively.

219. Management stated that the United Nations serialized equipment cannot officially be recorded as assigned to personnel who were not United Nations staff members on the Secretariat payroll. Most of UN-Habitat staff members in the regions and country offices were on UNDP and UNOPS contracts and could not be issued equipment. Thus, the practice was for the respective supervisors to sign for the equipment on their behalf.

220. The Board is of the view that it is necessary for UN-Habitat to further clarify the allocation rules, since there is a need to assign computers to non-staff personnel. Moreover, the high workstation/employee ratio is inconsistent with the principles of efficiency and effectiveness required by the Financial Regulations and Rules of the United Nations.



221. **The Board recommends that UN-Habitat further clarify the laptop/computer allocation rules and standards to optimize laptop/computer procurement and allocation and reduce related operational costs.**

222. UN-Habitat accepted the recommendation.

### **C. Disclosures by management**

223. UN-Habitat made the following disclosures relating to write-offs, ex gratia payments and cases of fraud and presumptive fraud.

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

224. UN-Habitat reported to the Board that, in accordance with financial rule 106.7, advance payments and property, plant and equipment totalling \$117,767 were written off in 2021.

#### **2. Ex gratia payments**

225. Management confirmed that UN-Habitat did not make any ex gratia payments in 2021.

#### **3. Cases of fraud and presumptive fraud**

226. 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, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

227. During the audit, the Board makes enquiries of management regarding its oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that management has identified or has been brought to its attention. The Board also enquires whether management has any knowledge of any actual, suspected or alleged fraud; this includes enquiries of the Office of Internal Oversight Services. The additional terms of reference governing external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in its report.

228. For 2021, UN-Habitat notified the Board of no cases of fraud or presumptive fraud.

## **D. Acknowledgement**

229. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director and staff members of the United Nations Human Settlements Programme.

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

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

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

21 July 2022

## Annex

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

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
1	2015	<a href="#">A/71/5/Add.9</a> , chap. II, para. 54	The Board recommends that UN-Habitat: (a) identify the risks that might affect project implementation in advance of the execution phase to minimize the negative effects of delaying the intended benefits for the societies involved; and (b) plan and manage the recruitment process with respect to experts in the field office to ensure that there is timely and adequate staffing for improved project performance.	A new project risk management guide has been put in place that provides guidelines on how to manage risks, including risks related to the recruitment process and to non-performance by implementing partners. The guide is expected to be approved by a committee on risk oversight and accountability.	As supporting documents are not provided, this recommendation is therefore considered to be still under implementation.		X		
2	2016	<a href="#">A/72/5/Add.9</a> , chap. II, para. 13	The Board recommends that UN-Habitat: (a) conduct enterprise resource management awareness training to enable the country offices staff to acquire the skills and knowledge necessary for effective implementation of enterprise risk management; and (b) prepare the risk register in accordance with the UN Habitat enterprise risk management guidelines and summarize all important risks and response strategies in order to mitigate risks in project implementation.	A new project risk management guide has been put in place which provides guidelines on how to manage risks, including risks related to the recruitment process and to non-performance by implementing partners. Preparation of the risk register will be given priority in the coming months.	After evaluation and considering management's response, this recommendation is considered to be 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
3	2016	<a href="#">A/72/5/Add.9</a> , chap. II, para. 23	The Board recommends that UN-Habitat: (a) formulate strategies to minimize consultancy costs in accordance with its strategic objectives for the period 2014–2019; and (b) include minimization of consultancy costs in the results framework for tracking and reporting periodically.	UN-Habitat adopted a new strategic plan for the period 2020–2023, which does not indicate that any reductions in consultancy costs is a current objective. UN-Habitat notes consultants are a valuable component of our workforce planning model and support short-term requirements during the financial austerity measures of UN-Habitat.	Based on the UN-Habitat strategic plan for 2020–2023, this recommendation is considered to be implemented.	X			
4	2016	<a href="#">A/72/5/Add.9</a> , chap. II, para. 74	The Board recommends that UN-Habitat strengthen monitoring of the implementation projects funded by conditional agreements in order to ensure that revenue is realized after fulfilling the conditions and to reduce the amount of liability in the financial statements.	UN-Habitat will monitor the conditional liabilities on a semi-annual basis with United Nations Office at Nairobi budget and finance service provider colleagues to strengthen the monitoring of the implementation projects funded by conditional agreements.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
5	2017	<a href="#">A/73/5/Add.9</a> , chap. II, para. 15	The Board recommends that UN-Habitat:(a) ensure capacity-building programmes are conducted for all staff who have resource mobilization responsibilities at the country and regional levels; and (b) develop policy guidelines and circulate them to the regional and country offices as required under the results framework for the donor relations and income strategy.	In December 2019, UN-Habitat conducted training on resource mobilization with all regional staff and headquarters staff. The policy guideline on donor visibility has already been finalized and circulated. UN-Habitat considers the recommendation implemented and requests its closure.	UN-Habitat provided supporting documents, such as the policy guideline on donor visibility. This recommendation is therefore considered to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
6	2017	<a href="#">A/73/5/Add.9</a> , chap. II, para. 19	The Board recommends that UN-Habitat ensure that substantive and financial aspects of project documents are reviewed and approved by the Project Advisory Group prior to the signing of funding agreements, as required by the UN-Habitat project-based management policy.	UN-Habitat is ensuring and will continue to ensure that substantive and financial aspects of project documents are reviewed and approved by the Project Review Committee (previously Project Advisory Group) prior to the signing of funding agreements, as required by the UN-Habitat project-based management policy, which is now replaced by the Project Review Committee guidelines. Guidance and requirements for exceptions will be developed and communicated to staff members.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
7	2017	<a href="#">A/73/5/Add.9</a> , chap. II, para. 22	The Board recommends that UN-Habitat ensure documentation is in place whenever there is movement of assets in order to reduce the risk of losing assets.	There is a system for asset management, and it is managed by United Nations Office at Nairobi. UN-Habitat considers the recommendation implemented and requests its closure.	UN-Habitat provided supporting documents, such as the minutes of the Local Property Survey Board meeting and the Property Management Manual. This recommendation is therefore considered to be implemented.	X			
8	2017	<a href="#">A/73/5/Add.9</a> , chap. II, para. 32	The Board recommends that UN-Habitat: (a) ensure that funds are released to implementing partners on time so that the planned activities can be completed within the scheduled period; and (b) establish a risk-based fast-track payment process for emergency and high-priority countries, as proposed by the country office in the Syrian Arab Republic.	As per the improvements noted above in the application of cash to the contribution agreements, the ability to enact the payment terms and conditions stipulated in the agreements of cooperation has been improved. In 2020, UN-Habitat was able to fast-track the coronavirus disease (COVID-19) and other humanitarian emergency response cases.	After evaluation and considering management's response, this recommendation is considered to be 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
9	2017	<a href="#">A/73/5/Add.9</a> , chap. II, para. 39	The Board recommends that UN-Habitat ensure that the country offices in Colombia and Brazil: (a) find safer outside locations to store their backups, which can be accessed by staff during disasters; and (b) develop disaster recovery and business continuity plans.	UN-Habitat has moved all critical data to the cloud, during the first quarter 2020, as part of the United Nations organizational strategy, with the support of the Information and Communication Technology Service of the United Nations Office at Nairobi. This proved to be a key factor in allowing operations to continue during the COVID-19 pandemic.	UN-Habitat provided the SharePoint links that provide storage for key data allowing operations to continue during the COVID-19 pandemic. This recommendation is therefore considered to be implemented.	X			
10	2017	<a href="#">A/73/5/Add.9</a> , chap. II, para. 44	The Board recommends that UN-Habitat establish management structures and administrative policies and procedures for the new hub arrangement that provide guidance on the day-to-day management of hub operations in the Regional Office for Latin America and the Caribbean.	UN-Habitat has taken actions to consolidate the project and programme management structure by having a P-4 Programme Management Officer in place in Panama City since May 2019. UN-Habitat considers this recommendation to be implemented and requests its closure.	UN-Habitat provided supporting documents, such as the minutes of the Local Property Survey Board meeting and the Property Management Manual. This recommendation is therefore considered to be implemented.	X			
11	2017	<a href="#">A/73/5/Add.9</a> , chap. II, para. 51	The Board recommends that the Regional Office for Latin America and the Caribbean develop an action plan to ensure that core activities are performed by staff members.	UN-Habitat took note of the audit recommendation and provided an organizational chart. All regional teams are now led by staff members who are responsible for core activities, with support from non-staff personnel as needed. UN-Habitat considers the recommendation implemented and requests its closure.	The Board reviewed the organizational chart of the Regional Office for Latin America and the Caribbean and noticed that the legal and human resources team under the operations support team is still led by non-staff, which is inconsistent with the requirement contained in paragraph 3.5 of <a href="#">ST/AI/2013/4</a> , 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
12	2017	<a href="#">A/73/5/Add.9</a> , chap. II, para. 55	The Board recommends that UN-Habitat comply with the administrative instruction on consultants and individual contractors (ST/AI/2013/4) by utilizing the roster in the selection of consultants and individual contractors to ensure that competent and experienced consultants and individual contractors are selected.	The Inspira consultancy module only allows the selection of consultants from a roster. UN-Habitat considers the recommendation implemented and requests its closure.	consultants and individual contractors of 19 December 2013. Thus, this recommendation is considered to be still under implementation. UN-Habitat provided supporting documents, such as consultant application roster pool registration and quick guidance for the consultant selection system. This recommendation is therefore considered to be implemented.	X			
13	2017	<a href="#">A/73/5/Add.9</a> , chap. II, para. 59	The Board recommends that UN-Habitat: (a) adhere to the results-based management policy on reporting by incorporating analyses of the logical frameworks into their progress reports; and (b) prepare annual workplans for their activities in line with the approved programme of work for the biennium.	With the recently deployed Secretariat-wide Umoja integrated planning, management and reporting solution system now in place and in use, all projects will report in line with an approved logical framework embedded in the system. The Project Review Committee monitors and reports on select approved projects (complex, high-risk and high-learning) under implementation and ensures the alignment of all projects with the programme of work. The Project Review Committee guidelines are provided. UN-Habitat considers this recommendation implemented.	UN-Habitat provided supporting documents such as the Project Review Committee guidelines. This recommendation is therefore considered to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
14	2018	<a href="#">A/74/5/Add.9</a> , chap. II, para. 21	The Board recommends that UN-Habitat conduct a complete analysis of the current status of the amounts delivered to implementing partners and received from conditional agreements, if applicable, request reimbursement of the resources provided to them and correct the accounting transaction records.	UN-Habitat will conduct a complete analysis of the register associated with grants, including the cases observed by the Board, to identify the current status of the amounts delivered to implementing partners and received from conditional agreements. A compliance review of the signed agreements will also be conducted and, where applicable, a request for reimbursement of the resources provided will be made and corrected accounting entries for the transactions will be processed.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
15	2018	<a href="#">A/74/5/Add.9</a> , chap. II, para. 22	The Board recommends that UN-Habitat evaluate the application of impairment provisions to advances accounts.	UN-Habitat is the process of completing a full review of implementing partner agreements of cooperation and will enact all applicable write-offs. This is scheduled to be completed by 30 June 2021. This recommendation remains under implementation.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
16	2018	<a href="#">A/74/5/Add.9</a> , chap. II, para. 23	The Board recommends that UN-Habitat enhance project supervision and internal control in the UN-Habitat policy for implementing partners to prevent grants under which no accounting transactions have been made for an extended period from remaining in force.	UN-Habitat will enhance project supervision and internal control in UN-Habitat policy for implementing partners to prevent grants under which no accounting transactions have been made for an extended period from remaining in force. UN-Habitat will introduce a reporting mechanism for regularly alerting project managers to inactive implementing partners.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		



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						Implemented	Under implementation	Not implemented	Overtaken by events
17	2018	<a href="#">A/74/5/Add.9</a> , chap. II, para. 42	The Board recommends that UN-Habitat establish a framework and methodology for full cost recovery in accordance with General Assembly resolution <a href="#">67/226</a> applicable in all units of the entity and inform its hubs and offices of its application.	UN-Habitat will reaffirm the aspects of General Assembly resolution <a href="#">67/226</a> to ensure all projects fully fund direct costs and the UN-Habitat core budget does not subsidize project activities.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
18	2018	<a href="#">A/74/5/Add.9</a> , chap. II, para. 53	The Board recommends that UN-Habitat include detailed documentation of each project in the project accrual and accountability system in order to support their execution and corresponding progress.	The integrated planning, management and reporting system that was rolled out in December 2021 is a holistic, end-to-end project management tool, spanning multiple Umoja modules. The system will facilitate enforcement of project monitoring and reporting. UN-Habitat considers the recommendation implemented and requests its closure.	The integrated planning, management and reporting solution has taken the place of the Project Accrual and Accountability System and was deployed by UN-Habitat to manage the life cycle of programmes and projects. This recommendation is therefore considered to have been overtaken by events.				X
19	2018	<a href="#">A/74/5/Add.9</a> , chap. II, para. 54	The Board recommends that UN-Habitat improve the controls related to updated information, established in paragraph 36 of the project-based management policy.	The project-based management policy has been replaced by the Project Review Committee guidelines, and improved controls have been put in place to govern project approval and management. Additional controls related to accountability have been provided by the integrated planning, management and reporting system. UN-Habitat considers the recommendation implemented and requests its closure.	The project-based management policy was updated by the "Programme and project review mechanism" section of the Project Review Committee guidelines, and there are no similar requirements in the new guidelines. Therefore, this recommendation is considered to have been overtaken by events.				X

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20	2018	<a href="#">A/74/5/Add.9</a> , chap. II, para. 62	The Board recommends that UN-Habitat incorporate in the project accrual and accountability system the midterm and/or end-of-project evaluations for all its projects.	In 2016, UN-Habitat initiated an online evaluation recommendation tracking system that was integrated with the Project Accrual and Accountability System. Also, in 2019, UN-Habitat launched a second version of the System that included an evaluation module. The module has improved the workflow for evaluation planning, implementation, reporting. The module allows users to upload, edit, list and filter planned and completed UN-Habitat evaluations, including the mid-term and final evaluations. UN-Habitat considers the recommendation implemented and requests its closure.	An evaluation module is included in the Project Accrual and Accountability System, and there are some evaluation reports in it, but UN-Habitat did not provide sufficient supporting documents that all the evaluations were included in the evaluation module. The Board recommends UN-Habitat incorporate evaluations in the integrated planning, management and reporting solution. This recommendation is therefore considered to be under implementation.		X		
21	2018	<a href="#">A/74/5/Add.9</a> , chap. II, para. 63	The Board recommends that UN-Habitat improve the controls related to the evaluation reports, established in paragraph 19 of the project-based management policy.	In 2016, UN-Habitat initiated an on-line evaluation recommendation tracking system that was integrated with the Project Accrual and Accountability System. Also, in 2019, UN-Habitat launched a second version of the System that included an evaluation module. The module has improved the workflow for evaluation planning, implementation and reporting. The module allows users to upload, edit, list and filter planned and completed UN-Habitat evaluations, including the mid-term and final evaluations. UN-Habitat	UN-Habitat did not provide sufficient supporting documents to verify whether all relevant projects that should be evaluated were conducted or not. Therefore, this recommendation is considered to be under implementation.		X		

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22	2018	<a href="#">A/74/5/Add.9</a> , chap. II, para. 67	The Board recommends that UN-Habitat update its internal manuals, such as the project based-management policy and the project accrual and accountability system guidelines and manual, to clearly establish Umoja and its extensions as the system that gives support to the different duties performed by the entity.	considers the recommendation implemented and requests its closure.  UN-Habitat is no longer employing the project-based management policy, which has been replaced by the Project Review Committee guidelines and the results-based management policy, and improved controls have been put in place to govern project approval and management. The project accrual and accountability system guidelines and manual are also no longer relevant for project management, as these have been replaced by the integrated planning, management and reporting system, the project management extension of Umoja. Umoja is currently the only record entry system for projects and related financial information. UN-Habitat considers the recommendation implemented and requests its closure.	The integrated planning, management and reporting system has taken the place of the Project Accrual and Accountability System and was deployed by UN-Habitat to manage programmes and projects. This recommendation is therefore considered to have been overtaken by events.				X
23	2018	<a href="#">A/74/5/Add.9</a> , chap. II, para. 77	The Board recommends that UN-Habitat conduct a review of the expenses relating to projects that are led or supported by consultants.	The issue of travel costs for consultants wrongly classified under staff costs was identified and communicated to United Nations Headquarters by the United Nations Office at Nairobi during 2018. United Nations Headquarters initiated an enhancement to Umoja, and the issue has been fixed: all new trips after 1 September	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		

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				2019 are mapped to the correct expense class. UN-Habitat will review travel expenses to identify any in correct charges in the staff/ personnel travel class and will apply the manual corrections accordingly to fully address the audit recommendation.					
24	2018	<a href="#">A/74/5/Add.9</a> , chap. II, para. 78	The Board recommends that, as part of the review, UN-Habitat should request reclassification of the travel expenses and correct the accounting transactions records.	UN-Habitat will review travel expenses to identify any incorrect charges in the staff/personnel travel class and will apply the manual corrections accordingly to fully address the audit recommendation.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
25	2018	<a href="#">A/74/5/Add.9</a> , chap. II, para. 79	The Board recommends that UN-Habitat strengthen measures to identify and reclassify expenses and clearly set out the scope and frequency of controls.	As with the previous recommendation, UN-Habitat will review travel expenses to identify any incorrect charges in the staff/personnel travel class and will apply the manual corrections accordingly to fully address the audit recommendation.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
26	2018	<a href="#">A/74/5/Add.9</a> , chap. II, para. 87	The Board recommends that the Regional Office for Latin America and the Caribbean align the preparation of the quarterly travel plans for the Mexico City hub with the provisions established in the project cycle procedures manual of 2017 to ensure appropriate authorization of travel.	The Regional Office for Latin America and the Caribbean updated the travel procedures manual to ensure that travel is approved in a timely manner. Quarterly travel plans are prepared regularly and approved in a timely manner. Moreover, the 21-day travel rule is applied consistently by the management administration and compliance service at UN-Habitat headquarters and the Regional	UN-Habitat provided the travel check list prepare by the Regional Office for Latin America and the Caribbean. Based on the supporting documents, this recommendation is considered to be implemented.	X			

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27	2018	A/74/5/Add.9, chap. II, para. 107	The Board recommends that each administrative level of UN-Habitat develop a comprehensive risk catalogue in accordance with the enterprise risk management implementation guidelines put in place by the organization.	Office for Latin America and the Caribbean complies with the requirements. UN-Habitat considers this recommendation to be implemented. Owing to the financial constraints of the agency, there has been limited capacity in the organizational unit responsible for enterprise risk management. Nevertheless, enterprise risk management and the development of the risk register is a priority for the agency in the next coming months.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
28	2018	A/74/5/Add.9, chap. II, para. 108	The Board recommends that UN-Habitat facilitate and validate the risk documentation made by each of its regional offices, thus offering a more comprehensive view of the difficulties and risk factors that affect the regions and ways to reduce local risks.	Due to the financial constraint of the Agency, there has been limited capacity in the Organizational Unit responsible for enterprise risk management. Nevertheless, enterprise risk management and the development of the risk register is priority for the agency in the coming months.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
29	2018	A/74/5/Add.9, chap. II, para. 127	The Board recommends that UN-Habitat improve the monitoring of staff annual leave to ensure that all leave is requested and approved by supervisors before being taken.	UN-Habitat has started conducting periodic monitoring to ensure that staff members apply for annual leave and that such leave is approved by managers before staff members proceed on leave. UN-Habitat is working with both the United Nations Office at Nairobi and Headquarters to ensure effective reporting tools are available to monitor leave approvals.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		

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						Implemented	Under implementation	Not implemented	Overtaken by events
30	2018	<a href="#">A/74/5/Add.9</a> , chap. II, para. 128	The Board recommends that UN-Habitat perform periodic and timely reviews of the leave system to identify absences and, if relevant, apply charges on the monthly salary of the staff.	UN-Habitat is working with both the United Nations Office at Nairobi and Headquarters to ensure effective reporting tools are available to determine any instances of excess annual or sick leave requiring financial recoveries.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
31	2018	<a href="#">A/74/5/Add.9</a> , chap. II, para. 132	The Board recommends that UN-Habitat management devise a suitable mechanism to ensure better coordination between the entity and OIOS for the complete and comprehensive reporting of cases of fraud and presumptive fraud.	UN-Habitat devised a mechanism to ensure better coordination to ensure complete and comprehensive reporting of cases of fraud and presumptive fraud. UN-Habitat considers the recommendation implemented and requests its closure.	As supporting documents have been provided, such as a copy of guidelines, this recommendation is considered to be implemented.	X			
32	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 19	The Board recommends that UN-Habitat establish sufficient controls for legally enforceable agreements in order to have voluntary contributions correctly accounted during the same year in which they become binding.	UN-Habitat and the United Nations Office at Nairobi have in place controls meant to ensure that contribution agreements are recorded in the financial year in which they become legally enforceable. However, these controls will be revisited. As part of the amended standard operating procedure of the Budget and Financial Management Service of the United Nations Office at Nairobi, a procedure will be included in this regard. In addition, UN-Habitat currently communicates regularly with the programme management officers and project teams to provide confirmation that all agreements signed as at the end of a given period have grants created and approved by	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		

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33	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 55	The Board recommends that the Sri Lanka and Afghanistan country offices together with the Regional Office for Asia and the Pacific, comply with the implementing partners' policy by extending the agreements of cooperation and their amendments prior to their expiration date, thereby avoiding uncovered periods in the agreement.	<p>the United Nations Office at Nairobi and that the revenue has been recognized during the correct period.</p> <p>With the support from the regional office, the Sri Lanka office has taken all measures, including the creation of a tracking sheet for the entire period of the agreement of cooperation to ensure timely action to avoid late extensions in the future. The country office has taken measures to ensure 100 per cent compliance with the agreement of cooperation policy under all upcoming agreements of cooperation.</p> <p>In order to ensure the timely extension of community agreements before their expiration, a tracker has been developed for all ongoing projects in Afghanistan, in which all relevant information, including the start and end date of individual contracts, payments released to end beneficiaries, details of bank accounts and others, are accurately reflected and maintained by the grant and contract management unit at the country level. UN-Habitat considers the recommendation implemented and requests its closure.</p>	Considering management's response, along with the supporting documents provided by UN-Habitat (such as the agreement of cooperation tracking sheet), this recommendation is therefore considered to be implemented.	X			

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34	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 56	The Board recommends that the Lao People's Democratic Republic and Cambodia country offices together with the Regional Office for Asia and the Pacific, ensure that funds are released and instalments are paid on time to implementing partners in accordance with the agreements.	<p>The Cambodia country office, in consultation with the Regional Office for Asia and the Pacific, informs the implementing partner that they must provide the audit report and financial report in a timely manner in order to process the payment based on the agreed schedule. The country office prepared and shared a tracking table that tracked activity from the time the agreement was signed through payment milestones and then to the closure of agreement.</p> <p>The Lao People's Democratic Republic country office has prepared and shared a similar tracking table.</p> <p>Meanwhile the administration and finance officer at the Lao People's Democratic Republic office maintains an agreement of cooperation tracking table for all such agreements to monitor their status with respect to payments, liaise with the implementing partners and prepare the required documents well ahead of time in order for the Regional Office for Asia and the Pacific to ensure the timely disbursement of funds. UN-Habitat considers the recommendation implemented and requests its closure.</p>	Considering management's response, along with the supporting documents provided by UN-Habitat (such as the instalment tracking sheet, tracking table and payments), this recommendation is considered to be implemented.	X			



