

UNITED NATIONS

FINANCIAL REPORT AND ACCOUNTS
for the biennium 1976-1977 ended
31 December 1977

and

REPORT OF THE BOARD OF AUDITORS

Volume IV
(United Nations University)

GENERAL ASSEMBLY
OFFICIAL RECORDS: THIRTY-THIRD SESSION
SUPPLEMENT No. 5 (A/33/5)



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UNITED NATIONS
New York, 1978

NOTE

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/17 August 1978/

CONTENTS

	<u>Page</u>
LETTERS OF TRANSMITTAL	iv
I. FINANCIAL REPORT FOR THE BIENNIUM 1976-1977 ENDED 31 DECEMBER 1977	1
II. AUDIT OPINION	5
III. ACCOUNTS FOR THE BIENNIUM 1976-1977 ENDED 31 DECEMBER 1977	7
<u>Statement I.</u> Statement of assets, liabilities and unencumbered fund balance as at 31 December 1977	8
<u>Statement II.</u> Statement of income and expenditure for the biennium 1976-1977 ended 31 December 1977	9
Schedule 1. Combined status of pledges unpaid as at 31 December 1977	10
Schedule 2. Interest-bearing bank deposits as at 31 December 1977	11
Annex Summary of significant accounting policies	12
IV. REPORT OF THE BOARD OF AUDITORS	13

LETTERS OF TRANSMITTAL

31 March 1978

Sir,

Pursuant to financial regulation 11.4, I have the honour to submit the accounts of the United Nations University for the biennium 1976-1977 ended 31 December 1977, which I hereby approve. The financial statements have been prepared and certified as correct by the Controller.

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

Accept, Sir, the assurances of my highest consideration.

(Signed) Kurt WALDHEIM

The Chairman of the Board
of Auditors
United Nations
New York

26 June 1978

Sir,

I have the honour to transmit to you the financial statements of the United Nations University as at 31 December 1977, which were submitted to the Secretary-General. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition to the above, I have the honour to present the report of the Board with respect to the United Nations University for the biennium 1976-1977 ended 31 December 1977.

Accept, Sir, the assurances of my highest consideration.

(Signed) Ahenkora OSEI
Auditor General of Ghana
and
Chairman of the United Nations
Board of Auditors

The President of the General Assembly
of the United Nations
New York

I. FINANCIAL REPORT FOR THE BIENNIUM 1976-1977
ENDED 31 DECEMBER 1977

Introduction

1. The Secretary-General has the honour to submit herewith his financial report on the accounts for the biennium 1976-1977 ended 31 December 1977. These accounts comprise two statements supported by two schedules. The accounts were transmitted to the Board of Auditors in accordance with financial regulation 11.4 on 31 March 1978.
2. The establishment of a United Nations University was first proposed by Secretary-General U Thant in 1969 and a Founding Committee was established in 1971. The General Assembly adopted the Charter of the United Nations University by resolution 3081 (XXVIII) on 6 December 1973 and decided that the University Centre would be located in the Tokyo metropolitan area in Japan. Authority for the University's policies, programmes and budget is vested in a Council of 24 members who serve as individuals and not as representatives of Governments or any other institutions. The Rector, who normally serves for five years, is the chief academic and administrative officer of the University. The incumbent was appointed in November 1974 and took up his duties on a full-time basis in Tokyo on 1 September 1975.

Financing of the United Nations University

3. According to the Charter of the United Nations University, capital costs and recurrent costs of the University shall be met from voluntary contributions for the University or from income derived from contributions. In accordance with the Charter of the University, the funds of the University shall be kept in a special account established by the Secretary-General of the United Nations. Contributions are made by Governments and by non-governmental sources, including foundations, universities and individuals.
4. The University derives its financial support from two sources - income from an Endowment Fund and specific programme support. The Endowment Fund was established to record transactions relating to the funds contributed by donors, governmental as well as non-governmental. At its ninth session, held in Tokyo from 5 to 9 December 1977, the University Council decided to establish a special section in the Endowment Fund for the purpose of financing the University's programmes designed to assist the developing countries. The purpose of this action is to increase endowment funds available to the University to assist its work relevant to development.
5. In 1974, the Government of Japan made the Endowment Fund concept a reality by pledging \$100 million to be contributed over a five-year period, provided contributions were made by other countries and sources. During the biennium 1976-1977, the Government of Japan made its second and third contributions totalling \$40 million (Japan's first contribution was deposited during the biennium 1974-1975). In addition, the following Governments have pledged and/or made contributions to the Endowment Fund during the biennium 1976-1977: Austria,

Ghana, Greece, Holy See, India, Libyan Arab Jamahiriya, Netherlands, Norway, Saudi Arabia, Senegal, Sudan, Tunisia, Venezuela and Zaire.

