United Nations

United Nations Human Settlements Programme

Financial report and audited financial statements

for the year ended 31 December 2019

and

Report of the Board of Auditors

General Assembly

Official Records
Seventy-fifth Session
Supplement No. 5I

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

A/75/5/Add.9

United Nations Human Settlements Programme

Financial report and audited financial statements

for the financial year ended 31 December 2019

and

Report of the Board of Auditors

United Nations • New York, 2020

Note

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

ISSN 1020-2722

[21 July 2020]

Contents

Letters of transmittal

Letter dated 31 March 2020 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 2019, which I approve on the basis of the attestations of the Chief Finance Officer, United Nations Office at Nairobi, and the Director (ad interim), 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

Letter dated 21 July 2020 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Human Settlements Programme for the year ended 31 December 2019.

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors
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 2019 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 2019 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 report for the year ended 31 December 2019, 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:

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

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

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

- Draw conclusions as to the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of 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.

- 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 UN-Habitat 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*) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

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

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India

21 July 2020

Chapter II
Long-form report of the Board of Auditors

Summary

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 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 and information offices in New York, Brussels, Beijing, Moscow and Geneva and project offices in 70 countries across the world. It employs 302 core staff, together with fluctuating numbers of staff on specific contracts, in particular in field offices.

The total revenue of UN-Habitat for 2019 was $172.3 million, while total expenses were $178.4 million, resulting in a deficit of $6.1 million.

The Board of Auditors audited the financial statements and reviewed the operations of UN-Habitat for the year ended 31 December 2019. The audit was carried out at UN-Habitat headquarters in Nairobi from 7 to 30 October 2019; at the Regional Office for Asia and the Pacific in Fukuoka, Japan, from 25 November to 12 December 2019; at the Myanmar country office in Yangon, from 25 November to 13 December 2019; and at the Philippines country office in Manila and the Sri Lanka country office in Colombo, both from 13 to 30 January 2020.

Since 13 April 2020, the Board has conducted the audit remotely owing to the coronavirus disease (COVID-19) pandemic. This included the final audit of the financial statements.

Scope of the report

The report covers matters that, in the opinion of the Board, are essential for the achievement of UN-Habitat's mandate and have been discussed with UN-Habitat management, whose views have been appropriately reflected.

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UN-Habitat as at 31 December 2019 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

The Board also reviewed UN-Habitat operations under United Nations financial regulation 7.5, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations. The Board examined 10 main areas of UN-Habitat activities (voluntary contributions; implementation of projects; individual contractors; human resources; property, plant and equipment; procurement and accounts payable; travel management; office management; and information and communications technologies) and conducted a detailed follow-up of actions taken in response to recommendations made in previous years.

Audit opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UN-Habitat as at 31 December 2019 and its financial performance and cash flows for the year then ended, in accordance with 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 voluntary contributions; implementation of projects: individual contractors; human resources; property, plant and equipment; procurement and accounts payable; travel management; office management; and information and communications technology. Those areas need strong internal control and monitoring of activities in the country offices, regional offices and at headquarters to ensure the efficient and effective delivery of the mandate of UN-Habitat. The Board will continue to monitor the outcome of the management initiative in addressing the noted deficiencies in subsequent audits.

Key findings

The Board has identified a number of issues that management needs to consider in order to enhance the effectiveness of UN-Habitat operations. In particular, the Board highlights the following key findings:

Agreements signed and accrued in different years

Concerning voluntary contributions, it was observed that five non-exchange agreements, which totalled $2,425,145, had been signed in 2018, although their income recognition was accrued in 2019. Similarly, five non-exchange agreements, totalling $954,788, were signed in 2019, although their income recognition was accrued in 2020. The situation exposed is not in accordance with the meaning of accrual basis set out in IPSAS 1: Presentation of financial statements.

Validity of agreements of cooperation and their amendments

With regard to the implementation of projects through the implementing partners, it was observed that three agreements of cooperation, with their relevant amendments, presented dates that had expired prior to the subsequent amendment entering into force, revealing expiration gaps of approximately four and a half months, three months and three weeks. This situation is not in accordance with the UN-Habitat implementing partners policy, pursuant to which the project manager needs to monitor the validity of the agreements of cooperation and ensure their timely and advanced extension.

Maximum amount of community agreements

In relation to the implementation of projects developed by the communities, it was observed that the amounts of community agreements had exceeded the maximum amount indicated in the document entitled "Guidelines on the use of UN-Habitat's agreements and legal instruments".

Formal instruction for the recruitment, process done through a non-United Nations entity

With respect to the non-staff members who serve in the Afghanistan country office, it was noted that 98 per cent of them had been contracted through a non-United Nations entity. In this regard, the absence of a formal instruction for regulating the personnel contracted through this modality was observed.

Recruitment process done through a non-United Nations entity

With regard to the recruitment process done through the non-United Nations entity, several insufficiencies were observed related to terms of reference, announcements of positions, names of individual contractors, panel members, results of evaluations of applicants, certificates of good health, individual contracts and contract extensions.

Overtime of staff members at UN-Habitat headquarters

More than 120 cases of incorrect calculations of overtime, both as compensatory time off and as additional payment, in contravention to information circular UNON/IC/2015/07, were observed.

Recommendations

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

(a) **Establish sufficient controls for legally enforceable agreements in order to have voluntary contributions correctly accounted during the same year in which they become binding;**

(b) **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;**

(c) **Take the measures necessary to ensure that the maximum amounts for community agreements are reviewed and clearly established in a formal instrument;**

(d) **Issue a formal document that provides guidelines for personnel contracted by non-United Nations entities, in order to ensure a proper recruitment process performed by these entities;**

(e) **Monitor the non-United Nations entity in order to ensure that it performs a proper recruitment process;**

(f) **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.**

Key facts	
$25.6 million	Original annual resources (regular budget and foundation non-earmarked)
$227.15 million	Original annual resources (technical cooperation and foundation special purpose)
$172.3 million	Total revenue
$178.4 million	Total expenses
302	UN-Habitat staff

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.

2. The Board of Auditors has audited the financial statements of the United Nations Human Settlements Programme (UN-Habitat) and has reviewed its operations for the financial period ended 31 December 2019 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.

3. 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 2019 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.

4. The Board also reviewed UN-Habitat operations under United Nations financial regulation 7.5, 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.

5. During the course of the audit, the Board visited UN-Habitat headquarters in Nairobi, the Regional Office for Asia and the Pacific in Japan and the country offices in Myanmar, the Philippines and Sri Lanka.

6. Since 13 April 2020, the Board has conducted the audit remotely owing to the coronavirus disease (COVID-19) pandemic. This included the final audit of the financial statements.

B. Findings and recommendations

1. Follow-up of previous years' recommendations

7. Of the 38 recommendations outstanding as at 31 December 2018, the Board noted that 1 (3 per cent) had been overtaken by events, 3 (8 per cent) had been implemented and 34 (87 per cent) were under implementation. The Board is concerned about the low implementation rate, given that only 8 per cent of the recommendations are implemented. Details of the status of implementation of the recommendations are shown in the annex to the present report.

2. Financial overview

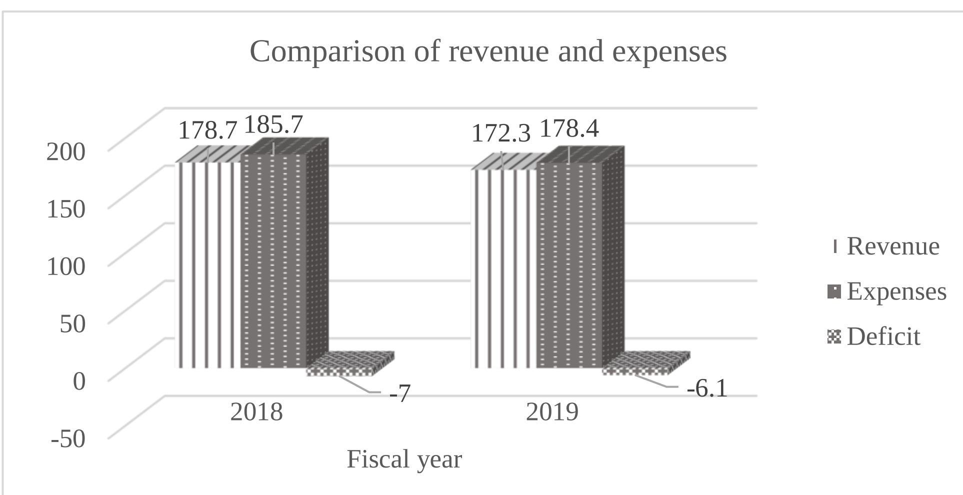
Revenue and expenses

8. 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 decreased by $6.4 million (3.6 per cent), from $178.7 million in 2018 to $172.3 million in 2019. The decrease was due mainly to a reduction in voluntary contributions of $48.8 million (33.9 per cent), from $143.7 million in 2018 to $94.9 million in 2019, which was offset by an increase in other transfers and allocations of $36.7 million (262.1 per cent), from $14.0 million in 2018 to $50.7 million in 2019.

9. With regard to the expenses, total expenses decreased by $7.3 million (3.9 per cent), from $185.7 million in 2018 to $178.4 million in 2019. The decrease in expenses was attributed mainly to a decrease in other operating expenses of $13.5 million (25.5 per cent), from $52.9 million in 2018 to $39.4 million in 2019.

10. As a result of the decrease in revenue, UN-Habitat recorded a total deficit of $6.1 million in 2019. The deficit decreased by $0.9 million (12.9 per cent) compared with the deficit recorded in 2018 ($7 million) as a result of the decrease in expenditure. A comparison of revenue and expenses for 2019 and 2018 is represented in figure II.I.

Figure II.I
Revenue and expenses
(Millions of United States dollars)



Source: UN-Habitat financial statements for 2018 and 2019.

Ratio analysis

11. 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 2019*	*31 December 2018*	*31 December 2017*
Current ratio[a]			
Current assets: current liabilities	3.12	3.88	3.60
Total assets: total liabilities[b]	3.10	3.17	3.20
Cash ratio[c]			
Cash + short-term investments: current liabilities	1.68	2.01	1.71
Quick ratio[d]			
Cash + short-term investments + accounts receivable: current liabilities	2.83	3.52	3.28

Source: UN-Habitat 2019 financial statements.

[a] A high ratio indicates an entity's ability to pay off its short-term liabilities.
[b] A high ratio is a good indicator of solvency.
[c] 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.
[d] 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.

12. 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 show a slight worsening compared with the year 2018, with the exception of the one corresponding to "Total assets: total liabilities", which remains almost unchanged. The worsening was attributed to a decrease in current assets such as investments and voluntary contributions receivable.

3. Voluntary contributions

Agreements signed and accrued in different years

13. In IPSAS 1: Presentation of the financial statements, accrual basis is defined as a basis of accounting under which transactions and other events should be recognized when they occur and not only when cash is received. Therefore, the transactions must be recorded in the accounting records and recognized in the financial statements of the periods to which they relate.

14. In addition, in paragraph 30 of IPSAS 23: Revenue from non-exchange transactions (taxes and transfers), regarding the recognition of assets, it is mentioned that assets are defined in IPSAS 1 as resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

15. Moreover, in paragraph 8.4.16 of the United Nations Policy Framework for International Public Sector Accounting Standards, it is indicated that voluntary contributions and other transfers, which are supported by legally enforceable agreements, should be recognized as revenue when the agreement becomes binding, which is the point at which control of the asset is deemed to have been passed, unless

the agreement establishes a condition that requires the recognition of a liability. In such cases, the revenue should be recognized as the liability is discharged.

16. In this regard, an analysis of the non-exchange transactions contained in the account of voluntary contributions was conducted. The Board observed that four non-exchange agreements, which totalled $1,602,194, had been signed and became binding during 2018. However, their income recognition was accrued in 2019. In addition, it was detected that one non-exchange conditional agreement for $822,951 had been signed in 2018, but which accrued in 2019 (see table II.2).

Table II.2
Agreements signed in 2018 and accrued in 2019

Agreement	*Amount*	*Type*
Contribution agreement for stabilization support in fragile areas of Somalia	$822 951	Conditional
Collaboration agreement for the City Prosperity Initiative – perception index (Botswana, Colombia, Mexico and Tunisia)	$26 600	Non-conditional
Funding agreement for the Nanjing 2035 international forum on urban development	$157 021	Non-conditional
Acceptance of the contribution granted by the Andalusian Agency of International Cooperation for Development to UN-Habitat (Cameroon, Guinea, Nigeria and United Republic of Tanzania)	$390 190	Non-conditional
First amendment to the agreement between Sweden and UN-Habitat on a support programme for Ethiopia	$1 028 383	Non-conditional
Total	**$2 425 145**	

17. Similarly, it was detected that five non-exchange agreements had been signed and become binding during 2019, although their revenue recognition was accrued in 2020. Those five agreements totalled $954,788 (see table II.3).

Table II.3
Agreements signed in 2019 and accrued in 2020

Agreement	*Amount*	*Type*
Contribution to support UN-Habitat implementation of the New Urban Agenda in Africa and Asia-Pacific for 2019	$101 823	Non-conditional
One-time sponsorship at the UN-Habitat Assembly 2019 (Kenya)	$10 000	Non-conditional
Contribution to UN-Habitat Assembly inter-faith dialogue "Iftar" Programme (Kenya)	$2 965	Non-conditional
Contribution for the project on an information and communications technology approach for participatory budgeting, planning and urban finances for the municipal government of General Escobedo, Nuevo León, Mexico	$140 000	Non-conditional
Cooperation agreement between the provincial government of Manabi, Ecuador, and UN-Habitat	$700 000	Non-conditional
Total	**$954 788**	

18. The Board considers that recognizing agreements in a different year than the year in which they become binding is not in accordance with the meaning of accrual basis established in IPSAS 1 and the provisions on non-exchange revenue of IPSAS 23.

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.**

20. UN-Habitat accepted the recommendation and explained that, while it and the United Nations Office at Nairobi had in place controls meant to ensure that contribution agreements were recorded in the financial year in which they became legally enforceable, those controls would be revisited. An amended standard operating procedure of the Budget and Financial Management Service of the Office would be drafted in that regard, and the draft circulated to UN-Habitat for comments.

21. Lastly, owing to the Board's observations on this matter, UN-Habitat corrected its financial statements for the year ended 2019, in the light of the last two agreements indicated in table II.3 that totalled $840,000.

4. Implementation of projects

(a) Implementing partners of the Regional Office for Asia and the Pacific

22. In accordance with paragraph 7 of the UN-Habitat policy for implementing partners, the definition of implementing partner is a non-profit organization (e.g., government ministries, local governments, public institutions, international organizations, non-governmental organizations (NGOs), universities, foundations and research institutions) contracted by UN-Habitat to execute a project.

23. In the same paragraph, it is mentioned that the implementing partner is responsible and accountable for managing a project in its entirety and using project resources effectively and efficiently in order to deliver the project outputs and outcomes to end beneficiaries. The implementing partner is also responsible for project monitoring and reporting back to UN-Habitat on progress status.

24. In addition, in paragraph of the same policy it is stated that an agreement of cooperation is the legal instrument, which governs the rights and obligations of the implementing partner and UN-Habitat (the two parties to the agreement) in relation to the project. The general terms and conditions, the description of the project activity, including implementation schedule and the budget, including payment schedule (annex C to the agreement), form an integral part of the agreement of cooperation.

25. Lastly, in paragraph 21 of the policy, it is indicated that all activities and outputs agreed under an agreement of cooperation should be delivered during the validity of the agreement. The project manager needs to monitor the validity of the agreements of cooperation and ensure their timely and advanced extension, when needed, and with appropriate justification. Retroactive agreements expose the organization to legal uncertainty, and these should be avoided at all times.

26. In this regard, agreements of cooperation related to UN-Habitat country offices in Afghanistan, Cambodia, the Lao People's Democratic Republic, the Philippines and Sri Lanka and to the Regional Office for Asia and the Pacific were analysed, with the following situations detected:

(i) Validity of agreements of cooperation and its amendments

27. First, the Regional Office for Asia and the Pacific signed an agreement of cooperation to collaborate on the implementation of a project entitled "Catalytic support for the consolidation of peace in Sri Lanka", at a total cost of $254,000, with an end date of 31 August 2018. The agreement of cooperation had an amendment extending the original end date to 15 April 2019, which was signed by both parties on 17 January 2019.

28. Second, the Regional Office for Asia and the Pacific signed an agreement of cooperation to collaborate on the implementation of a project entitled “State of Sri Lanka cities”, at a total cost of $30,122. While that agreement of cooperation had an end date of 15 August 2018, prior to that date, a first amendment was issued and signed by the parties, which established a new date of 31 October 2018. Moreover, on 31 January 2019, a subsequent amendment was signed by the parties, extending the end date to 15 February 2019.

29. Third, the Regional Office for Asia and the Pacific signed an agreement of cooperation to collaborate on the implementation of a project entitled “Kabul street addressing project – phase 1”, for a total of $635,764 and located in Afghanistan. The agreement of cooperation had an end date of 16 April 2019. Subsequently, an amendment was issued extending that date, which was signed by one party on 25 April 2019 and by the other on 8 May 2019.

30. Given the above, it is important to note that those three agreements of cooperation included an article establishing that they were effective from the date of the last signature.

31. In that regard, it was observed that the three agreements of cooperation had been extended after the end date of their validity, revealing gaps in expiration.

32. With respect to the project “Catalytic support for the consolidation of peace in Sri Lanka”, an expiration gap of 139 calendar days was observed; for the “State of Sri Lanka cities” project, there was a gap of 92 calendar days; and for the “Kabul street addressing project – phase 1”, there was a gap of 22 calendar days.

(ii) Delays in the payment to implementing partners

33. In addition to those agreements of cooperation, the Regional Office for Asia and the Pacific signed one to collaborate on the implementation of a project entitled “Enhancing the climate and disaster resilience of the most vulnerable rural and emerging urban human settlements”, in the Lao People’s Democratic Republic, for a total of $1,246,141.

34. The Regional Office for Asia and the Pacific also signed an agreement of cooperation to implement a project entitled “Mainstreaming gender, M&E actions on climate resilience into development planning at subnational levels”, in Cambodia, for a total of $963,500.

35. In accordance with the agreements for the projects in Cambodia and the Lao People’s Democratic Republic, UN-Habitat should have made payments to the implementing partners within 14 and 30 days, respectively, following the receipt of the appropriate payment request and considering the details indicated in the relevant payment schedule.

36. Moreover, in both agreements of cooperation, it was indicated that the first instalment would be made upon signature of the agreement and following the receipt of the payment request.

37. Regarding the first instalment, it was observed that, for both agreements, the payment had been delayed. For the projects in Cambodia and the Lao People’s Democratic Republic, the first instalments were paid 29 and 42 calendar days, respectively, after the signing of the agreement and the payment request, which represents a delay of 15 and 12 calendar days.

38. Furthermore, with respect to the agreement for the project located in the Lao People’s Democratic Republic, a payment of eight instalments was considered. At the time of the visit of the Board, five instalments had been paid; however, it was detected that three of them had been delayed by up to 17 calendar days.

39. Similarly, the agreement for the project located in Cambodia contemplated the payment of 13 instalments. At the time of the audit process, 12 had been paid; however, it was observed that 10 of them had presented delays of up to 26 calendar days.

(iii) Delayed and pending completion and instalments dates

40. In the payment schedule of each agreement of cooperation and amendment, the completion dates and the corresponding instalment dates, among others, are established.

41. It was detected that instalments had been pending completion and payment. For the project in Afghanistan, the completion date and the payment date of the second instalment were scheduled for June and July 2019, respectively; however, as of December 2019, the instalment was pending.

42. Regarding the project in the Lao People's Democratic Republic, while the completion and the payment date of the sixth instalment were scheduled for July and August 2019, respectively, as of December 2019, the instalment was pending.

43. In addition, the Regional Office for Asia and the Pacific signed an agreement of cooperation in order to collaborate on the implementation of a project entitled "Sustainable livelihood development for conflict-affected communities", in Marawi, Philippines. This agreement was for $294,985 and had an end date of 31 March 2020.

44. The same situations highlighted above were also detected in that agreement. The completion date and the payment date of the second instalment were scheduled for October and November 2019, respectively; however, as of January 2020, the instalment remained pending.

45. With regard to the project located in Afghanistan, the Regional Office for Asia and the Pacific explained that the project presented various challenges because of the complexity of the street network of Kabul that required a unique codification system; the difficulty in finding a street addressing expert; the limited number of government-approved street names; and the challenges in conducting a bidding process for the installation of the property plates.

46. Moreover, the Regional Office for Asia and the Pacific said that, with respect to the project in the Lao People's Democratic Republic, there had been a delay in the presentation of the financial statements audited by an independent audit firm, which is a requirement for settling the instalment. In addition, it was explained that the occurrence of various natural disasters in the area of the country concerned had contributed to the overall delay.

47. Lastly, with respect to the project located in the Philippines, the country office in charge explained that, through the agreement of cooperation, it had considered organizing the cooperatives; however, owing to the change in Government, the registration of new cooperatives had been put on hold.

(iv) Requirement for payment of the final instalment.

48. Article VI of the agreement of cooperation signed by the Regional Office for Asia and the Pacific for the implementation of the project "Catalytic support for the consolidation of peace in Sri Lanka" established that the final disbursement should be made available upon satisfactory provision of the required outputs indicated in the payment schedule, a submission of financial statements of the project audited by an independent audit firm showing the use of funds provided to date and the corresponding request of payment to UN-Habitat.