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35	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 57	The Board recommends that the Afghanistan, Lao People's Democratic Republic and the Philippines country offices, together with the Regional Office for Asia and the Pacific, monitor the achievement of deliverables deadlines are met along with timely scheduled payment of instalments, in order to improve the implementation of projects with implementing partners, as planned.	<p>For the Philippines, adjustments were made in coordination with the Government, and strategies were developed to complete the shelter construction within the project timeline. A weekly monitoring tool was developed on actual accomplishments vis-à-vis expected output.</p> <p>With respect to the Lao People's Democratic Republic, the country office maintains an agreement of cooperation tracking table for all such agreements, to monitor the status of instalments, which are triggered by the achievement of deliverables.</p> <p>With respect to Afghanistan, payments released to individual end beneficiaries are accurately reflected in the tracking tool and associated reports are being reviewed by the grant and finance sections.</p> <p>UN-Habitat considers the recommendation implemented and request the closure.</p>	The Board sampled projects from the Regional Office for Asia and the Pacific in the integrated planning, management and reporting system and noted that projects implemented by the Lao People's Democratic Republic did not provide any monitoring information and that the monitoring information for projects implemented by Afghanistan and the Philippines were only updated by the end of March 2022. However, none of the sampled projects provided supporting documents for monitoring. Therefore, the status of this recommendation is considered to be under implementation.		X		
36	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 58	The Board recommends that the Sri Lanka country office and the Regional Office for Asia and the Pacific, take measures to properly approve the payments to the implementing partners in accordance with the agreement's mandatory requirements, which should be received prior to or at the time of the payment requests.	UN-Habitat will monitor payments in accordance with the terms and conditions of the agreements, the Financial Regulations and Rules of the United Nations and specifically the IPSAS delivery principle.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		

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37	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 77	The Board recommends that the Philippines country office and the Regional Office for Asia and the Pacific, together with UN-Habitat Headquarters, take measures necessary to ensure that the maximum amounts for community agreements are reviewed and clearly established, in a formal instrument.	UN-Habitat will formalize the financial limit for community agreements.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
38	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 78	The Board recommends that the Philippines country office, together with the Regional Office for Asia and the Pacific, ensure that the achievement of deliverables deadlines is met and the scheduled payment of instalments released in order to improve the implementation of projects developed through community agreements.	UN-Habitat Philippines has developed a tracking table to monitor the schedule of payments instalment released to ensure met the deliverable deadlines as attached. UN-Habitat considers the recommendation implemented and requests its closure.	UN-Habitat provided the community contracts fund's monitoring table. This recommendation is therefore considered to be implemented.	X			
39	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 88	The Board recommends that the Afghanistan country office and the Regional Office for Asia and the Pacific issue a formal document that provides guidelines for the personnel contracted by non-United-Nations entities, in order to ensure a proper recruitment process, performed by these entities.	UN-Habitat has formalized the procedure, which is currently being employed. The Afghanistan office, with support from the Regional Office for Asia and the Pacific, has developed standard operating procedures for the management of contracted personnel through non-United Nations entities in Afghanistan. UN-Habitat considers the recommendation implemented and requests its closure.	UN-Habitat provided standard operating procedures. This recommendation is therefore considered to be implemented.	X			

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40	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 108	The Board recommends that the Afghanistan country office and the Regional Office for Asia and the Pacific monitor the non-United-Nations entity, in order to ensure that it performs a proper recruitment process.	The Afghanistan office, with support from the Regional Office for Asia and the Pacific has developed a check list as part of the standard operating procedures to monitor the recruitment of contracted personnel through non-United Nations entities. UN-Habitat considers the recommendation implemented and requests its closure.	UN-Habitat provided check list as part of the standard operating procedures. This recommendation is therefore considered to be implemented.	X			
41	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 119	The Board recommends that the Philippines country office and the Regional Office for Asia and the Pacific, in cooperation with UNDP, assure the timely compliance with the services provided by the individual contractors regarding the agreed and scheduled deliverables established in the contracts.	The Philippines country office has established an Excel-based monitoring system to track individual contractors' deliverables and corresponding payments. UNDP has also developed a system-generated reminder for deliverables that will shortly become due. UN-Habitat considers the recommendation implemented and requests its closure.	UN-Habitat provided supporting documentation. This recommendation is therefore considered to be implemented.	X			
42	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 150	The Board recommends that UN-Habitat ensure that overtime as compensatory time off and additional payment are calculated in accordance with information circular UNON/IC/2015/07 and other applicable instructions, in compliance with the official work schedule established by the Nairobi duty station.	UN-Habitat worked with the United Nations Office at Nairobi Budget and Financial Management Service colleagues to correct the reported cases. The United Nations Office at Nairobi is awaiting the updated administrative instruction from Headquarters on working hours, overtime and compensatory time off before altering the current information circular. The United Nations Office at Nairobi has also committed to	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		

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				reviewing the information circular in 2021, to simplify the application and calculation procedures in consultation with its clients, if no administrative instruction is forthcoming, as the publication of the proposed instruction has been deferred several times.					
43	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 151	The Board recommends that UN-Habitat review and correct the cases of miscalculations of compensatory time off, of overtime payments on incorrect schedules and of payments that exceed the established rates.	UN-Habitat worked with the United Nations Office at Nairobi Budget and Financial Management Service colleagues to correct the reported cases. UN-Habitat will provide evidence of the corrections undertaken.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
44	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 152	The Board recommends that UN-Habitat regulate the lunch break time on Fridays for the purpose of ensuring the proper calculation of the overtime.	At present, the lunch break time is not stated in the information circular for the United Nations Office at Nairobi. A revision of the circular would be needed. This revision has been pending an updated administrative instruction from United Nations Headquarters on working hours, overtime and compensatory time off.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
45	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 153	The Board recommends that UN-Habitat review the quantity of overtime per month, with an emphasis on those that exceed the allowed limit of 40 hours, and require the exceptional approval every time that this ceiling is exceeded.	Same as provided in response to the recommendation contained in <a href="#">A/75/5/Add.9</a> , chap. II, para. 150 of the Board's report (no. 42 in the present table).	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		

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46	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 164	The Board recommends that the Regional Office for Asia and the Pacific make efforts to conduct the annual leave requests and approvals, in a timely manner through Umoja, so that annual leave is approved before being used.	The Regional Office for Asia and the Pacific has developed and implemented a leave, travel and mission monitoring table, which includes the start date of the leave and the date of leave approved in Umoja. UN-Habitat considers the recommendation implemented and requests its closure.	UN-Habitat provided supporting documents. This recommendation is therefore considered to be implemented.	X			
47	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 165	The Board recommends that the Regional Office for Asia and the Pacific, improve the monitoring process in Umoja, performing periodic and timely reviews of the annual leaves of staff members, in order to avoid having annual leave being requested and approved after being used.	The Regional Office for Asia and the Pacific has developed and implemented a leave monitoring system, in which each staff member has been assigned a leave monitor. The staff member has the full responsibility to present the evidence to their leave monitor that their leave has been approved in Umoja before they take leave. The leave monitor has the right to request the staff member to prove that their leave has been approved in Umoja before they take leave. UN-Habitat considers the recommendation implemented and requests its closure.	UN-Habitat provided supporting documents. This recommendation is therefore considered to be implemented.	X			
48	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 175	The Board recommends that UN-Habitat determine the delegations of authority of staff members through the delegation of authority online portal, pursuant to Secretary General's bulletin <a href="#">ST/SGB/2019/2</a> , resolving any discordance detected with the assigned Umoja roles.	UN-Habitat completed a review of all active delegations and ensured that their proper roles were issued in Umoja and that the roles related to all inactive delegations were revoked or expired, as applicable. UN-Habitat will provide the required evidence to request the closure of the audit recommendation.	After evaluation and considering management's response, this recommendation is considered to be under implementation.			X	

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49	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 183	The Board recommends that UN-Habitat adjust the roles with conflict consistently with the Security Liaison Officer workbook and the Umoja roles guide, to comply with a correct segregation of duties.	UN-Habitat undertook a comprehensive review of conflicting roles which date back to the Umoja roll-out in 2015 and has resolved all role conflicts. Also, the information and communications technology team regularly reviews Umoja user roles to prevent conflicting roles and enhance the segregation of duties as per the quarterly generated report. UN-Habitat considers the recommendation implemented and requests its closure.	UN-Habitat provided supporting documents. This recommendation is therefore considered to be implemented.	X			
50	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 184	The Board recommends that UN-Habitat perform periodic reviews of Umoja roles established in the access control for the United Nations Secretariat systems ICT technical procedure, as applicable.	UN-Habitat currently undertakes comprehensive and regular reviews of Umoja user roles in order to prevent conflicting roles and enhance the segregation of duties. UN-Habitat considers the recommendation implemented and requests its closure.	UN-Habitat provided supporting documents. This recommendation is therefore considered implemented.	X			
51	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 195	The Board recommends that UN-Habitat update the information contained in the Umoja report on equipment in accordance with the SC119 Umoja property management overview course, assigning for each item the location and/or user responsible.	UN-Habitat will further enrich the original asset data converted from the legacy system to Umoja.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
52	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 196	The Board recommends that the assigned staff member responsible for the operational equipment be a staff member of UN-Habitat.	UN-Habitat will ensure that the asset custodians are staff members of UN-Habitat.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		

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53	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 207	The Board recommends that UN-Habitat headquarters take measures to monitor the proper registration of the capitalization and disposal of property, plant and equipment items, from the time when the assets are received by the entity and according to the information indicated in the corresponding delivery note or when the disposal is approved.	UN-Habitat will put in place a mechanism to monitor the proper registration of the capitalization and disposal of property, plant and equipment items, from the time when the assets are received by the entity and according to the information indicated in the corresponding delivery note or when the disposal is approved.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
54	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 208	The Board recommends that UN-Habitat consider the depreciation of its assets when they are available for use, pursuant to the delivery principle of the United Nations corporate guidance for IPSAS on the delivery principle and paragraph 71 of IPSAS 17.	UN-Habitat will put in place a mechanism to consider the depreciation of its assets when they are available for use, pursuant to the delivery principle of the United Nations corporate guidance for IPSAS on the delivery principle and paragraph 71 of IPSAS 17.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
55	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 215	The Board recommends that UN-Habitat coordinate with Headquarters on the possibility of phasing out the standard cost methodology, aligning its accounting with IPSAS requirements for valuing property, plant and equipment assets.	UN-Habitat will coordinate with Headquarters on the possibility of phasing out the standard cost methodology, aligning its accounting with IPSAS requirements for valuing property, plant and equipment assets.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
56	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 226	The Board recommends that UN-Habitat coordinate with Headquarters to carry out a regular review of the residual value of assets in general and its fully depreciated assets that remain in use, in particular appropriately assigned useful	UN-Habitat will coordinate with Headquarters to carry out a regular review of the residual value of assets in general and its fully depreciated assets that remain in use, in particular appropriately assigning useful lives and residual values to the	After evaluation and considering management's response, this recommendation is considered to be 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
57	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 237	lives and residual values to the assets, as established under IPSAS 17. The Board recommends that the Sri Lanka country office and the Regional Office for Asia and the Pacific assess and determine the disposal of the three vehicles that are not planned to be assigned to immediate projects. In this assessment, the vehicle that has been fully depreciated should also be included.	assets, as established under IPSAS 17. The vehicles have been auctioned, and UN-Habitat requests the closure of this recommendation.	UN-Habitat provided supporting documents. This recommendation is therefore considered to be implemented.	X			
58	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 238	The Board recommends that the Sri Lanka country office and the Regional Office for Asia and the Pacific improve the measures taken to ensure that the vehicles awaiting use are in good condition. This means proper maintenance, which should include routine general check-ups of the vehicles, and adequate storage.	The remaining vehicles are required for ongoing projects and are maintained in perfect condition. UN-Habitat considers the recommendation implemented and requests its closure.	UN-Habitat provided supporting documents, such as pictures. This recommendation is therefore considered to be implemented.	X			
59	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 247	The Board recommends that UN-Habitat strengthen the monitoring of the payment procedure, in order to avoid having pending payments owing to an absence of the prerequisite documentation.	UN-Habitat will strengthen the monitoring of the payment procedure, in order to avoid having pending payments due to an absence of the prerequisite documentation. UN-Habitat will review the payables focal point system so as to improve the payments system.	After evaluation and considering management's response, this recommendation is considered to be 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
60	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 258	The Board recommends that the Philippines country office and the Regional Office for Asia and the Pacific formalize the use of the workspaces provided by the Food and Agriculture Organization of the United Nations (FAO).	UN-Habitat will formalize the use of the office space provided by the Food and Agriculture Organization of the United Nations (FAO). In connection with the UN-Habitat lease of workspace from FAO, upon confirmation with the FAO representative for administration, on 14 July 2021, it was confirmed by a phone conversation that FAO will no longer bill UN-Habitat for the use of the workspace beyond the original lease agreement. A written confirmation to this effect will be obtained.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
61	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 267	The Board recommends that the Philippines country office and the Regional Office for Asia and the Pacific improve the monitoring process of the lease agreements, in partnership with UNDP, in order to enforce these agreements properly and in timely manner, avoiding any inconsistencies with regard to the use of the facilities.	The new lease for the period from 31 March to 31 December 2020 was signed on 31 March 2020. UN-Habitat considers the recommendation implemented and requests its closure.	UN-Habitat provided supporting documents. This recommendation is therefore considered to be implemented.	X			
62	2019	<a href="#">A/75/5/Add.9</a> , chap. II, para. 281	The Board recommends that the Regional Office for Asia and the Pacific ensure the timely compliance with the requirements of official travel, in particular the timely approval in advance of the commencement of travel and submission of travel expense reports after the completion	UN-Habitat clarified that justifications for travel starting fewer than 16 days in advance were systematically and automatically documented in Umoja. For operational reasons, the 16-day rule cannot always be met because, in some instances, staff members are invited by government partners	Considering management's response and the supporting documents provided, this recommendation is considered to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
			of said travel, including recording exceptions to those requirements.	on short notice or staff members must attend emergency activities. In such cases, the justifications are documented in Umoja. The Regional Office for Asia and the Pacific has developed and implemented a travel monitoring system, whereby each staff has been assigned a travel monitor. The staff member has the full responsibility of presenting the evidence to the travel monitor that their travel request has been approved in Umoja before they travel and their expense report has been submitted for approval a maximum 14 days after they return to the duty station. The leave and travel monitor has the right to request staff members to prove that their leave has been approved in Umoja before they take leave. This system has been refreshed and announced again to all Regional Office for Asia and the Pacific staff on 21 July 2021. UN-Habitat considers the recommendation implemented and requests its closure.					
63	2019	<a href="#">A/75/S/Add.9</a> , chap. II, para. 292	The Board recommends that UN-Habitat hold the ICT Committee meetings periodically in order to achieve the objectives and purposes established in Secretary-General's bulletin <a href="#">ST/SGB/2003/17</a> and the Committee's terms of reference.	UN-Habitat notes with concern that it has not been able to effectively address the Board's recommendations owing to financial constraints and prioritization in meeting operational imperatives during the COVID-19 pandemic. The Executive Director has made	After evaluation and considering management's response, this recommendation is considered to be 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
64	2020	<a href="#">A/76/5/Add.9</a> , chap. II, para. 24	The Board recommends that UN-Habitat clear open items and open commitments of operationally closed grants and ensure a timely financial closure, in order to enhance the financial effectiveness of the organization and the accuracy of the financial statements.	this a priority for 2021. The recommendation is under implementation. UN-Habitat will review all transfers made to implementing partners, accounts payable on all grants that ended as at 31 December 2020 and operationally closed grants and take the necessary actions. Regular monitoring measures will also be put in place to ensure the timely clearance of advances to implementing partners, the timely closure/clearance of accounts payables and the timely closure of grants.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
65	2020	<a href="#">A/76/5/Add.9</a> , chap. II, para. 29	The Board recommends that UN-Habitat adjust the \$64,637.69 of payroll charges by recording them against award grants and regularly monitor the grant implementation status to make sure that no further payroll charges are to be posted against closing grants.	UN-Habitat will ensure that the recommended adjustments for the payroll costs of the two grants are processed and put in place a monitoring mechanism to ensure that no further payroll costs are posted against closing grants.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
66	2020	<a href="#">A/76/5/Add.9</a> , chap. II, para. 34	The Board recommends that UN-Habitat strictly implement the standard operating procedure regarding petty cash accounts management.	UN-Habitat will institute mechanisms to ensure that cash counts are done at the end of every year. UN-Habitat will also review outstanding cash accounts for staff who have resigned and take appropriate action. In addition, petty cash standard operating procedures will be reviewed and updated to include a provision for opening of cash journals for	After evaluation and considering management's response, this recommendation is considered to be 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
67	2020	<a href="#">A/76/5/Add.9</a> , chap. II, para. 41	The Board recommends that UN-Habitat closely monitor and control project budget implementation and perform regular reconciliations to ensure that project expenditures or commitments are incurred within the approved allotments. The Board recommends that UN-Habitat allow for proper authorizations before any redeployment is incurred.	both the national currency and the United States dollar, as required in the Lao People's Democratic Republic.  UN-Habitat programme management officers have been undertaking regular monitoring of their project budgets in line with the financial rules and regulations. Furthermore, no release of budget funds is approved that would exceed the cash received from the donors, to mitigate any cash overruns with respect to the grants. Request for authorization is sent to donors in line with the terms of the cooperation agreement. In addition, a grant performance status report is regularly shared by the Management Advisory and Compliance Service that highlights any key issues related to allotments vis-à-vis the expenses for action by the programmes. An expenditure report is also shared with the Director of the Regional Office for Africa on a monthly basis. UN-Habitat considers the recommendation implemented and requests its closure.	UN-Habitat provided supporting documents including grant performance report. This recommendation is therefore considered to be implemented.	X			
68	2020	<a href="#">A/76/5/Add.9</a> , chap. II, para. 48	The Board recommends that UN-Habitat put more effort into negotiation with donors and make rational forecasts on the projects that they are likely to acquire.	The Regional Office for Africa has increased its resource mobilization efforts, resulting in an increase in its portfolio in 2020 and 2021. The Regional Office for Africa was able to	Considering management's response and after evaluation, this recommendation is considered to be implemented.	X			

<i>Audit report</i>	<i>Report reference</i>	<i>Board's recommendation</i>	<i>Management response</i>	<i>Board's assessment</i>	<i>Status after verification</i>			
					<i>Implemented</i>	<i>Under implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
			<p>raise funds for a total of 13 projects with a total value of \$32.32 million from January 2020 to May 2021. the Regional Office for Africa is also responding to emerging issues, for example in response to COVID-19, conflict in Burkina Faso, the volcanic eruption in the Democratic Republic of the Congo, among others. Fundraising activities have been incorporated in the workplans of the Human Settlements Officers, and a regular review of any pending contributions is being conducted every six months.</p> <p>The Regional Office for Africa is extensively engaged in a new way of doing fundraising, based on contact with philanthropic organizations and the private sector and United Nations to United Nations cooperation. The Regional Office for Africa has appointed two goodwill ambassadors to highlight the value of urbanization in Africa. Regular communications are held with Member States to fulfil their voluntary contribution to UN-Habitat. The Director is reaching out to traditional donors at the headquarters levels to build new momentum and expand collaboration at the country level. It is further noted that in the 2022 earmarked budget, the Regional Office for Africa</p>					

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
				reflected only hard pipeline projects to ensure it reflected a realistic budget. UN-Habitat considers the recommendation implemented and requests its closure.					
69	2020	<a href="#">A/76/5/Add.9</a> , chap. II, para. 53	The Board recommends that UN-Habitat prepare the quarterly progress reports as required in the strategic plan for the period 2020–2023, to provide comprehensive information for decision-making and future planning.	Quarterly progress reports have commenced for the third quarter of 2021, as part of the quarterly urban impact, and will be further expanded in future editions. Also, the Committee of Permanent Representatives to UN-Habitat held its first open-ended high-level mid-term review of the strategic plan 2020–2023.	UN-Habitat provided a newsletter, but the Board found the newsletter not sufficient to replace the quarterly report. This recommendation is again repeated in the interim audit for 2021. Therefore, this recommendation is considered to be not implemented.				X
70	2020	<a href="#">A/76/5/Add.9</a> , chap. II, para. 59	The Board recommends that UN-Habitat comply strictly with the UN-Habitat project-based management policy to ensure that substantive and financial aspects of project documents are reviewed and approved by the Project Advisory Group prior to the signing of funding agreements.	The project-based management policy has been replaced by the Project Review Committee guidelines. Nevertheless, the UN-Habitat Egypt country programme developed a check list to ensure compliance with the audit recommendation to ensure that all upcoming contribution agreements are signed after the full project document has been reviewed and approved by the Project Review Committee (previously the Project Advisory Group). In parallel with the integrated planning, management and reporting system implemented in April 2021, this will ensure 100 per cent compliance.	Considering management's response and after evaluation, this recommendation is considered to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification				
						Implemented	Under implementation	Not implemented	Overtaken by events	
71	2020	<a href="#">A/76/5/Add.9</a> , chap. II, para. 66	The Board recommends that UN-Habitat take more proactive action in monitoring the validity of the agreements, to ensure any extension amendments are signed in a timely manner, in compliance with the UN-Habitat policy for implementing partners.	Similarly, the Regional Office for Africa has incorporated the recommendation and all projects are undergoing Project Review Committee review prior to the signing of agreements. The Committee is looking into all aspects of the proposal: financial, human resources, programmatic and risk associated. UN-Habitat considers this recommendation implemented.	The UN-Habitat Egypt country programme has developed a tracking tool with all the ongoing projects, including the end date of the projects; and the staff responsible periodically send to the concerned programme officer(s) a notification prior to the project expiration date. UN-Habitat considers this recommendation implemented.	UN-Habitat provided a project tracking table from the Egypt country office and evidence of notifications. This recommendation is therefore considered to be implemented.	X			
72	2020	<a href="#">A/76/5/Add.9</a> , chap. II, para. 72	The Board recommends that UN-Habitat improve the design of agreements of cooperation funded by different grants but with similar outputs, to avoid duplicated efforts.	UN-Habitat took note of the recommendation. Although the highlighted agreements of cooperation were a one-off, the Lao People's Democratic Republic country office ensured, and now keenly ensures, that the agreement of cooperation design is grant-specific. A reminder and guidance memo to this effect has been issued by the head of office to all Lao People's Democratic Republic country office staff to ensure compliance. UN-Habitat	UN-Habitat provided a reminder, guidance memo and sample agreements of cooperation. Therefore, the recommendation is considered to have been implemented.	X				

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
73	2020	<a href="#">A/76/5/Add.9</a> , chap. II, para.79	The Board recommends that UN-Habitat keep close communications with donors so as to actively mobilize resources to achieve the expected results listed in the proposed budget.	considers the recommendation implemented and requests its closure.  In 2020, UN-Habitat formalized its donor focal point system to enhance strategic engagement with donors. As at July 2021, 27 high-level consultations had been held with senior and executive management, and 22 more are planned. In addition, a foundations and philanthropy platform was established in October 2020. Finally, resource mobilization has been adopted as an area in the programme of work of the Stakeholder Advisory Group Enterprise to enable outreach and advocacy for additional resources with stakeholders and their networks.  UN-Habitat considers the recommendation implemented and requests its closure.	UN-Habitat provided supporting documents, including a meeting report, the foundations and philanthropy platform terms of reference and the UN-Habitat fundraising agenda. This recommendation is therefore considered to be implemented.	X			
74	2020	<a href="#">A/76/5/Add.9</a> , chap. II, para. 84	The Board recommends that UN-Habitat update its results-based management handbook according to the strategic plan for the period 2020–2023 and the results-based management policy.	The results-based management handbook has been completed and approved by the senior management. UN-Habitat considers this recommendation implemented and requests its closure.	After reviewing the supporting documents, this recommendation is considered to be implemented.	X			



