United Nations

United Nations Human Settlements Programme

Financial report and audited financial statements

for the year ended 31 December 2022

and

Report of the Board of Auditors

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

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A/78/5/Add.9

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Report of the Board of Auditors

United Nations • New York, 2023

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

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Letters of transmittal

Letter dated 31 March 2023 from the Executive Director of the United Nations Human Settlements Programme addressed to the Chair of the 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 2022, which I approve on the basis of the attestations of the Chief Finance Officer, United Nations Office at Nairobi, and the Director, Management, Advisory and Compliance Service of the United Nations Human Settlements Programme.

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

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

Letter dated 26 July 2023 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors, together with the financial report and the audited financial statements of the United Nations Human Settlements Programme for the year ended 31 December 2022.

(*Signed*) **Hou** Kai
Auditor General of the People’s Republic of China
Chair of the Board of Auditors

Chapter I

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

Opinion

We have audited the financial statements of the United Nations Human Settlements Programme (UN-Habitat), which comprise the statement of financial position (statement I) as at 31 December 2022 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 2022 and its financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing and the International Standards of Supreme Audit Institutions. Our responsibilities under those standards are described in the section 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

The Executive Director of UN-Habitat is responsible for the other information, which comprises the financial overview for the year ended 31 December 2022, 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

The Executive Director of UN-Habitat 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, the Executive Director is responsible for assessing the ability of UN-Habitat to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless management intends either to liquidate UN-Habitat or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of UN-Habitat.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

(d) Draw conclusions as to the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of UN-Habitat to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause UN-Habitat to cease to continue as a going concern; and

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of UN-Habitat that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of UN-Habitat.

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

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

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

26 July 2023

Chapter II
Long-form report of the Board of Auditors

Summary

The Board of Auditors audited the financial statements and reviewed the operations of the United Nations Human Settlements Programme (UN-Habitat) for the year ended 31 December 2022.

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 2022 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Overall conclusion

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

Key findings

Absence of required oversight of project budgets and finance by the Programme Review Committee

The Board noted that the detailed budgets of projects were only cleared by project management officers. The Management Advisory and Compliance Service Division did not fulfil its duty to conduct oversight of project budgets in 2022, as required by the Programme Review Committee.

Inadequate control over unearmarked grants

The Board noted that UN-Habitat created "unearmarked grants" to accumulate remaining contributions from donors and interest income of earmarked funds in cases where there were no instructions from donors. The Board sampled three unearmarked grants with a total cash balance of $17.79 million at the end of 2022 (2021: $16.1 million) and further noted that they were mainly used to support 13 internal loans, totalling $3.78 million, at the end of 2022. Of those 13 loans, 10 loans, totalling $2.11 million, did not comply with the UN-Habitat cash management policy and affected the liquidity of unearmarked grants.

Lack of approval for non-standard programme support cost rates

In 22 grants, programme support cost rates of 25 per cent, 10 per cent, 8.5 per cent and 0 per cent were applied without approval, which is not in line with the United Nations policy on programme support costs.

Bypassing Programme Review Committee review of exemption requests

The Board noted that all exemption requests were raised by project management officers (and delivered directly to the approver without being cleared by the Programme Review Committee. As a result, some exempted projects had no formal

applications and approval records for exemption, and the justifications for some exemptions were insufficient or even groundless. The Board further noted that in the guidelines for programme/project review and approval, the mechanism for the review of exemption requests by the Committee was ambiguous.

Insufficient monitoring and re-evaluation of approved (ongoing) projects by the Programme Review Committee

On the basis of a sample group of ongoing projects with a budget of over $5 million as well as the top five largest budget projects exempted from review by the Programme Review Committee, the Board noted that three projects had slow progress and material change by the end of 2022 and that neither re-evaluation nor monitoring by the Committee was conducted. The Board further noted that 70 of the 115 projects that had been reviewed and approved by the Committee in 2022 met the criteria for being selected to be monitored during implementation. However, as at 31 March 2023, no implementation monitoring of these projects had been conducted by the Committee.

Lack of a formal consolidation mechanism for the development of applications

The Board noted that the UN-Habitat Information and Communications Technology (ICT) Unit at headquarters was solely responsible for hosting and maintaining the applications, with insufficient management of application development. Due to fragmented ICT management, represented by the lack of a formal mechanism to consolidate ICT requirements, the agency experienced fragmented development of ad hoc applications. After consulting the business owners of each application, the Board was unable to gather any information on development expenses for 22 of the 34 applications developed by UN-Habitat as at 7 May 2023. Of the 12 applications with information on development expenses, 5 were developed without an application proposal or needs assessment, while 7 do not have application completion reports.

Excessive authority assigned to consultants and individual contractors

The Board sampled a total of 25 projects conducted by 14 region and country offices and noted that documents or reports for four projects were signed by three consultants or individual contractors on behalf of UN-Habitat, despite having no certifying and approving authority.

Main recommendations

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

Absence of required oversight of project budgets and finance by the Programme Review Committee

(a) **Strengthen the function of the Programme Review Committee with regard to project budgets and financial review, and ensure that the Management Advisory and Compliance Service Division, as a member of the Committee, performs its duties with regard to reviewing the budgetary and financial elements of the project.**

Inadequate control over unearmarked grants

(b) (i) **Develop guidance on unearmarked grants to ensure the efficient and effective management of funds;**

(ii) **Comply with the cash management policy, put in place a repayment plan for overdue loans, and ensure that internal loans are repaid in a timely manner.**

Lack of approval for non-standard programme support cost rates

(c) **Develop a policy and establish a mechanism to ensure that programme support cost rates are in line with the United Nations policy and that exceptions to standard rates are properly reviewed and approved.**

Bypassing Programme Review Committee review of exemption requests

(d) **Further standardize the criteria for exemption from review by the Programme Review Committee. Applications for exemption should be approved by the authorized approver after being cleared by the Programme Review Committee, to avoid conflicts of interest and to promote the risk control of projects.**

Insufficient monitoring and re-evaluation of approved (ongoing) projects by the Programme Review Committee

(e) **Enhance the engagement of the Programme Review Committee in project monitoring and evaluation, including clarifying relevant work responsibilities and identifying the primary key tasks of projects between different phases.**

Lack of a formal consolidation mechanism for the development of applications

(f) **Ensure that the ICT requirements of all divisions and offices are effectively coordinated and consolidated in the development of applications.**

Excessive authority assigned to consultants and individual contractors

(g) **Strengthen its management of consultants and individual contractors by further clearly defining their roles, responsibilities and authorization levels within the agency's hierarchy to ensure that they do not exceed their delegation of authority.**

Follow-up to previous recommendations

As at 31 December 2022, of the 79 outstanding recommendations issued up to the year ended 31 December 2021, 34 recommendations were implemented (43 per cent), 44 were under implementation (56 per cent) and 1 was overtaken by events (1 per cent).

Key facts	
$27.55 million	Original annual resources (regular budget and Foundation non-earmarked funds)
$498.69 million	Total assets
$123.05 million	Total liabilities
$187.85 million	Total revenue
$123.10 million	Voluntary contributions revenue
$203.48 million	Total expenses

A. Mandate, scope and methodology

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

2. The headquarters of UN-Habitat is in Nairobi, with four main regional offices covering Africa, the Arab States, Asia and the Pacific, and Latin America and the Caribbean. UN-Habitat also has liaison offices, country offices and project offices in 67 countries across the world. As at 31 December 2022, it employed 373 staff (2021: 378 staff), together with fluctuating numbers of non-staff personnel on specific contracts, in particular in field offices.

3. The Board has audited the financial statements of UN-Habitat and has reviewed its operations for the financial period ended 31 December 2022 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 and the International Standards of Supreme Audit Institutions for the financial audit of public sector entities. The standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

4. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UN-Habitat as at 31 December 2022 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). That effort included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

5. The Board also reviewed UN-Habitat operations under financial regulation 7.5 of the Financial Regulations and Rules of the United Nations, which requires the Board to make observations on the efficiency of the financial procedures, the

accounting system, the internal controls and, in general, the administration and management of operations. The report also includes a brief commentary on the status of implementation of the recommendations made in previous years.

6. Owing to the impact of the coronavirus disease (COVID-19) pandemic, the interim audit of UN-Habitat headquarters was carried out remotely from Beijing from 17 October to 13 November 2022. The final audit was carried out on-site at UN-Habitat headquarters in Nairobi from 5 April to 7 May 2023.

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

B. Findings and recommendations

1. Follow-up of previous recommendations

8. The Board followed up on the implementation status of its recommendations of previous years and acknowledged that progress had been made in implementing the outstanding recommendations. Of the 79 outstanding recommendations issued up to the year ended 31 December 2021, 34 recommendations (43 per cent) were implemented, 44 (56 per cent) were under implementation and 1 (1 per cent) was overtaken by events. The relevant details are provided in the annex to the present report.

9. The Board carried out an analysis of the 44 recommendations under implementation and noted that 11 recommendations (25 per cent) were referred to financial management; 8 (18 per cent) involved human resources management; 6 (14 per cent) fell into the category of project and implementing partner management; and 7 (16 per cent) were related to asset management. The remaining 12 recommendations (27 per cent) were related to strategy management, risk management, travel, procurement, and information and communications technology (ICT).

10. With regard to the aging of the above-mentioned 44 outstanding recommendations, 10 (23 per cent) were pending for more than three years; 11 (25 per cent) remained open for three years; 9 (20 per cent) were two years old; and 14 (32 per cent) were issued one year ago.

2. Financial overview

Revenue and expenses

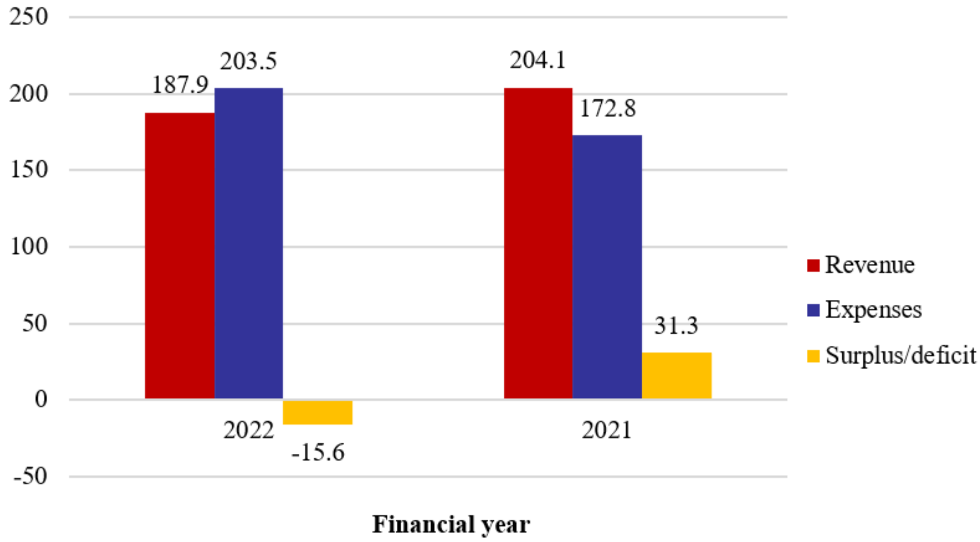
11. UN-Habitat revenue includes assessed contributions (regular budget), voluntary contributions, investment revenue, other transfers and allocations, and other revenue. During the period under review, total revenue decreased by $16.2 million (7.9 per cent), from $204.1 million in 2021 to $187.9 million in 2022. The decrease was mainly attributable to a decrease in voluntary contributions from $156.1 million in 2021 to $123.1 million in 2022.

12. With regard to expenses, total expenses increased by $30.7 million (17.8 per cent), from $172.8 million in 2021 to $203.5 million in 2022. The increase mainly relates to the implementation of projects. The major categories of expenses included grants and transfers amounting to $44.8 million (2021: $36.3 million) and other operating expenses of $66.9 million (2021: $44.9 million).

13. As a result of the decrease in revenues and the increase in expenses, UN-Habitat recorded a total deficit of $15.6 million in 2022, a decrease of $46.9 million compared with 2021 (2021: surplus of $31.3 million). A comparison of revenue and expenses for 2022 and 2021 is represented in figure II.I.

Figure II.I
Comparison of revenue and expenses

(Millions of United States dollars)



Source: UN-Habitat financial statements for 2021 and 2022.

Ratio analysis

14. Table II.1 contains key financial ratios analysed from the financial statements, mainly from the statements of financial position and financial performance for the financial years 2020, 2021 and 2022.

Table II.1
Ratio analysis

Ratio	*31 December 2022*	*31 December 2021*	*31 December 2020*
Cash ratio[a]			
Cash plus short-term investments: current liabilities	2.12	1.77	1.26
Quick ratio[b]			
Cash plus short-term investments plus accounts receivable: current liabilities	4.16	3.06	2.29
Current ratio[c]			
Current assets: current liabilities	4.40	3.23	2.48
Solvency ratio[d]			
Total assets: total liabilities	4.05	3.03	2.63

Source: UN-Habitat 2021 and 2022 financial statements.

[a] The cash ratio is an indicator of an entity's liquidity by measuring the amount of cash, cash equivalents or invested funds included in current assets to cover current liabilities.

[b] 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.

[c] A high ratio indicates an entity's ability to pay off its short-term liabilities.

[d] A high ratio is a good indicator of solvency.

15. UN-Habitat key financial indicators remain sound, as shown by the high ratios of current assets to current liabilities and total assets to total liabilities. The ratios increased in a stable manner compared with the financial year 2021. The increase is attributable to a decrease in accounts payable and accrued liabilities, as well as a decrease in liabilities for conditional arrangements.

16. Revenue for the Foundation non-earmarked segment (hereinafter referred to as the Foundation) increased by $5.0 million (192.3 per cent), from $2.6 million in 2021 to $7.6 million in 2022. The expenses for the Foundation decreased by $1.5 million (46.9 per cent), from $3.2 million in 2021 to $1.7 million in 2022. This led to the Foundation realizing a surplus of $6 million in 2022, an increase of $6.6 million compared with 2021 (2021: deficit of $0.6 million). In addition, as at 31 December 2022, the Foundation had positive net assets of $4.9 million (2021: negative net assets position of $1.1 million). The increase is mainly attributable to the effort invested in resource mobilization and austerity measures taken by UN-Habitat.

3. Budget management

17. The budget of UN-Habitat includes regular budget and extrabudgetary resources. The total budget presented in the proposed programme budget for 2022 was $255.46 million, of which the regular budget share amounted to $13.29 million before recosting, while the estimates for extrabudgetary resources amounted to $242.17 million.

Absence of required oversight of project budgets and finance by the Programme Review Committee

18. The guidelines for programme/project review and approval state that the Director of the Management Advisory and Compliance Service Division, who leads the Budget and Finance Unit and is mandated to provide administrative, financial and programme support for UN-Habitat, is a standing member of the Programme Review Committee at headquarters in Nairobi and is responsible for reviewing the compliance of projects with policies and guidelines on budgeting, procurement and administration. The Guidelines also state that a project document should contain all the details needed to ensure the securing of the necessary funds and the full implementation of the programme or project. The key is to have a detailed budget, which should be cleared by the relevant project management officer under the oversight of the Director of the Management Advisory and Compliance Service Division, to ensure that the budget is adequate and consistent with the expected outputs described in the project document, covering all direct costs of the project.

19. The Board reviewed the minutes of the headquarters Programme Review Committee meetings held in 2022 and the final documents of the approved projects, and noted that the Committee had convened 23 meetings and reviewed 59 projects, with a total budget of $266.11 million. However, the Director of the Management Advisory and Compliance Service Division had not attended any of those meetings. Meanwhile, no comments related to project budget and finance had been put forward by the Division, and the detailed budgets of projects had been cleared by project management officers only.

20. The Board sampled eight projects with individual budgets exceeding $5 million that had been approved and implemented in 2022, amounting to a total of over $60 million, and noted that the financial and management feasibility checklists for three of the projects, totalling over $20 million, had either not been completed or had been completed after the implementation of the projects.

21. UN-Habitat explained that the Management Advisory and Compliance Service Division had suffered from a shortage of resources. Accordingly, owing to competing

priorities, the Director had not been able to play the financial oversight role stipulated in the Guidelines.

22. The Board was concerned that the absence of the Director of the Management Advisory and Compliance Service Division from the meetings of the headquarters Programme Review Committee could lead to a lack of budgetary and financial oversight of projects at the headquarters level and was not conducive to reducing the risk of fraud.

23. **The Board recommends that UN-Habitat hold meetings of the headquarters Programme Review Committee with the attendance of required members to comply with the guidelines for programme/project review and approval.**

24. **The Board also recommends that UN-Habitat strengthen the function of the Programme Review Committee with regard to project budgets and financial review, and ensure that the Management Advisory and Compliance Service Division, as a member of the Committee, performs its duties with regard to reviewing the budgetary and financial elements of the project.**

25. UN-Habitat accepted the recommendations.

Inaccurate budgeting in the ICT strategy

26. The Advisory Committee on Administrative and Budgetary Questions, in its first report on the proposed programme budget for 2022 (A/76/7, para. VIII.61), stated that it had repeatedly noted with concern that, despite the existence of governance processes, compliance with the ICT budget instructions had not been ensured. The Committee had emphasized the need for greater oversight by the Office of Information and Communications Technology to verify that resources matched the priorities of the Organization, to minimize the risk of duplication and to maximize efficiencies (see also A/75/564, para. 23).

27. During the audit, the Board was provided with the updated UN-Habitat ICT strategy. Upon reviewing the strategy, the Board noted the following deficiencies:

(a) Section 3.4 of the strategy states that urgent work is required to update the functionality of the Project Accrual and Accountability System to take into account business and user requirements. However, the Board was informed that the Project Accrual and Accountability System had not been updated since 2019 and that usage of the System had been low in 2022 as its functionalities had been taken over by Umoja. Accordingly, updating the functionality of the System may not align with the current business requirements of UN-Habitat and may not be in the best interests of the agency;

(b) In section 5.3, the budget for strengthening knowledge management, data analysis and reporting includes the updating of the Project Accrual and Accountability System and the business intelligence data integration, analysis and reporting platform, with costs set at $200,000 for 2023 and $272,000 for 2024. However, according to the strategy, the expected delivery dates for these initiatives were 2017 and 2018, well outside the planned time frame.

28. After the Board pointed out the above-mentioned inaccuracies, a corrected version of the ICT strategy was provided on 3 May 2023.

29. The Board further reviewed the corrected version and noted that the UN-Habitat ICT strategy has four strategic areas: governance; the modernization and investment plan; ICT knowledge management, data analysis and reporting; and ICT innovation for urban development. However, the new proposed budget in section 5 only covers the first two strategic areas; no resources are allocated for the other two areas,

implying that there is no budget to support ICT knowledge management, data analysis and reporting or ICT innovation for urban development from 2023 to 2025.

30. The Board is of the view that not having any budget resources for ICT knowledge management, data analysis and reporting, and ICT innovation for urban development may impede the full implementation of the UN-Habitat ICT strategy.

31. **The Board recommends that UN-Habitat strengthen the review of the budget for the ICT strategy by submitting the ICT budget to the Office of Information and Communications Technology for further consideration.**

32. UN-Habitat accepted the recommendation.

Insufficient fulfilment of duties by the Budget Steering Committee

33. The Budget Steering Committee operating rules developed by UN-Habitat state that "a Budget Steering Committee is to be established to review corporate budget allocations (staff and non-staff), review budget implementation and performance against authorized allocations and endorse the programme performance report. The Committee shall meet at least four times a year to review the annual budget allocations and the budget implementing progress and performance. … The Committee is also responsible for transparent reporting of budget allocations, adjustments and re-allocations."

34. The Board noted that UN-Habitat established the Budget Steering Committee by the end of 2021 and that the Committee met once in February 2022 to review the 2023 budget proposal. The Board was informed that there were no minutes for the meeting.

35. The Board also noted that, in September 2022, UN-Habitat adjusted the budget for 2022, which was done according to revenues at hand, with a fixed ceiling of $3 million for the Foundation non-earmarked segment and $10 million for programme support. The budget adjustment was not reviewed by the Budget Steering Committee.

36. The Board was informed that, over the course of 2022, UN-Habitat determined that the composition and scope of the Budget Steering Committee was not fit for the rigours of the fiscal control process. In lieu of the Budget Steering Committee, UN-Habitat convened quarterly budget reviews with each division individually.

37. The Board is of the view that the Budget Steering Committee should play its role in the effective and efficient management of the corporate finances of UN-Habitat.

38. **The Board recommends that UN-Habitat promote mechanisms such as the Budget Steering Committee and ensure that meetings are held regularly.**

39. UN-Habitat accepted the recommendation.

4. Financial management

Inadequate control over unearmarked grants

40. United Nations Office at Nairobi budget and financial management standard operating procedure 113, on grants approval and quality assurance, revised on 31 March 2023, states that "unearmarked grants are grants created without being designated for a specific purpose and can therefore be utilized for various purposes at the entity's discretion".

41. The UN-Habitat cash management policy, issued in 2015, states that the request for an internal order must include the period for which bridging funds are required (start and end dates), which must not exceed three months. The policy also states that

the maximum amount that can be advanced cannot exceed the lower of 25 per cent of the annual project budget or $250,000.

42. The Board noted that UN-Habitat created some unearmarked grants under earmarked funds (Foundation earmarked and technical cooperation accounts). In three of these unearmarked grants, the Board noted that the income came from the accumulated balance of contributions from donors and the interests earned on these balances. That income was mainly used for supporting internal loans, as well as covering foreign exchange losses, termination indemnities and various operating expenses, among other things. The cash balance of these three grants at the end of 2022 was $17.79 million, compared with $16.1 million at the end of 2021.

43. The Board was informed that, in the past, once a project was finished, UN-Habitat would refund any unspent funds to the donor whenever possible; in the absence of instructions from the donor and after carrying out due diligence, UN-Habitat would transfer the funds to unearmarked grants. UN-Habitat now strives to make it clearer in the contribution agreement that unspent money will either be refunded to the donor or transferred to unearmarked grants, in accordance with the provisions of the agreement. As earmarked funds accounted for approximately 87 per cent of the total revenue of UN-Habitat in 2022, based on the financial statements, there could be a possible cash inflow of unearmarked grants in the coming years.