Financial position of the United Nations University

6. Statement I shows that the combined assets for the United Nations University amounted to \$129,470,738. This includes \$58,352,594 representing pledged contributions receivable from Governments for the United Nations University, the details of which are given in schedule 1. The accounts receivable, amounting to \$403,664, include \$267,345 for accrued interest.
7. The unencumbered fund balance of the General Operating Fund at 31 December 1977 amounted to \$2,976,039, which is available to finance future programme operations of the University.
8. As shown in statement II, the total income available to the General Operating Fund amounted to \$8,916,993, including interest income of \$8,598,998 earned by the Endowment Fund during the biennium. Interest earned by the Endowment Fund was transferred to the General Operating Fund as per the monthly expenditure requirements and at year-end 1977 the balance of the interest income not yet transferred, \$2,959,691, was handed over to the General Operating Fund in order to meet future expenditure requirements.
9. The total obligations incurred in the General Operating Fund for the operation of the University Centre in Tokyo totalled \$6,549,393 for this period, of which \$517,687 was unliquidated obligations as at 31 December 1977. These obligations are shown under "Expenditure" in statement II. \$3,630,765 (55.44 per cent) for salaries and common staff costs is composed of \$2,765,225 (42.22 per cent) for salaries and \$865,540 (13.22 per cent) for common staff costs. \$971,893 (14.84 per cent) was expended for travel, \$317,067 (4.84 per cent) for contractual services, \$396,989 (6.06 per cent) for operating expenses, and \$18,769 (.29 per cent) for acquisitions. \$1,213,910 (18.53 per cent) for fellowships, grants and other is composed of \$827,933 (12.64 per cent) for fellowships and grants and \$385,977 (5.89 per cent) for other.
10. In January 1976, June 1976, February 1977 and December 1977, the sixth, seventh, eighth and ninth sessions of the United Nations University Council were held, the sixth session in Caracas and the other three in Tokyo. The following meetings and consultative meetings were convened:

World Hunger (WH) Programme

First Advisory Committee meeting
Second Advisory Committee meeting
First meeting of the Sub-Committee on the WH Programme Development
Second meeting of the Sub-Committee on the WH Programme Development
First Workshop on the Interactions of Agriculture, Food and Nutrition
Second Workshop on the Interactions of Agriculture, Food and Nutrition
Workshop on Protein-Energy Requirements under Conditions Prevailing
in Developing Countries

Human and Social Development (HSD) Programme

Planning meeting of the HSD Advisory Committee
Planning meeting of the Goals, Processes and Indicators of Development Project
Task Force meeting on Socio-Cultural Comparative Evaluation of Development Alternatives in a Changing World
Planning meeting of the Project on Sharing of Traditional Technology
European Task Force meeting on Human Rights, Peace and International Law
First Advisory Committee meeting
Regional meeting (Latin America) on Advance Education

Use and Management of Natural Resources (NR) Programme

Preliminary consultative meetings regarding alternative energy sources, arid lands, and humid tropics
First Advisory Committee meeting
Expert meeting on the Assessment of the Application of Scientific Knowledge to Arid Land Problems
Expert meeting on the Ecological Basis for Rural Development in the Humid Tropics
Expert Panel meeting on Solar Energy

Academic Services

Working meeting on the Dissemination of Knowledge

Consultative meetings

London, Paris, Bonn, Stockholm, Washington D.C., Ottawa, Caracas and Japan.

The above meetings involved substantial expenditures for travel and per diem as well as for the preparation and printing of official United Nations University reports on the meetings.

