

UNITED NATIONS

FINANCIAL REPORT

and

AUDITED FINANCIAL STATEMENTS

for the biennium ended 31 December 1981

and

REPORT OF THE BOARD OF AUDITORS

Volume III
(United Nations University)

GENERAL ASSEMBLY
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UNITED NATIONS

New York, 1982

NOTE

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

The financial report and audited financial statements for the biennium ended 31 December 1981 and the report of the Board of Auditors regarding the United Nations and the International Trade Centre are being issued as volume I and volume II, respectively.

[15 July 1982]

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LETTERS OF TRANSMITTAL

31 March 1982

Sir,

Pursuant to financial regulation 11.4, I have the honour to submit the accounts of the United Nations University for the biennium 1980-1981 ended 31 December 1981, which I hereby approve. The financial statements have been prepared and certified as correct by the Assistant Secretary-General for Financial Services.

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) Javier PEREZ DE CUELLAR

The Chairman of the Board of Auditors
United Nations
New York

16 June 1982

Sir,

I have the honour to transmit to you the financial statements of the United Nations University for the biennium ended 31 December 1981, which were submitted by the Secretary-General. 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 University for the biennium ended 31 December 1981.

Accept, Sir, the assurances of my highest consideration.

H. VREBOS
Senior President of the Court of
Accounts of Belgium 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 1981

Introduction

1. The Secretary-General has the honour to submit herewith his financial report on the accounts for the biennium 1980-1981 ended 31 December 1981. These accounts comprise two statements supported by one schedule and one annex. The accounts were transmitted to the Board of Auditors in accordance with financial regulation 11.4 on 31 March 1982.

2. The establishment of a United Nations University was first proposed by Secretary-General U Thant in 1969 and a Founding Committee was established in 1971. The General Assembly adopted the Charter of the United Nations University by resolution 3081 (XXVIII) on 6 December 1973 and decided that the University Centre would be located in the Tokyo metropolitan area in Japan. Authority for the University's policies, programmes and budget is vested in a Council of 24 members who serve as individuals and not as representatives of Governments or any other institutions. The Rector, who normally serves for five years, is the chief academic and administrative officer of the University.

Financing of the United Nations University

3. According to the Charter of the United Nations University, capital costs and recurrent costs of the University shall be met from voluntary contributions for the University or from income derived from contributions. In accordance with the Charter of the University, the funds of the University shall be kept in a special account established by the Secretary-General of the United Nations. Contributions are made by Governments and by non-governmental sources, including foundations, universities and individuals.

4. The University derives its financial support from two sources - income from an Endowment Fund and contributions to the General Operating Fund. The Endowment Fund was established to record transactions relating to the funds contributed by donors, governmental as well as non-governmental. At its ninth session, held in Tokyo from 5 to 9 December 1977, the University Council decided to establish a special section in the Endowment Fund for the purpose of financing the University's programmes designed to assist the developing countries. The purpose of this action is to increase endowment funds available to the University to assist its work relevant to development.

5. In 1974, the Government of Japan made the Endowment Fund concept a reality by pledging \$100 million to be contributed over a five-year period, provided contributions were made by other countries and sources. During the biennium 1980-1981, the Government of Japan contributed \$11 million against its fifth pledge of \$20 million (Japan's first four \$20 million contributions were deposited during the prior biennia). In addition, the following Governments have pledged and/or made contributions to the Endowment Fund during the biennium 1980-1981: Algeria, Argentina, Austria, Chile, Egypt, Germany, Federal Republic of, Ghana, India, Japan, Jordan, Libyan Arab Jamhuriya, Mexico, Netherlands, Nigeria, Philippines, Saudi Arabia, Senegal, Sudan, Thailand, Tunisia, United Arab Emirates, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania and Venezuela. Furthermore, the following countries have pledged and/or made

contributions to the General Operating Fund during the biennium 1980-1981: France, Greece, Indonesia, Japan, Mexico, Norway, Sri Lanka, Sweden, Switzerland and the United Republic of Tanzania.

