

**UNITED NATIONS
HABITAT AND HUMAN SETTLEMENTS FOUNDATION**

FINANCIAL REPORT

and

**AUDITED FINANCIAL STATEMENTS
for the biennium ended 31 December 1979**

and

REPORT OF THE BOARD OF AUDITORS

GENERAL ASSEMBLY

OFFICIAL RECORDS: THIRTY-FIFTH SESSION

SUPPLEMENT No. 5H (A/35/5/Add.8)



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UNITED NATIONS

New York, 1980

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LETTERS OF TRANSMITTAL

31 March 1980

Sir,

Pursuant to financial rule 111.4, I have the honour to transmit the financial report and accounts of the United Nations Habitat and Human Settlements Foundation for the biennium 1978-1979 ended 31 December 1979, which I hereby approve.

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

Accept, Sir, the assurances of my highest consideration.

(Signed) Arcot RAMACHANDRAN
Executive Director of the
United Nations Centre
for Human Settlements (Habitat)

The Chairman of the Board of Auditors
United Nations
New York

12 June 1980

Sir,

I have the honour to transmit to you the financial statements of the United Nations Habitat and Human Settlements Foundation for the biennium ended 31 December 1979, which were submitted by the Executive Director. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition to the above, I have the honour to present the report of the Board with respect to the accounts of the United Nations Habitat and Human Settlements Foundation for the biennium ended 31 December 1979.

Accept, Sir, the assurances of my highest consideration.

(Signed) J. J. MACDONELL
Auditor General of Canada
and
Chairman of the United Nations
Board of Auditors

The President of the General Assembly
of the United Nations
New York, N.Y.

I. FINANCIAL REPORT FOR THE BIENNIUM
ENDED 31 DECEMBER 1979

1. On the recommendation of the Governing Council of the United Nations Environment Programme (UNEP), the General Assembly, on 16 December 1974, adopted resolution 3327 (XXXIX) establishing the United Nations Habitat and Human Settlements Foundation (UNHHSF) as from 1 January 1975, and assigned the responsibility for administering the Foundation to the Executive Director of UNEP. During the year 1978, UNEP continued to provide administrative and common services to the Foundation on an interim basis. In document ST/SGE/168 the Secretary-General announced the establishment on 12 October 1978 of the United Nations Centre for Human Settlements (Habitat) (UNCHS) and the transfer of the administration of the Foundation from UNEP to the United Nations Centre for Human Settlements (Habitat).

2. As the Executive Director of UNEP was responsible for administering UNHHSF until 12 October 1978, when this responsibility was transferred to the Executive Director of UNCHS, the financial report and accounts of UNHHSF for the first year of the biennium 1978-1979 were jointly transmitted by the two Executive Directors.

3. The Executive Director of UNCHS was solely responsible for administering UNHHSF in 1979 and accordingly transmits herewith the financial report and accounts of the Foundation for the biennium 1978-1979, after incorporating the report and accounts prepared jointly for 1978 with those prepared for 1979 by the Centre.

Summary of significant accounting policies

4. The Foundation followed the accounting policies enumerated below.

(a) The accounts are kept in accordance with the Financial Regulations and Rules of the United Nations, the rules of the United Nations Environment Programme and the special annex for United Nations Habitat and Human Settlements Foundation to the Financial Regulations and Rules of the United Nations (ST/SGE/UNHHSF Financial Rules /3 (1978)).

(b) Assets, liabilities, income and expenditures are recorded on an accrual basis.

(c) The financial period of UNHHSF is a biennium consisting of two consecutive calendar years. In accordance with the newly issued directives of the Office of the Financial Services, the financial figures of UNHHSF for the biennium are treated as a whole instead of annual figures.

(d) The accounts are presented in United States dollars. Transactions in currencies other than United States dollars are recorded at the United Nations operational rate of exchange prevailing at the time the transaction took place.