No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
75	2020	<a href="#">A/76/5/Add.9</a> , chap. II, para. 93	The Board recommends that UN-Habitat strengthen the annual workplan management and its implementation, in accordance with the requirements of the UN-Habitat results-based management handbook.	The Regional Office for Africa took note of the audit recommendation during the audit observation memorandums and has ensured alignment of its annual work plan for 2021 with the UN-Habitat Work programme and strategic plan 2020–2023. The annual work plan is developed during the annual retreat and agreed upon with Senior Human Settlements Officers with specific targets for the region. The annual workplan is now monitored jointly by the Regional Office for Africa and the Regional Programmes Division. UN-Habitat considers the recommendation implemented and requests its closure.	UN-Habitat provided supporting documents, including an annual work plan and the strategic plan. This recommendation is therefore considered to be implemented.	X			
76	2020	<a href="#">A/76/5/Add.9</a> , chap. II, para. 101	The Board reiterates the former recommendation that UN-Habitat avoid the ex post facto situation prior to the signing of new contracts.	UN-Habitat will conduct a quarterly review of all existing contracts to ensure any required extensions are completed in a timely manner to avoid further ex post facto cases.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
77	2020	<a href="#">A/76/5/Add.9</a> , chap. II, para. 107	The Board recommends that UN-Habitat perform its duties on contract management to ensure that comprehensive evaluations of vendor performance are conducted before processing any extension to existing contracts.	UN-Habitat will issue a memo to the United Nations Office at Nairobi Procurement Section and UN-Habitat delegation of authority holders to remind them to ensure that comprehensive vendor performance is conducted before processing any contract extension. A refresher training for personnel working on contract management within	After evaluation and considering management's response, this recommendation is considered to be 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
78	2020	<a href="#">A/76/5/Add.9</a> , chap. II, para. 115	The Board recommends that UN-Habitat strengthen the internal control of procurement activities by periodically registering and updating vendor information in Umoja and creating and approving purchase orders in a timely manner so as to avoid potential claims and disputes on the part of the vendors.	UN-Habitat will be conducted. The existing demand planning tracking tool will be enhanced to include vendor performance and evaluation. In addition, regular random spot checks will be carried out by the units responsible for doing so. The Regional Office for Africa has incorporated the recommendation, all vendors are registered prior to any procurement process and purchase orders are approved in a timely manner. For the efficiency of operations and control, the Regional Office for Africa has appointed a regional programme management officer in the interim to ensure compliance and quality control. At the corporate level, the Regional Office for Africa, as all other regional offices, is now required to periodically forecast its procurement needs, which are registered in a Teams channel. This helps with monitoring and planning, ensuring shopping carts and purchase orders are created and approved in a timely manner.	Considering management's response, this recommendation is considered to be under implementation.	X			
79	2020	<a href="#">A/76/5/Add.9</a> , chap. II, para. 121	The Board recommends that UN-Habitat establish an alert mechanism to remind the personnel in charge of recruiting consultants and individual contractors of the maximum hiring periods.	UN-Habitat has an established Business Transformation and Accountability Division monitoring report that indicates a discrepancy in the prescribed maximum hiring period. This is reviewed, and	UN-Habitat provided supporting documents, including a monitoring report. This recommendation is therefore considered to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
80	2020	<a href="#">A/76/5/Add.9</a> , chap. II, para. 131	The Board recommends that UN-Habitat strengthen the service contract management of individual contractors by limiting their service periods, and undertake interim evaluations of consultants and individual contractors, in compliance with the requirements of the administrative instruction on consultants and individual contractors.	<p>an individual alert is sent to related hiring managers three months before the maximum time, to notify each one of the limited duration of consultants/individual contractors contracts. UN-Habitat considers the recommendation implemented and requests its closure.</p> <p>UN-Habitat will issue a memo to hiring managers to remind them of the maximum hiring periods and the importance of carrying out interim evaluations. In addition, hiring managers will be required to provide written justification for the approval of the Director of the MACS, for exceptional extensions beyond 6 months and up to a maximum of 9 months as per the relevant administrative instruction, after which the individual contractor will be required to separate. In addition, a regular review will be conducted and the Business Transformation and Accountability Division report issued to alert managers of hiring periods.</p>	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
81	2020	<a href="#">A/76/5/Add.9</a> , chap. II, para. 132	The Board recommends that UN-Habitat, in collaboration with UNOPS, amend the individual contractor agreement by further specifying the scope of entitlement in compliance with the above-mentioned administrative instruction.	The Department for Operational Support is undertaking activities to unify all United Nations system entities that are using UNOPS as a service provider. The Director of MACs and UNOPS authorities will revise the memorandum of understanding	After evaluation and considering management's response, this recommendation is considered to be 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
82	2020	<a href="#">A/76/5/Add.9</a> , chap. II, para. 140	The Board recommends that UN-Habitat follow the administrative instruction on temporary appointments to ensure that justifications for extending temporary appointments beyond 364 days are properly documented.	in line with the instruction and guidance to be issued by the Department for Operational Support. UN-Habitat has ensured and will continue to ensure that justifications for extending temporary appointments beyond 364 days are properly documented. No extensions beyond 364 days will be given without written approval by the director of the Management Advisory and Compliance Service for exceptional extensions. UN-Habitat considers the recommendation implemented and requests its closure.	UN-Habitat provided supporting documents, such as justifications. This recommendation is therefore considered to be implemented.	X			
83	2020	<a href="#">A/76/5/Add.9</a> , chap. II, para. 147	The Board recommends that UN-Habitat make sure an inter-organization agreement among the organizations is signed and the cost or fair value of employee benefits can be reliably accounted for.	UN-Habitat will work to ensure the required inter-agency organizational agreement is formalized and signed by both organizations.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
84	2020	<a href="#">A/76/5/Add.9</a> , chap. II, para. 154	The Board recommends that UN-Habitat appoint the ICT committee members on the basis of its new organizational structure.	Requests for nomination will be sent to all divisional directors and regional representatives. Subsequently, the Executive Director will appoint the information and communication technology committee members and announce it in a broadcasted memo.	After evaluation and considering management's response, this recommendation is considered to be 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
85	2020	<a href="#">A/76/5/Add.9</a> , chap. II, para.160	The Board recommends that UN-Habitat establish comprehensive controls, such as regular reconciliation and revision of data, to eliminate the inconsistency of records between the Project Accrual and Accountability System and Umoja.	This recommendation has been superseded by events owing to the launch of the Umoja integrated planning, management and reporting system solution, the project management extension of UMOJA. UMOJA is currently the only record entry system for projects and related financial information, and thus there is no longer any need to synchronize with a parallel system such as the Project Accrual and Accountability System. The System may only now be used as a reporting analytics platform for Umoja data sources (whereby data is imported into the System directly from Umoja). UN-Habitat considers the recommendation implemented and requests its closure.	The integrated planning, management and reporting system has taken the place of the Project Accrual and Accountability System and was deployed by UN-Habitat to manage the programmes and projects. Therefore, this recommendation is considered to be overtaken by events.				X
86	2020	<a href="#">A/76/5/Add.9</a> , chap. II, para. 167	The Board recommends that UN-Habitat raise the data security awareness of staff to ensure the safekeeping of ICT devices.	An email broadcast had been recirculated and will be circulated again at various time intervals. Security training is listed among the mandatory training monitored by the human resources office, and the standard operating procedure guidelines have been revised to incorporate data and device security. UN-Habitat considers the recommendation implemented and requests its closure.	Given that UN-Habitat has revised its standard operating procedure guidelines to incorporate data and device security, this recommendation is considered to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification				
						Implemented	Under implementation	Not implemented	Overtaken by events	
87	2020	<a href="#">A/76/5/Add.9</a> , chap. II, para. 172	The Board recommends that UN-Habitat generate barcodes for all assets under its control, in order to keep all assets traceable, and fill in the acquisition dates that represent the beginning of the useful life of the assets.	UN-Habitat will conduct a refresher training for members of staff in the Egypt country office on property management – that is, the receiving and recording of purchased equipment, including the generation of barcodes and filling in of acquisition dates. Asset management training will also be carried out for all asset focal points. Umoja automatically generates equipment barcodes once goods receipt is posted, and then the barcodes are printed by the Procurement Management Unit, the United Nations Office at Nairobi for the UN-Habitat headquarters and regional focal points for regional/country offices.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X			
88	2020	<a href="#">A/76/5/Add.9</a> , chap. II, para. 181	The Board recommends that UN-Habitat strengthen its travel planning process to ensure that the booking and purchase of tickets be finalized 16 calendar days in advance of the commencement of official travel.	While it is not always possible to meet the 16 calendar days travel plan owing to circumstances that are outside of UN-Habitat control, such as late requests by donors and Governments, UN-Habitat is monitoring travel compliance on a quarterly basis. However, it notes that, as a result of the impact of COVID-19 and based on our business model, the compliance rate requires continued improvement.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X			
<b>Total number of recommendations</b>						<b>88</b>	<b>35</b>	<b>48</b>	<b>1</b>	<b>4</b>
<b>Percentage of the total number of recommendations</b>						<b>100</b>	<b>40</b>	<b>55</b>	<b>1</b>	<b>4</b>

## Chapter III

### Certification of the financial statements

#### Letter dated 31 March 2022 from the Chief Finance Officer of the United Nations Office at Nairobi addressed to the Chair of the Board of Auditors

The financial statements of the United Nations Human Settlements Programme (UN-Habitat) for the year ended 31 December 2021 have been prepared in accordance with financial rule 106.1 of the Financial Regulations and Rules of the United Nations and rule 306.10 of the supplement to the Financial Regulations and Rules of the United Nations ([ST/SGB/2015/4](#)).

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 UN-Habitat during the period covered by these statements.

The certification function defined in financial rules 105.5 and 105.7 to 105.9 of the Financial Regulations and Rules of the United Nations is assigned to UN-Habitat. Responsibility for the accounts and the performance of the approving function, as defined in article VI and financial rule 105.6 of the Financial Regulations and Rules of the United Nations, is assigned to the United Nations Office at Nairobi.

In accordance with the authority assigned to me, I hereby certify that the appended financial statements of UN-Habitat for the year ended 31 December 2021 are correct.

*(Signed)* Vanda **Andromeda**  
Chief Finance Officer  
United Nations Office at Nairobi

## Chapter IV

### Financial overview for the year ended 31 December 2021

#### A. Introduction and overview of the operations and the operating environment

1. The Executive Director has the honour to submit herewith the financial report and the financial statements of the United Nations Human Settlements Programme (UN-Habitat) for the year ended 31 December 2021. The financial statements consist of five statements and notes to the financial statements. In accordance with financial rule 106.1, these financial statements were transmitted to the Board of Auditors on 31 March 2022.

2. UN-Habitat is the specialized programme for sustainable urbanization and human settlements in the United Nations system. The mandate of the Programme is derived from General Assembly resolution [3327 \(XXIX\)](#), by which the Assembly established the United Nations Habitat and Human Settlements Foundation; resolution [32/162](#), by which the Assembly established the United Nations Centre for Human Settlements (Habitat); and resolution [56/206](#), by which the Assembly elevated the United Nations Centre for Human Settlements to the United Nations Human Settlements Programme.

3. The UN-Habitat vision of “a better quality of life for all in an urbanizing world” is bold and ambitious; it is a vision that challenges UN-Habitat and its partners to enhance national and international efforts geared towards addressing the challenges of urbanization. It reflects both an aspirational ideal and a real need. UN-Habitat sees urbanization as a process that can transform territories, connecting human settlements across the urban–rural continuum, including small market towns, medium-sized cities and primary urban centres, and ensuring access to adequate and affordable housing, basic services and infrastructure for all. UN-Habitat works to promote urbanization as a positive transformative force for people and communities, reducing inequality, discrimination and poverty.

4. The UN-Habitat mission statement is to “promote transformative change in cities and human settlements through knowledge, policy advice, technical assistance and collaborative action to leave no one and no place behind”.

5. Established under General Assembly resolution [73/239](#), the governance of UN-Habitat comprises the UN-Habitat Assembly, the Committee of Permanent Representatives and the Executive Board.

6. The UN-Habitat Assembly provides policy guidance on human settlements and sustainable urbanization and strategic oversight of UN-Habitat. It approves the UN-Habitat strategic plan and reports every four years on its work to the General Assembly through the Economic and Social Council at its substantive session. The Assembly has universal membership and meets every four years, with the next session to be held in 2023.

7. The Committee of Permanent Representatives is an intersessional subsidiary body of the UN-Habitat Assembly, responsible for a high-level midterm review of the implementation of UN-Habitat Assembly decisions and resolutions and for preparing for the next session of the Assembly. It meets twice every four years: once prior to the UN-Habitat Assembly session, in preparation for that session, and a second time for a high-level midterm review. The Committee has universal membership, and its next session will be held in 2023.



8. The Executive Board, with a membership of 36, strengthens oversight of UN-Habitat operations and enhances the accountability, transparency, efficiency and effectiveness of UN-Habitat. It oversees preparation of the draft strategic plan before its approval by the UN-Habitat Assembly and is responsible for the review and approval of the annual work programme and budget. The Executive Board typically meets twice per year.

9. UN-Habitat has a presence in 66 countries, including regional offices, country offices, liaison and representation offices, global programme offices, project offices, and administrative offices. The Programme works in collaboration with other United Nations entities to implement its programmes under the “One United Nations” initiative. The United Nations Office at Nairobi is the major administrative service provider of UN-Habitat, providing services in accounting, finance, human resources, procurement, property management, information technology and conference services. Other United Nations entities that provide services include the United Nations Development Programme (UNDP) and the United Nations Office for Project Services.

## **B. Information about the UN-Habitat objectives and strategies**

10. The principal objective of UN-Habitat is to advance sustainable urbanization as a driver of development and peace, and to improve living conditions for all. Subsidiary objectives include:

(a) To improve the shelter conditions of the world’s poor and to ensure the development of sustainable human settlements;

(b) To monitor and assess progress towards the attainment of the Habitat Agenda goals and the targets of the Millennium Declaration and the Johannesburg Plan of Implementation on slums, safe drinking water and sanitation; to drive progress on the New Urban Agenda; and to serve as the custodian of Sustainable Development Goal 11: sustainable cities and communities;

(c) To strengthen the formulation and implementation of urban and housing policies, strategies and programmes, and to develop related capacities at the national and local levels;

(d) To facilitate the mobilization of investments from international and domestic sources in support of adequate shelter, related infrastructure development programmes and housing finance institutions and mechanisms, particularly in developing countries and in countries with economies in transition.

11. Over the past few years, UN-Habitat has been refining its approach to strategically integrating normative and operational work, building on its strategic plan and the increasingly strong evidence that sustainable urbanization is an accelerator for achieving the Sustainable Development Goals. It has adopted a more strategic and integrated approach to addressing the challenges and opportunities of twenty-first century cities and other human settlements. The mission statement reflects this paradigm shift, which embodies the following four main roles of the Programme:

(a) Think: the Programme’s normative work, including different forms of knowledge-building, ground-breaking research and capacity-building, enables UN-Habitat to set standards, propose norms and principles, share good practices, monitor global progress and support subnational, national, regional and intergovernmental bodies in their formulation of policies related to sustainable cities and other human settlements;

(b) Do: the Programme’s operational work takes various forms of technical assistance, drawing on the unique expertise of UN-Habitat in the area of sustainable

urbanization and crisis response. UN-Habitat uses its highly specialized technical cooperation component to execute human settlement projects in order to provide value-added and tailored support to Member States in implementing policies, strategies, best practice, norms and standards;

(c) Share: in its focal point and catalytic role, UN-Habitat will, through advocacy, communication and outreach, mobilize public, political and financial support and increased collaborative action at all levels to inspire qualitative change in national development plans, policy frameworks, development practice and investment choices for sustainable urban development at the local, national and global level;

(d) Partner: to achieve enduring results in addressing the challenges of urbanization, UN-Habitat will need to work collaboratively with a multitude of partners, leveraging multiple resources. The implementation of the strategic plan for 2020–2023 will be supported by the United Nations and stakeholders collaborative implementation frameworks, a document which has been developed by UN-Habitat in response to the need to work within the broader United Nations system through a more coherent system-wide approach to development and on which it is currently conducting consultations with Member States.

### **C. Overview and analysis of the financial statements for the year ended 31 December 2021**

12. In accordance with the International Public Sector Accounting Standards (IPSAS), a complete set of financial statements has been prepared, as follows:

(a) Statement I: statement of financial position. This statement shows the financial status of UN-Habitat as at 31 December 2021 by reporting the overall value of its assets and liabilities. It provides information about the extent to which resources are available for UN-Habitat to continue delivering partner services in the future;

(b) Statement II: statement of financial performance. This statement measures the net surplus or deficit as the difference between revenues and the corresponding expenses incurred. The net surplus or deficit is a useful measure of the overall financial performance of UN-Habitat and indicates whether the organization achieved its self-financing objective for the period;

(c) Statement III: statement of changes in net assets. This statement reports all changes in the value of assets and liabilities, including those excluded from the statement of financial performance, for example, actuarial adjustments to employee liabilities and fair value adjustment on available-for-sale financial instruments;

(d) Statement IV: statement of cash flows. This statement reflects the changes in the cash position of UN-Habitat by reporting the net movement of cash, classified by operating and investing activities. The ability of UN-Habitat to generate cash liquidity is an important aspect in assessing its financial resilience. For a more complete picture of the organization's ability to draw upon its cash balances, investments also need to be taken into account;

(e) Statement V: statement of comparison of budget and actual amounts. This statement compares the actual operational result with the main budget previously approved by the Executive Board of the United Nations Human Settlements Programme and the General Assembly;

(f) Notes to the financial statements. The financial statements are supported by notes that assist users in understanding UN-Habitat and comparing it with other entities. The notes include UN-Habitat accounting policies and other additional information and explanations.

13. To support continued IPSAS compliance, the organization deployed an IPSAS sustainability plan with ongoing work on five major components, which were identified as the core pillars for IPSAS sustainability, namely:

(a) Management of the benefits of IPSAS: this entails tracking and compiling IPSAS benefits and examining ways of using IPSAS-triggered information to better manage the organization;

(b) Strengthening of internal controls: this includes the deployment and ongoing management of the framework that will support a statement on internal controls;

(c) Management of the IPSAS regulatory framework: this includes active participation in the work of the IPSAS Board to formulate new International Public Sector Accounting Standards, or change existing standards, and the related update of the United Nations Policy Framework for IPSAS, financial rules and guidance, as well as the related changes to systems and processes;

(d) Maintenance of the integrity of Umoja as the backbone for IPSAS-compliant accounting and reporting: work in this area includes ensuring IPSAS-compliant processes for new programmes and activities and automating the production of financial statements through the use of Umoja.

(e) Continued IPSAS training and the deployment of a skills strategy that will support a strengthened finance function.

14. Statements I to IV show the consolidated figures for all activities of UN-Habitat, comprising the non-earmarked funds, the earmarked funds and end-of-service and retirement benefits for the year ended 31 December 2021.

15. The non-earmarked funds of UN-Habitat comprise the Foundation non-earmarked fund (previously referred to as Foundation general purpose), the regular budget fund and the programme support fund. Foundation non-earmarked resources are non-earmarked voluntary contributions by Member States to the UN-Habitat Foundation, while regular budget resources represent subventions appropriated from Member States' assessed contributions. Earmarked funds are voluntary contributions towards the Foundation earmarked (referred to as Foundation Special Purpose previously) and technical cooperation accounts.

16. Statement V reports on the Foundation non-earmarked and regular budget segments. This statement is prepared on a budget basis.

17. Comparison between the year ended 31 December 2020 and the current reporting date is provided.

18. Regular budget funding, insofar as it relates to UN-Habitat, is included in Volume I, a related party (A/73/5 (Vol. I)), but for completeness has also been included in these financial statements.

19. The financial statements and schedules, as well as the notes thereon, are an integral part of the financial report.

## **Financial performance**

### **General overview**

20. Table IV.1 shows a snapshot of the performance of UN-Habitat in all the segments in 2021. A total surplus of \$31.3 million was realized in 2021 as a result of total net revenue of \$204.1 million received, against which total net expenditure of \$172.8 million was reported.

Table IV.1  
**Summary financial performance for the period ended 31 December 2021 by segment**

(Millions of United States dollars)

	<i>Revenue</i>	<i>Expenses</i>	<i>Surplus/(Deficit)</i>
Foundation non-earmarked	2.6	3.2	(0.6)
Regular budget	15.9	15.9	0.0
Programme support	12.2	12.3	(0.1)
Subtotal – core funds	30.7	31.4	(0.7)
Foundation earmarked	37.5	46.3	(8.8)
Technical cooperation	147.2	106.0	41.2
Subtotal – earmarked funds	184.7	152.3	32.4
End-of-service and post-retirement benefits	1.9	2.3	(0.4)
Subtotal – other	1.9	2.3	(0.4)
Total – all funds before elimination	217.3	186.0	31.3
Intersegment elimination	(13.2)	(13.2)	0.0
Total – all funds after elimination	204.1	172.8	31.3

#### *Revenue*

Table IV.2  
**Summary of revenue in 2021 by segment compared with 2020**

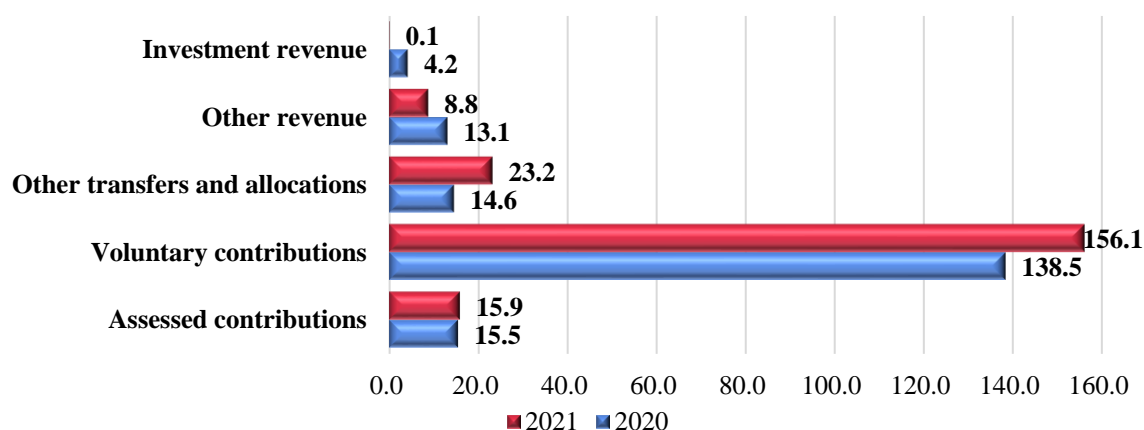
(Millions of United States dollars)

<i>Year</i>	<i>Foundation non-earmarked</i>	<i>Regular budget</i>	<i>Foundation earmarked</i>	<i>Technical cooperation</i>	<i>Programme support</i>	<i>End-of-service and post-retirement benefits</i>	<i>Intersegment elimination</i>	<i>Total revenue after elimination</i>
2021	2.6	15.9	37.5	147.2	12.2	1.9	(13.2)	204.1
2020	4.9	15.5	56.8	108.0	12.7	2.2	(14.1)	186.0

21. Figure IV.I shows the distribution of contributions by category. UN-Habitat received its contributions from five main categories: assessed contributions; voluntary contributions; other transfers and allocations; investment revenue; and other revenue.