49. In that regard, it was observed that, on 11 June 2019, and according to the final payment request presented by the Ministry of Land and Parliamentary Reforms issued on 15 April 2019, UN-Habitat had disbursed the last payment of $5,500 without the financial statements of the project having been audited by a firm of independent auditors, in accordance with the provisions indicated in the aforementioned article of the agreement.

50. In the Board's opinion, it is essential that UN-Habitat improve its procedures regarding implementing partners because these are essential to the implementation of projects and, consequently, to achieving the mandate and goals of UN-Habitat.

51. In addition, the Board is of the view that the validity gaps in the agreements of cooperation reflect that UN-Habitat is not ensuring the timely and correct extension of the agreements, in accordance with the implementing partners' policy.

52. With regard to the delays in the payments to implementing partners, the Board is of the opinion that the Regional Office for Asia and the Pacific and the country offices concerned need to abide by the terms set out in each agreement, completing all internal arrangements within the deadline, including the payment of instalments, given that delays in releasing funds might hinder the timely implementation of projects.

53. Furthermore, the Board estimates that the delayed completion and instalments dates, relating mostly to project implementation stages outlined in the agreement of cooperation that were not met, reflect a weakness in the planning process during the implementation.

54. Lastly, the Board considers that making final disbursements without the required audit report of the project financial statements, which is a mandatory condition for the payment, may not ensure that the financial resources given to the implementing partner were properly used.

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.**

56. **The Board recommends that the Cambodia and Laos People's Democratic Republic 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.**

57. **The Board recommends that the Afghanistan, Laos People's Democratic Republic and the Philippines country offices, together with the Regional Office for Asia and the Pacific, ensure that the deadlines for the achievement of deliverables are met, along with the timely scheduled payment of instalments, in order to improve the implementation of projects with implementing partners, as planned.**

58. **The Board recommends that the Sri Lanka country office and the Regional Office for Asia and the Pacific take measures to properly approve 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.**

59. UN-Habitat accepted the first recommendation and mentioned that it would establish procedures in that regard. It added that factors such as the expiry of the related donor agreements and the political crisis that impeded the functioning of the Government of Sri Lanka had caused some of the delays presented, in particular with

regard to the agreements of cooperation implemented in Sri Lanka, where political instability affected the signature of the amendments.

60. UN-Habitat accepted the second and fourth recommendations and explained that, during 2019, it had rolled out the module “grantor management programme” in Umoja, which would allow improved monitoring and oversight of the timeliness and compliance of payments to implementing partners.

61. UN-Habitat accepted the third recommendation and explained that it operated in an unstable post-conflict and post-disaster environment in Afghanistan, the Lao People’s Democratic Republic and the Philippines, which often challenged the best mitigation plans. The entity stated that, while it strove to always plan projects and programmes requirements ahead of time, delays would inevitably occur.

62. In addition, UN-Habitat mentioned that it would monitor payments in accordance with the terms and conditions of the agreements and the Financial Regulations and Rules of the United Nations, specifically the IPSAS delivery principle.

(b) Community agreements of the Philippines country office

63. In chapter 2, paragraph 2.2, of the “People’s process in post-disaster and post-conflict recovery and reconstruction” document, prepared by the Regional Office for Asia and the Pacific in September 2008, a community is defined as a body of persons sharing common problems and living in a physically identifiable area. In a disaster or conflict situation, the affected community both implements and benefits from the programme.

64. In chapter 5, paragraph 5.1, of the same document, a “community contract” is defined as a contract awarded to a community organization by a government agency, NGO or a project to carry out physical works that have been identified in the community action plan. Moreover, it is mentioned that the amount assigned to the community organization is to be determined by the value of the contract.

65. The “Guidelines on the use of UN-Habitat’s agreements and legal instruments” contains the instructions for issuing community agreements (applicable to the aforementioned “community contracts”). These guidelines, prepared by the Legal Office at UN-Habitat headquarters, were issued in September 2014 and published in the policies and strategies section on the UN-Habitat intranet.

66. In paragraph 16 of those guidelines, it is mentioned that community agreements are used between UN-Habitat and a community organization on the use of grants for the purpose of meeting a community’s needs by the community organization in a specific neighbourhood.

67. Moreover, in paragraphs 16 (b) and (e) of the guidelines, on financial conditions, it is indicated, respectively, that no community agreements shall exceed the amount of $70,000 and that payments are made in instalments as stipulated in the agreement, based on progress.

68. In that regard, a project entitled “Community development through building of shelters and livelihood support for rebuilding Marawi”, developed by the UN-Habitat Philippines country office, was analysed. In order to have the project implemented, the Regional Office for Asia and the Pacific entered into 22 community agreements focused on providing shelter and livelihood for the community. The situations described below were detected.

69. With regard to the building of shelters to benefit families through the full construction of houses, the Regional Office for Asia and the Pacific had signed 12 community agreements totalling $1,163,529.48.

70. It was observed that, for those 12 community agreements, sums of approximately $96,000 and $97,000 were considered to be collaboration from UN-Habitat; however, they exceeded the $70,000 indicated in the guidelines.

71. The Regional Office for Asia and the Pacific mentioned that the value had increased to $100,000 according to the standard template for those types of agreements, which was also published on the UN-Habitat intranet on July 2015. In the Regional Office's opinion, since the issuing of this standard template, the value indicated in the guidelines document of September 2014 had become obsolete.

72. With respect to livelihood support, the Regional Office for Asia and the Pacific had signed 10 community agreements, the objective of which was to provide incomes through the development of enterprises for the community. With regard to the progress in the implementation of the project, at the time of the Board's visit, it was detected that 14 instalments related to community agreements, all for shelter and livelihood, were pending of payment.

73. All those payment delays were justified by the UN-Habitat Philippines country office, which explained that, regarding the agreements related to the building of shelters, the previous delays in the development of lots had caused the recent delay in the construction of the houses. In addition, regarding the agreements on livelihood, the country office clarified that the delays were due to different reasons, including an adjustment in the reporting system of the cooperative and a change of the bank account of the cooperative.

74. The Regional Office for Asia and the Pacific indicated that it was not a management issue, given that the delays were due to unexpected external factors outside the control of UN-Habitat, such as the difficult environment in post-war Marawi. It proposed that, as long as the agreement remained valid, the payment would be released when the deliverables were received, reviewed and accepted by UN-Habitat, because it was impractical to amend the agreement for each potential delay. The Regional Office suggested that a notation could be added in the payment schedule to allow variation of a specific period, such as within 15 days.

75. The Board is therefore of the opinion that it is important that UN-Habitat review and update its procedures regarding community agreements. The guideline document on agreements and legal instruments defines a clear parameter of $70,000 as the maximum amount allowed for the community agreements, which, for the cases previously presented, was exceeded. By comparison, the standard template document used by UN-Habitat indicates (in a footnote) that the amount allowed for the community agreements is for less than $100,000. Hence, it is necessary that UN-Habitat formally consider unifying and updating its documents, according to the reality of its procedures, with the purpose of avoiding conflicting information.

76. With regard to the pending payments of the instalments established in the community agreements, the Board estimates that the deadlines stipulated in the agreements are established for a planning purpose. Therefore, the failure to meet them reflects weakness in the planning process for the implementation of projects. In addition, the Board agrees that an alternative could be that community agreements have established in their payment schedule that a variation of a specific period be allowed for the instalments.

77. **The Board recommends that the Philippines country office and the Regional Office for Asia and the Pacific, together with UN-Habitat headquarters, take the measures necessary to ensure that the maximum amounts for community agreements are reviewed and clearly established in a formal instrument.**

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.**

79. UN-Habitat accepted the first recommendation and it indicated that it would review and formalize the financial limit for community agreements.

80. The second recommendation was accepted by UN-Habitat, which explained that it operated in a challenging post-disaster and post-conflict environment in the Philippines, characterized by instability and insecurity. Consequently, delays were common.

5. Individual contractors

(a) Formal instruction for the recruitment process done through a non-United Nations entity

81. The Regional Office for Asia and the Pacific explained that the contracted personnel process in the Afghanistan country office was supported by a non-United Nations entity.

82. It was verified that 598 contracted personnel had been hired as of October 2019, for the purpose of implementing the "Kabul strengthening municipal Nahias programme". Specifically, 584 personnel (98 per cent of the total) were working as part of the programme, and contracted through a non-United Nations entity, while 14 (2 per cent of the total) had been hired through the United Nations Office for Project Services (UNOPS).

83. The document entitled "UN-Habitat Afghanistan human resources unit recruitment process" contains information on the steps for the hiring of personnel and the main documents required for that purpose. However, this is not an official document of UN-Habitat.

84. Taking into account the above, the Board noted a lack of a formal instruction for regulating the recruitment process of personnel hired through the non-United Nations entity, with respect to, for example, the rules per stage for the application, analysis, selection, hiring and evaluation processes.

85. It is important to mention that the individual contractor process carried out by UNOPS is guided pursuant to the document entitled "UN-Habitat Regional Office for Asia and the Pacific guidance notes for UNOPS recruitment and payment processes", of 2016, while the same process conducted by the United Nations Development Programme (UNDP) is regulated under the individual contract policy, of 2018, and the consultant or individual contractor process developed by the United Nations at Nairobi is regulated under administrative instruction ST/AI/2013/4, of 2013.

86. The Board considers that the lack of a formal instruction for non-staff members who serve in the Afghanistan country office could generate a loss of control over the recruitment process, by not having applicable provisions issued to the contracting modality by a third party that is not part of the United Nations.

87. The Board is therefore of the view that the indicated regional office needs to consider developing formal guidelines to be applied by a third party not part of the United Nations for the recruitment of personnel.

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.

89. UN-Habitat accepted the recommendation and indicated that it would update and formalize the procedure already in practice.

(b) Recruitment process done by the non-United Nations entity

90. The document, “UN-Habitat Afghanistan human resources unit recruitment process”, relating to the contracted personnel for the Afghanistan country office, outlines some stages of the process that should be performed.

91. Before any hiring at the country office or activity sites, terms of reference should be submitted to the human resources unit in order to define what is expected from the person who will occupy the vacant position.

92. With regard to the announcement stage, it is stated in the document that all employment opportunities shall be posted for a minimum of 14 working days on the website of UN-Habitat, the human resources service provider’s website or the websites of other employment agencies.

93. In addition, all curriculum vitae and applications included in the long-listing process should be evaluated through written exams and interview processes by a panel nominated by the hiring unit, composed of a minimum of three and a maximum of five members. Applicants scoring above 50 per cent would be invited for a second interview.

94. Lastly, it is stated that, when new individual contractors sign the contracts, they acknowledge and accept the terms, conditions and policies of the organization.

95. As for the review of 29 personnel contracted by the non-United Nations entity, hired for providing services during the year 2019 for the implementation of the “Kabul strengthening municipal Nahias programme” in Afghanistan, the Board detected the situations presented below.

(i) Terms of reference

96. It was noted that the terms of reference contained details of the work to be performed; however, they did not include accurate information on, among others, what was expected from the person, expected results, hiring duration, delivery dates, indicators and name of supervisor.

(ii) Announcements for the positions

97. In addition, it was observed that, in 18 of the revised cases, applicants had fewer than 14 working days to submit an application to the announced vacant position.

(iii) Names of personnel contracted

98. Moreover, it was noted that the names of 16 individuals, according to the country office’s registers, were not consistent between curriculum vitae, contracts and evaluations. There were also documents that indicated only one of the names of the person and not the complete name.

(iv) Panel members

99. It was detected that, in nine cases, the panel members who had signed the evaluation reports were not the same as the designated panel members for that propose. Moreover, the evaluation report of one applicant was signed only by two evaluators instead of the minimum of three.

(v) Results of evaluations of applicants

100. In addition, there were seven cases in which the applicants had scored less than 50 per cent, according to the evaluation reports signed by the panel members. However, they were hired for the position. In addition, two of them were not recommended for the position by the panel members.

101. Moreover, 18 cases were observed in which the evaluation reports contained applicants who had obtained 50 per cent or less as a result from their evaluation processes. However, those applicants had been recommended for the position by the panel members.

(vi) Certificates of good health

102. Because the certificates of good health of eight applicants did not have an issue date, it was not possible to ensure that they had been submitted before the individual contractors signed their job offers.

(vii) Individual contracts and extensions

103. Regarding the contracts between the personnel contracted and the non-United Nations entity, it was noted that seven agreements had been signed by the personnel contracted between 21 and 47 calendar days after they had begun their jobs.

104. Moreover, 29 amendments and extensions related to 14 personnel contracted were signed after the individual had begun their services. Likewise, 49 amendments or extensions did not have the dates of the signatures by the individual, and hence it was not possible to warrant that they were signed in a timely manner.

105. In the case of one person contracted for the position of Operations Assistant (Finance), there was an amendment to the contract’s duration covering the period from 1 July to 31 July 2019; however, there was another amendment, from 1 September to 30 November 2019, showing all of August as a gap not covered by a contract extension.

106. In addition, the contract for the services of Project Engineer, for the period from 10 to 30 June 2019, was signed by non-United Nations entity on 10 June; however, it did not have the date of the signature by the person contracted. A second contract related to the same individual was presented for the same position, for the period from 1 to 30 June 2019, and signed by the parties on 1 June. Both periods overlap, and it therefore appears that, in the case of this individual, there are duplicate contracts.

107. That said, taking into account that, for the Afghanistan country office, projects are carried out mostly by personnel contracted through a non-United Nations entity, the Board is of the opinion that the process of recruitment should be formally established and known by UN-Habitat. In addition, these processes should address the insufficiencies detected in the above-mentioned areas.

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.**

109. UN-Habitat accepted the recommendation and indicated that it would take the opportunity to review and strengthen the selection of individuals recruited under that modality with standardized procedures. Moreover, UN-Habitat explained that emergency work announcements had a shorter duration; the restrictions in the availability of personnel resulted in changes in the panel members; and that names under national identification documents might occasionally differ.

(c) Recruitment process done by the United Nations Development Programme

110. The memorandum of understanding between UNDP and UN-Habitat, signed in 2008, concerns the provision of administrative services and reimbursable support service arrangements in the recruitment of national staff and non-staff personnel. Some hiring of individual contractors for the Philippines country office are supported by UNDP.

111. The individual contract policy issued by UNDP, on September 2018, contains the general principles and purpose of individual contractors. In its paragraph 1, it is established that the individual contract modality is used for the procurement of services of an individual to perform time-bound and non-staff tasks aimed at delivering clear and quantifiable outputs that shall be clearly identified in the contract and linked directly to payment.

112. In addition, in paragraph 24 of that policy, it is stated that the duration of the individual contractor's engagement with UNDP should be related directly to the required outputs and deliverables in accordance with the terms of reference, which is normally attached to the contract as an annex.

113. The individual contractor process conducted by UNDP was reviewed through a sample of three contracts (discussed below). The Board noted that the individual contractors had provided services during part of 2019, for a project entitled "Building climate resiliency through urban planning and design". The Board also observed that the dates of the achievement of the deliverables established in their contracts had been postponed and were not formally modified.

114. With respect to a position of legal expert, the contract established three payments that would be made following certification that the services had been satisfactorily performed and the deliverables achieved by or before the due dates. It was noted that, while the first deliverable had been received and approved by the Philippines country office, the second and third deliverables should have been submitted by the individual contractor on 21 October and 20 November 2019, respectively. Their submissions were eventually postponed to January and February 2020, respectively.

115. The contract for a position of city design expert contemplated two payments that would be made following certification and the achievement of the deliverables detailed in the contract. It was noted that first deliverable should have been submitted on 29 November 2019. However, it had not been completed by the individual contractor. A draft had been provided to the project team for comments, but there were no formal submissions.

116. Lastly, the contract for a position of climate finance expert outlined seven payments that would be made following certification and the achievement of the deliverables detailed in the contract. It was noted that the first and second deliverable had been received and approved by the Philippines country office: however, with respect to the third to seventh deliverables that should have been submitted on 30 August, 30 September, 30 September and 30 October 2019 and 31 January 2020, respectively, their submission had been postponed as early as February to May 2020.

117. UN-Habitat explained that, in those three cases, the timelines had been adjusted on the basis of needs and the situation on the ground, clarifying that no payments had ever been made to individual contractors unless they provided the deliverables pursuant to the contracts. It added that it had made adjustments to timelines only with strong justification but never compromised in terms of the quantity and quality of outputs of the individual contractor.

118. The Board is of the opinion that the delays with regard with the presentation of the agreed deliverables by the individual contractors could hinder the implementation of the project and the achievement of the goals of UN-Habitat.

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.**

120. UN-Habitat accepted the recommendation.

6. Human resources

(a) Overtime of staff members at UN-Habitat headquarters

121. In rule 1.4 (a) the Staff Regulations and Rules of the United Nations, on hours of work and official holidays it is indicated that the Secretary-General shall set the normal number of working hours per week for each duty station. Exceptions may be made by the Secretary-General as the needs of service may require. A staff member may be required to work beyond the normal number of working hours whenever requested to do so.

122. In rule 3.11 (a), a staff member in the General Service, Security Service or Trades and Crafts category, or in the Field Service category up to and including level FS-5, who is required to work in excess of the working week established for this purpose shall be given compensatory time off or may receive additional payment, under conditions established by the Secretary-General.

123. In its information circular UNON/IC/2015/07, the United Nations Office at Nairobi provides details on, among others, the official hours of work, the conditions governing overtime and compensatory time off for the Nairobi duty station, which includes UN-Habitat headquarters.

124. In accordance with paragraph 1 of that information circular, it is indicated that official work hours from Monday to Thursday are from 8 a.m. to 4.30 p.m. or from 8.30 a.m. to 5 p.m., with an interruption of 45 minutes for lunch, while Friday work hours are from 8 a.m. to 2 p.m. or from 8.30 a.m. to 2.30 p.m., excluding a lunch break.

125. In paragraph 4 (i) of UNON/IC/2015/07, it is indicated that time worked in excess of the scheduled workday or in excess of the scheduled work week or time worked on official holidays means overtime, which must be authorized by the competent authority.

126. In paragraph 4 (ii), it is mentioned that the scheduled workday means the duration of the working hours in effect at the time on any day of the scheduled work week, less the authorized lunch break.

127. In paragraph 4 (iv), it is stated that compensation should take the form of an equal amount of compensatory time off for overtime in excess of the scheduled workday up to a total of eight hours of work on the same day.

128. In paragraphs 4, (vi) and (vii), it is established that compensation should take the form of an additional payment for overtime in excess of a total of eight hours of work of any day of the scheduled work week or when it takes place on the sixth or seventh day of the scheduled work week, or when it takes place on an official holiday.

129. This additional payment should be made at the rate of one-and-one-half times the aggregate of the staff member’s base salary or wage and language allowance, if any, except that, if the overtime takes place on a Sunday or on the seventh day of the

scheduled work week, the rate of the additional payment shall be twice the aggregate, as indicated in paragraph 4 (vii) (a) of UNON/IC/2015/07.

130. In paragraph 4 (x), it is stated that supervisors should not require a staff member to work more than 40 hours of overtime during any one month, in the interests of the health of the staff and the efficiency of the service, except where unusual exigencies of the service so require. In such situations, the exceptional approval by the authorized official is necessary prior to the commencement of overtime scheduled for Sundays and official holidays.

131. An analysis was therefore conducted of the overtime of 30 staff members of UN-Habitat with their duty station in Kenya, from 1 January to 31 August 2019, excluding public holidays.

132. For calculations of overtime, the analysis considered, for Monday to Thursday, that the official work hours were from 8 a.m. to 4.30 p.m. or from 8.30 a.m. to 5 p.m., with an interruption of 45 minutes for lunch. The scheduled workday for Monday to Thursday therefore corresponds to 7 hours and 45 minutes. For Friday, the official work hours are from 8 a.m. to 2 p.m. or from 8:30 a.m. to 2:30 p.m., making the scheduled workday 6 hours.

133. The Board detected the situations detailed below.

(i) Overtime as compensatory time off

134. Compensatory time off corresponds to the overtime in excess of the scheduled workday up to a total of eight hours on the same day.

135. From Monday to Thursday, the maximum compensatory time off allowed should be 15 minutes. However, 20 cases with compensatory time off of more than 1 hour per day were detected, some even more than 6 hours per day. The maximum compensatory time off allowed for Fridays should be 2 hours. However, 19 cases were detected with compensatory time off of more than 2 hours.

(ii) Overtime as an additional payment

136. As stated above, there should be an additional payment for overtime in excess of 8 hours of work of any day of the scheduled work week or on the sixth or seventh day of the scheduled work week. Hence, as the scheduled workday plus the overtime as compensatory time off reaches 8 hours, the overtime in excess of those 8 hours is understood as the overtime as additional payment for worked hours.

137. In this regard, several cases on Fridays that were considered to be overtime as additional payment were detected; however, the prior worked hours during the day were fewer than 8 hours. Such overtime as an additional payment therefore does not correspond to hours worked in excess.

138. In particular, four cases that considered prior overtime as compensatory time off were detected; however, they were not enough to complete the 8 hours worked in the day. In addition, 79 cases of overtime as additional payment that did not consider prior overtime as compensatory time off were detected.

(iii) Rate for overtime as additional payment

139. As noted above, the overtime as an additional payment should be made at the rate of 1.5 times the aggregate, except if it is on a Sunday or on the seventh day of the week, because in these cases the rate is twice the aggregate.

140. There were five cases in which staff members did not work on Sunday or on the seventh day of the scheduled work week; however, they received payments at double

the rate, instead of the 1.5 rate. Conversely, one case was noted in which personnel had received an additional payment at the rate of 1.5 the aggregate, but the day worked was Sunday. The payment should therefore have been at twice the rate.