(e) Pledged contributions. Pledges are recorded as income on the basis of a written commitment by a prospective donor to pay a monetary contribution at a specified time or times. Pledges received for future years are recorded as deferred income.

(f) Deferred charges

(i) Deferred charges comprise expenditure items which are not properly chargeable in the current financial period and which will be charged as expenditure in the subsequent financial period.

(ii) For balance sheet statement purposes only that portion of the education grant advance which is assumed to pertain to the scholastic year completed as at the date of the financial statement is shown under deferred charges. The full amount of the advance is maintained in the accounts receivable from staff members until such time as the staff member produces the required proof of entitlement to the education grant, at which time the budgetary account is charged and the advance recovered.

Financial position and operating results

5. The financial position and the operating results of UNHSP for the biennium 1978-1979 ended 31 December 1979 are shown in the attached statements and are summarized as follows:

(a) The excess of income over expenditure (net income) for the biennium 1978-1979 amounted to 999,366 (statement II)

(b) The Foundation had an unencumbered fund balance of 32 750 755 available for existing and future commitments (statement III).

6. The income of 2,725,315 includes contributions to UNHSP recorded on the basis of receipt of firm and official letters of pledges.

7. The Secretary-General of the United Nations is the custodian of the UNHSP funds. During the biennium 1978-1979, government pledges in the total amount of \$2,123,345 were recorded and \$1 325 711 was collected, of which 1,000 was in respect of two pledges made in the year 1977. Pledged contributions in the amount of 32,032,466 remained unpaid as at 31 December 1979.

8. At its fifth and sixth sessions, the Governing Council of UNEP decided by decisions 24 (V) of 24 May 1977 and 6/123 of 24 May 1978 that the expenditures for programme and programme support costs for 1978 should be maintained at approximately the 1977 level, in the amount of \$1,364 600. At its second session, the Commission on Human Settlements by its resolution 2/2 of 4 April 1979, approved the proposed allocation of funds for programme support costs for the period 1 January 1979 to 30 June 1980 in the amount of \$1,299,600 of which approximately 347,300 dated to 1979 (see HS/C/2/7). As a result of the decisions and resolution mentioned above, the level of expenditures authorized for the biennium 1978-1979 for programme support costs amounted to \$2,231,850 as shown in statement I.

9. Expenditures for programme support amounting to \$1,723,319 have been recorded and are detailed by objects of expenditure in statement I. This same expenditure when analysed by programme is as follows.

Total expenditures

Programs

1973-1979

1976-1977

(United States dollars)

Executive direction and management
Human settlement programmes
Administrative and common services

426 986

343 320

660 753

1 201 699

435 560

194 479

1 723 319

1 739 498

II. REPORT OF THE BOARD OF AUDITORS

Introduction

1. As required by General Assembly resolution 74 (I), the Board of Auditors has audited the accounts of the United Nations Habitat and Human Settlements Foundation (UNHHSF) for the biennium ended 31 December 1979.
2. The examination was conducted in accordance with article VII of the Financial Regulations of the United Nations and the annex thereto and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. The examination was conducted at the headquarters in Nairobi.
3. During the biennium, the Board of Auditors continued its practice of reporting the results of specific audits and issuing management letters containing detailed audit observations to the Administration. This practice has helped us to maintain a continuous dialogue with the Administration and is consistent with the Board's approach of applying systems-based auditing to all the organizations in the United Nations system for which the Board has audit responsibility.
4. The following are the most significant matters arising from our audit examination during the biennium. We have discussed these matters with the Administration whose responses are referred to as appropriate.