44. The Board also noted that there were 14 internal loans totalling $6.28 million as at the end of 2022, of which 13 were paid from unearmarked grants ($3.78 million) to various projects and offices, with 12 loans related to pre-financing for projects and 1 loan related to the liquidity of grants.

45. The Board further noted that, of the 12 loans related to pre-financing for projects, 10 loans ($2.11 million) exceeded the borrowing period of three months and accounted for 56 per cent of the total money borrowed for the 13 internal loans. Of the 10 overdue loans, 1 loan ($2.08 million) exceeded the threshold of $250,000. In addition, one loan (for the Executive Direction and Management Office) related to the liquidity of the Foundation and grants ($1.22 million) also exceeded the three-month period and accounted for 32 per cent of total borrowing for the 13 internal loans paid from unearmarked grants.

46. UN-Habitat explained the particularity of the loan related to liquidity, which was not limited by the three-month borrowing period.

47. The Board is of the view that the delayed repayment of internal loans will affect the liquidity of unearmarked grants. Meanwhile, the lack of specific guidelines to manage unearmarked grants might affect the efficient and effective management of financial resources, especially considering that UN-Habitat has been facing fundraising challenges.

48. **The Board recommends that UN-Habitat develop guidance on unearmarked grants to ensure the efficient and effective management of funds.**

49. **The Board recommends that UN-Habitat comply with the cash management policy, put in place a repayment plan for overdue loans, and ensure that internal loans are repaid in a timely manner.**

50. UN-Habitat accepted the recommendations.

Lack of approval for non-standard programme support cost rates

51. The United Nations policy on programme support costs, set out in a memorandum sent by the Controller on 8 June 2012, states that the United Nations refers to the charge that it collects on trust fund or extrabudgetary expenditures as programme support costs. The recovery and use of programme support costs are of

central importance to the financing and organization of efficient and effective programme support services. In the policy, the Controller provides a schedule of programme support cost rates (13 per cent, 7 per cent and 3 per cent) to be applied on extrabudgetary expenditures. Exceptions to the standard rates should be submitted to the Controller for review and approval.

52. The Board noted that, at UN-Habitat, programme support cost rates of 0 per cent (18 grants), 8.5 per cent (1 grant), 10 per cent (2 grants) and 25 per cent (1 grant) were applied, which is inconsistent with the prescribed rates. There was no evidence that the Controller had approved the use of these different rates.

53. The Board also noted inconsistencies between the programme support cost rates applied in Umoja and in the agreements signed with donors.

54. The Board further noted that UN-Habitat had not issued clear official guidelines on the management of programme support costs, including principles, applicable rates and limitations.

55. UN-Habitat explained that the programme support cost rate of 25 per cent did not apply to all components of the grant. The effective programme support cost rate of the two partners involved in this grant was only 9.83 per cent.

56. The Board is of the view that the application of unapproved programme support cost rates indicates a lack of consistent practice and noncompliance with the United Nations policy on programme support costs, which could lead to inefficient utilization and management of programme funds.

57. **The Board recommends that UN-Habitat develop a policy and establish a mechanism to ensure that programme support cost rates are in line with the United Nations policy and that exceptions to standard rates are properly reviewed and approved.**

58. **The Board recommends that UN-Habitat apply programme support cost rates correctly in Umoja.**

59. UN-Habitat accepted the recommendations.

Deficit cash balances and overdue loans of closing grants

60. United Nations Office at Nairobi budget and financial management standard operating procedure 114, on the financial closure of projects, revised in April 2019, states that any unspent balance must be refunded or transferred and the cash balance must be zero. For converted projects, the grants should be closed completely, which requires that all receivables and payables under that grant be cleared to a zero balance.

61. The Board noted that there were 14 grants in closing status with deficit cash balances amounting to $279,571 at the end of 2022.

62. The Board was informed that the grants with deficit cash balances were mainly due to payroll charged and project costs occurred even though there was insufficient cash in grant accounts, which overrides the control of expenses to cash availability.

63. The Board also noted that there were nine grants in closing status with $1.92 million in overdue loans, one of which had been overdue for over 34 months.

64. The Board is of the view that deficit cash balances and overdue loans for grants will delay the closure of projects.

65. **The Board recommends that UN-Habitat take actions to strengthen the control of grants, including cleaning up deficit balances in grants accounts and settling the liability of closing grants, to ensure that projects are operationally and financially closed in a timely manner.**

66. UN-Habitat accepted the recommendation.

5. Project management

Inadequate management of projects that are exempted from review by the Programme Review Committee

(a) No standard working procedures for application for and approval of exemption from review by the Programme Review Committee

67. According to the guidelines for programme/project review and approval, the Programme Review Committee is the UN-Habitat technical committee for quality assurance for projects at the formulation and implementation stages and an advisory body to the Executive Director on project approvals. Furthermore, the Committee can advise the Executive Director against the approval of any project that clearly does not advance the interests of the agency or jeopardizes its reputation. That said, the final approval decision for any project rests with the Executive Director directly or through delegated authority.

68. The Board sampled 15 projects (with a total budget of $18.79 million) out of the 26 projects exempted from review by the Programme Review Committee since the launch of the integrated planning, management and reporting solution in April 2021, and noted that two of the projects had no formal application and approval records for exemption. Meanwhile, 13 projects had different approvers: 1 project was approved by the Executive Director, 2 projects were approved by the Deputy Executive Director and 10 projects were approved by the Chair of the Programme Review Committee at headquarters or at the regional office level. In addition, with respect to the application procedures for exemptions, applications for two projects were received and approved by email, while for 11 projects, formal memorandums were signed.

69. The Board further noted that in the guidelines for programme/project review and approval, the mechanism and approving procedures for exemption from review by the Programme Review Committee are ambiguous.

70. The Board is of the view that the absence of standard working procedures for application for and approval of exemptions is not conducive to adequate project management and risk control.

(b) Bypassing Programme Review Committee review of exemption requests

71. According to the guidelines for programme/project review and approval, the Programme Review Committee will not review projects for which donor agreements have already been signed. If due process is bypassed, strong justification is required. The guidelines also state that, for budget scaling-up projects, the full project approval workflow still needs to be followed. As for projects deemed urgent by donors, exceptions can only be granted upon a positive recommendation by the Chair of the Committee and final approval by the Executive Director.

72. The Board noted that, because the mechanism for exemption from review by the Programme Review Committee was ambiguous in the guidelines, in practice, all exemption requests were raised by project management officers and delivered directly to the approver without being cleared by the Programme Review Committee. As a result, the justifications for exemption from review for 6 of the 15 above-mentioned projects sampled by the Board were insufficient or even groundless:

(i) Circumventing review by the Programme Review Committee by signing grant agreements in advance

73. Donor agreements for two projects with a total budget of $6.02 million were signed before exemption requests had been approved, and no justification for the inverted process was documented.

(ii) Insufficient justification for exemption from review by the Programme Review Committee for scaling-up projects

74. Two scaling-up projects were exempted from review in 2021. One was exempted on the basis that an exemption had already been approved when the budget was only $0.45 million. However, during the planning process, the funding increased to $2 million. The other project, which had a budget of $91,397.84 and was a new sub-project of an umbrella project, was exempted on the basis that the umbrella project had been approved.

(iii) Non-compliance with the quick review process

75. Three projects that were exempted from review by the Programme Review Committee because they were deemed urgent projects should have been approved through the quick review process.

76. The Board is concerned that bypassing the Programme Review Committee to apply for exemptions will nullify the Committee's control over projects, resulting in erroneous approvals, and further weaken the decision-making authority of the Executive Director.

(c) Lack of necessary working procedures for projects exempted from review by the Programme Review Committee

77. According to the guidelines for programme/project review and approval, the UN-Habitat project approval process is intended to ensure that UN-Habitat project design criteria have been met and that each step of the process is justified and necessary.

78. The guidelines also state that the programme/project preparation process comprises two stages, namely project concept followed by the preparation of a full project document. At both stages, a standard template should be used to guide the process (unless exempted). The template incorporates the environmental and social safeguards system screening and the financial and management feasibility checklist.

79. The Board reviewed the files of the approved projects through the integrated planning, management and reporting solution and noted that of the 26 projects exempted from review by the Programme Review Committee, 15 projects, with a total budget of $5.63 million, had not had the required environmental and social safeguards system screening conducted during the project approval cycle, nor had the financial and management feasibility checklist been completed. Moreover, project management officers had failed to draft the final project document for four projects, with a total budget of $0.18 million.

80. The Board further noted that 4 of the 15 projects without an environmental and social safeguards system screening were due to be completed by March 2023. However, the progress of the projects was slow, with a budget implementation rate of below 55 per cent.

81. The Board is of the view that compliance with the proper preparation process for projects is critical to project management and to ensuring that the project is substantively and technically sound.

82. **The Board recommends that UN-Habitat further standardize the criteria for exemption from review by the Programme Review Committee. Applications for exemption should be approved by the authorized approver after being cleared by the Programme Review Committee, to avoid conflicts of interest, to ensure that the exemption request is adequate and complies with the guidelines, and to promote the risk control of projects.**

83. **The Board recommends that UN-Habitat further strengthen the project preparation process protocols to ensure that for projects exempted from review by the Programme Review Committee, necessary procedures and required supporting documents are not omitted.**

84. UN-Habitat accepted the recommendations.

Insufficient monitoring and re-evaluation of approved (ongoing) projects by the Programme Review Committee

85. According to the guidelines for programme/project review and approval, the project execution and implementation stage is the most critical of the project management cycle, as the planned benefits are delivered. Accordingly, the mandate of the Programme Review Committee at headquarters has been expanded to include implementation monitoring of approved projects. The new monitoring responsibility includes monitoring implementation of selected approved programmes and projects and systemic review of programme and portfolio.

86. Section 6.9 of the guidelines for programme/project review and approval, on adjustments to previously approved projects, state that such projects are being extended in cost (new activities or outputs), in time or both, or with a new geographical scope. According to the guidelines, if additional funds bring the total budget to $1 million and above, the evaluation policy guidelines will apply accordingly, including the necessary evaluation of the budget by the UN-Habitat Evaluation Unit.

87. In a sample of ongoing projects with a budget of over $5 million and the top five projects with the largest budgets exempted from review, the Board noted that three projects had slow progress and material changes by the end of 2022 and that neither re-evaluation nor monitoring was conducted by the Programme Review Committee.

88. The United Nations Innovation Technology Accelerator for Cities (UNITAC) project was launched in 2020 and due to be completed in 2024. However, completion was postponed until the end of 2026, two years later than initially planned. By the end of 2022, the budget implementation rate was just 11.8 per cent, and half of the six key staff had not been recruited. Moreover, only 1 of the 13 indicators set at the project planning stage had been completed.

89. The Hargeisa urban water supply upgrading project was first launched in December 2012, with an implementation period of 42 months and a budget of €16.5 million. However, by 2022, the implementation period for the project had been extended to 118 months, around 2.8 times the initial planned period, and the working budget for the project had been increased to approximately €25.6 million, over 1.5 times the budget originally approved.

90. A project entitled "Sustainable and participatory resettlement of the Roça Sundy community", aimed at improving the living conditions of the Roça Sundy community in Principe, was launched in 2017 with an implementation period of 30 months and a budget of €4.74 million. However, the implementation period for the project was extended to 72 months, until December 2023, around 2.4 times the initial planned period, and the working budget was increased to €6.37 million, over 1.3 times the budget originally approved. The Board also noted that during the project review process, some members of the Programme Review Committee had pointed out that

the project presented legal, financial and reputational risks, yet there was no documentation or evidence showing that UN-Habitat had conducted a sufficient risk assessment on the project.

91. The Board analysed the minutes of Programme Review Committee meetings held in 2022 and noted that a total of 115 projects had been reviewed and approved by the Programme Review Committee at headquarters and in the regional offices. Of those, 70 projects, including long-term global programmes, multi-country programmes and large-scale country programmes, met the criteria for being selected to be monitored during implementation. However, as at the end of March 2023, no monitoring of these projects had been conducted by the Programme Review Committee at headquarters.

92. The Board also noted that, with regard to basic project information, there was a lack of a primary key identifier, such as a consistent project name or code, to link the approval phase and the implementation phase of projects, which could prevent the Programme Review Committee from accurately identifying the projects in the system that needed to be monitored.

93. The Board is of the view that inadequate implementation of the project monitoring responsibilities of the Programme Review Committee at headquarters could undermine the capacity of UN-Habitat to analyse and monitor the quality and impact of substantive projects, and insufficient evaluation is not conducive to quality assurance for project formulation and implementation, nor to achieving the strategic objectives of UN-Habitat.

94. **The Board recommends that UN-Habitat enhance the engagement of the Programme Review Committee in project monitoring and evaluation, including clarifying relevant work responsibilities and identifying the primary key tasks of projects between different phases.**

95. **The Board recommends that UN-Habitat follow the relevant project management regulation, conducting re-evaluation of the project when there are material changes, and use primary key identifiers, such as consistent project names or codes, to ensure the identification of projects between the approval phase and the implementation phase.**

96. UN-Habitat accepted the recommendations.

Lack of a coordinator for implementing partner management

97. The UN-Habitat policy for implementing partners, valid from January 2017, states that the Project Accrual and Accountability System will serve as the agency's official repository of key documents related to selection, management and monitoring of implementing partners. The policy also states that, at a minimum, project managers are responsible for capturing in the System the following documentation in a timely and comprehensive manner: selection reports, implementing partner agreements, mission reports, financial and narrative reports, asset reports and evaluation reports. The Legal Office (renamed the Legal Unit in 2019, following the restructuring of UN-Habitat) under the Management and Operations Division (replaced by the Management Advisory and Compliance Service Division in 2019) is the custodian of this database.

98. The Board noted that UN-Habitat went through structural changes in 2019, after which the Legal Unit became an independent unit under the Office of the Executive Director. Furthermore, the function of implementing partner management in the Project Accrual and Accountability System has been taken over by the implementing partner module in Umoja.

99. The Board also noted that several offices and units were involved in implementing partner management, including the Management Advisory and Compliance Service Division, the Legal Unit, the regional offices and the External Relations and Partnerships Branch, but none played the role of overall coordinator. It is not clear which office or unit is the custodian of the implementing partner module in Umoja, given the significant changes in the organizational structure since 2019 and the current undefined roles of involved organs.

100. On a sample basis, the Board reviewed 20 cooperation agreements in the implementing partner module. The Board noted that, in some cases, the selection documents had not been uploaded (13 agreements), no data had been provided under payment schedule (11 agreements) and report schedule (16 agreements), and documents had been repeatedly uploaded under attachments (13 agreements), making it difficult to identify the one needed. In one case, the signed cooperation agreement had been uploaded 10 times under attachments.

101. Moreover, the Board was informed that documents relating to meetings of the Implementing Partners Selection Committee were maintained in the database of the Legal Unit, which is only accessible to staff of the Unit.

102. The Board is concerned that the lack of a leading office or unit to coordinate implementing partner management could impede information-sharing and make it difficult to solve existing and potential problems in the coordination, operation and oversight of the implementing partners module.

103. The Board is of the view that not maintaining selection documents, including documents from meetings of the Implementing Partners Selection Committee, as well as payment schedule and report schedule functions, in the implementing partner module of Umoja will hinder the whole process of implementing partner management and oversight.

104. **The Board recommends that UN-Habitat clarify the roles of the various offices in relation to implementing partner management, and designate a unit or office responsible for the overall coordination, oversight and management of implementing partners, including supervising the use of the implementing partners module.**

105. **The Board also recommends that UN-Habitat strengthen the uploading of documents related to the selection of implementing partners, including review documents of the Implementing Partners Selection Committee, and improve the maintenance of the payment schedule and report schedule functions in the implementing partner module of Umoja.**

106. UN-Habitat accepted the recommendations.

Deficiencies in the appointment and administration of the Implementing Partners Selection Committee

107. The terms of reference of the Implementing Partners Selection Committee, valid from July 2017, state that the headquarters Implementing Partners Selection Committee will review all proposals over $500,000, that the Director of the Management and Operations Division (now the Management Advisory and Compliance Service Division) will appoint, by administrative memorandum or instruction, the Chair and the members of the Committee, and that the quorum for the Committee will be three members, including the Chair (or alternate).

108. The terms of reference also stipulate that each member should sign a non-conflict of interest statement and that the Secretary of the Committee should ensure that non-conflict of interest statements are signed at every meeting before the

review of proposals and should upload the statements to the Project Accrual and Accountability System.

109. The Board noted that there have been two signed documents on the appointment and composition of the Implementing Partners Selection Committee since its establishment in October 2017. However, the second document, on the current composition of the Committee, issued on 30 March 2022, was signed by the head of the Legal Unit, rather than the Director of the Management Advisory and Compliance Service Division, which is not in line with the terms of reference.

110. The Board was informed that between October 2017 and March 2022, changes of members were recorded in meeting minutes or through emails instead of in signed official documents.

111. The Board reviewed the minutes of the nine meetings of the Committee held in 2021 and 2022, and found that in two meetings, only the Chair and one member were present, which did not form a quorum. Moreover, the Board noted that one person who was not a member attended a review meeting and participated in the discussion.

112. The Board also noted that the members of the Committee did not sign non-conflict of interest statements at each meeting.

113. The Board is of the view that if members of the Committee are not appointed in an official manner, it could lead to a lower sense of duty and weaker accountability.

114. The Board is concerned that if Committee members do not sign non-conflict of interest statements, it could negatively affect the fairness of reviews.

115. **The Board recommends that UN-Habitat appoint the members of the Implementing Partners Selection Committee through official documents signed by the person designated in the terms of reference of the Committee.**

116. **The Board recommends that UN-Habitat review various options to solve the issue of not meeting the quorum and ensure that only appointed members and designated alternates can participate in meetings.**

117. **The Board recommends that each member of the Implementing Partners Selection Committee sign a non-conflict of interest statement at every meeting prior to the review of proposals.**

118. UN-Habitat accepted the recommendations.

6. Information and communications technology

119. The Advisory Committee on Administrative and Budgetary Questions has repeatedly expressed concerns regarding the fragmentation of ICT resources at the United Nations (see A/77/7, paras. VIII.72–VIII.78, and A/75/564). In response, the Board conducted a review to assess the adequacy and effectiveness of the agency's ICT governance and management.

120. Since 2017, UN-Habitat has aimed to establish an ICT advisory committee to act as a formal mechanism that can consolidate requirements, provide leadership and guidance, and recommend policies based on international best practices for consistent ICT services throughout the agency. The Board noted that the committee was established and activated on 24 March 2023, but had not yet officially started to perform its duties.

121. The Board reviewed the roster of applications used by UN-Habitat and noted a total of 34 information systems recorded in Unite Apps. These systems included applications, websites, databases and toolboxes that were specifically designed and implemented to address enterprise, divisional, project and thematic needs. Of the 34,

30 were dedicated to knowledge management, 1 was a productivity tool, and 3 were related to programme management. Regarding the status of the 34 information systems, 23 applications were actively in production, 9 had been retired or deleted, and two were being phased out.

Lack of a formal consolidation mechanism for the development of applications

122. The Advisory Committee on Administrative and Budgetary Questions, in its first report on the proposed programme budget for 2023 (A/77/7, para. VIII.72), stated that it trusted that the forthcoming ICT strategy would present adequate governance, monitoring and oversight mechanisms to ensure that ICT resource proposals were duly reviewed by the Office of Information and Communications Technology, comply with all relevant decisions of the General Assembly, match the priorities of the Organization, minimize the risk of duplication and maximize efficiencies (see also A/76/7 and A/76/7/Corr.1, para. VIII.61).

123. Section 3.1 of the UN-Habitat ICT Strategy 2023–2025 states that UN-Habitat does not yet have a formal mechanism for identifying and consolidating ICT requirements across the agency in order to address them in the approved ICT strategy and operational workplan.

124. The Board is concerned that lack of proper enforcement of ICT governance may eventually lead to fragmented and duplicated investments in ICT across multiple divisions, branches and country offices.

125. The Board reviewed the information on development expenses, proposals and completion reports for all of the agency's applications and noted that most application development and investments were done on an ad hoc basis and that the ICT Unit at headquarters only had the right to host and maintain the applications.

126. As at 7 May 2023, the Board, after consulting the business owners of each application, had been unable to gather any information on development expenses for 22 of the 34 applications. Of the 12 applications with information on development expenses, 5 had been developed without an application proposal or needs assessment, while 7 lacked an application completion report.

127. **The Board recommends that UN-Habitat ensure that the ICT requirements of all divisions and offices are effectively coordinated and consolidated in the development of applications.**

128. UN-Habitat accepted the recommendation.

Delayed decommissioning of low-usage systems

129. Section 4.1 of the United Nations ICT Technical Procedure on Application Decommissioning states that any application that is not being used to support a current business process should be retired and its data deleted, archived or migrated to a new system. Business owners must be consulted and made aware of this procedure and their responsibilities in the decommissioning process. The justification for the decommissioning should be approved by the business owner and properly documented.

130. The Board noted that two programme management applications, namely the Donor Information System and the Project Accrual and Accountability System, were actively in production. The Donor Information System was used to manage donor profiles, while the Project Accrual and Accountability System served as the core administrative system for managing UN-Habitat projects, agreements, finances, human resources information, knowledge resources, reports and work programmes.

131. The Board was informed that the Project Accrual and Accountability System was no longer being used as the project management information system because the Secretariat-wide integrated planning, management and reporting solution had been deployed. In addition, other modules in the Project Accrual and Accountability System were dependent on project information that was no longer entered in the System owing to the use of the integrated planning, management and reporting solution.

132. The Board noted that the Project Accrual and Accountability System had not been updated since 2019, while the information in the Donor Information System had not been updated since 2021. The Board was also informed that the number of visits to both systems had been small in 2022 because they was currently used only by the Donor Relations Unit to refer to substantive data and information on projects developed prior to the integrated planning, management and reporting solution. In addition, the functionalities of the Project Accrual and Accountability System had been taken over by various Umoja modules, such as the integrated planning, management and reporting solution, the implementing partner management module, and enterprise resource planning central component.

133. The Board is concerned that, as all the functionalities of the Project Accrual and Accountability System are being unused and the System serves only as a reference database for a small unit, it may be difficult to find the resources and support needed to keep the System running effectively, resulting in increased downtime and a loss of productivity. In addition, outdated and unsupported systems are more vulnerable to security breaches and cyberattacks, which can lead to data breaches and other serious security incidents.