Financial position of the United Nations University

6. As shown in statement I, the total income available to the General Operating Fund for the current biennium amounted to \$26.1 million, including interest income of \$24.1 million earned on the Endowment Fund during the period.

7. The total expenditure against the General Operating Fund amounted to \$26.3 million for this period of which \$3.4 million comprised unliquidated obligations as at 31 December 1981.

8. The breakdown of expenditure by major object of expenditure is as follows:

	Millions of United States dollars	Per cent
Salaries and common staff costs	9.9	37
Travel	1.3	5
Contractual services	2.1	8
Operating expenses	1.3	5
Acquisitions	0.1	1
Fellowships, grants, other	<u>11.6</u>	<u>44</u>
Total	<u>26.3</u>	<u>100</u>

9. Statement II shows that the combined assets of the General Operating Fund, the Endowment Fund, the United Nations University Housing Assistance Trust Fund and the United Nations University Library Trust Fund amounted to \$148.6 million. This includes \$28.8 million representing pledged contributions to the University receivable from Governments, the details of which are given in schedule 2.1.

10. The fund balance of the General Operating Fund as at 31 December 1981 amounted to \$3.5 million, which is available to finance programme operations of the University.

11. Schedule 2.1 reflects the combined status of pledges as at 31 December 1981. The total amounts received for the Endowment Fund and the General Operating Fund during the two-year period were \$19.6 million and \$1.9 million, leaving \$28.8 million and \$0.04 million respectively in unpaid pledges as at 31 December 1981.

12. The total interest earned on the Endowment Fund was \$24.1 million, which was transferred to the General Operating Fund (see para. 6 above).

Activities of the University

13. The United Nations University, as an international community of scholars, has expanded rapidly in its research and advanced training programmes and in disseminating knowledge concerning the "pressing global problems of human survival, development and welfare". The University's activities are conducted through a world-wide network of research and advanced training institutions.

14. The Council of the United Nations University held its fifteenth session from 23 to 27 June 1980, its sixteenth session from 1 to 5 December 1980, both in Tokyo, its seventeenth session at Geneva from 22 to 26 June 1981, and its eighteenth session at Abu Dhabi, United Arab Emirates, from 21 to 25 November 1981. At its fifteenth session it began consideration of medium-term planning based upon a report presented by an Ad Hoc Committee of the Council which met in Tokyo from 15 to 18 April 1980, and issued its annual report for 1979-1980 to the General Assembly, the Economic and Social Council and the Executive Board of the United Nations Educational, Scientific and Cultural Organization (UNESCO). At its sixteenth session, the Council heard a statement by Mr. Soedjatmoko, the newly-appointed Rector of the University, on the possible future course of the institution which would emphasize continuity as well as important changes to make the University a more globally relevant and effective institution. At the same session, the Council approved the programme and budget for 1981. At its seventeenth session, it issued its annual report for 1980-1981 to the General Assembly, the Economic and Social Council and the Executive Board of UNESCO. It also discussed a paper presented by the Rector on some basic considerations for the institutional and programme development of the University within a medium-term perspective (1982-1987) and on a report of the Council's Ad Hoc Committee on Planning which met in Tokyo from 27 April to 1 May 1981. The Council also approved the recommendation that the University continue its association with Development Forum in 1982-1983.

15. At its eighteenth session, the Council approved the medium-term perspective of the University (1982-1987), the principal aims of which are the development of the University's programme in order to enlarge its scope and broaden its perspective, making it more coherent, responsive and interdisciplinary in character; the strengthening of the intellectual capacity and academic management of the University's centre in Tokyo; the institutional development of the University to make it a more decentralized and multi-centred global institution; and increasing its financial resources. The medium-term perspective divides the work of the University into five major areas: (a) peace, security, the resolution of conflicts and global transformation; (b) the global economy; (c) hunger, poverty, resources and the environment; (d) human and social development and the coexistence of peoples, cultures and social systems; and (e) science and technology and their social and ethical implications. The perspective also organizes the University's programme in three divisions: development studies; regional and global studies; and global learning. The University's programme integrates and substantially extends, in relation to the five themes, the work carried out under the original three programmes of World Hunger, Human and Social Development and the Use and Management of Natural Resources, which ceased to exist as programmes at the end of 1981.