Budgetary control

5. Our examination of UNHHSF activities revealed that there was no proper budgetary and allotment control of the funds of UNHHSF during the biennium. We noted that budgetary approval was given for a lump sum of money for each year of the biennium. Allotments providing details of objects of expenditure were not issued and no limits were, therefore, set for expenditures at the object-of-expenditure level. Furthermore, although budgets were prepared and approved for projects, project expenditures were reported without the relative approved project budgets and were included in the accounts of the United Nations Centre for Human Settlements (UNCHS) headquarters. As a result, it was difficult to identify UNHHSF project expenditures from those of headquarters.
6. We recommended that procedures for financial management of UNHHSF should be reviewed in order to establish a more effective system of budgetary and allotment control. Furthermore, we recommended that UNHHSF project expenditures should be separately recorded and reported.
7. The Administration has informed us that nothing could be done to remedy the unsatisfactory situation in 1979 because of lack of time and other priorities. The Administration has, however, assured us that beginning from 1980, all UNCHS projects, regardless of source of funds, will be administered under unified procedures which have now been documented in a manual. The Administration believes that the application of these procedures will eliminate the shortcomings identified by the audit.

Trust Funds

8. The Fund Management Unit of UNHCR is responsible for the management of projects financed from trust funds. The Finance Section of UNHCR is also responsible for the maintenance of the accounts of these projects.

9. Our review disclosed that guidelines and procedures, particularly for monitoring and following up pledges and contributions for trust funds, had not been documented and communicated to the staff responsible for trust fund activities. As a result, there was no adequate follow-up of pledges and contributions. Furthermore, we noted that the Fund Management Unit did not promptly communicate relevant data on pledges and contributions to the Finance Section. Consequently, the files which the Finance Section maintained for pledges and contributions were incomplete. This hampered reconciliation of the financial statements prepared by the Finance Section with the statement on status of pledges produced by the Fund Management Unit.

10. To improve the management of trust funds, we recommended that guidelines and procedures should be established for monitoring and following up pledges and contributions and for providing appropriate information to facilitate reconciliation between the status of pledges and relevant financial statements. The guidelines and procedures should also be documented, communicated to all officers concerned, and adhered to.

Travel

Appointment of travel agent

11. Travel costs represent a significant element of expenditure within UNHCR. The total expenditure of UNHCR for the biennium under review was some \$1.7 million. Expenditure for travel on official business totalled almost 150,000.

12. Our review of travel procedures disclosed that the travel agent of UNHCR was invited by the Administration to provide agency services to the organization. The appointment of the travel agent was not subject to competitive tender and no contract agreement was signed.

13. To ensure that the organization's interests have been adequately safeguarded, we recommended that a contract for a travel agency should be put to competitive tender and a formal agreement signed with the selected agency. The Administration is giving this matter further consideration.

Travel control procedures

14. Our examination revealed that contrary to administrative instructions, quarterly travel reports were not prepared and duly approved to provide a basis for controlling travel expenditure. Furthermore, there were no subsidiary records providing up-to-date status of travel allotments to ensure that travel expenditure is kept within authorized limits. We also noted that neither the certifying officers nor the Budget Officer were furnished with documentation on official travel undertaken to enable them to prepare more realistic travel budgets.

17. The Administration has agreed with our recommendations that, in order to improve travel control procedures, quarterly travel reports should be prepared and duly approved. Furthermore, subsidiary records of travel expenditure should be maintained by the certifying officers and procedures established to ensure that certifying officers and the Chief Officer are furnished with documentation on official travel undertaken.

Acknowledgement

18. The Board of Auditors wishes to express its appreciation for the co-operation and assistance extended by the Executive Director, his officers and members of their staff.

(Signed) J.J. MACDONELL
Auditor General of Canada

(Signed) Ahenkora OSEI
Auditor General of Ghana

(Signed) Osman Ghani KHAN
Controller and Auditor General
of Bangladesh

III. AUDIT OPINION

We have examined the following appended financial statements, numbered I and II, properly identified, and relevant schedules of the United Nations Habitat and Human Settlements Foundation for the biennium 1978-1979 ended 31 December 1979. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. As a result of our examination, we are of the opinion that the financial statements properly reflect the recorded financial transactions for the biennium, which transactions were in accordance with the Financial Regulations and legislative authority, and present fairly the financial position as at 31 December 1979.