134. UN-Habitat explained that a dedicated staff member was responsible for the Project Accrual and Accountability System as part of his regular functions. Therefore, resources were readily available, and any downtime was managed effectively and promptly. In addition, an assessment of the necessity of the System had been carried out and it had been concluded that the System would continue to be needed until the update of the main UN-Habitat website was complete and the Donor Information System and Project Accrual and Accountability System components had been moved to the main website. The Project Accrual and Accountability System would then be retired.

135. **The Board recommends that UN-Habitat retire the Project Accrual and Accountability System once the Donor Information System and Project Accrual and Accountability System components have been moved to the main UN-Habitat website.**

136. UN-Habitat accepted the recommendation.

Retired or deleted systems failed to comply with the requirements of the Office of Information and Communications Technology

137. Section 4.2 of the United Nations ICT Technical Procedure states that the business owner should work closely with the ICT service provider to develop a justification for why the system is being decommissioned, a plan and a communication schedule for end users.

138. The United Nations Secretariat ICT Technical Procedure on the ICT Data Retention Schedule states that for the decommissioning of assets containing data or information, documentation should be prepared related to the decommissioning, including the reason for decommission, pre-decommission notices, ownership of content, access to content, approvals, time and date of deletion, and the disposition of content (disposal or archiving).

139. The Board reviewed the list of applications used by UN-Habitat and noted that two applications, the Lebanon Portal and UN-Habitat Fukuoka, were currently being phased out. In 2022, two applications, Participatory Budgeting for Municipalities and wcr.unhabitat.org, were retired, while another, the Warden Information System, was deleted.

140. The Board requested the appropriate documentation for the decommissioning of these five applications. It noted that the records in the UN-Habitat list of applications did not accurately represent the actual status of the applications, and that the decommissioning plans were missing.

141. With regard to UN-Habitat Fukuoka and the Lebanon Portal, the Board was informed that there were no plans for sunsetting or decommissioning.

142. With regard to the two retired applications, the Board was informed that if a project was closed and there were no funds available to maintain the application, it would be automatically decommissioned.

143. With regard to the Warden Information System, the Board was informed that the website had been shut down as the application had been moved to a United Nations Office at Nairobi-based application. The confidential data were still available but were no longer being accessed. A decision on the disposition of the data (disposal or archiving) was still pending.

144. The Board is of the view that applications retired or deleted in 2022 failed to meet the compliance requirements set by the Office of Information and Communications Technology and that the list of applications currently registered in Unite Apps is inadequate in terms of reflecting the actual status of the sunsetting applications and should be updated promptly to prevent any further breaches of compliance requirements.

145. The Board is particularly concerned about the Warden Information System, which has not been fully decommissioned, presenting a risk of sensitive data loss or leakage.

146. **The Board recommends that UN-Habitat comply with the procedures of the Office of Information and Communications Technology for decommissioning applications by regularly reviewing its procedures for disposing of confidential data and preparing the required documentation specified in the United Nations ICT Technical Procedure and the United Nations Secretariat ICT Technical Procedure on the ICT Data Retention Schedule.**

147. UN-Habitat accepted the recommendation.

Lack of disaster recovery plan for ICT applications

148. Section 4.1 of the United Nations Secretariat ICT Technical Procedure on Disaster Recovery Planning states that ICT service providers must develop, document and implement a disaster recovery plan and related procedures and guidelines for United Nations ICT resources and data. In addition, section 4.8 states that ICT service providers must test the ICT disaster recovery plan on a periodic basis (at least annually) to determine the plan's effectiveness and the organization's readiness to execute the plan.

149. The Board noted that of the 34 applications, 31 had no valid disaster recovery plan and 1 had no relevant information in Unite Apps. In addition, the Board noted that 20 of the 31 applications with no valid disaster recovery plan had never undergone a disaster recovery exercise.

150. The Board was informed that UN-Habitat applications were hosted and managed by the United Nations Office at Nairobi and the Office of Information and Communications Technology, which acted as service providers. As UN-Habitat did not manage the infrastructure directly, it depended on the disaster recovery plan of the service providers. In addition, UN-Habitat relied on the cloud disaster recovery strategy of the United Nations Office at Nairobi and the Office of Information and Communications Technology for disaster recovery tests and exercises.

151. However, the Board noted that, according to section 4.1 (f) of the United Nations Secretariat ICT Technical Procedure on Disaster Recovery Planning, a disaster recovery plan should be reviewed and approved by the relevant business units, which suggested that UN-Habitat should take an active role in reviewing and approving the plan.

152. Management explained that the recording of disaster recovery plans and information from disaster recovery tests in Unite Apps was introduced in November 2022, and organizations were expected to be fully compliant by December 31 of the same year, which presented a resource challenge. UN-Habitat was therefore given until the end of December 2023 to include this information in Unite Apps.

153. The Board is of the view that a complete disaster recovery plan with regular tests is essential for ensuring the quick and efficient recovery of critical ICT services following service disruption.

154. **The Board recommends that UN-Habitat, in coordination with the United Nations Office at Nairobi, complete the comprehensive disaster recovery plan at the application level in a timely manner to ensure business continuity and minimize data loss in case of a disaster.**

155. **The Board recommends that UN-Habitat liaise with service providers to conduct disaster recovery tests on a periodic basis and incorporate lessons learned and corrective actions into updates of the comprehensive disaster recovery plan.**

156. UN-Habitat accepted the recommendations.

7. Human resources management

Deficiencies in personnel management for staff administered by the United Nations Development Programme and the United Nations Office for Project Services

157. The Board noted that, as at 31 December 2022, UN-Habitat employed a total of 62 staff members through service-level agreements with the United Nations Development Programme (UNDP) and 5 staff members through service-level agreements with the United Nations Office for Project Services (UNOPS).

158. The Board was informed that these staff members were mainly funded by UN-Habitat projects, either by the Foundation earmarked or technical cooperation accounts, but were not managed within Umoja. Moreover, these staff members were obligated to report to UN-Habitat.

159. The Board further noted that certain core operational staff who were recruited under UNDP and UNOPS contracts needed full access roles in Umoja but were not being managed in Umoja. The Board was informed that UN-Habitat was initiating the “lift and shift” pilot project with the Regional Office for Arab States, to move staff members from UNDP to the United Nations Secretariat system. A list of core operational staff members who are considered to be the same as UN-Habitat staff members and who are currently administrated through the Secretariat has been generated and will be sent to the Office of Human Resources for approval to convert their UNDP contracts to United Nations Secretariat contracts.

160. The Board is of the view that since these core operational staff members are actually UN-Habitat staff members, they need to be moved back to UN-Habitat to be duly managed and administrated.

161. Management explained that as UN-Habitat is the first office that is undergoing this initiative, it had not been clear how to proceed. Accordingly, no clear guide or plan was generated. Management also explained that the process is subject to the capacity of the United Nations Office at Nairobi and its interaction with the Office of Human Resources in New York, and not UN-Habitat.

162. **The Board recommends that UN-Habitat continue to develop a clear strategy regarding the total number of core operational staff who are under UNDP and UNOPS contracts, implement the "lift and shift" project and move core operational staff with UNDP and UNOPS contracts to United Nations Secretariat contracts.**

163. UN-Habitat accepted the recommendation.

Excess of authority assigned to consultants and individual contractors

164. Paragraph 3.4 (b) of the administrative instruction on consultants and individual contractors (ST/AI/2013/4) states that consultants and individual contractors may not be engaged where any representative, certifying, approving authority and/or supervisory responsibility would be required.

165. The Board sampled a total of 25 projects conducted by 14 regional and country offices and reviewed relevant information available in Umoja. The Board noted that three personnel under service contracts signed a total of four documents or reports on behalf of UN-Habitat. Of these, two related to budget adjustments, one pertained to the financial and management feasibility of a project, and one was a narrative report intended for donors.

166. The Board is concerned that consultants or individual contractors, who are typically hired on a short-term basis, may not have the same level of accountability as staff members. Allowing them to sign official documents or reports on behalf of UN-Habitat can result in a lack of continuity in management and decision-making, which could ultimately impede the agency's ability to achieve its goals and objectives.

167. **The Board recommends that UN-Habitat strengthen its management of consultants and individual contractors by further clearly defining their roles, responsibilities and authorization levels within the agency's hierarchy to ensure that they do not exceed their delegation of authority.**

168. UN-Habitat accepted the recommendation.

Non-compliance with break-in-service requirements

169. According to the administrative instruction on the administration of temporary appointments of 26 October 2011 (ST/AI/2010/4/Rev.1), the administrative instruction on consultants and individual contractors of 25 August 1999 (ST/AI/1999/7) and the administrative instruction on retention in service beyond the mandatory age of separation and employment of retirees of 13 November 2003 (ST/AI/2003/8), a staff member holding a temporary appointment is ineligible to be reappointed to that same post within six months on a fixed-term appointment. Consultants and individual contractors are ineligible to be reappointed on either temporary appointments or fixed-term appointments within six months for Professional and higher categories.

170. The Board reviewed the cases of 17 staff members who were reappointed during the period from January to September 2022 and noted that 3 were reappointed from

temporary appointments to fixed-term appointments without a sufficient break-in-service time.

171. Management explained that the three staff members were reappointed to posts with a different post number, but the Board noted that the staff were reappointed to the same unit with identical functional titles. Moreover, the Board noted that there were four staff members who did not have a sufficient break-in-service time when they were reappointed from consultant or individual contractor to temporary or fixed-term appointments.

172. **The Board recommends that UN-Habitat follow strictly break-in-service regulations and develop mechanisms to ensure that the reappointment of staff fully meets the break-in-service requirement.**

173. UN-Habitat accepted the recommendation.

8. Strategy management

Inadequate tracking and implementation of evaluation recommendations

174. Paragraph 5 of the Standards for Evaluation in the United Nations System, issued in 2005, states that appropriate evaluation follow-up mechanisms should exist within the organization, ensuring that evaluation recommendations are properly utilized and implemented in a timely fashion and that evaluation findings are linked to future activities.

175. The Board noted that UN-Habitat began to use the Project Accrual and Accountability System to monitor and follow up on the implementation of evaluation recommendations in 2015. Following the adoption of the Umoja integrated planning, management and reporting solution, which has no monitoring module for evaluation recommendations, UN-Habitat developed a manual system of Excel spreadsheets to track evaluation recommendations from 2020, 2021 and 2022.

176. The Board reviewed the 373 recommendations contained in the Project Accrual and Accountability System and noted that as at 31 October 2022, 96 recommendations were still in progress, with the earliest end date being 31 July 2012. There were also 16 recommendations marked as “not started”, with the earliest end date being 31 December 2014.

177. The Board also reviewed the manual spreadsheets system in Excel and noted that the evaluation recommendations of 2020, 2021 and 2022 had not been incorporated.

178. UN-Habitat explained that UN-Habitat had developed a mechanism for management response to each evaluation, which included the overall response to the evaluation, a response to each recommendation, an action plan to implement accepted recommendations, timelines for implementation and the parties or units responsible for implementing the evaluation recommendations. UN-Habitat also explained that owing to resource constraints, UN-Habitat did not have enough personnel to implement the recommendations and had stopped using the Project Accrual and Accountability System to track evaluation recommendations.

179. The Board is of the view that although the Project Accrual and Accountability System is no longer used to track evaluation recommendations, the recommendations contained in the System should still be tracked and implemented in a timely manner.

180. **The Board recommends that UN-Habitat track the evaluation recommendations in a timely manner and complete the implementation of recommendations according to established timelines.**

181. UN-Habitat accepted the recommendation.

No implementation of enterprise risk management

182. In its resolution 69/272, the General Assembly notes with appreciation the progress made towards strengthening the enterprise risk management system, including the development of a risk register and the establishment of a governance structure for enterprise risk management, and requests the Secretary-General to continue his efforts to implement and embed enterprise risk management throughout the United Nations.

183. In his report entitled "Shifting the management paradigm in the United Nations: ensuring a better future for all" (A/72/492), the Secretary-General states that the full implementation of enterprise risk management in all departments and offices at Headquarters and in the field will be essential for reforms, including the implementation of the first-ever Secretariat-wide anti-fraud risk assessment.

184. The Board was informed that as at 30 April 2023, UN-Habitat had made only preliminary preparations and some progress in implementing enterprise risk management.

185. UN-Habitat explained that the agency's resource constraints had resulted in inadequate capacity of the Oversight and Internal Controls Unit, which was responsible for establishing enterprise risk management. In addition, the establishment of enterprise risk management had been stalled as the Risk Committee had not met because of the absence of the Chair (the Deputy Executive Director. The capacity of the Oversight and Internal Controls Unit had been strengthened by the approval and ongoing recruitment of two positions (1 P-3 and 1 G-6), and UN-Habitat would complete the final draft risk register by the deadline of December 2023 set by Headquarters.

186. The Board is of the view that the absence of enterprise risk management is inconducive to identifying and addressing entity level risk and may prevent the delivery of UN-Habitat mandates.

187. **The Board recommends that UN-Habitat implement and embed enterprise risk management in line with Organization-wide approved policies and methodologies.**

188. UN-Habitat accepted the recommendation.

C. Transmission of information by management

189. 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

190. UN-Habitat reported to the Board that, in accordance with financial rule 106.7, advance payments and property, plant and equipment totalling $473,928 were written off in 2022.

2. Ex gratia payments

191. Management confirmed that UN-Habitat did not make any ex gratia payments in 2022.

3. Cases of fraud and presumptive fraud

192. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of

identifying material misstatements and irregularities, including those resulting from fraud. The audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

193. 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.

194. For 2022, UN-Habitat notified the Board of no cases of fraud or presumptive fraud.

D. Acknowledgement

195. 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*) **Hou** Kai
Auditor General of the People's Republic of China
Chair of the Board of Auditors
(Lead Auditor)

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

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

26 July 2023

Annex

Status of implementation of recommendations up to the financial year ended 31 December 2021

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
1	2015	A/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.	A new project risk management guide has been put in place that provides guidelines on how to manage risks, including risks related to the recruitment process and to non-performance by implementing partners. Enterprise risk management implementation guidelines have also been developed. UN-Habitat considers this recommendation implemented.	UN-Habitat provided supporting documents, such as the policy guidelines on project risk management and enterprise risk management implementation. This recommendation is therefore considered to be implemented.	X			
2	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.	A new project risk management guide has been put in place which provides guidelines on how to manage risks, including risks related to the recruitment process and to non-performance by implementing partners. An individual regional risk register has been developed. A corporate risk catalogue has been prepared and a draft corporate risk register has also been developed to be finalized after a final consultation. As at 30 June 2020, 80 Professional staff have completed the Inspira online training on enterprise risk management.	After evaluation and considering management's response, this recommendation is considered to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
				Live training was provided to senior staff at headquarters in 2015 and enterprise risk management training sessions were conducted for regional offices in 2017. Considering the extent of the progress made, UN-Habitat considers this recommendation implemented.					
3	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.	UN-Habitat has established systems for monitoring the implementation of projects funded by conditional agreements. Regular reports are sent to the project management officers to provide updates on the status of grants and ensure effective management. The integrated planning, management and reporting solution also supports the monitoring of implementation of all projects regardless of funding source.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
4	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.	All projects are reviewed by the Programme Review Committee prior to the signing of funding agreements and this includes both the substantive and financial aspects of the project document. Any exemption requires a written justification to be approved. A financial feasibility assessment is prepared for projects submitted by the Committee. UN-Habitat considers this recommendation implemented.	UN-Habitat provided supporting documents, such as the updated Programme Review Committee guidelines. This recommendation is therefore considered to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
5	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.	UN-Habitat has developed a system to improve implementing partner management. The Umoja grantor management module has also improved implementing partner management.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
6	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.	All Regional Office for Latin America and the Caribbean regional teams are now led by staff members who are responsible for core activities, with support from non-staff personnel as needed. Since the audit recommendation, the due actions have been taken to ensure that staff undertake core functions on behalf of the agency in the region. This is demonstrated in the organizational chart, where the coordination activities in the Regional Office and the field offices are undertaken by staff (irrespective of the source of funding i.e. core funded or project funded). In the Regional Office, the core functions are undertaken by staff, namely the Regional Representative and the Programme Management Officer. The staff undertaking	The Board reviewed the organizational chart of the Regional Office for Latin America and the Caribbean and noted that core functions were all undertaken by staff. This recommendation is therefore considered to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				the core functions are in turn supported by additional personnel (staff and non-staff) to deliver the portfolio and mandate of UN-Habitat in the region. UN-Habitat considers the recommendation implemented and requests its closure.					
7	2018	A/74/5/Add.9, chap. II, para. 21	The Board recommends that UN-Habitat conduct a complete analysis of the current status of the amounts delivered to implementing partners and received from conditional agreements, if applicable, request reimbursement of the resources provided to them and correct the accounting transaction records.	UN-Habitat has developed a system to improve implementing partner management. The Umoja grantor management module has also improved implementing partner management. Reviews of the status of transfers to implementing partners will be conducted and necessary action taken to implement the audit recommendation.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
8	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.	UN-Habitat will conduct the evaluation and take necessary action to implement the audit recommendation.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
9	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.	UN-Habitat has developed a system to improve implementing partner management. The Umoja grantor management module has also improved implementing partner management. The implementing partner policy is being updated and will include policy guidance on preventing inactive grants.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
10	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.	UN-Habitat is working on the development of an internal guide for full cost recovery in alignment with the guidance established by Headquarters.	After evaluation and considering management's response, this recommendation is considered to be under implementation (to be determined after new evidence is provided).		X		
11	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.	UN-Habitat no longer utilizes the Project Accrual and Accountability System as its project management system since the deployment of the integrated planning, management and reporting solution. Therefore, the Independent Evaluation Unit is no longer using the Project Accrual and Accountability System. The integrated planning, management and reporting solution is the new Secretariat-wide project management system, but it does not yet include an evaluation module. The Independent Evaluation Unit is currently using an offline database to manage midterm and end-of-project evaluations for all projects and this is working well. UN-Habitat considers the recommendation implemented and requests its closure.	UN-Habitat provided supporting documents, such as a detailed worksheet that records the midterm and final evaluation information for each project. The Board also reviewed the offline database and noted that the evaluation reports are well managed. This recommendation is therefore considered to be implemented.	X			

No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management response*	*Board's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
12	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.	Paragraph 19 of the project-based management policy states that all projects with a budget of over $5 million require an end-of-project evaluation and that a midterm evaluation is recommended for projects with a budget of over $5 million and a duration of four years or more. Projects with a budget below $5 million may be prioritized for evaluation for mandatory, strategic, thematic or demonstration purposes by the programme manager. All projects must submit an end-of-project report. With the discontinuation of the Project Accrual and Accountability System as UN-Habitat's project management system and the introduction of the integrated planning, management and reporting solution, which is a Secretariat-wide project management system, the Independent Evaluation Unit could no longer use the Project Accrual and Accountability System to improve the controls related to the evaluation reports but has reverted to an offline database that contains all midterm and end-of-project evaluation reports. A repository has been created to store midterm and end-of term evaluation reports. This repository is on SharePoint and is accessible agency-wide.	UN-Habitat provided supporting documents, such as a policy for project evaluation. The Board also reviewed the offline database and noted that the evaluation reports are well managed. This recommendation is therefore considered to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				UN-Habitat considers the recommendation implemented and requests its closure.					
13	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.	UN-Habitat will review travel expenses to identify any incorrect charges in the staff/ personnel travel class and necessary corrections will be made in collaboration with the United Nations Office at Nairobi.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
14	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.	UN-Habitat will review travel expenses to identify any incorrect charges in the staff/ personnel travel class and necessary corrections will be made in collaboration with the United Nations Office at Nairobi.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
15	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 collaboration with the United Nations Office at Nairobi, UN-Habitat will review the current measures established to identify and reclassify expenses and make necessary improvements.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
16	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.	UN-Habitat has developed a comprehensive corporate risk catalogue and risk registers for its administrative levels. UN-Habitat considers this recommendation implemented.	After evaluation and considering management's response, this recommendation is considered to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
17	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.	UN-Habitat has developed a comprehensive corporate risk catalogue and risk registers for its administrative levels. UN-Habitat considers this recommendation implemented.	After evaluation and considering management's response, this recommendation is considered to be implemented.	X			
18	2018	A/74/5/Add.9, chap. II, para. 127	The Board recommends that UN-Habitat improve the monitoring of staff annual leave to ensure that all leave is requested and approved by supervisors before being taken.	UN-Habitat, along with the United Nations Office at Nairobi, has developed a leave monitoring tool. UN-Habitat considers this recommendation implemented.	UN-Habitat provided a leave table in 2022 for all staff members. The Board noted that a leave monitoring tool was in place. This recommendation is therefore considered to be implemented.	X			
19	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.	UN-Habitat has commenced discussions with the United Nations Office at Nairobi and will jointly agree on actions required to ensure full implementation of the audit recommendation.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
20	2019	A/75/5/Add.9, chap. II, para. 19	The Board recommends that UN-Habitat establish sufficient controls for legally enforceable agreements in order to have voluntary contributions correctly accounted during the same year in which they become binding.	The UN-Habitat Budget and Finance Unit has developed a dashboard based on Microsoft Power BI to monitor voluntary contributions receipts and recording/accounting. Sharing the reports from the dashboard, UN-Habitat currently communicates regularly with the programme management officers and project teams to provide confirmation that all agreements signed as at the	UN-Habitat provided supporting documents, such as a BI link. This recommendation is therefore considered to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				end of a given period have grants created and approved by the United Nations Office at Nairobi and that the revenue has been recognized during the correct period.					
21	2019	A/75/5/Add.9, chap. II, para. 57	The Board recommends that the Afghanistan, Lao People's Democratic Republic and the Philippines country offices, together with the Regional Office for Asia and the Pacific, monitor the achievement of deliverables deadlines along with timely scheduled payment of instalments, in order to improve the implementation of projects with implementing partners, as planned.	For the Philippines, a monitoring tool was developed. With respect to the Lao People's Democratic Republic, the country office maintains a tracking table for cooperation agreements, to monitor the status of instalments, which are triggered by the achievement of deliverables. With respect to Afghanistan, payments released to individual end beneficiaries are accurately reflected in the tracking tool and associated reports are reviewed by the grant and finance sections. The Afghanistan, Lao People's Democratic Republic and Philippines country offices have developed tracking systems for monitoring deadlines for the achievement of deliverables and timely payments. UN-Habitat considers this recommendation implemented and requests its closure.	UN-Habitat provided supporting documents for the offices, such as monitoring sheets. This recommendation is therefore considered to be implemented.	X			