22. UN-Habitat saw an increase in revenue in 2021 when consolidated across all funds. Total revenue for 2021 after intersegment eliminations amounted to 204.1 million (2020: \$186.0 million), which is an increase of \$18.1 million (9.7 per cent) compared with the revenue in 2020. The main source of revenue continues to be voluntary contributions from Member States, other government entities and other entities, which amounted to \$156.1 million (2020: \$138.5 million) and accounted for 76.5 per cent of total revenue. The remaining 23.5 per cent (2020: 25.5 per cent) of the revenue was generated by the assessed contributions in the amount of \$15.9 million (2020: \$15.5 million), other transfers and allocations in the amount of \$23.2 million (2020: \$14.6 million), investment income in the amount of \$0.1 million (2020: \$4.2 million) and other revenue in the amount of \$8.8 million (2020: \$13.1 million). Other transfers and allocations represent fund transfers within United Nations agencies for the joint implementation of programmes.

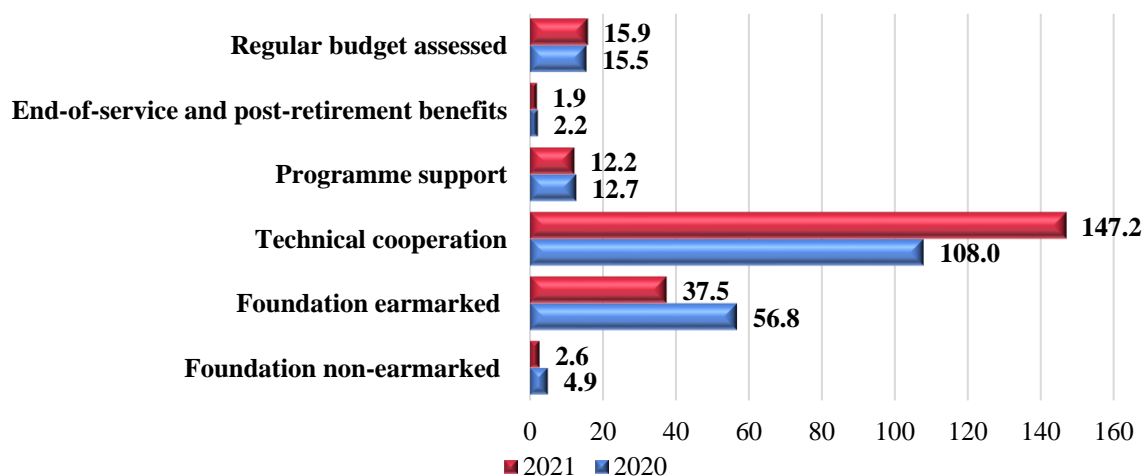
Figure IV.I  
Comparative revenue distribution by revenue category



23. Revenue for Foundation non-earmarked amounted to \$2.6 million (2020: \$4.9 million), which was a decrease of \$2.3 million (46.9 per cent) in 2021 compared with 2020. This figure comprises voluntary contributions in the amount of \$2.6 million (2020: \$4.9 million) and other revenue in the amount of \$0.0 million (2020: \$0.0 million). Regular budget revenue amounted to \$15.9 million (2020: \$15.6 million). This was an increase of \$0.3 million (1.9 per cent) compared with 2020. Total revenue from Foundation earmarked funds amounted to \$37.5 million (2020: \$56.8 million), which was a decrease of \$19.3 million (34.0 per cent) compared with 2020. Revenue from technical cooperation earmarked funds amounted to \$147.2 million (2020: \$107.9 million), which was an increase of \$39.3 million (36.4 per cent) compared with 2020. Other revenue sources contributed a total of \$14.1 million (2020: \$14.9 million).

24. The technical cooperation segment continues to be the main funding source of UN-Habitat, followed by Foundation earmarked.

Figure IV.II  
Revenue distribution by source of funding (before elimination)



## Expenditure

Table IV.3

**Summary of expenditure by segment**

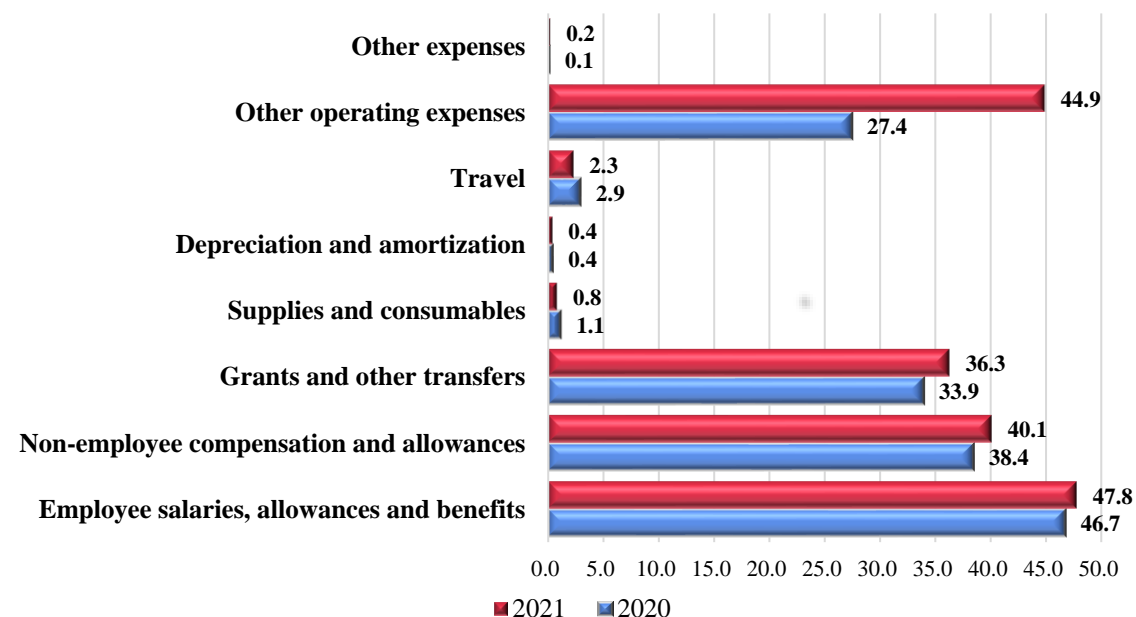
(Millions of United States dollars)

Year	Foundation non-earmarked	Regular budget	Foundation earmarked	Technical cooperation	Programme support	End-of-service and post-retirement benefits	Intersegment elimination	Total expenditure after elimination
2021	3.2	15.9	46.3	106.0	12.3	2.3	(13.2)	172.8
2020	6.4	15.6	36.3	91.7	13.0	2.0	(14.1)	150.9

25. Total expenses increased by \$21.9 million to a total of \$172.8 million (2020: \$150.9 million) in 2021. The major categories of expenses included employee benefit expenses of \$47.8 million (2020: \$46.7 million), non-employee compensation costs of \$40.1 million (2020: \$38.4 million), grants and transfers amounting to \$36.3 million (2020: \$33.9 million) and other operating expenses of \$44.9 million (2020: \$27.4 million). These expenses are largely related to project delivery.

26. Remaining expenses totalling \$3.7 million (2020: \$4.5 million) related to supplies and consumables in the amount of \$0.8 million (2020: \$1.1 million), depreciation and amortization in the amount of \$0.4 million (2020: \$0.4 million), travel expenses in the amount of \$2.3 million (2020: \$2.9 million), and other expenses in the amount of \$0.2 million (2020: \$0.1 million).

Figure IV.III

**Expenditure distribution by category**

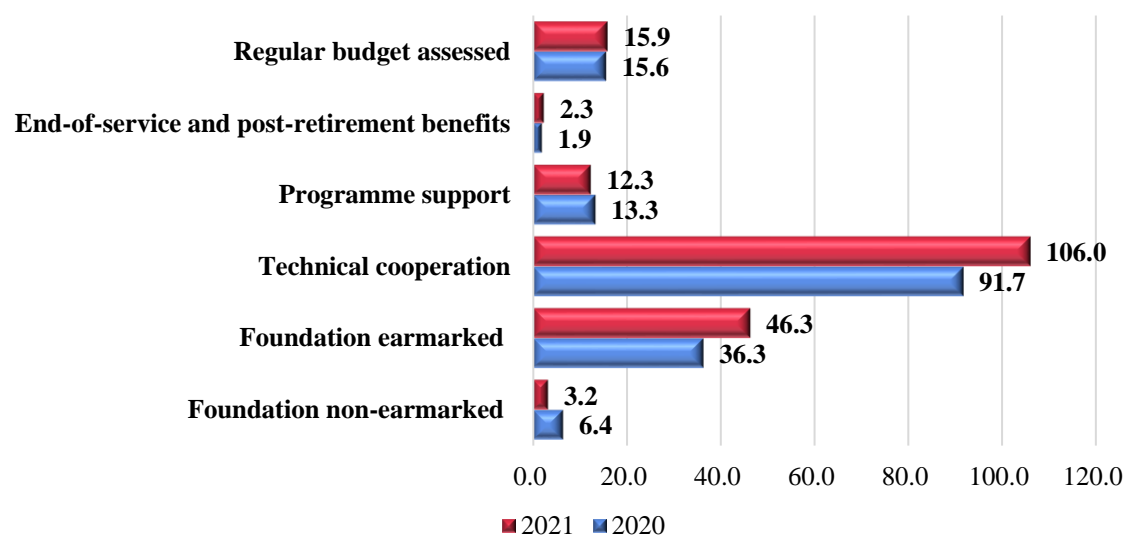
27. Further analysis of the non-earmarked expenditures shows that a total of \$3.2 million (2020: \$6.4 million) related to Foundation non-earmarked funding, while \$15.9 million (2020: \$15.6 million) related to the regular budget and \$12.3 million (2020: \$13.3 million) related to programme support. For the earmarked funds, \$46.3 million (2020: \$36.3 million) related to Foundation earmarked funding, while technical cooperation expenditure amounted to \$106.0 million (2020: \$91.7 million).

Other expenses relating to end-of-service and post-retirement benefits amounted to \$2.3 million (2020: \$1.9 million).

28. Figure IV.IV shows expenditure distribution between the six reporting segments.

Figure IV.IV

**Expenditure distribution between segments before elimination**



**Financial position**

Table IV.4

**Summary of assets, liabilities and net assets by segment**

(Millions of United States dollars and percentage)

	Foundation non-earmarked	Foundation earmarked	Technical cooperation	Programme support	End-of-service and post-retirement benefits	Intersegment elimination	Total
Total assets	2.2	141.3	400.1	15.3	15.7	(7.5)	567.1
Percentage of total assets	0.39	24.92	70.54	2.70	2.77	(1.32)	100
Total liabilities	3.3	37.9	104.0	3.0	46.3	(7.5)	187.0
Percentage of total liabilities	1.76	20.27	55.61	1.60	24.76	(4.00)	100
Total net assets	(1.1)	103.4	296.1	12.3	(30.6)	0.0	380.1
Percentage total net assets	(0.29)	27.23	77.90	3.24	(8.08)	0.00	100

*Assets*

29. At the end of 2021, UN-Habitat total assets after intersegment elimination of (\$7.5) million amounted to \$567.1 million (2020: \$562.5 million). Current assets represented \$459.7 million (2020: \$423.6 million), while non-current assets amounted to \$107.4 million (2020: \$138.9 million).

30. Voluntary contributions receivable amounted to \$225.3 million (2020: \$234.4 million), while cash and investments amounted to \$293.7 million (2020: \$276.6 million). Most of the cash and investment assets were related to funds received for technical cooperation and earmarked projects.

31. Property of the organization at year-end had a net book value of \$23.7 million (2020: \$19.7 million).

32. Cash advances to implementing partners that had not been expensed at year-end totalled \$15.7 million (2020: \$22.5 million).

*Liabilities and net assets*

33. Total current and non-current liabilities after intersegment elimination stood at \$187.0 million (2020: \$213.8 million) at year-end, resulting in net assets of \$380.1 million (2020: \$348.7 million).

34. Table IV.5 summarizes other key indicators for UN-Habitat for the year ended 31 December 2021 compared with the year ended 31 December 2020.

Table IV.5

**Other key indicators**

(Millions of United States dollars)

	2021	2020	Increase/(decrease)	Percentage change
Cash and cash equivalents	32.3	30.4	1.9	6.3
Short-term investments	220.2	185.2	35.0	18.9
Long-term investments	41.2	61.0	(19.8)	(32.5)
Total cash and investments	293.7	276.6	17.1	6.2
Voluntary contributions receivable	225.3	234.4	(9.1)	(3.9)
Other receivables	0.1	0.1	0.0	0.0
Total receivables	225.4	234.5	(9.1)	(3.9)
Advance transfers	15.7	22.5	(6.8)	(30.2)
Other assets	8.6	9.3	(0.7)	(7.5)
Accounts payable and accrued liabilities	18.4	12.5	5.9	47.2
Employee benefits liabilities <sup>a</sup>	47.5	45.3	2.2	4.9
Liabilities for conditional arrangements	121.2	156.0	(34.8)	(22.3)

<sup>a</sup> Represents gross amount of employee benefits liabilities (current and non-current).

Table IV.6

**Financial position of the UN-Habitat Foundation non-earmarked fund**

<i>Thousands of United States dollars</i>	2021	2020
Total revenue	2 570	4 915
Total expenses	3 185	6 395
(Deficit) for the period	(615)	(1 480)
Accumulated (deficit)	(3 094)	(2 479)
Reserves	2 000	2 000
Total net assets	(1 094)	(479)

35. For the year ended 31 December 2021, the UN-Habitat Foundation incurred a deficit of income over expenditure resulting in an operating loss of \$0.6 million. In



addition, as at 31 December 2021, the Foundation had a negative net assets position of \$1.1 million, reflecting, inter alia, an outstanding loan payable of \$3.0 million. In addition, UN-Habitat received an approval by the Board to establish a liquidity reserve of \$2.0 million, to compensate for late receipt of contribution to the Foundation, which remains unfunded.

36. The above circumstances indicate that the Foundation non-earmarked fund has not been able to generate enough donor contributions and cash flows to meet its obligations. For 2021, the Executive Board of UN-Habitat approved a budget of \$10.0 million for the Foundation; however, this approved budget was not supported by contributions from the Member States for the implementation of the approved programme of work. For 2021, contributions to the Foundation were only \$2.7 million, 27 per cent of the approved budget.

37. To address the financial situation, UN-Habitat management has undertaken the following initiatives: (a) intensive appeals to Member States and donors to contribute not only to the earmarked funds of UN-Habitat, but also to the non-earmarked Foundation for core activities in support of the approved budget, including more than 30 bilateral engagements; (b) a financial austerity plan that ensures expenses do not exceed revenue, including the lateral reassignment of staff to positions and functions funded outside the non-earmarked Foundation; a hiring freeze on core-funded Foundation posts; reductions in non-post expenses such as travel; and the reduction of office space in Nairobi.

38. It is critical that Member States and donors respond to these initiatives and provide funding in accordance with the approved budget of the Executive Board annually in order to improve the financial position of the Foundation, thereby enabling the Foundation to continue to support the critical core activities of UN-Habitat.

#### **D. Risks and uncertainties**

39. Given that most of the funding of UN-Habitat is from voluntary contributions, the Programme is susceptible to the inherent uncertainties associated with unpredictable revenue. In particular, the non-earmarked foundation, funded by voluntary contributions, was established to augment the core functions of the Programme, beyond those funded by the regular budget from assessed contributions.

40. The budgets for the non-earmarked foundation have been consistently and significantly underfunded during the past decade, leading to uncertainty about which core posts and activities can be carried out by the Programme. The underfunding of the budget is partially attributable to pledges from donors not being converted to revenue. Systemic risks to fundraising for core activities include the evolving interests of donors to favour earmarked contributions over non-earmarked contributions and political volatility that leads to fluctuations in the priorities of donors. Given the full consumption of the reserve of the non-earmarked foundation, underfunded budgets may lead to the need for cost reductions.

41. The repayment disposition of the loan of \$3 million from the programme support cost fund to the non-earmarked foundation in 2017 is uncertain. Any surplus from the non-earmarked foundation may be used to repay the loan, but the non-earmarked foundation has had consistent deficits during the past decade owing to underfunded budgets.

42. The uncertainties due to the COVID-19 pandemic included declines in non-post expenditures, in particular for travel.

**E. End-of-service and post-retirement accrued liabilities**

43. The UN-Habitat statements reflect the end-of-service and post-retirement benefits, comprising after-service health insurance liabilities, annual leave and repatriation benefits. It is to be noted that UN-Habitat makes monthly provisions for repatriation benefits at 8 per cent of net salary and 6 per cent of net salary for after-service health insurance.

44. Accrued balances as at 31 December 2021 have been adjusted to reflect the estimated liabilities as at 31 December 2021, as reflected in the 2021 actuarial study carried out by a consulting firm engaged by the United Nations Secretariat on behalf of UN-Habitat. As a result of fully charging these liabilities as at 31 December 2021, an amount of \$30.6 million of cumulative unfunded expenditure is included in the cumulative surplus/(deficit) amount (see note 4, end-of-service and post-retirement benefits segment).

**F. Impact of the coronavirus disease pandemic**

45. UN-Habitat continued to experience the effects of the COVID-19 pandemic throughout 2021.

46. Travel expenses decreased by 21 per cent, from \$2.9 million in 2020 to \$2.3 million in 2021, primarily as a result of travel bans and restrictions; the cancellation or postponement of official business travel; and the impact of the pandemic on assignment and repatriation travel patterns (see note 22, Expenses).

47. The limitations on physical movements that continued to apply in many of the locations in which UN-Habitat operated resulted in most staff and personnel working remotely, in particular administrative staff whose tasks did not require them to have direct physical contact with beneficiaries, other colleagues or counterparts.

**G. Subsequent events with potential financial implications**

48. The situation in Ukraine in 2022 may have an impact on contributions, with donors expressing uncertainty as to what degree the situation will reprioritize their non-earmarked voluntary contributions. Conversely, given the origins of UN-Habitat in post-conflict reconstruction, the situation in Ukraine may lead to additional funding for operational work, following resolution of the conflict.

## Chapter V

## Financial statements and related explanatory notes for the year ended 31 December 2021

### United Nations Human Settlements Programme

#### I. Statement of financial position as at 31 December 2021

(Thousands of United States dollars)

	<i>Note</i>	<i>31 December 2021</i>	<i>31 December 2020</i>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	32 345	30 446
Investments	7	220 232	185 186
Voluntary contributions receivable <sup>a</sup>	8	182 785	176 171
Other receivables	9	94	86
Advance transfers	10	15 741	22 481
Other assets	11	8 560	9 260
<b>Total current assets</b>		<b>459 757</b>	<b>423 630</b>
<b>Non-current assets</b>			
Investments	7	41 168	60 957
Voluntary contributions receivable	8	42 518	58 196
Other receivables	9	–	–
Property, plant and equipment	13	23 714	19 732
Intangible assets	14	–	1
<b>Total non-current assets</b>		<b>107 400</b>	<b>138 886</b>
<b>Total assets</b>		<b>567 157</b>	<b>562 516</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	15	18 371	12 468
Employee benefits liabilities	16	2 877	2 388
Liabilities for conditional arrangements <sup>a</sup>	18	121 213	156 008
<b>Total current liabilities<sup>a</sup></b>		<b>142 461</b>	<b>170 864</b>
<b>Non-current liabilities</b>			
Employee benefits liabilities	16	44 636	42 958
<b>Total non-current liabilities</b>		<b>44 636</b>	<b>42 958</b>
<b>Total liabilities<sup>a</sup></b>		<b>187 097</b>	<b>213 822</b>
<b>Net of total assets and total liabilities</b>		<b>380 060</b>	<b>348 694</b>
<b>Net assets</b>			
Accumulated surplus (deficit)	19	359 745	328 379
Reserves	19	20 315	20 315
<b>Total net assets</b>		<b>380 060</b>	<b>348 694</b>

<sup>a</sup> Restatement of the 2020 conditional liability balance by \$8,113, which was recognized as voluntary contributions revenue in 2020.

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

## United Nations Human Settlements Programme

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

(Thousands of United States dollars)

	<i>Note</i>	<i>2021</i>	<i>2020<sup>a</sup></i>
<b>Revenue</b>			
Assessed contributions	20	15 904	15 540
Voluntary contributions	20	156 128	138 540
Other transfers and allocations	20	23 206	14 588
Investment revenue	23	55	4 255
Other revenue	21	8 786	13 071
<b>Total revenue</b>		<b>204 079</b>	<b>185 994</b>
<b>Expenses</b>			
Employee salaries, allowances and benefits	22	47 781	46 714
Non-employee compensation and allowances	22	40 076	38 403
Grants and other transfers	22	36 341	33 904
Supplies and consumables	22	774	1 115
Depreciation	13	389	397
Amortization	14	1	5
Travel	22	2 325	2 909
Other operating expenses	22	44 923	27 344
Other expenses	22	187	67
<b>Total expenses</b>		<b>172 797</b>	<b>150 858</b>
<b>Surplus/(deficit) for the period</b>		<b>31 282</b>	<b>35 136</b>

<sup>a</sup> Comparatives have been restated to conform to current presentation.

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

## United Nations Human Settlements Programme

### III. Statement of changes in net assets for the year ended 31 December 2021<sup>a</sup>

(Thousands of United States dollars)

	<i>Accumulated surpluses/(deficits) – unrestricted</i>	<i>Reserves</i>	<i>Total</i>
<b>Net assets, 1 January 2021<sup>b</sup></b>	<b>328 379</b>	<b>20 315</b>	<b>348 694</b>
<b>Change in net assets</b>			
Transfers to/from unrestricted/restricted/reserves	–	–	–
Actuarial gains/(losses)	84	–	84
Surplus/(deficit) for the year	31 282	–	31 282
Other movements	–	–	–
<b>Net assets, 31 December 2021</b>	<b>359 745</b>	<b>20 315</b>	<b>380 060</b>

<sup>a</sup> See also note 19.

<sup>b</sup> Restatement of the 2020 conditional liability balance by \$8,113, which was recognized as voluntary contributions revenue in 2020.