(Signed) J. J. ADDONELL
Auditor General of Canada

(Signed) Ahenkora OSEI
Auditor General of Ghana

(Signed) Osman Ghani KHAN
Comptroller and Auditor General
of Bangladesh

June 1980

IV. ACCOUNTS FOR THE BILMNIU : ENDED 31 DECEMBER 1979

UNITED NATIONS HABITAT AND HUMAN SETTLEMENTS FOUNDATION

STATUS OF APPROPRIATIONS FOR THE BIENNIUM 1978-1979 ENDED 31 DECEMBER 1979
(EXPRESSED IN UNITED STATES DOLLARS)

Objects of expenditure	Expenditures			Unencumbered balance
	Appropriations	Disbursements	Unliquidated obligations Total	
Salaries:				
Established posts	916 250	799 387	-	116 863
Temporary assistance for meetings	-	16 037	1 258	(17 295)
General temporary assistance	44 400	57 474	20	(13 094)
Consultants	156 350	80 308	29 914	46 128
Overtime and night differential	2 450	5 005	-	(2 555)
Ad hoc expert group	-	4 112	2 488	(6 600)
Language training	-	1 512	-	(1 512)
Common staff costs	684 900	366 756	27 089	291 055
Travel on official business	211 500	135 470	14 044	61 986
Contractual services	36 350	28 144	17 255	(9 049)
General operating expenses	69 400	36 205	27 333	5 862
Supplies and materials	34 350	11 837	7 761	14 752
Acquisition of furniture and equipment	75 900	15 544	1 347	59 009
Study tours	-	28 757	8 262	(37 019)
Total	2 231 850	1 586 548	136 771	508 531

CERTIFIED CORRECT

(Signed) A. H. ZAKI
Chief, Division of Administration

Nairobi, 31 March 1980

UNITED NATIONS HABITAT AND HUMAN SETTLEMENTS FOUNDATION

STATEMENT OF INCOME AND EXPENDITURE FOR THE BIENNIMUM 1978-1979
ENDED 31 DECEMBER 1979

(EXPRESSED IN UNITED STATES DOLLARS)

	<u>1979</u>	<u>1977 a/</u>
<u>Income</u>		
Allocation from Fund of UNEP	700 000 b/	2 700 000
Contributions from Governments and others	1 799 620	357 057
Income from investments	225 553	750
Refund of prior year's expenditure	134	13 744
	<u>2 725 315</u>	<u>3 071 551</u>
<u>Expenditure</u>		
Expenditures and unliquidated obligations (Statement I)	1 723 319	1 739 498
Loss on exchange	2 130	-
	<u>1 725 449</u>	<u>1 739 498</u>
Excess of income over expenditure	<u>999 866</u>	<u>1 332 053</u>

a/ Comparative figures reclassified to conform to current presentation.

b/ Allocation from Fund of UNEP for 1978 only.

CERTIFIED CORRECT

(Signed) A. H. ZAKI
Chief, Division of Administration

Nairobi, 31 March 1980

UNITED NATIONS HABITAT AND HUMAN SETTLEMENTS FOUNDATION

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 DECEMBER 1979
(EXPRESSED IN UNITED STATES DOLLARS)

	<u>1979</u>	<u>1977 a/</u>
<u>ASSETS</u>		
Investments	2 084 415	-
Expected contributions receivable from Governments (Schedule 3.1)	2 032 466	13 000
Accounts receivable	700	4 128
Seed capital loan - long-term	100 000	100 000
Interest receivable	38 603	750
Due from other trust funds	22 284	1 717 406 b/
Deferred charges	1 127	-
Due from United Nations Central Fund	330 763	-
Total assets	<u>4 610 358</u>	<u>1 835 284</u>
<u>Liabilities</u>		
Unliquidated obligations (Statement I)	136 771	151 922
Deferred contributions (Schedule 3.1)	1 722 832	12 667
Total liabilities	<u>1 859 603</u>	<u>164 589</u>
<u>Fund balance</u>		
Balance available at 1 January 1979	1 670 695	2 531 414
Add: Excess of income over expenditure (Statement II)	999 866	(360 719)
Savings effected from liquidating prior year's unliquidated obligations	80 194	-
Balance available at 31 December 1979	<u>2 750 755</u>	<u>1 670 695</u>
Total liabilities and fund balance	<u>4 610 358</u>	<u>1 835 284</u>

a/ Comparative figures reclassified to conform to current presentation.