						Status after verification			
No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Implemented	Under implementation	Not implemented	Overtaken by events
22	2019	A/75/5/Add.9, chap. II, para. 58	The Board recommends that the Sri Lanka country office and the Regional Office for Asia and the Pacific, take measures to properly approve the payments to the implementing partners in accordance with the agreement's mandatory requirements, which should be received prior to or at the time of the payment requests.	The Regional Office for Asia and the Pacific and the Sri Lanka country office have already taken action. The agreement of cooperation examined by the Board of Auditors had a missing audit report due to procedural issues at the government level. The audit report has now been provided and the agreement of cooperation has been successfully completed. Furthermore, the Regional Office for Asia and the Pacific and the Sri Lanka country office have developed a tracking system where the terms and conditions are monitored before further payments are made. The agreement of cooperation completion report and the related audit report can be presented upon request.	UN-Habitat provided supporting documents, such as a tracking system to control payments to implementing partners. This recommendation is therefore considered to be implemented.	X			
23	2019	A/75/5/Add.9, chap. II, para. 77	The Board recommends that the Philippines country office and the Regional Office for Asia and the Pacific, together with UN-Habitat Headquarters, take measures necessary to ensure that the maximum amounts for community agreements are reviewed and clearly established, in a formal instrument.	UN-Habitat has updated the community agreements templates with a standardized financial limit. The updated template has been shared, along with guidelines on the use of UN-Habitat agreements and legal instruments. UN-Habitat considers this recommendation implemented	UN-Habitat provided supporting documents, such as the contract template and the guidelines. This recommendation is therefore considered to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
24	2019	A/75/5/Add.9, chap. II, para. 150	The Board recommends that UN-Habitat ensure that overtime as compensatory time off and additional payment are calculated in accordance with information circular UNON/IC/2015/07 and other applicable instructions, in compliance with the official work schedule established by the Nairobi duty station.	UN-Habitat has commenced discussions with the United Nations Office at Nairobi and will jointly agree on the actions required to ensure full implementation of the audit recommendation.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
25	2019	A/75/5/Add.9, chap. II, para. 151	The Board recommends that UN-Habitat review and correct the cases of miscalculations of compensatory time off, of overtime payments on incorrect schedules and of payments that exceed the established rates.	UN-Habitat has commenced discussions with the United Nations Office at Nairobi and will jointly agree on the actions required to ensure full implementation of the audit recommendation.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
26	2019	A/75/5/Add.9, chap. II, para. 152	The Board recommends that UN-Habitat regulate the lunch break time on Fridays for the purpose of ensuring the proper calculation of the overtime.	UN-Habitat has commenced discussions with the United Nations Office at Nairobi and will jointly agree on the actions required to ensure full implementation of the audit recommendation.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
27	2019	A/75/5/Add.9, chap. II, para. 153	The Board recommends that UN-Habitat review the quantity of overtime per month, with an emphasis on those that exceed the allowed limit of 40 hours, and require the exceptional approval every time that this ceiling is exceeded.	The said overtime cases were related to the first session of the UN-Habitat Assembly held in May 2019. UN-Habitat has worked with the United Nations Office at Nairobi to correct the reported cases and to ensure compliant calculations in future. A list of staff who worked overtime in 2022 has been provided, together with approval for staff who exceeded the limit of 40 hours.	UN-Habitat provided a list of staff members who worked overtime in 2022. The staff members who exceeded the limit of 40 hours had obtained the necessary approval. This recommendation is therefore considered to be implemented.	X			

						Status after verification			
No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
28	2019	A/75/5/Add.9, chap. II, para. 175	The Board recommends that UN-Habitat determine the delegations of authority of staff members through the delegation of authority online portal, pursuant to Secretary General's bulletin ST/SGB/2019/2, resolving any discordance detected with the assigned Umoja roles.	UN-Habitat completed a review of all active delegations of authority of staff members and ensured that their proper roles were issued in Umoja and that the roles related to all inactive delegations were revoked or expired, as applicable. A download from the portal has been provided as evidence. UN-Habitat considers this recommendation implemented	UN-Habitat removed the conflicting roles in Umoja. This recommendation is therefore considered to be implemented.	X			
29	2019	A/75/5/Add.9, chap. II, para. 195	The Board recommends that UN-Habitat update the information contained in the Umoja report on equipment in accordance with the SC119 Umoja property management overview course, assigning for each item the location and/or user responsible.	UN-Habitat will complete the update of the original asset data converted from the legacy system to Umoja.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
30	2019	A/75/5/Add.9, chap. II, para. 196	The Board recommends that the assigned staff member responsible for the operational equipment be a staff member of UN-Habitat.	UN-Habitat staff members are the custodians and are responsible for operational equipment. This audit recommendation has been implemented and evidence provided.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
31	2019	A/75/5/Add.9, chap. II, para. 207	The Board recommends that UN-Habitat headquarters take measures to monitor the proper registration of the capitalization and disposal of property, plant and equipment items, from the time when the assets are received by the entity and according to the information indicated in the corresponding delivery note or when the disposal is approved.	UN-Habitat has commenced discussions with the United Nations Office at Nairobi and will jointly agree on the actions required to ensure full implementation of the audit recommendation.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
32	2019	A/75/5/Add.9, chap. II, para. 208	The Board recommends that UN-Habitat consider the depreciation of its assets when they are available for use, pursuant to the delivery principle of the United Nations corporate guidance for IPSAS on the delivery principle and paragraph 71 of IPSAS 17.	UN-Habitat, in collaboration with the United Nations Office at Nairobi, will jointly agree on the actions required to ensure that the depreciation of assets complies with the relevant financial rules and regulations.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
33	2019	A/75/5/Add.9, chap. II, para. 215	The Board recommends that UN-Habitat coordinate with Headquarters on the possibility of phasing out the standard cost methodology, aligning its accounting with IPSAS requirements for valuing property, plant and equipment assets.	UN-Habitat will follow up on the discussions and coordinate with Headquarters on the possibility of phasing out the standard cost methodology, aligning its accounting with IPSAS requirements for valuing property, plant and equipment assets.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
34	2019	A/75/5/Add.9, chap. II, para. 226	The Board recommends that UN-Habitat coordinate with Headquarters to carry out a regular review of the residual value of assets in general and its fully depreciated assets that remain in use, in particular appropriately assigned useful lives and residual values to the assets, as established under IPSAS 17.	UN-Habitat will follow up on the discussions and coordinate with Headquarters to carry out a review of the residual value of assets in general and its fully depreciated assets that remain in use, to ensure compliance with the relevant financial rules and regulations.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
35	2019	A/75/5/Add.9, chap. II, para. 247	The Board recommends that UN-Habitat strengthen the monitoring of the payment procedure, in order to avoid having pending payments owing to an absence of the prerequisite documentation.	UN-Habitat, in collaboration with the United Nations Office at Nairobi, will review the issues identified by the auditors and agree on the actions required to ensure payment processes are timely and not delayed unnecessarily.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
36	2019	A/75/5/Add.9, chap. II, para. 258	The Board recommends that the Philippines country office and the Regional Office for Asia and the Pacific formalize the use of the workspaces provided by the Food and Agriculture Organization of the United Nations (FAO).	No lease extension was issued by FAO for the workstations used by UN-Habitat beyond the validity of the original lease agreement. UN-Habitat considers this recommendation implemented.	UN-Habitat provided supporting documents, such as correspondence from FAO. This recommendation is therefore considered to be implemented.	X			
37	2019	A/75/5/Add.9, chap. II, para. 292	The Board recommends that UN-Habitat hold the ICT committee meetings periodically in order to achieve the objectives and purposes established in Secretary-General's bulletin ST/SGB/2003/17 and the Committee's terms of reference.	The ICT committee members have been nominated. The committee will commence its meetings accordingly to achieve its objective.	The Board noted that the ICT committee members were appointed in March 2023 but the committee has not yet fulfilled its duties. This recommendation is considered to be under implementation.		X		
38	2020	A/76/5/Add.9, chap. II, para. 24	The Board recommends that UN-Habitat clear open items and open commitments of operationally closed grants and ensure a timely financial closure, in order to enhance the financial effectiveness of the organization and the accuracy of the financial statements.	UN-Habitat has developed a system to improve grant management. The Umoja grantor management module has also improved implementing partner management. Reviews of transfers made to implementing partners will be carried out and open items and open commitments of operationally closed grants will be cleared accordingly.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
39	2020	A/76/5/Add.9, chap. II, para. 29	The Board recommends that UN-Habitat adjust the $64,637.69 of payroll charges by recording them against award grants and regularly monitor the grant implementation status to make sure that no further payroll charges are to be posted against closing grants.	UN-Habitat will ensure that the recommended adjustments for the payroll costs of the two grants are processed. UN-Habitat has developed a system to improve grant management. The Umoja grantor management module has also improved implementing partner management.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
40	2020	A/76/5/Add.9, chap. II, para. 34	The Board recommends that UN-Habitat strictly implement the standard operating procedure regarding petty cash accounts management.	UN-Habitat, in collaboration with the United Nations Office at Nairobi, will implement the standard operating procedure regarding petty cash accounts management.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
41	2020	A/76/5/Add.9, chap. II, para. 53	The Board recommends that UN-Habitat prepare the quarterly progress reports as required in the strategic plan for the period 2020–2023, to provide comprehensive information for decision-making and future planning.	UN-Habitat provides updates to the Members States quarterly through Urban Impact, a quarterly newsletter. Quarterly progress reports on the implementation of the annual work programme and budget, and an annual report on the implementation of the strategic plan are prepared. UN-Habitat considers this recommendation implemented.	After evaluation and considering management's response, this recommendation is considered to be implemented.	X			
42	2020	A/76/5/Add.9, chap. II, para. 101	The Board reiterates the former recommendation that UN-Habitat avoid the ex post facto situation prior to the signing of new contracts.	UN-Habitat, in collaboration with the United Nations Office at Nairobi Procurement Section, have established oversight over ex post facto situations and these are now mostly avoided, with justification provided for defaulting contracts.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
43	2020	A/76/5/Add.9, chap. II, para. 107	The Board recommends that UN-Habitat perform its duties on contract management to ensure that comprehensive evaluations of vendor performance are conducted before processing any extension to existing contracts.	UN-Habitat will further the discussion with the United Nations Office at Nairobi Procurement and validate that the audit recommendation has now been fully implemented. A refresher training session for personnel working on contract management at UN-Habitat will be conducted.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
44	2020	A/76/5/Add.9, chap. II, para. 131	The Board recommends that UN-Habitat strengthen the service contract management of individual contractors by limiting their service periods, and undertake interim evaluations of consultants and individual contractors, in compliance with the requirements of the administrative instruction on consultants and individual contractors.	UN-Habitat has strengthened the monitoring of non-staff personnel. Offices have developed a monitoring mechanism that supports the review of contract periods. UN-Habitat considers this recommendation implemented.	UN-Habitat provided annual non-staff personnel plans for each regional office. After evaluation and considering management's response, this recommendation is considered to be implemented.	X			
45	2020	A/76/5/Add.9, chap. II, para. 132	The Board recommends that UN-Habitat, in collaboration with UNOPS, amend the individual contractor agreement by further specifying the scope of entitlement in compliance with the above-mentioned administrative instruction.	The Department for Operational Support is undertaking activities to unify all United Nations system entities that are using UNOPS as a service provider. The Director of the Management Advisory and Compliance Service Division and UNOPS authorities will revise the memorandum of understanding in line with the instruction and guidance to be issued by the Department for Operational Support.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
46	2020	A/76/5/Add.9, chap. II, para. 147	The Board recommends that UN-Habitat make sure an inter-organization agreement among the organizations is signed and the cost or fair value of employee benefits can be reliably accounted for.	UN-Habitat will obtain support from the United Nations Office at Nairobi to fully implement the audit recommendation.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
47	2020	A/76/5/Add.9, chap. II, para. 154	The Board recommends that UN-Habitat appoint the ICT committee members on the basis of its new organizational structure.	The ICT committee members have been appointed on the basis of the new organizational structure and this has been communicated through a memo. UN-Habitat considers this recommendation implemented.	The Board noted that the ICT committee members were appointed in March 2023. This recommendation is therefore considered to be implemented.	X			
48	2020	A/76/5/Add.9, chap. II, para. 172	The Board recommends that UN-Habitat generate barcodes for all assets under its control, in order to keep all assets traceable, and fill in the acquisition dates that represent the beginning of the useful life of the assets.	UN-Habitat will conduct an asset management refresher training session for staff members in the Egypt country office and all asset focal points on property management; the training will include Umoja asset management.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
49	2020	A/76/5/Add.9, chap. II, para. 181	The Board recommends that UN-Habitat strengthen its travel planning process to ensure that the booking and purchase of tickets be finalized 16 calendar days in advance of the commencement of official travel.	While it is not always possible to meet the 16 calendar days travel plan owing to circumstances that are outside of UN-Habitat's control, such as late requests by donors and Governments, UN-Habitat is monitoring travel compliance on a quarterly basis and a good level of compliance has been achieved.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
50	2021	A/77/5/Add.9, chap. II, para. 25	The Board recommends that UN-Habitat continue to prioritize resource mobilization of core funds and encourage the involvement of the UN-Habitat senior management team to support the Executive Director in this regard.	UN-Habitat continues to prioritize resource mobilization of core funds. Resource mobilization has been included in the annual work plan of the senior management team to support the Executive Director in this regard. UN-Habitat considers this recommendation implemented.	After evaluation and considering management's response, this recommendation is considered to be implemented.	X			

No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management response*	*Board's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
51	2021	A/77/5/Add.9, chap. II, para. 26	The Board also recommends that UN-Habitat develop a regular report on core funds to increase transparency and improve accountability to donors.	UN-Habitat has been preparing interim financial reports on a regular basis, which are shared with Member States and the Advisory Committee on Administrative and Budgetary Questions and are publicly available on the UN-Habitat website. The reports include a section on the performance of core funds, which provides information on the revenue, expenses and closing net assets of three types of core funds, namely the Foundation non-earmarked funds, the regular budget fund and the programme support fund. In addition, a monthly report on funding status is shared with Member States. The Urban Impact newsletter, highlighting the key activities of UN-Habitat, is shared with Member States quarterly. UN-Habitat considers this recommendation implemented.	After evaluation and considering management's response, this recommendation is considered to be implemented.	X			
52	2021	A/77/5/Add.9, chap. II, para. 27	The Board further recommends that UN-Habitat prepare a report based on surveys and communications with previous, present and potential core funds donors to identify the gap between donor expectations and current situations.	UN-Habitat has launched a survey targeting previous, present and potential donors and has had a number of bilateral meetings with previous, present and potential donors. It will prepare and disseminate a report that presents the findings of the survey and the bilateral meetings.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
53	2021	A/77/5/Add.9, chap. II, para. 32	The Board recommends that UN-Habitat, coordinating with the United Nations Office at Nairobi, make continuous efforts to review the cash balance of grants regularly and clean the closed grants with a positive cash balance.	UN-Habitat has developed a system to improve grant management. The Umoja grantor management module has also improved implementing partner management. UN-Habitat will review the cash balances of grants and clean the closed grants with a positive cash balance.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
54	2021	A/77/5/Add.9, chap. II, para. 39	The Board recommends that UN-Habitat, cooperating with the United Nations Office at Nairobi, strengthen internal controls to perform regular monitoring and review to ensure the accuracy of accounting records.	UN-Habitat will cooperate with the United Nations Office at Nairobi to further strengthen internal controls to perform regular monitoring and review of accounting records.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
55	2021	A/77/5/Add.9, chap. II, para. 45	The Board recommends that UN-Habitat regularly communicate with donors about the possibility of recollecting voluntary contributions receivables, especially for grants with closing status, and start the write-off or write-down process in time when eligible.	UN-Habitat will continue to monitor and review aged receivables for voluntary contributions regularly; regularly communicate with donors about the possibility of recollecting overdue voluntary contributions receivables, especially for grants with closing status; and write off or write down uncollectible aged voluntary contributions receivables in line with its policy to be developed and clarified.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
56	2021	A/77/5/Add.9, chap. II, para. 54	The Board recommends that UN-Habitat amend the budget for the year 2023 and improve the budget review process to ensure that all future budgets are consistent and comparable.	The error was that in the earlier version of the budget, earmarked funds for consultants were presented in the "consultants" line instead of "other staff costs". UN-Habitat has corrected this	UN-Habitat provided supporting documents, such as a screenshot of the 2023 budget. This recommendation is therefore considered to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				and now the Foundation earmarked and technical cooperation accounts have amounts of zero under these segments. UN-Habitat considers this recommendation implemented.					
57	2021	A/77/5/Add.9, chap. II, para. 65	The Board recommends that UN-Habitat prepare a comprehensive austerity action plan and ensure its effective implementation, in order to address the ongoing financial shortage.	UN-Habitat prepares an annual work programme, which is submitted to Member States and approved by the Executive Board, that explains the Executive Director's plan for the period in various operational areas, including austerity measures to be deployed in the period, such as posts approved for recruitment, posts to freeze and cost-cutting measures. In continuation of its concerted resource mobilization efforts, UN-Habitat prepared the agreed financial measures to limit spending within the approved $3 million for the Foundation non-earmarked segment and $10 million for programme support costs. UN-Habitat also took the decision to freeze 22 unencumbered posts funded by the Foundation and programme support costs. UN-Habitat considers this recommendation implemented.	UN-Habitat provided a memorandum signed by the Executive Director on additional measures to implement the austerity plan in 2022. The Board also noted that 22 unencumbered posts had been frozen since May 2022. This recommendation is therefore considered to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
58	2021	A/77/5/Add.9, chap. II, para. 66	The Board also recommends that UN-Habitat review its post distribution and human resources regularly to further analyse its employment priorities and resources distribution and to facilitate the selection process when the necessary funding is in place.	UN-Habitat will review its post distribution and human resources regularly to further analyse its employment priorities.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
59	2021	A/77/5/Add.9, chap. II, para. 78	The Board recommends that UN-Habitat draft an annual plan for non-staff personnel engagement, including a demand analysis and hiring plan to ensure a better control over non-staff personnel.	UN-Habitat offices now prepare annual non-staff personnel engagement plans to ensure better control of non-staff personnel. UN-Habitat considers this recommendation implemented.	UN-Habitat provided annual non-staff personnel plans for each regional office. After evaluation and considering management's response, this recommendation is considered to be implemented.	X			
60	2021	A/77/5/Add.9, chap. II, para. 83	The Board recommends that UN-Habitat, in coordination with the United Nations Office at Nairobi, ensure that contracts with consultants and individual contractors do not exceed the maximum hiring periods established in ST/AI/2013/4.	UN-Habitat offices have developed a mechanism for monitoring non-staff personnel contracts to ensure that the contracts do not exceed the maximum hiring period. UN-Habitat considers this recommendation implemented.	UN-Habitat provided detailed information on non-staff personnel in the regional offices and at headquarters, which allows the accumulated hiring time for each consultant and individual contractor to be calculated and enables UN-Habitat to perform the monitoring. This recommendation is therefore considered to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
61	2021	A/77/5/Add.9, chap. II, para. 93	The Board recommends that UN-Habitat fulfil its duties with respect to the management of consultants/ individual contractors to ensure that comprehensive evaluations of consultants/ individual contractors' performance are conducted in a timely manner and to enhance the documentation of relevant evaluation records.	Evaluations of the performance of consultants and individual contractors are conducted in a timely manner and are required before payments are made to consultants and individual contractors, including final payments at the end of the contract. UN-Habitat considers this recommendation implemented.	UN-Habitat provided the evaluation reports for a sample group of consultants and individual contractors as evidence. This recommendation is therefore considered to be implemented.	X			
62	2021	A/77/5/Add.9, chap. II, para. 102	The Board recommends that UN-Habitat, in consultation with the relevant department at United Nations Headquarters, further clarify the contract limits and scope of entitlements and set up a management mechanism for non-staff personnel hired through UNDP and UNOPS.	All non-staff recruitment through UNDP or UNOPS is subject to the legal provisions of legally cleared service-level and other agreements based on global memorandums of understanding with the United Nations Secretariat and in line with the organizational reforms. There is no risk for UN-Habitat. UN-Habitat considers this recommendation implemented because clarification has been obtained, as provided above. UN-Habitat has developed a mechanism to monitor contract management for consultants and individual contractors, as set out in management's response to related recommendations.	UN-Habitat provided detailed information on non-staff personnel in regional offices and at headquarters, which allows the accumulated hiring time for each consultant and individual contractor to be calculated and enables UN-Habitat to perform the monitoring. This recommendation is therefore considered to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
63	2021	A/77/5/Add.9, chap. II, para. 109	The Board recommends that UN-Habitat establish a mechanism that gathers and cross-checks the data and hiring records of non-staff personnel, in compliance with further clarified Secretariat requirements, giving due consideration to the principle of obtaining the best value for money.	UN-Habitat will establish the necessary mechanism and take actions that implement the Board's recommendation.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
64	2021	A/77/5/Add.9, chap. II, para. 120	The Board recommends that UN-Habitat complete the information for "converted" projects and update project information in the integrated planning, management and reporting solution appropriately and in a timely manner.	UN-Habitat reviewed the converted projects in the integrated planning, management and reporting solution, consulted the Umoja deployment team in New York and attempted various options. It was concluded that, owing to previous practices allowed at the time and the approach taken to converting projects from the UMOJA enterprise resource planning central component, it is not possible to complete the information for converted projects in the integrated planning, management and reporting solution. The projects will be allowed to go through their life cycle and be operationally closed in the central component and subsequently marked as closed in the integrated planning, management and reporting solution.	UN-Habitat provided a confirmation email from the Umoja deployment team in New York. This recommendation is therefore considered to be overtaken by events.				X

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				UN-Habitat requests the Board to close this recommendation because it is not possible for UN-Habitat to implement it.					
65	2021	A/77/5/Add.9, chap. II, para. 121	The Board also recommends that UN-Habitat monitor the completeness and quality of the integrated planning, management and reporting solution project data at the entity level and include the monitoring and updating of project progress in the solution in the performance evaluation of project managers.	UN-Habitat conducted a comprehensive review of projects created in the integrated planning, management and reporting solution to ensure completeness and quality of project data at the entry level (planning module). Missing project information was provided and relevant documents uploaded. Similarly, a comprehensive review of the solution's monitoring module was also conducted and missing project monitoring data against the log frame indicators uploaded accordingly. To ensure the continuity of the completeness and quality achieved through the exercise, the Programme Review Committee now utilizes the integrated planning, management and reporting solution approval workflow to facilitate its work. Approval by the Committee is now done in the solution. As a result, the previous integrated planning, management and reporting solution approval structure has been deactivated and, in its place, new workflows have been created for the Programme Review Committee, both at headquarters and at the regional level.	The Board reviewed the projects originally created in the integrated planning, management and reporting solution and noted that the information and relevant documents are properly uploaded and managed in the system. A monthly review to monitor compliance is also conducted by UN-Habitat. This recommendation is therefore considered to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				Furthermore, following the memo from the Executive Director, all project managers at Headquarters and outposted offices have included responsibilities and specific targets in their respective individual workplans related to ensuring the completeness, quality and validity of project data in the integrated planning, management and reporting solution. To improve the completeness and quality of implementing partner engagement, including implementing partner performance evaluation, monitoring and reporting in the Umoja grantor management module, all project managers at headquarters and outposted offices have included responsibilities and specific targets in their workplans related to timely monitoring, evaluation and reporting of implementing partner performance under their respective projects (if any). UN-Habitat considers this recommendation implemented.					
66	2021	A/77/5/Add.9, chap. II, para. 129	The Board recommends that UN-Habitat strengthen monitoring on the deliverables at the project level in the integrated planning, management and reporting solution and keep clear and comprehensive documentation of monitoring records.	UN-Habitat conducted a comprehensive review of projects created in the integrated planning, management and reporting solution to ensure the completeness and quality of project data at entry level (planning module). Missing	The Board reviewed the projects in the monitoring module and noted that the information and relevant documents are properly uploaded and managed. A tracking worksheet for the	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				project information was provided and relevant documents uploaded. Similarly, a comprehensive review of the integrated planning, management and reporting solution monitoring module was also conducted and missing project monitoring data against the log frame indicators were updated and evidence documents uploaded accordingly. The Strategic Planning Unit has been designated as the Approving Officer for the integrated planning, management and reporting solution monitoring module. The Strategic Planning Unit reviews monitoring updates and uploaded evidence. Furthermore, following the memo from the Executive Director, all project managers at headquarters and in outposted offices have responsibilities and specific targets included in their respective individual workplans related to ensuring the completeness, quality and validity of project data in the integrated planning, management and reporting solution. UN-Habitat considers this recommendation implemented.	continuity of compliance is also maintained by UN-Habitat. This recommendation is therefore considered to be implemented.				