United Nations University Housing Assistance Trust Fund

11. In 1975, an ad hoc housing subsidy scheme was instituted, basically as a means to attract top-level personnel who might otherwise be dissuaded from joining the United Nations University because of the high cost of living, particularly housing, in Tokyo. The scheme was being financed mainly by voluntary contributions from Japanese commercial banks. With effect from 1 August 1977, the Consultative Committee on Administrative Questions expanded formula for housing subsidies was adopted and this account is used as a source of subsidies instead of the regular United Nations University budget.

United Nations University Library Trust Fund

12. This trust fund was opened in Tokyo to receive contributions from private donors. The proceeds will be used for the local purchase of books for the United Nations University library.

13. Schedule 1 reflects the combined status of pledges as at 31 December 1977. In addition to the amount of \$48,326,168 pledged to the Endowment Fund for 1976 and 1977, \$36,988,044 was pledged by Governments for future years. A total of \$47,319,459 was received during 1976 and 1977 leaving a balance of \$58,195,912 (including a \$1,282 pledge by Cyprus that was transferred from the General Operating Fund for the United Nations University) for unpaid pledges at 31 December 1977 to the Endowment Fund. Subsequent to closing the accounts on 31 December 1977, payments of \$10,000,000 were received from Japan during January 1978 against the above-mentioned outstanding pledges for the Endowment Fund.

14. The status of the University's interest-bearing bank deposits as at 31 December 1977 is shown in schedule 2. The total interest earned on the Endowment Fund was \$8,598,998 which was transferred to the General Operating Fund as explained earlier.

II. AUDIT OPINION

We have examined the following appended financial statements, numbered I and II, properly identified, and relevant schedules and annex of the United Nations University for the biennium 1976-1977 ended 31 December 1977. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. As a result of our examination, we are of the opinion that the financial statements properly reflect the recorded financial transactions for the biennium, which transactions were in accordance with the Financial Regulations and legislative authority, and present fairly the financial position as at 31 December 1977.

(Signed) Ahenkora OSEI
Auditor General of Ghana

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

(Signed) A. MARTINEZ ZULETA
Controller General of Colombia

23 June 1978

III. ACCOUNTS FOR THE BIENNIUM 1976-1977 ENDED 31 DECEMBER 1977

UNITED NATIONS UNIVERSITY

STATEMENT OF ASSETS, LIABILITIES AND
UNENCUMBERED FUND BALANCE
AS AT 31 DECEMBER 1977
(EXPRESSED IN UNITED STATES DOLLARS)

	General Operating Fund for the United Nations University	Endowment Fund for the United Nations University	United Nations University Housing Assistance Trust Fund	United Nations University Library Trust Fund	Total
<u>Assets</u>					
Cash	31 385	-	-	-	31 385
Interest-bearing bank deposits (Schedule 2)	2 959 691	67 530 674	53 460	2 263	70 546 088
Pledged contributions unpaid (Schedule 1)	156 682	58 195 912	-	-	58 352 594
Accounts receivable	367 814	20 000	15 850	-	403 664
Deferred charges and other assets	1 035	-	2 171	-	3 206
Due from United Nations General Fund	133 801	-	-	-	133 801
Total assets	3 650 408	125 746 586	71 481	2 263	129 470 738
<u>Liabilities and unencumbered fund balance</u>					
<u>Liabilities</u>					
Unliquidated obligations	517 687	-	-	-	517 687
Deferred income	156 682	36 988 044	-	-	37 144 726
Total liabilities	674 369	36 988 044	-	-	37 662 413
Unencumbered fund balance					
Balance available 1 January 1976	609 721	40 432 374	-	-	41 042 095
Add: Net excess of income over expenditure (see Statement II)	2 366 318	48 326 168	71 481	2 263	50 766 230
Balance available 31 December 1977	2 976 039	88 758 542	71 481	2 263	91 808 325
Total liabilities and unencumbered fund balance	3 650 408	125 746 586	71 481	2 263	129 470 738

CERTIFIED CORRECT

Helmut DEBATIN
Assistant Secretary-General (Controller)
Office of Financial Services

30 March 1978

UNITED NATIONS UNIVERSITY

STATEMENT OF INCOME AND EXPENDITURE
FOR THE BIENNium 1976-1977 ENDED 31 DECEMBER 1977
(EXPRESSED IN UNITED STATES DOLLARS)