(iv) Lunch break on Fridays

141. On Fridays, the end of the scheduled working day can be at 2 or 2:30 p.m., depending on the start hour.

142. On 18 occasions, it was detected that the overtime had begun at 2 or 2:30 p.m. and extended until afternoon, even into the night. In those cases, overtime was counted as if there were no lunch break for the relevant staff member. In addition, in four cases, there were some gaps that could be considered as a break for lunch; however, they did not occur during the established standard time for lunch.

(v) Overtime of more than 40 hours

143. It was verified that, for the 30 staff members analysed, they had worked more than 40 hours of overtime in a month at least once. In addition, in some cases they reached more than double or triple the allowed overtime. Moreover, it was observed that two officials had worked more than 40 hours of overtime during consecutive months.

144. With respect to the cases of overtime of more than 40 hours, it was not possible to verify that they had been justified with the unusual exigencies of the service so required or the exceptional approvals by the authorized official necessary.

145. The Board is therefore of the opinion that the above weaknesses are attributed to a lack of timely monitoring by managers and to an inadequate review and calculation of overtime as compensatory time off and as additional payment.

146. The Board estimates that the incorrect calculations of overtime hours as compensatory time off and as additional payments result in inconsistencies of UN-Habitat management, given that payments and time off are authorized without complying with UNON/IC/2015/07.

147. UN-Habitat incorrectly considered as compensatory time off the overtime that had exceeded the total of 8 hours of work during the day, which should have taken the form of an additional payment. UN-Habitat also overpaid on two occasions: when it paid overtime hours that should have taken the form of compensatory time off and when it paid twice the aggregate.

148. Moreover, in UNON/IC/2015/07, official work hours for Fridays, excluding lunch break, are expressly indicated. The Board therefore considers that there is no clarity about the interruption for lunch on Fridays when the scheduled workday goes beyond six hours and overtime is performed. In cases in which overtime is extended for several hours, the Board estimates that it is necessary to establish a timetable for lunch, in the interests of the health of the personnel and to avoid that potential lunch breaks be counted as overtime.

149. In addition, the Board considers that a repeat performance of more than 40 hours as overtime could run contrary to the interests of the health of the staff and the efficiency of the service, more so if exceptional approvals do not justify it.

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.**

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.**

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**.

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.**

154. UN-Habitat accepted the audit recommendations and would undertake a review of the reported overtime cases and the overtime practices, in coordination with the United Nations Office at Nairobi, and take appropriate corrective measures. In this regard, UN-Habitat clarified that most overtime cases were related to the first UN-Habitat Assembly, which was held in May 2019.

(b) Annual leave of staff members of the Regional Office for Asia and the Pacific

155. Under rule 5.1 (e) (i) of the Staff Regulations and Rules of the United Nations, annual leave may be taken in units of days and half-days. Consequently, pursuant to rule 5.1 (e) (ii), leave may be taken only when authorized. If a staff member is absent from work without authorization, payment of salary and allowances shall cease for the period of unauthorized absence. However, if, in the opinion of the Secretary-General, the absence was caused by reasons beyond the staff member's control and the staff member has accrued annual leave, the absence will be charged to that leave.

156. The Board reviewed the 139 annual leave requests registered in Umoja, until October 2019, related to 35 staff members of the Regional Office for Asia and the Pacific and its country offices, and detected the situations below.

157. It was observed that, in 49 cases, staff members had taken their annual leave without previously requesting it. They therefore did not have prior approval of their supervisors through Umoja. Those instances of annual leave were submitted after the start date of the relevant annual leave, ranging from 3 to 42 working days.

158. It was detected that, in 32 cases, the staff's annual leave had been approved in Umoja by the supervisors after the date on which they had begun their annual leave. It should be pointed out that, in two cases, the approvals were given after 153 and 264 working days from the start date of the annual leave.

159. It was also detected that, in five cases, the requests for annual leave had been sent through Umoja by the officials, in some cases before and, in other cases, after the start date of the leave. However, at the time of the audit process, they had not been approved.

160. It is therefore important to mention that the Regional Office for Asia and the Pacific provided information that allowed for the verification that some annual leave had been initially requested and approved through emails or physical forms, and therefore not done through Umoja.

161. The Regional Office for Asia and the Pacific reiterated that it had demonstrated compliance with rule 5.1 (e) (ii) through manual requests and approval forms signed by the requesters and the approvers, except in exigency cases such as family emergencies or health reasons. In addition, it mentioned that the rule did not specify the approval form and maintained that using the manual forms or emails was not against the Staff Regulations and Rules of the United Nations.

162. The Board is of the view that annual leave requests and approvals must be discussed directly between parties involved and performed in a timely manner through Umoja.

163. In addition, the Board estimates that the annual leave approval process through Umoja should be used as a management control mechanism rather than a mere formality. The Board considers that maintaining an adequate control of the staff's annual leave may contribute to an improvement in human resources management.

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.**

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.**

166. UN-Habitat accepted the recommendations. The Regional Office for Asia and the Pacific will make a serious effort to ensure that staff record leave in Umoja prior to going on their annual leave and that a memorandum is circulated to this effect.

7. Staff member functions and roles

(a) Delegation of authority

167. The Secretary-General's bulletin on the delegation of authority in the administration of the Staff Regulations and Rules and the Financial Regulations and Rules (ST/SGB/2019/2) establishes the framework for the reissuance of new delegations of authority directly to heads of entity to implement specified aspects of the regulations and rules.

168. Head of entity means, among others, the head of a department or an office, including an office away from Headquarters.

169. In paragraph 1.2 of ST/SGB/2019/2, it is stated that all delegations of authority, including any limitations, will be issued and managed through an online portal.

170. In addition, it is established in paragraph 2.5 that the delegations of authority shall be made formally through the online portal and shall be clearly stated and accepted by both the delegator and the delegate, including that such delegation may be suspended, amended or revoked, as provided in section 4.4 of the same bulletin.

171. Gaining access to the delegation of authority online portal is done through Unite Self Service. Staff members of UN-Habitat receive their respective roles through Umoja user access provisioning in accordance with delegations of authority.

172. All the Umoja roles were reviewed. It was observed that three staff members had assigned Umoja roles that required a delegation of authority, although the corresponding status in the online portal appeared, in one case, as revoked and, in the two others, as expired.

173. Moreover, it was detected that 14 staff members listed on the online portal had delegations of authority with "accepted" status. However, those staff members did not have Umoja roles provided.

174. The Board considers that the online portal is the platform through which delegations of authority are formally provided. These actions should therefore mirror the Umoja roles currently assigned. Whether delegations of authority have been accepted, suspended, amended, revoked or expired on the online portal, they should be the same as the Umoja roles.

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 ST/SGB/2019/2, resolving any discordance detected with the assigned Umoja roles.**

176. UN-Habitat accepted the recommendation and will review all active delegations of authority to ensure that their proper roles are issued in Umoja and all inactive delegations to ensure that roles are revoked or expired, as applicable.

(b) Segregation of duties

177. The access control for the United Nations Secretariat systems information and communication technology (ICT) technical procedure establishes that the information owners shall review the access privileges of user accounts every 12 months to determine whether access rights remain commensurate with the user's job duties. User accounts with privileged access rights shall be reviewed every six months.

178. The Security Liaison Officer workbook describes areas, pillars and functions of the functional roles of the system regarding the access rights commensurate with the user's job duties.

179. In order to guarantee the segregation of duties, the Security Liaison Officer workbook, together with the Umoja roles guide, establish that some roles should not be assigned to other roles, in order to avoid conflicting roles.

180. In this regard, on the basis of the massive data extraction from Umoja business intelligence, the assigned roles were compared in the light of the guidelines contained in the Security Liaison Officer workbook and the Umoja roles guide, and it was detected that eight users had maintained roles with instances of conflict.

181. The Board considers that roles should be assigned to users, in accordance with the Security Liaison Officer workbook and the Umoja roles guide, with the purpose of maintaining an appropriate segregation of duties that will avoid risk situations.

182. In addition, the Board is of the view that whether reviews are conducted every 6 and 12 months, as the ICT technical procedure mentions, situations as those described above could be avoided.

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.**

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.**

185. UN-Habitat accepted those recommendation and will undertake a comprehensive and regular reviews of Umoja user roles in order to prevent conflicting roles and enhance segregation of duties.

8. Property, plant and equipment

(a) Inconsistencies in property management

186. In section 4.2 of administrative instruction ST/AI/2015/4 on the management of property, it is mentioned that property of the United Nations, whether tangible or intangible, may be classified as "capitalized property" when it is property that meets the requirements for recognition as a financial asset in accordance with the applicable United Nations accounting standards, and as non-capitalized property when it is property that does not meet the requirements for recognition as a financial asset in accordance with the applicable United Nations accounting standards.

187. In section 4.4, it is stated that all non-capitalized property and expendable property of the United Nations shall be subject to the recording and tracking procedures.

188. The SC119 Umoja property management overview course, the purpose of which, among others, is to explain the property management module in the Umoja system, details the information to be maintained in the equipment master data: description of the equipment; asset number and manufacturer data, model, serial number, year of construction and acquisition value; classification data for mapping classes and characteristics; plant, location, person responsible and maintenance group responsible; cost centre for the settlement of maintenance-related costs; measuring points and counters; and special permits required for any maintenance activity and technical identification number.

189. It is also pointed out in the overview guide that, when the equipment is brought into operation, it can be assigned to a staff member who assumes responsibility for the equipment and/or it can be assigned to a functional location, where it can be used by multiple people and maintained by a planner group or work centre. The assignment equipment process provides equipment and material accountability, visibility and life cycle history.

190. The report entitled "IE05 equipment list", extracted from Umoja, contains detailed information on the non-capitalized and capitalized property maintained by UN-Habitat, from 1995 until 15 October 2019. From that report, several situations related to the equipment were detected, as presented below.

191. Of 1,391 non-capitalized properties and 10 capitalized properties, the information did not specify the location nor an assigned user responsible; 203 non-capitalized properties and 1 capitalized property were related to users from other offices of the United Nations and; 13 non-capitalized properties and 2 capitalized properties had assigned users responsible who were no longer staff members of UN-Habitat.

192. From the 1,620 pieces of equipment, 511 non-capitalized properties and 4 capitalized properties were registered during 2019 without the information regarding location and assigned user responsible.

193. The Board considers that the master data managed by UN-Habitat should be constantly reviewed and updated, in accordance with the overview guide, in order to maintain accurate information regarding the equipment owned by UN-Habitat.

194. In addition, the Board estimates that the absence of information related to the location of and/or the assigned user responsible for equipment managed by UN-Habitat could be affected by inconsistencies, risking the loss of the items.

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.**

196. **The Board recommends that the assigned staff member responsible for the operational equipment be a staff member of UN-Habitat.**

197. UN-Habitat accepted those recommendations and explained that original asset data converted from the legacy system to Umoja were not sufficiently enriched so that they would improve the Umoja asset register.

(b) Registers of property, plant and equipment items

198. The United Nations corporate guidance for IPSAS on the delivery principle, of June 2014, incorporates, as part of accrual-based accounting, the delivery principle criteria. Thus, in section 4.1 of the guidance, it is stated that the timing of recognition of assets would occur when the goods and/or services were received by (i.e., "delivered" to) the United Nations and not on receipt of an invoice or payment in cash. The determination of the receiving date is therefore a crucial decision point.

199. With regard to depreciation, it is stated in paragraph 71 of IPSAS 17: Property, plant and equipment that the depreciation of an asset begins when it is available for use (i.e., when it is in the location and condition necessary for it to be capable of operating in the manner in tended by management).

200. In addition, it is mentioned in paragraph 82 of IPSAS 17 that the carrying amount of an item of property, plant and equipment shall be derecognized on disposal or when no future economic benefits or service potential is expected from its use or disposal.

201. In paragraph 13.2.28 of the United Nations Policy Framework for International Public Sector Accounting Standards, it is stated that an item of property, plant and equipment should be removed from the financial statements (derecognized) once its disposal is approved. Operationally, prior to the approved disposal event taking place and while the asset has already been identified as an item with no future economic benefit or service potential expected from its use, the asset needs to be impaired.

202. The property, plant and equipment report issued by UN-Habitat was reviewed, and the Board sampled nine acquisitions and three disposals in 2019, associated with vehicle purchases and vehicle donations, respectively.

203. The Board observed that property, plant and equipment items acquired by UN-Habitat were not always registered in a timely manner, that is, when the goods were received by the entity. In fact, six cases were observed in which the delivery notes recorded in Umoja and signed by UN-Habitat staff indicated that the vehicles had been well received between 22 and 212 calendar days before the asset capitalization date.

204. Moreover, it was detected that the depreciation of the new assets began to account from the first day of the month in which they were registered and not when they were available for use.

205. The Board observed that property, plant and equipment items retired by UN-Habitat had not always been registered in a timely manner, that is, when disposals were approved. In this regard, two of the three disposals reviewed had a delay of more than five years, between the date of disposal approval and the retirement date on Umoja. UN-Habitat explained that the situation was because of complications from the specific government regulation over the transfer for receiving the items.

206. The Board is of the opinion that the situations mentioned expose a weakness in the controls applied to property, plant and equipment, relating especially to the timely registration of the capitalization and disposal of the fixed asset and the appropriate determination of the beginning of the depreciation period, which would comply neither with the provisions of the delivery principle included in United Nations corporate guidance for IPSAS on the delivery principle nor with the IPSAS 17, nor with the United Nations Policy Framework for International Public Sector Accounting Standards.

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.

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.**

209. UN-Habitat accepted the recommendations and indicated that it had procured property items through UNDP for its field offices, adding that there was usually a time lag between the actual receipt of the items and the registration of property items that occurred once the financial information and documentation reached UN-Habitat. Lastly, UN-Habitat mentioned that it would ensure that there was a reasonable time lag.

(c) Standard cost rate

210. In paragraph 30 of IPSAS 17, it is established that a property, plant and equipment item recognized as an asset shall be measured by its cost, considering the following elements: (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; (b) any cost attributable directly to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and; (c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

211. The United Nations corporate guidance for IPSAS documents, the first related to property, plant and equipment (excluding infrastructure assets) and the second related to infrastructure assets, both issued in December 2016, state that determining the cost of an asset and associated costs such as freight, import duties and insurance are determined on the basis of a standard cost applicable to peacekeeping and non-peacekeeping operations: (a) for peacekeeping operations, 20 per cent will be used for the standard cost methodology; and (b) for non-peacekeeping operations, 4 per cent will be used for the standard cost methodology.

212. Both of these rates are subject to review and change each year. However, actual associated costs need to be captured in order to support the applied standard cost percentage, which is reviewed on an annual basis.

213. The Board detected that UN-Habitat had considered the associated costs of an asset on the basis of a standard cost methodology applicable to non-peacekeeping operations, instead of actual costs. This situation does not harmonize with the elements to measure the cost of an asset established in paragraph 14 of IPSAS 17.

214. While the Board understands that this practice follows United Nations Headquarters guidance, the Board still estimates that the Headquarters instructions and the practices conducted in this case by UN-Habitat should be consistent with IPSAS 17 on this matter.

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.**

216. UN-Habitat accepted this recommendation and indicated that it would consult with Headquarters on how best to implement it in accordance with IPSAS.

(d) Fully depreciated assets

217. It is established in paragraph 66 of IPSAS 17 that the depreciable amount of an asset shall be allocated on a systematic basis over its useful life. Subsequently, it is added in paragraph 67 that the residual value and the useful life shall be reviewed at least at each annual reporting date.

218. It is stated in paragraph 71 of IPSAS 17 that depreciation of an asset begins when it is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. In addition, the depreciation of an asset ceases when the asset is derecognized.

219. In the United Nations corporate guidance for IPSAS documents, the first related to property, plant and equipment (excluding infrastructure assets) and the second related to infrastructure assets, both issued in December 2016, it is mentioned in their section 6.2.1 and subsequent that the depreciation of an asset ceases when the asset is fully depreciated or derecognized and that the useful life of an asset should be reviewed at least at each annual reporting date and modified if deemed necessary.

220. Moreover, in section 6.2.1.1. of the United Nations corporate guidance for IPSAS on infrastructure assets, the following is stated:

> A depreciation floor of 10 per cent of an asset's original cost was set to account for residual value of those assets that are fully depreciated but are still in use or still possess economic value to the organization. Therefore, under this concept, regardless of the chronological age of the asset, accumulated depreciation will be limited to 90 per cent, leaving a minimum of 10 per cent of its original cost in the books so long as the asset is still in use. This policy would only be applied in instances where the value of depreciated assets still in use is found to be material. Further, the policy would be in place for such assets until a reassessment of this policy, for example following reassessment of useful lives, is completed.

221. The Board observed that, in every period, the value of the fully depreciated assets was modified in the financial statements through a standard adjustment to accumulated depreciation for the purpose of reflecting a residual value of 10 per cent of historical cost.

222. At the end of each year (31 December), UN-Habitat writes back the 10 per cent of depreciation, thereby reducing the accumulated depreciation of fully depreciated assets that are still being used. This accounting adjustment is meant exclusively for financial reporting purposes and is reversed on the first day of the following year.

223. The Board considers that the accounting procedure performed by UN-Habitat would not substitute for an annual review of the residual value and the useful life of property, plant and equipment items pursuant to IPSAS 17.

224. The Board also considers that a regular review of residual values and the useful life of assets provides a more accurate carrying amount of the property, plant and equipment items, which is imperative to ensuring reliable and quality financial reporting.

225. While the Board understands that this practice obeys to Headquarters guidance, it nevertheless estimates that the Headquarters instructions and the practices conducted in this case by UN-Habitat should be consistent with IPSAS 17 on this matter.

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 lives and residual values to the assets, as established under IPSAS 17.

227. UN-Habitat accepted this recommendation and indicated that it would consult with Headquarters on how best to implement it in accordance with IPSAS.

(e) Unused property at the Sri Lanka country office

228. It is established in paragraph 13 of IPSAS 17 that property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes, and are expected to be used during more than one reporting period.

229. In rule 105.21 of the Secretary-General's bulletin on the Financial Regulations and Rules of the United Nations (ST/SGB/2013/4), it is stated that physical verification and maintenance records of the property, plant and equipment assets shall be carried out by the organization.

230. A spot check of the vehicles assigned to the UN-Habitat Sri Lanka country office located in Colombo was performed. It was observed that, as of April 2019, at least five vehicles recorded as property, plant and equipment assets were not being used by the country office. The vehicles were used in the north of the country in the execution of projects entitled "Indian housing project in Sri Lanka" and "Construction of schools in Mannar district", as a mean to transport personnel to distant sites where activities were taking place.

231. However, according to the country office, after the offices in the north of the country had been closed, the vehicles were moved to Colombo. Since then, the vehicles have not been assigned to a fixed project and have been used only on a temporary basis, most of them until 2018. Four of them were parked in the country office's facilities located in De Fonseka Street and the remaining one was located in a parking lot in the Athurugiriya area.

232. In addition, in that parking lot, a sixth vehicle belonging to UN-Habitat was verified; however, it was not registered in accounting records because it was fully depreciated.

233. It should be noted that the parking lot did not provide the appropriate conditions to maintain the vehicles and ensure their usability.

234. The Regional Office for Asia and the Pacific explained that, as part of the asset management, the Sri Lanka country office had initiated the disposal of three of the vehicles and decided to keep other two, which were considered to be in better condition for future use.

235. The Board considers that maintaining property, plant and equipment assets as unused and in inadequate conditions is not consistent with the provisions indicated in rule 105.21.

236. In addition, the Board estimates that the storage conditions of the vehicles could be improved, given that the environment is already a disadvantage with respect to their proper maintenance, owing to the high humidity and salty atmosphere. This also proves to be a valid reason to conduct a periodic check on the vehicles. It should be pointed out that keeping the vehicles in poor conditions might negatively affect their future usability.

237. **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.**

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.**

239. UN-Habitat accepted the recommendation. The Regional Office for Asia and the Pacific, with the assistance of UN-Habitat headquarters, will set up a safeguarding and maintenance plan for all vehicles.

9. Procurement management

Payment pending invoices

240. In chapter 1, paragraph 6, of the Budget and Financial Management Service procedure manual, regarding the vendor payments, the documents that are prerequisites in order to complete the payment process are established.

241. The prerequisite documents are a valid contract, shopping cart and approved purchase order; purchase order reference and focal point information on the invoice; service entry sheets and goods receipt approved in Umoja; business partner's bank details completed in Umoja; cash and budget sufficiency in the grant; invoice to the Budget and Financial Management Service of the United Nations Office at Nairobi, through the service desk or hand delivered; and full details of the invoice, for example, purchase order reference and focal point information.

242. It is also indicated in the procedure manual of the Budget and Financial Management Service that, when documents identified as prerequisite are available in Umoja, the accounts payable documents process, review and approval must be performed. When such prerequisite documents are not available, the relevant focal point is assigned to create them, in addition to verifying that the process is completed.

243. The process of creating the payment documents for review and approval is carried out by the United Nations Office at Nairobi, while the focal point responsible for the purchases is from UN-Habitat. In addition, the payment terms indicated in Umoja set out a time frame of 30 days for this procedure.

244. As of October of 2019, of 33 invoices pending for payment related to UN-Habitat, 20 were pending payment for more than 30 calendar days. Those 20 invoices amounted to approximately $28,450, and the reason why they were pending payment was the absence of the documentation identified as a prerequisite for completing the payment process.

245. As of November 2019, of those 20 invoices, 9 were still pending payment and amounted to approximately $11,800. The United Nations Office at Nairobi reported that it had not received from UN-Habitat the purchase order related to these invoices; they were not found as supporting documentation in Umoja, either.