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
67	2021	A/77/5/Add.9, chap. II, para. 135	The Board recommends that UN-Habitat, in line with the enterprise risk management implementation guidelines, enhance risk management by completing the risk treatment and response plan template and the project risk register, and upload these project documents to the integrated planning, management and reporting solution to regularly monitor project risks.	The integrated planning, management and reporting solution has an integrated project risk register and all projects are required to enter project risk and monitor the same in the monitoring module. In addition, the UN-Habitat project document template contains a project risk table, which must be completed for all projects. UN-Habitat projects comply with both requirements. UN-Habitat considers this recommendation implemented.	After evaluation and considering management's response, this recommendation is considered to be implemented.	X			
68	2021	A/77/5/Add.9, chap. II, para. 141	The Board recommends that UN-Habitat prepare complete evaluation plans and share them on its intranet in a timely manner to enhance transparency and accountability.	UN-Habitat evaluation plans are now shared on its intranet in a timely manner to enhance transparency and accountability. UN-Habitat considers this recommendation implemented.	UN-Habitat provided supporting documents, such as a screenshot of an evaluation plan on its intranet, Habnet, and its evaluation work plan for the period 2020–2023. This recommendation is therefore considered to be implemented.	X			
69	2021	A/77/5/Add.9, chap. II, para. 153	The Board recommends that UN-Habitat review its implementing partner policy and standard operating procedures for implementing partner selection to ensure that implementing partner selection is compliant with the general principles of fairness, integrity, transparency and effective competitiveness set by the Financial Regulations and Rules of the United Nations;	UN-Habitat is currently updating its implementing partner policy and standard operating procedures. The updated policy will address the audit recommendation.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			and any necessary waiver should provide, among others, programmatic and financial justifications and detail the exceptional circumstances.						
70	2021	A/77/5/Add.9, chap. II, para. 154	The Board recommends that UN-Habitat take necessary actions, including but not limited to reviewing its implementing partner policy and standard operating procedures for implementing partner selection to avoid splitting contracts.	UN-Habitat is currently updating its implementing partner policy and standard operating procedures. The updated policy will address the audit recommendation.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
71	2021	A/77/5/Add.9, chap. II, para. 162	The Board recommends that UN-Habitat build up and maintain a database of properly screened implementing partners for all of UN-Habitat to facilitate the implementing partner selection process and link it to the Umoja Implementing Partner Management Module to strengthen implementing partner data-sharing.	UN-Habitat will coordinate with the United Nations Secretariat at Headquarters to explore the possibility of joining the United Nations Partner Portal and the benefits thereof.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
72	2021	A/77/5/Add.9, chap. II, para. 170	The Board recommends that UN-Habitat improve its standard operating procedures for implementing partner selection by setting up guidance for selecting prospective implementing partners and the threshold for accepting recommended implementing partners.	UN-Habitat is currently updating its implementing partner policy and standard operating procedures. The updated policy will address the audit recommendation.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
73	2021	A/77/5/Add.9, chap. II, para. 175	The Board recommends that UN-Habitat monitor the timeliness, completeness and quality of implementing partner engagement, including performance evaluation, monitoring and reporting, and include this function in the performance evaluation of project managers.	To improve the timeliness, completeness and quality of implementing partner engagement, including implementing partner performance evaluation, monitoring and reporting in the Umoja grantor management module, the Executive Director instructed all project managers at headquarters and in outposted offices to include responsibilities and specific targets in their workplans related to timely monitoring, evaluation and reporting of implementing partner performance under their respective projects (if any), including the timely uploading of narrative and financial performance reports in the Umoja grantor management module. The instruction has been implemented.	UN-Habitat provided supporting documents, such as a memo from the Executive Director and the workplans of project managers, which include timely monitoring, evaluation and reporting of implementing partner performance. This recommendation is therefore considered to be implemented.	X			
74	2021	A/77/5/Add.9, chap. II, para. 184	The Board recommends that UN-Habitat set up a clear resource mobilization target by donor type in order to make a feasible action plan accordingly and in turn to expand UN-Habitat funding sources in compliance with United Nations policies.	UN-Habitat will take the necessary action to implement the recommendation in the next strategic plan.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	*Status after verification* Implemented	Under implementation	Not implemented	Overtaken by events
75	2021	A/77/5/Add.9, chap. II, para. 192	The Board recommends that UN-Habitat complete the performance measurement plan and the internal performance measurement system in a timely manner to ensure the implementation of the strategic plan 2020–2023.	UN-Habitat will take the necessary action to implement the recommendation accordingly. The completion of the performance measurement plan and the internal performance measurement system has been prioritized to ensure implementation of the recommendation.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
76	2021	A/77/5/Add.9, chap. II, para. 198	The Board recommends that UN-Habitat ensure the expected performance measures and deliverables are clearly indicated, accurately recorded and properly justified, and regularly review the delivery of performance of work.	The UN-Habitat focal point system was activated to ensure better reporting in the Umoja strategic management application module. The module is updated regularly with expected performance indicators and deliverables and evidence documents are uploaded. The report on the performance of the work programme is submitted to New York.	After evaluation and considering management's response, this recommendation is considered to be implemented.	X			
77	2021	A/77/5/Add.9, chap. II, para, 206	The Board recommends that UN-Habitat maintain its website, including by updating information, and monitor the effectiveness of the website on a regular basis, to improve transparency and accountability and further facilitate its business delivery.	The main website of UN-Habitat is being upgraded. Upon completion, this will respond to the recommendation and facilitate full implementation.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
78	2021	A/77/5/Add.9, chap. II, para, 212	The Board recommends that UN-Habitat update its ICT strategy according to the strategic plan for 2020–2023.	UN-Habitat has updated its ICT strategy. UN-Habitat considers this recommendation implemented.	UN-Habitat provided an updated version of its ICT strategy for 2023–2025. This recommendation is therefore considered to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
79	2021	A/77/5/Add.9, chap. II, para, 221	The Board recommends that UN-Habitat further clarify the laptop/computer allocation rules and standards to optimize laptop/computer procurement and allocation and reduce related operational costs.	UN-Habitat will develop guidance that clarifies the allocation of laptops and computers in order to implement the recommendation.	After evaluation and considering management's response, this recommendation is considered to be under implementation.		X		
	Total number of recommendations				**79**	**34**	**44**	**0**	**1**
	Percentage of the total number of recommendations				**100**	**43**	**56**	**0**	**1**

Chapter III
Certification of the financial statements

Letter dated 31 March 2023 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 2022 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 2022 are correct.

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

Chapter IV
Financial overview for the year ended 31 December 2022

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

1. The Executive Director has the honour to submit herewith the financial report and the financial statements of the United Nations Human Settlements Programme (UN-Habitat) for the year ended 31 December 2022. 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 2023.

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

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

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

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

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

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

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

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

B. Information about the UN-Habitat objectives and strategies

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

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

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

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

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

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

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

(b) Do: the Programme’s operational work takes various forms of technical assistance, drawing on the unique expertise of UN-Habitat in the area of sustainable urbanization and crisis response. UN-Habitat uses its highly specialized technical cooperation component to execute human settlement projects in order to provide value-added and tailored support to Member States in implementing policies, strategies, best practice, norms and standards;

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

(d) Partner: to achieve enduring results in addressing the challenges of urbanization, UN-Habitat will need to work collaboratively with a multitude of partners, leveraging multiple resources. The implementation of the strategic plan for 2020–2023, as recommended for extension until 2025 by the Executive Board in November 2021, is supported by the United Nations and stakeholders' collaborative implementation frameworks. UN-Habitat developed the strategic plan in response to the need to work within the broader United Nations system through a more coherent system-wide approach to development, and is currently conducting consultations on the plan with Member States.

C. Overview and analysis of the financial statements for the year ended 31 December 2022

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

(a) Statement I: statement of financial position. This statement shows the financial status of UN-Habitat as at 31 December 2022 by reporting the overall value of its assets and liabilities. It provides information about the extent to which resources are available for UN-Habitat to continue delivering partner services in the future;

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

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

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

(e) Statement V: statement of comparison of budget and actual amounts. This statement compares the actual operational result with the main budget previously approved by the Executive Board of UN-Habitat and the General Assembly;

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

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

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

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

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

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

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

14. Statements I to IV show the consolidated figures for all activities of UN-Habitat, comprising the non-earmarked funds, the earmarked funds and end-of-service and retirement benefits for the year ended 31 December 2022.

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

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

17. Comparison between the year ended 31 December 2021 and the current reporting date is provided.

18. Regular budget funding, insofar as it relates to UN-Habitat, is included in Volume I, a related party (A/78/5 (Vol. I)), but for completeness has also been included in these financial statements.

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

Financial performance

General overview

20. Table IV.1 shows a snapshot of the performance of UN-Habitat in all the segments in 2022. The net deficit of $15.6 million reflected a higher implementation rate of the Foundation earmarked and technical cooperation funds in 2022 than the revenue received for the year.

Table IV.1
Summary financial performance for the period ended 31 December 2022 by segment
(Millions of United States dollars)

	Revenue	*Expenses*	*Surplus/(deficit)*
Foundation non-earmarked	7.6	1.7	5.9
Regular budget	16.8	16.8	0.0
Subtotal, core funds	**24.4**	**18.5**	**5.9**
Foundation earmarked	48.3	58.2	(9.9)
Technical cooperation	114.9	129.1	(14.2)
Subtotal, earmarked funds	**163.2**	**187.3**	**(24.1)**
Programme support	12.9	10.4	2.5
Subtotal, programme support	**12.9**	**10.4**	**2.5**
End-of-service and post-retirement benefits	2.0	1.9	0.1
Subtotal, other	**2.0**	**1.9**	**0.1**
Total, all funds before elimination	**202.5**	**218.1**	**(15.6)**
Intersegment elimination	(14.6)	(14.6)	0.0
Total, all funds after elimination	**187.9**	**203.5**	**(15.6)**

Revenue

Table IV.2
Summary of revenue in 2022 by segment compared with 2021
(Millions of United States dollars)

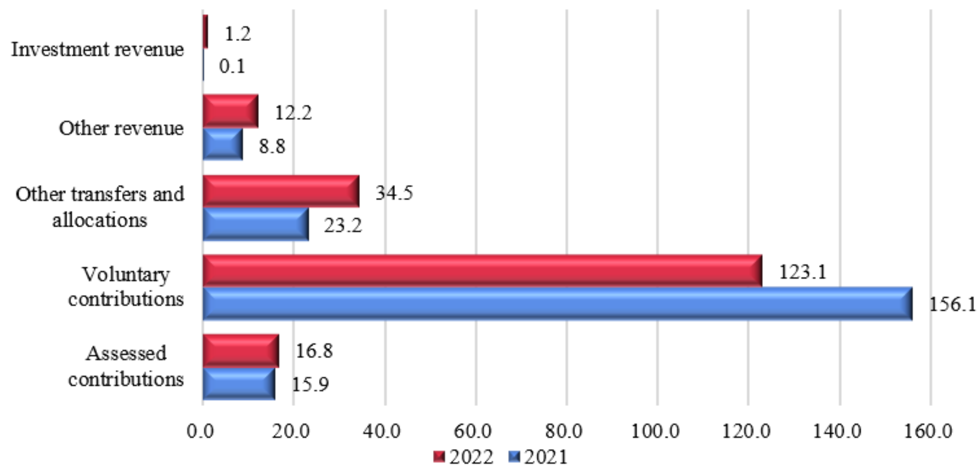
Year	*Foundation non-earmarked*	*Regular budget*	*Foundation earmarked*	*Technical cooperation*	*Programme support*	*End-of-service and post-retirement benefits*	*Intersegment elimination*	*Total revenue after elimination*
2022	7.6	16.8	48.3	114.9	12.9	2.0	(14.6)	187.9
2021	2.6	15.9	37.5	147.2	12.2	1.9	(13.2)	204.1

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

22. UN-Habitat saw a decrease in revenue in 2022 when consolidated across all funds. Total revenue for 2022, after intersegment eliminations, amounted to 187.9 million (2021: $204.1 million), which is a decrease of $16.2 million (7.9 per cent) compared with revenue in 2021. The main source of revenue continues to be voluntary contributions from Member States, other government entities and other entities, which amounted to $123.1 million (2021: $156.1 million) and accounted for 65.5 per cent of total revenue. The remaining 34.5 per cent (2021: 23.5 per cent) of revenue was generated by assessed contributions in the amount of $16.8 million (2021: $15.9 million), other transfers and allocations in the amount of $34.5 million (2021: $23.2 million), investment income in the amount of $1.2 million (2021: $0.1 million) and other revenue in the amount of $12.2 million (2021: $8.8 million).

Other transfers and allocations represent fund transfers within United Nations agencies for the joint implementation of programmes.

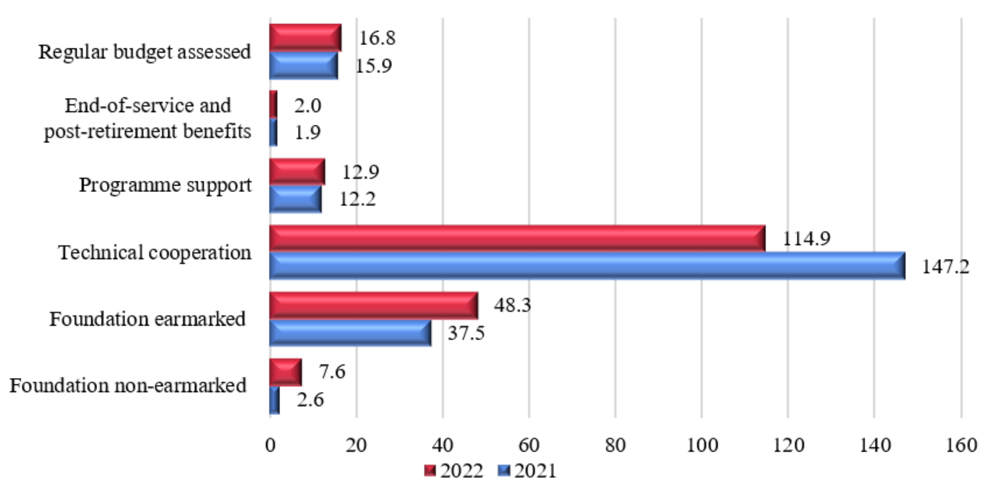
Figure IV.I
Comparative revenue distribution by revenue category



23. Figure IV.II shows the distribution of revenue by segment. Revenues for the Foundation non-earmarked segment amounted to $7.6 million (2021: $2.6 million), which was an increase of $5.0 million (192.3 per cent) compared with 2021. Regular budget revenue amounted to $16.8 million (2021: $15.9 million), an increase of $0.9 million (5.7 per cent) compared with 2021. Total revenue from Foundation earmarked funds amounted to $48.3 million (2021: $37.5 million), an increase of $10.8 million (28.8 per cent) compared with 2021. Revenue from technical cooperation earmarked funds amounted to $114.9 million (2021: $147.2 million), a decrease of $32.3 million (21.9 per cent) compared with 2021. Other revenue sources contributed a total of $14.8 million (2021: $14.1 million).

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

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



Expenditure

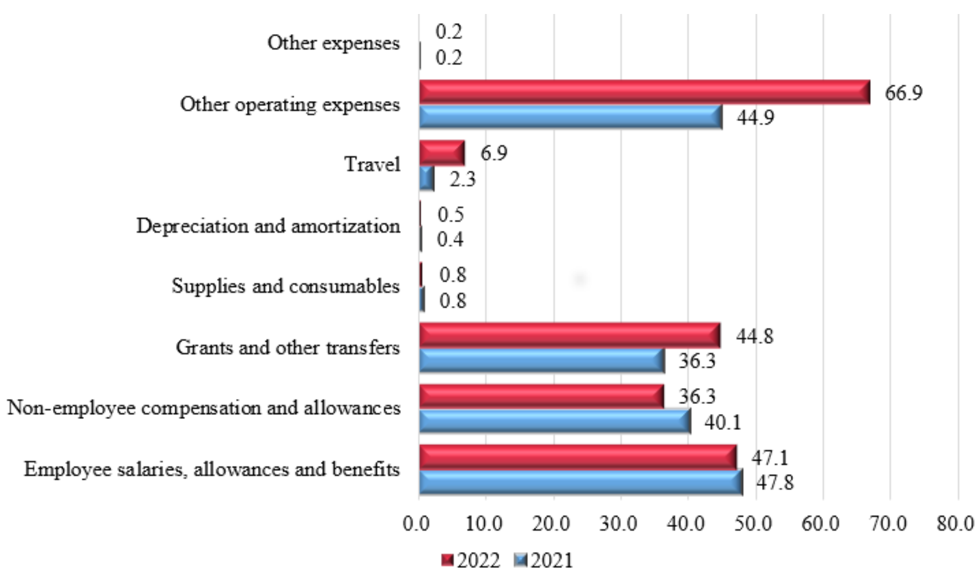
Table IV.3
Summary of expenditure by segment
(Millions of United States dollars)

Year	*Foundation non-earmarked*	*Regular budget*	*Foundation earmarked*	*Technical cooperation*	*Programme support*	*End-of-service and post-retirement benefits*	*Intersegment elimination*	*Total expenditure after elimination*
2022	1.7	16.8	58.2	129.1	10.4	1.9	(14.6)	203.5
2021	15.9	46.3	106.0	12.3	2.3	(13.2)	172.8	15.9

25. Total expenses increased by $30.7 million to $203.5 million (2021: $172.8 million) in 2022. The major categories of expenses included employee benefit expenses of $47.1 million (2021: $47.8 million), non-employee compensation costs of $36.3 million (2021: $40.1 million), grants and transfers amounting to $44.8 million (2021: $36.3 million) and other operating expenses of $66.9 million (2021: $44.9 million). These expenses are largely related to project delivery.

26. Remaining expenses totalling $8.4 million (2021: $3.7 million) related to supplies and consumables in the amount of $0.9 million (2021: $0.8 million), depreciation and amortization in the amount of $0.5 million (2021: $0.4 million), travel expenses in the amount of $6.9 million (2021: $2.3 million) and other expenses in the amount of $0.2 million (2021: $0.2 million).

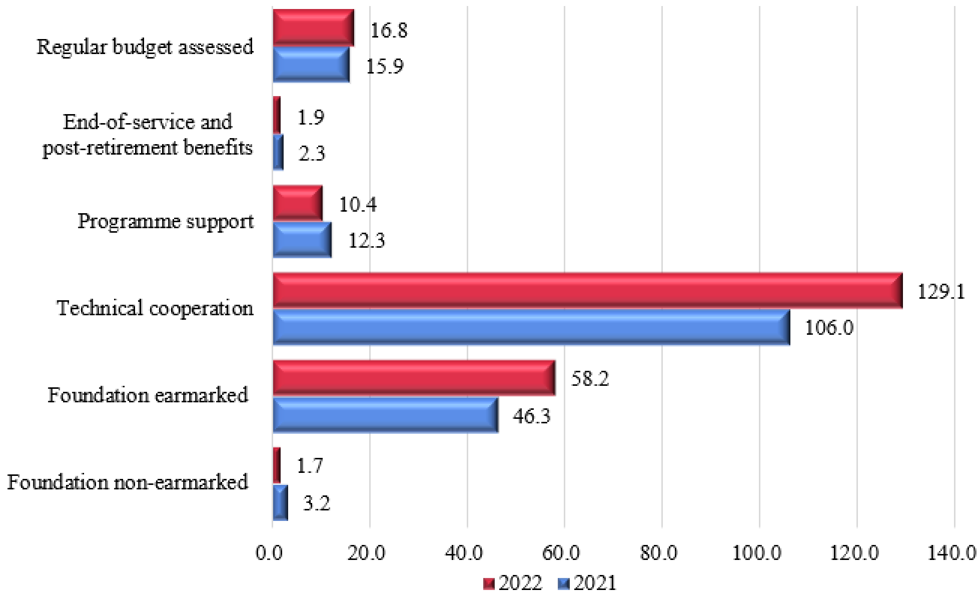
Figure IV.III
Expenditure distribution by category



27. Further analysis of the non-earmarked expenditures shows that a total of $1.7 million (2021: $3.2 million) related to Foundation non-earmarked funding, while $16.8 million (2021: $15.9 million) related to the regular budget and $10.4 million (2021: $12.3 million) related to programme support. For the earmarked funds, $58.2 million (2021: $46.3 million) related to Foundation earmarked funding, while technical cooperation expenditure amounted to $129.1 million (2021: $106 million). Expenses relating to end-of-service and post-retirement benefits amounted to $1.9 million (2021: $2.3 million).