16. At the same session, the Council approved the programme and budget for 1982.

17. Joint meetings of the Programme Advisory committees were held in Tokyo from 21 to 25 January 1980 to supervise, direct and plan present and future joint programme activities.

18. The first meeting of the newly-appointed Rector's Advisory Committee was held in Tokyo from 16 to 20 March 1981, when the present state of the programmes and the future direction and development of the University were discussed.

19. The aim of the World Hunger Programme is to strengthen the capabilities of individuals and institutions, especially in the developing countries, to solve their own problems and increase and improve food availability, ensure quality and safety, raise income levels and help to reduce poverty so that the nutritional standards of the common man can be improved. Several changes were initiated to bring the activities in line with the forthcoming new perspectives of the University. The associated institutions were notified that arrangements with them would have to be reconsidered in the light of a more interdisciplinary approach to advanced training and research. The number of people who completed advanced training by the end of December 1981 was 152, of which 32 were special Fellows; 72 people will continue their training, including one special Fellow; and 23 will begin training in 1982, including 9 special Fellows. The number of meetings/workshops and symposia held during the period was 31. The main components of the Programme were reviewed by special groups appointed by the Rector, and it was decided to formulate two main subprogrammes for action in 1982: (a) hunger, technology and society and (b) hunger, health and society. During the period under report, four special supplements of Food and Nutrition Bulletin were issued: (a) Food Price Policies and Nutrition in Latin America; (b) Nutritional Evaluation of Protein Foods; (c) Protein-Energy Requirements of Developing Countries: Evaluation of New Data; and (d) Interdisciplinary Dialogue on World Hunger.

20. The Human and Social Development Programme concentrates on two areas: (a) problems of development; and (b) technology and development. In the area of problems of development, two major research projects are in operation (Goals, processes and indicators of development; and Socio-cultural development alternatives in a changing world). In the area of technology and development, there are three research projects (Research and development systems in rural settings; Sharing of traditional technology; and Technology transfer, transformation and development: the Japanese experience). A total of 98 universities and research centres are associated with the Programme. Fifty-seven meetings, workshops and symposia were held during this period.

21. The Programme on the Use and Management of Natural Resources is concerned with four areas: (a) enhancing productivity on a sustained basis in rural areas through the improved management of renewable natural resources; (b) resource policy and management in coastal zones; (c) the effective application of existing as well as new knowledge to the problems of arid lands; and (d) the problem of renewable energy in rural areas, especially in developing countries. Seven associated institutions and 13 research and training units are now in operation. During the period under review, 28 meetings were sponsored by the Programme and the proceedings of these are being or have been published. A total of 49 Fellows have been trained or were undergoing training in this period.

22. During this period, the University published a total of 221 titles including 8 issues of Food and Nutrition Bulletin and 16 issues of ASSET, Abstracts of Selected Solar Energy Technology, and began co-publishing a new journal, Mountain Research and Development.

II. REPORT OF THE BOARD OF AUDITORS

Introduction

1. As required by article IX, paragraph 8, of the Charter of the United Nations University, the Board of Auditors has audited the accounts of the United Nations University for the biennium ended 31 December 1981.
2. The audit was conducted in accordance with article XII 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. Our examination was carried out at the University in Tokyo and included a follow-up on the recommendations made in our report on the biennium 1978-1979. 1/
3. We noted with appreciation that there has been significant improvement in the over-all financial reporting system. The following observations and recommendations are designed to suggest further improvements to the financial management and control systems. We have discussed our findings and recommendations with the University Administration and their comments indicating the action they intend to take have been incorporated where appropriate.