246. The Board considers that the non-availability of documents identified as prerequisites for payment corresponds to a weakness in the focal point from UN-Habitat responsible for the purchases, which means that vendors do not receive their payments in a timely manner, which may generate potential claims and disputes on the part of the vendors.

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.**

248. UN-Habitat accepted the recommendation and will, in coordination with the United Nations Office at Nairobi, strengthen the monitoring process in order to ensure that payments are made to vendors in a timely manner.

10. Office management

(a) Contribution agreement for the Manila office

249. The lease agreement between the Rockwell Land Corporation and the United Nations Children's Fund was signed with the purpose of having two complete flats of a building located in Manila used by different United Nations agencies, programmes and funds from 15 February 2018 to 14 February 2023.

250. It is important to mention that eight staff members work for the UN-Habitat Philippines country office in that building.

251. Through a memorandum of understanding, UNDP was entrusted with the duty of administering the common premises of those two flats. A provision of that memorandum allowed for a specific area on the fourteenth floor to be allocated to four UN-Habitat staff members.

252. In addition, through a contribution agreement between UN-Habitat and the Food and Agriculture Organization of the United Nations (FAO), another four workspaces on the fourteenth floor were formally provided to UN-Habitat personnel.

253. The contribution agreement with FAO allowed for the temporary use of the spaces for a period of seven months in the amount of $5,557.23. The period mentioned in the contribution agreement was from 15 August 2018 to 14 March 2019, with a possible extension to 14 June 2019, subject to the availability of funds and workspaces.

254. It was verified that UN-Habitat had paid FAO $5,557.23 for the provision of the four workspaces for the period from 15 August 2018 to 14 March 2019.

255. At the time of the Board's visit (January 2020), it was verified that the four workspaces were still being used by the personnel of UN-Habitat. However, there was not a formal extension of the contribution agreement nor were additional payments made or a formal authorization given allowing for the occupation of the facilities.

256. The country office explained that it had discussed the extension and amendment of the agreement. However, this has not been prepared by FAO, despite the country office's requests and follow-up action.

257. The Board considers that the four spaces assigned originally to FAO are still being used by personnel of UN-Habitat without formal authorization.

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 FAO.**

259. UN-Habitat accepted the audit recommendation and will formalize the use of the office space with FAO.

(b) Lease agreement for the Iligan office, the Philippines

260. A lease agreement to use an office space by the personnel of UN-Habitat was agreed to between the owner of the property located in Iligan, the Philippines, hereinafter referred to as the lessor, and UNDP. This agreement established a lease term from 5 July 2018 to 4 July 2019.

261. The lease duration of the agreement was extended until 31 March 2020 through an amendment signed on 16 July 2019 by the lessor.

262. It was later verified that neither the lease agreement nor its amendment had the date of signature by UNDP.

263. In addition, it was noted that the amendment to the lease agreement had been signed by the lessor on 16 July 2019, even though the lease agreement had already expired on 4 July. This situation reveals that, for a period of 11 calendar days, the property was used as an office without formal authorization.

264. It is important to mention that 21 personnel from the Philippines country office worked in Iligan, all of them in said property.

265. The Regional Office for Asia and the Pacific explained that it had undertaken proper planning, submitting a request for an extension and informing UNDP of the financial proposal on 1 July 2019. UNDP sent the amended lease agreement on 9 July, which was signed and returned on 16 July.

266. In the light of the above, the Board estimates that the occupancy of a property during a period not covered under a lease agreement generates uncertainty for the personnel of UN-Habitat and exposes the entity to legal uncertainty and insufficient protection in the event of legal issues with the lessor, which should be avoided.

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 enforces these agreements properly and in a timely manner, avoiding any inconsistencies with regard to the use of the facilities.**

268. UN-Habitat accepted the audit recommendation, adding that the new lease from 31 March 2020 to 31 December 2020 was signed on 31 March 2020.

11. Travel

Travel of staff of the Regional Office for Asia and the Pacific

269. In section 3.3 of administrative instruction ST/AI/2013/3, on official travel, it is established that, in accordance with staff rule 7.8, all travel arrangements for individuals travelling on behalf of the United Nations, including the advance booking and purchase of tickets, should be finalized 16 calendar days in advance of commencement of official travel.

270. In the same section, it is also stated that programme managers will be required to provide justification on all official travel arrangements that could not be finalized 16 calendar days in advance of the commencement of travel. Any changes to an approved travel authorization shall require justification and certification by the appropriate programme manager and the relevant executive or administrative office.

271. In paragraph 14 of information circular ST/IC/2019/16, on official travel, it is stated that, pursuant to staff rule 7.8 and section 3.3 of ST/AI/2013/3, the individuals travelling on behalf of the United Nations by commercial air paid for by the United Nations should obtain the approval of the travel processing office for the Umoja travel request 16 calendar days in advance of the commencement of official travel.

272. In section 13.1 of ST/AI/2013/3, it is established that staff members shall, within two calendar weeks after completion of travel other than under the lump-sum option, submit a completed travel reimbursement claim to their executive or administrative office.

273. In section 13.5 of ST/AI/2013/3, it is stated that staff members having selected the lump-sum option shall, within two calendar weeks after completion of travel, complete part C of form PT.165 and provide the certification and supporting evidence required.

274. In paragraph 46 of ST/IC/2019/16, it is indicated that staff members and travel administrators must submit the expense report for their or their travellers' trips within two weeks of the authorized return travel date. The submission of an expense report is applicable for both ticket (including self-ticketing) and lump-sum options.

275. The Board analysed a sample of 25 instances of official travel relating to the Regional Office for Asia and the Pacific undertaken as at 31 October 2019.

276. It was detected that, for seven of those trips, approval had not been given 16 calendar days in advance of the commencement of the official travel. They were neither properly justified nor certified.

277. In addition, it was observed that, for seven other trips, the travel expenses report had been submitted later than two calendar weeks after completion of the travel.

278. The Regional Office for Asia and the Pacific explained that there were official missions in which activities were managed by partners, such as Governments, invitations for which had been received fewer than 16 days before the events to commence. It also explained that there were cases in which, after one mission had been completed, it was followed by another mission. Consequently, after the completion of the second mission, the traveller prepared and submitted the expenses report of the first mission.

279. The Board understands that, when invitations are not received with enough advance preparation, it is not possible to obtain the approval of the Umoja travel request before the commencement of travel. In such situations, programme managers must provide justification, which should be available in Umoja. In addition, the Board estimates that the fact that a traveller undertakes a subsequent mission is not an obstacle to the preparation and submission of the corresponding travel expenses report in the two weeks after the completion of the travel.

280. The Board considers the fact that official travel approved fewer than 16 calendar days in advance of the commencement of said travel, without justification and a travel expense report being submitted within two weeks after the completion of the travel, reflects a weakness in the travel planning process, in addition to non-compliance with ST/IC/2019/16 and ST/AI/2013/3.

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 of said travel, including recording exceptions to those requirements.**

282. UN-Habitat accepted the recommendation and noted that justification for travel commencing fewer than the 16 days in advance were systematically and automatically documented in Umoja. In addition, it mentioned that, for operational reasons, the 16-day rule could not always be met because, in some instances, staff members had been invited by partners on short notice or staff members had to attend emergency activities. In such cases, the justifications are documented in Umoja.

283. UN-Habitat also indicated that, in order to manage the exceptions, the Regional Office for Asia and the Pacific had established the advance pre-clearance of travel requests in hard copy format, the pre-approval by UN-Habitat headquarters and the provision of documentation in the travel module in Umoja. UN-Habitat will continue to promote compliance with the 16-day rule.

284. While the Board recognizes the efforts of UN-Habitat and takes note of the explanations provided, with respect to the cases analysed, proper justification in Umoja was not found.

12. Information and communications technology

Information and Communications Technology Committee

285. In section 4.4 of Secretary-General's bulletin ST/SGB/2003/17, it is established that all departments and offices away from Headquarters shall establish internal or local ICT groups or committees following the pattern of the Board. They shall establish departmental strategies aligned with the overall objectives of the Secretariat; maintain and update information on departmental systems, resources and assets; review existing systems to confirm their cost-effectiveness; and ensure that standard methodologies are consistently used for information and communications technology projects.

286. In addition, in paragraph 1 of the UN-Habitat ICT Committee's terms of reference, it is indicated that the primary purpose of the Committee is to act as an advisory body to the Senior Management Committee, to ensure that UN-Habitat has the appropriate ICT infrastructure and systems to support the achievement of its strategic and operational goals and ensure the effective, efficient and coordinated delivery of ICT services.

287. In paragraph 3 of the same terms of reference, the ICT Committee's members are listed. The chair of the Committee is the Director of the Management and Operations Division, the secretary is the Head of the ICT Unit of the Division and the remaining members are nominees who will represent regions, branches and divisions of UN-Habitat.

288. The Senior Management Committee comprises the Executive Director or the Deputy and the Heads of Divisions, branches and regional offices, all of them from UN-Habitat.

289. In paragraph 4 of the terms of reference, it is established that the ICT Committee will meet every six months, preferably in January and July, and that minutes of the meetings will be circulated to the Senior Management Committee.

290. The minutes of the ICT committee meetings from January 2018 to August 2019 were requested, but the Board was informed that the ICT Committee had not met during that period.

291. The Board considers the fact that the ICT Committee does not hold regular meetings to constitute an obstruction to its main purpose, which is to act as an advisory body to the Senior Management Committee by providing strategy and guidelines related to ICT governance and ensuring alignment with the overall objectives of the Secretariat.

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 ST/SGB/2003/17 and the Committee's terms of reference.**

293. UN-Habitat accepted the recommendation and would consider it in the context of the new organizational structure, which came into effect on 1 January 2020.

C. Disclosures by management

294. 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

295. UN-Habitat reported to the Board that, in accordance with financial rule 106.7, losses of accounts receivable amounting to $0.02 million and losses of advances of $0.5 million were written off in 2019.

2. Ex gratia payments

296. Management confirmed that UN-Habitat did not make any ex gratia payments in 2019.

3. Cases of fraud and presumptive fraud

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

298. 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.

299. In 2019, UN-Habitat notified the Board of no cases of fraud or presumptive fraud during 2019.

D. Acknowledgement

300. 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*) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

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

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India

21 July 2020

Annex

Status of implementation of recommendations up to the year ended 31 December 2018

					Status after verification			
No.	*Audit report year and reference*	*Recommendation of the Board*	*UN-Habitat response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1.	2015 A/71/5/Add.9, chap. II, para. 25	The Board recommends that UN-Habitat: (a) Follow up with the housing foundation to recover the outstanding loan amount; and (b) Enhance the screening and monitoring mechanisms for the loan portfolio.	In his report of 19 September 2019 (A/74/323/Add.1), the Secretary-General indicated that the housing foundation had been officially liquidated and that UN-Habitat was to receive a final payment of approximately $249,000. UN-Habitat will share with the Board the evidence supporting the liquidation of the housing foundation to facilitate the closure of this recommendation. In addition, in October 2019, UN-Habitat provided information in this regard.	In the Board's report of 2018 (A/74/5/Add.9), part (b) of the recommendation was considered resolved. Therefore, the current assessment is regarding part (a). The amount given to the Palestinian Affordable Housing Association (SAKAN) was $1,000,000 on the occasion of the implementation of experimental reimbursable planting operations, in April 2007, and repayment of the loan for 2013 was expected. To implement this programme, SAKAN made a contract with the AMAL, a private entity, for the purpose of providing secondary mortgage financing to low- and middle-income people for affordable housing loans made by partner banks. Of the total loan granted by UN-Habitat to SAKAN, it was provided only to AMAL, in the amount of $750,000, with SAKAN keeping $250,000. In 2015, AMAL went bankrupt, therefore making it unable to meet the stated objectives. In 2017, a liquidation of this company was made, in which the amount of $248,705.5 was returned to SAKAN. Subsequently, UN-Habitat was able to recover the sum of $498,705.5 from SAKAN (corresponding to the $250,000 retained by SAKAN, plus the amount recovered after the				X

No.	Audit report year and reference	Recommendation of the Board	UN-Habitat response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				liquidation of AMAL). The difference with respect to the $1,000,000 granted to SAKAN was determined to be unrecoverable, and therefore the provision was made for that amount. UN-Habitat said that it had begun the write-off process of the unrecoverable amount. Given that UN-Habitat received a recovery of approximately 50 per cent and the remaining amount was considered for the write-off process, this recommendation is considered to be **overtaken by events**.				
2.	2015 A/71/5/Add.9, 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.	In A/74/323/Add.1, the Secretary-General stated that a new project risk management guide had been put in place that provided guidelines on how to manage risks, including risks related to the recruitment process and the performance of implementing partners. UN-Habitat considers this recommendation to have been implemented and requests its closure by the Board. UN-Habitat added that, following the completion of the organizational restructuring, the risk committee would resume its operations and review the proposed project risk management guide for 2020.	In the Board's report of 2015 (A/71/5/Add.9), it was mentioned that the Board had noted weaknesses in budget utilization in four country offices, namely, those in the Democratic Republic of the Congo, Ghana, Haiti and Rwanda. UN-Habitat stated that the reasons were because of a volatile security situation in the working environment, the inadequate staffing of country offices and the late disbursement of funds. That said, during the current audit process, it was verified that the projects with an approval date in 2019 related to the above-mentioned country offices, save the one in Haiti because it did not commence projects in 2019. In that regard, all the projects outlined in the project documents uploaded in the system the relevant constraints and risk analysis.		X		

No.	Audit report year and reference	Recommendation of the Board	UN-Habitat response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				UN-Habitat was requested to provide the plans of the recruitment process and the staff members and vacancies associated with the four country offices; however, that information was not provided. While the UN-Habitat project risk management procedure manual, of November 2017, contains guidelines on project risk management and assessment, including risk definitions regarding the absence of staff and consultants, it is necessary to verify the recruitment process in the four country offices. Therefore, this recommendation remains **under implementation**.				
3.	2016 A/72/5/Add.9, 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.	In A/74/323/Add.1, the Secretary-General indicated that UN-Habitat was making the follow-up efforts necessary to ensure that its staff members in country offices completed the specified training. Once the ongoing organizational realignment is completed, UN-Habitat will prepare and update a new risk register with related risk mitigation controls. It is requested that this recommendation be considered under implementation. UN-Habitat added that, following the completion of the organizational restructuring, the risk committee will resume its operations and review the proposed project risk management guide for 2020.	In the Board's report of 2018 (A/74/5/Add.9), it was indicated that UN-Habitat had been developing measures to implement a project risk management model and that it had made relevant advances in staff training on the prevention of fraud. The Board therefore concluded that the recommendation was under implementation. Given that, during the current process, information was not received and taking into account the report of the Secretary-General, the recommendation remains **under implementation**.		X		

No.	Audit report year and reference	Recommendation of the Board	UN-Habitat response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
4.	2016 A/72/5/Add.9, 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.	In A/74/323/Add.1, the Secretary-General mentioned that UN-Habitat would reconsider the need to minimize its consultancy costs in the light of its new strategic plan for the period 2020–2023 and its work programme for 2020. In addition, on July 2020, UN-Habitat reported that the recommendation had been made in the context of the 2014–2019 strategic plan. A new strategic plan, for 2020–2023, has been adopted and is being implemented. Lastly, UN-Habitat indicated that the use of consultants was considered as part of its business model in order to minimize operational costs and gain access to expertise. Consequently, the recommendation should be considered as overtaken by events.	In the Board's report of 2018 (A/74/5/Add.9), it was mentioned that the accounts provided had been reviewed by UN-Habitat; however, that was considered insufficient evidence to confirm that there were active strategies formulated to minimize consultancy costs or include the minimization of consultancy costs in the results framework for periodic tracking and reporting. In this regard, considering the information provided by UN-Habitat on July 2020, the strategic plan for 2020–2023, with its objectives and consultancy costs, will be reviewed in the next audit. This recommendation therefore remains **under implementation**.		X		
5.	2016 A/72/5/Add.9, chap. II, para. 73	The Board recommends that UN-Habitat comply with all agreed terms and conditions in contract agreements to avoid misunderstandings with donors.	In A/74/323/Add.1, the Secretary-General mentioned that the financial report on the project for socioeconomic and urban renewal in Ondo, Nigeria, had been received. He indicated that UN-Habitat had not received the balance of funds because of the change in Government in Nigeria, and not because of non-compliance with donors' conditions. UN-Habitat will discuss the additional information required for the closure of this recommendation	In paragraph 71 (a) of the Board's report of 2016 (A/72/5/Add.9), the failure to comply with the terms and conditions of the contract agreements of two projects was observed. The first project was a funding agreement with the United Nations Environment Programme. Given that UN-Habitat had failed to fulfil the conditions of the funding agreement, the amount of $64,473 at that time was not released. However, because that amount had been received in 2018 by	X			

					Status after verification			
No.	*Audit report year and reference*	*Recommendation of the Board*	*UN-Habitat response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
			with the Board during the next audit. In addition, in October 2019, UN-Habitat provided information in this regard.	UN-Habitat, the observation was later resolved. The second project was on socioeconomic and urban renewal in Ondo, Nigeria. After the failure of UN-Habitat to account for an instalment, a subsequent instalment totalling $420,000 was not released. In A/74/323/Add.1, the Secretary-General clarified that UN-Habitat had not received the funds because of the change in Government in Nigeria and not because of non-compliance with donors' conditions. In this regard, UN-Habitat provided emails between the personnel, which mention that the donor did not continue to fund the project owing to its financial distress, which resulted in the closure of the project. It is understood that the project was no longer implemented owing to those reasons, and in February 2020 the closure of the grant that funded the project was ratified. The Board therefore considers this recommendation to have been **implemented**.				
6.	2016 A/72/5/Add.9, 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.	In A/74/323/Add.1, the Secretary-General indicated that UN-Habitat had taken measures to monitor the implementation of the projects funded under conditional agreements and would apply the corresponding adjustments to the grants without financial movements. It is requested that this recommendation be considered under implementation.	The Board noted that UN-Habitat had taken measures to monitor the implementation of the projects funded under conditional agreements. Of the six grants observed and identified with amounts shown in A/72/5/Add.9, from the analysis conducted in Umoja in December 2019, two grants with a balance were found.		X		

No.	Audit report year and reference	Recommendation of the Board	UN-Habitat response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				This recommendation therefore remains **under implementation**.				
7.	2017 A/73/5/Add.9, 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 A/74/323/Add.1, the Secretary-General explained that UN-Habitat was developing capacity-building programmes for all staff members concerned. The policy on donor visibility was finalized and circulated. It is therefore requested that this recommendation be considered under implementation. In addition, in July 2020, UN-Habitat added that, in December 2019, it had conducted training on resource mobilization to all regional staff and UN-Habitat headquarters staff. UN-Habitat provided documentation emails in that regard.	In the Board's report of 2018 (A/74/5/Add.9), it was indicated that UN-Habitat had developed a policy related to donor visibility, which was applicable to all projects receiving earmarked funding from donors. It was also observed that the agency had been making progress on staff training in that area. It was concluded that the recommendation was under implementation. From the information provided by UN-Habitat on July 2020, it was not possible to verify the staff at the country and regional levels who had participated in the training. Given that, during the current process, sufficient information in that regard was not received and taking into account the report of the Secretary-General, this recommendation remains **under implementation**.		X		
8.	2017 A/73/5/Add.9, 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.	In A/74/323/Add.1, the Secretary-General indicated that UN-Habitat had revised and strengthened its project approval workflow. The new workflow makes it clear that a concept note must be prepared and that approval by the Project Advisory Group must be obtained before an agreement is signed. UN-Habitat is automating the project approval process to allow for better oversight of the process.	In the Board's report of 2017 (A/73/5/Add.9), it was observed that four projects related to the country offices of Brazil and Colombia were approved by the Project Advisory Group after funding agreements had been signed. In accordance with the information contained in the Project Accrual and Accountability System, the projects with an approval date in 2019 and managed by the Regional		X		

No.	*Audit report year and reference*	*Recommendation of the Board*	*UN-Habitat response*	*Board's assessment*	*Status after verification*			
					Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
			It is therefore asked that this recommendation have its status changed to being under implementation.	Office for Latin America and the Caribbean were analysed. Two projects were related to Brazil and one to Mexico. While one of the projects related to Brazil had received Project Advisory Group approval prior to the signing of the funding agreement, the others showed Project Advisory Group approval after eight and nine calendar days. It was requested that UN-Habitat explain the measures that it and the Regional Office for Latin America and the Caribbean had taken to ensure that project documents were reviewed and approved by the Project Advisory Group prior to the signing of funding agreements; however, that information was not provided. In conclusion, the recommendation is considered to be **under implementation**.				
9.	2017 A/73/5/Add.9, 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.	In A/74/323/Add.1, the Secretary-General stated that a training session for asset focal points had been conducted in Cairo in November 2018 and that the training materials, which included the form regarding the handover of assets, had been circulated to asset focal points. Further training was carried out in May 2019 through Skype. In addition, there have been regular reminders to all asset focal points of the need to ensure the proper handover of documents. The Secretary-General mentions that UN-Habitat considers this	In paragraph 20 of the Board's report of 2017 (A/73/5/Add.9) it was observed that, at the country office in Libya, the Board found that 26 assets worth $126,878.10 had been moved from the office rented by UN-Habitat to the Urban Planning Agency office as a result of the unstable security situation in the country. In addition, it was mentioned that an employee of UN-Habitat (retired) had given the Chair of the Urban Planning Agency custody of the keys to the UN-Habitat office and to three motor vehicles,		X		