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

Figure IV.IV
Expenditure distribution between segments before elimination



Financial position

Table IV.4
Summary of assets, liabilities and net assets by segment
(Millions of United States dollars and percentage)

	Foundation non-earmarked	*Foundation earmarked*	*Technical cooperation*	*Programme support*	*End-of-service and post-retirement benefits*	*Intersegment elimination*	*Total*
Total assets	7.5	117.9	344.2	17.8	17.5	(6.3)	498.6
Percentage of total assets	1.5	23.7	69.0	3.6	3.5	(1.3)	100
Total liabilities	2.6	24.4	62.4	3.0	36.9	(6.3)	123.0
Percentage of total liabilities	2.1	19.8	50.7	2.4	30.0	(5.0)	100
Total net assets	4.9	93.5	281.8	14.8	(19.4)	0.0	375.6
Percentage total net assets	1.3	24.9	75.0	3.9	(5.1)	0.0	100

Assets

29. At the end of 2022, UN-Habitat total assets after intersegment elimination of $6.3 million amounted to $498.6 million (2021: $567.1 million). Current assets represented $385.9 million (2021: $459.7 million), while non-current assets amounted to $112.7 million (2021: $107.4 million).

30. Voluntary contributions receivable amounted to $218.0 million (2021: $225.3 million), while cash and investments amounted to $257.3 million (2021: $293.7 million). Most of the cash and investment assets were related to funds received for technical cooperation and earmarked projects.

31. Property, plant and equipment of the organization at year-end had a net book value of $2.4 million (2021: $23.7 million). The huge decline in value is due to the

transfer of the asset relating to the Somalia Hargeysa project ($21.2 million), which closed and was handed over to the Government.

32. Cash advances to implementing partners that had not been expensed at year-end totalled $15.6 million (2021: $15.7 million).

Liabilities and net assets

33. Total current and non-current liabilities after intersegment elimination stood at $123.0 million (2021: $187.0 million) at year-end, resulting in net assets of $375.6 million (2021: $380.1 million).

34. Table IV.5 summarizes other key indicators for UN-Habitat for the year ended 31 December 2022 compared with the year ended 31 December 2021.

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

	2022	*2021*	*Increase/(decrease)*	*Percentage change*
Cash and cash equivalents	37.0	32.3	4.7	14.6
Short-term investments	148.4	220.2	(71.8)	(32.6)
Long-term investments	71.9	41.2	30.7	74.5
Total cash and investments	**257.3**	**293.7**	**(36.4)**	**(12.4)**
Voluntary contributions receivable	218.0	225.3	(7.3)	(3.2)
Other receivables	0.1	0.1	(0.0)	0.0
Total receivables	**218.1**	**225.4**	**(7.3)**	**3.2**
Advance transfers	15.6	15.7	(0.1)	(0.6)
Other assets	5.3	8.6	(3.3)	(38.4)
Accounts payable and accrued liabilities	12.3	18.4	(6.1)	(33.2)
Employee benefits liabilities[a]	38.1	47.5	(9.4)	(19.8)
Liabilities for conditional arrangements	72.7	121.2	(48.5)	(40)

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

Table IV.6
Financial position of the UN-Habitat Foundation non-earmarked funds

Thousands of United States dollars	*2022*	*2021*
Total revenue	7 677	2 570
Total expenses	1 662	3 185
Surplus/(deficit) for the period	**6 015**	**(615)**
Accumulated surplus/(deficit)	1 922	(3 094)
Reserves	3 000	2 000
Total net assets	**4 922**	**(1 094)**

35. For the year ended 31 December 2022, the UN-Habitat Foundation realized an increase in revenue of $5.1 million, from $2.6 million in 2021 to $7.7 million in 2022.

Expenditure under the segment decreased by $1.5 million, from $3.2 million in 2021 to $1.7 million in 2022. This led to the Foundation recognizing a surplus of $6.0 million in 2022 (2021: operating loss of $0.6 million), indicating that it has been able to generate enough donor contributions and cash flow to meet its obligations.

36. In addition, as at 31 December 2022, the Foundation had positive net assets of $4.9 million (2021: negative net asset position of $1.1 million). This is due to the increased contributions realized in 2022. In 2022, the management of UN-Habitat changed its policy on the Foundation non-earmarked reserves and decided to set the reserve at a minimum level of $3 million or 20 per cent of the approved budget of the following financial year, whichever was higher. This led to the reserve increasing by $1.0 million to $3.0 million in 2022.

37. UN-Habitat continued to address the financial situation in the Foundation non-earmarked fund segment. UN-Habitat management continued to apply the following initiatives: (a) intensive appeals to Member States and donors to contribute not only to the earmarked funds of UN-Habitat, but also to the Foundation non-earmarked segment for core activities in support of the approved budget; (b) a financial austerity plan that ensures that expenses do not exceed revenue; (c) a hiring freeze on core-funded Foundation posts; (d) reductions in non-post expenses such as travel; and (e) the reduction of office space in Nairobi.

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

D. Risks and uncertainties

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

40. For the most part of the past decade, the budgets for the Foundation non-earmarked segment have been consistently and significantly underfunded, leading to uncertainty about which core posts and activities can be carried out by the Programme. The underfunding of the budget is partially attributable to pledges from donors not being converted to revenue. Systemic risks to fundraising for core activities include the evolving interests of donors to favour earmarked contributions over non-earmarked contributions and political volatility that leads to fluctuations in the priorities of donors.

41. The year 2022 saw an increase in the level of non-earmarked contributions received from donors. Owing to this improvement, UN-Habitat has fully funded the reserves of $3.0 million. Furthermore, the repayment disposition of the loan of $3.0 million from the programme support cost fund to the Foundation non-earmarked segment has been partially settled, by $0.5 million.

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

42. 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.

43. Accrued balances as at 31 December 2022 have been adjusted to reflect the estimated liabilities as at 31 December 2022, as reflected in the 2022 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 2022, an amount of $19.4 million of cumulative unfunded expenditure is included in the cumulative surplus/(deficit) amount (see note 4, end-of-service and post-retirement benefits segment).

F. Impact of the coronavirus disease pandemic

44. Because of the easing of the existing restrictions related to the coronavirus disease (COVID-19), UN-Habitat realized notable improvements with regard to the effects of the COVID-19 pandemic throughout 2022.

45. Travel expenses increased by 200 per cent, to $6.9 million in 2022 from $2.3 million in 2021. This was due mainly to an increase in the flexibility of physical movement resulting in more face-to-face or physical meetings than online ones, leading to an increase in travel costs. It should be noted that the 2022 travel expenses are similar to those incurred in 2019 ($7.0 million), before the COVID-19 pandemic and related travel restrictions.

46. The main contributors to the increase in travel costs relate to the Foundation earmarked and technical cooperation segments, with $3.4 million and $2.7 million, respectively. The surge in travel costs in these segments is a result of project supervision, which had slowed down during the COVID-19 period.

Chapter V

Financial statements and related explanatory notes for the year ended 31 December 2022

United Nations Human Settlements Programme

I. Statement of financial position as at 31 December 2022

(Thousands of United States dollars)

	Note	*31 December 2022*	*31 December 2021*
Assets			
Current assets			
Cash and cash equivalents	6	37 051	32 345
Investments	7	148 396	220 232
Voluntary contributions receivable	8	179 509	182 785
Other receivables	9	89	94
Advance transfers	10	15 571	15 741
Other assets	11	5 342	8 560
Total current assets		**385 958**	**459 757**
Non-current assets			
Investments	7	71 860	41 168
Voluntary contributions receivable	8	38 515	42 518
Other receivables	9	–	–
Property, plant and equipment	13	2 353	23 714
Intangible assets	14	–	–
Total non-current assets		**112 728**	**107 400**
Total assets		**498 686**	**567 157**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	15	12 304	18 371
Employee benefits liabilities	16	2 650	2 877
Provisions	17	20	–
Liabilities for conditional arrangements	18	72 657	121 213
Total current liabilities		**87 631**	**142 461**
Non-current liabilities			
Employee benefits liabilities	16	35 423	44 636
Total non-current liabilities		**35 423**	**44 636**
Total liabilities		**123 054**	**187 097**
Net of total assets and total liabilities		**375 632**	**380 060**
Net assets			
Accumulated surplus (deficit)	19	354 915	359 745
Reserves	19	20 717	20 315
Total net assets		**375 632**	**380 060**

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 2022

(Thousands of United States dollars)

	Note	*2022*	*2021*
Revenue			
Assessed contributions	20	16 800	15 904
Voluntary contributions	20	123 102	156 128
Other transfers and allocations	20	34 515	23 206
Investment revenue	23	1 191	55
Other revenue	21	12 242	8 786
Total revenue		**187 850**	**204 079**
Expenses			
Employee salaries, allowances and benefits	22	47 090	47 781
Non-employee compensation and allowances	22	36 273	40 076
Grants and other transfers	22	44 791	36 341
Supplies and consumables	22	854	774
Depreciation	13	505	389
Amortization	14	–	1
Travel	22	6 868	2 325
Other operating expenses	22	66 930	44 923
Other expenses	22	167	187
Total expenses		**203 478**	**172 797**
Surplus/(deficit) for the period		**(15 628)**	**31 282**

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 2022[a]

(Thousands of United States dollars)

	Accumulated surpluses/(deficits) – unrestricted	*Reserves*	*Total*
Net assets, 1 January 2022	**359 745**	**20 315**	**380 060**
Change in net assets			
Transfers to/from unrestricted/restricted/reserves	(403)	403	–
Actuarial gains/(losses)	11 201	(1)	11 200
Surplus/(deficit) for the year	(15 628)	–	(15 628)
Net assets, 31 December 2022	**354 915**	**20 717**	**375 632**

[a] See detailed 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 2022

(Thousands of United States dollars)

	Note	*31 December 2022*	*31 December 2021*
Cash flow from operating activities			
Surplus/(deficit) for the year		**(15 628)**	**31 282**
Non-cash movements			
Depreciation and amortization	13	492	386
Loss on disposal of property, plant and equipment	13	455	42
Actuarial (gain)/loss on employee benefits liabilities	16	11 200	84
Transfers and donated property, plant and equipment and intangibles		–	–
Changes in assets			
(Increase)/decrease in voluntary contributions receivable	8	7 278	9 063
(Increase)/decrease in other receivables	9	5	(8)
(Increase)/decrease in advance transfers	10	170	6 740
(Increase)/decrease in other assets	11	3 218	700
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities	15	(6 067)	5 903
Increase/(decrease) in employee benefits liabilities	16	(9 440)	2 167
Increase/(decrease) in liabilities for conditional arrangements	18	(48 556)	(34 795)
Increase/(decrease) in provisions	17	20	–
Investment revenue presented as investing activities	23	(1 191)	(55)
Net cash flows from/(used in) operating activities		**(58 044)**	**21 509**
Cash flow from investing activities			
Pro rata share of net increases in the cash pool	7	41 145	(15 257)
Investment revenue presented as investing activities	23	1 191	55
Acquisition of property, plant and equipment	13	20 414	(4 408)
Proceeds from disposal of intangibles		–	–
Net cash flows from/(used in) investing activities		**62 750**	**(19 610)**
Cash flow from financing activities			
Adjustments to net assets		–	–
Net cash flows from/(used in) financing activities		**–**	**–**
Net increase/(decrease) in cash and cash equivalents		**4 706**	**1 899**
Cash and cash equivalents – beginning of year		32 345	30 446
Cash and cash equivalents – end of year	**6**	**37 051**	**32 345**

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 2022

(Thousands of United States dollars)

Budget part	Publicly available budget: Original biennial	Publicly available budget: Original annual[a]	Publicly available budget: Final annual	Actual expenditure (budget basis)	Difference (percentage)[b]
Foundation non-earmarked					
Reduced spatial inequality and poverty in communities across the urban-rural continuum	–	1 437.0	1 437.0	0.5	(100.0)
Enhanced shared prosperity of cities and regions	–	1 555.2	1 555.2	113.5	(92.7)
Strengthened climate action and improved urban environment	–	1 246.1	1 246.1	–	(100.0)
Effective urban crisis prevention and response	–	1 544.6	1 544.6	180.1	(88.3)
Subtotal	**–**	**5 782.9**	**5 782.9**	**294.1**	**(94.9)**
Policymaking organs	–	628.2	628.2	139.7	(77.8)
Executive direction and management	–	3 168.5	3 168.5	679.4	(78.6)
Programme support	–	2 399.0	2 399.0	544.6	(77.3)
Subtotal	**–**	**6 195.7**	**6 195.7**	**1 363.7**	**(78.0)**
Total, Foundation non-earmarked	**–**	**11 978.6**	**11 978.6**	**1 657.8**	**(86.2)**
Regular budget					
Section 15: Human settlements	–	13 275.8	13 275.8	13 644.0	2.8
Section 23: Regional programme of technical cooperation	–	1 152.3	1 152.3	1 126.0	(2.3)
Section 35: Development account[a]	–	1 140.0	1 140.0	1 000.3	(12.3)
Total, regular budget	**–**	**15 568.1**	**15 568.1**	**15 770.3**	**1.3**
Grand total	**–**	**27 546.7**	**27 546.7**	**17 428.1**	**(36.7)**

[a] Budget relates to the current-year publicly available budgets which are approved for a one-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 2022 financial statements

Note 1
Reporting entity

The United Nations Human Settlements Programme and its activities

1. On 16 December 1974, the General Assembly adopted its resolution 3327 (XXIX), by which it created the United Nations Habitat and Human Settlements Foundation.

2. On 19 December 1977, the General Assembly adopted its resolution 32/162, by which it established a secretariat (the United Nations Centre for Human Settlements (Habitat)) and a Commission on Human Settlements.

3. On 21 December 2001, the General Assembly adopted its resolution 56/206, by which, with effect from 1 January 2002, it transformed the United Nations Centre for Human Settlements, including the United Nations Habitat and Human Settlements Foundation, into the United Nations Human Settlements Programme (UN-Habitat) and the Commission on Human Settlements into the Governing Council of the United Nations Human Settlements Programme. By the same resolution, the Assembly confirmed that the Executive Director of the United Nations Human Settlements Programme should be responsible for the management of the United Nations Habitat and Human Settlements Foundation and UN-Habitat would become an autonomous body and a separate reporting entity within the United Nations.

4. UN-Habitat is a separate financial reporting entity of the United Nations system owing to the uniqueness of the governance and budgetary process. Its financial statements comprise activities managed through various funds, including general and related funds, technical cooperation activities, general trust funds and other activities.

5. UN-Habitat is supported by a United Nations regular budget allocation and voluntary contributions from Governments, intergovernmental organizations, foundations, the private sector and other non-governmental sources. UN-Habitat headquarters is located on United Nations Avenue in Nairobi, Kenya, at the United Nations Office at Nairobi complex.

6. The objectives of UN-Habitat are as follows:

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

(b) To monitor and assess progress towards the attainment of the Habitat Agenda goals and the targets of the Millennium Declaration and the Johannesburg Plan of Implementation on slums, safe drinking water and sanitation;

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

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

7. UN-Habitat undertook a major reform in 2011 to sharpen the programmatic focus of its mandate to address strategic urbanization challenges and achieve more efficient and effective service delivery, with the goal of maintaining its role as the lead programme of the United Nations for providing guidance and technical support on sustainable urbanization and shelter, both globally and at the regional and country levels. These reforms were incorporated in the 2014–2019 strategic plan.

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

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

(b) Adoption of a new strategic plan for the period 2020–2023, which was approved by the UN-Habitat Assembly in May 2019. The strategic plan was recommended for extension until 2025 in November 2021. The plan underpins all UN-Habitat programmes of work from 2020 to 2023;

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

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

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

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

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

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

Note 2
Basis of preparation and authorization for issue

Basis of preparation

10. In accordance with the Financial Regulations and Rules of the United Nations, the financial statements are prepared on an accrual basis in accordance with the International Public Sector Accounting Standards (IPSAS). They have been prepared on a going-concern basis and the accounting policies, as summarized in note 3, 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 Programme, and the cash flows over the financial year, consist of the following:

(a) Statement I: statement of financial positionc;

(b) Statement II: statement of financial performance;

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

(d) Statement IV: statement of cash flows (using the indirect method);

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

Going concern

11. The going-concern assertion is based on the approval by the General Assembly of the regular budget appropriations for 2023 in its resolution 77/264 A–C, the positive historical trend of collection of assessed and voluntary contributions over previous years and the fact that the Assembly has taken no decision to cease the operations of UN-Habitat.

Authorization for issue

12. These financial statements are certified by the Controller and approved by the Secretary-General. In accordance with the Financial Regulations and Rules of the United Nations, these financial statements as at 31 December 2022 are to be transmitted to the Board of Auditors by 31 March 2023. In accordance with financial regulation 7.12, the reports of the Board of Auditors are to be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements.

Measurement basis

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

Functional and presentation currency

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

15. Transactions in currencies other than the functional currency (foreign currencies) are translated into United States dollars at the United Nations operational rate of exchange as at the date of the transaction. The United Nations operational rates of exchange approximate the spot rates prevailing at the date of each transaction. At year end, monetary assets and liabilities denominated in foreign currencies are translated at the United Nations operational rates of exchange. Non-monetary foreign currency-denominated items that are measured at fair value are translated at the United Nations operational rate of exchange at the date on which the fair value was determined. Non-monetary items measured at historical cost in a foreign currency are not translated at year end.

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

Materiality and use of judgment and estimates

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

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

19. Accounting estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: actuarial measurement of employee benefits; selection of useful lives and the depreciation/amortization 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

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

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

(b) Infrastructure assets: the objective of the project is to research and identify issues preparers have when applying IPSAS 17: Property, plant and equipment, to infrastructure assets. Informed by this research, the aim is to provide additional guidance on accounting for infrastructure assets. The IPSAS Board plans to issue a new standard on property, plant and equipment replacing IPSAS 17, adding public sector guidance on heritage and infrastructure assets and aligning with the new measurement principles. The standard is expected to be issued in the first half of 2023 together with the measurement-related guidance;

(c) Public sector measurement: the objectives of the project include (i) issuing amended IPSAS standards with revised requirements for measurement at initial recognition, subsequent measurement and measurement-related disclosure; (ii) providing more detailed guidance on the implementation of replacement cost and cost of fulfilment and the circumstances under which these measurement bases will be used; and (iii) addressing transaction costs, including the specific issue of the capitalizing or expensing of borrowing costs. The IPSAS Board expects to approve and issue the standard on measurement in the first half of 2023. The related section of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (chapter 7, on the measurement of assets and liabilities) will also be updated in line with the new standard;

(d) Non-exchange expenses: the aim of the project is to develop a standard or standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits. The new standard would result in a change in accounting policy for the recognition of expenses whereby the transfer provider will recognize an expense when the transfer recipient satisfies an obligation by transferring goods or services to a third-party beneficiary. The draft standard is in the final review phase by the IPSAS Board and is expected to be issued in the first half of 2023. In order to prepare for the adoption of this new standard, data-collection efforts and the revision of the agreement template are under way;

(e) Revenue: the scope of the project is to develop new standard-level requirements and guidance on revenue to amend or supersede that currently located in IPSAS 9: Revenue from exchange transactions, IPSAS 11: Construction contracts, and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers). The IPSAS Board finished discussing principle-related issues and plans to issue the standard in the first half of 2023 with an option of early adoption;

(f) "Accounting and reporting by retirement benefit plans" is a new project of the IPSAS Board and an adaptation of International Accounting Standard 26. The objective of developing the exposure draft is to prescribe the accounting and reporting requirements for public sector retirement benefit plans, which primarily provide benefits to retired public sector employees. A retirement benefit plan that prepares and presents financial statements under the accrual basis of accounting shall apply this guidance;

(g) "Other lease-type arrangements" is another new project of the Board, with the aim of developing additional guidance for identifying and addressing lease-related accounting issues associated with lease-type arrangements. The exposure draft was published for comment in January 2023 and proposes amendments to IPSAS 43: Leases, on accounting for concessionary leases, as well as new guidance on right-of-use assets in kind and consequential amendments to IPSAS 23: Revenue from non-exchange transactions.