Cash management

Collection of Government contributions

4. The Endowment Fund is the principal source of income of the University. The Council of the University, at its sixteenth session in December 1980, reiterated the importance of establishing a universal basis for the funding of the University by generous contributions from all Member States. Out of \$US 500 million, which was the long-term target figure for contributions to the Endowment Fund, the University had received pledges for \$140 million as at 31 December 1981, of which \$110 million had actually been received. The University expects to achieve approximately half of the targeted pledge by the mid-1980s.
5. We also noted that 16 Member States of the United Nations have so far pledged contributions to the Endowment Fund. In addition, the University has received contributions to the Operating Fund from 23 Member States. The financial resources available are too limited and insufficient for the University to realize its full potential and effectively to fulfil the objectives embodied in the University's Charter.
6. We recommended that, in order to make the University financially capable of achieving its objectives, efforts should be intensified to obtain the participation of more Member States in its fund-raising programmes. We also recommended that follow-up procedures should be strengthened for the collection of outstanding pledged contributions.

1/ Official Records of the General Assembly, Thirty-fifth Session, Supplement No.5 (A/35/5), vol. IV.

7. While agreeing with our recommendations, the University Administration indicated that the General Assembly and the Executive Board of the United Nations Educational, Scientific and Cultural Organization (UNESCO) had adopted several resolutions calling on Member States to make contributions to the University. The Secretary-General of the United Nations and the Director-General of UNESCO had similarly made a number of appeals to Member States to this effect. Nevertheless, the Administration was intensifying its own efforts to increase the funds of the University.

Budgetary control

Change-over to biennial budgeting

8. The Advisory Committee on Administrative and Budgetary Questions, during the 1980 budget review, recommended that the University should adopt a biennial budgeting procedure. This recommendation was also endorsed by the University Council at its sixteenth session in December 1980. While recognizing the need for a biennial budgeting procedure, the University Council recognized the more urgent need to adopt and implement a medium-term perspective to serve as a basis for a biennial budgeting procedure. Consequently, the Council of the University decided that a biennial budgeting procedure would be adopted by the biennium starting 1984.

9. The Board agrees with the decision of the University Council and would like to see the implementation of biennial budgeting starting in 1984.

Unencumbered balance

10. During 1981, the unencumbered balance of the General Operating Fund for the University was over \$2.4 million, which has been carried over to 1982. This balance appears to have been built up by restricting expenditure as a matter of policy to enable the University to carry out the new programme activities under the medium-term perspective. We recommended that, in order to ensure optimum programme delivery, the level of expenditure should be consistent with the budgeted estimates. The procedure we proposed has been adopted by the University for the fiscal year 1982 and will be continued in the future.

11. The University Administration indicated that this unencumbered balance, in fact, would serve as the Programme Reserve Fund during 1982, which would provide a measure of flexibility to respond to the dynamics of research and post-graduate training, particularly for unforeseen needs. The University Administration also indicated that the Programme Reserve Fund included an Administrative Reserve of \$1.5 million which was required to meet technical needs such as fluctuating rates of exchange, etc. The Administrative Reserve would be excluded from the Programme Reserve Fund in future budget documents, as decided by the Council at its eighteenth session.

Personnel issues

Appointment of consultants and evaluation of their performance

12. A significant amount of funds is being spent by the University on consultants' fees. According to the existing procedure, the Programme Division initiates action for the appointment of consultants and the appointments are made by the Vice-Rectors

concerned. We felt that the determination of the need for consultancy services for a given job and the method of selection of consultants were inadequate.

13. In order to improve the existing procedure, the University Administration agreed to associate the Planning and Evaluation Unit and the Planning Committee in reviewing requests for consultancy services and in evaluating the output of the consultants.

Expendable and non-expendable property

14. We noted that annual physical verification of library and reference books was not carried out by the University. With regard to non-expendable properties, items supplied by the host Government are periodically checked by the Government authorities. In addition, the University carries out annual physical verification, but we noted that this was done by officials responsible for the custody of the properties. It was agreed by the Administration that in future physical verification of all properties should be carried out at least once a year by officials other than those responsible for their custody.

Comments on the matters dealt with in the report on the biennium 1978-1979

15. The Administration has either provided a satisfactory explanation or taken appropriate action on the matters raised in the Board's report on the biennium 1978-1979, with the exception of recommendations on contractual arrangements and financial guidelines.