No.	Audit report year and reference	Recommendation of the Board	UN-Habitat response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			recommendation to have been implemented and requests its closure by the Board.	pending an improvement in the security situation. It was requested that UN-Habitat clarify whether the country office in Libya was operational and the current situation of the assets was being observed. In addition, it was requested that UN-Habitat provide the list of focal points who had participated in the training and the topics considered during the training. Because, information in this regard that would allow for the verification of the implementation of the recommendation was not received, this recommendation remains **under implementation**.				
10.	2017 A/73/5/Add.9, 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.	In A/74/323/Add.1, the Secretary-General mentioned that the Umoja implementing partners' management solution had been launched in December 2018, which included the grantor management module. The new module will provide automatic notifications of payment due dates to the relevant UN-Habitat officials and allow for the tracking of timely payments to implementing partners. UN-Habitat will establish key performance indicators and a related monitoring mechanism to ensure that payments to all implementing partners are completed within the agreed time frame. It is therefore requested that this recommendation be considered under implementation.	In the Board's report of 2018 (A/74/5/Add.9), it was considered that the Umoja solution was a relevant advance towards ensuring the timely monitoring of implementing partners' compliance; however, the Board understood that it was an ongoing process and concluded that the recommendation was under implementation. Given that, during the current process, information in this regard was not received and taking into account the report of the Secretary-General, this recommendation remains **under implementation**.		X		

No.	Audit report year and reference	Recommendation of the Board	UN-Habitat response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
11.	2017 A/73/5/Add.9, chap. II, para. 35	The Board recommends that: (a) UN-Habitat field offices comply with the delegation of authority as required by the memorandum of the Executive Director; and (b) the country office in China obtain appropriate office accommodations for its staff.	In A/74/323/Add.1, the Secretary-General indicated that UN-Habitat had strengthened its delegation of authority and accountability framework and communicated with all staff members to raise their awareness regarding the need for compliance and the consequences of non-compliance. UN-Habitat has also secured an office space in China. In addition, in October 2019, UN-Habitat provided information in this regard and asked for the closure of this recommendation.	With regard to part (a) of the recommendation, concerning the offices of Libya, it was verified that the director of the Regional Office for the Arab States had certified in an email that, owing to the continuous civil unrest in Libya, operations there had not resumed. The Director also indicated that, as soon as the Regional Office re-established operations in Libya, it would notify UN-Habitat headquarters. He added that matters related to Libya were managed from the UN-Habitat office in Tunisia, under the delegation of authority of the director of the Regional Office for Africa. With regard to part (b) of the recommendation, concerning the offices in China, UN-Habitat provided a document with the lease contract from 1 June 2019 to 31 May 2021. Given the above, it is possible to conclude that this recommendation has been **implemented**.	X			
12.	2017 A/73/5/Add.9, 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.	In A/74/323/Add.1, the Secretary-General indicated that UN-Habitat would be implementing the off-site cloud system "OneDrive", which is approved by the Secretariat. UN-Habitat is also in the process of finalizing a risk mitigation plan for business continuity planning, which will address this recommendation. It is requested that this recommendation be considered under implementation.	In the Board's report of 2018 (A/74/5/Add.9), it was indicated that, although the regional offices in Brazil and Colombia had considered storing their information locations outside their duty stations, the locations in question were not United Nations facilities. In addition, it was indicated that adding the ability to store official work on Unite Docs and OneDrive were not available. The Board further indicated that there was no evidence of progress in drafting disaster recovery and		X		

					Status after verification			
No.	*Audit report year and reference*	*Recommendation of the Board*	*UN-Habitat response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
				business continuity plans for the offices. This recommendation was therefore considered to be under implementation. Given that information in this regard was not received and taking into account the report of the Secretary-General, this recommendation remains **under implementation**.				
13.	2017 A/73/5/Add.9, 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.	In A/74/323/Add.1, the Secretary-General stated that, once the current organizational realignment was completed, UN-Habitat would consider the need for a management structure and for administrative policies and procedures for the new hub arrangement. He requested that the recommendation be considered under implementation. In addition, UN-Habitat mentioned that the recommendation would be considered once the ongoing regional organizational realignment was finalized.	In the Board's report of 2018 (A/74/5/Add.9), it was indicated that, although UN-Habitat had provided information related to the organization of the Regional Office for Latin America and the Caribbean and its four hubs, there had been no formalization of the management structures and administrative policies and procedures. The recommendation was considered to be under implementation. Given that information in this regard was not received and taking into account the report of the Secretary-General, this recommendation remains **under implementation**.		X		
14.	2017 A/73/5/Add.9, 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.	In A/74/323/Add.1, the Secretary-General mentioned that, once the ongoing organizational realignment was completed, UN-Habitat would develop an action plan ensuring that the core activities were performed by staff members. The Secretary-General asked that the recommendation be considered under implementation.	In the Board's report of 2018 (A/74/5/Add.9), it was mentioned that there was no evidence that core activities had been performed by staff members in accordance with an action plan developed by the regional office; however, UN-Habitat was in the process of restructuring, and the regional office was endeavouring to organize its structure. This		X		

No.	Audit report year and reference	Recommendation of the Board	UN-Habitat response	Board's assessment	Implemented	Under implementation	Not implemented	Overtaken by events
					Status after verification			
				recommendation was considered to be under implementation. Given that information in this regard was not received and taking into account the report of the Secretary-General, this recommendation remains **under implementation**.				
15.	2017 A/73/5/Add.9, 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.	In A/74/323/Add.1, the Secretary-General mentioned that UN-Habitat had communicated to its staff the need to comply with the administrative instruction on consultants and individual contractors and would develop a mechanism to monitor compliance. It is requested that this recommendation be considered under implementation.	In the Board's report of 2018 (A/74/5/Add.9), it was mentioned that the register of consultants provided by the entity was an appropriate measure for making progress on the issue. However, the effective use of the list was considered to be an ongoing process, and the Board concluded that the recommendation was under implementation. Given that information in this regard was not received and taking into account the report of the Secretary-General, this recommendation remains **under implementation**.		X		
16.	2017 A/73/5/Add.9, 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.	In A/74/323/Add.1, the Secretary-General mentioned that UN-Habitat would develop compliance mechanisms to ensure that field offices adhered to the results-based management policy on reporting by incorporating analyses of the logical frameworks into their progress reports and prepare annual workplans for their activities in line with the approved programme of work. It is requested that this recommendation be considered under implementation.	In the Board's report of 2018 (A/74/5/Add.9) it was mentioned that there had been no response regarding part (a) of the recommendation. It was also mentioned in the same report, with respect to part (b) of the recommendation, that paragraph 2.2.1 of the UN-Habitat handbook on results-based management indicated that each biennial work programme and budget contained two annual workplans, one for each year. The biennial work programme of the Regional Office for Latin America		X		

No.	Audit report year and reference	Recommendation of the Board	UN-Habitat response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				and the Caribbean was provided; however, its workplans for 2018 and 2019 were not. It was concluded that there was no evidence of the annual workplans in line with the approved programme of work and budget of the biennium. The recommendation was considered to be under implementation. Given that information in this regard was not received and taking into account the report of the Secretary-General, this recommendation remains **under implementation**.				
17.	2018 A/74/5/Add.9, chap. II, para. 21	The Board recommends that UN-Habitat conduct a complete analysis of the registers associated with the grants, specifically for the cases observed by the Board. As part of the analysis, UN-Habitat should identify the current status of the amounts delivered to implementing partners and received from conditional agreements, conduct a compliance review of the signed agreements and, if applicable, request reimbursement of the resources provided under them and correct the accounting transactions records.	In A/74/323/Add.1, the Secretary-General indicated that UN-Habitat had begun a review of the old balances relating to implementing partners and conditional liabilities and planned to complete the review by December 2019. It is requested that this recommendation be considered under implementation.	The grants related to implementing partners that received resources from conditional agreements were reviewed. It was verified that, as of December 2019, UN-Habitat had regularized 38 of 70 grants that were without financial movements in 2015 and 2016. Therefore, it is possible to conclude that UN-Habitat has been taking actions in this regard and that this recommendation is **under implementation**.		X		

No.	Audit report year and reference	Recommendation of the Board	UN-Habitat response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
18.	2018 A/74/5/Add.9, chap. II, para. 22	The Board recommends that UN-Habitat evaluate the application of impairment provisions to advances accounts.	In A/74/323/Add.1, the Secretary-General indicated that UN-Habitat, in coordination with the United Nations Office at Nairobi, was reviewing its advances accounts and would consider the need for impairment provisions against them. It is requested that this recommendation be considered under implementation.	At the beginning of March 2020, it was noted that were no new accounts in the balance sheet up to December 2019 to register impairment provisions. Taking into account the report of the Secretary-General, from which it is possible to understand that the implementation of the recommendation remains in process, this recommendation is considered to be **under implementation**.		X		
19.	2018 A/74/5/Add.9, 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.	In A/74/323/Add.1, the Secretary-General indicated that UN-Habitat was establishing mechanisms to monitor advances to implementing partners under which no accounting transactions had been made for an extended period. It is requested that this recommendation be considered under implementation.	Supporting documentation was not provided on the new mechanisms to monitor advances to implementing partners under which no accounting transactions had been made for an extended period. Taking into account the report of the Secretary-General, from which it is possible to understand that the implementation of the recommendation remains in process, this recommendation is considered to be **under implementation**.		X		
20.	2018 A/74/5/Add.9, chap. II, para. 35	The Board recommends that UN-Habitat develop guidance that allows the identification, in a coherent form, of the roles of personnel, from both UN-Habitat and the United Nations Office at Nairobi, who are involved in the workflow of the creation and approval of grants for funding projects.	In A/74/323/Add.1, the Secretary-General mentioned that UN-Habitat had launched a new implementing partner management module as part of Umoja Extension 2. The creation, review and approval of a grant is performed by the project assistant, the project officer and the certifying officer, respectively, before a grant is activated in the system, thereby ensuring appropriate segregation	In the Board's report of 2018 (A/74/5/Add.9) the Lotus Notes portal, in particular the grants in the UN-Habitat business area, was reviewed, resulting in the detection of cases without a segregation of duties. It was verified that, in the accounts of voluntary contributions and of advances transfers, 496 grants had been registered for the first time during 2019, which were reviewed on the Lotus Notes portal. It was	X			

No.	Audit report year and reference	Recommendation of the Board	UN-Habitat response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			of duties. UN-Habitat considers this recommendation to have been implemented and requests its closure by the Board.	also verified that those grants had not been approved by the same user (certifying officer and account approver); hence, there was an appropriate segregation of duties. The Lotus Notes portal was the portal in which the grants had been approved before Umoja Extension 2 began. During the Board's visit, in October 2019, it was verified that UN-Habitat was working with Umoja Extension 2. In addition, the user assignment of roles in Umoja related to the grantor management module of Extension 2 was tested. In that regard, the creation, review and approval of a grant carried out by the project assistant, the project officer and the certifying officer were analysed. As a result of that analysis, conflicts in the user roles were not identified. This recommendation is therefore considered to have been **implemented**.				
21.	2018 A/74/5/Add.9, 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 67/226 applicable in all units of the entity and inform its hubs and offices of its application.	In A/74/323/Add.1, the Secretary-General indicated that UN-Habitat would review and update its corporate cost allocation and cost-recovery policy to ensure that direct and indirect costs were appropriately attributed to projects across the organization in the future. It is therefore requested that this recommendation be considered under implementation.	Supportive documentation in this regard was not provided. Taking into account the report of the Secretary-General, from which it is possible to understand that the implementation of the recommendation is in process, this recommendation is considered to be **under implementation**.		X		

No.	Audit report year and reference	Recommendation of the Board	UN-Habitat response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
22.	2018 A/74/5/Add.9, 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.	In A/74/323/Add.1, the Secretary-General stated that UN-Habitat was upgrading the project accrual and accountability system by integrating the full project cycle into the system, including functionalities that support the implementation, monitoring, closing and reporting stages of projects. It is therefore requested that this recommendation be considered under implementation.	Supportive documentation in this regard was not provided. Taking into account the report of the Secretary-General, from which it is possible to understand that the implementation of the recommendation is in process, this recommendation is considered to be **under implementation**.		X		
23.	2018 A/74/5/Add.9, 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.	In A/74/323/Add.1, the Secretary-General stated that UN-Habitat was upgrading the project accrual and accountability system by integrating the full project cycle into the system, including functionalities that support the implementation, monitoring, closing and reporting stages of projects. It is therefore requested that this recommendation be considered under implementation.	Supportive documentation in this regard was not provided. Taking into account the report of the Secretary-General, from which it is possible to understand that the implementation of the recommendation is in process, this recommendation is considered to be **under implementation**.		X		
24.	2018 A/74/5/Add.9, 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 A/74/323/Add.1, the Secretary-General mentioned that UN-Habitat was in the process of upgrading and enhancing the project accrual and accountability system. This process includes incorporating an evaluation module into the system. It is therefore requested that this recommendation be considered under implementation.	Supportive documentation in this regard was not provided. Taking into account the report of the Secretary-General, from which it is possible to understand that the implementation of the recommendation is in process, this recommendation is considered to be **under implementation**.		X		

No.	Audit report year and reference	Recommendation of the Board	UN-Habitat response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
25.	2018 A/74/5/Add.9, 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 A/74/323/Add.1, the Secretary-General indicated that UN-Habitat would establish control mechanisms to ensure that its projects complied with the requirements of its evaluation policy. It is therefore requested that this recommendation be considered under implementation.	Supportive documentation in this regard was not provided. Taking into account the report of the Secretary-General, from which it is possible to understand that the implementation of the recommendation is in process, this recommendation is considered to be **under implementation**.		X		
26.	2018 A/74/5/Add.9, 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.	In A/74/323/Add.1, the Secretary-General mentioned that UN-Habitat was in the preparation phase of implementing the portfolio and project management module of Umoja Extension 2. As part of this process, UN-Habitat will review and update the project-based management policy. It is therefore requested that this recommendation be considered under implementation.	Supportive documentation in this regard was not provided. Taking into account the report of the Secretary-General, from which it is possible to understand that the implementation of the recommendation is in process, this recommendation is considered to be **under implementation**.		X		
27.	2018 A/74/5/Add.9, 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.	In A/74/323/Add.1, the Secretary-General mentioned that UN-Habitat was conducting a review of expenditure related to consultants. It is therefore requested that this recommendation be considered under implementation.	Supportive documentation in this regard was not provided. Taking into account the report of the Secretary-General, from which it is possible to understand that the implementation of the recommendation is in process, this recommendation is considered to be **under implementation**.		X		
28.	2018 A/74/5/Add.9, 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.	In A/74/323/Add.1, the Secretary-General stated that, as part of its review of expenditure relating to consultants, UN-Habitat would reclassify travel expenses and correct the accounting transactions records.	Supportive documentation in this regard was not provided. Taking into account the report of the Secretary-General, from which it is possible to understand that the implementation of the recommendation is in process, this		X		

					Status after verification			
No.	*Audit report year and reference*	*Recommendation of the Board*	*UN-Habitat response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
			It is therefore requested that this recommendation be considered under implementation.	recommendation is considered to be **under implementation**.				
29.	2018 A/74/5/Add.9, 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.	In A/74/323/Add.1, the Secretary-General mentioned that, as part of its review of expenditure relating to consultants, UN-Habitat would establish a regular monitoring mechanism to identify and reclassify travel expenses relating to consultants. It is therefore requested that this recommendation be considered under implementation. In addition, on July 2020, UN-Habitat mentioned that the issue of travel costs for consultants wrongly being classified under the class of staff costs had been fixed through an enhancement in Umoja.	Taking into account the report of the Secretary-General, from which it is possible to understand that the implementation of the recommendation is in process, and given that the correct classification of the travel cost through Umoja will be reviewed during the next audit process, this recommendation is considered to be **under implementation**.		X		
30.	2018 A/74/5/Add.9, 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.	In A/74/323/Add.1, the Secretary-General indicated that UN-Habitat would update the project cycle procedures manual to ensure travel was adequately approved. It is therefore requested that this recommendation be considered under implementation.	Supportive documentation in this regard was not provided. Taking into account the report of the Secretary-General, from which it is possible to understand that the implementation of the recommendation is in process, this recommendation is considered to be **under implementation**.		X		
31.	2018 A/74/5/Add.9, chap. II, para. 95	The Board recommends that UN-Habitat prepare a comprehensive annual acquisition plan for the forthcoming periods, in as timely a manner and as	In A/74/323/Add.1, the Secretary-General stated that UN-Habitat had updated its 2019 procurement plan, taking into consideration the requirements specified in this	In the Board's report of 2018 (A/74/5/Add.9) the existence of an acquisition plan only for some UN-Habitat offices was noted. It was mentioned that it was crucial that the plan include, among other		X		

No.	Audit report year and reference	Recommendation of the Board	UN-Habitat response	Board's assessment	Status after verification			
					Implemented	Under implementation	Not implemented	Overtaken by events
		accurately as possible, in accordance with both the Financial Regulations and Rules of the United Nations and the United Nations Procurement Manual, taking into consideration its regional offices, country offices and hubs.	recommendation. UN-Habitat considers this recommendation to have been implemented and requests its closure by the Board.	things, a distinction between operative and strategic purchases, the funds available and the acquisition schedule. For the current audit process, in October 2019, UN-Habitat provided Excel documents related to the procurement plans of its four regional offices, except UN-Habitat headquarters. In that regard, the procurement plans provided did not consider the minimum characteristics indicated in the Board's report of 2018, such as the distinction between operative and strategic purchases, the funds available and the acquisition schedule. The headquarters procurement plan was not provided, either. Therefore, the recommendation is considered to be **under implementation**.				
32.	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.	In A/74/323/Add.1, the Secretary-General mentioned that UN-Habitat would finish implementing the recommendation once the ongoing organizational realignment was completed and the administrative units were known. It is therefore requested that this recommendation be considered under implementation.	Supportive documentation in this regard was not provided. Taking into account the report of the Secretary-General, from which it is possible to understand that the implementation of the recommendation is in process, this recommendation is considered to be **under implementation**.		X		

No.	*Audit report year and reference*	*Recommendation of the Board*	*UN-Habitat response*	*Board's assessment*	*Status after verification*			
					Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
33.	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.	In A/74/323/Add.1, the Secretary-General indicated that UN-Habitat would finish implementing the recommendation once the ongoing organizational realignment was completed and the regional offices were known. It is therefore requested that this recommendation be considered under implementation.	Supportive documentation in this regard was not provided. Taking into account the report of the Secretary-General, from which it is possible to understand that the implementation of the recommendation is in process, this recommendation is considered to be **under implementation**.		X		
34.	2018 A/74/5/Add.9, chap. II, para. 115	The Board recommends that, for the office of the Rio de Janeiro hub, UN-Habitat make the efforts necessary to conclude a lease agreement signed by both parties, in accordance with the required conditions.	In A/74/323/Add.1, the Secretary-General mentioned that UN-Habitat was in the process of finalizing a lease agreement for the office of the Rio de Janeiro hub. It is therefore requested that this recommendation be considered under implementation.	Supportive documentation in this regard was not provided. Taking into account the report of the Secretary-General, from which it is possible to understand that the implementation of the recommendation is in process, this recommendation is considered to be **under implementation**.		X		
35.	2018 A/74/5/Add.9, chap. II, para. 116	The Board recommends that UN-Habitat review the disbursements related to lease payments previously made to the Instituto Pereira Passos of the municipality of Rio de Janeiro and clarify the legal basis for the payments.	In A/74/323/Add.1, the Secretary-General indicated that UN-Habitat would ensure that all lease payments complied with the provisions of the final signed lease agreement. It is therefore requested that this recommendation be considered under implementation.	Supportive documentation in this regard was not provided. Taking into account the report of the Secretary-General, from which it is possible to understand that the implementation of the recommendation is in process, this recommendation is considered to be **under implementation**.		X		
36.	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.	In A/74/323/Add.1, the Secretary-General mentioned that UN-Habitat had begun to conduct periodic monitoring to ensure that staff members applied for leave days and that such requests were approved by managers before staff members proceeded on leave. UN-Habitat considers this recommendation to have been	In the Board's report of 2018 (A/74/5/Add.9), the Board noted cases in which the staff had used their annual leave without previously requesting it and without the prior approval of their supervisors, as well as other cases in which staff annual leave had been approved by the supervisors after the date on which the staff had begun their leave.		X		

No.	Audit report year and reference	Recommendation of the Board	UN-Habitat response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			implemented and requests its closure by the Board.	During the current audit process, it was requested that UN-Habitat explain the monitoring process of staff annual leave to ensure that it was requested and approved in a timely manner; however, that information was not provided. During the current audit process, the annual leave process through Umoja was reviewed, and at the Regional Office for Asia and the Pacific several cases were detected in which annual leaves had been taken before being approved by supervisors through Umoja. Therefore, the recommendation remains **under implementation**.				
37.	2018 A/74/5/Add.9, 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.	In A/74/323/Add.1, the Secretary-General stated that UN-Habitat, in coordination with the United Nations Office at Nairobi, would conduct periodic monitoring to ensure that absences were recorded appropriately and, if relevant, charges were applied on staff salaries. It is therefore requested that this recommendation be considered under implementation.	Supportive documentation in this regard was not provided. Taking into account the report of the Secretary-General, from which it is possible to understand that the implementation of the recommendation is in process, this recommendation is considered to be **under implementation**.		X		
38.	2018 A/74/5/Add.9, 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.	In A/74/323/Add.1, the Secretary-General stated that UN-Habitat, in coordination with the Office of Internal Oversight Services (OIOS), would devise a suitable mechanism to ensure there was better coordination between UN-Habitat and OIOS for the complete and comprehensive	Supportive documentation in this regard was not provided. Taking into account the report of the Secretary- General, from which it is possible to understand that the implementation of the recommendation is in process, this recommendation is considered to be **under implementation**.		X		

No.	Audit report year and reference	Recommendation of the Board	UN-Habitat response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			reporting of cases of fraud and presumptive fraud. It is requested that this recommendation be considered under implementation.					
	Total			**38**	**3**	**34**	**0**	**1**
	Percentage			**100**	**8**	**89**	**0**	**3**

Chapter III
Certification of the financial statements

Letter dated 31 March 2020 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 2019 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 2019 are correct.