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

## United Nations Human Settlements Programme

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

(Thousands of United States dollars)

	<i>Note</i>	<i>31 December 2021</i>	<i>31 December 2020</i>
<b>Cash flow from operating activities</b>			
<b>Surplus/(deficit) for the year</b>		<b>31 282</b>	<b>43 249</b>
<i>Non-cash movements</i>			
Depreciation and amortization	13, 14	386	402
Loss on disposal of property, plant and equipment	13	42	46
Actuarial (gain)/loss on employee benefits liabilities	16	84	(5 428)
Transfers and donated property, plant and equipment and intangibles		–	–
<i>Changes in assets</i>			
(Increase)/decrease in voluntary contributions receivable	8	9 063	(52 547)
(Increase)/decrease in other receivables	9	(8)	132
(Increase)/decrease in advance transfers	10	6 740	(3 119)
(Increase)/decrease in other assets	11	700	5 080
<i>Changes in liabilities</i>			
Increase/(decrease) in accounts payable and accrued liabilities	15	5 903	(4 469)
Increase/(decrease) in employee benefits liabilities	16	2 167	7 500
Increase/(decrease) in liabilities for conditional arrangements			
Increase/(decrease) in other liabilities	18	(34 795)	50 500
Investment revenue presented as investing activities	23	(55)	(4 254)
<b>Net cash flows from/(used in) operating activities</b>		<b>21 509</b>	<b>37 092</b>
<b>Cash flow from investing activities</b>			
Pro rata share of net increases in the cash pool	7	(15 257)	(72 401)
Investment revenue presented as investing activities	23	55	4 254
Acquisition of property, plant and equipment	13, 14	(4 408)	(2 078)
Proceeds from disposal of intangibles		–	–
<b>Net cash flows from/(used in) investing activities</b>		<b>(19 610)</b>	<b>(70 225)</b>
<b>Cash flow from financing activities</b>			
Adjustments to net assets		–	–
<b>Net cash flows from/(used in) financing activities</b>		<b>–</b>	<b>–</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1 899</b>	<b>(33 133)</b>
Cash and cash equivalents – beginning of year		30 446	63 579
<b>Cash and cash equivalents – end of year</b>	<b>6</b>	<b>32 345</b>	<b>30 446</b>

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

## United Nations Human Settlements Programme

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

(Thousands of United States dollars)

<i>Budget part</i>	<i>Publicly available budget</i>			<i>Actual expenditure (budget basis)</i>	<i>Difference (percentage)<sup>b</sup></i>
	<i>Original biennial</i>	<i>Original annual</i>	<i>Final annual</i>		
<b>Foundation non-earmarked</b>					
Reduced spatial inequality and poverty in communities across the urban-rural continuum	–	1 298.7	1 298.7	230.8	(82.2)
Enhanced shared prosperity of cities and regions	–	942.3	942.3	5.0	(99.5)
Strengthened climate action and improved urban environment	–	966.8	966.8	7.1	(99.3)
Effective urban crisis prevention and response	–	1 027.4	1 027.4	349.5	(66.0)
<b>Subtotal</b>	–	<b>4 235.2</b>	<b>4 235.2</b>	<b>592.4</b>	<b>(86.0)</b>
Polymaking organs	–	829.2	829.2	501.6	(39.5)
Executive direction and management	–	2 770.2	2 770.2	1 165.7	(57.9)
Programme support	–	2 165.4	2 165.4	402.9	(81.4)
<b>Subtotal</b>	–	<b>5 764.8</b>	<b>5 764.8</b>	<b>2 070.2</b>	<b>(64.1)</b>
<b>Total, Foundation non-earmarked</b>	–	<b>10 000.0</b>	<b>10 000.0</b>	<b>2 662.6</b>	<b>(73.4)</b>
<b>Regular budget</b>					
Section 15: Human settlements	–	13 275.8	13 275.8	12 540.8	(5.5)
Section 23: Regional programme of technical cooperation	–	1 067.8	1 067.8	1 076.8	0.8
Section 35: Development account <sup>a</sup>	–	1 077.0	1 077.0	762.9	(29.2)
<b>Total, regular budget</b>	–	<b>15 420.6</b>	<b>15 420.6</b>	<b>14 380.5</b>	<b>(6.7)</b>
<b>Grand total</b>	–	<b>25 420.6</b>	<b>25 420.6</b>	<b>17 043.1</b>	<b>(33.0)</b>

<sup>a</sup> Budget relates to the current year publicly available budgets which are approved for a one-year period.

<sup>b</sup> Actual expenditure (budget basis) less final budget. Differences greater than 10 per cent are considered in note 5.

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

**United Nations Human Settlements Programme  
Notes to the 2021 financial statements**

**Note 1**

**Reporting entity**

**The United Nations Human Settlements Programme and its activities**

1. On 16 December 1974, the General Assembly adopted its resolution [3327 \(XXIX\)](#), by which it created the United Nations Habitat and Human Settlements Foundation.
2. On 19 December 1977, the General Assembly adopted its resolution [32/162](#), by which it established a secretariat (the United Nations Centre for Human Settlements (Habitat)) and a Commission on Human Settlements.
3. On 21 December 2001, the General Assembly adopted its resolution [56/206](#), by which, with effect from 1 January 2002, it transformed the United Nations Centre for Human Settlements, including the United Nations Habitat and Human Settlements Foundation, into the United Nations Human Settlements Programme (UN-Habitat) and the Commission on Human Settlements into the Governing Council of the United Nations Human Settlements Programme. By the same resolution, the Assembly confirmed that the Executive Director of the United Nations Human Settlements Programme should be responsible for the management of the United Nations Habitat and Human Settlements Foundation and UN-Habitat would become an autonomous body and a separate reporting entity within the United Nations.
4. UN-Habitat is a separate financial reporting entity of the United Nations system owing to the uniqueness of the governance and budgetary process. Its financial statements comprise activities managed through various funds, including general and related funds, technical cooperation activities, general trust funds and other activities.
5. UN-Habitat is supported by a United Nations regular budget allocation and voluntary contributions from Governments, intergovernmental organizations, foundations, the private sector and other non-governmental sources. UN-Habitat headquarters is located on United Nations Avenue in Nairobi, Kenya, at the United Nations Office at Nairobi complex.
6. The objectives of UN-Habitat are as follows:
  - (a) To improve the shelter conditions of the world's poor and to ensure the development of sustainable human settlements;
  - (b) To monitor and assess progress towards the attainment of the Habitat Agenda goals and the targets of the Millennium Declaration and the Johannesburg Plan of Implementation on slums, safe drinking water and sanitation;
  - (c) To strengthen the formulation and implementation of urban and housing policies, strategies and programmes and to develop related capacities, primarily at the national and local levels;
  - (d) To facilitate the mobilization of investments from international and domestic sources in support of adequate shelter, related infrastructure development programmes and housing finance institutions and mechanisms, particularly in developing countries and in countries with economies in transition.
7. UN-Habitat undertook a major reform in 2011 to sharpen the programmatic focus of its mandate to address strategic urbanization challenges and achieve more efficient and effective service delivery, with the goal of maintaining its role as the lead programme of the United Nations for providing guidance and technical support on sustainable urbanization and shelter, both globally and at the regional and country levels. These reforms were incorporated in the 2014–2019 strategic plan, which ended in the previous fiscal year.



8. UN-Habitat undertook further reforms in the 2018–2019 biennium which were implemented from the year 2019. These reforms included:

(a) Adoption of a new governance structure. The new governance structure comprises: the UN-Habitat Assembly; the Executive Board; and Committee of Permanent Representatives. The UN-Habitat Assembly replaced the Governing Council. It is a universal body responsible for providing political leadership, strategic direction and oversight of UN-Habitat's normative and policy work, including approval of its strategic plan, submitted by the Executive Board. The Assembly meets every four years. The Committee of Permanent Representatives convenes in an open-ended manner, twice every four years. The Executive Board comprises 36 members elected by the Assembly and meets two to three times in a year. It is responsible for the direct oversight of UN-Habitat normative and operational activities, including the approval of the UN-Habitat annual work programme and budget;

(b) Adoption of a new strategic plan for the period 2020–2023, which was approved by the UN-Habitat Assembly in May 2019. The plan underpins all UN-Habitat programmes of work from 2020 to 2023;

(c) A new organizational structure which complements the new governance structure in realizing the mandate of the organization through the new strategic plan.

9. The main strategic objectives of UN-Habitat were delivered through four subprogrammes and various policies:

(a) Reduced spatial inequality and poverty in communities across the urban-rural continuum, which provides policy and operational support to national and local governments to reduce inequality between and within communities, and to reduce poverty in communities across the urban-rural continuum through increased and equal access to basic services, sustainable mobility, accessible and safe public space, increased and secure access to land, adequate and affordable housing and effective human settlements growth and regeneration;

(b) Enhanced shared prosperity of cities and regions, which provides policy and operational support to national and local governments to enhance the shared prosperity of cities and regions through improved spatial connectivity and productivity, increased and equitably distributed locally generated revenue and expanded deployment of frontier technologies and innovation;

(c) Strengthened climate action and improved urban environment, which provides policy and operational support to national and local governments to strengthen climate action and improve urban environments through reducing greenhouse gas emissions and improving air quality, improving resource efficiency and protecting ecological assets, and through the effective adaptation of communities and infrastructure to climate change;

(d) Effective urban crisis prevention and response, which provides policy and operational support to national and local governments to enhance urban crisis prevention and response. This is done through promoting social integration and inclusive communities, improved living standards, the inclusion of migrants, refugees, internally displaced persons and returnees, and enhancing the resilience of the built environment and infrastructure.

## Note 2

### Basis of preparation and authorization for issue

#### *Basis of preparation*

10. In accordance with the Financial Regulations and Rules of the United Nations, the financial statements are prepared on an accrual basis in accordance with the

International Public Sector Accounting Standards (IPSAS). They have been prepared on a going-concern basis and the accounting policies have been applied consistently in their preparation and presentation. In accordance with the requirements of IPSAS, the financial statements, which present fairly the assets, liabilities, revenue and expenses of the Programme, consist of the following:

- (a) Statement of financial position (statement I);
- (b) Statement of financial performance (statement II);
- (c) Statement of changes in net assets (statement III);
- (d) Statement of cash flows (using the indirect method) (statement IV);
- (e) Statement of comparison of budget and actual amounts (statement V);
- (f) Notes to the financial statements comprising a summary of significant accounting policies and other explanatory notes;
- (g) Comparative information in respect of all amounts presented in the financial statements indicated in (a) to (d) above and, where relevant, comparative information for narrative and descriptive information presented in the notes to these financial statements.

#### *Going concern*

11. The going-concern assertion is based on the approval by the General Assembly of the regular budget appropriations for 2022 in resolution [76/247 A–C](#), the positive historical trend of collection of assessed and voluntary contributions over the past years and the fact that the Assembly has taken no decision to cease the operations of UN-Habitat.

#### *Authorization for issue*

12. These financial statements are certified by the Controller and approved by the Secretary-General. In accordance with financial regulation 6.2, the Secretary-General transmitted the financial statements as at 31 December 2021 to the Board of Auditors by 31 March 2022. In accordance with financial regulation 7.12, the reports of the Board of Auditors are to be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements.

#### *Measurement basis*

13. These financial statements are prepared using the historical cost convention, except for financial assets recorded at fair value through surplus or deficit.

#### *Functional and presentation currency*

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

15. Transactions in currencies other than the functional currency (foreign currencies) are translated into United States dollars at the United Nations operational rate of exchange as at the date of the transaction. The United Nations operational rates of exchange approximate the spot rates prevailing at the dates of the transactions. At year end, monetary assets and liabilities denominated in foreign currencies are translated at the United Nations operational rates of exchange. Non-monetary foreign currency-denominated items that are measured at fair value are translated at the United Nations operational rate of exchange at the date on which the fair value was

determined. Non-monetary items measured at historical cost in a foreign currency are not translated at year end.

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

*Materiality and use of judgment and estimation*

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

18. Preparing financial statements in accordance with IPSAS requires the use of estimates, judgments and assumptions in the selection and application of accounting policies and in the reported amounts of certain assets, liabilities, revenues and expenses.

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

*Future accounting pronouncements*

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

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

(b) Non-exchange expenses: the aim of the project is to develop a standard or standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits. The IPSAS Board is expected to issue the standard by June 2022. It is possible that this new standard on transfer expenses would result in a prospective change in accounting policy for the recognition of some categories of non-exchange expenses of the United Nations, including transfers to implementing partners;

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

(d) Leases: the objective of the project is to develop revised requirements for lease accounting covering both lessees and lessors in order to maintain alignment with the underlying International Financial Reporting Standard. The project will result in a new IPSAS that will replace IPSAS 13: Leases. The new IPSAS is expected to be issued in January 2022 by the IPSAS Board;

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

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

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

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

Standard	Anticipated impact in the year of adoption
IPSAS 41	<p>IPSAS 41: Financial instruments, substantially improves the relevance of information for financial assets and financial liabilities. It will replace IPSAS 29: Financial Instruments: Recognition and Measurement, and improves that standard's requirements by introducing:</p> <ul style="list-style-type: none"> <li>(a) Simplified classification and measurement requirements for financial assets;</li> <li>(b) A forward-looking impairment model;</li> <li>(c) A flexible hedge accounting model.</li> </ul> <p>The effective date of IPSAS 41: Financial instruments, was deferred to 1 January 2023 owing to the COVID-19 pandemic and the challenges it has created. The impact of IPSAS 41: Financial instruments on the financial statements will be assessed prior to that date, and the Organization will be ready for its implementation by the time it becomes effective.</p>
IPSAS 42	<p>IPSAS 42: Social benefits, provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include state retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment.</p> <p>The effective date of IPSAS 42: Social benefits, was deferred to 1 January 2023 owing to the COVID-19 pandemic and the challenges it has created. Currently, there are no such social benefits applicable to the Organization.</p>

**Note 3**  
**Significant accounting policies**

*Financial assets: classification*

22. The organization classifies its financial assets in one of the following categories at initial recognition and re-evaluates the classification at each reporting date (see

table below). The classification of financial assets depends primarily on the purpose for which the financial assets are acquired.

### Categories of financial assets

<i>Classification</i>	<i>Financial assets</i>
Fair value through surplus or deficit	Investments in cash pools
Loans and receivables	Cash and cash equivalents and receivables

23. All financial assets are initially measured at fair value. The organization 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 the organization becomes party to the contractual provisions of the instrument.

24. Financial assets with maturities in excess of 12 months as at the reporting date are categorized as non-current assets in the financial statements. Assets denominated in foreign currencies are translated into United States dollars at the United Nations operational rate of exchange prevailing as at the reporting date, with net gains or losses recognized in surplus or deficit in the statement of financial performance.

25. Financial assets at fair value through surplus or deficit are those that either have been designated in this category at initial recognition or are held for trading or are acquired principally for the purpose of selling in the short term. These assets are measured at fair value at each reporting date, and any gains or losses arising from changes in the fair value are presented in the statement of financial performance in the period in which they arise.

26. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus transaction costs and subsequently reported at amortized cost, calculated using the effective interest method. Interest revenue is recognized on a time-proportion basis using the effective interest rate method on the respective financial asset.

27. 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 value of the asset. Impairment losses are recognized in the statement of financial performance in the year in which they arise.

28. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the organization has transferred substantially all risks and rewards of the financial asset.

29. Financial assets and liabilities are offset and the net amount 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.

#### *Financial assets: investment in cash pools*

30. The United Nations Treasury invests funds pooled from the United Nations Secretariat entities and other participating entities, including the organization. These pooled funds are combined in two internally managed cash pools. Participation in the cash pools implies sharing the risk and returns on investments with the other

participants. Since the funds are commingled and invested on a pool basis, each participant is exposed to the overall risk of the investment's portfolio to the extent of the amount of cash invested.

31. The organization's investment in the cash pools is included as part of cash and cash equivalents and short- and long-term investments in the statement of financial position, depending on the maturity period of the investments.

*Financial assets: cash and cash equivalents*

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

*Financial assets: receivables from non-exchange transactions – contributions receivable*

33. Contributions receivable represent uncollected revenue from assessed and voluntary contributions committed to the organization by Member States, non-Member States and other donors on the basis of enforceable agreements. These non-exchange receivables are stated at nominal value, except for voluntary contributions receivable that will mature after more than 12 months, less impairment for estimated irrecoverable amounts, that is, the allowance for doubtful receivables. If deemed material, these long-term voluntary contributions receivable are reported at a discounted value calculated using the effective interest method.

34. Voluntary contributions receivable and other accounts receivable are subject to an allowance for doubtful receivables that is calculated at a rate of 25 per cent for outstanding receivables between one and two years, 60 per cent for those between two and three years and 100 per cent for those in excess of three years.

35. For assessed contributions receivable, the allowance is calculated at a rate of 100 per cent for receivables outstanding beyond two years. Any amounts outstanding for less than two years is disclosed in the notes to the financial statements.

*Financial assets: receivables from exchange transactions – other accounts receivable*

36. Other receivables include primarily amounts receivable for goods or services provided to other entities, amounts receivable for operating lease arrangements and receivables from staff. Receivables from other United Nations reporting entities are also included in this category. Material balances of other receivables and voluntary contributions receivable are subject to specific review and an allowance for doubtful receivables is assessed on the basis of recoverability and ageing accordingly.

*Financial assets: loans receivable*

37. Loans receivable consist of loans that have been given out to implementing partners under a revolving housing finance loan fund programme called Experimental Reimbursable Seeding Operations and are receivable in accordance with the amortization schedules. These loans are given at below-market rates.

*Investments accounted for using the equity method*

38. The equity method initially records an interest in a jointly controlled entity at cost and is adjusted thereafter for the post-acquisition change in the organization's share of net assets. The organization's share of the surplus or deficit of the investee is recognized in the statement of financial performance. The interest is recorded under non-current assets unless there is a net liability position, in which case it is recorded under non-current liabilities.

*Other assets*

39. Other assets include education grant advances and prepayments, including advances for the United Nations Development Programme (UNDP) Service Clearing Account, that are recorded as an asset until goods are delivered or services are rendered by the other party, at which point the expense is recognized.

*Advance transfers*

40. Advance transfers relate mainly to cash transferred to executing agencies/ implementing partners as an advance in order for them to provide agreed goods or services. Advances issued are initially recognized as assets, and then expenses are recognized when goods are delivered or services are rendered by the executing agencies/implementing partners and confirmed by receipt of certified expense reports, as applicable. In instances where the partner has not provided financial reports as expected, programme managers make an informed assessment as to whether an accrual is needed. Balances due for a refund are transferred to other receivables, where necessary, and are subject to an allowance for doubtful receivables.

*Inventories*

41. Inventory balances are recognized as current assets and include the categories and subcategories set out in the table below.

<i>Categories</i>	<i>Subcategories</i>
Held for sale or external distribution	Books and publications, stamps
Raw materials and works in progress associated with items held for sale or external distribution	Construction materials/supplies, works in progress
Strategic reserves	Fuel reserves, bottled water and rations reserves
Consumables and supplies	Material holdings of consumables and supplies, including spare parts and medicines

42. The cost of inventory in stock is determined using the average price cost basis. The cost of inventories includes the cost of purchase plus other costs incurred in bringing the items to the destination and condition for use. A standard rate of 12 per cent of the cost of purchase is used in place of actual associated costs incurred. Inventory acquired through non-exchange transactions (namely, donated goods) is measured at fair value as at the date of acquisition. Inventories held for sale are valued at the lower of cost and net realizable value. Inventories held for distribution at no/nominal charge or for consumption in the production of goods/services are valued at the lower of cost and current replacement cost.

43. The carrying amount of inventories is expensed when inventories are sold, exchanged, distributed externally or consumed by the organization. Net realizable value is the net amount that is expected to be realized from the sale of inventories in the ordinary course of operations. Current replacement cost is the estimated cost that would be incurred to acquire the asset.

44. Holdings of consumables and supplies for internal consumption are capitalized in the statement of financial position only when material. Such inventories are valued

by the periodic weighted average or the moving average methods on the basis of records available in the inventory management systems, such as Galileo and Umoja, which are validated through the use of thresholds, cycle counts and enhanced internal controls. Valuations are subject to impairment review, which takes into consideration the variances between moving average price valuation and current replacement cost, as well as slow-moving and obsolete items.

45. Inventories are subject to physical verification on the basis of value and risk as assessed by management. Valuations are net of write-downs from cost to current replacement cost/net realizable value, which are recognized in the statement of financial performance.

#### *Heritage assets*

46. Heritage assets are not recognized in the financial statements, but significant heritage assets are disclosed in the notes to the financial statements.

#### *Property, plant and equipment*

47. Property, plant and equipment are classified into different groupings of similar nature, functions, useful life and valuation methodologies as: vehicles; communications and information technology equipment; machinery and equipment; furniture and fixtures; and real estate assets (land, buildings, leasehold improvements, infrastructure and assets under construction). Recognition of property, plant and equipment is as follows:

(a) All property, plant and equipment other than real estate assets are stated at historical cost, less accumulated depreciation and accumulated impairment losses. Historical cost comprises the purchase price, any costs directly attributable to bringing the asset to its location and condition, and the initial estimate of dismantling and site restoration costs. A standard rate of 2 per cent of the cost of purchase is used in place of actual associated costs incurred;

(b) Owing to the absence of historical cost information, real estate assets are initially recognized at fair value using a depreciated replacement cost methodology. Baseline costs per baseline quantity have been calculated by collecting construction cost data, utilizing in-house cost data (where it exists) or using external cost estimators for each catalogue of real estate assets. The baseline costs per baseline quantity adjusted for price escalation factor, size factor and location factor are applied to value the real estate asset and determine the replacement cost. Depreciation allowance deductions from the gross replacement cost to account for physical, functional and economic use of the assets have been made to determine the depreciated replacement cost of the assets;

(c) For property, plant and equipment acquired at nil or nominal cost, including donated assets, the fair value as at the date of acquisition is deemed to be the cost to acquire;

(d) Property, plant and equipment are capitalized when their cost is greater than or equal to the threshold of \$5,000 or \$100,000 for leasehold improvements and self-constructed assets respectively.

48. Property, plant and equipment are depreciated over their estimated useful lives using the straight-line method up to their residual value, except for land and assets under construction, which are not subject to depreciation. Given that not all components of a building have the same useful lives or the same maintenance, upgrade or replacement schedules, significant components of owned buildings are depreciated using the components approach. Depreciation commences in the month in which the organization gains control over an asset in accordance with international commercial terms and no depreciation is charged in the month of retirement or



disposal. Given the expected pattern of usage of property, plant and equipment, the residual value is nil unless residual value is likely to be significant. The estimated useful lives of property, plant and equipment classes are set out in the table below.

### Estimated useful lives of property, plant and equipment classes

<i>Class</i>	<i>Subclass</i>	<i>Estimated useful life</i>
Communications and information technology equipment	Information technology equipment	4 years
	Communications and audiovisual equipment	7 years
Vehicles	Light-wheeled vehicles	6 years
	Heavy-wheeled and engineering support vehicles	12 years
	Specialized vehicles, trailers and attachments	6–12 years
	Marine vessels	10 years
Machinery and equipment	Light engineering and construction equipment	5 years
	Medical equipment	5 years
	Security and safety equipment	5 years
	Mine detection and clearing equipment	5 years
	Accommodation and refrigeration equipment	6 years
	Water treatment and fuel distribution equipment	7 years
	Transportation equipment	7 years
	Heavy engineering and construction equipment	12 years
	Printing and publishing equipment	20 years
	Furniture and fixtures	Library reference material
Office equipment		4 years
Fixtures and fittings		7 years
Furniture		10 years
Buildings	Temporary and mobile buildings	7 years
	Fixed buildings, depending on type	25, 40 or 50 years
	Major exterior, roofing, interior and services/utilities components, where component approach is utilized	20–50 years
	Finance lease or donated right-to-use buildings	Shorter of term of arrangement or life of building
Infrastructure assets	Telecommunications, energy, protection, transport, waste and water management, recreation, landscaping	Up to 50 years
Leasehold improvements	Fixtures, fittings and minor construction work	Shorter of lease term or 5 years

49. In exceptional cases, the recorded useful lives of some assets may be different from the useful lives prescribed at the asset subclass level as set out above (although they would remain within the range at asset class level), because when preparing the 2014 IPSAS opening balance, a thorough review of the remaining economic useful lives of those assets was made and the result entered in the master record of the asset.

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

51. The organization elected to use the cost model for measurement of property, plant and equipment after initial recognition instead of the revaluation model. Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to the organization and the subsequent cost exceeds the threshold for initial recognition. Repairs and maintenance are expensed in the statement of financial performance in the year in which they are incurred.