16. The Administration informed us that the earlier arrangements are still in force and cannot be modified until their renewal date.

Acknowledgement

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

(Signed) H. VREBOS
Senior President of the Court of
Accounts of Belgium

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

(Signed) J. B. H. COLEMAN
Auditor General of Ghana

III. AUDIT OPINION

We have examined the following appended financial statements, numbered I and II, properly identified, and the relevant schedule of the United Nations University for the biennium 1980-1981 ended 31 December 1981. 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 1981.

(Signed) H. VREBOS
Senior President of the Court of
Accounts of Belgium

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

(Signed) J. B. H. COLEMAN
Auditor General of Ghana

June 1982

IV. ACCOUNTS FOR THE BIENNIUM ENDED 31 DECEMBER 1981

UNITED NATIONS UNIVERSITY

COMBINED STATEMENT OF INCOME AND EXPENDITURE FOR THE BIENNIMUM 1980-1981 ENDED 31 DECEMBER 1981
(UNITED STATES DOLLARS)

	General Operating Fund for the United Nations University	Endowment Fund for the United Nations University	United Nations University Housing Assistance Trust Fund	United Nations University Library Trust Fund	1981	1979
<u>Income</u>						
Contributions from Governments	926 627	14 665 031	-	-	15 591 658	34 110 943
Public donations	40 000	-	-	8 224	48 224	208 262
Subventions from Endowment Fund for the United Nations University	24 107 913	-	-	-	-	a/
Interest income	14 726	24 107 913	1 026	1 148	24 124 813	15 322 053
Miscellaneous income	1 017 754	-	7 173	2 444	1 027 371	792 627
Total income	26 107 020	38 772 944	8 199	11 816	40 792 066	50 433 885
<u>Expenditure</u>						
Salaries and common staff costs	9 867 868	-	24 877	-	9 892 745	8 862 717
Travel	1 326 691	-	-	-	1 326 691	1 969 696
Contractual services	2 122 411	-	-	-	2 122 411	761 670
Operating expenses	1 348 988	784 952 b/	-	-	2 133 940	943 436
Acquisitions	88 998	-	-	-	88 998	28 081
Transfer to General Operating Fund	-	24 107 913	-	-	-	a/
Fellowships, grants, other	11 578 959	-	-	-	11 578 959	4 367 188
Total expenditure	26 333 915	24 892 865	24 877	-	27 143 744	16 932 788
Excess of income over expenditure for the above period	(226 895)	13 880 079	(16 678)	11 816	13 648 322	33 501 097
Add: Adjustments for prior period	1 000 000 c/	(1 000 000) c/	-	-	-	-
Net excess of income over expenditure	773 105	12 880 079	(16 678)	11 816	13 648 322	33 501 097

a/ Net of adjustment for elimination of interfund transfers.

b/ Loss on exchange.

c/ Transfer of Japanese contribution collected in 1981.

CERTIFIED CORRECT

(Signed) Patricio RUEDAS
Assistant Secretary-General
for Financial Services
31 March 1982

UNITED NATIONS UNIVERSITY

COMBINED STATEMENT OF ASSETS AND LIABILITIES AS AT 31 DECEMBER 1981
(UNITED STATES DOLLARS)

	General Operating Fund for the United Nations University	Endowment Fund for the United Nations University	United Nations University Housing Assistance Trust Fund	United Nations University Library Trust Fund	Total	1979
Assets					1981	
Cash	6 767 882	107 344 874	6 105	24 846	114 143 707 a/	94 433 872
Investments	-	3 938 811	-	-	3 938 811 b/	2 142 253
Pledged contributions unpaid (Schedule 2.1)	42 708	28 790 301	-	-	28 833 009	48 389 837
Accounts receivable	361 000	1 018 222	16 867	-	1 396 089	997 754
Due from United Nations General Fund	-	-	-	-	-	148 271
Deferred charges and other assets	262 017	-	28	207	262 252	176 942
Total assets	7 433 607	141 092 208	23 000	25 053	148 573 868	146 288 929
Liabilities						
Accounts payable	202 132	-	-	-	202 132	-
Unliquidated obligations	3 382 290	-	-	-	3 382 290	1 934 224
Due to United Nations General Fund	346 496	-	-	-	346 496	-
Deferred income	40 708	5 644 498	-	-	5 685 206	19 045 283
Total liabilities	3 971 626	5 644 498	-	-	9 616 124	20 979 507
Fund balance						
Balance available 1 January 1980	2 688 876	122 567 631	39 678	13 237	125 309 422	91 808 325
Add: Net excess of income over expenditure (see Statement I)	773 105	12 880 079	(16 678)	11 816	13 648 322	33 501 097
Balance available 31 December 1981	3 461 981	135 447 710	23 000	25 053	138 957 744	125 309 422
Total liabilities and fund balance	7 433 607	141 092 208	23 000	25 053	148 573 868	146 288 929