	General Operating Fund for the United Nations University	Endowment Fund for the United Nations University	United Nations Assistance Trust Fund	United Nations University Library Trust Fund	Total
<u>Income</u>					
Contributions from Governments	208,877	48 295 805	-	-	48 504 682
Public donations	-	-	120 000	2 263	122 263
Subventions from Endowment Fund for the United Nations University	8 598 998	-	-	-	-
Interest income	37 470	8 598 998	2 015	-	8 638 483
Miscellaneous income	71 648	29 081	-	-	100 729
Total income	8 916 993	56 923 884	122 015	2 263	57 366 157 a/
<u>Expenditure</u>					
Salaries and common staff costs	3 630 765	-	-	-	3 630 765
Travel	971 893	-	-	-	971 893
Contractual services	317 067	-	-	-	317 067
Operating expenses	396 989	-	-	-	396 989
Acquisitions	18 769	-	-	-	18 769
Transfer to General Operating Fund	-	8 598 998	-	-	-
Fellowships, grants, other	1 213 910	-	50 534	-	1 264 444
Total expenditure	6 549 393	8 598 998	50 534	-	6 599 927 a/
Excess of income over expenditure for the above period	2 367 600	48 324 886	71 481	2 263	50 766 230
Add: Adjustment for prior period	(1 282) b/	1 282 b/	-	-	-
Net excess of income over expenditure	2 366 318	48 326 168	71 481	2 263	50 766 230

a/ Net of adjustments for elimination of interfund transactions.

b/ Cyprus pledge transferred from the General Operating Fund to the Endowment Fund as per administrative decision of the United Nations University.

CERTIFIED CORRECT

Helmut DERATIN
Assistant Secretary-General (Controller)
Office of Financial Services

30 March 1978

UNITED NATIONS UNIVERSITY
COMBINED STATUS OF PLEDGES UNPAID AS AT 31 DECEMBER 1977
(EXPRESSED IN UNITED STATES DOLLARS)

COUNTRIES/TRUST FUNDS	UNPAID PLEDGES AS AT 1 JANUARY 1976	PLEDGES AND ADJUSTMENTS FOR 1976 and 1977	PLEDGES FOR FUTURE YEARS	COLLECTIONS DURING 1976 and 1977	UNPAID PLEDGES AS AT 31 DECEMBER 1977
ENDOWMENT FUND FOR THE					
UNITED NATIONS UNIVERSITY					
AUSTRIA	-	300 400	-	300 400	-
CYPRUS	-	1 256	-	-	1 256
GHANA	-	1 014 790	1 500 000	1 014 790	1 500 000
GREECE	20 000	20 000	-	40 000	-
HOLY SEE	-	50 000	-	50 000	-
INDIA	-	75 000	675 000	75 000	675 000
JAPAN	20 000 000	40 000 000	20 000 000	40 000 000	40 000 000
LIBYAN ARAB JAMAHIRIYA	-	100 000	50 000	100 000	50 000
NETHERLANDS	-	200 000	-	200 000	-
NORWAY	181 159	188 110	-	369 269	-
SAUDI ARABIA	-	1 070 000	3 930 000	1 070 000	3 930 000
SENEGAL	-	206 612	823 044	-	1 029 656
SUDAN	-	1 000 000	4 000 000	-	5 000 000
TUNISIA	-	-	10 000	-	10 000
VENEZUELA	-	4 000 000	6 000 000	4 000 000	6 000 000
ZAIRE	-	100 000	-	100 000	-
SUBTOTAL	20 201 159	48 326 168	36 988 044	47 319 459	58 195 912
GENERAL OPERATING FUND FOR THE					
UNITED NATIONS UNIVERSITY					
CYPRUS a/	1 282	(1 282)	-	-	-
SWEDEN	-	208 877	-	208 877	-
SWITZERLAND	-	-	156 682	-	156 682
SUBTOTAL	1 282	207 595	156 682	208 877	156 682
GRAND TOTAL	20 202 441	48 533 763	37 144 726	47 528 336	58 352 594

a/ Cyprus pledge transferred from the General Operating Fund to the Endowment Fund as per administrative decision of the United Nations University.