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

53. Impairment assessments are conducted during annual physical verification procedures and when events or changes in circumstances indicate that carrying amounts may not be recoverable. Land, buildings and infrastructure assets with a year-end net book value greater than \$100,000 per unit are reviewed for impairment at each reporting date. The equivalent threshold for other property, plant and equipment items (excluding assets under construction and leasehold improvements) is \$5,000.

#### *Intangible assets*

54. Intangible assets are carried at cost, less accumulated amortization and accumulated impairment loss. For intangible assets acquired at nil or nominal cost, including donated assets, the fair value as at the date of acquisition is deemed to be the cost to acquire. The threshold for recognition is \$100,000 for internally generated intangible assets and \$5,000 per unit for externally acquired intangible assets.

55. Acquired computer software licences are capitalized on the basis of costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with the development of software for use by the organization are capitalized as an intangible asset. Directly associated costs include software development employee costs, consultant costs and other applicable overhead costs.

56. Intangible assets with definite useful lives are amortized on a straight-line method over their estimated useful lives, starting from the month of acquisition or when the intangible assets become operational.

57. The useful lives of major classes of intangible assets have been estimated as shown in the table below.

### Estimates of useful lives of major classes of intangible assets

<i>Class</i>	<i>Range of estimate of useful life</i>
Software acquired externally	3–10 years
Software developed internally	3–10 years
Licences and rights	2–6 years (period of licence/right)
Copyrights	3–10 years
Assets under development	Not amortized

58. Annual impairment reviews of intangible assets are conducted where assets are under construction or have an indefinite useful life. Other intangible assets are subject to impairment review only when indicators of impairment are identified.

#### *Financial liabilities: classification*

59. Financial liabilities are classified as “other financial liabilities”. They include accounts payable, transfers payable, unspent funds held for future refunds, and other liabilities. 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 organization 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.

#### *Financial liabilities: accounts payable and accrued liabilities*

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

#### *Financial liabilities: transfers payable*

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

#### *Advance receipts and other liabilities*

62. Advance receipts relate to contributions or payments received in advance, assessed or voluntary contributions received for future years and other deferred revenue. Advance receipts are recognized as revenue at the start of the relevant financial year or on the basis of the organization’s revenue recognition policies. Other liabilities include liabilities for conditional funding arrangements and other miscellaneous items.

#### *Leases: the organization as lessee*

63. Leases of property, plant and equipment where the organization has substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the start of the lease at the lower of fair value or the present value of the minimum lease payments. The rental obligation, net of finance charges, is reported as a liability in the statement of financial position. Assets acquired under finance leases are depreciated in accordance with the organization’s policy on property, plant and equipment. The interest element of the lease payment is charged

to the statement of financial performance as an expense over the lease term on the basis of the effective interest rate method.

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

*Leases: the organization as lessor*

65. The organization is the lessor for certain assets subject to operating leases. Assets subject to operating leases are reported within property, plant and equipment. Lease revenue from operating leases is recognized in the statement of financial performance over the lease term on a straight-line basis.

*Donated rights to use*

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

67. In the case of an operating lease, an expense and corresponding revenue equal to the annual market rent of similar properties is recognized in the financial statements. In the case of a finance lease (principally with a lease term of more than 35 years for premises), the fair market value of the property is capitalized and depreciated over the shorter of the useful life of the property or the term of the arrangement. If property is transferred with specific conditions, deferred revenue for the amount is recognized equal to the entire fair market value of the property (or share of the property) occupied by the organization, which is progressively recognized as revenue and offsets the corresponding depreciation charge. If property is transferred without any specific condition, revenue for the same amount is recognized immediately upon assuming control of the property. Donated right-to-use land arrangements are accounted for as operating leases where the organization does not have exclusive control over the land and/or title to the land is transferred under restricted deeds.

68. Long-term donated right-to-use building and land arrangements are accounted for as operating leases where the organization does not have exclusive control over the building and title to the land is not granted.

69. Where title to the land is transferred to the organization without restrictions, the land is accounted for as donated property, plant and equipment and recognized at fair value at the acquisition date.

70. The threshold for the recognition of revenue and expense is a yearly rental value equivalent to \$5,000 for donated right-to-use premises and \$5,000 for machinery and equipment.

*Employee benefits*

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

*Short-term employee benefits*

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

*Post-employment benefits*

73. Post-employment benefits comprise the after-service health insurance plan and end-of-service repatriation benefits that are accounted for as defined-benefit plans, in addition to the pension through the United Nations Joint Staff Pension Fund.

*Defined-benefit plans*

74. The following benefits are accounted for as defined-benefit plans: after-service health insurance; repatriation benefits (post-employment benefits); and accumulated annual leave that is commuted to cash upon separation from the organization (other long-term benefits). Defined-benefit plans are those where the organization's obligation is to provide agreed benefits, and therefore the organization bears the actuarial risks. The liability for defined-benefit plans is measured at the present value of the defined-benefit obligation. Changes in the liability for defined-benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The organization has elected 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, the organization did not hold any plan assets as defined by IPSAS 39: Employee benefits.

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

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

77. 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 on length of service, and travel and removal expenses. A liability is recognized from when the staff member

joins the organization and is measured as the present value of the estimated liability for settling these entitlements.

78. Annual leave: the liabilities for annual leave represent unused accumulated leave days that are projected to be settled through a monetary payment to employees upon their separation from the organization. The United Nations 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 the end of service as the true liability of the organization. The accumulated annual leave benefit reflecting the outflow of economic resources from the organization at the end of service is therefore classified under the category of other long-term benefits, it being noted that the portion of the accumulated annual leave benefit that is expected to be settled through monetary payment within 12 months after the reporting date is classified as a current liability. In line with IPSAS 39, other long-term benefits must be valued similarly to post-employment benefits; therefore, the United Nations 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*

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

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

*Termination benefits*

81. Termination benefits are recognized as an expense only when the organization is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Where termination benefits

fall due more than 12 months after the reporting date, they are discounted if the impact of discounting is material.

*Other long-term employee benefits*

82. Other long-term employee benefit obligations are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in which employees provide the related service.

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

*Provisions*

84. 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 organization 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 expenditures expected to be required to settle the present obligation as at the reporting date. Where the effect of the time value of money is material, the provision is the present value of the amount required to settle the obligation.

*Contingent liabilities*

85. 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 organization 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.

86. 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.

87. An indicative threshold of \$10,000 applies in recognizing provisions and/or disclosing contingent liabilities in the notes to the financial statements.

*Contingent assets*

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

*Commitments*

89. Commitments are future expenses to be incurred by the organization on contracts entered into by the reporting date and that the organization has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (amount of contracts for capital expenses that are not paid or

accrued by the reporting date), contracts for the supply of goods and services that will be delivered to the organization in future periods, non-cancellable minimum lease payments and other non-cancellable commitments.

*Non-exchange revenue: assessed contributions*

90. Assessed contributions for the organization comprise the UN-Habitat regular budget allocation. Assessed contributions are assessed and approved for a budget period of one or more years. A one-year proportion of the assessed contributions is recognized as revenue at the beginning of that year. Assessed contributions include the amounts assessed to the Member States to finance the activities of the organization in accordance with the agreed scale of assessments. Revenue from assessed contributions from Member States is presented in the statement of financial performance.

*Non-exchange revenue: voluntary contributions*

91. Voluntary contributions and other transfers that are supported by legally enforceable agreements are recognized as revenue at the time at which the agreement becomes binding, which is the point at which the organization is deemed to acquire control of the asset. However, where cash is received subject to specific conditions or when contributions are explicitly given for a specific operation to commence in a future financial year, recognition is deferred until those conditions have been satisfied. Revenue will be recognized up front for all conditional arrangements up to the threshold of \$50,000.

92. Voluntary pledges and other promised donations are recognized as revenue when the arrangement becomes binding. Pledges and promised donations, as well as agreements not yet formalized by acceptance, are disclosed as contingent assets. For unconditional multi-year agreements, the full amount is recognized as revenue when the agreement becomes binding.

93. Unused funds returned to the donor are netted against revenue.

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

95. In-kind contributions of goods above the recognition threshold of \$5,000 are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to the organization and the fair value of those assets can be measured reliably.

96. Contributions in kind are initially measured at their fair value as at the date of receipt determined by reference to observable market values or by independent appraisals. The organization has elected not to recognize in-kind contributions of services but to disclose in-kind contributions of services above a threshold of \$5,000 in the notes to the financial statements.

*Exchange revenue*

97. Exchange transactions are those in which the organization sells goods or services. Revenue comprises the fair value of consideration received or receivable for the sale of goods and services. Revenue is recognized when it can be reliably measured, when the inflow of future economic benefits is probable and when specific criteria have been met, as follows:



(a) Revenue from sales of publications, books and stamps by the United Nations Gift Centre is recognized when the sale occurs, and risks and rewards have been transferred;

(b) Revenue from commissions and fees for technical, procurement, training, administrative and other services rendered to Governments, United Nations entities and other partners is recognized when the service is performed;

(c) Exchange revenue also includes income from the rental of premises, the sale of used or surplus property, services provided to visitors in relation to guided tours and income from net gains resulting from currency exchange adjustments;

(d) An indirect cost recovery called a “programme support cost” is charged to trust funds as a percentage of direct costs, including commitments and other “extrabudgetary” activities, to ensure that the additional costs of supporting activities financed from extrabudgetary contributions are not borne by assessed funds and/or other core resources of the Secretariat. The programme support cost is eliminated for the purposes of the preparation of financial statements, as disclosed in note 4, Segment reporting. The funding for the programme support cost charge agreed upon with the donor is included as part of voluntary contributions.

#### *Investment revenue*

98. Investment revenue includes interest income and the organization’s net share of cash pool investment income and transaction costs associated with the operation of investments.

99. The net cash pool revenue includes any gains and losses on the sale of investments, which are calculated as the difference between the sales proceeds and book value. Transaction costs that are directly attributable to the investment activities are netted against revenue, and the net revenue is distributed proportionately to all cash pool participants on the basis of their average daily balances. The cash pool revenue also includes unrealized market gains and losses on securities, which are distributed proportionately to all participants on the basis of year-end balances.

#### *Expenses*

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

101. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. The allowances and benefits include other staff entitlements, including pension and insurance, staff assignment, repatriation, hardship and other allowances. Non-employee compensation and allowances consist of United Nations Volunteers living allowances and post-employment benefits, consultant and contractor fees, ad hoc experts, International Court of Justice judges’ allowances and non-military personnel compensation and allowances.

102. Supplies and consumables relate to the cost of inventory used and expenses for supplies and consumables.

103. Grants and other transfers include outright grants and transfers to implementing agencies, partners and other entities as well as quick-impact projects. Supplies and consumables relate to the cost of consumables and expenses for supplies. For outright grants, an expense is recognized at the point at which the organization has a binding obligation to pay.

104. Programme activities, distinct from commercial or other arrangements where the United Nations expects to receive equal value for funds transferred, are implemented by executing entities/implementing partners to service a target population that typically includes Governments, non-governmental organizations and agencies of the United Nations system. Transfers to implementing partners are initially recorded as advances, and balances that are not expensed during the year remain outstanding at the end of the year and are reported in the statement of financial position. These executing entities/implementing partners provide the organization with certified expense reports documenting their use of resources, which are the basis for recording expenses in the statement of financial performance. In instances where the partner has not provided financial reports as expected, programme managers make an informed assessment as to whether an accrual or an impairment should be recorded against the advance and submit the accounting adjustment. Where a transfer of funds is deemed to be an outright grant, an expense is recognized at the point at which the organization has a binding obligation to pay, which is generally upon disbursement. Binding agreements to fund executing entities/implementing partners not paid out by the end of the reporting period are shown as commitments in the notes to the financial statements.

105. Other operating expenses include acquisition of goods and intangible assets under capitalization thresholds, maintenance, utilities, contracted services, training, security services, shared services, rent, insurance and allowance for doubtful accounts. Other expenses relate to in-kind contributions, hospitality and official functions, foreign exchange losses and donations or transfers of assets.

#### *Multi-partner trust funds*

106. Multi-partner trust fund activities are pooled resources from multiple financial partners that are allocated to multiple implementing entities to support specific national, regional or global development priorities. They are assessed to determine the existence of control and whether the organization is considered to be the principal of the programme or activity. Where control exists and the organization is exposed to the risks and rewards associated with the multi-partner trust fund activities, such programmes or activities are considered to be the organization's operations and are therefore reported in full in the financial statements.

#### **Note 4**

##### **Segment reporting**

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

108. Segment reporting information is provided on the basis of six segments:

- (a) Foundation non-earmarked;
- (b) Regular budget;
- (c) Foundation earmarked;
- (d) Technical cooperation;
- (e) Programme support;
- (f) End-of-service and post-retirement benefits.

109. Both the statement of financial position and the statement of financial performance are as shown below.

**All funds – statement of financial position as at 31 December 2021, by segment**

(Thousands of United States dollars)

	<i>Foundation non-earmarked</i>	<i>Foundation earmarked</i>	<i>Technical cooperation</i>	<i>Programme support<sup>a</sup></i>	<i>End-of-service and post- retirement benefits</i>	<i>Intersegment eliminations</i>	<i>31 December 2021</i>	<i>31 December 2020<sup>a</sup></i>
<b>Assets</b>								
<b>Current assets</b>								
Cash and cash equivalents	175	8 390	20 652	1 401	1 727	–	32 345	30 446
Investments	1 184	57 960	140 877	8 401	11 810	–	220 232	185 186
Voluntary contributions receivable	192	43 493	139 100	–	–	–	182 785	176 171
Other receivables	0	338	4 113	3 129	–	(7 486)	94	86
Advance transfers	75	7 192	8 474	–	–	–	15 741	22 481
Other assets	298	800	6 720	742	–	–	8 560	9 260
<b>Total current assets</b>	<b>1 924</b>	<b>118 173</b>	<b>319 936</b>	<b>13 673</b>	<b>13 537</b>	<b>(7 486)</b>	<b>459 757</b>	<b>423 630</b>
<b>Non-current assets</b>								
Investments	221	10 835	26 334	1 570	2 208	–	41 168	60 957
Voluntary contributions receivable	–	12 199	30 319	–	–	–	42 518	58 196
Property, plant and equipment	27	123	23 550	14	–	–	23 714	19 732
Intangible assets	–	–	–	–	–	–	–	1
<b>Total non-current assets</b>	<b>248</b>	<b>23 157</b>	<b>80 203</b>	<b>1 584</b>	<b>2 208</b>	<b>–</b>	<b>107 400</b>	<b>138 886</b>
<b>Total assets</b>	<b>2 172</b>	<b>141 330</b>	<b>400 139</b>	<b>15 257</b>	<b>15 745</b>	<b>(7 486)</b>	<b>567 157</b>	<b>562 516</b>
<b>Liabilities</b>								
<b>Current liabilities</b>								
Accounts payable and accrued liabilities	8	2 983	12 599	2 781	–	–	18 371	12 468
Employee benefits liabilities	258	313	357	227	1 722	–	2 877	2 388
Liabilities for conditional arrangements <sup>b</sup>	–	34 204	87 009	–	–	–	121 213	156 008
Other liabilities	3 000	374	4 112	–	–	(7 486)	–	–
<b>Total current liabilities</b>	<b>3 266</b>	<b>37 874</b>	<b>104 077</b>	<b>3 008</b>	<b>1 722</b>	<b>(7 486)</b>	<b>142 461</b>	<b>170 864</b>

	<i>Foundation non-earmarked</i>	<i>Foundation earmarked</i>	<i>Technical cooperation</i>	<i>Programme support<sup>a</sup></i>	<i>End-of-service and post- retirement benefits</i>	<i>Intersegment eliminations</i>	<i>31 December 2021</i>	<i>31 December 2020<sup>a</sup></i>
<b>Non-current liabilities</b>								
Employee benefits liabilities					44 636		44 636	42 958
<b>Total non-current liabilities</b>	–	–	–	–	<b>44 636</b>	–	<b>44 636</b>	<b>42 958</b>
<b>Total liabilities</b>	<b>3 266</b>	<b>37 874</b>	<b>104 077</b>	<b>3 008</b>	<b>46 358</b>	<b>(7 486)</b>	<b>187 097</b>	<b>213 822</b>
<b>Net of total assets and liabilities</b>	<b>(1 094)</b>	<b>103 456</b>	<b>296 062</b>	<b>12 249</b>	<b>(30 613)</b>	–	<b>380 060</b>	<b>348 694</b>
<b>Net assets</b>								
Accumulated surplus/(deficit)	(3 094)	99 433	284 702	9 317	(30 613)	–	359 745	328 379
Reserves	2 000	4 023	11 360	2 932	–	–	20 315	20 315
<b>Total net assets</b>	<b>(1 094)</b>	<b>103 456</b>	<b>296 062</b>	<b>12 249</b>	<b>(30 613)</b>	–	<b>380 060</b>	<b>348 694</b>

<sup>a</sup> Comparatives have been restated to conform to current presentation.

<sup>b</sup> Restatement of the 2020 conditional liability balance by \$8,113, which was recognized as voluntary contributions revenue in 2020.

**All funds – statement of financial performance for the period ended 31 December 2021, by segment**

(Thousands of United States dollars)

	<i>Foundation non-earmarked</i>	<i>Regular budget</i>	<i>Foundation earmarked</i>	<i>Technical cooperation</i>	<i>Programme support</i>	<i>End-of-service and post-retirement benefits</i>	<i>Intersegment eliminations</i>	<i>Total as at 31 December 2021</i>	<i>Total as at 31 December 2020<sup>a</sup></i>
<b>Revenue</b>									
Assessed contributions	–	15 904	–	–	–	–	–	15 904	15 540
Voluntary contributions	2 556	–	32 307	120 992	273	–	–	156 128	138 540
Other transfers and allocations	–	–	1 647	21 167	419	–	(27)	23 206	14 588
Investment revenue	4	–	3 514	4 930	104	24	(8 521)	55	4 255
Other revenue	10	–	3	126	11 393	1 917	(4 663)	8 786	13 071
<b>Total revenue</b>	<b>2 570</b>	<b>15 904</b>	<b>37 471</b>	<b>147 215</b>	<b>12 189</b>	<b>1 941</b>	<b>(13 211)</b>	<b>204 079</b>	<b>185 994</b>
<b>Expenses</b>									
Employee salaries, allowances and benefits	2 549	14 135	11 456	11 633	7 595	2 329	(1 916)	47 781	46 714
Non-employee compensation and allowances	–	1 061	11 093	27 076	846	–	–	40 076	38 403
Grants and other transfers	50	107	10 090	26 094	–	–	–	36 341	33 904
Supplies and consumables	–	25	47	699	3	–	–	774	1 115
Depreciation	11	4	12	355	7	–	–	389	397
Amortization	–	–	–	1	–	–	–	1	5
Travel	43	121	765	1 354	69	–	(27)	2 325	2 909
Other operating expenses	532	451	12 851	38 590	3 750	17	(11 268)	44 923	27 344
Other expenses	–	–	7	180	–	–	–	187	67
<b>Total expenses</b>	<b>3 185</b>	<b>15 904</b>	<b>46 321</b>	<b>105 982</b>	<b>12 270</b>	<b>2 346</b>	<b>(13 211)</b>	<b>172 797</b>	<b>150 858</b>
<b>Surplus/(deficit) for the period</b>	<b>(615)</b>	<b>–</b>	<b>(8 850)</b>	<b>41 233</b>	<b>(81)</b>	<b>(405)</b>	<b>–</b>	<b>31 282</b>	<b>35 136</b>

<sup>a</sup> Comparatives have been restated to conform to current presentation.

**Note 5****Comparison to budget**

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

111. Approved budgets are those that permit expenses to be incurred and are approved by the Executive Board. For IPSAS reporting purposes, approved budgets are the appropriations authorized for each category through Executive Board resolutions.

112. The original budget amounts are the 2021 appropriations approved by the Executive Board for the year 2021.

113. The final budget reflects the original budget appropriation with any amendments by the Executive Director.

114. Differences between original and final budget amounts are considered in Statement V.

115. Explanations for material differences between the final budget appropriation and actual expenditure on a modified accrual basis which are deemed to be those greater than 10 per cent are considered below.

**Differences between actual and final annual budget amounts  
(Foundation non-earmarked funds)**

<i>Budget area</i>	<i>Material differences greater than 10 per cent</i>
Reduced spatial inequality and poverty in communities across the urban-rural continuum	Expenditure 82.2 per cent less than final budget
Enhanced shared prosperity of cities and regions	Expenditure 99.5 per cent less than final budget
Strengthened climate action and improved urban environment	Expenditure 99.3 per cent less than final budget
Effective urban crisis prevention and response	Expenditure 66.0 per cent less than final budget
Policymaking organs	Expenditure 39.5 per cent more than final budget
Executive direction and management	Expenditure 57.9 per cent less than final budget
Programme support	Expenditure 81.4 per cent less than final budget
Section 35: Development account	Expenditure 29.2 per cent less than final appropriation

116. Actual expenditure for the subprogrammes under Foundation non-earmarked funds is lower owing to cashflow-related austerity measures taken in the year owing to low income levels. The amount of actual expenditure for the development account is a result of projects extended for completion in 2022.

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

117. A reconciliation between the actual amounts on a comparable basis in the statement of comparison of budget and actual amounts and the actual amounts in the statement of cash flows is shown in the table below.

**Reconciliation of actual amounts on a comparable basis with the statement of cash flows**

(Thousands of United States dollars)

<i>Reconciliation</i>	<i>Operating</i>	<i>Investing</i>	<i>Financing</i>	<i>Total 2021</i>
Actual amounts on comparable basis (statement V)	17 043	–	–	17 043
Basis differences <sup>a</sup>	(45 904)	(4 408)	–	(50 312)
Entity differences <sup>b</sup>	(153 709)	–	–	(153 709)
Presentation differences <sup>c</sup>	204 079	(15 202)	–	188 877
<b>Actual amount in statement of cash flows (statement IV)</b>	<b>21 509</b>	<b>(19 610)</b>	<b>–</b>	<b>1 899</b>

<sup>a</sup> Basis differences capture the differences resulting from preparing the budget on a modified cash basis. In order to reconcile the budgetary results with the statement of cash flows, the non-cash elements, such as unliquidated obligations, payments against prior-year obligations, property, plant and equipment, and outstanding assessed contributions, are included as basis differences.

<sup>b</sup> Entity differences represent cash flows of fund groups other than the organization that are reported in the financial statements. The financial statements include results for all fund groups.

<sup>c</sup> Presentation differences are differences in the format and classification schemes in the statement of cash flows and the statement of comparison of budget and actual amounts, which is related primarily to the latter not recording income and the net changes in cash pool balances.

**Note 6**

**Cash and cash equivalents**

(Thousands of United States dollars)

	<i>31 December 2021</i>	<i>31 December 2020</i>
Main pool	32 258	30 329
Other cash and cash equivalents	87	117
<b>Total cash and cash equivalents</b>	<b>32 345</b>	<b>30 446</b>

118. Cash and cash equivalents include trust fund monies, which are for the specific purposes of the respective trust funds.