(*Signed*) Felista **Ondari**
Chief Finance Officer
United Nations Office at Nairobi

Chapter IV
Financial overview for the year ended 31 December 2019

A. Introduction

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 2019. 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 2020.

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. Regular budget funding, insofar as it relates to UN-Habitat as a related party, is included in Volume I (A/75/5 (Vol. I)), but for completeness has also been included in these financial statements.

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

B. Financial statements prepared in accordance with the International Public Sector Accounting Standards

5. 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 2019 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 Governing Council 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.

6. This is the sixth year for which the financial statements of UN-Habitat have been prepared in accordance with IPSAS. To support continued IPSAS compliance, the organization has deployed an IPSAS sustainability plan with ongoing work on five major components, which have been 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.

C. Overview of the financial statements for the year ended 31 December 2019

7. 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 2019.

8. The non-earmarked funds of UN-Habitat comprise the Foundation non-earmarked fund (referred to as Foundation General Purpose previously), 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.

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

10. Comparison between the year ended 31 December 2018 and the current reporting date is provided.

Financial performance

General overview

11. Table IV.1 shows a snapshot of the performance of UN-Habitat in all segments in 2019. A total deficit of $6.1 million was realized in 2019 as a result of total net revenue of $172.3 million received, against which total net expenditure of $178.4 was reported.

Table IV.1
Summary financial performance for the period ended 31 December 2019 by segment
(Millions of United States dollars)

	Revenue	*Expenses*	*Surplus/(deficit)*
Foundation non-earmarked	5.2	5.5	(0.3)
Regular budget	15.3	15.3	(0.0)
Programme support	10.4	12.7	(2.3)
Subtotal, core funds	**30.9**	**33.5**	**(2.6)**
Foundation earmarked	29.2	39.0	(9.8)
Technical cooperation	121.8	115.3	6.5
Subtotal, earmarked funds	**151.0**	**154.3**	**(3.3)**
End-of-service and post-retirement benefits	2.3	2.5	0.2
Subtotal, other	**2.3**	**2.5**	**(0.2)**
Total, all funds before elimination	**184.2**	**190.3**	**(6.1)**
Intersegment elimination	(11.9)	(11.9)	–
Total, all funds after elimination	**172.3**	**178.4**	**(6.1)**

Revenue

Table IV.2
Summary of revenue in 2019 by segment compared with 2018
(Millions of United States dollars)

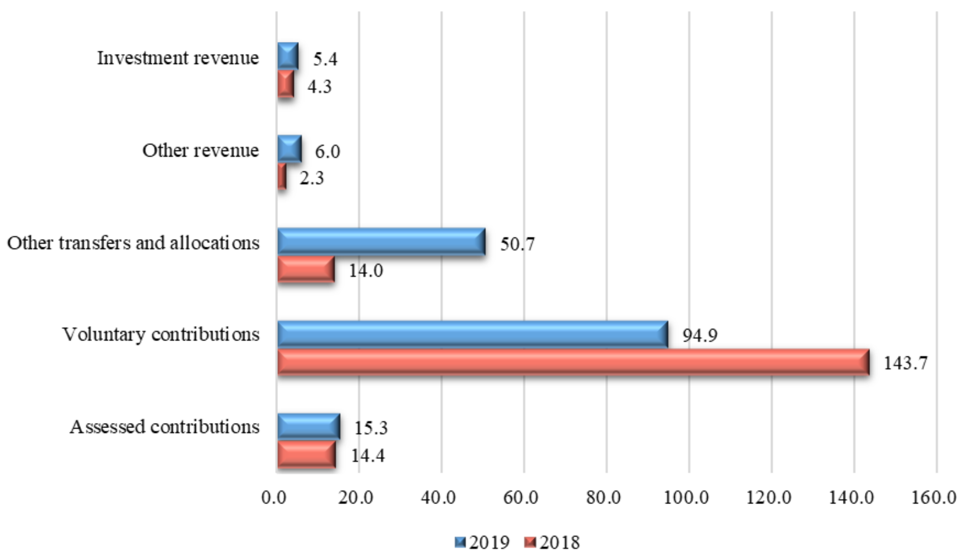
Year	*Foundation non-earmarked*	*Regular budget*	*Foundation earmarked*	*Technical cooperation*	*Programme support*	*End-of-service and post-retirement benefits*	*Intersegment elimination*	*Total revenue after elimination*
2019	5.2	15.3	29.2	121.8	10.4	2.3	(11.9)	172.3
2018	3.7	14.4	47.5	112.8	11.5	1.5	(12.7)	178.7

12. 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.

13. UN-Habitat saw a decrease in revenue in 2019 when consolidated across all funds. Total revenue for 2019 amounted to $172.3 million (2018: $178.7 million), which is a decrease of $6.4 million (3.6 per cent) compared with the revenue in 2018. The main source of revenue continues to be voluntary contributions from Member States, other government entities and other entities, which amounted to $94.9 million (2018: $143.7 million) and accounted for 55.1 per cent (2018: 80.4 per cent) of total

revenue. The remaining 44.9 per cent (2018: 19.6 per cent) of the revenue was generated by the assessed contributions in the amount of $15.3 million (2018: $14.4 million), other transfers and allocations in the amount of $50.7 million (2018: $14.0 million), investment revenue in the amount of $6.0 million (2018: $4.3 million) and other revenue in the amount of $5.3 million (2018: $2.3 million). Other transfers and allocations represent fund transfers within United Nations agencies for the joint implementation of programmes.

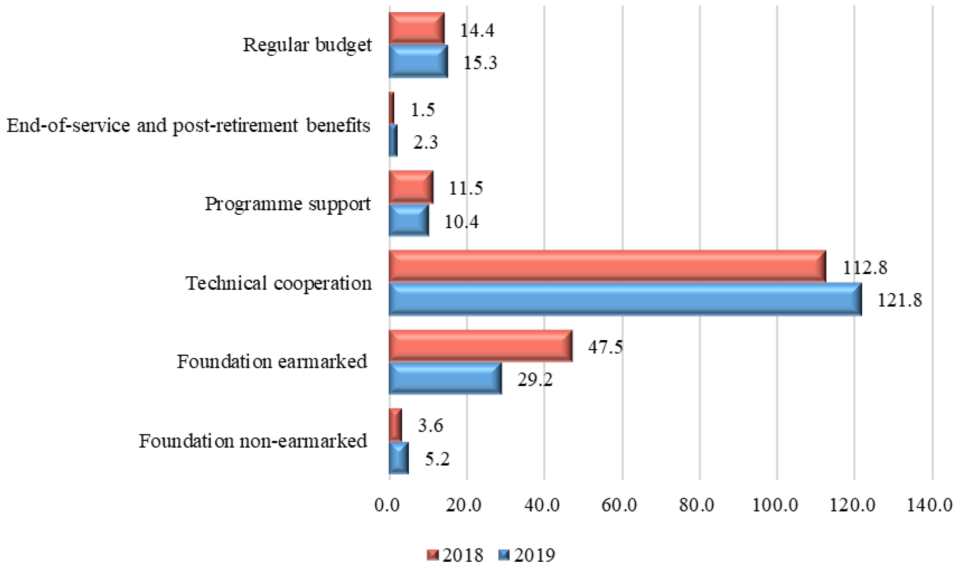
Figure IV.I
Comparative revenue distribution by revenue category



14. Revenue for Foundation non-earmarked amounted to $5.2 million (2018: $3.7 million), which was an increase of $1.5 million (40.5 per cent) in 2019 compared with 2018. This figure comprises voluntary contributions in the amount of $5.1 million (2018: $3.6 million) and other revenue in the amount of $0.1 million (2018: $0.1 million). Regular budget revenue amounted to $15.3 million (2018: $14.4 million). This was an increase of $0.9 million (6.3 per cent) compared with 2018 owing to the changes resulting from recosting of staff costs and non-post resources. Total revenue from Foundation earmarked amounted to $29.2 million (2018: $47.5 million), which was a decrease of $18.3 million (38.5 per cent) compared with 2018. Revenue from technical cooperation earmarked funds amounted to $121.8 million (2018: $112.8 million), which was an increase of $9.0 million (8.0 per cent) compared with 2018. Other revenue sources contributed a total of $5.4 million (2018: $2.3 million).

15. 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

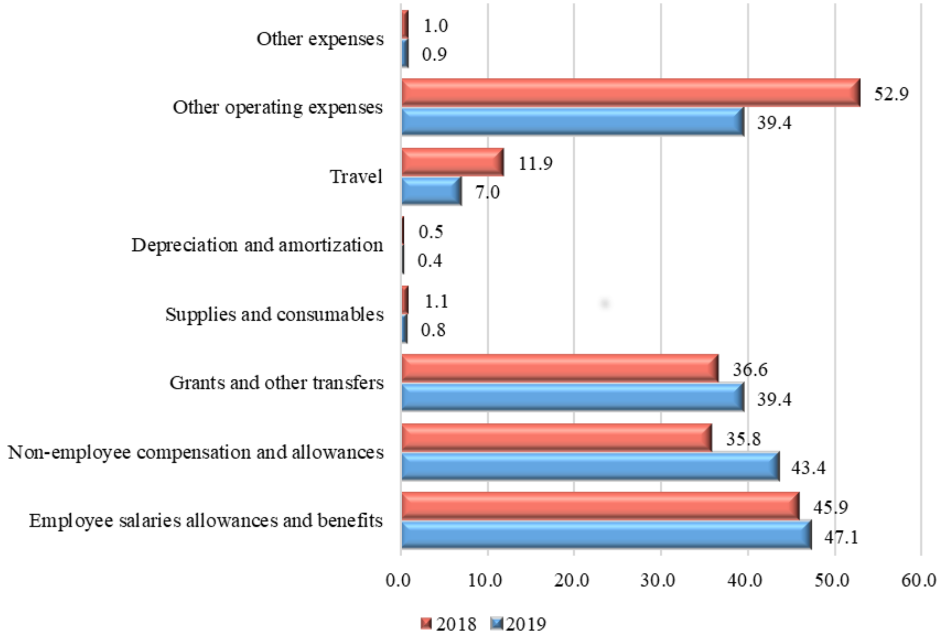
Table IV.3
Summary of expenditure by segment
(Millions of United States dollars)

Year	*Foundation non-earmarked*	*Regular budget*	*Foundation earmarked*	*Technical cooperation*	*Programme support*	*End-of-service and post-retirement benefits*	*Intersegment elimination*	*Total revenue after elimination*
2019	5.5	15.3	39.0	115.3	12.7	2.5	(11.9)	178.4
2018	4.5	14.4	42.4	121.9	12.5	2.7	(12.7)	185.7

16. Total expenses decreased by $7.3 million to a total of $178.4 million (2018: $185.7 million) in 2019. The major categories of expenses included employee benefit expenses of $47.1 million (2018: $45.9 million), non-employee compensation costs of $43.4 million (2018: $35.8 million), grants and transfers amounting to $39.4 million (2018: $36.6 million) and other operating expenses of $39.4 million (2018: $52.9 million). These expenses are related in large part to project delivery.

17. Remaining expenses totalling $9.1 million (2018: $14.6 million) related to supplies and consumables in the amount of $0.8 million (2018: $1.1 million), depreciation and amortization in the amount of $0.4 million (2018: $0.5 million), travel expenses in the amount of $7.0 million (2018: $11.9 million) and other expenses in the amount of 0.9 million (2018: $1.0 million).

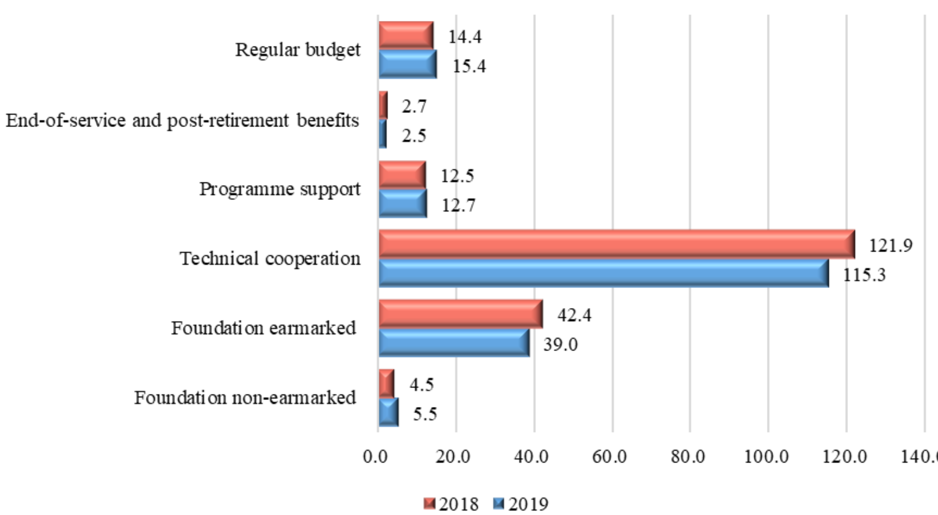
Figure IV.III
Expenditure distribution by category



18. Further analysis of the non-earmarked expenditures shows that a total of $5.5 million (2018: $4.5 million) related to Foundation non-earmarked, while $15.3 million (2018: $14.4 million) related to the regular budget and $12.7 million (2018: $12.6 million) related to programme support. For the earmarked funds, $39.0 million (2018: $42.5 million) related to Foundation earmarked, while technical cooperation expenditure amounted to $115.3 million (2018: $121.9 million). Other expenses relating to end-of-service and post-retirement benefits amounted to $2.5 million (2018: $2.7 million).

19. 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*	*Total*
Total assets	4.1	121.6	324.0	13.8	11.9	475.4
Percentage of total assets	0.86	25.58	68.16	2.90	2.50	100
Total liabilities	3.1	29.8	85.3	1.2	37.0	156.4
Percentage of total liabilities	1.98	19.05	54.54	0.77	23.66	100
Total net assets	1.0	91.8	238.7	12.6	(25.1)	319.0
Percentage of total net assets	0.31	28.78	74.83	3.95	(7.87)	100

Assets

20. At the end of 2019, UN-Habitat total assets after intersegment elimination of $4.2 million amounted to $471.2 million (2018: $460.5 million). Current assets represented $363.6 million (2018: $398.8 million), while non-current assets amounted to $107.6 million (2018: $61.7 million).

21. Voluntary contributions receivable amounted to $181.8 million (2018: $184.4 million), while cash and investments amounted to $237.3 million (2018: $220.5 million). The majority of the cash and investment assets were related to funds received for earmarked and multi-year projects.

22. Property of the organization at year-end had a net book value of $18.1 million (2018: $18.3 million).

23. Cash advances to implementing partners that had not been expensed at year-end totalled $19.4 million (2018: $25.2 million).

Liabilities and net assets

24. Total current and non-current liabilities after intersegment elimination stood at $152.2 million (2018: $145.3 million) at year-end, resulting in net assets of $319.0 million (2018: $315.3 million).

25. Table IV.5 summarizes other key indicators for UN-Habitat for the year ended 31 December 2019 compared with the year ended 31 December 2018.

Table IV.5
Other key indicators
(Millions of United States dollars)

	2019	*2018*	*Increase/(decrease)*	*Percentage change*
Cash and cash equivalents	63.6	21.6	42.0	194.4
Short-term investments	132.5	184.6	(52.1)	(28.2)
Long-term investments	41.3	14.3	27.0	188.8
Total cash and investments	**237.4**	**220.5**	**16.9**	**7.66**

	2019	2018	Increase/(decrease)	Percentage change
Voluntary contributions receivable	181.8	184.4	(2.6)	(1.4)
Other receivables	0.2	0.3	(0.1)	(33.3)
Total receivables	**182.0**	**184.7**	**(2.7)**	**(1.5)**
Advance transfers	19.4	25.2	(5.8)	(23.0)
Other assets	14.3	11.9	2.4	(16.8)
Accounts payable and accrued liabilities	16.9	13.2	3.7	28.0
Employee benefits liabilities[a]	37.8	45.2	(7.4)	(16.4)
Other liabilities	96.8	86.8	10.0	11.52

[a] Represents gross amount of employee benefits liabilities (current and non-current).

D. End-of-service and post-retirement accrued liabilities

26. 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.

27. Accrued balances as at 31 December 2019 have been adjusted to reflect the estimated liabilities as at 31 December 2019, as reflected in the 2019 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 2019, an amount of $25 million of cumulative unfunded expenditure is included in the cumulative surplus/(deficit) amount (see note 4, end-of-service and post-retirement benefits segment).

Chapter V

Financial statements and related explanatory notes for the year ended 31 December 2019

United Nations Human Settlements Programme

I. Statement of financial position as at 31 December 2019

(Thousands of United States dollars)

	Note	*31 December 2019*	*31 December 2018* [a]
Assets			
Current assets			
Cash and cash equivalents	6	63 579	21 613
Investments	7	132 477	184 553
Voluntary contributions receivable	8	133 623	155 377
Other receivables	9	218	120
Advance transfers	10	19 362	25 194
Other assets	11	14 341	11 903
Total current assets		**363 600**	**398 760**
Non-current assets			
Investments	7	41 265	14 295
Voluntary contributions receivable	8	48 197	29 037
Other receivables	9	–	148
Property, plant and equipment	13	18 096	18 250
Intangible assets	14	7	12
Total non-current assets		**107 565**	**61 742**
Total assets		**471 165**	**460 502**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	15	16 938	13 213
Employee benefits liabilities	16	2 165	2 639
Other liabilities	18	97 395	86 792
Total current liabilities		**116 498**	**102 644**
Non-current liabilities			
Employee benefits liabilities	16	35 681	42 608
Total non-current liabilities		**35 681**	**42 608**
Total liabilities		**152 179**	**145 252**
Net of total assets and total liabilities		**318 986**	**315 250**
Net assets			
Accumulated surplus (deficit)	19	299 368	295 632
Reserves	19	19 618	19 618
Total net assets		**318 986**	**315 250**

[a] 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

II. Statement of financial performance for the year ended 31 December 2019

(Thousands of United States dollars)

	Note	*2019*	*2018*
Revenue			
Assessed contributions	20	15 295	14 430
Voluntary contributions	20	94 894	143 684
Other transfers and allocations	20	50 738	14 030
Investment revenue	23	6 010	4 304
Other revenue	21	5 395	2 296
Total revenue		**172 332**	**178 744**
Expenses			
Employee salaries, allowances and benefits	22	47 132	45 868
Non-employee compensation and allowances	22	43 383	35 773
Grants and other transfers	22	39 389	36 566
Supplies and consumables	22	858	1 196
Depreciation	13	406	491
Amortization	14	5	5
Travel	22	6 966	11 930
Other operating expenses	22	39 410	52 879
Other expenses	22	863	1 040
Total expenses		**178 412**	**185 748**
Surplus/(deficit) for the period		**(6 080)**	**(7 004)**

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 2019[a]

(Thousands of United States dollars)

	Accumulated surpluses/(deficits) – unrestricted	*Reserves*	*Total*
Net assets, 1 January 2019	**295 632**	**19 618**	**315 250**
Change in net assets			
Transfers to/from unrestricted/restricted/reserves	–	–	–
Actuarial gains/(losses)	9 509	–	9 509
Surplus/(deficit) for the year	(6 080)	–	(6 080)
Other movements	307	–	307
Net assets, 31 December 2019	**299 368**	**19 618**	**318 986**

[a] See also note 19.

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 2019

(Thousands of United States dollars)

	Note	*31 December 2019*	*31 December 2018*
Cash flow from operating activities			
Surplus/(deficit) for the year		**(6 080)**	**(7 004)**
Non-cash movements			
Depreciation and amortization	13, 14	411	496
Loss on disposal of property, plant and equipment		212	–
Actuarial (gain)/loss on employee benefits liabilities	16	9 509	6 313
Changes in assets			
(Increase)/decrease in voluntary contributions receivable	8	2 594	12 613
(Increase)/decrease in other receivables	9	50	77
(Increase)/decrease in advance transfers	10	5 832	(8 904)
(Increase)/decrease in other assets	11	(2 438)	3 567
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities	15	3 725	(1 078)
Increase/(decrease) in employee benefits liabilities	16	(7 401)	(3 354)
Increase/(decrease) in other liabilities	18	10 603	5 973
Investment revenue presented as investing activities	23	(6 010)	(4 304)
Net cash flows from/(used in) operating activities		**11 007**	**4 396**
Cash flow from investing activities			
Pro rata share of net increases in the cash pool	7	25 106	(2 233)
Investment revenue presented as investing activities	23	6 010	4 304
Acquisition of property, plant and equipment	13, 14	(464)	(1 758)
Net cash flows from/(used in) investing activities		**30 652**	**313**
Cash flow from financing activities			
Adjustments to net assets		307	–
Net cash flows from/(used in) financing activities		**307**	**–**
Net increase/(decrease) in cash and cash equivalents		41 966	4 709
Cash and cash equivalents – beginning of year		21 613	16 904
Cash and cash equivalents – end of year	**6**	**63 579**	**21 613**

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 2019

(Thousands of United States dollars)

Budget part	Publicly available budget[a]			Actual expenditure (budget basis)	Difference (percentage)[b]
	Original biennial	Original annual	Final annual		
Foundation non-earmarked					
Urban legislation, land and governance	1 513.0	756.0	756.0	(2.1)	(100.3)
Urban planning and design	3 134.0	1 567.0	1 567.0	700.2	(55.3)
Urban economy	1 507.0	753.0	753.0	41.4	(94.5)
Urban basic services	2 041.0	1 020.0	1 020.0	285.5	(72.0)
Housing and slum upgrading	1 531.0	766.0	766.0	19.0	(97.5)
Risk reduction and rehabilitation	1 729.0	865.0	865.0	718.5	(16.9)
Research and capacity development	1 462.0	731.0	731.0	724.1	(0.9)
Subtotal	**12 917.0**	**6 458.0**	**6 458.0**	**2 486.6**	**(61.5)**
Executive direction and management	8 496.0	4 248.0	4 248.0	2 261.3	(46.8)
Programme support	4 647.0	2 323.0	2 323.0	682.9	(70.6)
Subtotal	**13 143.0**	**6 571.0**	**6 571.0**	**2 944.2**	**(55.2)**
Total, Foundation non-earmarked	**26 060.0**	**13 029.0**	**13 029.0**	**5 430.8**	**(58.3)**
Regular budget					
Section 15, Human settlements	19 421.5	9 866.9	11 251.5	11 322.2	0.6
Section 23: Regular programme of technical cooperation	1 911.4	955.7	956. 5	976.0	2.0
Section 35, Development account	3 480.8	1 740.4	1 740.4	1600.5	(8.0)
Total, regular budget	**24 813.7**	**12 563.0**	**13 948.4**	**13 898.7**	**0.4**
Grand total	**50 873.7**	**25 592.0**	**26 977.4**	**19 329.5**	**(28.3)**

[a] Budget relates to the current year proportion of publicly available budgets that are approved for a two-year period.