a/ Including interest-bearing bank deposits of \$113,114,992.

b/ Comprises investment in United Kingdom gilt-edged bonds.

CERTIFIED CORRECT

(Signed) Patricio RUEDAS
Assistant Secretary-General
for Financial Services
31 March 1982

UNITED NATIONS UNIVERSITY
COMBINED STATUS OF PLEDGES UNPAID AS AT 31 DECEMBER 1981
(UNITED STATES DOLLARS)

Countries/trust funds	Unpaid pledges as at 1 January 1980	Pledges for 1980 and 1981 and adjustments	Pledges for future years	Collections during 1980 and 1981	Unpaid pledges as at 31 December 1981
<u>Endowment Fund for the</u>					
<u>United Nations University</u>					
Algeria	-	30 000	-	-	30 000
Argentina	-	5 000	-	5 000	-
Austria	-	206 506	119 522 a/	206 506	119 522
Chile	-	5 000	-	5 000	-
Egypt	-	10 000	-	10 000	-
Germany, Federal Republic of	-	1 863 598	1 081 081	954 507	1 990 172
Ghana	500 000	500 000	-	500 000	500 000
India	168 750	337 500	-	506 250	-
Indonesia	20 000 000	(1 000 000)	-	10 000 000	9 000 000
Japan	-	30 000	-	30 000	-
Jordan	75 000	25 000	-	50 000	50 000
Libyan Arab Jamaniya	-	259 189	250 000	259 189	250 000
Mexico	100 000	225 000	-	325 000	-
Netherlands	10 000	20 000	10 000	10 000	30 000
Nigeria	-	20 000	10 000	20 000	10 000
Philippines	-	20 000	-	20 000	930 000
Saudi Arabia	1 000 000	1 930 000	-	2 000 000	706 712
Senegal	486 804	219 908	-	-	5 000 000
Sudan	3 000 000	2 000 000	200 000	200 000	200 000
Taiwan	-	6 250	-	6 250	-
Thailand	-	300 000	-	300 000	-
Tunisia	-	-	-	-	-
United Arab Emirates	-	-	-	-	-
United Kingdom of Great Britain and Northern Ireland	-	4 131 463	3 913 895	4 131 463	3 913 895
United Republic of Tanzania	-	40 000	60 000	40 000	60 000
Venezuela	4 000 000	2 000 000	-	-	6 000 000
Subtotal	29 340 554	13 364 414	5 644 498	19 559 165	28 790 301
<u>General Operating Fund for the</u>					
<u>United Nations University</u>					
France	-	50 000	40 708	50 000	40 708
Greece	-	75 000	-	75 000	-
Indonesia	-	10 000	-	10 000	-
Japan	-	1 000 000	-	1 000 000	-
Mexico	-	11 948	-	11 948	-
Norway	-	387 984	-	387 984	-
Sri Lanka	-	4 000	-	2 000	2 000
Sweden	-	320 988	-	320 988	-
Switzerland	-	78 153	-	78 153	-
United Republic of Tanzania	4 000	(4 000)	-	-	-
Subtotal	4 000	1 934 073	40 708	1 936 073	42 708
Grand total	29 344 554 d/	15 298 487	5 685 206	21 495 238	28 833 009

a/ Austria has pledged to pay 1.5 million Austrian schillings (\$119,522) annually.

b/ Represents total unpaid pledges of \$48,389,837 at 31 December 1979 less \$19,045,283 future years' pledges unpaid at that date.