b/ Due from Fund of UNEP.

CERTIFIED CORRECT

(Signed) A. H. ZAKI
Chief, Division of Administration

Nairobi, 31 March 1980

UNITED NATIONS HABITAT AND HUMAN SETTLEMENTS FOUNDATION

STATUS OF UNPAID PLEDGES AS AT 31 DECEMBER 1979
(EXPRESSED IN UNITED STATES DOLLARS)

<u>Countries</u>	<u>Unpaid pledges as at 1 January 1978</u>	<u>Pledges for 1978-1979 and adjustments</u>	<u>Pledges for future years</u>	<u>Collections during 1978-1979 and adjustments</u>	<u>Unpaid pledges as at 31 December 1979</u>
Algeria	-	16 000	16 000	16 000	16 000
Argentina	-	75 000	-	75 000	-
Bangladesh	-	-	5 000	-	5 000
Belgium	-	166 667	-	170 984	(4 317)
Bhutan	1 000	1 001	-	2 001	-
Bolivia	1 000	-	-	-	1 000
Botswana	-	1 197	1 200	1 197	1 200
Cameroon	-	-	2 381	-	2 381
Central African Republic	-	5 000	-	-	5 000
Chile	-	4 000	3 000	5 000	2 000
Colombia	-	15 000	-	10 000	5 000
Cyprus	-	511	280	791	-
Democratic Yemen	-	575	-	-	575
Egypt	-	35 714	35 714	-	71 428
Finland	-	-	157 894	-	157 894
Gabon	-	2 273	-	-	2 273
Greece	-	7 000	7 000	-	14 000
Holy See	-	50 000	-	50 000	-
India	-	304 487	100 000	354 014	50 473
Indonesia	10 000	15 000	10 000	25 000	10 000
Iran	-	20 000	-	-	20 000
Iraq	-	10 000	10 000	10 000	10 000
Ivory Coast	-	4 940	-	4 940	-
Jamaica	-	22 000	-	22 000	-
Jordan	-	1 500	-	1 500	-
Kenya	-	46 463	41 554	76 904	11 113
Kuwait	-	50 000	-	50 000	-
Madagascar	-	1 420	4 260	-	5 680
Malaysia	-	5 000	-	5 000	-
Malawi	-	1 985	1 000	1 985	1 000
Malta	-	234	-	234	-
Mexico	-	30 000	-	30 000	-
Netherlands	-	389 686	300 000	386 715	302 971
Nigeria	-	32 000	-	32 000	-
Pakistan	-	15 000	-	15 000	-
Panama	-	-	500	-	500
Papua New Guinea	-	6 000	-	-	6 000
Portugal	-	10 000	-	10 000	-
Philippines	-	500 000	500 000	250 000	750 000
Qatar	-	-	5 000	-	5 000
Republic of Korea	-	-	20 000	-	20 000
Saudi Arabia	-	27 345	-	27 345	-
Senegal	-	2 158	-	2 158	-
Sweden	-	-	460 000	-	460 000
Tunisia	-	95 189	28 049	69 943	53 295
Turkey	-	-	14 000	-	14 000
Venezuela	-	120 000	-	120 000	-
Yemen	-	1 000	-	-	1 000
Zaire	-	32 000	-	-	32 000
Total	12 000	2 123 345	1 722 832	1 825 711	2 032 466

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