Recent and future requirements of the International Public Sector Accounting Standards

21. The IPSAS Board issued the following standards:

(a) IPSAS 41: Financial instruments, issued in August 2018 and effective 1 January 2023;

(b) IPSAS 42: Social benefits, issued in January 2019 and effective 1 January 2023;

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

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

The impact of these standards on the organization's financial statements and the comparative period therein has been evaluated to be as follows:

Standard	*Anticipated impact in the year of adoption*
IPSAS 41	IPSAS 41: Financial instruments, substantially improves the relevance of information for financial assets and financial liabilities. It will replace IPSAS 29: Financial instruments: recognition and measurement, and improves that standard's requirements by introducing: (a) Simplified classification and measurement requirements for financial assets; (b) A forward-looking impairment model; (c) A flexible hedge accounting model. Compliance with IPSAS 41 is mandatory for the UN-Habitat financial year ending 31 December 2023. The organization is in the process of assessing the new requirements for recording, valuation and reporting of the investment cash pool in line with IPSAS 41. The assessment results will be used to develop an accounting policy document and update the corporate guidance.
IPSAS 42	IPSAS 42: Social benefits, provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include State retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment. Currently, there are no such social benefits applicable to the organization; therefore, the standard will have no impact on UN-Habitat financial reporting.
IPSAS 43	IPSAS 43: Leases, replaced IPSAS 13: Leases, aligning guidance with International Financial Reporting Standard 16. The newly issued standard introduces new contract and leases definitions and prescribes a right-of-use recognition and measurement model for all leases, apart from those meeting short-term and low-value exemption categories. IPSAS 43 also provides additional guidance on the application of the risks and rewards model for lessor accounting. Adoption of the standard is mandatory for the UN-Habitat financial year ending 31 December 2025. The impact of IPSAS 43 will be assessed over the 2023 and 2024 calendar years prior to the 1 January 2025 effective date. The broadened leases definition is estimated to result in the recognition of more binding arrangements as leases, with a corresponding increase in lease liabilities and right-of-use assets.
IPSAS 44	IPSAS 44: Non-current assets held for sale and discontinued operations, promulgates accounting for assets held for sale and the presentation and disclosure requirements of discontinued operations, in alignment with International Financial Reporting Standard 5. Adoption of the standard is mandatory for the UN-Habitat financial year ending 31 December 2025. The impact of IPSAS 44 will be assessed to prepare the organization for its implementation prior to the 1 January 2025 effective date. Given the definitions and scope of non-current assets held for sale, the recognition and measurement impacts are preliminarily estimated as not significant for the organization, as the presentation and disclosure changes will depend on the identification of discontinued operations, if any, in the future, starting on 1 January 2025.

Note 3
Significant accounting policies

Financial assets: classification

22. The organization classifies its financial assets in one of the following categories at initial recognition and re-evaluates the classification at each reporting date (see table below). The classification of financial assets depends primarily on the purpose for which the financial assets are acquired.

Categories of financial assets

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

23. All financial assets are initially measured at fair value. The organization initially recognizes financial assets classified as loans and receivables on the date on which they originated. All other financial assets are recognized initially on the trade date, which is the date the organization becomes party to the contractual provisions of the instrument.

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

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

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

27. Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in value of the asset. Impairment losses are recognized in the statement of financial performance in the year in which they arise.

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

29. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Financial assets: investment in cash pools

30. The United Nations Treasury invests funds pooled from the United Nations Secretariat entities and other participating entities, including the organization. These pooled funds are combined in two internally managed cash pools. Participation in the cash pools implies sharing the risk and returns on investments with the other participants. Since the funds are commingled and invested on a pool basis, each participant is exposed to the overall risk of the investment's portfolio to the extent of the amount of cash invested.

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

Financial assets: cash and cash equivalents

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

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

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

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

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

Financial assets: receivables from exchange transactions – other accounts receivable

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

Financial assets: loans receivable

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

Investments accounted for using the equity method

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

Other assets

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

Advance transfers

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

Inventories

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

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

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

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

44. Holdings of consumables and supplies for internal consumption are capitalized in the statement of financial position only when material. Such inventories are valued by the periodic weighted average or the moving average methods on the basis of records available in the inventory management systems, such as Galileo and Umoja, which are validated through the use of thresholds, cycle counts and enhanced internal controls. Valuations are subject to impairment review, which takes into consideration the variances between moving average price valuation and current replacement cost, as well as slow-moving and obsolete items.

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

Heritage assets

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

Property, plant and equipment

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

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

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

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

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

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

Estimated useful lives of property, plant and equipment classes

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	6–7 years
	Heavy-wheeled and engineering support vehicles	12 years
	Specialized vehicles, trailers and attachments	6–12 years
	Marine vessels	10 years
Machinery and equipment	Light engineering and construction equipment	5 years
	Medical equipment	5 years
	Security and safety equipment	5 years
	Mine detection and clearing equipment	5 years
	Accommodation and refrigeration equipment	6 years
	Water treatment and fuel distribution equipment	7 years
	Transportation equipment	7 years
	Heavy engineering and construction equipment	12 years
	Printing and publishing equipment	20 years
Furniture and fixtures	Library reference material	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

Class	*Subclass*	*Estimated useful life*
	Finance lease or donated right-to-use buildings	Shorter of term of arrangement or life of building
Infrastructure assets	Telecommunications, energy, protection, transport, waste and water management, recreation, landscaping	Up to 50 years
Leasehold improvements	Fixtures, fittings and minor construction work	Shorter of lease term or 5 years

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

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

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

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

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

Intangible assets

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

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

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

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

Estimates of useful lives of major classes of intangible assets

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

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

Financial liabilities: classification

59. Financial liabilities are classified as “other financial liabilities”. They include accounts payable, transfers payable, unspent funds held for future refunds, and other liabilities. Financial liabilities classified as other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities with a duration of less than 12 months are recognized at their nominal value. The organization re-evaluates the classification of financial liabilities at each reporting date and derecognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

Financial liabilities: accounts payable and accrued liabilities

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

Financial liabilities: transfers payable

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

Advance receipts and other liabilities

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

Leases: the organization as lessee

63. Leases of property, plant and equipment where the organization has substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the start of the lease at the lower of fair value or the present value of the minimum lease payments. The rental obligation, net of finance

charges, is reported as a liability in the statement of financial position. Assets acquired under finance leases are depreciated in accordance with the organization's policy on property, plant and equipment. The interest element of the lease payment is charged to the statement of financial performance as an expense over the lease term on the basis of the effective interest rate method.

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

Leases: the organization as lessor

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

Donated rights to use

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

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

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

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

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

Employee benefits

71. Employees comprise staff members, as described under Article 97 of the Charter of the United Nations, whose employment and contractual relationship with the organization are defined by a letter of appointment subject to regulations promulgated

by the General Assembly pursuant to Article 101, paragraph 1, of the Charter. Employee benefits are classified into short-term benefits, long-term benefits, post-employment benefits and termination benefits.

Short-term employee benefits

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

Post-employment benefits

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

Defined-benefit plans

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

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

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

77. Repatriation benefits: upon end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based on length of service, and travel and removal expenses. A liability is recognized from when the staff member joins the organization and is measured as the present value of the estimated liability for settling these entitlements.

78. Annual leave: the liabilities for annual leave represent unused accumulated leave days that are projected to be settled through a monetary payment to employees upon their separation from the organization. The United Nations recognizes as a liability the actuarial value of the total accumulated unused leave days of all staff members, up to a maximum of 60 days (18 days for temporary staff) as at the date of the statement of financial position. The methodology applies a last-in-first-out assumption in the determination of the annual leave liabilities, whereby staff members access current period leave entitlements before they access accumulated annual leave balances relating to prior periods. Effectively, the accumulated annual leave benefit is accessed more than 12 months after the end of the reporting period in which the benefit arose and, overall, there is an increase in the level of accumulated annual leave days, pointing to the commutation of accumulated annual leave to a cash settlement at the end of service as the true liability of the organization. The accumulated annual leave benefit reflecting the outflow of economic resources from the organization at the end of service is therefore classified under the category of other long-term benefits, it being noted that the portion of the accumulated annual leave benefit that is expected to be settled through monetary payment within 12 months after the reporting date is classified as a current liability. In line with IPSAS 39, other long-term benefits must be valued similarly to post-employment benefits; therefore, the United Nations values its accumulated annual leave benefit liability as a defined, post-employment benefit that is actuarially valued.

Pension plan: United Nations Joint Staff Pension Fund

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

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

Termination benefits

81. Termination benefits are recognized as an expense only when the organization is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal

retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted if the impact of discounting is material.

Other long-term employee benefits

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

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

Provisions

84. Provisions are liabilities recognized for future expenditure of uncertain amount or timing. A provision is recognized if, as a result of a past event, the organization has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount of the provision is the best estimate of the expenditures expected to be required to settle the present obligation as at the reporting date. Where the effect of the time value of money is material, the provision is the present value of the amount required to settle the obligation.

Contingent liabilities

85. Any possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the organization are disclosed as contingent liabilities. Contingent liabilities are also disclosed where present obligations that arise from past events cannot be recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations, or the amount of the obligations cannot be reliably measured.

86. Provisions and contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become more or less probable. If it becomes more probable that such an outflow will be required, a provision is recognized in the financial statements of the year in which the change of probability occurs. Similarly, where it becomes less probable that such an outflow will be required, a contingent liability is disclosed in the notes to the financial statements.

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

Contingent assets

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

Commitments

89. Commitments are future expenses to be incurred by the organization on contracts entered into by the reporting date and that the organization has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (amount of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that will be delivered to the organization in future periods, non-cancellable minimum lease payments and other non-cancellable commitments.

Non-exchange revenue: assessed contributions

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

Non-exchange revenue: voluntary contributions

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

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

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

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

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

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

Exchange revenue

97. Exchange transactions are those in which the organization sells goods or services. Revenue comprises the fair value of consideration received or receivable for

the sale of goods and services. Revenue is recognized when it can be reliably measured, when the inflow of future economic benefits is probable and when specific criteria have been met, as follows:

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

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

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

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

Investment revenue

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

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

Expenses

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

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

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

103. Grants and other transfers include outright grants and transfers to implementing agencies, partners and other entities as well as quick-impact projects. Supplies and consumables relate to the cost of consumables and expenses for supplies. For outright

grants, an expense is recognized at the point at which the organization has a binding obligation to pay.

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

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

Multi-partner trust funds

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

Note 4
Segment reporting

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

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

(a) Foundation non-earmarked;

(b) Regular budget;

(c) Foundation earmarked;

(d) Technical cooperation;

(e) Programme support;

(f) End-of-service and post-retirement benefits.

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

All funds – statement of financial position as at 31 December 2022, by segment

(Thousands of United States dollars)

	Foundation non-earmarked	*Foundation earmarked*	*Technical cooperation*	*Programme support*	*End-of-service and post-retirement benefits*	*Intersegment eliminations*	*31 December 2022*	*31 December 2021*
Assets								
Current assets								
Cash and cash equivalents	1 046	9 832	21 548	2 104	2 521	–	37 051	32 345
Investments	4 186	39 329	86 330	8 435	10 116	–	148 396	220 232
Voluntary contributions receivable	116	29 870	149 523	–	–	–	179 509	182 785
Other receivables	2	150	3 632	2 586	–	(6 281)	89	94
Advance transfers	75	2 396	13 100	–	–	–	15 571	15 741
Other assets	46	879	3 843	574	–	–	5 342	8 560
Total current assets	**5 471**	**82 456**	**277 976**	**13 699**	**12 637**	**(6 281)**	**385 958**	**459 757**
Non-current assets								
Investments	2 027	19 045	41 804	4 085	4 899	–	71 860	41 168
Voluntary contributions receivable	–	16 237	22 278	–	–	–	38 515	42 518
Property, plant and equipment	25	167	2 153	8	–	–	2 353	23 714
Intangible assets	–	–	–	–	–	–	–	–
Total non-current assets	**2 052**	**35 449**	**66 235**	**4 093**	**4 899**	**–**	**112 728**	**107 400**
Total assets	**7 523**	**117 905**	**344 211**	**17 792**	**17 536**	**(6 281)**	**498 686**	**567 157**
Liabilities								
Accounts payable and accrued liabilities	86	2 698	6 512	3 008	–	–	12 304	18 371
Employee benefits liabilities	(5)	438	714	22	1 481	–	2 650	2 877
Liabilities for conditional arrangements	–	21 118	51 539	–	–	–	72 657	121 213
Provisions	20	–	–	–	–	–	20	–
Other liabilities	2 500	158	3 623	–	–	(6 281)	–	–
Total current liabilities	**2 601**	**24 412**	**62 388**	**3 030**	**1 481**	**(6 281)**	**87 631**	**142 461**

	Foundation non-earmarked	*Foundation earmarked*	*Technical cooperation*	*Programme support*	*End-of-service and post-retirement benefits*	*Intersegment eliminations*	*31 December 2022*	*31 December 2021*
Non-current liabilities								
Employee benefits liabilities	–	–	–	–	35 423	–	35 423	44 636
Total non-current liabilities	**–**	**–**	**–**	**–**	**35 423**	**–**	**35 423**	**44 636**
Total liabilities	**2 601**	**24 412**	**62 388**	**3 030**	**36 904**	**(6 281)**	**123 054**	**187 097**
Net of total assets and liabilities	**4 922**	**93 493**	**281 823**	**14 762**	**(19 368)**	**–**	**375 632**	**380 060**
Net assets								
Accumulated surplus/(deficit)	1 922	89 470	270 463	12 428	(19 368)	–	354 915	359 745
Reserves	3 000	4 023	11 360	2 334	–	–	20 717	20 315
Total net assets	**4 922**	**93 493**	**281 823**	**14 762**	**(19 368)**	**–**	**375 632**	**380 060**

All funds – statement of financial performance for the period ended 31 December 2022, 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 2022*	*Total as at 31 December 2021*
Revenue									
Assessed contributions	–	16 800	–	–	–	–	–	16 800	15 904
Voluntary contributions	7 564	–	39 923	75 478	137	–	–	123 102	156 128
Other transfers and allocations	–	–	4 447	30 073	90	–	(95)	34 515	23 206
Investment revenue	(1)	–	257	869	16	50	–	1 191	55
Other revenue	114	–	3 667	8 456	12 633	1 921	(14 549)	12 242	8 786
Total revenue	**7 677**	**16 800**	**48 294**	**114 876**	**12 876**	**1 971**	**(14 644)**	**187 850**	**204 079**
Expenses									
Employee salaries, allowances and benefits	1 189	14 241	13 332	13 402	4 933	1 914	(1 921)	47 090	47 781
Non-employee compensation and allowances	36	931	11 084	23 466	756	–	–	36 273	40 076
Grants and other transfers	–	238	13 972	30 578	3	–	–	44 791	36 341
Supplies and consumables	–	44	152	651	7	–	–	854	774
Depreciation	2	13	27	457	6	–	–	505	389
Amortization	–	–	–	–	–	–	–	–	1
Travel	35	550	3 380	2 736	262	–	(95)	6 868	2 325
Other operating expenses	392	783	16 237	57 738	4 396	12	(12 628)	66 930	44 923
Other expenses	8	–	72	87	–	–	–	167	187
Total expenses	**1 662**	**16 800**	**58 256**	**129 115**	**10 363**	**1 926**	**(14 644)**	**203 478**	**172 797**
Surplus/(deficit) for the period	**6 015**	**–**	**(9 962)**	**(14 239)**	**2 513**	**45**	**–**	**(15 628)**	**31 282**

Note 5
Comparison to budget

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

111. Approved budgets are those that permit expenses to be incurred and are approved by the Executive Board. For IPSAS reporting purposes, approved budgets are the appropriations authorized for each category through General Assembly and Executive Board resolutions for the regular budget and Foundation non-earmarked segments, respectively.

112. The original budget amounts are the 2022 appropriations approved by the General Assembly and the Executive Board for the year 2022.

113. The final budget reflects the original budget appropriation with any amendments by the Executive Director in consideration of actual cash flows.

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

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

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

Budget area	*Material differences greater than 10 per cent*
Reduced spatial inequality and poverty in communities across the urban-rural continuum	Expenditure 100.0 per cent less than final budget
Enhanced shared prosperity of cities and regions	Expenditure 92.7 per cent less than final budget
Strengthened climate action and improved urban environment	Expenditure 100.0 per cent less than final budget
Effective urban crisis prevention and response	Expenditure 88.3 per cent less than final budget
Policymaking organs	Expenditure 77.8 per cent less than final budget
Executive direction and management	Expenditure 78.6 per cent less than final budget
Programme support	Expenditure 77.3 per cent less than final budget

116. Actual expenditure for the subprogrammes under Foundation non-earmarked funds is lower owing to cashflow-related austerity measures taken during the year.

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

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

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

(Thousands of United States dollars)

Reconciliation	*Operating*	*Investing*	*Financing*	*Total 2022*
Actual amounts on comparable basis (statement V)	(17 429)	–	–	(17 429)
Basis differences[a]	(43 450)	20 414	–	(23 036)
Entity differences[b]	(185 015)	–	–	(185 015)
Presentation differences[c]	187 850	42 336	–	230 186
Actual amount in statement of cash flows (statement IV)	**(58 044)**	**62 750**	**–**	**4 706**

[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 2022	*31 December 2021*
Main pool	36 988	32 258
Other cash and cash equivalents	63	87
Total cash and cash equivalents	**37 051**	**32 345**

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

Note 7
Investments

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Current		
Main pool	148 396	220 232
Subtotal	**148 396**	**220 232**
Non-current		
Main pool	71 860	41 168
Subtotal	**71 860**	**41 168**
Total	**220 256**	**261 400**

119. 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 2022*	*31 December 2021*
Member States	29 113	1 230	30 343	37 041
Other governmental organizations	62 940	21 451	84 391	77 094
United Nations organizations	22 189	3 389	25 578	22 660
Private donors	93 820	12 445	106 265	123 630
Total voluntary contributions receivable before allowance	**208 062**	**38 515**	**246 577**	**260 425**
Allowance for doubtful receivables, current	(28 553)	–	(28 553)	(35 122)
Total voluntary contributions receivable	**179 509**	**38 515**	**218 024**	**225 303**

Note 9
Other receivables

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Other receivables (current)		
Other accounts receivable	192	185
Loans receivable	56	88
Subtotal	**248**	**273**
Allowances for doubtful receivables	(159)	(179)
Total other receivables (current)	**89**	**94**

Note 10
Advance transfers

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Advances to implementing partners	15 571	15 741
Total advance transfers	**15 571**	**15 741**

Note 11
Other assets

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Advances to UNDP and other agencies of the United Nations system[a]	4 617	7 123
Advances to vendor	98	50
Advances to staff	243	687
Other personnel	27	176
Other assets – other	357	524
Other assets (current)	**5 342**	**8 560**

[a] Includes UNDP Service Clearing Account and advances to other entities to provide administrative and operational support services.

Note 12
Heritage assets

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

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

Note 13
Property, plant and equipment

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

123. During the year, the organization registered a write-down on property, plant and equipment owing to accidents, malfunctions and other losses with a net book value of $0.4 million. 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 at year end. UN-Habitat did not have any outstanding assets under construction as at 31 December 2022.

Property, plant and equipment

(Thousands of United States dollars)

	Buildings	*Infrastructure assets*	*Assets under construction*[a]	*Machinery and equipment*	*Vehicles*	*Communications and information technology equipment*	*Furniture and fixtures*	*Total*
Cost as at 1 January 2022	**94**	**–**	**21 229**	**973**	**7 327**	**564**	**135**	**30 322**
Additions	–	(21 183)	(46)	39	744	31	–	(20 414)
Transfers	–	21 183	(21 183)	–	–	–	–	–
Disposals	–	–	–	(75)	(798)	(16)	–	(889)
Prior-year movements[c]	(1)	–	–	15	1	11	1	27
Cost as at 31 December 2022	**93**	**–**	**–**	**952**	**7 274**	**590**	**136**	**9 046**
Accumulated depreciation as at 1 January 2022	**(75)**	**–**	**–**	**(590)**	**(5 418)**	**(432)**	**(92)**	**(6 608)**
Depreciation[b]	(10)	–	–	(88)	(358)	(31)	(5)	(492)
Depreciation on retirements	–	–	–	71	347	16	–	434
Disposals	–	–	–	–	–	–	–	–
Prior-year movements[c]	1	–	–	(14)	(2)	(12)	(1)	(28)
Accumulated depreciation as at 31 December 2022	**(84)**	**–**	**–**	**(621)**	**(5 431)**	**(459)**	**(97)**	**(6 693)**
Net carrying amount as at 31 December 2022	**9**	**–**	**–**	**331**	**1 843**	**131**	**39**	**2 353**

[a] Assets under construction are meant for distribution to project beneficiaries upon completion.

[b] Table excludes depreciation of $13 on assets in the communications and information technology equipment contributed by the regular budget segment.

[c] "Prior-year movements" relates to differences in the opening balances of the cost and accumulated depreciation that have been carried forward since the conversion to Umoja. The movement in the financial statements is a bookkeeping entry, and will balance out once corrected this year. The net book value is unaffected.

Note 14
Intangible assets

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

Intangible assets

(Thousands of United States dollars)

	Software acquired externally
Cost as at 1 January 2022	**32**
Additions	–
Cost as at 31 December 2022	**32**
Accumulated amortization and impairment as at 1 January 2022	**(32)**
Amortization	–
Accumulated amortization and impairment as at 31 December 2022	**(32)**
Net carrying amount as at 31 December 2022	**–**

Note 15
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Vendor payables (accounts payable)	3 856	4 020
Payables to other United Nations entities	1 208	2 542
Transfers payable	1	–
Accruals for goods and services	1 263	2 781
Accounts payable – other	5 970	9 028
Payables to member States	6	–
Total accounts payable and accrued liabilities	**12 304**	**18 371**

Note 16
Employee benefits liabilities

(Thousands of United States dollars)

	Current	*Non-current*	*31 December 2022*	*31 December 2021*
After-service health insurance	395	27 317	27 712	34 485
Annual leave	477	3 569	4 046	5 103
Repatriation benefits	609	4 537	5 146	6 409
Subtotal, defined-benefit liabilities	**1 481**	**35 423**	**36 904**	**46 357**
Accrued salaries and allowances	929	–	929	1 033
Pension contribution liabilities	239	–	239	123
Insurance liabilities	1	–	1	–
Total employee benefits liabilities	**2 650**	**35 423**	**38 073**	**47 513**

125. The liabilities arising from end-of-service/post-employment benefits and the workers' compensation programme under appendix D to the Staff Rules of the United Nations are determined by independent actuaries and are established in accordance with the Staff Regulations and Rules of the United Nations. An actuarial valuation is usually undertaken every two years. The most recent full actuarial valuation was conducted as at 31 December 2021. For 2022, UN-Habitat opted for a roll-forward valuation.

Actuarial valuation: assumptions

126. The organization reviews and selects assumptions and methods used by the actuaries in the year-end valuation to determine the expense and contribution requirements for employee benefits. The principal actuarial assumptions used to determine the employee benefit obligations as at 31 December 2022 are as follows.