**Note 7**  
**Investments**

(Thousands of United States dollars)

	<i>31 December 2021</i>	<i>31 December 2020</i>
<b>Current</b>		
Main pool	220 232	185 186
<b>Subtotal</b>	<b>220 232</b>	<b>185 186</b>
<b>Non-current</b>		
Main pool	41 168	60 957
<b>Subtotal</b>	<b>41 168</b>	<b>60 957</b>
<b>Total</b>	<b>261 400</b>	<b>246 143</b>

119. Investments include amounts in relation to trust funds.

**Note 8**  
**Receivables from non-exchange transactions: voluntary contributions**

(Thousands of United States dollars)

	<i>Current</i>	<i>Non-current</i>	<i>31 December 2021</i>	<i>31 December 2020</i>
Member States	32 195	4 846	37 041	48 024
Other governmental organizations	52 985	24 109	77 094	166 195
United Nations organizations	21 636	1 024	22 660	28 037
Private donors	111 091	12 539	123 630	18 194
<b>Total voluntary contributions receivable before allowance</b>	<b>217 907</b>	<b>42 518</b>	<b>260 425</b>	<b>260 450</b>
Allowance for doubtful receivables, current	(35 122)	–	(35 122)	(26 084)
<b>Total voluntary contributions receivable</b>	<b>182 785</b>	<b>42 518</b>	<b>225 303</b>	<b>234 366</b>

**Note 9**  
**Other receivables**

(Thousands of United States dollars)

	<i>31 December 2021</i>	<i>31 December 2020</i>
<b>Other receivables (current)</b>		
Other accounts receivable	185	182
Loans receivable	88	103
<b>Subtotal</b>	<b>273</b>	<b>285</b>
Allowances for doubtful receivables	(179)	(199)
<b>Total other receivables (current)</b>	<b>94</b>	<b>86</b>



**Note 10**

**Advance transfers**

(Thousands of United States dollars)

	<i>31 December 2021</i>	<i>31 December 2020</i>
Advances to implementing partners	15 741	22 481
<b>Total advance transfers</b>	<b>15 741</b>	<b>22 481</b>

**Note 11**

**Other assets**

(Thousands of United States dollars)

	<i>31 December 2021</i>	<i>31 December 2020</i>
Advances to UNDP and other agencies of the United Nations system <sup>a</sup>	7 123	7 642
Advances to vendor	50	352
Advances to staff	687	589
Other personnel	176	17
Other assets – other	524	661
<b>Other assets (current)</b>	<b>8 560</b>	<b>9 260</b>

<sup>a</sup> Includes UNDP Service Clearing Account and advances to other entities to provide administrative and operational support services.

**Note 12**

**Heritage assets**

120. Certain assets are categorized as heritage assets because of their cultural, educational or historical significance. The organization's heritage assets were acquired over many years by various means, including purchase, donation and bequest. These heritage assets do not generate any future economic benefits or service potential; accordingly, the organization elected not to recognize heritage assets on the statement of financial position.

121. As at the reporting date, the organization had no heritage assets to report.

**Note 13**

**Property, plant and equipment**

122. In accordance with IPSAS 17, opening balances of property, plant and equipment are initially recognized at cost or fair value as at 1 January 2014 and measured at cost thereafter. The opening balance for buildings was obtained on 1 January 2014 on the basis of depreciated replacement cost and was validated by external professionals. Machinery and equipment are valued using the cost method.

123. During the year, the organization did not write down property, plant and equipment owing to accidents, malfunctions and other losses. As at the reporting date, the organization did not identify any additional impairment. Assets under construction represent projects of a capital nature begun by the organization on behalf of end user communities that had not yet been finalized and handed over as at 31 December 2021.

**Property, plant and equipment**

(Thousands of United States dollars)

	<i>Buildings</i>	<i>Assets under construction<sup>a</sup></i>	<i>Machinery and equipment</i>	<i>Vehicles</i>	<i>Communications and information technology equipment</i>	<i>Furniture and fixtures</i>	<i>Total</i>
<b>Cost as at 1 January 2021</b>	<b>82</b>	<b>17 385</b>	<b>865</b>	<b>7 243</b>	<b>546</b>	<b>135</b>	<b>26 256</b>
Additions	12	3 844	145	383	24		4 408
Transfers	–	–	–	–	–	–	–
Disposals	–	–	(37)	(299)	(6)		(342)
<b>Cost as at 31 December 2021</b>	<b>94</b>	<b>21 229</b>	<b>973</b>	<b>7 327</b>	<b>564</b>	<b>135</b>	<b>30 322</b>
<b>Accumulated depreciation as at 1 January 2021</b>	<b>(74)</b>	<b>–</b>	<b>(530)</b>	<b>(5 382)</b>	<b>(426)</b>	<b>(112)</b>	<b>(6 524)</b>
Depreciation <sup>b</sup>	(1)	–	(65)	(326)	(13)	20	(385)
Depreciation transfers	–	–	–	–	–	–	–
Disposals	–	–	4	290	6	–	300
Other movements	–	–	1	–	–	–	1
<b>Accumulated depreciation as at 31 December 2021</b>	<b>(75)</b>	<b>–</b>	<b>(590)</b>	<b>(5 418)</b>	<b>(432)</b>	<b>(92)</b>	<b>(6 608)</b>
<b>Net carrying amount as at 31 December 2021</b>	<b>19</b>	<b>21 229</b>	<b>383</b>	<b>1 909</b>	<b>131</b>	<b>43</b>	<b>23 714</b>

<sup>a</sup> Assets under construction are meant for distribution to project beneficiaries upon completion.<sup>b</sup> Table excludes depreciation of \$4,000 on assets in the communications and information technology equipment contributed by the regular budget segment.**Note 14****Intangible assets**

124. All intangible assets acquired before 1 January 2014, except for the capitalized costs associated with the Umoja project, are subject to IPSAS transition exemption and are therefore not recognized.

**Intangible assets**

(Thousands of United States dollars)

	<i>Software acquired externally</i>
<b>Cost as at 1 January 2021</b>	<b>32</b>
Additions	–
<b>Cost as at 31 December 2021</b>	<b>32</b>
<b>Accumulated amortization and impairment as at 1 January 2021</b>	<b>(31)</b>
Amortization	(1)
<b>Accumulated amortization and impairment as at 31 December 2021</b>	<b>(32)</b>
<b>Net carrying amount as at 31 December 2021</b>	<b>–</b>

**Note 15**  
**Accounts payable and accrued liabilities**

(Thousands of United States dollars)

	<i>31 December 2021</i>	<i>31 December 2020</i>
Vendor payables (accounts payable)	4 020	2 464
Payables to other United Nations entities	2 542	1 020
Accruals for goods and services	2 781	8 397
Accounts payable – other	9 028	587
<b>Total accounts payable and accrued liabilities</b>	<b>18 371</b>	<b>12 468</b>

**Note 16**  
**Employee benefits liabilities**

(Thousands of United States dollars)

	<i>Current</i>	<i>Non-current</i>	<i>31 December 2021</i>	<i>31 December 2020</i>
After-service health insurance	332	34 513	34 845	32 907
Annual leave	614	4 489	5 103	4 365
Repatriation benefits	775	5 634	6 409	6 957
<b>Subtotal, defined-benefit liabilities</b>	<b>1 721</b>	<b>44 636</b>	<b>46 357</b>	<b>44 229</b>
Accrued salaries and allowances	1 033	–	1 033	936
Pension contributions liabilities	123	–	123	181
<b>Total employee benefits liabilities</b>	<b>2 877</b>	<b>44 636</b>	<b>47 513</b>	<b>45 346</b>

125. The liabilities arising from end-of-service/post-employment benefits and the workers' compensation programme under appendix D to the Staff Rules of the United Nations 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. The most recent full actuarial valuation was conducted as at 31 December 2021.

**Actuarial valuation: assumptions**

126. The organization reviews and selects assumptions and methods used by the actuaries in the year-end valuation to determine the expense and contribution requirements for employee benefits. The principal actuarial assumptions used to determine the employee benefit obligations as at 31 December 2021 are as follows.

**Actuarial assumptions**

(Percentage)

<i>Assumptions</i>	<i>After-service health insurance</i>	<i>Repatriation benefits</i>	<i>Annual leave</i>
Discount rates, 31 December 2021	3.68	2.65	2.70
Discount rates, 31 December 2020	3.19	2.07	2.19
Inflation, 31 December 2021	2.25–5.17	2.50	–
Inflation, 31 December 2020	2.75–5.31	2.20	–

127. The yield curves used in the calculation of the discount rates in respect of the United States dollars, the euro and the Swiss franc are those developed by Aon Hewitt, consistent with the recommendation of the United Nations Task Force on Accounting Standards to harmonize actuarial assumptions across the United Nations system. The valuation of the other financial and demographic assumptions for 31 December 2021 is still being performed. The salary increase assumptions for the Professional staff category were 9.27 per cent for a staff member 19 years of age, grading down to 3.97 per cent for a staff member 65 years of age. The salaries of the General Service staff category were assumed to increase by 6.84 per cent for staff 19 years of age, grading down to 3.97 per cent for staff 65 years of age.

128. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption is revised to reflect the current short-term expectations of the after-service health insurance plan cost increases and the economic environment. Medical cost trend assumptions used for the valuation as at 31 December 2021 were updated to include escalation rates for future years. As at 31 December 2021, these escalation rates were at 3.75 per cent (2020: 3.73 per cent), 3.44 per cent (2020: 3.64 per cent) and 5.17 per cent (2020: 5.31 per cent) for eurozone, Swiss and all other medical plans respectively, except 5.03 per cent (2020: 5.15 per cent) for the United States Medicare plan and 4.53 per cent (2020: 4.59 per cent) for the United States dental plan, grading down to 3.75 per cent (2020: 3.25 per cent) and 2.25 per cent (2020: 2.75 per cent) over 3 to 8 years for Eurozone and Swiss health-care cost and to 3.95 per cent (2020: 3.65 per cent) over 10 years for United States health-care cost.

129. With regard to the valuation of repatriation benefits as at 31 December 2021, inflation in travel costs was assumed to be 2.50 per cent (2020: 2.20 per cent), on the basis of the projected United States inflation rate over the next 20 years

130. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: 0–3 years, 10.9 per cent; 4–8 years, 1.0 per cent; and more than 9 years, 0.5 per cent, up to the maximum of 60 days. The attribution method is used for annual leave actuarial valuation

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

*Movement in employee benefits liabilities accounted for as defined benefits plans*

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

(Thousands of United States dollars)

	<i>After-service health insurance</i>	<i>Repatriation benefits</i>	<i>Annual leave</i>	<i>Total</i>
<b>Net defined-benefit liability as at 1 January 2021</b>	<b>32 907</b>	<b>6 956</b>	<b>4 366</b>	<b>44 229</b>
Current service cost	1 460	500	285	2 245
Interest cost	1 047	137	92	1 276
Actual benefits paid	(242)	(653)	(413)	(1 308)
<b>Total costs recognized in the statement of financial performance in 2021</b>	<b>2 265</b>	<b>(16)</b>	<b>(36)</b>	<b>2 213</b>
<b>Subtotal</b>	<b>35 172</b>	<b>6 940</b>	<b>4 330</b>	<b>46 442</b>
Actuarial (gains)/losses	(327)	(531)	774	(84)
<b>Net defined liability as at 31 December 2021</b>	<b>34 845</b>	<b>6 409</b>	<b>5 104</b>	<b>46 358</b>

*Discount rate sensitivity analysis*

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

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

(Thousands of United States dollars)

	<i>After-service health insurance</i>	<i>Repatriation benefits</i>	<i>Annual leave</i>
Increase of discount rate by 0.5 per cent	(3 786)	(220)	(183)
As percentage of end-of-year liability	(11%)	(3%)	(4%)
Decrease of discount rate by 0.5 per cent	4 438	237	198
As percentage of end-of-year liability	13%	4%	4%

*Medical cost sensitivity analysis*

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

**Medical cost sensitivity analysis: 0.5 per cent movement in the assumed medical cost trend rates**

(Thousands of United States dollars and percentage)

<i>2021</i>	<i>Increase</i>	<i>Decrease</i>
Effect on the defined-benefit obligation	12.29% 4 281 (10.6%)	(3 697)
Effect on the aggregate of the current service cost and interest cost	15.56% 390 (13.2%)	(330)
<b>Total effect</b>	<b>4 671</b>	<b>(4 027)</b>
<hr/>		
<i>2020</i>	<i>Increase</i>	<i>Decrease</i>
Effect on the defined-benefit obligation	12.95% 4 264 (11.1%)	(3 686)
Effect on the aggregate of the current service cost and interest cost	19.6% 414 (16.6%)	(350)
<b>Total effect</b>	<b>4 678</b>	<b>(4 036)</b>

*Other defined-benefit plan information*

134. Benefits paid for 2021 are estimates of what would have been paid to separating staff and/or retirees during the year on the basis of the pattern of rights acquisition under each scheme: after-service health insurance, repatriation and commutation of accrued annual leave. The estimated defined-benefit payments (net of participants' contributions in these schemes) are shown in the table below.

**Estimated defined-benefit payments net of participants' contributions**

(Thousands of United States dollars)

	<i>After-service health insurance</i>	<i>Repatriation benefits</i>	<i>Annual leave</i>	<i>Total</i>
Estimated 2021 defined-benefit payments net of participants' contributions	344	795	631	1 770
Estimated 2020 defined-benefit payments net of participants' contributions	242	653	413	1 308

**Historical information: total liability for after-service health insurance, repatriation benefits and annual leave as at 31 December**

(Thousands of United States dollars)

	<i>2021</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>
Present value of the defined-benefit obligations	46 357	44 229	36 993	44 042	47 804	40 255

*Other employee benefit liabilities**Accrued salaries and allowances*

135. Accrued salaries and allowances comprise \$0.6 million relating to home leave benefits. The remaining balance of \$0.8 million relates to accrued payables for salary and other benefits.

*United Nations Joint Staff Pension Fund*

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

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

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

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

140. The most recent actuarial valuation for the Fund was completed as of 31 December 2019, and a roll forward of the participation data as at 31 December 2019 to 31 December 2020 will be used by the Fund for its 2020 financial statements. The actuarial valuation as of 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.2 per cent (139.2 per cent in the 2017 valuation). The funded ratio was 107.1 per cent (102.7 per cent in the 2017 valuation) when the current system of pension adjustments was 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 of the valuation date. At the time of the present report, the General Assembly had not invoked the provision of article 26.

142. Should article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2018, 2019 and 2020) amounted to \$7,993.15 million. UN-Habitat contributed \$8.96 million for 2021, and the organization's contributions paid to the Pension Fund were fully settled.

143. Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount. The United Nations 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, and these can be viewed by visiting the Fund at [www.unjspf.org](http://www.unjspf.org).

*Fund for compensation payments maintained with Volume I: appendix D/  
workers' compensation*

144. The fund for compensation payments relates to the payment of compensation with regard to death, injury or illness attributable to the performance of official duties. The rules governing the compensation payments are under appendix D to the Staff Rules. The fund allows the organization to continue to fulfil its obligation to make

compensation payments for death, injury or illness. The fund derives its revenue from a charge of 1.0 per cent of the net base remuneration, including post adjustment for eligible personnel. It covers appendix D claims submitted by personnel, covering monthly death and disability benefits and lump sum payment for injury or illness as well as medical expenses.

*Impact of the General Assembly resolutions on staff benefits*

145. On 23 December 2015, the General Assembly adopted its resolution 70/244, by which it approved certain changes to the conditions of service and entitlements for all staff serving in the organizations of the United Nations common system, as recommended by the International Civil Service Commission. Some of the changes affect the calculation of other long-term and end-of-service employee benefits liabilities. In addition, a revised education grant scheme has been implemented, which affects the computation of this short-term benefit. The impact of these changes is shown in the table below.

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



<i>Change</i>	<i>Details</i>
Education grant	With effect from the school year in progress on 1 January 2018, the computation of the education grant provided to eligible staff members utilizes a global sliding scale that is set in one single currency (United States dollar) with the same maximum amount of the grant for all countries. In addition, this revised education grant scheme changes boarding assistance and education grant travel provided by the organization.

The impact of these changes, other than the education grant, was fully reflected in the actuarial valuation conducted in 2019.

**Note 17**  
**Provisions**

146. As at the reporting date, the organization had no legal claims that required the recognition of provisions.

**Note 18**  
**Liabilities for conditional arrangements<sup>a</sup>**

(Thousands of United States dollars)

	<i>31 December 2021</i>	<i>31 December 2020</i>
Liabilities for conditional arrangements <sup>b</sup>	121 213	156 008
<b>Total liabilities for conditional arrangements</b>	<b>121 213</b>	<b>156 008</b>

<sup>a</sup> Conditional represents pending delivery in line with the conditional agreements funded by the European Union.

<sup>b</sup> Restatement of the 2020 conditional liability balance by \$8,113, which was recognized as voluntary contributions revenue in 2020.

**Note 19**  
**Net assets**

*Accumulated surpluses/deficits*

147. The unrestricted cumulative surplus includes the accumulated deficit for employee benefits liabilities and the net positions of after-service health insurance, repatriation benefit and annual leave liabilities.

148. The table below shows the status of the organization's net assets balances and movements.

**Net assets balances and movements<sup>a</sup>**

(Thousands of United States dollars)

	1 January 2021	Surplus/(deficit)	Transfers to/ (from) reserves	Other <sup>b</sup>	31 December 2021
<b>Unrestricted cumulative surplus</b>					
Foundation non-earmarked	(2 479)	(615)		–	(3 094)
Foundation earmarked	108 282	(8 850)		–	99 432
Technical cooperation <sup>c</sup>	243 470	41 233		–	284 703
Programme support	9 398	(81)		–	9 317
End-of-service liabilities	(30 292)	(405)		84	(30 613)
<b>Subtotal unrestricted fund<sup>c</sup></b>	<b>328 379</b>	<b>31 282</b>		<b>84</b>	<b>359 745</b>
<b>Reserves</b>					
Foundation non-earmarked	2 000	–		–	2 000
Foundation earmarked	4 023	–	–	–	4 023
Technical cooperation	11 360	–	–	–	11 360
Programme support	2 932	–	–	–	2 932
End-of-service liabilities	–	–	–	–	–
<b>Subtotal reserves</b>	<b>20 315</b>	<b>–</b>		<b>–</b>	<b>20 315</b>
<b>Total net assets</b>					
Foundation non-earmarked	(479)	(615)	–	–	(1 094)
Foundation earmarked	112 305	(8 850)	–	–	103 455
Technical cooperation <sup>c</sup>	254 830	41 233	–	–	296 063
Programme support	12 330	(81)	–	–	12 249
End-of-service liabilities	(30 292)	(405)	–	84	(30 613)
<b>Total reserves and fund balances<sup>c</sup></b>	<b>348 694</b>	<b>31 282</b>	<b>–</b>	<b>84</b>	<b>380 060</b>

<sup>a</sup> Net assets movements, including fund balances, are based on IPSAS.<sup>b</sup> The \$84 relates to actuarial gains and losses within the period.<sup>c</sup> Restatement of the 2020 conditional liability balance by \$8,113 which was recognized as voluntary contributions revenue in 2020.**Note 20****Revenue from non-exchange transactions***Assessed contributions*

149. Each biennium, the organization receives an allocation from the regular budget, which is included in assessed contributions. These are reported under Volume I and are included in these financial statements for completeness. For the reporting period, the organization received \$15.9 million.

**Voluntary contributions**

(Thousands of United States dollars)

	2021	2020
<b>Assessed contributions</b>		
Allocations from regular budget	15 904	15 540
<b>Amount reported in statement II – assessed contributions</b>	<b>15 904</b>	<b>15 540</b>
<b>Voluntary contributions</b>		
Voluntary contributions – in cash	167 302	138 818
Voluntary in-kind contributions – land and premises	989	1 062
Voluntary in-kind contributions of plant, equipment, intangible assets and other goods	326	460
<b>Total voluntary contributions received</b>	<b>168 617</b>	<b>140 340</b>
Refunds to donors	(12 489)	(1 800)
<b>Net voluntary contributions received</b>	<b>156 128</b>	<b>138 540</b>
<b>Other transfers and allocations</b>		
Allocations received from internal United Nations funds	22 785	
Inter-organizational arrangements	421	14 588
<b>Total other transfers and allocations</b>	<b>23 206</b>	<b>14 588</b>

150. All voluntary contributions under binding agreements signed during 2021 are recognized as revenue in 2021, including the future portion of multi-year agreements. For the recognized contribution revenue, a breakdown of the amount intended to be contributed by donors per year is shown below.

(Thousands of United States dollars)

	<i>Voluntary contribution</i>
2021	91 934
2022	33 331
2023	23 399
2024	5 330
2025	2 134
Beyond 2025	–
<b>Net voluntary contribution</b>	<b>156 128</b>

151. Revenue from non-exchange transactions includes transfers and allocations.

*Services in kind*

152. In-kind contributions of services received during the year are not recognized as revenue and therefore are not included in the above in-kind contributions' revenue. Services in kind confirmed during the year are shown in the table below.

**Services in kind**

(Thousands of United States dollars)

	2021	2020
Technical assistance/expert services	85	489
Administrative support	40	101
<b>Total</b>	<b>125</b>	<b>590</b>

**Note 21****Other revenue**

153. Revenue from miscellaneous revenue sources amounts to \$0.3 million.

	2021	2020
Other/miscellaneous revenue	8 786	13 071
<b>Total other exchange revenue</b>	<b>8 786</b>	<b>13 071</b>

**Note 22****Expenses***Employee salaries, allowances and benefits*

154. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments; allowances and benefits include other staff entitlements, including pension and insurance, staff assignment, repatriation, hardship and other allowances, as set out in the table below.

**Employee salaries, allowances and benefits**

(Thousands of United States dollars)

	2021	2020
Salary and wages	37 687	37 717
Pension and insurance benefits	9 142	8 746
Other benefits	952	251
<b>Total employee salaries, allowances and benefits</b>	<b>47 781</b>	<b>46 714</b>

*Non-employee compensation and allowances*

155. Non-employee compensation and allowances consist of United Nations Volunteers living allowances and post-employment benefits, consultant and contractor fees, ad hoc experts, International Court of Justice judges' allowances and non-military personnel compensation and allowances.

### Non-employee compensation and allowances

(Thousands of United States dollars)

	2021	2020
United Nations Volunteers	1 011	710
United Nations Police	1	–
Consultants and contractors	39 064	37 693
<b>Total non-employee compensation and allowances</b>	<b>40 076</b>	<b>38 403</b>

### Grants and other transfers

156. Grants and other transfers include outright grants and transfers to implementing agencies, partners and other entities, as set out in the table below.

### Grants and other transfers

(Thousands of United States dollars)

	2021	2020
Grants to end beneficiaries	6 485	13 517
Transfers to implementing partners (note 28)	29 856	20 387
<b>Total grants and other transfers</b>	<b>36 341</b>	<b>33 904</b>

### Supplies and consumables

157. Supplies and consumables include consumables, fuel and lubricants, and spare parts, as set out in the table below.

### Supplies and consumables

(Thousands of United States dollars)

	2021	2020
Fuel and lubricants	86	96
Spare parts	35	84
Consumables	653	935
<b>Total supplies and consumables</b>	<b>774</b>	<b>1 115</b>

### Travel

158. Travel includes staff and non-staff travel, as set out in the table below.

### Travel

(Thousands of United States dollars)

	2021	2020
Staff travel	1 526	1 375
Non-staff travel	799	1 534
<b>Total travel</b>	<b>2 325</b>	<b>2 909</b>

*Other operating expenses*

159. Other operating expenses include maintenance, utilities, contracted services, training, security services, shared services, rent, insurance, allowance for bad debt and write-off expenses, as set out in the table below.