SCHEDULE 2

UNITED NATIONS UNIVERSITY

INTEREST-BEARING BANK DEPOSITS AS AT 31 DECEMBER 1977
 (EXPRESSED IN UNITED STATES DOLLARS)

Bank of Tokyo, Tokyo	
7.375 per cent, 4 February 1980	10 000 000
Bank of Tokyo, Tokyo	
8 per cent, 23 January 1978	10 000 000
Bank of Tokyo, Tokyo	
8.50 per cent, 22 January 1979	10 000 000
Bank of Tokyo, Tokyo	
8.50 per cent, 9 February 1979	1 000 000
Mitsubishi Bank, Tokyo	
7.375 per cent, 4 February 1980	10 000 000
Mitsubishi Bank, Tokyo	
8.125 per cent, 22 December 1980	1 070 000
Mitsubishi Bank, Tokyo	
8 per cent, 23 January 1978	10 000 000
Mitsubishi Bank, Tokyo	
8.5 per cent, 22 January 1979	10 000 000
Mitsubishi Bank, Tokyo	
8.5 per cent, 9 February 1979	1 000 000
Mitsubishi Bank, Tokyo	
7.9375 per cent, 8 December 1980	500 000
World Banking Corp., Nassau	
6.75 per cent, 2 August 1978	1 900 000
World Banking Corp., Nassau	
6.75 per cent, 9 August 1978	1 500 000
World Banking Corp., Nassau	
7.25 per cent, 13 September 1979	2 000 000
Chemical Bank, New York	
5 per cent, savings account	1 520 348
Mitsui Bank, Tokyo	
1.5 per cent blocked yen savings account	53 460
Mitsui Bank, Tokyo	
1.5 per cent blocked yen savings account	2 263
Bank of Tokyo, Tokyo	
4.5 per cent, savings account	17
Total	<hr/> 70 546 088 <hr/>

ANNEX

Summary of significant accounting policies

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

- (a) The United Nations University accounts are maintained in accordance with the Financial Regulations of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations, and administrative instructions issued by the Controller, and in conformance with generally accepted accounting principles.
- (b) The financial period of the United Nations University is a biennium and consists of two consecutive calendar years.
- (c) The assets and liabilities and revenues and expenditures are recognized on the accrual basis of accounting.
- (d) Translation of currencies. The accounts of the United Nations University are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the Controller of the United Nations. At year-end, cash, investments and unpaid pledges, other than pledges for future years, are retranslated at the applicable United Nations rates of exchange.
- (e) Deferred charges. For balance-sheet purposes only, that portion of the education grant advance which is assumed to pertain to the scholastic year completed as of the date of the financial statement is shown as deferred charges. The full amount of the advance is maintained in the accounts receivable from staff members until such time as the staff member produces the required proof of entitlement to the education grant, at which time the budgetary account is charged and the advance recovered.
- (f) Gain or loss on exchange. On the closing of the accounts, the balance for loss or gain on exchange is debited to the budget if there is a net loss; if there is a net profit, the profit is credited to miscellaneous income.
- (g) Miscellaneous income. The refund of expenditures which had been charged in the same financial period against the budgetary accounts is credited against the same accounts, but refunds of expenditures relating to the prior financial periods are credited to miscellaneous income.
- (h) Pledges received for future years are recorded as deferred income.
- (i) All government contributions, unless otherwise specified, are put into the United Nations University Endowment Fund. Endowment Fund principal is invested so as to keep the original contributions intact. Only the interest from the investment of the Endowment Fund is being used for the purpose of covering the costs necessary for the operation of the University.

IV. REPORT OF THE BOARD OF AUDITORS

Introduction

1. As required by article IX, paragraph 8, of the Charter of the United Nations University, the Board of Auditors has audited the accounts of the United Nations University for the biennium ended 31 December 1977.
2. The examination was made in accordance with article XII of the Financial Regulations of the United Nations and the annex thereto and with the common auditing standards adopted by the Panel of External Auditors of the United Nations and Specialized Agencies. The examination was conducted both at the University in Tokyo and at the United Nations in New York.
3. During the biennium 1976-1977, accounting and other financial responsibilities were transferred to Tokyo from New York and systems were implemented to accommodate these responsibilities. The review of the financial records in Tokyo indicated that a satisfactory disbursement system, including payroll records, had been established with certification and approval procedures in place. Accounting transactions were, in general, properly supported and in adherence with the Financial Regulations and Rules of the United Nations.
4. Many individuals, at all levels of the Administration are expending efforts toward improving the financial management and control systems in addition to maintaining day-to-day control of operations. The Board's observations and recommendations are intended to direct attention to those areas which, it feels, require priority interest and to suggest the direction in which improvements should be made.