Actuarial assumptions

(Percentage)

Assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates, 31 December 2022	5.36	5.08	5.11
Discount rates, 31 December 2021	3.68	2.65	2.70
Inflation, 31 December 2022	2.55–6.50	2.50	–
Inflation, 31 December 2021	2.25–5.17	2.50	–

127. The yield curves used in the calculation of the discount rates in respect of the United States dollar, the euro and the Swiss franc are those developed by Aon Hewitt, consistent with the recommendation of the United Nations Task Force on Accounting Standards to harmonize actuarial assumptions across the United Nations system. The valuation of the other financial and demographic assumptions for 31 December 2022 is still being performed. The salary increase assumptions for the Professional staff category were 9.27 per cent for a staff member 19 years of age, grading down to 3.97 per cent for a staff member 65 years of age. The salaries of the General Service staff category were assumed to increase by 6.84 per cent for staff 19 years of age, grading down to 3.97 per cent for staff 65 years of age.

128. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption is revised to reflect the current short-term expectations of the after-service health insurance plan cost increases and the economic environment. Medical cost trend assumptions used for the valuation as at 31 December 2022 were updated to include escalation rates for future years. As at 31 December 2022, these escalation rates were 5.20 per cent (2021: 3.75 per cent), 4.25 per cent (2021: 3.44 per cent) and 6.50 per cent (2021: 5.17 per cent) for eurozone, Swiss and all other medical plans, respectively, except for 6.50 per cent (2021: 5.03 per cent) for the United States Medicare plan and 6.50 per cent (2021: 4.53 per cent) for the United States dental plan, grading down to 4.15 per cent (2021: 3.75 per cent) and 2.55 per cent (2021: 2.25 per cent) over six years for eurozone and Swiss health-care costs and to 3.85 per cent (2021: 3.95 per cent) over nine years for United States health-care costs.

129. With regard to the valuation of repatriation benefits as at 31 December 2022, inflation in travel costs was assumed to be 2.50 per cent (2021: 2.50 per cent), on the basis of the projected United States inflation rate over the next 20 years.

130. Annual leave balances were assumed to increase at the following annual rates during the staff member’s projected years of service: 0–3 years, 9.1 per cent; 4−8 years, 1.0 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.

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

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

Reconciliation of opening to closing total defined-benefit liability

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
Net defined-benefit liability as at 1 January 2022	**34 845**	**6 409**	**5 104**	**46 358**
Current service cost	1 310	379	263	1 952
Interest cost	1 276	159	129	1 564
Actual benefits paid	(344)	(795)	(631)	(1 770)
Total costs recognized in the statement of financial performance in 2022	**2 242**	**(257)**	**(239)**	**1 746**
Subtotal	**37 087**	**6 152**	**4 865**	**48 104**
Actuarial (gains)/losses	(9 375)	(1 007)	(818)	(11 200)
Net defined liability as at 31 December 2022	**27 712**	**5 145**	**4 047**	**36 904**

Discount rate sensitivity analysis

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

Discount rate sensitivity analysis: year-end employee benefits liabilities

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 0.5 per cent	(2 585)	(183)	(150)
As percentage of end-of-year liability	(9%)	(4%)	(4%)
Decrease of discount rate by 0.5 per cent	2 865	191	156
As percentage of end-of-year liability	10%	4%	4%

Medical cost sensitivity analysis

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

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

(Thousands of United States dollars and percentage)

2022	*Increase*		*Decrease*	
Effect on the defined-benefit obligation	10.79%	2 990	(9.3%)	(2 584)
Effect on the aggregate of the current service cost and interest cost	12.53%	324	(10.7%)	(276)
Total effect		**3 314**		**2 860**

2021	*Increase*		*Decrease*	
Effect on the defined-benefit obligation	12.29%	4 281	(10.6%)	(3 697)
Effect on the aggregate of the current service cost and interest cost	15.56%	390	(13.2%)	(330)
Total effect		**4 671**		**(4 027)**

Other defined-benefit plan information

134. Benefits paid for 2022 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 2022 defined-benefit payments net of participants' contributions	410	624	490	1 524
Estimated 2021 defined-benefit payments net of participants' contributions	344	795	631	1 770

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

(Thousands of United States dollars)

	2022	*2021*	*2020*	*2019*	*2018*	*2017*
Present value of the defined-benefit obligations	36 904	46 357	44 229	36 993	44 042	47 804

Other employee benefit liabilities

Accrued salaries and allowances.

135. Accrued salaries and allowances comprise $0.6 million relating to home leave benefits. The remaining balance of $0.1 million relates to accrued payables for salary and other benefits.

United Nations Joint Staff Pension Fund

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

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

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

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

140. The most recent actuarial valuation for the Fund was completed as at 31 December 2021, and a roll-forward of the participation data as at 31 December 2021 to 31 December 2022 will be used by the Fund for its 2022 financial statements.

141. The actuarial valuation as of 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities, of 117.0 per cent (107.1 per cent in the 2019 valuation). The funded ratio was 158.2 per cent (144.4 per cent in the 2019 valuation) when the current system of pension adjustments was taken into account.

142. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2021, for deficiency payments under article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of the present report, the General Assembly had not invoked the provision of article 26.

143. Should article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2019, 2020 and 2021) amounted to $8,505.27 million, of which 0.3 per cent was contributed by UN-Habitat.

144. During 2022, contributions paid to the fund by UN-Habitat amounted to $9.09 million (2021: $8.96 million). Expected contributions due in 2023 amount to approximately $9.25 million.

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

146. The United Nations Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the General Assembly on the audit every year. The Fund publishes quarterly reports on its investments, and these can be viewed by visiting the Fund at www.unjspf.org.

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 payment 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.
Unified salary structure	The salary scales for internationally recruited staff (Professional and Field Service) as at 31 December 2016 were based on single or dependency rates. Those rates affected staff assessment and post adjustment amounts. The General Assembly approved a unified salary scale that resulted in the elimination of single and dependency rates as from 1 January 2017 and was implemented in September 2017. The dependency rate was replaced by allowances for staff members who have recognized dependants in accordance with the Staff Regulations and Rules of the United Nations. A revised staff assessment scale and pensionable remuneration scale was implemented together with the unified salary structure. The implementation of the unified salary scale was not designed to result in reduced payments for staff members. However, it is expected that the unified salary scale will affect the calculation and valuation of the repatriation benefit and the commuted annual leave benefit. Currently, the repatriation benefit is calculated on the basis of gross salary and staff assessment at the date of separation, whereas commuted annual leave is calculated on the basis of gross salary, post adjustment and staff assessment at the date of separation.
Repatriation benefit	Staff members are eligible to receive a repatriation grant upon separation, provided they have been in service for at least one year in a duty station outside their country of nationality. The General Assembly has since revised eligibility for the repatriation grant from one year to five years for prospective employees, while current employees retain the one-year eligibility. This change in eligibility criteria has already been implemented effective January 2017 in September 2017 and is expected to affect future calculations of employee benefits liabilities.
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 a legal claim of $20,000 for which the probability of payout was very probable. As such, a provision was recognized for the year ending 31 December 2022.

Note 18
Liabilities for conditional arrangements[a]

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Liabilities for conditional arrangements[a]	72 657	121 213
Total liabilities for conditional arrangements	**72 657**	**121 213**

[a] Conditional 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)

	1 January 2022	*Surplus/(deficit)*	*Transfers to/ (from) reserves*	*Other[b]*	*31 December 2022*
Unrestricted cumulative surplus					
Foundation non-earmarked	(3 094)	6 015	(1 000)	1	1 922
Foundation earmarked	99 432	(9 962)	–	–	89 470
Technical cooperation	284 703	(14 239)	–	(1)	270 463
Programme support	9 317	2 513	597	1	12 428
End-of-service liabilities	(30 613)	45	–	11 200	(19 368)
Subtotal, unrestricted fund	**359 745**	**(15 628)**	**(403)**	**11 201**	**354 915**
Reserves					
Foundation non-earmarked	2 000	–	1 000	–	3 000
Foundation earmarked	4 023	–	–	–	4 023
Technical cooperation	11 360	–	–	–	11 360
Programme support	2 932	–	(597)	(1)	2 334
End-of-service liabilities	–	–	–	–	–
Subtotal, reserves	**20 315**	**–**	**403**	**(1)**	**20 717**
Total net assets					
Foundation non-earmarked	(1 094)	6 015	–	1	4 922
Foundation earmarked	103 455	(9 962)	–	–	93 493
Technical cooperation	296 063	(14 239)	–	(1)	281 823

	1 January 2022	*Surplus/(deficit)*	*Transfers to/ (from) reserves*	*Other[b]*	*31 December 2022*
Programme support	12 249	2 513	–	–	14 762
End-of-service liabilities	(30 613)	45	–	11 200	(19 368)
Total reserves and fund balances	**380 060**	**(15 628)**	**–**	**11 200**	**375 632**

[a] Net assets movements, including fund balances, are based on IPSAS.
[b] The $11.2 million relates to actuarial gains and losses within the period.

Note 20
Revenue from non-exchange transactions

Assessed contributions

152. Each year, 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 $16.8 million.

Voluntary contributions

(Thousands of United States dollars)

	2022	*2021*
Assessed contributions		
Allocations from regular budget	16 800	15 904
Amount reported in statement II – assessed contributions	**16 800**	**15 904**
Voluntary contributions		
Voluntary contributions – in cash	152 977	167 302
Voluntary in-kind contributions – land and premises	874	989
Voluntary in-kind contributions of plant, equipment, intangible assets and other goods	201	326
Total voluntary contributions received	**154 052**	**168 617**
Refunds to donors	(30 950)	(12 489)
Net voluntary contributions received	**123 102**	**156 128**
Other transfers and allocations		
Allocations received from internal United Nations funds	34 425	22 785
Inter-organizational arrangements	90	421
Total other transfers and allocations	**34 515**	**23 206**

153. All voluntary contributions under binding agreements signed during 2022 are recognized as revenue in 2022, including the future portion of multi-year agreements. For the recognized contribution revenue, a breakdown of the amount intended to be contributed by donors per year is shown below.

(Thousands of United States dollars)

	Voluntary contribution
2022	76 176
2023	19 741
2024	13 936
2025	8 894
2026	3 002
Beyond 2026	1 353
Net voluntary contribution	**123 102**

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)

	2022	*2021*
Technical assistance/expert services	47	85
Administrative support	9	40
Total	**56**	**125**

Note 21
Other revenue

156. Revenue from miscellaneous revenue sources amounts to $12.2 million.

	2022	*2021*
Other/miscellaneous revenue	12 242	8 786
Total other exchange revenue	**12 242**	**8 786**

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)

	2022	*2021*
Salary and wages	37 763	37 687
Pension and insurance benefits	9 249	9 142
Other benefits	78	952
Total employee salaries, allowances and benefits	**47 090**	**47 781**

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)

	2022	*2021*
United Nations Volunteers	1 745	1 011
United Nations Police	–	1
Consultants and contractors	34 528	39 064
Total non-employee compensation and allowances	**36 273**	**40 076**

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)

	2022	*2021*
Grants to end beneficiaries	4 209	6 485
Transfers to implementing partners (note 28)	40 582	29 856
Total grants and other transfers	**44 791**	**36 341**

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)

	2022	*2021*
Fuel and lubricants	87	86
Spare parts	82	35
Consumables	685	653
Total supplies and consumables	**854**	**774**

Travel

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

Travel

(Thousands of United States dollars)

	2022	*2021*
Staff travel	3 954	1 526
Non-staff travel	2 914	799
Total travel	**6 868**	**2 325**

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)

	2022	*2021*[a]
Air transport	128	153
Ground transport	590	635
Communications and information technology	4 447	3 443
Other contracted services	19 665	15 815
Acquisitions of goods	19 341	1 157
Contributions in kind	874	990
Acquisitions of intangible assets	318	420
Rent – offices and premises	2 970	2 813
Rental – equipment	74	12
Maintenance and repair	501	490
Bad debt expense	(6 560)	9 089
Net foreign exchange losses	10 340	7 442
Other/miscellaneous operating expenses	14 242	2 464
Total other operating expenses	**66 930**	**44 923**

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

Other expenses

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

(Thousands of United States dollars)

	2022	2021[a]
Other/miscellaneous expenses	141	187
Compensation claims	26	–
Total other expenses	**167**	**187**

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

Note 23
Financial instruments and financial risk management

(Thousands of United States dollars)

	2022	2021
Financial assets		
Fair value through the surplus or deficit		
Short-term investments, cash pools	148 396	220 232
Short-term investments, other	–	–
Total short-term investments	**148 396**	**220 232**
Long-term investments, cash pools	71 860	41 168
Total long-term investments	**71 860**	**41 168**
Total fair value through the surplus or deficit	**220 256**	**261 400**
Cash, loans and receivables		
Cash and cash equivalents, cash pools	36 988	32 258
Cash and cash equivalents, other	63	87
Voluntary contributions	218 024	225 303
Other receivables	89	94
Total cash, loans and receivables	**255 164**	**257 742**
Total carrying amount of financial assets	**475 420**	**519 142**
Of which relates to financial assets held in cash pool	**257 244**	**293 658**
Financial liabilities		
Accounts payable and accrued liabilities	12 304	18 371
Other liabilities (excluding conditional liabilities)	–	–
Total carrying amount of financial liabilities	**12 304**	**18 371**

	2022	*2021*
Summary of net income from cash pools		
Investment revenue	1 186	55
Financial exchange gains/(losses)	–	–
Net income from cash pools	**1 186**	**55**
Other investment revenue	5	–
Total net income from financial instruments	**1 191**	**55**

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 2022	35 301
Additional allowance for doubtful receivables	(6 574)
Receivables written off during the period as uncollectable	(15)
Unused amounts reversed	–
As at 31 December 2022	**28 712**

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		
Less than one year	172 615	–
One to two years	37 039	5 450
Two to three years	15 000	5 874
Over three years	21 923	17 229
Total	**246 577**	**28 553**

Ageing of other receivables

(Thousands of United States dollars)

	Gross receivable	*Allowance*
Less than one year	89	–
One to two years	–	–
Over three years	159	159
Total	**248**	**159**

Credit risk: cash and cash equivalents

173. The organization had cash and cash equivalents of $37.1 million as at 31 December 2022, 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 2022

(Thousands of United States dollars)

	<3 months	*3 to 12 months*	*>1 year*	*Total*
Accounts payable and accrued liabilities	12 277	27	–	12 304

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 2022

(Thousands of United States dollars)

	United States dollars	*Euros*	*Swiss francs*	*Others*	*Total*
Main cash pool[a]	254 781	1 874	349	240	257 244

[a] The main cash pool balance of $257,244 does not include the balance of $5.26 relating to fund 10RCR under UN-Habitat. This amount, included in statement I of the financial statements, also excludes petty cash, imprest cash and cash at bank.

Currency risk: sensitivity analysis

184. A strengthening/weakening of the euro and Swiss franc United Nations operational rate of exchange as at 31 December 2022 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 2022		*As at 31 December 2021*	
	Effect on net assets, surplus or deficit		*Effect on net assets, surplus or deficit*	
	Strengthening	*Weakening*	*Strengthening*	*Weakening*
Euro (10 per cent movement)	187	(187)	144	(144)
Swiss franc (10 per cent movement)	35	(35)	39	(39)
West African CFA Franc (10 per cent movement)	3	(3)	–	–
Moroccan Dirham (10 per cent movement)	3	(3)	–	–

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

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 for investments as at 31 December: cash pools

(Thousands of United States dollars)

	31 December 2022			31 December 2021[a]		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Main pool						
Bonds – corporate	1 413	–	1 413	747	–	747
Bonds – non-United States agencies	42 780	–	42 780	39 740	–	39 740
Bonds – supranational	17 106	–	17 106	20 240	–	20 240
Bonds – United States treasuries	29 205	–	29 205	4 917	–	4 917
Bonds – non-United States sovereigns	2 095	–	2 095	2 246	–	2 246
Main pool – commercial papers	–	37 858	37 858	–	75 571	75 571
Main pool – certificates of deposit	–	57 512	57 512	–	70 363	70 363
Main pool – term deposits	–	30 980	30 980	–	47 576	47 576
Total	**92 599**	**126 350**	**218 949**	**67 890**	**193 510**	**261 400**
Euro pool						
Bonds – corporate	–	–	–	24	–	24
Bonds – non-United States sovereigns	–	–	–	11	–	11
Subtotal, euro pool	**–**	**–**	**–**	**35**	**–**	**35**
Total	**92 599**	**126 350**	**218 949**	**67 925**	**193 510**	**261 435**

[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, UN-Habitat 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 2022, the organization participated in the main pool, which held total assets of $11,873.8 million (2021: $11,799.7 million), of which $257.2 million was due to the organization (2021: $276.3 million) and its share of revenue from the main pool was $1.186 million (2021: $0.016 million).

Summary of assets and liabilities of the main pool as at 31 December 2022

(Thousands of United States dollars)

	Main pool
Fair value through the surplus or deficit	
Short-term investments	6 789 427
Long-term investments	3 316 889
Total fair value through the surplus or deficit investments	**10 106 316**
Loans and receivables	
Cash and cash equivalents	1 707 288
Accrued investment revenue	60 265
Total loans and receivables	**1 767 553**
Total carrying amount of financial assets	**11 873 869**
Cash pool liabilities	
Payable to UN-Habitat (2.59 per cent)	257 243
Payable to other cash pool participants	11 616 626
Total liabilities	**11 873 869**
Net assets	**–**

Summary of revenue and expenses of the main pool for the year ended 31 December 2022

(Thousands of United States dollars)

	Main pool
Investment revenue	178 646
Unrealized gains/(losses)	(137 034)
Investment revenue from main pool	**41 612**
Foreign exchange gains/(losses)	(7 670)
Bank fees	(772)
Operating expenses from main pool	**(8 442)**
Revenue and expenses from main pool	**33 170**

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 2022

(Percentage)

Main pool	*Ratings as at 31 December 2022*					*Ratings as at 31 December 2021*			
Bonds (long-term ratings)					**Bonds (long-term ratings)**				
	AAA/AAAu	**AA+u/AA+/AA**		**NA**		**AAA/AAAu**	**AA+u/AA+/AA**	**A+**	**NA**
S&P	33.8	65.9		0.3	S&P	47.8	48.1	0.4	3.7
	AAA	**AA+/AA/AA-**	**A+**	**NA/NR**		**AAA**	**AA+/AA/AA-**		**NA/NR**
Fitch	61.9	22.5	0.2	15.4		61.3	15.7		23.0
	Aaa	**Aa1/Aa2/Aa3**		**NA**		**Aaa**	**Aa1/Aa2/Aa3**	**A1**	**NA**
Moody's	66.7	30.9		2.4	Moody's	61.1	34.9	0.4	3.6
Commercial papers/certificates of deposit (short-term ratings)					**Commercial papers/certificates of deposit (short-term ratings)**				
	A-1+/A-1					**A-1+/A-1**			
S&P	100.1				S&P	100.0			
	F1+/F1			**NR**		**F1+/F1**			**NR**
Fitch	97.7			2.3%	Fitch	96.7			3.3
	P-1/P-2					**P-1/P-2**			
Moody's	100				Moody's	100.0			
Term deposits/demand deposit account (Fitch viability ratings)					**Term deposits/demand deposit account (Fitch viability ratings)**				
	aa/aa-	**a+/a/a-**		**NA**		**aa-**	**a+/a/a-**		**NA**
Fitch	35.9	64.1			Fitch	34.1	65.9		

Abbreviations: NA, not applicable; NR, not rated; WD, withdrawn.

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 cash pools are 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 cash pools comprise the organization's main exposure to interest rate risk, with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the main pool had invested primarily in securities with shorter terms to maturity, with the maximum being less than five years (2021: three years). The average duration of the main pool was 0.77 years (2021: 0.49 years), which is considered to be an indicator of low risk.

Cash pools interest rate risk sensitivity analysis

203. The analysis below shows how the fair value of the cash pools as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. 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 2022

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	**168.98**	**126.73**	**84.48**	**42.24**	**0**	**(42.23)**	**(84.46)**	**(126.69)**	**(168.91)**

Main pool interest rate risk sensitivity analysis as at 31 December 2021

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	**113.63**	**85.22**	**56.81**	**28.40**	**0**	**(28.40)**	**(56.80)**	**(85.19)**	**(113.58)**

Other market price risk

204. The cash pools are 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 2022: main pool

(Thousands of United States dollars)

	31 December 2022			*31 December 2021*[a]		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds – corporate	65 200	–	65 200	29 997	–	29 997
Bonds – non-United States agencies	1 974 662	–	1 974 662	1 595 405	–	1 595 405
Bonds – supranational	789 587	–	789 587	812 539	–	812 539
Bonds – United States treasuries	1 348 056	–	1 348 056	197 390	–	197 390
Bonds – non-United States sovereigns	96 713	–	96 713	90 163	–	90 163
Main pool – commercial papers	–	1 747 461	1 747 461	–	3 033 880	3 033 880
Main pool – certificates of deposit	–	2 654 637	2 654 637	–	2 824 787	2 824 787
Main pool – term deposits	–	1 430 000	1 430 000	–	1 910 000	1 910 000
Total	**4 274 218**	**5 832 098**	**10 106 316**	**2 725 494**	**7 768 667**	**10 494 161**

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

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 $0.4 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 2022*
Number of positions (full-time equivalents)	1	–	1
Aggregate remuneration:			
Salary and post adjustment	188	–	188
Other compensation/entitlements	25	–	25
Total remuneration for the year	**213**	**–**	**213**

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 $2.9 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 2022*	*Minimum lease payments as at 31 December 2021*
Due in less than 1 year	1 922	1 661
Due from 1 to 5 years	7 058	6 136
Due later than 5 years	2 961	3 491
Total minimum operating lease obligations	**11 941**	**11 288**

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 2022	*Total as at 31 December 2021*
Goods and services	33 072	45 823
Implementing partners	39 694	32 000
Property, plant and equipment	1 068	–
Total	**73 834**	**77 823**

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.

Contingent assets

222. 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 2022, 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

223. 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 2022	*Total 2021*
Africa	11 261	2 490
Arab States	8 202	3 692
Asia and the Pacific	2 591	2 546
Global	14 964	20 246
Latin America and the Caribbean	3 564	882
Total	**40 582**	**29 856**

224. This amount is part of the $44.8 million shown in the statement of financial performance as expenditure under grants and other transfers. The difference of $4.2 million was for end beneficiaries (refer to note 22).

Note 29
Events after the reporting date

225. 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.

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