**Other operating expenses**

(Thousands of United States dollars)

	2021	2020 <sup>a</sup>
Air transport	153	110
Ground transport	635	790
Communications and information technology	3 443	3 605
Other contracted services	15 815	12 421
Acquisitions of goods	1 157	825
Contributions in kind	990	1 063
Acquisitions of intangible assets	420	535
Rent – offices and premises	2 813	2 765
Rental – equipment	12	8
Maintenance and repair	490	498
Bad debt expense	9 089	(15 711)
Net foreign exchange losses	7 442	8 606
Other/miscellaneous operating expenses	2 464	11 829
<b>Total other operating expenses</b>	<b>44 923</b>	<b>27 344</b>

<sup>a</sup> Comparatives have been restated to conform to changes in current presentation.

*Other expenses*

160. Other expenses relate to hospitality and official functions, contributions in kind and donation/transfer of assets.

(Thousands of United States dollars)

	2021	2020 <sup>a</sup>
Other/miscellaneous expenses	187	67
<b>Total other expenses</b>	<b>187</b>	<b>67</b>

<sup>a</sup> Comparatives have been restated to conform to changes in current presentation.

**Note 23**  
**Financial instruments and financial risk management**

(Thousands of United States dollars)

	2021	2020
<b>Financial assets</b>		
<b>Fair value through the surplus or deficit</b>		
Short-term investments, cash pools	220 232	185 186
Short-term investments, other	–	–
<b>Total short-term investments</b>	<b>220 232</b>	<b>185 186</b>
Long-term investments, cash pools	41 168	60 957
<b>Total long-term investments</b>	<b>41 168</b>	<b>60 957</b>
<b>Total fair value through the surplus or deficit</b>	<b>261 400</b>	<b>246 143</b>
<b>Cash, loans and receivables</b>		
Cash and cash equivalents, cash pools	32 258	30 329
Cash and cash equivalents, other	87	117
Voluntary contributions	225 303	230 150
Other receivables	94	86
<b>Total cash, loans and receivables</b>	<b>257 742</b>	<b>260 682</b>
<b>Total carrying amount of financial assets</b>	<b>519 142</b>	<b>506 825</b>
<b>Of which relates to financial assets held in cash pool</b>	<b>293 658</b>	<b>276 472</b>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	18 371	12 468
Other liabilities (excluding conditional liabilities)	–	–
<b>Total carrying amount of financial liabilities</b>	<b>18 371</b>	<b>12 468</b>
Summary of net income from cash pools		
Investment revenue	55	4 255
Financial exchange gains/(losses)	–	–
<b>Net income from cash pools</b>	<b>55</b>	<b>4 255</b>
Other investment revenue	–	–
<b>Total net income from financial instruments</b>	<b>55</b>	<b>4 255</b>

*Financial risk management: overview*

161. The organization has exposure to the following financial risks: credit risk, liquidity risk and market risk.

162. The present note and note 24, Financial instruments: cash pools, present information on the organization's exposure to those risks; the objectives, policies and processes for measuring and managing risk; and the management of capital.

*Financial risk management: risk management framework*

163. The organization's risk management practices are in accordance with its Financial Regulations and Rules and Investment Management Guidelines (the Guidelines). The organization 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 organization 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.

*Financial risk management: credit risk*

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

*Credit risk management*

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

*Credit risk: contributions receivable and other receivables*

166. A large portion of the contributions receivable is due from sovereign Governments and supranational agencies, including other United Nations entities that do not have significant credit risk. As at the reporting date, the organization does not hold any collateral as security for receivables.

*Credit risk: allowance for doubtful receivables*

167. The organization evaluates the allowance of doubtful receivables at each reporting date. An allowance is established when there is objective evidence that the organization will not collect the full amount due. Balances credited to the allowance for doubtful receivables account are utilized when management approves write-offs under the Financial Regulations and Rules or are reversed when the previously impaired receivables are received. The movement in the allowances account during the year is shown in the table below.

**Movement in allowance for doubtful receivables**

(Thousands of United States dollars)

As at 1 January 2021	26 283
Additional allowance for doubtful receivables	9 058
Receivables written off during the period as uncollectable	(40)
Unused amounts reversed	–
<b>As at 31 December 2021</b>	<b>35 301</b>

168. Since the organization does not have assessed contributions receivable, there is no ageing of assessed contributions receivable and associated allowance.



169. The ageing of receivables other than assessed contributions, including associated allowance percentages, is set out in the table below.

**Ageing of receivables for voluntary contributions**

(Thousands of United States dollars)

	<i>Gross receivable</i>	<i>Allowance</i>
Due after one year	–	–
Less than one year	209 633	–
One to two years	13 929	3 482
Two to three years	13 056	7 833
Over three years	23 807	23 807
<b>Total</b>	<b>260 425</b>	<b>35 122</b>

**Ageing of other receivables**

(Thousands of United States dollars)

	<i>Gross receivable</i>	<i>Allowance</i>
Less than one year	94	–
One to two years	–	–
Over three years	179	179
<b>Total</b>	<b>273</b>	<b>179</b>

*Credit risk: cash and cash equivalents*

170. The organization had cash and cash equivalents of \$293.7 million as at 31 December 2021, which is the maximum credit exposure on these assets. Cash and cash equivalents are held with bank and financial institution counterparties rated at “A-” and above, based on the Fitch viability rating.

*Financial risk management: liquidity risk*

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

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

173. The organization performs cash flow forecasting and monitors rolling forecasts of liquidity requirements to ensure that it has sufficient cash to meet operational needs.

174. Investments are made with due consideration to the cash requirements for operating purposes on the basis of cash flow forecasting. The organization maintains a large portion of its investments in cash equivalents and short-term investments sufficient to cover its commitments as and when they fall due.

*Liquidity risk: financial liabilities*

175. The exposure to liquidity risk is based on the notion that the entity may encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely owing to receivables, cash and investments available to the entity and internal policies and procedures put in place to ensure that there are appropriate resources to meet its financial obligations. As at the reporting date, the organization had not pledged any collateral for any liabilities or contingent liabilities, and during the year no accounts payable or other liabilities were forgiven by third parties. Maturities for financial liabilities based on the earliest date at which the organization can be required to settle each financial liability are set out in the table below.

**Maturities for financial liabilities as at 31 December 2021**

(Thousands of United States dollars)

	<3 months	3 to 12 months	>1 year	Total
Accounts payable and accrued liabilities	18 371	–	–	18 371

*Financial risk management: market risk*

176. 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 organization's income 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 organization's fiscal position.

*Market risk: interest rate risk*

177. Interest rate risk is the risk of variability in financial instruments' fair values or future cash flows owing to changes in interest rates. In general, as the interest rate rises, 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 risks relates to the cash pools and is considered in note 24, Financial instruments: cash pools.

*Market risk: currency risk*

178. 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. The organization 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. Management policies and the Guidelines require the organization to manage its currency risk exposure.

179. The organization's financial assets and liabilities are primarily denominated in United States dollars. Non-United States dollar financial assets relate primarily to investments in addition to cash and cash equivalents and receivables held in order to support local operating activities where transactions are made in local currencies. The organization maintains a minimum level of assets in local currencies and, whenever possible, maintains bank accounts in United States dollars. The organization mitigates currency risk exposure by structuring contributions from donors in foreign currency to correspond to foreign currency needs for operational purposes.

180. The most significant exposure to currency risk relates to cash-pool cash and cash equivalents. As at the reporting date, the non-United States dollar denominated balances in these financial assets were primarily euros and Swiss francs, together with over 30 other currencies, as shown in the table below.

### Currency exposure of the cash pools as at 31 December 2021

(Thousands of United States dollars)

	<i>United States dollars</i>	<i>Euros</i>	<i>Swiss francs</i>	<i>Others</i>	<i>Total</i>
Main cash pool <sup>a</sup>	290 868	1 436	385	926	293 615

<sup>a</sup> The main cash pool balance of \$293,615 does not include the balance of the 10RCR fund for UN-Habitat of \$42,798. This amount has been included in the cash and cash equivalents in statement 1.

### Currency risk: sensitivity analysis

181. A strengthening/weakening of the euro and Swiss franc United Nations operational rate of exchange as at 31 December would have affected the measurement of investments denominated in a foreign currency and increased/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 as at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

### Effect on net assets, surplus or deficit

(Thousands of United States dollars)

	<i>As at 31 December 2021</i>		<i>As at 31 December 2020</i>	
	<i>Effect on net assets, surplus or deficit</i>		<i>Effect on net assets, surplus or deficit</i>	
	<i>Strengthening</i>	<i>Weakening</i>	<i>Strengthening</i>	<i>Weakening</i>
Euro (10 per cent movement)	144	(144)	174	(174)
Swiss franc (10 per cent movement)	39	(39)	49	(49)

### Other market risk

182. The organization is not exposed to significant other price risk, as it has limited exposure to price-related risk related to expected purchases of certain commodities used regularly in operations. A change in those prices may alter cash flows by an immaterial amount.

### Accounting classifications and fair value

183. Owing to the short-term nature of cash and cash equivalents, including cash pool term deposits with original maturities of less than three months, receivables and payables, carrying value is a fair approximation of fair value.

### Fair value hierarchy

184. The table below analyses 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 in level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

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

185. The fair value of financial instruments traded in active markets is based on quoted market prices as 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 by the cash pools is the current bid price.

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

187. There were no level 3 financial assets or any liabilities carried at fair value, or 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)

	31 December 2021			31 December 2020 <sup>a</sup>		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Financial assets at fair value through surplus or deficit</b>						
<b>Main pool</b>						
Bonds – corporate	747	–	747	399	–	399
Bonds – non-United States agencies	39 740	–	39 740	35 573	–	35 573
Bonds – supranational	20 240	–	20 240	22 022	–	22 022
Bonds – United States treasuries	4 917	–	4 917	13 060	–	13 060
Bonds – non-United States sovereigns	2 246	–	2 246	2 363	–	2 363
Main pool – commercial papers	–	75 571	75 571	–	53 619	53 619
Main pool – certificates of deposit	–	70 363	70 363	–	71 803	71 803
Main pool – term deposits	–	47 576	47 576	–	47 304	47 304
<b>Total</b>	<b>67 890</b>	<b>193 510</b>	<b>261 400</b>	<b>73 417</b>	<b>172 726</b>	<b>246 143</b>
<b>Euro pool</b>						
Bonds – corporate	24	–	24	31	–	31
Bonds – non-United States sovereigns	11	–	11	15	–	15
<b>Subtotal, euro pool</b>	<b>35</b>	<b>–</b>	<b>35</b>	<b>46</b>	<b>–</b>	<b>46</b>
<b>Total</b>	<b>67 925</b>	<b>–</b>	<b>261 435</b>	<b>73 463</b>	<b>172 726</b>	<b>246 189</b>

<sup>a</sup> Comparatives have been restated to conform to changes in current presentation.

**Note 24**

**Financial instruments: cash pools**

188. In addition to directly held cash and cash equivalents and investments, the organization participates in the United Nations Treasury main pool. The main pool comprises operational bank account balances in a number of currencies and investments in United States dollars.

189. Pooling the 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.

190. As at 31 December 2021, the organization participated in the main pool, which held total assets of \$11,799.7 million (2020: \$10,652.4 million), of which \$5,359.4 million was due to the organization (2020: \$276.3 million) and its share of revenue from the main pool was \$0.1 million (2020: \$4.3 million).

**Summary of assets and liabilities of the main pool as at 31 December 2021**

(Thousands of United States dollars)

	<i>Main pool</i>
<b>Fair value through the surplus or deficit</b>	
Short-term investments	8 839 722
Long-term investments	1 654 439
<b>Total fair value through the surplus or deficit investments</b>	<b>10 494 161</b>
<b>Loans and receivables</b>	
Cash and cash equivalents	1 294 662
Accrued investment revenue	10 903
<b>Total loans and receivables</b>	<b>1 305 565</b>
<b>Total carrying amount of financial assets</b>	<b>11 799 726</b>
<b>Cash pool liabilities</b>	
Payable to UN-Habitat (2.59 per cent)	5 359 404
Payable to other cash pool participants	6 440 322
<b>Total liabilities</b>	<b>11 799 726</b>
<b>Net assets</b>	<b>–</b>

**Summary of revenue and expenses of the main pool for the year ended  
31 December 2021**

(Thousands of United States dollars)

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

*Financial risk management*

191. The United Nations Treasury is responsible for investment and risk management for the main pool, including conducting investment activities in accordance with the Guidelines.

192. The objective of investment management is to preserve capital and ensure sufficient liquidity to meet operating cash 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.

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

*Financial risk management: credit risk*

194. The Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible 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.

195. The Guidelines require that investments not be made in issuers whose credit ratings are below specifications and provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made.

196. The credit ratings used for the cash pools are those determined by major credit-rating agencies; Standard & Poor's (S&P), Moody's and Fitch are used to rate bonds and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At year-end, the credit ratings were as shown below.

**Investments of the cash pool by credit ratings as at 31 December 2021**

(Percentage)

<i>Main pool</i>	<i>Ratings as at 31 December 2021</i>				<i>Ratings as at 31 December 2020</i>				
<b>Bonds (long-term ratings)</b>	<b>AAA/AAAu</b>	<b>AA+u/AA+/AA</b>	<b>A+</b>	<b>NA</b>	<b>Bonds (long-term ratings)</b>	<b>AAA</b>	<b>AA+/AA/AA-</b>	<b>A+</b>	<b>NR/WD</b>
S&P	47.8	48.1	0.4	3.7	S&P	44.0	53.2		2.8
	<b>AAA</b>	<b>AA+/AA/AA-</b>		<b>NA/NR</b>	Fitch	61.4	15.5		23.1
Fitch	61.3	15.7		23.0					
	<b>Aaa</b>	<b>Aa1/Aa2/Aa3</b>	<b>A1</b>	<b>NA</b>		<b>Aaa</b>	<b>Aa1/Aa2/Aa3</b>	<b>A1</b>	
Moody's	61.1	34.9	0.4	3.6	Moody's	61.1	34.9	0.4	3.6
<b>Commercial papers/certificates of deposit (short-term ratings)</b>	<b>A-1+/A-1</b>				<b>Commercial papers/certificates of deposit (short-term ratings)</b>	<b>A-1+/A-1</b>			
S&P	100.0				S&P	100.0			
	<b>F1+/F1</b>			<b>NR</b>		<b>F1+/F1</b>			<b>NR</b>
Fitch	96.7			3.3	Fitch	98.0			2.0
	<b>P-1/P-2</b>					<b>P-1</b>			
Moody's	100.0				Moody's	100.0			
<b>Reverse repurchase agreement (short-term ratings)</b>	<b>A-1+u</b>								
S&P	100.0								
	<b>F1+</b>								
Fitch	100.0								
	<b>WR</b>								
Moody's	100.0								
<b>Term deposits/demand deposit account (Fitch viability ratings)</b>	<b>aa-</b>	<b>a+/a/a-</b>		<b>NA</b>	<b>Term deposits demand deposit account (Fitch viability ratings)</b>	<b>aaa</b>	<b>aa/aa-</b>	<b>a+/a</b>	
Fitch	34.1	65.9			Fitch	–	27.5	72.5	

Abbreviations: NA, not applicable; NR, not rated; WD, withdrawn.

197. The United Nations Treasury actively monitors credit ratings and, because 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.

*Financial risk management: liquidity risk*

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

*Financial risk management: interest rate risk*

199. The main pool comprises 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 main pool had invested primarily in securities with shorter terms to maturity, with the maximum being less than five years (2018: three years). The average duration of the main pool was 0.72 years (2020: 0.72 years), which is considered to be an indicator of low risk.

*Main pool interest rate risk sensitivity analysis*

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

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

<i>Shift in yield curve (basis points)</i>	-200	-150	-100	-50	0	+50	+100	+150	+200
<b>Increase/(decrease) in fair value</b> (Millions of United States dollars)									
<b>Main pool total</b>	<b>113.63</b>	<b>85.22</b>	<b>56.81</b>	<b>28.40</b>	<b>0</b>	<b>(28.40)</b>	<b>(56.80)</b>	<b>(85.19)</b>	<b>(113.58)</b>

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

<i>Shift in yield curve (basis points)</i>	-200	-150	-100	-50	0	+50	+100	+150	+200
<b>Increase/(decrease) in fair value</b> (Millions of United States dollars)									
<b>Main pool total</b>	<b>148.41</b>	<b>111.30</b>	<b>74.20</b>	<b>37.10</b>	<b>-</b>	<b>(37.10)</b>	<b>(74.18)</b>	<b>(111.26)</b>	<b>(148.34)</b>

*Other market price risk*

201. The main pool is not exposed to significant other price risk, because it does not sell short, borrow securities or purchase securities on margin, which limits the potential loss of capital.

*Accounting classifications and fair value hierarchy*

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

203. The levels are defined as:

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

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

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

204. The fair value of financial instruments traded in active markets is based on quoted market prices as 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 by the cash pools is the current bid price.

205. 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.

206. The following fair value hierarchy presents the main pool assets that are measured at fair value as at the reporting date. There were no level 3 financial assets, liabilities carried at fair value or significant transfers of financial assets between fair value hierarchy classifications.

### Fair value hierarchy for investments as at 31 December 2021: main pool

(Thousands of United States dollars)

	31 December 2021			31 December 2020 <sup>a</sup>		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Financial assets at fair value through surplus or deficit</b>						
Bonds – corporate	29 997	–	29 997	15 379	–	15 379
Bonds – non-United States agencies	1 595 405	–	1 595 405	1 368 666	–	1 368 666
Bonds – supranational	812 539	–	812 539	847 288	–	847 288
Bonds – United States treasuries	197 390	–	197 390	502 462	–	502 462
Bonds – non-United States sovereigns	90 163	–	90 163	90 910	–	90 910
Main pool – commercial papers	–	3 033 880	3 033 880	–	2 062 987	2 062 987
Main pool – certificates of deposit	–	2 824 787	2 824 787	–	2 762 615	2 762 615
Main pool – term deposits	–	1 910 000	1 910 000	–	1 820 000	1 820 000
<b>Total</b>	<b>2 725 494</b>	<b>7 768 667</b>	<b>10 494 161</b>	<b>2 824 705</b>	<b>6 645 602</b>	<b>9 470 307</b>
<b>Euro pool</b>						
Bonds – corporate	963	–	963	1 194	–	1 194
Bonds – non-United States sovereigns	458	–	458	570	–	570
<b>Subtotal, euro pool</b>	<b>1 421</b>	<b>–</b>	<b>1 421</b>	<b>1 764</b>	<b>–</b>	<b>1 764</b>
<b>Total</b>	<b>2 726 915</b>	<b>7 768 667</b>	<b>10 495 582</b>	<b>2 826 469</b>	<b>6 645 602</b>	<b>9 472 071</b>

<sup>a</sup> Comparatives have been restated to conform to changes in current presentation.

### Note 25 Related parties

#### *Key management personnel*

207. Key management personnel are those with the ability to exercise significant influence over the financial and operating decisions of the organization. For UN-Habitat, the key management personnel group is deemed to comprise the Executive Director and the Deputy Executive Director.

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

209. The organization's key management personnel were paid \$0.7 million over the financial year; such payments are in accordance with the Staff Regulations and Rules of the United Nations, the published salary scales of the United Nations and other publicly available documents.

### Compensation of key management personnel

(Thousands of United States dollars)

	<i>Key management personnel</i>	<i>Close family members</i>	<i>Total as at 31 December 2021</i>
Number of positions (full-time equivalents)	2	–	2
Aggregate remuneration:	–	–	–
Salary and post adjustment	452	–	452
Other compensation/entitlements	161	–	161
<b>Total remuneration for the year</b>	<b>613</b>	<b>–</b>	<b>613</b>

210. Non-monetary and indirect benefits paid to key management personnel were not material.

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

#### *Related entity transactions*

212. In the ordinary course of business, to achieve economies in executing transactions, financial transactions of the organization are often executed by one financial reporting entity on behalf of another. Before the introduction of the Umoja system, these had to be manually followed up and settled. In Umoja, settlement occurs when the service provider is paid.

### Note 26

#### **Leases and commitments**

##### *Finance leases*

213. The organization has no finance leases.

##### *Operating leases*

214. The organization enters into operating leases for the use of land, permanent and temporary buildings and equipment. The total operating lease payments recognized in expenditure for the year were \$3.2 million. Other expenses include \$0.9 million towards donated rights-to-use arrangements, for which corresponding revenue is recognized in the statement of financial performance and presented within voluntary contributions revenue. Future minimum lease payments under non-cancellable arrangements are set out in the table below.

### Future minimum operating lease obligations

(Thousands of United States dollars)

<i>Obligations for operating leases</i>	<i>Minimum lease payments as at 31 December 2021</i>	<i>Minimum lease payments as at 31 December 2020</i>
Due in less than 1 year	1 661	1 545
Due from 1 to 5 years	6 136	5 335
Due later than 5 years	3 491	5 034
<b>Total minimum operating lease obligations</b>	<b>11 288</b>	<b>11 914</b>

215. These contractual leases are typically between one and seven years, with some leases allowing extension clauses and/or permitting early termination within 30, 60 or 90 days. The amounts present future obligations for the minimum contractual term, taking into consideration contract annual lease payment increases in accordance with lease agreements. No agreements contain purchase options.

#### *Leasing arrangements where the organization is the lessor*

216. The organization has no leases as a lessor.

#### *Contractual commitments*

217. The commitments for property, plant and equipment; intangible assets; implementing partners; and goods and services contracted but not delivered as at the reporting date are set out in the table below.

### Contractual commitments by category

(Thousands of United States dollars)

	<i>Total as at 31 December 2021</i>	<i>Total as at 31 December 2020</i>
Goods and services	45 823	39 930
Implementing partners	32 000	39 612
<b>Total</b>	<b>77 823</b>	<b>79 542</b>

### Note 27

#### Contingent liabilities and contingent assets

##### *Contingent liabilities*

218. The organization is subject to a variety of claims that arise from time to time in the ordinary course of its operations. These claims are segregated into two main categories: commercial and administrative law claims. As at the reporting date, the organization had one case of unpaid special post allowance for a period of 5 years. The potential pay-out is \$6,030.

219. Owing to the uncertainty of the outcome of these claims, no provision or expense has been recorded, as the occurrence, amount and timing of the outflows are not certain. Consistent with IPSAS, contingent liabilities are disclosed for pending claims when the probability of outcome cannot be determined and the amount of loss cannot be reasonably estimated.

*Contingent assets*

220. In accordance with IPSAS 19: Provisions, contingent liabilities and contingent assets, the organization discloses contingent assets when an event gives rise to a probable inflow of economic benefits or service potential to the organization and there is sufficient information to assess the probability of that inflow. As at 31 December 2021, there were no material contingent assets arising from the organization's legal actions or interests in joint ventures that were likely to result in a significant economic inflow.

**Note 28****Grants and other transfers**

221. The following are the regions in which the funds given to implementing partners have been spent.

**Grants and other transfers by region**

(Thousands of United States dollars)

	<i>Total 2021</i>	<i>Total 2020</i>
Africa	2 490	2 801
Arab States	3 692	3 887
Asia and the Pacific	2 546	4 575
Global	20 246	8 321
Latin America and the Caribbean	882	803
<b>Total</b>	<b>29 856</b>	<b>20 387</b>

222. This amount is part of the \$ 36.3 million shown in the statement of financial performance as expenditure under grants and other transfers. The difference of \$6.4 million was for end beneficiaries (note 22).

**Note 29****Events after the reporting date**

223. There have been no material events, favourable or unfavourable, that occurred between the date of the financial statements and the date on which the financial statements were authorized for issue that would have had a material impact on these statements.