Budgetary control

The budget document as a financial management tool

5. The budget document, as presently prepared, details the organization of the University, its priority programmes and objectives, and the estimated financial requirements to attain these objectives. However, the level of the estimates is based on income to be received from known and anticipated endowment funds and other contributions, with provisions for fallbacks should resources prove unavailable.
6. The Administration has refrained from presenting a "core budget" (which has been proposed by the Advisory Committee on Administrative and Budgetary Questions) because it felt that such a presentation would provide a misleading impression that the University would be able to function at a lower level of income without receiving other additional pledges and contributions. The Board can appreciate the factors which influence the preparation of a budget aimed at obtaining financial support for a new and developing institution dependent upon the building of a substantial endowment fund, and the degree of uncertainty with respect to an attainable level of activity. However, the Board questions the effectiveness of financial control afforded by such an "ideal level" budget and the value of it being

used as a standard for measurement of actual performance. For both 1976 and 1977, actual performance depicted lower levels of activity than budgeted, with variances of approximately \$1.3 million and \$2.2 million from total budgets of \$3 million and \$6 million respectively.

7. The Board concurs with the Advisory Committee's comment that a core budget should be prepared which reflects an expected and attainable level of activity. Such a document would provide an effective standard against which actual performance could be measured. As pointed out by the Advisory Committee it is important for contributors to be assured that available resources will be used prudently and effectively to promote stated objectives. The long-term credibility of the University will only be enhanced by a budget which when compared to actual performance, highlights realistically the areas where stated objectives have, or have not, been met.

8. The Administration has indicated that future budget submissions will project a level of income and activity which the University believes satisfies the criteria of being both "expected" and "attainable" in line with the recommendations made by the Advisory Committee and the Board.

Budget officer

9. The current budgeting process of the University is in an experimental stage and improvements are being made on a trial and error basis. The reviewing bodies, programme administrators and the staff assigned to the preparation of the budget have been for the most part inexperienced in the United Nations planning, programming and budgeting system and what can be expected from it. Due to the financial constraints under which the University is currently operating and the necessity of keeping the size of the Administration at a minimum but effective level, the University lacks the functional leadership which a qualified budget officer experienced in planning, programming and budgeting techniques can provide.

10. The Administration concurred with the Board's observation and has indicated that it will ask the United Nations Office of Financial Services to assist in identifying a suitable candidate.

Internal instructions/guidelines for preparation of the budget

11. There is a need for a comprehensive set of policy guidelines on budget preparation from the Office of the Rector to the various sections. Such guidelines would ensure internal consistency in the assumptions made, method of estimation used, and supporting data to be supplied by the various sections in the submission of budget requests.

Allotment controls

12. It was noted that allotment controls were not operating as effectively as they should be. Although funds are allocated on an object-of-expenditure basis by programme, an analysis of expenditures indicated that there were no strict requirements in Tokyo for adherence to the allotted amounts as there were frequent cases where expenditures exceeded allotments or were charged to an object of expenditure for which there was no allotment. Furthermore, there was no evidence to indicate whether any investigative action had been taken to determine the reasons for the variances.

13. In those instances where expenditures exceeded allotments, there was no formal transfer of funds. Overexpenditures in one area were defrayed by underexpenditures in others. Furthermore, authorizations by the Rector or his designated alternates for overexpenditures of individual allotments were not documented.

14. The Administration has pointed out that during the period under review the three priority programmes developed at different rates relative to their complexity, and, as a result, funds were required to be transferred to the priority programme making the most initial progress; these transfers, however, were authorized by the Rector only after full discussions with the Programme Vice-Rector. The Administration has indicated that established procedures are in the process of being formalized.