[b] 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 2019 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. 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 into the 2014–2019 strategic plan, which ended in the current fiscal year.

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

(a) Urban legislation, land and governance, which provides policy and operational support to Governments and cities with respect to governance, legislation and land;

(b) Urban planning and design, which provides city and national governments with a set of tested approaches, guidelines and tools to support the management of growth and improved sustainability, efficiency and equity of cities through planning and design at different scales;

(c) Urban economy, which promotes urban strategies and policies that strengthen the capacity of cities to realize their potential as engines of economic development and enhance their contribution to employment and wealth creation;

(d) Urban basic services, which focus on strengthening policies and institutional frameworks for expanding access to urban basic services, specifically targeted at the urban poor;

(e) Housing and slum upgrading, which advocates a twin-track approach to improve the supply and affordability of new housing alongside the implementation of citywide and national slum-upgrading programmes to improve housing conditions and quality of life for the urban poor;

(f) Risk reduction and rehabilitation, which is aimed at reducing urban risk and responding to urban crises and supports crisis-affected cities in terms of disaster prevention and response;

(g) Research and capacity development, which monitors and reports results of global monitoring and assessment on urbanization statistics and indicators to Governments and Habitat Agenda partners through its flagship reports.

8. 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.

9. UN-Habitat undertook further reforms in the biennium 2018–2019, which were implemented beginning in 2019. Those reforms included the following:

(a) Adoption of a new governance structure. This new structure comprises a UN-Habitat Assembly, the Executive Board and a Committee of Permanent Representatives. The 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 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 annually. It is responsible for the direct oversight of UN-Habitat's normative and operational activities, including approval of UN-Habitat's 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 main strategic objectives of UN-Habitat will be delivered through four subprogrammes: (i) reduced spatial inequality and poverty in communities across the urban-rural continuum; (ii) enhanced shared prosperity of cities and regions; (iii) strengthened climate action and improved urban environment; and (iv) effective urban crisis prevention and response;

(c) A new organization structure, which will complement the new governance structure in realizing the mandate of the organization through the new strategic plan.

Note 2
Basis of preparation and authorization for issue

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, these financial statements, which present fairly the assets, liabilities, revenue and expenses of the United Nations Human Settlements Programme, and the cash flows over the financial year, consist of the following:

(a) Statement I: statement of financial position;

(b) Statement II: statement of financial performance;

(c) Statement III: statement of changes in net assets;

(d) Statement IV: statement of cash flows;

(e) Statement V: statement of comparison of budget and actual amounts;

(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 (e) above and, where relevant, comparative information for narrative and descriptive information presented in the notes to these financial statements.

11. This is the sixth set of financial statements prepared in compliance with IPSAS, which includes the application of certain transitional provisions as identified below.

12. The financial statements are prepared for the 12-month period from 1 January to 31 December.

Going concern

13. The going-concern assertion is based on the approval by the General Assembly of the regular budget appropriations for the biennium 2018–2019, 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

14. These financial statements are certified by the Chief Financial Officer of the United Nations Office at Nairobi and approved by the Executive Director of the United Nations Human Settlements Programme. In accordance with the Financial Regulations and Rules of the United Nations, these financial statements as at 31 December 2019 are to be transmitted to the Board of Auditors by 31 March 2020. 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

15. The financial statements are prepared using the historic cost convention except for certain assets as stated in the notes to the financial statements. Real estate assets are recorded at depreciated replacement cost and financial assets recorded at fair value through surplus or deficit.

Functional and presentation currency

16. 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.

17. 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.

18. 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 estimates

19. 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 affect the conclusions or decisions of the users of the financial statements.

20. 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.

21. 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 method 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

22. The progress and impact of the following significant future IPSAS Board accounting pronouncements on the organization's financial statements continues 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;

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

(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 Standards. The project will result in a new IPSAS that will replace IPSAS 13: Leases. The development of a new IPSAS is continuing, with the date of its issuance to be determined by the IPSAS Board;

(e) Public sector measurement: the objectives of this project include to: (i) issue amended IPSAS with revised requirements for measurements at initial recognition, subsequent measurement and measurement-related disclosure; (ii) provide 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) address 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 to infrastructure assets, and to use this research to provide additional guidance on accounting for infrastructure assets.

Recent and future requirements of the International Public Sector Accounting Standards

23. The IPSAS Board issued the following standards: IPSAS 40, issued in 2017, effective 1 January 2019; IPSAS 41, issued August 2018, effective 1 January 2022; and IPSAS 42, issued January 2019, effective 1 January 2022. 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 40	There is currently no impact on the Organization from the application of IPSAS 40. To date, there are no public sector combinations that are applicable to the Organization. Any such impact of IPSAS 40 on the Organization's financial statements will be evaluated for application by the Organization, should such combinations occur.
IPSAS 41	IPSAS 41 substantially improves the relevance of information for financial assets and financial liabilities. It will replace IPSAS 29, Financial Instruments: Recognition and Measurement, and improves that standard's requirements by introducing: (a) Simplified classification and measurement requirements for financial assets; (b) A forward-looking impairment model; (c) A flexible hedge accounting model.

Standard	*Anticipated impact in the year of adoption*
	IPSAS 41 will be effective from 1 January 2022. Its impact on the financial statements will be assessed prior to that date, and the Organization will be ready for its implementation by the time that it becomes effective.
IPSAS 42	IPSAS 42 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.
	IPSAS 42 will be effective from 1 January 2022. Currently, there are no such social benefits applicable to the Organization.

Note 3
Significant accounting policies

Financial assets: classification

24. 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

Classification	*Financial assets*
Fair value through surplus or deficit	Investments in cash pools
Loans and receivables	Cash and cash equivalents and receivables

25. 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.

26. 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.

27. 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.

28. 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.

29. 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.

30. 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.

31. 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

32. 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 investments portfolio to the extent of the amount of cash invested.

33. 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

34. 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

35. 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.

36. 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.

37. For assessed contributions receivable, the allowance is calculated at a rate of 20 per cent for those outstanding between one and two years, 60 per cent for those

outstanding between two and three years, 80 per cent for those outstanding between three and four years and 100 per cent for those outstanding after more than four years.

Financial assets: receivables from exchange transactions – other accounts receivable

38. 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

39. 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

40. 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

41. 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

42. 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

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

Categories	*Subcategories*
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

44. 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.

45. 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.

46. 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.

47. 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

48. 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

49. 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 they exist) 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.

50. 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

Class	*Subclass*	*Estimated useful life*
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

Class	*Subclass*	*Estimated useful life*
	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	3 years
	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

51. 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 was entered in the master record of the asset.

52. 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.

53. 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.

54. 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.

55. 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 $25,000.

Intangible assets

56. 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.

57. 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.

58. 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.

59. 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

Class	*Range of estimate of useful life*
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

60. 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

61. 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

62. 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

63. 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

64. 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

65. 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.

66. 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

67. 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

68. 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.

69. 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.

70. 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.

71. 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.

72. 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

73. 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

74. 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

75. 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

76. 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.

77. 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.

78. 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.

79. 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.

80. 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

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

82. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. UN-Habitat and the Fund, in line with the other organizations participating 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. Hence, UN-Habitat has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39. UN-Habitat's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

Termination benefits

83. 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

84. 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.

85. 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

86. 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

87. 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.

88. 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.

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

Contingent assets

90. 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

91. 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

92. 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

93. 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.

94. 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.

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

96. 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.

97. 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.

98. 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

99. 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

100. 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.

101. 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 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

102. 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.

103. 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.

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

105. 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.

106. 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.

107. 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

108. 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

109. 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.

110. 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.

111. 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 2019, by segment

(Thousands of United States dollars)

	Foundation non-earmarked	*Foundation earmarked*	*Technical cooperation*	*Programme support*[a]	*End-of-service and post-retirement benefits*	*Intersegment eliminations*	*31 December 2019*	*31 December 2018*[a]
Assets								
Current assets								
Cash and cash equivalents	936	17 497	39 150	2 817	3 179	–	63 579	21 613
Investments	1 948	36 345	81 679	5 872	6 633	–	132 477	184 553
Voluntary contributions receivable	274	29 805	103 544	–	–	–	133 623	155 377
Other receivables	–	720	666	3 010	–	(4 178)	218	120
Advance transfers	75	7 878	11 405	4	–	–	19 362	25 194
Other assets	239	2 667	11 203	232	–	–	14 341	11 903
Total current assets	**3 472**	**94 912**	**247 647**	**11 935**	**9 812**	**(4 178)**	**363 600**	**398 760**
Non-current assets								
Investments	607	11 321	25 442	1 829	2 066	–	41 265	14 295
Voluntary contributions receivable	–	15 189	33 008	–	–	–	48 197	29 037
Other receivables	–	–	–	–	–	–	–	148
Property, plant and equipment	46	123	17 899	28	–	–	18 096	18 250
Intangible assets	–	–	7	–	–	–	7	12
Total non-current assets	**653**	**26 633**	**76 356**	**1 857**	**2 066**	**–**	**107 565**	**61 742**
Total assets	**4 125**	**121 545**	**324 003**	**13 792**	**11 878**	**(4 178)**	**471 165**	**460 502**
Liabilities								
Current liabilities								
Accounts payable and accrued liabilities	10	2 405	13 403	1 120	–	–	16 938	13 213
Employee benefits liabilities	114	311	344	84	1 312	–	2 165	2 639
Other liabilities	3 000	27 036	71 536	1	–	(4 178)	97 395	86 792
Total current liabilities	**3 124**	**29 752**	**85 283**	**1 205**	**1 312**	**(4 178)**	**116 498**	**102 644**

	Foundation non-earmarked	*Foundation earmarked*	*Technical cooperation*	*Programme support*[a]	*End-of-service and post-retirement benefits*	*Intersegment eliminations*	*31 December 2019*	*31 December 2018*[a]
Non-current liabilities								
Employee benefits liabilities	–	–	–	–	35 681	–	35 681	42 608
Total non-current liabilities	**–**	**–**	**–**	**–**	**35 681**	**–**	**35 681**	**42 608**
Total liabilities	**3 124**	**29 752**	**85 283**	**1 205**	**36 993**	**(4 178)**	**152 179**	**145 252**
Net of total assets and liabilities	**1 001**	**91 793**	**238 720**	**12 587**	**(25 115)**	**–**	**318 986**	**315 250**
Net assets								
Accumulated surplus/(deficit)	(302)	87 770	227 360	9 655	(25 115)	–	299 368	295 632
Reserves	1 303	4 023	11 360	2 932	–	–	19 618	19 618
Total net assets	**1 001**	**91 793**	**238 720**	**12 587**	**(25 115)**	**–**	**318 986**	**315 250**

[a] Comparatives have been restated to conform to current presentation.

All funds – statement of financial performance for the period ended 31 December 2019, by segment

(Thousands of United States dollars)

	Foundation non-earmarked	Regular budget	Foundation earmarked	Technical cooperation	Programme support	End-of-service and post-retirement benefits	Intersegment eliminations	Total as at 31 December 2019	Total as at 31 December 2018[a]
Revenue									
Assessed contributions	–	15 295	–	–	–	–	–	15 295	14 430
Voluntary contributions	5 128	–	24 068	65 698	–	–	–	94 894	143 684
Other transfers and allocations	–	–	2 912	47 927	–	–	(101)	50 738	14 030
Investment revenue	94	–	1 547	3 787	322	260	–	6 010	4 304
Other revenue	17	–	684	4 375	10 078	2 071	(11 830)	5 395	2 296
Total revenue	**5 239**	**15 295**	**29 211**	**121 787**	**10 400**	**2 331**	**(11 931)**	**172 332**	**178 744**
Expenses									
Employee salaries, allowances and benefits	5 490	13 268	9 815	10 790	7 289	2 548	(2 068)	47 132	45 868
Non-employee compensation and allowances	(1)	770	11 232	30 895	487	–	–	43 383	35 773
Grants and other transfers	–	264	6 433	32 692	–	–	–	39 389	36 566
Supplies and consumables	–	27	127	689	15	–	–	858	1 196
Depreciation	12	2	40	345	7	–	–	406	491
Amortization	–	–	–	5	–	–	–	5	5
Travel	7	415	3 759	2 357	428	–	–	6 966	11 930
Other operating expenses	8	549	7 401	36 841	4 474	–	(9 863)	39 410	52 879
Other expenses	2	–	213	648	–	–	–	863	1 040
Total expenses	**5 518**	**15 295**	**39 020**	**115 262**	**12 700**	**2 548**	**(11 931)**	**178 412**	**185 748**
Surplus/(deficit) for the period	**(279)**	**–**	**(7 949)**	**7 062**	**(2 300)**	**(217)**	**–**	**(6 080)**	**(7 004)**

[a] Comparatives have been restated to conform to current presentation.

Note 5
Comparison to budget

112. 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.

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

114. The original budget amounts are the 2019 proportions of the appropriations approved by the Governing Council for the biennium 2018–2019.

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

116. Differences between original and final budget amounts are considered in statement V.

117. 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

Budget area	*Material differences greater than 10 per cent*
Urban legislation, land and governance	Expenditure 100.3 per cent less than final appropriation
Urban planning and design	Expenditure 55.3 per cent less than final appropriation
Urban economy	Expenditure 94.5 per cent less than final appropriation
Urban basic service	Expenditure 72.0 per cent less than final appropriation
Housing and slum upgrading	Expenditure 97.5 per cent less than final appropriation
Risk reduction and rehabilitation	Expenditure 16.9 per cent less than final appropriation
Research and capacity development	Expenditure 0.9 per cent less than final appropriation
Executive direction and management	Expenditure 46.8 per cent less than final appropriation
Programme support	Expenditure 70.6 per cent less than final appropriation
Regular budget: Section 15, Human settlements	Expenditure 0.6 per cent more than final appropriation
Regular budget: Section 23, Regular programme of technical cooperation	Expenditure 2.0 per cent more than final appropriation
Regular budget: Section 35, Development account	Expenditure 8.0 per cent less than final appropriation

118. Actual expenditure for the subprogrammes under Foundation non-earmarked is lower owing to cashflow-related austerity measures taken in the year owing to low income levels.

Foundation non-earmarked

119. Actual expenditure for all subprogrammes under Foundation non-earmarked is lower owing to cashflow-related austerity measures taken in the year owing to low income levels.

120. Urban planning and design is lower owing to the budget being underprovided.

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

121. 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)

Reconciliation	*Operating*	*Investing*	*Financing*	*Total 2019*
Actual amounts on comparable basis (statement V)	(19 330)	–	–	(19 330)
Basis differences[a]	15 510	(464)	–	15 046
Entity differences[b]	(157 505)	–	–	(157 505)
Presentation differences[c]	172 332	31 116	307	203 755
Actual amount in statement of cash flows (statement IV)	**11 007**	**30 652**	**307**	**41 966**

[a] 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.

[b] 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.

[c] 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)

	31 December 2019	*31 December 2018*
Main pool	63 504	21 521
Other cash and cash equivalents	75	92
Total cash and cash equivalents	**63 579**	**21 613**

122. 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)

	31 December 2019	*31 December 2018*
Current		
Main pool	132 477	184 553
Subtotal	**132 477**	**184 553**
Non-current		
Main pool	41 265	14 295
Subtotal	**41 265**	**14 295**
Total	**173 742**	**198 848**

123. Investments include amounts in relation to trust funds.

Note 8
Receivables from non-exchange transactions: voluntary contributions

(Thousands of United States dollars)

	Current	*Non-current*	*31 December 2019*	*31 December 2018*
Member States	26 258	1 916	28 174	40 069
Other governmental organizations	52 890	18 090	70 980	94 197
United Nations organizations	23 710	5 872	29 582	10 923
Private donors[a]	72 908	22 319	95 227	81 465
Total voluntary contributions receivable before allowance	**175 766**	**48 197**	**223 963**	**226 654**
Allowance for doubtful receivables current	(42 143)	–	(42 143)	(42 240)
Total voluntary contributions receivable	**133 623**	**48 197**	**181 820**	**184 414**

[a] Major private donors consist of the European Union/European Commission, the Adaptation Fund Board and KFW Bankengruppe.

Note 9
Other receivables

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Other receivables (current)		
Other accounts receivable	113	92
Loans receivable	150	573
Subtotal	**263**	**665**
Allowance for doubtful loans	–	(500)
Allowance for doubtful receivables	(45)	(45)
Total other receivables (current)	**218**	**120**

	31 December 2019	*31 December 2018*
Other receivables (non-current)		
Loans receivable	–	148
Total other receivables (non-current)	**–**	**148**
Net other receivables	**218**	**268**

Note 10
Advance transfers

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*[a]
Advance transfers to implementing partners	19 362	25 194
Total advance transfers	**19 362**	**25 194**

[a] Comparatives have been restated to conform to the current year presentation. An amount of $3,175,499 representing advances to United Nations entities for administrative and operational support services presented as "Advance transfers" in the 2018 financial statements has been reclassified as "Other assets" (note 11).

Note 11
Other assets

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*[b]
Advances to UNDP and other agencies of the United Nations system[a]	13 334	10 205
Advances to vendors	61	381
Advances to staff	581	924
Advances to other personnel	363	391
Other assets – other	2	2
Other assets (current)	**14 341**	**11 903**

[a] Includes UNDP Service Clearing Account and advances to other entities to provide administrative and operational support services.
[b] Comparatives have been restated to conform to the current year presentation. An amount of $3,175,499 representing advances to United Nations entities for administrative and operational support services presented as "Advance transfers" in the 2018 financial statements (note 10) has been reclassified as "Other assets".

Note 12
Heritage assets

124. 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.

125. As at the reporting date, the organization did not have significant heritage assets to report.

Note 13
Property, plant and equipment

126. 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.

127. 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 2019.

Property, plant and equipment

(Thousands of United States dollars)

	Buildings	*Assets under construction*[a]	*Machinery and equipment*	*Vehicles*	*Communications and information technology equipment*	*Furniture and fixtures*	*Total*
Cost as at 1 January 2019	**82**	**15 984**	**444**	**6 927**	**866**	**138**	**24 441**
Additions	–	–	40	383	34	7	464
Disposals	–	–	–	(270)	(265)	–	(535)
Cost as at 31 December 2019	**82**	**15 984**	**484**	**7 040**	**635**	**145**	**24 370**
Accumulated depreciation as at 1 January 2019	**73**	**–**	**331**	**5 039**	**623**	**125**	**6 191**
Depreciation[b]	–	–	20	332	50	2	404
Disposals	–	–	20	(155)	(186)	–	(321)
Accumulated depreciation as at 31 December 2019	**73**	**–**	**371**	**5 216**	**487**	**127**	**6 274**
Net carrying amount as at 31 December 2019	**9**	**15 984**	**113**	**1 824**	**148**	**18**	**18 096**

[a] Assets under construction are meant for distribution to project beneficiaries upon completion.
[b] Excludes depreciation of $2,000 on assets under communications and information technology equipment contributed by the regular budget segment.

Note 14
Intangible assets

128. 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)

	Software acquired externally
Cost as at 1 January 2019	**32**
Additions	–
Cost as at 31 December 2019	**32**
Accumulated amortization and impairment as at 1 January 2019	**20**
Amortization	5
Accumulated amortization and impairment as at 31 December 2019	**25**
Net carrying amount as at 31 December 2019	**7**

Note 15
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Vendor payables (accounts payable)	1 422	2 565
Transfers payable	–	6
Payables to other United Nations entities	703	1 166
Accruals for goods and services	11 954	4 108
Accounts payable – other	2 859	5 368
Total accounts payable and accrued liabilities	**16 938**	**13 213**

Note 16
Employee benefits liabilities

(Thousands of United States dollars)

	Current	*Non-current*	*31 December 2019*	*31 December 2018*
After-service health insurance	111	25 981	26 092	34 707
Annual leave	452	3 880	4 332	3 636
Repatriation benefits	749	5 820	6 569	5 699
Subtotal, defined-benefit liabilities	**1 312**	**35 681**	**36 993**	**44 042**
Accrued salaries and allowances	707	–	707	687
Pension contributions liabilities	146	–	146	518
Total employee benefits liabilities	**2 165**	**35 681**	**37 846**	**45 247**

129. 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 2019.