ANNEX

Summary of significant accounting policies

The following are the significant accounting policies of the United Nations University:

(a) The United Nations University accounts are maintained in accordance with the Financial Regulations of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations and administrative instructions issued by the Under-Secretary-General for Administration, Finance and Management or the Assistant Secretary-General for Financial Services, and in conformity with generally accepted government accounting principles. The United Nations follows the International Accounting Standard 1 on the disclosure of accounting policies, as modified and adopted by the Consultative Committee on Administrative Questions at its fifty-fourth session, as shown below:

- (i) Going concern, consistency, and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons.
- (ii) Prudence, substance over form, and materiality should govern the selection and application of accounting policies.
- (iii) Financial statements should include clear and concise disclosure of all significant accounting policies which have been used.
- (iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. The policies should normally be disclosed in one place.
- (v) Financial statements should show corresponding figures for the preceding period.
- (vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) Fund accounting. The United Nations University accounts are maintained on a "fund accounting" basis. Separate funds for general or special purposes may be established by the General Assembly or the Secretary-General. Each fund is maintained as a distinct financial and accounting entity, with a separate self-balancing double-entry group of accounts. Each fund is reported separately in the financial statements.

(c) Although the financial period of the United Nations University is a biennium and consists of two consecutive calendar years, the budget estimates of the United Nations University are currently prepared annually. Pending the introduction of a biennial budget anticipated for 1984-1985, unliquidated obligations remain valid for 12 months following the end of the year, rather than the biennium, to which they relate.

(d) The income and expenditure and assets and liabilities are recognized on the accrual basis of accounting.

(e) Translation of currencies. The accounts of the United Nations University are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the Assistant Secretary-General for Financial Services. In respect of such currencies, the financial statements prepared at such intervals as may be prescribed by the Assistant Secretary-General for Financial Services, under delegation of authority from the Under-Secretary-General for Administration, Finance and Management, shall reflect the cash, investments, unpaid pledges (other than pledges for future years) and current accounts receivable and payable in currencies other than United States dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the statements.

(f) 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.

(g) Investments. These comprise securities, stocks and bonds acquired by the United Nations University to produce income. Funds on deposit in interest-bearing bank accounts, certificates of deposit, time deposits and call accounts are shown in the statements of assets and liabilities as cash. Apart from changes in value arising from the retranslation of currencies as provided for in subparagraph (e) above, all investments are stated at cost. No provision is made for amortization of premiums or discounts which are taken into account as part of the gain or loss when investments are sold.

(h) 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.

(i) Fixed assets. Furniture, equipment, other non-expendables and leasehold improvements are not included in the assets of the University. Acquisitions are charged against budgetary accounts in the year of purchase.

(j) No provision is made for repatriation grant entitlements or to meet contingencies under appendix D of the Staff Rules of the United Nations as funds are provided for in the budget of the University.

(k) All government contributions, unless otherwise specified, are credited to the United Nations University Endowment Fund. Endowment Fund principal is invested so as to keep the original contributions intact. Only the interest from the

investment of the Endowment Fund is being used for the purpose of covering the costs necessary for the operation of the University.

- (1) Miscellaneous income.
- (i) Refunds of expenditures charged to the prior financial periods are credited to miscellaneous income.
- (ii) Moneys accepted in respect of which no purpose is specified have been treated as miscellaneous income.
- (iii) On the closing of the accounts at the end of each financial period, if the balance of the exchange accounts reflects a net loss on exchange, it is debited to the budgetary account. If there is a net gain, this is credited to miscellaneous income.
- (iv) The proceeds from the sale of surplus property are credited to miscellaneous income of the respective funds.
- (v) The refunds from UNJSPF in respect of pension contribution (7 per cent of pensionable remuneration) of participants entering the fund on or after 1 January 1967 but withdrawing within five years are credited to miscellaneous income.

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