Financial reporting systems

15. Our review has raised concern that the present financial reporting systems do not provide programme administrators with an adequate basis for effectively monitoring the resources for which they are responsible. In particular, the Status of Allotment report received from Headquarters does not contain comparable period allotment and expenditure information, is not timely, does not contain adequate information on unliquidated obligations and does not provide appropriate reports of varying degrees of detail for different levels of management. The bi-monthly reports prepared manually at the University in an attempt to overcome some of these deficiencies have not adequately defined the needs of programme administrators and other users, are not reconciled to the monthly reports from Headquarters, and are not timely.

16. Emphasis should be directed towards developing, in consultation with the United Nations Office of Financial Services, a financial reporting system for monitoring budget execution having as a minimum:

- (a) Properly defined programme elements and activities for measuring costs and performance;
- (b) A system capable of allocating costs by activity and of producing financial information on a timely basis;
- (c) Financial reports which present expenditure data which can be compared to allotments in a meaningful manner and which can be understood and used by programme managers for performance measurement;
- (d) Regular analysis of variances between approved plans and actual results;
- (e) Exception reports for senior management.

17. In anticipation of the increased complexity and volume of transactions, consideration should be given to developing a computerized financial reporting system in Tokyo. United Nations Headquarters assistance in the development of the computerized system should also be requested so that the University benefits from the technical expertise developed within the United Nations system and also to ensure that the system is able to provide the information required by Headquarters.

18. Although the programme administrators are charged with the responsibility for programme planning and implementation, their financial accountability to the Rector has not been clearly defined. The Board considers that there is a need for such definition at the various responsibility levels for explanation in financial terms of the results of the execution of planned activities and of non-adherence to approved plans.

19. The Administration shares the view held by the Board that the present financial reporting systems do not provide programme administrators with an adequate basis to monitor effectively the resources for which they are responsible. Furthermore, it has informed the Board that a great deal of work has already been done to develop and to computerize the financial reporting system in Tokyo and that United Nations Headquarters assistance is being sought in connexion with its development.

Other matters

20. Procedures have not yet been formalized for the acceptance, recording and investment of donations from private sources. The Board's observation is based on the following:

Housing subsidy:

21. As noted in the financial report of the University (sect. I above), an ad hoc housing subsidy scheme was instituted in 1975 by the University's administration as a means of attracting top-level personnel who might otherwise have been dissuaded from joining and staying with the United Nations University because of the high cost of housing in the Tokyo area. The scheme is being financed by contributions from Japanese sources in Tokyo, including commercial banks.

22. Authority for acceptance of contributions for the housing subsidy scheme, however, was granted by the Council on an ex post facto basis at its eighth session held in December 1977. Authorization for the opening of an official United Nations University bank account for the housing subsidy scheme was given on an ex post facto basis by the Office of Financial Services on 19 November 1977.

23. As some of these contributing commercial banks are also repositories for the University's investment funds, the practice of receiving funds from these banks might appear to compromise the independence of the University.

Library Trust Fund:

24. The University has been receiving miscellaneous voluntary contributions from Japanese corporations and individuals. In the absence of any specific purpose for which the contributions were made, these funds were accumulated in a blocked yen account and temporarily designated as the Library Fund. The authorization for accepting such donations by the Council was given ex post facto (at its ninth session) and the authorization by the Controller for opening the account was also given on an ex post facto basis.

Donations of automobiles

25. Three cars were donated to the University by private Japanese citizens. There was no documentation to indicate that the Chairman of the Council was consulted

prior to acceptance of these automobiles as required by article V, paragraph 3 (g) of the Charter of the University.

26. The Administration has taken note of the Board's observation that contributions not related to programme activities require the approval of the Chairman of the Council and has indicated that this procedure will be followed in the future. However, the Administration points out that the joining together of several banks to provide voluntary contributions to organizations, such as the University, is not considered unusual in Japan; rather it is an expression of support and goodwill toward the organization and recognition of the extraordinarily high cost of rentals in Tokyo.

Acknowledgement

27. The Board would like to express its appreciation for the positive response by the Administration to its observations and recommendations and the action that is being taken to improve existing systems and procedures. The Board also acknowledges the excellent co-operation and assistance extended by the Rector, the officers and members of his staff and the Secretariat of the United Nations.

(Signed) Ahenkora OSEI
Auditor General of Ghana

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

(Signed) A. MARTINEZ ZULETA
Controller General of Colombia

23 June 1978

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