Actuarial valuation: assumptions

130. 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 2019 are as follows.

Actuarial assumptions

(Percentage)

Assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates, 31 December 2019	3.68	2.99	2.49
Discount rates, 31 December 2018	4.68	4.14	4.19
Inflation, 31 December 2019	2.85–5.44	2.20	–
Inflation, 31 December 2018	3.89–5.57	2.20	–

131. 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 position of the Task Force on United Nations Accounting Standards, to harmonize actuarial assumptions across the United Nations system. Other financial and demographic assumptions used for the 31 December 2017 valuation were maintained for the roll forward. The salary increase assumptions for the Professional staff category were 8.5 per cent for a staff member aged 23, grading down to 4.0 per cent for a staff member aged 70. The salaries of the General Service staff category were assumed to increase by 6.8 per cent for a staff member aged 19, grading down to 4.0 per cent for a staff member aged 65.

132. 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 2019 were updated to include escalation rates for future years. As at 31 December 2019, these escalation rates were at 3.83 per cent (2018: 3.91 per cent), 3.76 per cent (2018: 3.89 per cent) and 5.44 per cent (2018: 5.57 per cent) for eurozone, Swiss and all other medical plans respectively, except 5.26 per cent (2018: 5.38 per cent) for the United States Medicare plan and 4.66 per cent (2018: 4.73 per cent) for the United States dental plan, grading down to 3.65 per cent (2018: 3.65 per cent) and 2.85 per cent (2018: 3.05 per cent) over 3 to 8 years for eurozone and Swiss health-care costs and to 3.85 per cent (2018: 3.85 per cent) over 13 years for United States health-care costs.

133. With regard to the valuation of repatriation benefits as at 31 December 2019, inflation in travel costs was assumed to be 2.20 per cent (2018: 2.20 per cent), on the basis of the projected United States inflation rate over the next 20 years.

134. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: 1–3 years, 9.1 per cent; 4−8 years, 1 per cent; and more than 9 years, 0.1 per cent, up to the maximum of 60 days. The attribution method is used for annual leave actuarial valuation.

135. 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-benefit plans

Reconciliation of opening to closing total defined-benefit liability

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
Net defined-benefit liability as at 1 January 2019	**34 707**	**5 699**	**3 636**	**44 042**
Current service cost	1 460	330	165	1 955
Interest cost	1 613	223	145	1 981
Actual benefits paid	(473)	(629)	(374)	(1 476)
Total costs recognized in the statement of financial performance in 2019	**2 600**	**(76)**	**(64)**	**2 460**
Subtotal	**37 307**	**5 623**	**3 572**	**46 502**
Actuarial (gains)/losses	(11 215)	946	760	(9 509)
Net defined liability as at 31 December 2019	**26 092**	**6 569**	**4 332**	**36 993**

Discount rate sensitivity analysis

136. 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)

	After-service health insurance	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 0.5 per cent	(2 852)	(222)	(4 332)
As percentage of end-of-year liability	(11)	(3)	(100)
Decrease of discount rate by 0.5 per cent	3 340	237	(4 332)
As percentage of end-of-year liability	13	4	(100)

Medical cost sensitivity analysis

137. 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

(Percentage, thousands of United States dollars)

2019	*Increase*		*Decrease*	
Effect on the defined-benefit obligation	12.96	3 234	(11.2)	(2 795)
Effect on the aggregate of the current service cost and interest cost	1.25	313	(1.1)	(265)
Total effect		**3 547**		**3 060**

2018	*Increase*		*Decrease*	
Effect on the defined-benefit obligation	25.83	8 966	(19.53)	(6 778)
Effect on the aggregate of the current service cost and interest cost	2.49	865	(1.82)	(633)
Total effect		**9 831**		**(7 411)**

Other defined-benefit plan information

138. Benefits paid for 2019 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)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
Estimated 2019 defined-benefit payments net of participants' contributions	473	629	374	1 476
Estimated 2018 defined-benefit payments net of participants' contributions	397	634	360	1 391

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

(Thousands of United States dollars)

	2018	*2017*	*2016*	*2015*	*2014*
Present value of the defined-benefit obligations	44 042	47 804	40 255	37 123	34 953

Other employee benefit liabilities

Accrued salaries and allowances

139. Accrued salaries and allowances comprise $0.5 million relating to home leave benefits. The remaining balance of $0.4 million relates to accrued payables for salary and other benefits.

United Nations Joint Staff Pension Fund

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

141. 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. UN-Habitat's contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

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

143. UN-Habitat's financial obligation to the Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations), together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the Assembly has invoked the provision of article 26, following a 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.

144. The most recent actuarial valuation for the Fund was completed as of 31 December 2017, and the valuation as at 31 December 2019 is currently being performed. A roll forward of the participation data as at 31 December 2017 to 31 December 2018 was used by the Fund for its 2018 financial statements. The actuarial valuation as at 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2 per cent. The funded ratio was 102.7 per cent when the current system of pension adjustments was taken into account. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2017, 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.

145. Should article 26 be invoked owing 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 on the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2016, 2017 and 2018) amounted to $6,931.39 million, of which UN-Habitat contributed $8.8 million. During 2019, the organization's contributions paid to the Fund were fully settled.

146. Membership of the Fund may be terminated by a decision of the General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed upon between the organization and the Fund. The amount is determined by the Pension Board on the basis of an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets that are in excess of the liabilities are included in the amount. The Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the Assembly on the audit annually. The Fund publishes quarterly reports on its investments, and these are available at www.unjspf.org.

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

147. 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 payments for injury or illness as well as medical expenses.

Impact of the General Assembly resolutions on staff benefits

148. 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.

Change	*Details*
Increase in mandatory age of separation	The mandatory age of retirement for staff who joined the United Nations on or after 1 January 2014 is 65; 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.

Change	*Details*
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 was already implemented effective January 2017, in September 2017, and is expected to affect future calculations of employee benefits liabilities.
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

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

Note 18
Other liabilities

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Liabilities for conditional arrangements[a]	97 395	86 792
Total other liabilities	**97 395**	**86 792**

[a] Conditional liability represents pending delivery in line with the conditional agreements funded by the European Union.

Note 19
Net assets

Accumulated surpluses/deficits

150. 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.

151. The table below shows the status of the organization’s net assets balances and movements.

Net assets balances and movements[a]

(Thousands of United States dollars)

	31 December 2018	*Surplus/(deficit)*	*Transfers to/ (from) reserves*	*Other[b]*	*31 December 2019*
Unrestricted cumulative surplus					
Foundation non-earmarked[c]	(23)	(279)	–	–	(302)
Foundation earmarked	97 579	(9 809)	–	–	87 770
Technical cooperation	220 528	6 525	307	–	227 360
Programme support[c]	11 955	(2 300)	–	–	9 655
End-of-service liabilities	(34 407)	(217)	–	9 509	(25 115)
Subtotal unrestricted fund	**295 632**	**(6 080)**	**307**	**9 509**	**299 368**
Reserves					
Foundation non-earmarked	1 303	–	–	–	1 303
Foundation earmarked	4 023	–	–	–	4 023
Technical cooperation	11 360	–	–	–	11 360
Programme support	2 932	–	–	–	2 932
End-of-service liabilities	–	–	–	–	–
Subtotal reserves	**19 618**	**–**	**–**	**–**	**19 618**
Total net assets					
Foundation non-earmarked	1 280	(279)	–	–	1 001
Foundation earmarked	101 602	(9 809)	–	–	91 793
Technical cooperation	231 888	6 525	307	–	238 720
Programme support	14 887	(2 300)	–	–	12 587
End-of-service liabilities	(34 407)	(217)	–	9 509	(25 115)
Total reserves and fund balances	**315 250**	**(6 080)**	**307**	**9 509**	**318 986**

[a] Net assets movements, including fund balances, are based on IPSAS.
[b] Represents actuarial gains of $9.5 million.
[c] The UN-Habitat cost-recovery fund has been moved from the Foundation non-earmarked segment to the programme support segment in order to align the activity of this fund to the appropriate segment.

Note 20
Revenue from non-exchange transactions

Assessed contributions

152. 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 $15.4 million.

Voluntary contributions

(Thousands of United States dollars)

	2019	*2018*
Assessed contributions		
Allocations from regular budget	15 295	14 430
Amount reported in statement II – assessed contributions	**15 295**	**14 430**
Voluntary contributions		
Voluntary contributions – in cash	98 185	144 249
Voluntary in-kind contributions – land and premises	700	920
Voluntary in-kind contributions of plant, equipment, intangible assets and other goods	80	181
Total voluntary contributions received	**98 965**	**145 350**
Refunds to donors	(4 071)	(1 666)
Net voluntary contributions received	**94 894**	**143 684**
Other transfers and allocations		
Inter-organizational arrangements	50 738	14 030
Total other transfers and allocations	**50 738**	**14 030**

153. All voluntary contributions under binding agreements signed during 2019 are recognized as revenue in 2019, 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.

Analysis of voluntary contribution, by year

(Thousands of United States dollars)

	Voluntary contribution
2019	53 598
2020	20 266
2021	12 642
2022	5 822
2023	1 283
Beyond 2023	1 283
Total voluntary contribution	**94 894**

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

Services in kind

155. 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)

	2019	*2018*
Technical assistance/expert services	53	91
Administrative support	283	–
Total	**336**	**91**

Note 21
Other revenue

156. Revenue from miscellaneous revenue sources amounts to $5.3 million.

	2019	*2018*
Other/miscellaneous revenue	5 395	2 296
Total other exchange revenue	**5 395**	**2 296**

Note 22
Expenses

Employee salaries, allowances and benefits

157. 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)

	2019	*2018*
Salary and wages	37 081	36 550
Pension and insurance benefits	9 325	8 981
Other benefits	726	337
Total employee salaries, allowances and benefits	**47 132**	**45 868**

Non-employee compensation and allowances

158. 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)

	2019	*2018*
United Nations Volunteers	596	628
Consultants and contractors	42 787	35 145
Total non-employee compensation and allowances	**43 383**	**35 773**

Grants and other transfers

159. 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)

	2019	*2018*
Grants to end beneficiaries	20 926	15 728
Transfers to implementing partners (note 28)	18 463	20 838
Total grants and other transfers	**39 389**	**36 566**

Supplies and consumables

160. 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)

	2019	*2018*
Fuel and lubricants	130	176
Spare parts	182	211
Consumables	546	809
Total supplies and consumables	**858**	**1 196**

Travel

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

Travel

(Thousands of United States dollars)

	2019	*2018*
Staff travel	3 658	4 534
Non-staff travel	3 308	7 396
Total travel	**6 966**	**11 930**

Other operating expenses

162. 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)

	2019	*2018*
Air transport	604	446
Ground transport	1 616	1 360
Communications and information technology	3 842	3 620
Other contracted services	23 387	27 057
Acquisitions of goods	2 036	449
Acquisitions of intangible assets	225	171
Rent – offices and premises	3 341	3 197
Rental – equipment	65	151
Maintenance and repair	734	400
Bad debt expense	(13)	10 176
Net foreign exchange losses	2 183	4 589
Other/miscellaneous operating expenses	1 390	1 263
Total other operating expenses	**39 410**	**52 879**

Other expenses

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

(Thousands of United States dollars)

	2019	*2018*
Contributions in kind	780	920
Other/miscellaneous expenses	83	120
Total other expenses	**863**	**1 040**

Note 23
Financial instruments and financial risk management

(Thousands of United States dollars)

	2019	*2018*
Financial assets		
Fair value through the surplus or deficit		
Short-term investments, cash pools	132 477	183 681
Short-term investments, other	–	872
Total short-term investments	**132 477**	**184 553**
Long-term investments, cash pools	41 265	14 295
Total long-term investments	**41 265**	**14 295**
Total fair value through the surplus or deficit	**173 742**	**198 848**

	2019	*2018*
Cash, loans and receivables		
Cash and cash equivalents, cash pools	63 504	21 521
Cash and cash equivalents, other	75	92
Voluntary contributions	181 820	183 540
Other receivables	218	267
Total cash, loans and receivables	**245 617**	**205 420**
Total carrying amount of financial assets	**419 359**	**404 268**
Of which relates to financial assets held in cash pool	237 321	220 369
Financial liabilities		
Accounts payable and accrued liabilities	15 955	11 991
Other liabilities (excluding conditional liabilities)	–	–
Total carrying amount of financial liabilities	**15 955**	**11 991**
Summary of net income from cash pools		
Investment revenue	6 010	4 236
Financial exchange gains/(losses)	–	33
Net income from cash pools	**6 010**	**4 269**
Other investment revenue	–	35
Total net income from financial instruments	**6 010**	**4 304**

Financial risk management: overview

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

165. 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

166. 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

167. 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

168. 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

169. 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

170. 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 2019	42 240
Additional allowance for doubtful receivables	423
Receivables written off during the period as uncollectable	(520)
Unused amounts reversed	–
As at 31 December 2019	**42 143**

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

172. 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)

	Gross receivable	*Allowance*
Due after one year	47 407	–
Less than one year	111 937	–
One to two years	23 690	5 922
Two to three years	11 771	7 063
Over three years	29 158	29 158
Total	**223 963**	**42 143**

Ageing of other receivables

(Thousands of United States dollars)

	Gross receivable	*Allowance*
Less than one year	218	–
Over three years	45	45
Total	**263**	**45**

Credit risk: cash and cash equivalents

173. The organization had cash and cash equivalents of $63.6 million as at 31 December 2019, 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

174. 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.

175. 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.

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

177. 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

178. 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 2019

(Thousands of United States dollars)

	<3 months	*3 to 12 months*	*>1 year*	*Total*
Accounts payable and accrued liabilities	13 696	2 259	–	15 955

Financial risk management: market risk

179. 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

180. 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

181. 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.

182. 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.

183. 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 2019

(Thousands of United States dollars)

	United States dollars	*Euros*	*Swiss francs*	*Others*	*Total*
Main cash pool	233 505	2 008	427	1 381	237 321

Currency risk: sensitivity analysis

184. 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)

	As at 31 December 2019		*As at 31 December 2018*	
	Effect on net assets, surplus or deficit		*Effect on net assets, surplus or deficit*	
	Strengthening	*Weakening*	*Strengthening*	*Weakening*
Euro (10 per cent movement)	201	(201)	361	(361)
Swiss franc (10 per cent movement)	42	(42)	48	(48)

Other market risk

185. 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

186. 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

187. 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).

188. 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.

189. 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 available. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

190. 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

(Thousands of United States dollars)

	As at 31 December 2019			*As at 31 December 2018*[a]		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds – corporate	3 771	–	3 771	5 961	–	5 961
Bonds – non-United States agencies	19 178	–	19 178	22 966	–	22 966
Bonds – non-United States sovereigns	–	–	–	–	–	–
Bonds – supranational	10 750	–	10 750	5 063	–	5 063
Bonds – United States treasuries	–	8 824	8 824	17 712	–	17 712
Main pool – commercial papers	–	86 857	86 857	6 362	–	6 362
Main pool – term deposits	–	30 734	30 734	–	137 460	137 460
Main pool total	**33 699**	**126 415**	**160 114**	**58 064**	**137 460**	**195 524**

[a] Comparatives have been restated to conform to changes in current presentation.

Note 24
Financial instruments: cash pools

191. 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.

192. 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.

193. As at 31 December 2019, the organization had participated in the main pool, which held total assets of $9,339.4 million (2018: $7,504.8 million), of which $237.2 million was due to the organization (2018: $220.4 million), and its share of revenue from the main pool was $6.0 million (2018: $4.3 million).

Summary of assets and liabilities of the main pool as at 31 December 2019

(Thousands of United States dollars)

	Main pool
Fair value through the surplus or deficit	
Short-term investments	5 177 137
Long-term investments	1 624 405
Total fair value through the surplus or deficit investments	**6 801 542**
Loans and receivables	
Cash and cash equivalents	2 499 953
Accrued investment revenue	37 867
Total loans and receivables	**2 537 820**
Total carrying amount of financial assets	**9 339 362**
Cash pool liabilities	
Payable to UN-Habitat	237 321
Payable to other cash pool participants	9 102 041
Total liabilities	**9 339 362**
Net assets	–

Summary of revenue and expenses of the main pool for the year ended 31 December 2019

(Thousands of United States dollars)

	Main pool
Investment revenue	198 552
Unrealized gains/(losses)	14 355
Investment revenue from main pool	**212 907**
Foreign exchange gains/(losses)	3 287
Bank fees	(808)
Operating expenses from main pool	**2 479**
Revenue and expenses from main pool	**215 386**

Financial risk management

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

195. 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.

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

Financial risk management: credit risk

197. 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.

198. 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.

199. 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 2019

(Percentage)

Main pool	*Ratings as at 31 December 2019*					*Ratings as at 31 December 2018*			
Bonds (long-term ratings)									
	AAA	**AA+/AA/AA-**	**A+**	**NR**		**AAA**	**AA+/AA/AA-**	**A+**	**NR**
S&P	35.8	58.8	–	5.4	S&P	15.4	79.0	5.6	-
Fitch	60.2	23.8	–	16.0	Fitch	55.1	39.3	–	5.6
	Aaa	**Aa1/Aa2/Aa3**	**A1**			**Aaa**	**Aa1/Aa2/Aa3**		
Moody's	54.8	45.2	–		Moody's	49.7	50.0	0.3	
Commercial papers (short-term ratings)									
	A-1+					**A-1+/A-1**			
S&P	100				S&P	100			
	F1+					**F1**			
Fitch	100				Fitch	100			
	P-1					**P-1**			
Moody's	100				Moody's	100			
Reverse repurchase agreement (short-term ratings)									
	A-1+					**A-1+**			
S&P	-				S&P	100			
	F1+					**F1+**			
Fitch	-				Fitch	100			
	P-1					**P-1**			
Moody's	-				Moody's	100			
Term deposits (Fitch viability ratings)									
	aaa	**aa/aa-**	**a+/a/a-**			**aaa**	**aa/aa-**	**a+/a**	
Fitch	–	84.2	15.8		Fitch	–	53.5	46.5	

Abbreviation: NR, not rated.

200. 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

201. 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

202. 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 31 December 2019, 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 0.74 years (2018: 0.33 years), which is considered to be an indicator of low risk.

Main pool interest rate risk sensitivity analysis

203. 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 2019

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value (millions of United States dollars)									
Main pool total	**134.47**	**100.84**	**67.22**	**33.61**	**–**	**(33.60)**	**(67.20)**	**(100.79)**	**(134.38)**

Main pool interest rate risk sensitivity analysis as at 31 December 2018

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value (millions of United States dollars)									
Main pool total	**48.46**	**36.34**	**24.23**	**12.11**	**–**	**(14.89)**	**(24.22)**	**(36.33)**	**(48.44)**

Other market price risk

204. 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

205. 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.

206. 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).

207. 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.

208. 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.

209. 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: main pool

(Thousands of United States dollars)

	As at 31 December 2019			*As at 31 December 2018*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds – corporate	148 473	–	148 473	205 566	–	205 566
Bonds – non-United States agencies	755 027	–	755 027	791 922	–	791 922
Bonds – non-United States sovereigns	–	–	–	–	–	–
Bonds – supranational	423 230	–	423 230	174 592	–	174 592
Bonds – United States treasuries	497 829	–	497 829	610 746	–	610 746
Main pool – commercial papers	–	347 398	347 398	219 366	–	219 366
Main pool – certificates of deposit	–	3 419 585	3 419 585	–	–	–
Main pool – term deposits	–	1 210 000	1 210 000	–	4 740 000	4 740 000
Main pool total	**1 824 559**	**4 976 983**	**6 801 542**	**2 002 192**	**4 740 000**	**6 742 192**

Note 25
Related parties

Key management personnel

210. 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.

211. 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.

212. 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)

	Key management personnel	*Close family members*	*Total as at 31 December 2019*
Number of positions (full-time equivalents)	2	–	2
Aggregate remuneration:			
Salary and post adjustment	495	–	495
Other compensation/entitlements	161	–	161
Total remuneration for the year	**656**	**–**	**656**

213. Non-monetary and indirect benefits paid to key management personnel were not material.

214. 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

215. 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

216. The organization has no finance leases.

Operating leases

217. 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)

Obligations for operating leases	*Minimum lease payments as at 31 December 2019*	*Minimum lease payments as at 31 December 2018*
Due in less than 1 year	7 430	1 481
Due from 1 to 5 years	3 874	5 125
Due later than 5 years	–	4 063
Total minimum operating lease obligations	**11 304**	**10 669**

218. 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

219. The organization has no leases as a lessor.

Contractual commitments

220. 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)

	Total as at 31 December 2019	*Total as at 31 December 2018*
Goods and services	31 086	39 737
Implementing partners	22 478	34 221
Total	**53 564**	**73 957**

Note 27
Contingent liabilities and contingent assets

Contingent liabilities

221. 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 no reportable cases.

222. 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

223. 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 2019, 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

224. 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)

	Total 2019	*Total 2018*
Africa	6 400	4 966
Arab States	7 938	8 594
Asia and the Pacific	4 051	2 877
Global	–	3 229
Latin America and the Caribbean	74	913
Europe	–	259
Total	**18 463**	**20 838**

225. This amount is part of the $39.4 million shown in the statement of financial performance as expenditure under grants and other transfers. The difference of $20.9 million was for end beneficiaries (see note 22).

Note 29
Events after the reporting date

226. 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.

20-08595 (E) 140920